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CONSUMER GOODS AND DOMESTIC TRADE  
(FOUO 2/80)

1 OF 1

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# USSR Report

CONSUMER GOODS AND DOMESTIC TRADE

(FOUO 2/80)



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USSR REPORT  
CONSUMER GOODS AND DOMESTIC TRADE  
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CONSUMER GOODS PRODUCTION AND DISTRIBUTION

IMPROVEMENT IN MATERIAL, TECHNICAL BASE OF TRADE NEEDED

Moscow VOPROSY EKONOMIKI in Russian No 6, Jun 80 pp 108-117

[Article by Ye. Danilov, candidate in economic sciences, chief of the Administration for the Organization of Labor and Wages, member of the Board of the USSR Ministry of Trade: "An Improvement of the Material and Technical Base of Trade"]

[Text] The question of the necessity for a further dynamic and proportional development of public production and for the consistent realization of the course aimed at increasing efficiency and the quality of work was sharply posed at the November (1979) Plenum of the CC CPSU.

This orientation for the development of public production is also making qualitatively new demands upon trade. This branch of the economy which has a direct influence upon improving the public welfare and on the realization of the party's social program is expanding at rapid rates and absorbing substantial material, financial, and labor resources. From 1960 through 1979 alone commodity turnover increased from 78.6 to 252.2 billion rubles, and the number of workers increased from 5.1 to 9.3 million people.

In recent years there has been an increase in the efficiency and quality of the work of trade enterprises. However, the standard of services for the population does not yet accord with the demands of the time everywhere. A further improvement of the material and technical basis of trade is a factor in increasing the efficiency of the branch and improving the standard of services. In addition, it should be emphasized that this problem has a clearly expressed interbranch character, for its solution depends upon many industrial and construction ministries and departments. Studies by economists<sup>1</sup> show that in large stores which have been built according to modern plans the amount of commodity turnover per square meter of sales space increases and it is also larger per worker. This is confirmed by the following data on the RSFSR system of state trade (see the table below).

[Table on following page]

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Table 1

The Dependence of Commodity Turnover per Worker and per Square Meter of Sales Space Upon the size of the Store

RSFSR State Trade	Groups of Stores by Size of Sales Space (in square meters)									
	50	100	160	250	400	650	1000	1500	2500	9400
Commodity turnover during the fourth quarter of 1978 (in thousands of rubles):										
Per Worker...	13.89	13.67	14.01	14.69	15.51	15.64	17.97	18.84	18.91	22.96
Per square meter of sales space..	1.53	1.54	1.61	1.62	1.62	1.38	1.48	1.96	2.33	3.44

In recent years a new, progressive type of food store -- the universam -- has appeared and received the recognition of buyers. A survey of 58 universams which was conducted by the Ukrainian Scientific Research Institute of Trade in 12 of the country's cities in 1978 showed that these stores have high economic indicators. Thus, commodity turnover per square meter of sales space comes to an average of 9,400 rubles in them, and per worker -- to 58,400 rubles. In gastronoms with the same sales space these indicators are, correspondingly, 6,900 rubles and 47,100 rubles. The profitability level of the economic work of universams is 2.37 percent, that of gastronoms -- 1.81 percent, and that of food trade establishments as a whole -- 1.73 percent.<sup>2</sup> In the universams there is a wider assortment of foods; the sale of non-food goods in everyday demands is performed here; great opportunities have been created for buyers for selecting the necessary goods; and they spent less time making purchases. As of 1 January 1979 the country had in it 206 universams and 51 stores equated to universams with an average sales space of more than 1,000 square meters.

During the Tenth Five-Year Plan the development of the trade network was accompanied by an enlargement of trade enterprises and an increase in the number of trade centers and department stores. The sales area in the newly opened stores in 1988 came to an average of 134 square meters. In addition, the average sales area which was put into operation on the basis of new construction and the creation of stores on the first floors of new residential houses was equal to 159 square meters. The enlargement of enterprises was promoted by the nomenclature of types of stores which had been approved by the USSR Ministry of Trade and of the USSR State Committee for Civil Construction and which

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prescribes that the minimum size of newly commissioned sales area could not be less than 250 square meters. In 1977-1978 Gostroy USSR and the USSR State Committee for Civil Construction jointly with the USSR Ministry of Trade reviewed the list of existing standard plans for trade enterprises located both in individual buildings and in structures built into and onto residential houses and excluded obsolete plans. The new plans provide to a greater extent for the satisfaction of the population's needs for goods in overall demand, for decreasing irrational expenditures of time for goods purchases, for the introduction of progressive forms of sales, the overall mechanization of labor processes, and for a decrease in labor expenditures for the sale of goods.

Trade centers are operating and being built in Moscow, Kiev, Leningrad, Orel, and other cities. For example, the total area of a sales room in this kind of center in Chelyabinsk came to 32,000 square meters, including 13,000 square meters for sales. The buyer here is offered a wide assortment of food and industrial goods, and there are public catering enterprises. The center's commodity turnover in 1978 reached 104 million rubles, and the number of its workers is 1300 people. Ninety-five percent of the goods are sold by the self-service method. Eight consumer complexes have been organized in the department store -- groups of goods for women, men, children, for everyday life, for recreation, and so forth. A linear system of placing the equipment is used. Twelve-meter lines have been created for each group of goods. Ninety types of additional services are also provided here -- home deliveries, tailoring, the acceptance of orders for goods which are temporarily not on sale, various consultations, and so forth. Commodity turnover per square meter of sales space in the store is 8,000 rubles, which is four times greater than the average of the country, and commodity turnover per worker is 80,000 rubles compared to 46,300 rubles in the USSR as a whole.

Consumers are now trying to save as much time needed for purchases as possible and to purchase both food and industrial goods "under one roof." And the trade centers make it possible to do this by means of the concentration of commodity turnover, an enlargement of sales rooms, the use of the achievements of scientific and technological progress, the well-conceived display of equipment and goods, the installation of information signs, a simplification of payments for purchases, and so forth. The preconditions are created in them for overall services for the population, for a substantial reduction of distribution costs, and for increasing the efficiency of trade and the quality of services for buyers.

An enlargement of stores is also characteristic for the development of trade abroad. For example, the construction of large trade facilities is being carried out in Poland: department stores with a sales area of

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no less than 2,000 square meters, universams with an area of no less than 400 square meters, and sales salons with a sales area of no less than 600 square meters. In the United States as of 1 January 1978 supermarkets (an average sales area in 1977 of 1707 square meters) came to 18.8 percent of the total number of food stores and accounted for 76.3 percent of the commodity turnover of food stores.<sup>3</sup> The same tendency is also occurring in other countries.

During the Ninth and Tenth Five-Year Plans various measures were taken in our country to develop the material and technical base of trade. During four years of the current five-year plan alone around 5.5 billion rubles were assigned for these purposes (for state trade). However, the growth rates of the material and technical base of state trade during the Ninth Five-Year Plan, as during the previous one, lagged behind the growth rates of commodity turnover. At the present time in our country's cities there are approximately 160 square meters of sales area per 1,000 inhabitants with a current norm of 185 square meters and a future one of 230 square meters. In other words, the supply level of this area for the population comes to approximately 86 percent. Warehouse space is only 77 percent of the norm. This is explained, on the one hand, by the insufficient amounts of capital investments which were allocated and, on the other, by their bad utilization in a number of republics. Thus, in 1979 the capital investments plan for the "trade" branch in the Kirgiz, Turkmen, Tadzhik, Estonian, Georgian, and Latvian Union Republics was fulfilled by 70 to 90 percent. The situation is unsatisfactory as regards the fulfillment of the construction and installation plan by many ministries (in the contracting organizations of the USSR Ministry of Heavy Construction it was fulfilled by 87 percent, of the USSR Ministry of Industrial Construction -- by 80 percent, and of the USSR Ministry of Agricultural Construction -- by 80 percent). The capital investments which are formed on the basis of 5 percent of the allotments from investments in housing construction are poorly utilized locally. In 1979 they were under utilized by 35 percent. The assignment to increase the network of stores in state trade which was established for 1979 was fulfilled by 96 percent, while during four years of the five-year plan it was fulfilled by 94 percent.

The 12 July 1979 decree of the CC CPSU and USSR Council of Ministers "On Improving Planning and Strengthening the Influence of the Economic Mechanism on Increasing Production Efficiency and the Quality of Work" emphasizes the necessity for concentrating capital investments and assigning them first of all for the reconstruction and reequipping of operating enterprises. It is recorded in the decree: "Funds for the construction of new and the expansion of operating enterprises are to be allocated in the event that the needs of the economy for a given type of output cannot be provided for by operating enterprises after their reconstruction and reequipping." This statement is very important not

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only for industry, but also for trade. Practice has shown for a long time already that the reconstruction of trade enterprises and their reequipping provides a much greater effect than new construction. It should also be kept in mind that most of the stores which were previously built no longer correspond to the requirements of modern technology. Yet during the last ten years the operating network of state trade stores has been renewed at the level of only 24 percent. As a result, the great majority of the enterprises are in need of substantial reconstruction. This requires the wider use of funds for capital repairs, with their concentration at the level of trade enterprises and cities so as not to be limited, for example, to painting work, but to reequip enterprises facility after facility. Much more active use has to be made for these purposes of credit from Gosbank and Stroybank USSR.

The initiative of a number of oblasts of the RSFSR and the Ukrainian SSR connected with the overall rationalization of the trade network deserves approval and development. Thus, in Lipetskaya Oblast the administrations of trade and public catering have developed a plan-program for the overall rationalization of state trade and public catering for 1979-1985 which has been approved by the obkom CPSU and the ispolkom of the oblast Soviet of People's Deputies and agreed upon with the RSFSR Ministry of Trade. This plan represents an effective form of the overall special-purpose program approach to the solution of the problems of a further improvement of the organization of trade, the organization of technological progress, and a rise in the level of trade services for the population. They establish concrete assignments for the development and reconstruction of the material and technical base of trade, for the introduction of new equipment and advanced technology, and for the use of progressive service methods. The plan-program for the overall rationalization of trade is aimed on the whole at a further improvement of the management of trade enterprises, a strengthening of the relationships between trade and industry, a rise in the level of commercial work, an economy of labor expenditures, and an improvement of the training and placement of cadres.

The program is being successfully put into practice. The "Prodtovary" Trade Association which contains 100 stores and the "Klen" Wholesale-Retail Association which has concentrated in it more than 90 percent of the sales of furniture in the oblast's system of state trade and where the functions of supplying furniture to consumer cooperative stores, workers' supply departments, and so forth have been created in Lipetsk. In order to improve trade in commodities of a children's assortment a specialized association has been created in the Lipetsk city industrial trade organization, which has made it possible to make more efficient use of commodity resources of children's clothes. Its sales are concentrated in the specialized trade enterprises -- "Children's World," "Buratino," and "Children's Goods." There is a wholesale-retail

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enterprise for the sale of records in the oblast. A large amount of work is being conducted in Lipetskaya Oblast on the specialization and concentration of sales of goods in a complex assortment in large stores.

The construction of large stores and punctual equipment supplies for them makes it possible to carry out the specialization and concentration of the sale of cultural and domestic goods and of a wide products list of light industry goods. For example, in the system of the Ministry of Trade of the Belorussian SSR the level of specialization in the sale of non-food goods comes to 84.2 percent, including 82 percent for clothing, 88.5 percent for footwear, and 100 percent for goods of a complex technical assortment. In Minsk after the commissioning of the "Gorizont" store with a sales area of 2,600 square meters the sale of television sets and radios was concentrated in two stores. It is wellknown that the sale of radio goods and electric household machinery and appliances, especially with their modern assortment and technical complexity, requires special conditions which are necessary for the pre-sale preparation and demonstration of these articles in action and for consultations by specialists. In "Gorizont" buyers are served by experienced specialists. If the buyer so wishes, his purchase is delivered to his home and installed there. In order to facilitate the infra-store movement of television sets and radios wide use is made of mechanization equipment, and the level of manual labor has been reduced to a minimum. This kind of specialization of the trade network is very convenient for buyers. A television set is not bought every year. For this reason, a considerable distance from the buyer's residence to the specialized store cannot be a hindrance.

It would seem advisable to conduct a thorough survey of a trade network and on this basis to bring about a more efficient and more convenient for buyers use of operating and newly commissioned trade enterprises. It has to be noted here that as the general plans for the development of cities are approved the planning institutes of the USSR State Committee for Civil Construction and the USSR Ministry of Trade and of the gosstroys of the union republics work out plans for the development and siting of the network of trade and public catering enterprises for the calculated period and for the near future. As of 1 January 1979 long-term plans for the development and siting of the trade network of 230 cities were made up.

Along with the concentration and specialization of the sale of durable goods through the enlargement of the trade network and the creation of department stores, the task has arisen of making it as easy as possible for buyers to purchase non-food goods in everyday demand. We are talking about the organization of the sale of accompanying goods in large food stores. In individual department stores their sale comes to from 1.5 to 3 percent of the total commodity turnover. However, in most cases the

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the assortment of these goods ranges within the limits of from 80 to 100 items and is represented basically by large household articles and toys which sometimes occupy up to 20 percent of the space in the sales room. There are no haberdashery, perfume and cosmetic, paper, school, office, and other goods in everyday demand on sale.

Meanwhile, there exists favorable experience in this kind of reorganization of the trade network. In Klaypeda (Lithuanian SSR), for example, in the food stores which have concentrated in them a universal assortment of foods (groceries, vegetables, bread) they also sell non-food goods which occupy 30 percent of the entire assortment. This makes it possible for the population to simultaneously buy foods and prime necessity articles, simplifies the purchasing process itself, and saves time. The indicators of the stores' economic work have substantially improved here and the labor of their workers is used more efficiently. The reorganization of trade demanded a change in the procedure for supplying these stores. The central food base which supplies them became a mixed base -- a department of prime necessity industrial goods has been created in it.

An enlargement of the trade network is the general direction of the development of trade in the near and more distant future. It has been calculated that enlarged trade enterprises, which have been built in accordance with the general plans for the development of cities, the efficiency of labor is increased by almost 25 percent, the number of workers decreases by 15 percent, the return on fixed capital increases, and the standard of services improves. However, for the time being the trade network in our country is represented basically by small stores whose areas do not exceed 80 square meters. It is not possible to replace these facilities with larger ones in the next few years, but in the future the need for them will not completely disappear. In a number of socialist countries, for example, in Poland small stores of the "RUKH" type are successfully functioning and enjoying the deserved respect of buyers. For this reason, in our view, now is the time for us to think through the specialization of small stores and to carry out their reconstruction. This kind of work has been performed in the cities of Ryl'sk in Kurskaya Oblast, Yel'ts in Lipetskaya Oblast, and in certain others and it has made it possible to improve trade services and increase the efficiency of trade.

Given the still insufficient development of the trade network its more efficient use is of great importance. At the present time actual sales areas are sometimes used ineffectively and are frequently turned, in essence, into warehouses. Due to a sometimes poorly conceived placement of equipment and cash registers, demonstration space is reduced. Yet, there already exists favorable experience in this work. For example,

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since 11 October 1977 a single payment center has been in operation in the Chernigov Trade Center. The sales area of the two-story department store comes to 2,730 square meters, the number of staff places is 250, and commodity turnover is around 30 million rubles. The organization of a single payment center has made it possible to make a more intensive use of sales areas. Instead of the 70 registers which previously existed in the salesroom there are now 18. In addition to a more efficient use of equipment, this has made it possible to expand the installation area by 5 percent which, in its turn, has given rise to an increase in commodity turnover of approximately 1 million rubles. In addition, the number of workers in the salesroom has conditionally decreased by 27 people whose annual wage fund came to 2,000 rubles. The buyer has also gained. A study of time expenditures for purchases has shown that with two purchases in the "stockings and hosiery," "knitted sports goods," and "household chemistry" sections payment time has decreased by 1.4 times, with three purchases, by 1.9 times, and with five purchases -- by 2.9 times. Commodity turnover in 1978 increased by 5.6 percent and by 5.8 percent per one square meter, and labor productivity increased by 5.3 percent. The profits plan was fulfilled by 102.5 percent, and the economy of commodity stocks compared to loss norms came to 5,500 rubles.

The use of improved equipment in paying for purchases also promotes an improvement of the use of sales areas, especially in self-service stores. Thus, with work on the totalling registers of the "Oka" type compared to work on the "Kim-2" register the labor productivity of the cashier, other conditions being equal, increases by 20 to 25 percent. Our industry has now mastered the production of the multi-function "Iskra P-302A" multi-function control register. It makes it possible to mechanize and automate the calculation of monetary receipts and the issuance of documents and to control these operations in 9 sections. Unfortunately, there are still not enough such rapid-action cash registers, and industry is not satisfying trade's requisitions for them. Meanwhile, practice shows that there are even more improved electronic cash registers which make it possible not only to accelerate the process of paying for purchases, but also to keep track of the sale of goods in a wide assortment.

The economic efficiency of the use of sales areas in self-service stores is still low. As a result of surveys conducted in early 1977 it has been established that commodity turnover per one square meter of sales space in self-service non-food stores is 15 percent lower and in food stores 26 percent lower than in stores where goods are sold in the traditional method -- over the counter. In increasing the efficiency of self-service stores a large role is played by the typization of the placement of equipment, by a better use of sales areas by means of increasing display areas, an expansion and the stability of the assortment of goods, the regulation of staff, and the elimination of surplus workers.

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A rise in the level of the mechanization and automation of labor, the overall use of equipment, and an improvement of the organization of the use and repairing of trade equipment are among the most important factors of improving the use of the material and technical base of trade.

Before examining these questions I would like to make one general comment. In the economic literature in recent years a solid place has been occupied by the proposition that although deliveries of modern technological equipment to trade enterprises have been increasing, the level of labor mechanization in them continues to be low: 10 percent at state trade enterprises, 21 percent at public catering enterprises, and 22.5 percent at general wholesale warehouses, at potato, fruits, and vegetable storage units, and at refrigerators.<sup>4</sup> The conclusion is frequently drawn here that with respect to its equipment level trade occupies one of the last places in our economy. In our opinion, it is scarcely possible to agree with such an evaluation. The fact is that so far there is no scientific work on the possible mechanization levels of trade processes. The average size of a store in 1978 came to 82.5 square meters. The question arises: What kind of mechanization level can exist in stores with a smaller area and with regard to the assortment of their goods? What kind of labor processes can be mechanized, for example, in a perfume and haberdashery store with two workers? In general, can the level of the mechanization of labor in trade be 100 percent? Of course, not. The approach here has to be a differentiated one. Further work is needed on the directions and possible levels of the mechanization and automation of labor in trade.

It seems to us that the most important problem is the one of mechanization and automation of labor in loading and unloading goods and in moving them within the store. At the present time more than 800,000 workers are employed in loading and unloading operations. The theory and practice of recent years makes it possible to define the prospects for decreasing labor expenditures in these heavy physical jobs. In the food trade they can be reduced above all through the organization of industrial packaging of goods, by putting it in packaging equipment at industrial enterprises or wholesale bases, and delivering it to the stores by specialized transport. Our industry and the enterprises of the CEMA countries produce different types of floor transport for the intra-store movement of goods and it is necessary for the configuration and layout of salesrooms and auxiliary premises to make it possible to use it. For example, in Leningrad packaging equipment has been used since 1977 in the "Shuvalovskiy" universam. The overall sales area of this store comes to 4,055 square meters, and includes 1,010 square meters for the salesroom and 889 square meters for the packaging shops. Trade in goods is carried out here according to the scheme of "supplier-salesroom-buyer." The technological basis of the new trade process is comprised of 792 special containers of two types, special machines for moving them, electric loaders, and hydraulic

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carts. A good which has been prepared for sale is loaded into a container at the supplier's place, and an electric loader puts it into the truck or container carrier which is sent to the store. In the universam the container is taken off the machine by an electric loader and delivered to the salesroom or to a temporary storage site. As a result, compared to the unloading of foods in retail packaging, the expenditure of time for unloading the machine has decreased by 3.5 times. Expenditures of manual labor for moving goods have practically been reduced to nought.

The use of containers has made it possible to substantially expand the assortment of goods in the salesroom, to bring their amount to 60 percent of total commodity stocks, to increase the display area from 38 to 65 percent, and to decrease the equipment area from 35 to 28 percent. The salesroom has become more open. Convenient access to the containers and the refrigerated counters, and beautifully made up information signs which indicate the place where a group of foods is kept help the buyers to rapidly orient themselves in the salesroom and choose the goods they need; and the 17 cash registers at the payment center which are equipped with rapid-action machines make it possible to reduce time expenditures for paying for purchases to a minimum. The use of packaging equipment has brought about an increase in labor productivity of 16.5 percent in the universam as a whole. It should be kept in mind here that only around 40 percent of the packaged goods are delivered from enterprises, while 60 percent are packaged in the store, which requires the appropriate workers.

Containers (packaging equipment) are now used in approximately 1300 fruit and vegetable stores. Packaging equipment is also used in the sale of certain types of household goods. In 1959 the "House of Wallpaper" which traded by the traditional methods was opened in Moscow on Krasikov Street. Its sales area came to 542 square meters and it had 48 workers. Buyers spent three to four hours on purchasing wallpaper, and the work of the store's workers was hard. For example, in the "wallpaper" section a salesman received two tons of goods a day, while a worker received 12 tons; this caused a large labor turnover and low profitability. In 1976 the store was transferred to the self-service method with rolling containers according to the scheme "factory-transportation-salesroom." This made it possible to curtail 8 technological operations in the store and 13 at the factory and in transportation. Time expenditures for purchases were reduced 8 to 10 times. Commodity turnover increased by 15 percent with a decrease of six workers.

The use of flatcars in delivering and storing goods is of great importance for the mechanization of labor in trade. Their use makes it possible to increase labor productivity in loading and unloading operations from 25 to 30 percent.

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In recent years measures have been taken to create and expand the production of new mechanization and automation equipment for trade production processes. For example, in 1978 there were 72,200 totalling cash registers in trade, including around 6,000 electronic ones; many stores have scales which show weight and price. The trade enterprises of Klappeda have installed in them and are successfully operating five lines of the "LUVG-350" type for packaging groceries in a vacuum, and open refrigeration equipment with forced air circulation for the self-service store with centralized cold supply. At the beginning of 1978 around 1700 flow lines for the packaging of potatoes, vegetables, fruits, and so forth, were in operation at state fruit and vegetable enterprises.

More and more mechanization and automation equipment is being received in trade and its quality is improving, although even practical workers are observing with complete justice in the economic literature that there is still not enough highly productive equipment and that the quality of many of its types is in need of improvement. But it is not only a matter of the quantity and quality of trade equipment: it is very important to use it efficiently. Yet, the level of the use of installed equipment, including those types which are very scarce, is still very low in the branch. This is the result of the fact that modern technologies which ensure the overall use of new equipment are still being introduced slowly here.

An increase in the production and delivery to stores of packaged goods is one of the basic conditions for the further development and improvement of the work of self-service food stores. Unfortunately, the enterprises of the food industry are not supplying trade with such goods in the necessary amounts. Therefore, wholesale and retail enterprises are compelled to package the goods themselves, which, of course, is less productive and more expensive. With the decentralized installation of equipment in stores it is used extremely unproductively: packing and packaging equipment at the level of 20 to 50 percent, and automatic units and scales for flour and sugar at the level of 60 to 75 percent. Meanwhile, a substantial amount of highly productive equipment is concentrated in the stores. Thus, in 1975 of 476 automatic machines for packaging loose goods in stores, 292, or 60 percent, were installed, and in 1979 -- 68 percent. A similar situation can be seen with lines for cutting and packaging groceries, 80 percent of which are in stores. The proportion of packaging foods in stores comes to 90 percent in the Kirgiz SSR, 80 percent in the Kazakh SSR, and 75 percent in the Uzbek SSR. In 1978 around 2 million tons of sugar and flour were packaged in stores. With a more efficient use of packaging equipment and its concentration in specialized shops of trade establishments and associations it would have been possible to package around 4 million tons of these foods. In order to correct the situation it is necessary, first, to more actively

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demand the production of packaged goods from industry and, secondly, to centralize the packaging of goods in specialized shops and bases, concentrating highly productive equipment there.

A great deal in the question which is being considered depends upon the initiative of industrial and trade enterprises and organizations and their superior agencies. To confirm this I would like to cite two examples. In the Estonian SSR the packaging of foods is carried out by industry and trade. The production by industry of packaged foods is systematically being increased. Their proportion comes to 50 percent in the republic, compared to 33 percent in the country as a whole. Margarine, animal oils, poultry fat, and cheese products come into trade enterprises only in packaged form. The need of retail trade for packaged macaroni products, bottled beer, whole milk, sour cream, and certain other foods is being completely met.

During the Tenth Five-Year Plan the amount of packaging increased by almost 13 percent in that republic's trade system and this was helped by the universal organization of packaging shops and the centralization of equipment. Almost 70 percent of the foods packaged in trade were packaged in these shops, including all of the loose sugar and more than 50 percent of the flour and candy products. In order to efficiently organize the packaging process and improve the use of equipment in the specialized shops they are being reconstructed in accordance with a technological packaging scheme which has been developed. There is a completely different situation in the Turkmen SSR. Here the food output packaging plants are not being fulfilled by industrial enterprises. The proportion of candy and macaroni products which are packaged in industry comes to only 2 percent of their total production, for meat it is 8.8 percent, and for whole milk 15 percent. Measures are not being taken to centralize the packaging of goods in trade and they are packaged chiefly in stores. The reason for such diametrically opposed results as in our examples is obviously in different levels of organizational work.

In speaking about a more efficient use of equipment attention has to be called to the necessity for punctual repairs of existing mechanisms. A repair service has been created in the system of the USSR Ministry of Trade which brings together around 230 repair and installation enterprises at which 50,000 people work. Many of these enterprises are outfitted with modern equipment and have qualified cadres. At the same time, in individual trade enterprises punctual and high quality technical servicing and repairs of trade equipment are not provided. As a result, some of the equipment stands idle or is operated with technical deficiencies. There has not been a complete solution to the problem of the production of spare parts for equipment the need for which is met by the Ministry for Light and Food Industry Machine Building by less than 30 percent and by

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the Ministry of Instrument Making by 42 percent. A further improvement by the material and technical base of trade depends upon the workers both of trade and of other branches of the economy. And during the period when the economic and social development plan for forthcoming years is being prepared this should be kept in mind.

FOOTNOTES

1. R. A. Lokshin, "On Increasing the Economic Efficiency of Trade," 1972.
2. SOVETSKAYA TORGOVLYA, No. 11, 1979, p. 26.
3. "Express Information of State Trade," Issue II, p. 4, 1979.
4. G. N. Korovkin, "The Problems of Reequipping Trade," 1977, pp. 10-11.

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CONSUMER GOODS PRODUCTION AND DISTRIBUTION

PRIVATE SUBSIDIARY SECTOR FOOD PRODUCTION UNDERUTILIZED

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[Article by V. Voronin, candidate in economic sciences, docent, head of the Department of Economic Subjects of the Voronezh Faculty of the Correspondence Institute of Soviet Trade: "The Private Subsidiary Sector and Trade"]

[Text] Under developed socialism the problems of increasing food resources are being solved in the interests of all of the members of society and with an unchanged level of retail prices which makes it possible to satisfy the needs of people with different income levels. In order to maintain stable retail prices annual state subsidies have come to more than 20 billion rubles for meat and dairy products alone. Beginning with 1 January 1979, in accordance with the decree of the July (1978) Plenum of the CC CPSU they were increased by an additional 3.2 billion rubles.

Our country is characterized by an equalization of the consumption structures of the different groups of the population and the individual regions of the country, by the amounts of consumption of the most important foods coming close to the physiological norms, by an improvement in their balance, and by a decrease in the proportion of natural consumption. This is being promoted both by the development of a production of agricultural output, the high growth rates of monetary income, especially for the low and medium-paid categories of the population, and also by an increase in payments and benefits from the social consumption funds. The problem has now been solved of providing each inhabitant (precisely each one, and not an average statistical one as in the capitalist countries) with a high calorie diet (3,000 calories a day) although the structure of the diet as a whole is still in need of a certain improvement; that is, an optimization of the relationships between proteins, carbohydrates, fats, vitamins, and different types of foods -- meat, milk, fruit, and vegetables -- for which the physiological consumption norms have not yet been attained.

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With the growth of monetary income, especially for the low and medium-paid categories of workers, there is a change in the structure of needs and consumption. They become equalized for the different categories of the population on the basis of an increase in demand for the most valuable and high quality foods -- meat, milk, fruits, and vegetables. The demand for them grows at more rapid rates than the average growth rate of monetary income. The production of these foods in the public sector does not always keep up with the growth of needs. This is why it is necessary to make fuller use of all of the possibilities to increase these foods. "The basis for the formation of state food commodity resources is undoubtedly public production," L. I. Brezhnev observed at the 16th Congress of Trade Unions. "At the same time, it is important to make full use of the possibilities of the personal subsidiary farms."

At the present period personal subsidiary farms (PSF) play an important role in the production of agricultural output. The PSF now account for around 60 percent of the gross production of potatoes and honey, around 40 percent of the production of fruit, berries, and eggs, and around 30 percent of the production of meat, milk, and vegetables. The income from the PSF comes to one-fourth of the total income of kolkhoz workers, and comprises an important part of the income of sovkhoz workers. According to our calculations, the total income from the PSF is 18 billion rubles a year.

However, the marketability of the PSF is substantially lower than that of the public sector of production. In 1977 it accounted for only 42 percent of the commodity output of potatoes, 13 percent of vegetables, 12 percent of meat, 7 percent of eggs, and 5 percent of milk.<sup>1</sup> This is the result of objective causes -- first of all, the assignment of the preponderant part of the output grown for personal consumption which in individual cases reaches 70 to 80 percent of the gross production of the PSF. At the same time, the owners of the output which has been grown on the PSF experience difficulties in selling it. The independent sale of output on the kolkhoz market is connected with transportation difficulties and requires an enormous amount of free (and frequently working) time. The annual losses of working time by rural inhabitants for the sale of output on the kolkhoz market is estimated at more than 200 million man-days.<sup>2</sup>

There is in effect no effective system of relationships between the owners of the PSF and the basic procurers of agricultural output in the village. The share of their output in the country's retail commodity turnover has a tendency to decrease; however, for comparable commodity groups it still accounts for a substantial part of the turnover. In 1977 it came, according to our calculations, to 13.2 percent of the total turnover of comparable groups of food goods, while the amount of money exceeded 10 billion rubles.

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Table 1

The Sale of PSF Output in the Country's Retail  
Commodity Turnover for Comparable Commodity  
Groups\* (in millions of rubles)

	1940	1965	1970	1975	1977
PSF output in retail turnover:					
through state procurements.....	661	1426	1874	3025	2142
Through state and cooperative trade.. -		1345	2204	2676	2495
Through the kolkhoz market.....	2900	3600	4200	5200	5700
<b>Total</b>	<b>3561</b>	<b>6371</b>	<b>8278</b>	<b>10901</b>	<b>10357</b>
Output of the public sector in retail turnover.....	6784	34502	48444	62552	67830
<b>Total overall turnover.....</b>	<b>10345</b>	<b>40837</b>	<b>56722</b>	<b>73453</b>	<b>78167</b>
Proportion of PSF output in total turnover.....	34.4	15.6	14.6	14.8	13.2

\* The table has been calculated on the basis of the data in the Statistical Yearbook "USSR National Economy in 1977," 1978, pp. 210-212, 449, 4458. We have made the assumption here that the sale of PSF output to the population which is not taken into account by state statistics is no lower than the amounts of procurements and the sale of surpluses of agricultural products on the kolkhoz market than the output of the public sector (kolkhozes, sovkhazes).

Consumer cooperatives have a leading role in ensuring the punctual and fullest procurements of surpluses of agricultural output in the PSF. They are performed according to agreed upon prices that take account of the operating prices on the kolkhoz market, or else on a commission basis. Procurement offices have been created for the performance of this function in the system of consumer cooperatives. However, the organization of these procurements and the sale to the population of surplus output on the PSF is still being performed by the consumer cooperatives in inadequate amounts, which is witnessed by the following data.

[Table following page]

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Table 2

## Procurement of PSF Output Surpluses by Consumer Cooperatives\*

	1970			1977		
	Gross production on the PSF	Procurements Amount	Proportion of output of the PSF (in percent)	Gross Production on PSF	Procurements Amount	Proportion of the output of the PSF (in percent)
Meat (in millions of tons).....	4.3	0.2	4.7	4.3	0.19	4.4
Milk (in millions of tons).....	29.8	0.04	0.1	27.4	0.02	0.1
Vegetables (in millions of tons).....	8.1	0.38	4.7	7.0	0.36	5.1
Potatoes (in millions of tons).....	62.9	0.25	0.4	49.4	0.23	0.5
Eggs (in billions of units).....	21.7	0.5	2.3	21.2	0.4	1.9

\*The table has been calculated on the basis of the data of the Statistical Yearbook "USSR National Economy in 1977," pp. 202, 204, 259, 462.

The amount of animal husbandry surpluses which is procured by consumer cooperatives at agreed upon prices or on commission comes to a negligible part of the gross production on the PSF. During the Ninth and Tenth Five-Year Plans there was a definite tendency toward a decrease in the amounts of such procurements. Thus, compared to 1970, in 1977 they came to 95 percent for meat and vegetables, 92 percent for potatoes, 80 percent for eggs, and 50 percent for milk. At the same time, there was a decrease in the proportion of the animal husbandry products bought by consumer cooperatives from the population in the total amount of their production on the PSF.

On the whole, on the basis of a rise in the level of procurement prices for certain types of output the total amount of sales by consumer cooperatives of foods purchased at agreed upon prices and on commission has remained unchanged since 1970 and comes to 1.5 billion rubles. It should be noted that the level of retail prices for this output in the stores of cooperative trade is on the average 25 to 30 percent lower than the prices of the kolkhoz market, which provides consumers with an annual

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economy of around 500 billion rubles. Thus, an increase in the amounts of procurements by consumer cooperatives makes it possible not only to more fully satisfy the needs of the population for agricultural output, but also to provide for them at low prices. For this reason, a decrease in the amounts of procurements of agriculture surplus output by consumer cooperatives on the PSF which has been occurring in recent years is impermissible.

The basic reason for such a situation, in our opinion, is an insufficient interest by consumer cooperatives in increasing procurements of PSF output. First of all, the economic work of consumer cooperatives is multi-branch: in addition to the organization of retail and wholesale trade and public catering in the village, this work consists of state procurements of many types of agricultural products in the public sector of production, the processing of agricultural raw materials, the production of foods and non-food goods, the raising of fur-bearing animals, animal husbandry, and poultry breeding on their own subsidiary farms (which are large agricultural enterprises), and the procurement of wild fruits, berries, and medicinal grasses. Against the background of these large-scale operations, the work of organized procurements of PSF surpluses is put in second place. In addition, a violation of the established assignments on procuring agricultural surpluses from the population practically entails no responsibility. Moreover, a decrease in procurements of agricultural surpluses is not reflected in the amount of material rewards for cooperatives, particularly on the amount of bonus payments for the fulfillment of the trade and production plan. When bonuses are paid account is taken primarily of the fulfillment of the plan for such indicators as the total amount of retail commodity turnover, the amount of state procurements, and the amount of output production.

Secondly, the sale of output which has been bought at agreed upon prices or taken on commission enters into the total amount of the retail commodity turnover of consumer cooperatives and occupies a negligible proportion in it. In 1977 it came to only 2.3 percent. And although since 1969 the economic plans of the union republics, particularly the RSFSR, have provided a separate line for the amount of sales of such output, the total amount of retail commodity turnover remains the basic indicator for evaluating the results of trade work. An under-fulfillment of the plan for the sale of agricultural surpluses bought from the population can be covered through the sale of other groups of goods (which is what is done). Thus, in 1978, according to the data of the Central Scientific Research Laboratory for Demand of the Central Union of Consumers' Societies, the rhythm of transporting and selling agricultural output which had been bought on the PSF was on a low level. During the course of a month interruptions in the delivery and sale of potatoes occurred in 59 percent of the stores surveyed, pickled provisions -- 67, pork -- 71, and beef -- 76 percent of the stores.

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Thirdly, the labor intensiveness of procurement work on the PSF is much greater than with procurements in the public sector; the output is basically perishable and the slightest delays in selling it leads to losses. The responsibility for such losses is much greater than for a disruption of the procurements plan or for simply refusing to accept the output from the population. In the latter case the losses are born by the owners of the PSF, and not the trade.

All of this leads to the fact that the owners of PSF, especially in remote areas, experience great difficulties in selling output which is needed by the population. Thus, in 1977 honey was refused from the owners of PSF in Saratovskaya Oblast, and in 1978 meat was refused in Kirovskaya Oblast. At the same time, five stores of the Central Union of Consumers' Cooperatives which sold agricultural output were closed here. In many oblasts procurers did not accept rabbit meat, with the result that its price on the kolkhoz market became much higher. The Central Union of Consumers' Cooperatives has an insufficient network of reception-procurement points and, in addition, they are marked by a low level of material and technical supplies. In the areas of Siberia and the Far East a single point accounts for only 2,600 farms, while in Chitinskaya Oblast and Khabarovskiy Kray there are none at all. In a number of places the reception points operate at an inconvenient time for the sellers of agricultural output. There are also difficulties for the sellers in receiving money.

It should be noted that in carrying out the decisions of the 25th CPSU Congress and the July (1978) Plenum of the CC CPSU the Central Union of Consumers' Societies adopted a course aimed at improving the organization and increasing the procurements of agricultural products from the population and kolkhozes at agreed upon prices, and at a wider development at improvement of the sale of these products in cities and workers' settlements. This plan was approved by the decree of the CC CPSU and USSR Council of Ministers "On a Further Development and Improvement of the Work of Consumer Cooperatives" (1979). An acceleration of the development of the network of reception-procurement points is envisaged. By 1980 it is planned to create this kind of point for every 200 to 300 farms, and by the end of 1985 -- on the territory of every rural Soviet. The capital investments needed for their development are now being allocated in construction plans as a separate line and are being used strictly for their purpose.

Along with the development of the network of reception-procurement points, the conclusion of long-term contracts with PSF owners has begun to be practiced on an ever wider scale. The introduction of contact relations will make it possible to determine beforehand the concrete amounts of the procurement of each type of output, which will become the economic basis for the establishment of the procurement work plans

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of the Central Union of Consumers' Societies. The contract system guarantees the PSF owners the sale of all of their surpluses with the smallest expenditures of effort, means, and times. However, the contract system has not yet been satisfactorily organized in all of the union republics. Whereas at the end of 1978 1.5 million contracts were concluded in the Ukraine and in the Russian Federation, in Belorussia only 40,000 were concluded and in Georgia and Armenia not a single one was concluded.

The PSF owners with whom contracts have been concluded for the procurement of agricultural output surpluses can receive money advances (through Gosbank credit) for the procurement of animal husbandry products of up to 50 percent of the amount agreed upon by the sides, and of up to 30 percent for the procurement of cropping output. This is an important economic stimulus for growing the output on the PSF which is needed by the country.

At the same time, in our opinion, there also has to be an increase in the economic significance of the plans which are established for the Central Union of Consumers' Societies for the procurement and sale to the population of agricultural surpluses which are bought at agreed upon prices or taken on commission. The fulfillment of these plans should be equated to the fulfillment of the retail commodity turnover plan and the state procurements plan.

At the present time most of the PSF agricultural surpluses are drawn into circulation by means of kolkhoz trade. In 1977 its turnover came to 5.7 billion rubles and exceeded the turnover of consumer cooperatives in the sale of agricultural surpluses by almost four times. For this reason, an improvement of kolkhoz trade, an increase in its efficiency, and an ever deeper introduction into it of planning principles are very important directions for increasing the country's food resources.

The decree of the CC CPSU and USSR Council of Ministers "On Measures to Further Develop Trade," (1977) provides for measures aimed at improving the organization of kolkhoz trade. The periods for the extension of credit by Gosbank for the construction and reconstruction of kolkhoz markets have been increased to six years (there are 6,500 such markets in the country). It is planned to use the funds from one-time collections strictly according to their purpose -- for the development of the material and technical base of the kolkhoz markets. Gostroy USSR has been charged with the development of standard plans for covered markets. It has been recommended that the kolkhozes and sovkhoses provide active assistance to the population in organizing the transportation of agricultural output surpluses to the kolkhoz markets by allocating motor vehicle transportation for this.

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The attraction of additional commodity resources depends to a large extent upon the level of the organization of kolkhoz trade and upon the introduction of planning principles into it. One of the new directions in this work is the conclusion of contracts with the kolkhozes and sovkhoses for the sale on the kolkhoz market of agricultural output which is not covered by state procurements. The contracts provide for the kolkhozes and sovkhoses to commit themselves to sell their output surpluses on the market, and also to provide assistance to kolkhoz workers and sovkhos workers in selling the surpluses of the PSF. This form of relationship, as the experience of Rostov-na-don and a number of other cities shows, yields palpable results in increasing the amount of products on kolkhoz markets.

It should be noted that the organization of services for the PSF owners by the market itself is of great importance for the development of the PSF. Thus, a specialized motor vehicle enterprise consisting of 80 motor vehicles has been created at the markets administration of Rostov-na-donu. This makes it possible to send trucks at specific days and times for the transportation of output to the market in keeping with the requisitions of kolkhoz workers and other PSF owners. Such economic relationships between the kolkhoz market and the PSF owners are not only convenient and economical, but also make it possible to establish long-term stable relations, which is important for a constant supply of transportation for output. In its turn, the stability of supplies of diverse output on the market is one of the conditions for lowering and maintaining a low level of prices. For example, in 1978 by ensuring stable supplies of rabbit meat on the kolkhoz market, in Kherson rabbit meat became 1.5 to 2 times cheaper than in the previous year, and also in comparison with other years.

The establishment of stable relations with the PSF owners is also helped by the creation at kolkhoz markets administrations of an institute of public inspectors with whom the markets directorate maintains constant relations, informing them of conditions on the market, the level of retail prices, the state of demand for individual types of output, and the amounts of supplies of this output.

It should be noted that cases of a local approach still occur in solving the problem of increasing food resources. Not all kolkhoz workers and workers have the possibility of selling all of their surplus locally. Sometimes transportation outside of a rayon or an oblast encounters difficulties. The necessary documents are not issued for the sale of output, and when kolkhoz market transportation is used instructions are issued by the State Motor Vehicle Inspectorate to take away the drivers' licenses and authorizations.<sup>3</sup> Such administrative measures not only do not help to make fuller use of PSF surpluses, but also lead to a decrease in the amounts of production.

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The creation of bureaus of trade services at kolkhoz markets is of great importance for the development of the PSF -- in 1978 there were more than 700 of them. They help kolkhoz workers to sell the output they have brought to the market, thus freeing their time; they take output which has been delivered on commission or even pay in full for it. In the country as a whole, this made it possible last year to save several hundred thousand man-hour days for rural workers which is especially important during the harvest period. However, bureaus of trade services have been organized only at one out of every ten kolkhoz markets. While they frequently perform the functions of a procurement element and thereby economize labor power, the bureaus of trade services do not enjoy the rights which are possessed by the specialized procurement elements of the oblast Unions of Consumers' Societies.

This indicates that it is necessary to develop a standard regulation on the kolkhoz market's bureau of trade services which will be coordinated with the USSR Ministry of Finance and Gosbank USSR. The point of departure here should be the requirement for ensuring the maximum possibility of achieving the final goal -- a fuller involvement in turnover of agricultural surpluses with the smallest losses of working time by the sellers and a fuller satisfaction of the needs of buyers.

Public catering organizations have a great influence on the development of the PSF. Their relations with PSF owners should also be organized on a contract basis, which will be a guarantee of stable receipts of additional food resources. Procurements have to be made in a centralized manner by trusts not on the kolkhoz market, but directly at production sites at lower procurement prices, which will help to lower retail prices for the output of public catering enterprises. In the future this will make it possible to move to planning for these enterprises the receipt of a definite and stable part of their resources on the basis of procurements of PSF surpluses, as is being done in consumer cooperatives. In their turn, the trade organizations will be able to have an effective influence on the PSF above all by supplying them with fees on the basis of mutual delivery contracts for food wastes and meat products.

An improvement of the relationships between the PSF and trade and a strengthening of the role of the plan in the economic relations between them with a simultaneous improvement of organizational forms is an effective condition for increasing the efficiency of the use of existing food resources.

#### FOOTNOTES

1. True, statistics do not take account of the part of commodity output which has been sold as intra-village turnover; of the sale of output to other categories of the population without the mediation of the

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kolkhoz market: purchases by city dwellers during the fall period directly at the PSF, the home sale of dairy output, and so forth.

2. A. Levin and V. Nikitin, "Kolkhoz Trade in the USSR," 1978, p. 61.
3. V. Gridsenko, "Reserves of the Kolkhoz Market," SOVETSKAYA TORGOVLYA, 17 July 1978; N. Aleksandrov, "In What is the Kolkhoz Market Rich," TRUD, 8 August 1979.

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