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# USSR Report

AGRICULTURE

(FOUO 7/82)

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AGRO-ECONOMICS AND ORGANIZATION

NEW CONCEPT FOR SETTING PROCUREMENT PRICES IN AGRICULTURE

Moscow VOPROSY EKONOMIKI in Russian No 3, Mar 82 pp 77-84

Article by Aleksandr L'vovich Meyendorf, candidate of economic sciences, senior scientific worker at the Institute of Economics of the USSR Academy of Sciences: "Socially Necessary Expenditures and Procurement Prices in Agriculture"

Text At present the levels of zonal procurement prices of many types of agricultural products deviate considerably from socially necessary expenditures. This hampers the fulfillment by prices of their accounting function, leads to a distortion of economic indicators and to an inaccurate comparison of economic results with expenditures and makes it impossible to objectively evaluate the results of the economic activity of kolkhozes, sovkhoses and associations and to draw up correct plans for the distribution of purchases of agricultural products and for the specialization of farms and rayons. On the whole, everything that has been mentioned has a negative effect on the measures for an increase in production efficiency. The accountability report of the CPSU Central Committee to the 26th party congress states the following: "If agriculture as a whole is discussed, it faces the same main problem that other national economic sectors do--improvement in efficiency and quality." The solution of this problem is largely connected with an improvement in the formation of prices of agricultural products.

The production of the biggest volume of output of a structure and quality needed by society with given expenditures or the production of a given volume of output with the lowest possible combined expenses is the generally accepted criterion of the economic efficiency of production. The efficiency of agricultural production with observance of the social, political and other conditions corresponding to society's interests is determined by a comparison of the volume of output in value units with the expenditures on its production.

The procurement prices of agricultural products set by the state have an active effect on the efficiency of their production. Since the distribution of purchases is also made by the state, consequently, the cost accounting efficiency of various types of products is established by planning and agricultural bodies. At the same time, in accordance with the adopted concept of price formation the levels of procurement prices are directed toward the average conditions of production in the price zone, that is, they deviate considerably from socially necessary expenditures, which correspond to worse production conditions. As a result, a low profitability and sometimes even unprofitableness of output is actually planned for farms under

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objectively worse conditions. The derivation of a differential (rent) income from the sale of the same products is planned for farms under better production conditions. This income is only partially withdrawn in favor of society by means of various financial levers (income tax, disposable balance of profit and so forth). With such a method of price formation a different efficiency of production of many types of products is planned for a large number of farms.

Under existing conditions of price formation a considerable part of the differential income on fertility is withdrawn through prices. This leads to the fact that the levels of zonal procurement prices of given products in basic consuming and large production regions are separate from each other--several individual territories, in which economic calculations are incomparable with each other, are seemingly formed. To eliminate this shortcoming, the differences among zonal prices must not be arbitrary, but must correspond to real expenditures, including expenditures on the transportation of products from one zone to another.

A comparison of the difference between the prices of wheat in a number of the country's consuming and producing regions in 1936, when differential income was not withdrawn through prices, and now can give a certain idea of the amount of differential income withdrawn through procurement prices. In 1936 the procurement price of soft wheat in Gor'kovskiy Kray was only 4 percent higher than in Severo-Kavkazskiy.<sup>1</sup> In 1981 the basic procurement price of this product in Gor'kovskaya Oblast (as in a number of oblasts in North-West and Central Regions) was approximately 75 percent higher than the price in a number of administrative rayons in Krasnodarskiy Kray. The difference in the procurement prices of barley between consuming and producing zones is now "four to five times higher than the cost of its delivery from mass production regions."<sup>2</sup> In all probability, in a number of consuming regions the zonal procurement prices of some basic types of products are now higher than the socially necessary expenditures on their production and in producing regions, essentially lower than the socially necessary expenditures.

Socially necessary expenditures are reduced expenditures (that is, production cost plus the standard of profit-- $eK$ --where  $e$  is the norm of profitability with respect to capital adopted for agriculture and  $K$  is specific productive capital) under worse conditions of production of a product in a given region. The lack of correspondence of the levels of procurement prices to the levels of socially necessary expenditures leads to certain shortcomings in planned management. The impossibility of an objective determination of the economic efficiency of the plans for the distribution of purchases and production development is the most important of them. For example, let us assume that the reduced expenditures on the production of 1 ton of wheat on farm A are 84 rubles and the socially necessary expenditures, 81 rubles. At the zonal price of 86 rubles per ton wheat production seems efficient. In fact, however, it is unprofitable for society, because the farm's reduced expenditures exceed the socially necessary expenditures. If the reduced expenditures of farm B on this product are 79 rubles, the zonal price is 76 rubles and the socially necessary expenditures are 83 rubles per ton, with the seeming unprofitableness of wheat it is effective for society. Hence it follows that the first farm should be specialized in the production of some other product and the purchase of wheat should be planned primarily for the second farm. However, to do this with the existing price mechanism would mean to deprive the first farm of a product effective for it and to impose the sale of an unprofitable crop on the second.

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Calculations in existing procurement prices not corresponding to socially necessary expenditures can lead to an incorrect distribution of not only agricultural production, but also of industrial production connected with it. For example, it is impossible to efficiently place a plan for the processing of agricultural products, when socially necessary expenditures on their production and transportation are not known. For the same reason contradictions, which are not characteristic of the socialist economy, between the interests of society (which should be observed primarily) and the cost accounting interests of enterprises and associations often arise. Prices set without reference to the levels of socially necessary expenditures on the production of some product can stimulate farms to deviate production expenditures from the levels of socially necessary expenditures, or to "punish" them for the approximation of expenditures to these levels.

Price formation not based on the principle of approximation of prices to the levels of socially necessary expenditures generates a need for petty tutelage over the economic activity of enterprises on the part of planning and agricultural management bodies, because procurement prices often do not stimulate or weakly stimulate farms to fulfill the plans for the sale of commodity output established for them. The lack of correspondence of the cost accounting interests of a number of farms to society's interests at times disrupts the mechanism of reward of workers for the attained production results.

For the purpose of improving price formation in agriculture, it is necessary to determine the levels of socially necessary expenditures on the production of various types of products in the country and to maximally approximate local procurement prices to these levels. Academician V. S. Nemchinov stressed that the "correspondence of prices to socially necessary expenditures of labor is one of the most important and basic provisions of our party..."<sup>3</sup> The methods of price formation based on this important provision can contribute to a significant increase in the efficiency of agricultural production.

The lack of methodological training of personnel, not the technical complexity of calculations, is the main obstacle to a correct determination of the levels of socially necessary expenditures on the production of agricultural products and to the setting of procurement prices close to them. To this day some economists still have the idea that in agriculture socially necessary expenditures are the average expenditures on the production of a given product in the zone or region. However, the average level of reduced expenditures cannot be utilized for the determination of the efficiency of output, because for the state it is also important to utilize relatively worse production conditions. In practice, procurement prices are actually set at levels of expenditures most different with respect to the average in the zone. In some cases they approximate them, while in others they deviate from them considerably. The sale of individual types of products is often planned for farms under poor conditions for their production, although they are planned to give little profit or to be unprofitable.

The advocates of the need for the deviation of prices from socially necessary expenditures and for price formation according to average production conditions cite a number of arguments in their defense. In particular, they point out that the state has economic and administrative levers, by means of which specific assistance

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is given to farms under worse production conditions; for example, the planning of efficient, along with inefficient, types of commodity products for farms; allocation of outright budgetary appropriations to economically weak sovkhozes, which enable them to carry out expanded reproduction; granting of various privileges, including the writing off of credit indebtedness to banks, to lagging kolkhozes. However, these and similar measures do not solve the problem, because the lack of correspondence of prices to socially necessary expenditures and the uncertainty of the levels of the latter remain, which deprives procurement prices of their accounting function making it possible to objectively determine the economic efficiency of agricultural production.

The distribution of purchases of specific output throughout oblasts, rayons and farms with different natural and climatic conditions for the purpose of equalizing the profitability of farms inevitably leads to an increase in the cost of output, because it does not make it possible to efficiently specialize the activity of farms in the production of individual products. The granting of budgetary appropriations, writing off of debts and similar measures do not stimulate kolkhozes, sovkhozes and associations to increase the volume and to improve the quality of output to the extent to which this is attained when material and financial resources are received in the form of payment for the quantity and quality of sold output, that is, through prices.

Another argument advanced in defense of the used methods of setting of procurement prices is that their formation according to the average production conditions in every price zone and without reference to the levels of socially necessary expenditures makes it possible to withdraw in favor of society part of the differential income on fertility where production conditions are better. However, if procurement prices close to socially necessary expenditures (according to worse production conditions) are to be introduced, their general level and the level of retail prices should be raised considerably. Furthermore, according to this argument, it would be necessary to create a complex mechanism of withdrawal of rent payments to the budget from farms and to pay farms large sums for output in order to withdraw part of them afterwards.

Society is interested in obtaining agricultural output with the lowest expenditures both at places of production and at places of consumption (with due regard for transport costs). At both places the prices of agricultural products should be as close as possible to the corresponding levels of socially necessary expenditures. At the same time, at the place of consumption socially necessary expenditures are equal to the amount of the procurement price close to socially necessary expenditures at the place of production and of the expenditures on the transportation of products to the place of consumption. In connection with the fact that natural conditions at places of production are different and transport expenditures on the delivery of products from various places of production to places of consumption are not the same, in the country there cannot be a single level of socially necessary expenditures and of the price of a specific type of product corresponding to them at places of production or at places of consumption.

On the basis of the criterion of minimization of combined production and transport expenditures it is possible to draw up a plan close to optimal for the distribution of purchases of agricultural output of a given volume and structure. The

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setting, simultaneously with the physical indicators of such a plan, of the levels of socially necessary expenditures and of procurement prices, which are close to socially necessary expenditures, of the production of specific types of products in the country's various regions is a necessary condition for its development. This is connected with the fact that, to select the most suitable variant of distribution of purchases according to the criterion of national economic efficiency, it is necessary to make comparisons of combined results with expenditures.

The significant deviations of procurement prices from socially necessary expenditures are due mainly to the use of the price apparatus for the performance of the function, which is not characteristic of it, of withdrawal in favor of society of the part of the differential income of farms in regions with relatively better conditions and of the part of the necessary income of farms under worse production conditions. Therefore, discontinuation of the withdrawal of this income through prices would be of great importance for the approximation of the levels of procurement prices to socially necessary expenditures on output in the country's various regions. For this it is advisable to primarily reduce the difference between high zonal procurement prices in large consuming regions and low prices in main production regions to the amount of expenditures on the transportation of products between them.

For the purpose of simplifying calculations, the concept of "standard wholesale price" of output can be used. This standard wholesale price is close to socially necessary expenditures at the place of consumption and is equal to the procurement price close to socially necessary expenditures at the place of production plus expenditures on the transportation of a unit of output to the place of consumption. As a rule, the standard wholesale price is lower than the corresponding full wholesale price at a given place of consumption, which also includes trade and some other expenses. The standard wholesale prices at places of consumption close to socially necessary expenditures are the lowest possible prices, because they must meet the requirements of the criterion of minimization of expenditures on the production and transportation of the planned quantity of output to the place of consumption. The difference between these prices in any two places in the country should not exceed the expenditures on the transportation of output between them.

Let us examine an example of the calculation of the preliminary variant of levels of procurement prices of standard soft wheat in a number of the country's regions. In Krasnodarskiy Kray we will conventionally determine this price at 94 rubles per ton and the expenditures on the transportation of wheat from Krasnodar to Moscow, at about 6 rubles per ton.<sup>4</sup> Then the standard wholesale price in Moscow and the procurement price in Moscow Oblast will be approximately 100 rubles per ton (94+6). At the same time, it is taken into account that part of the wheat transported from Krasnodarskiy Kray arrives in Moscow or is transported through Moscow farther. Wheat is also delivered to Moscow from other regions, including the Ukraine, the Volga area, the Urals and West Siberia. When it is delivered from Zaporozh'ye, standard expenditures on the transportation of 1 ton of wheat by railroad to Moscow can be 4.5 rubles, from Saratov, 3.8 rubles, from Orenburg, 5.3 rubles, from Tselinograd, 9.4 rubles and from Novosibirsk, 9.8 rubles. Taking the standard wholesale price in Moscow as the basis, it is possible to approximately determine the preliminary levels of procurement prices per ton of wheat in the oblasts supplying it. In Zaporozhskaya Oblast it will be equal to approximately 95.5 rubles (100-4.5), in Saratovskaya Oblast, 96.2 (100-3.8), in Orenburgskaya Oblast, 94.7 (100-5.3), in Tselinogradskaya Oblast, 90.6 (100-9.4) and in Novosibirskaya Oblast, 90.2 rubles (100-9.8).



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Large producing regions supply wheat to many places. While the expenditures on the transportation of 1 ton of grain from Novosibirsk to Khabarovsk are 14.5 rubles and its standard wholesale price in Novosibirsk is 90.2 rubles, the standard wholesale price in Khabarovsk and the procurement price of 1 ton of wheat in Khabarovskiy Kray can be about 104.7 rubles (90.2+14.5). The prices examined by us are conventional and serve only to illustrate the principle of determination of the difference among zonal prices in the country's various regions according to the transport expenditures on the delivery of a unit of output among them.

Next it is necessary to determine the approximate quantity of commodity output of each type planned for various republics and oblasts. At the same time, it is necessary to take into account the preset levels of zonal procurement prices, which should ensure planned loss-free production of no less than 90 to 95 percent of the total volume of a given product. In oblasts at first the levels of reduced expenditures on the basic types of commodity products planned for the five-year plan are determined and farms are ranked according to them. Levels of reduced expenditures on the production of various types of products corresponding to the production structure planned for every farm are adopted. The levels of procurement prices close to socially necessary expenditures set for an oblast are used to "cut off" the farms whose planned reduced expenditures on individual products exceed the level of the procurement price. The sale of given products to the state is not planned for these farms. Then it is determined whether the levels of procurement prices adopted for various oblasts are mutually compatible and whether they contribute to a full utilization of farm resources.

To explain what has been said, we will assume that in Krasnodarskiy Kray the reduced expenditures on the production of 1 ton of commodity wheat planned for the five-year plan total from 50 to 100 rubles on farms. We will assume that, while the kray procurement price is 94 rubles, on 5 percent of the farms these expenditures exceed 94 rubles. If 95 percent of the farms can ensure the fulfillment of the kray plan for the purchases of this crop, the sale of wheat should not be planned for 5 percent of the farms where at this procurement price it would be unprofitable according to the plan. However, if the wheat plan at this price and with a planned profitability of its production is not fulfilled, it is necessary to either lower the plan for the purchases of this crop for this region, or to raise its procurement prices.

For the purpose of checking the correct setting of the levels of procurement prices of various types of products, it is necessary to clarify whether the levels of standard wholesale prices of a given type of product transported from various regions are close to each other at every big place of consumption. If this is not so, either purchases are distributed and directions of flows of transportation of products are chosen inefficiently, or the levels of procurement prices are determined incorrectly. For example, as taken above, 1 ton of soft wheat transported from Krasnodar to Moscow costs 100 rubles. Let us assume that in Kaluzhskaya Oblast, from where wheat is also delivered to Moscow, the procurement price of 1 ton of this product is preset at the level of 103 rubles. With an expenditure of 1 ruble on the transportation of 1 ton of wheat from Kaluga its standard wholesale price in Moscow will be 104 rubles. The lower level of the standard wholesale price of wheat arriving from Krasnodar indicates that the total expenses on the production and delivery of this product to Moscow can be lowered through a reduction of its transportation from Kaluzhskaya Oblast at the expense of a corresponding increase in deliveries from Krasnodarskiy Kray. After the plans for the

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distribution of purchases of wheat, the flows of its transportation and procurement prices are corrected, price levels are set in various wheat supplying regions. Along with transport expenses on the delivery of wheat they should be in Moscow approximately the same (for example, at the level of 100.5 rubles per ton).

Upon the attainment of equality of standard wholesale prices of basic types of commodity products at every big place of consumption the levels of procurement prices and the plans for the distribution of purchases throughout the country can be considered sufficiently close to optimal, that is, corresponding to the above-cited criterion of efficiency of the sector as a whole (with provision of a normal or close-to-normal profitability of most farms).

Directive bodies plan the volumes, structure and specifications of output on the basis of society's needs and capabilities. Thus, the levels of procurement prices, close to socially necessary expenditures, of various products are determined by the plans for economic development, the population's supply and existing natural conditions. The task is as follows: To set in a methodological and methodically correct manner the levels of procurement prices close to socially necessary expenditures, which objectively meet the requirements of the plan for the distribution of purchases of products throughout the country. At the same time, the bigger the transport expenditures from the place of consumption to the place of production of a product, all things being equal, the lower socially necessary expenditures and the procurement price of this product corresponding to them at the place of production should be and vice versa.

The multitude of interconnected levels of procurement prices of various types of products in the country's various parts can be determined only by means of a number of repeated calculations. In connection with the fact that, in general, transport expenditures on the delivery of products among the country's localities are invariable, the difference among the levels of procurement prices in various regions also can be constant. For example, in the above-cited example if the procurement prices of 1 ton of wheat in the amount of 94 rubles in Krasnodarskiy Kray, 96.2 rubles in Saratovskaya Oblast and so forth do not make it possible to obtain the planned total quantity of commodity wheat without damage to the interests of most farms, a rise in these prices by an amount uniform or close to uniform for all oblasts may be needed. For example, if the price of 1 ton of wheat in Moscow is to be raised by 1 ruble, in Krasnodarskiy Kray the procurement price of this product should also be raised by 1 ruble and it will be 95 rubles (94+1). In Saratovskaya Oblast the price will rise to 97.2 rubles (96.2+1), in Khabarovskiy Kray, to 105.7 rubles (104.7+1) and so forth. The planned volumes of purchases should be changed accordingly.

When the level of procurement prices is set higher than necessary for the production of the planned volume of a product, farms try to overfulfill the plans for the sale of this product and to underfulfill them for other types of products. Then the level of procurement prices for this product should be lowered everywhere by the same amount and local procurement plans should be brought in correspondence with state needs.

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To correctly determine the planned levels (for example, for the five-year plan) of oblast (republic) procurement prices is not an easy, but quite feasible, task. In the future, when an ever greater proportion of calculations will be performed by computers, it will be possible to more accurately set the levels of socially necessary expenditures and the levels of procurement prices corresponding to them and to distribute purchases. Taking into consideration the fact that now it is not yet possible to sufficiently accurately determine the levels of socially necessary expenditures and the flows of transportation of products in various places of their consumption, which change from year to year, and that it is difficult to calculate the expenditures on the transportation of products among the country's regions, procurement prices close to socially necessary expenditures can be set only approximately. However, even such prices make it possible to more substantially perform planned calculations for the distribution of purchases and to more reliably evaluate the activity of farms than with the existing method of price formation.

In order not to differentiate procurement prices unnecessarily, at first they should be set for oblasts (republics without an oblast division). Subsequently, it will be possible to bring them up to administrative rayons. Oblast and rayon procurement prices will differ from existing zonal and differentiated prices in the fact that they are interconnected in terms of transport expenditures. At the same time, the same price can be set for several oblasts (rayons). For example, using the foregoing example, it can be assumed that the procurement price of 1 ton of soft wheat in the Bashkir ASSR can be close to the price in Krasnodarskiy Kray, because wheat is transported to Moscow from both regions and the distance between Ufa and Moscow is close to the distance between Moscow and Krasnodar.

At present prices deviate from socially necessary expenditures mainly in order to more easily withdraw part of the farm income by means of them. However, it is withdrawn from farms in such a way regardless of the amount of the planned net income and of whether, in general, net income from a given product is planned for them. This leads to a differentiation of the planned profitability of farms. The setting of procurement prices corresponding to the levels of socially necessary expenditures will abolish the planned unprofitableness and low profitability of farms. However, this will require the establishment of a system of direct withdrawal of the differential income of farms, which can be done through the introduction of so-called stable payments to the budget used in the food industry. These payments are set for enterprises in percent of their actual profit. The amount of percentage depends on the amount of planned profit and the profit that is to be left at the enterprise's disposal.

Stable payments in agriculture can be set for highly profitable kolkhozes and sovkhozes and, as earnings are received in the current accounts of farms in the bank, the appropriate sums in a certain percent of these earnings can be withdrawn until the payment is liquidated fully. At the same time, on sovkhozes stable payments will replace the disposable balance of profit, which is now withdrawn from them. The amount of the planned net income remaining at the farm's disposal after the withdrawal of a stable payment should be sufficient to ensure its planned expanded reproduction. With due regard for the payments received in the budget the total volume of capital granted agriculture for a given quantity of output purchased by the state can remain at the approved level.

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The transition to the new principle of withdrawal of differential income in agriculture is possible on the basis of the existing system of settlement of accounts between farms and procurement enterprises, in accordance with which the enterprises that purchase the basic types of products of farms at different zonal prices credit them at accounting prices uniform for the entire country. For example, soft wheat, regardless of the levels of procurement prices at which it is purchased in various price zones, is credited by procurement organizations at a price uniform for the entire country--111 rubles per ton.

The change in the levels of zonal prices should not affect the levels of accounting prices and, consequently, wholesale and retail prices of food. This is due to the fact that the additional payments from the budget to procurement organizations in the zones where procurement prices exceed the accounting price will be liquidated not only by the budget revenues in the zones where procurement prices will remain below the accounting price, but also by the budget revenues from stable payments of highly profitable farms.

## FOOTNOTES

1. Calculated according to the data cited in A. N. Malafeyev's book "Istoriya Tsenoobrazovaniya v SSSR (1917-1963)" [History of Price Formation in the USSR (1917-1963)], (Izdatel'stvo Mysl', 1964, p 393).
2. A. S. Baranov, "Gosudarstvennyye Zagotovki v Usloviyakh Spetsializatsii i Kontsentratsii Sel'skokhozyaystvennogo Proizvodstva" [State Procurements Under Conditions of Specialization and Concentration of Agricultural Production], Izdatel'stvo Kolos, 1978, p 83.
3. V. S. Nemchinov, "Obshchestvennaya Stoimost' i Planovaya Tsena" [Social Value and Planned Price], Izdatel'stvo Nauka, 1970, p 213.
4. Here and hereinafter the expenditures on the transportation of products approximately correspond to the actual expenditures.

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AGRO-ECONOMICS AND ORGANIZATION

ECONOMIC PLANNING OF CEMA COUNTRIES IN AGROINDUSTRIAL OPERATIONS

Moscow VOPROSY EKONOMIKI in Russian No 3, Mar 82 pp 96-104

[Article by Ivan Nikolayevich Buzdalov, doctor of economic sciences, senior scientific associate of IEMSS, USSR Academy of Sciences; and Mikhail Yefimovich Bukh, Candidate of economic sciences, department head, NII [Scientific-Research Institute] of TsSU SSSR [USSR Central Statistics Administration]: "The Economic Mechanism of the Agroindustrial Sphere"]

[Text] In the agrarian policy of the Communist and workers parties of the socialist countries, ever-increasing attention is being devoted to increasing the effectiveness of the economic mechanism of agriculture and the entire agroindustrial complex.

There operates in the single system of the national economy of a particular socialist country a single economic mechanism, and application is made of single forms and methods of the planned social organization of production and exchange of labor activity, which encompass all levels and links in that system. At the same time, to the degree that it is rightful to isolate agrarian relations from the overall system of socialist production relations, it is completely natural to carry out a special consideration of the economic mechanism of the development of agriculture, and, under conditions of the deepening of its integrational links with the related branches and spheres in the national economy, the economic mechanism of the agroindustrial complex. When analyzing the specifics of the economic mechanism in the agroindustrial sphere and especially in its basic link, agriculture, a factor of fundamental importance is the taking into account of the vast variety of concrete conditions of production, which substantially influences the nature of the formation, making, and implementing of the planned economic decisions, the providing of economic incentives to production through a system of prices, the distribution of income, etc. In turn, these specifics exert an influence upon the fundamental aspects of the operation of the entire economic mechanism in the national economy.

A very important link in the economic mechanism is planning, and the forms and methods of carrying it out. Studies by economists in the socialist countries and the positive experience derived from the changes in the economic mechanism of the agroindustrial sphere indicate that their initial point is the use of those methods of planned administration, forms of making and implementing planned

decisions, and evaluations of the results of labor which, in all links of economic-planning activity, are based on incentives and interests. The essence of this orientation consists in the more consistent observance of the principle of democratic centralism, in the elimination of excessive administrative regulation of the work performed by the primary production links, which are supported through a system of economic contracts and through the mutual material responsibility of all the partners participating in the reproduction process of the APK [agroindustrial complex] system. The necessity for improving the economic mechanism specifically in this direction was indicated, in particular, at the November 1981 Plenum of the CPSU Central Committee. In his speech at the Plenum, L. I. Brezhnev remarked, "An important place when developing the food supplies program should also be given to such large-scale problems as the improvement of the economic mechanism and the system of administration -- the administration of agriculture and the agroindustrial complex as a whole. And, of course, administration at the local level."

Recently in the socialist countries steps have been carried out, or are being planned, for the improvement of planning, and for involving the collectives of enterprises and APO [agroindustrial associations] in economic-planning activities. When forming and implementing planning decisions and concrete assignments, more and more active use is being made of economic levers, interests, and incentives, and there has been an increase in the economic independence of the production collectives, as a result of which there is a more consistent carrying out of the principle of democratic centralism. An important form is the economic contract, which acts as a direct economic lever for the well-substantiated formation of the assignment, as an instrument of planning.

When evaluating a particular approach to the use of the economic mechanism, and primarily its chief link -- methods of planning -- from scientific positions, it is necessary to take into consideration the results of the application in the practical situation of the corresponding methodological concepts. In this regard, something that deserves attention is the study and dissemination of the experience in organizing the economic-planning interrelations in the agroindustrial sphere in VNR [Hungarian People's Republic]. It is specifically that experience that contributed to the skillful coordination of the work performed by the Hungarian agricultural cooperatives and enterprises, as was noted in the Report of the Central Committee to the 26th CPSU Congress.

During the past 15 years the increase in the harvest yield of grain crops in Hungary came to approximately 20 quintals per hectare (with that increase being achieved from a level that was comparatively high at the beginning of the economic reform: in 1966-1970 it constituted an average of 25.4 quintals per hectare). In other European CEMA countries, the harvest yield of grain crops increased with the limits of 7-10 quintals per hectare. On the new economic-organizational basis that was linked with the orientation of the economic mechanism on the final results, high overall growth rates for agricultural production were assured. During the past two five-year plans they came to an average of 4 percent per year. During the 1960's Hungary was a country that was a net-importer of grain, but in recent years, with a production of more than 1.2 tons of grain per person, Hungary became a net-exporter of that basic product. The level of meat production per capita of population was more than 140 kilograms in 1978-1980 (increase of more than 50 kilograms as compared with 1965).

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The fact that the results of the rapid and -- as has been shown by the dynamics of the production costs of output and profitability -- more effective development of agriculture and the entire agroindustrial complex were achieved thanks to the comprehensive improvement of the economic mechanism, is attested to by the data concerning the amounts of attracted resources. During the period indicated above, for example, capital investments in the agriculture of Hungary dropped from 18 to 15 percent of the overall volume of investments in the national economy. All this attests to the indisputable effectiveness of the economic approach to the making and implementation of planning decisions, when provision is made for the active manifestation of such a motivating force in the economic mechanism as interests, personal self-interestedness, the special importance of which in the course of communist construction was pointed out by V. I. Lenin\*. The broader the horizon for the manifestation of interests -- primarily the material ones -- is created by the planning methods that are being employed, the more dynamic the development and interaction of the entire system of socialist production relations and the more effective the functioning of the productive forces and the method of production as a whole.

The basic peculiarity of the economic mechanism of the agroindustrial complex in Hungary consists in the fact that the state carries out the planning of the national economy not by means of the direct informing of the specific executors of what their planning indicators are, but, rather, by means of using such economic levers and incentives as the economic contract, the controlling of state deductions from enterprise income, the regulation of the part of the income remaining with them, various fixed payments and taxes (payment for fixed and working assets, income tax, etc.), price policy, credit system, etc.

Enterprises and organizations in the agriculture and food industry of Hungary independently develop their own annual and five-year plans. Those plans are not approved by superior organizations, which carry out monitoring functions with regard to their execution. The procurement organizations and the trusts in the food industry, on the basis of the plans received from superior agencies, conclude contracts that are based on equality between the contracting parties, with the SKhPK [agricultural producers cooperatives] and state farms for the sale of specific types of output. The cost-accounting form of implementation of the planned assignments guarantees the observance of the material interests of the cooperatives and state farms and contributes to the formation of such an agricultural division of the statewide plan in which the needs are more completely coordinated with the real capabilities of production and with its concrete conditions.

An important area in improving planning is the inclusion in this process of the purchase and supply-and-sales organizations on a cost-accounting basis. As has been shown by the experience in Hungary, under conditions of the broad, active use of economic methods, the cost-accounting principles of plan formation and implementation, direct contacts, and economic-contract forms of exchange of activity, the need for purchasing organizations and other intermediaries completely

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\*This does not contradict the determining role of social interests. In this instance we have in mind the assumption that, the more completely personal self-interestedness manifests itself in the system of interests, the more successfully the collective and social interests are implemented and the highest goal of production under socialism is achieved.

disappears. But in the event that they are retained, only complete cost accounting (and cost accounting is a method for the planned running of the economy) can convert the procurement and supply organizations into active participants in the system of planned administration, which have a direct self-interest in the improvement of the economic-planning work, the efficient placement of the plans, the improvement of the structure of production and technology, etc.

The course of the Communist and workers parties in the socialist countries, aimed at improving planning, has led in recent years to noticeable qualitative shifts in the direction of bringing the CEMA countries closer together with regard to the economic mechanisms of the development of the agroindustrial sphere. This is of great importance not only for increasing the effectiveness of these mechanism within each country, but also for forming an effective economic mechanism for international cooperation in the agroindustrial sphere within the framework of the socialist economic integration. Obviously, at such time it is necessary to orient oneself not at some medium alternative, but upon the more effective decisions that have been developed and that are being employed comprehensively in the individual countries.

Substantial changes after the March 1979 Plenum of the Central Committee of the Bulgarian Communist Party occurred in the mechanism of the planned administration of the agroindustrial complex of Bulgaria. Previously the system of planning in the NAPK [national-economic agroindustrial complex] of Bulgaria was characterized by the fact that the central agencies developed the detailed indicators in the plans for the districts, and the districts developed them for the agroindustrial complex. For purposes of developing the economic initiative of the collectives in the new economic mechanism there is an intensification of the role played by cost-accounting levers and incentives. The APK and the other enterprises in the agroindustrial sphere are informed of only four consolidated indicators, including the mandatory sale of a number of basic types of output (no more than eight types of products, depending upon the farm specialization). All the remaining sections and indicators in the plan, including such ones as the sowing structure, harvest yield, quantity and productivity of livestock, production costs, profit, capital investments, and the number of employees, are developed by the agroindustrial complexes themselves. The new economic mechanism stipulates a sharp increase in the role played by prices and other economic levers in planned administration. The mentioned limited number of assignments for the APK are implemented on an economic-contract basis of interrelations with the appropriate purchasing and other organizations. As was noted in the Report of the Central Committee of the Bulgarian Communist Party to the 12th Party Congress, within the near future it will be necessary "to make complete application of the basic principle and requirement of the new economic mechanism -- the changeover of all types of economic and social activity to cost accounting, the very core of which is the paying for oneself".\*

The measures for improving the planned administration are also being carried out in Czechoslovakia, GDR [German Democratic Republic -- East Germany], Romania,

\*T. Zhivkov, *Otchet Tsentral'nogo Komiteta Bolgarskoy kommunisticheskoy partii XII s"yezdu i predstoyashchiye zadachi partii* [Report of the Central Committee of the Bulgarian Communist Party to the 12th Congress and the Tasks Confronting the Party], Sofiya Press, 1981, pp 34-35.



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and other CEMA countries, and this attests to the undoubted progress in bringing closer together the economic mechanisms of the agroindustrial complex in those countries. However, a large amount of work remains to be done, primarily work involving the comprehensive use of the economic mechanism, and the intensifying in that mechanism of the role played by cost-accounting levers and incentives.

In conformity with the decree of the CPSU Central Committee and the USSR Council of Ministers that was adopted in November 1980, entitled "Improving the Planning and the Providing of Economic Incentives for the Production and Procurements of Agricultural Products," steps are being carried out to eliminate the excessive guardianship over the farms. There has been a reduction in the number of indicators that are communicated to the kolkhozes and sovkhozes in a centralized procedure. For kolkhozes, for example, they are limited to the volume of purchases of agricultural products and the quantity of basic material-technical means to be delivered. For sovkhozes, in addition, plans are specified for the wage fund, profit, and financial limits of capital construction. Instead of a large number of plans, a single plan is established for purchases of output at all levels of planning of production, and norms lists for material-technical support and capital construction are employed.

Since 1981 there has been a new procedure, according to which the collectives in the subdivisions are granted the right to determine for themselves the size of the bonuses and the overall earnings, with a consideration of the actual contribution that was made to the final result by the activity of the collective, and a consideration of the level and effectiveness of production. There has been an intensification of the sanctions applied as a result of poor work. The farm managers and specialists will receive bonuses not for overfulfillment of plan, but for an increase in the volumes of sale of output and profit received. In the implementation of these principles, a factor that is of decisive importance is, of course, the change in the forms of executing the planned assignments on the basis of increasing the role of the economic contracts in the process of planning.

An important area for the further improvement of the economic mechanism in the agroindustrial sphere of the CEMA countries is the guaranteeing of the more effective combination of the centralized plan with the development of the economic initiative of the collectives at the enterprises in forming and fulfilling it. Among the concrete measures being successfully carried out in Hungary, one that is of determining importance is the limitation of the directive assignments to enterprises and associations in physical indicators, the communicating of those assignments to the appropriate departments and regional agencies of administration, and the use in implementing them of cost-accounting methods that grant equal economic conditions of management for the planning-and-procurement and supply-and-sales agencies, and the enterprises of the APO [agroindustrial associations].

A special role in the comprehensive improvement of the economic mechanism in the agroindustrial sphere is played by the intersification of the functions of the economic levers, which were constructed primarily on the principle of the equivalency of exchange. Therein lies one of the decisive conditions for the

consistent application of cost-accounting methods in planned administration, and the directed use of the motivating basic of the entire mechanism -- interests.

At the present time, basically as a result of the lack of perfection with regard to prices, there has been a break in the direct link between material incentive and profitability, as a concrete expression of the repayment principle and a generalizing indicator of the effectiveness of production. One should note that the improvement of pricing is not a local question of reinforcing the cost-accounting relations in the APK system, but, rather, one of the key national-economic problems of socioeconomic development and the application of effective cost accounting in the entire national economy. What is required here is the consistent carrying out of a series of economic-planning, statewide, centrally carried out measures involving the application of a price system that corresponds to the objective natural laws underlying the formation of prices. These measures touch upon such an important problem of improving the economic mechanism as the systematizing of retail prices of foodstuffs and articles made from agricultural raw materials.

For the European CEMA countries during the past 20-year period a typical feature was the considerable increase in purchase prices. That contributed to the reinforcement of the economic foundations of cost accounting in agriculture. At the present time a task that is becoming a very important one is the creation of a more flexible system of purchase prices, which is based on the expenditures of live and embodied labor, and also which takes into consideration the capital requirements of output, including in the assets the land in its monetary evaluation. The complexities in improving the purchase prices lie in the fact that in a number of CEMA countries the production costs are not computed by all farms. The normative production costs are determined for random groups of enterprises. Their more precise computation requires an increase in the number of farms that establish the production costs of the output being produced, and the work on the basis of cost accounting includes the necessity of computing the production costs of the output on each farm.

The role of prices as an incentive presupposes definite deviations from the basic price, particularly through establishment of bonus markups to be applied to it. The principles of paying such bonuses are different in various countries. In Hungary, East Germany, and Czechoslovakia they are computed for the planned increase in production as compared with the previous period. For production of output in excess of the planned volume, no increased prices or markups are established there. In Bulgaria and Romania, and prior to 1981 in the USSR, in addition to the basic prices for a number of agricultural products, bonus markups were applied for the production of output in excess of plan. The encouragement of the planned increase in production by means of prices appears to be more effective, inasmuch as the markups for sale of output in excess of plan do not encourage the farms to accept intensive plans and are, in essence, a return to a double price system.

The changeover of agriculture to an industrial base is closely linked with the intensification of the integrational processes in the branch and with the formation of interfarm enterprises and agroindustrial associations. In this connection, during recent years there have arisen in the capitalist countries new

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aspects of improving the pricing of agricultural output, which aspects are influenced by the fact that, through prices, it is necessary to guarantee the equal interest that the partners have in cooperative actions, primarily income that is proportional to the contribution made by each participant per unit of expenditures invested in the obtaining of the final results of the economic activity. A factor that takes on great importance is the establishment of contractual settlement prices. The degree of correctness with which the settlement prices are established decisively determines the material self-interestedness of the partners in the cooperative venture.

An important question when establishing the settlement contract prices is their interrelationship with state purchase prices. Apparently, the construction of the settlement prices exclusively on individual costs without a consideration of the existing purchase prices can lead to a break between the economy of the associations and the real reproduction process within the framework of the national economy, and this, in the final analysis, will lead to undesirable consequences. Therefore, when establishing the settlement prices, it is desirable to orient oneself on the overall price policy, on the economically substantiated level of state purchase prices. With the price relationships that have developed, it is possible to include in the settlement price the purchase price, plus or minus a markdown or rebate, proceeding from the individual costs and the nature of the specialization of the partners in the association.

The chief area for improving pricing is the application of a well-substantiated system of purchase and other sale prices, including the correct establishment of prices of producer goods that are delivered to agriculture, and for the services rendered to it. Unfortunately, the correlation between industrial and agricultural prices for the output produced by the APK [agroindustrial complex] in the CEMA countries, as a rule, is formed to the advantage of the industrial branches and that lessens the incentive principles of the economic mechanism.

In the establishment of prices it is especially important to take into consideration of the chief specific features of agricultural production -- the limited nature of the land, with its dissimilar natural fertility, that is, social conditions which objectively lead to the formation of differential rent. Therefore planned pricing cannot orient itself on the cost of production of output on average land (in any instance, for the USSR). With this kind of orientation an inevitable result is the preservation of subsidies and other channels, outside the cost-accounting system, for redistributing the net income, and that weaken the economic role of price as an incentive for intensifying production, for specializing it, for encouraging an increase in effectiveness, etc. At the same time this gives rise to the differentiation of the economic and social development of the farms that have at their disposal land of worse or better quality.

The orientation, in pricing, on the products of agriculture which are produced on the worse land presupposes the transfer of rent to the social funds by means of its direct extraction, by means of the differentiation of the rates for rental payments depending upon the evaluation of the land. The income derived by the farms and by the state will remain approximately the same, but the very mechanism of regulating the rental relations with the use of a single price will have a more active effect upon the increase in effectiveness.

An important role in the providing of economic incentives for agroindustrial production in the CEMA countries is played by the credit system, which is becoming a more and more effective regulator of production. There has been a fundamental change in the structure of credit: there has been a sharp increase in the percentage of long-term investment credits and a reduction in the share of short-term ones. The interest rates for credit are becoming more substantiated, inasmuch as the reduced rates, which are divorced from the overall normative coefficients of effectiveness, nullify the encouraging role of credit.

An essential role in the economic mechanism of the agroindustrial complex of the CEMA countries is assigned to taxes, in the form of which deductions to be paid into the state budget are made. Experience shows us that the incentive importance of the system of taxation is greater in proportion to the extent to which the size of the taxes is closely linked with the profitability and with the level of profitability. This principle is being carried out most consistently in Hungary.

In Bulgaria in the mid-1970's a single task for the APK was established depending upon the profitability of production. In East Germany the base for computing the tax since 1981 has been the farms' profit, rather than the gross income, as had been the case previously.

Another typical feature in the development of the system of taxation is the increase in the importance of the land tax. In Hungary and East Germany, for a long time, a part of the farms' net income has been extracted and paid into centralized state funds on the basis of the land tax. In 1980 in Czechoslovakia the land tax collected from enterprises running farm on fertile soils was increased by 25-30 percent, including 70-90 percent for those on fertile *chernozems*. Factually speaking, this is a concrete form of rental payments.

A factor of particular importance in increasing the effectiveness of the economic mechanism is the intensification of the mutual self-interestedness and responsibility borne by all links in the economic and administrative structure of the APK in the final results. In directives dealing with the Sixth Five-Year Plan for Hungary it was emphasized that, when carrying out the control functions, the agencies of planning administration must bear the direct responsibility "for their own economic resolutions and the effectiveness of their economic activity." Contract relations are the legal and economic form of carrying out this principle.

Scientific generalizations and the practical experience in the CEMA countries indicate that the observance of the functional principles that are inherent in contract relations, with which the partners in the agroindustrial sphere act as completely equal economic links operating on a self-repaying basis, creates real prerequisites for the efficient combination of centralized planning with the development of economic initiative, for achieving a closer tie between the incentives and effectiveness.

During recent years, in the decisions of the Communist and workers parties in the socialist countries, there has been an emphasizing of the need to intensify the role played by contract relations, to reinforce contract discipline, and to achieve a direct relationship between the providing of material incentives and

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the fulfillment of the pledges with regard to economic contracts. The economic contract is becoming an increasingly active economic instrument for forming, making, and implementing planning decisions.

The role of direct economic-contract ties in the prevention of losses is great. Under the conditions of the relations that have developed between the farms and the procurement and supply-and-sales system, the producers orient themselves only on that amount of output which can realistically be accepted and stored in that system in storage facilities, at warehouses, etc. With the traditional system of procurements, as a result of the lag with regard to the infrastructure of the agroindustrial complex, there is a loss, for example, of as much as 40 percent or more of potatoes, and as much as 25 percent of vegetables and fruit. In the All-Hungarian Vegetable and Fruit Association that was created and is operating on a contract basis, and that uses modern equipment, almost complete elimination of losses has been achieved.

Practical life attests to the fact that it is precisely with a developed system of economic contracts that one achieves the best balancing of production, overcomes departmental barriers, and provides for the application of a truly comprehensive system of planned administration of production both on the macroeconomic and on the microeconomic level. The experience of Hungary shows that the resolution of these problems to a substantial degree appears possible on the basis of converting the economic contract into the chief form of economic interrelations between enterprises and the organizations of the NAPK, thanks to which, factually speaking, the directed formation and successful implementation of the state plan are carried out.

At the present time in the European CEMA countries 80-100 percent of the commercial agricultural output produced in the social sector, in the course of its subsequent processing and sale, is recorded in economic contracts. However, in and of itself, the share of output that is involved in the economic contracts does not yet determine the degree of effectiveness of the use of this system. Against the background of overall progress in the development of economic-contract relations, the degree of use of the functions and principles that are organically inherent in that economic category is substantially different for the individual countries. The contracts can fulfill the economic functions of direct influence upon increasing the final results of the development of the NAPK, when they act as a relatively independent lever for implementing the economic-planning decisions, rather than formally duplicating the planned assignment. Correspondingly, the entire system of incentives and sanctions should be constructed depending upon the fulfillment of the economic contracts.

The effectiveness of the economic mechanism depends to a substantial degree upon the forms and methods of material incentive provided to the workers in the production subdivisions, upon the clearly coordinated economic relations within the enterprises of the agroindustrial associations, complexes, combines, etc. The question that is fundamental here is the question about how the system of incentives is consistently directed at effectiveness and quality, and what predetermines the strictly established evaluation criteria and indicators of economic activity. When improving the economic mechanism of the agroindustrial complex, it appears to be important to achieve a direct functional

relationship between the enterprises' income and the level of payment of the labor performed by the workers, on the one hand, and the generalizing indicator of their effectiveness -- profitability -- on the other.

With the aid of a price policy, deductions from profit, and other forms of financial-economic regulation, one guarantees the combination of the interests of society as a whole and the individual collectives. Simultaneously one creates the prerequisites for intensifying the material self-interestedness of individual workers within the economic subdivisions. However, in order to implement these prerequisites, it is necessary to inform every worker collective, every concrete producer, of what the incentives are. This is possible by the development, practical introduction, and constant improvement of a system of incentives that is based on the socialist principle of remuneration for labor on the basis of its quantity and quality.

Payment for labor is the chief form of realizing the personal economic interests of the producers in the system of production relations under socialism. During the past decade the role of the basic wages as a form of material incentive in the agriculture of the CEMA countries has grown. This is linked with the change-over to monetary payment, with the introduction of a guaranteed minimum wage, and with the gradual reduction in the share of the vitally needed means which are needed for the reproduction of the manpower and which are coming from the personal subsidiary farm. But simply through wages one does not always assure a direct relationship between the results of labor and the effectiveness of production, on the one hand, and the income of the immediate producers, on the other.

As a result of the development of comprehensive mechanism, the results of labor are increasingly determined not by individual workers, but by a collective -- a brigade, section, etc. Under these conditions in all the countries that are being considered, there has been an increase in the role of the system of payment by the job plus bonus. This system, when determining the contribution made by each individual to the overall result takes the most complete consideration of the individual material interests of the producers and assures their combination with the overall, collective interests\*.

At the present time there has been an increase in the role of bonuses paid to workers on the basis of the final results of their labor. For example, in Czechoslovakia, in the overall volume of bonuses there has been an increase in that share of them for which the payment is linked with the qualitative

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\*In the European CEMA countries, the job-plus-bonus system is used with the giving of time advances. Sixty to 80 percent of the total earnings is paid during the course of the year, and 20-40 percent on the basis of the year's results. Experience indicates that the excessive increasing in the share of payment based on the year's results is undesirable, since the even payment of the labor during the year increases the sense of confidence in the workers. Twenty to 40 percent of the total earnings to be paid out at the end of the year seems to be a sufficient amount for guaranteeing the material self-interestedness in the final results of the labor.

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results of production and labor. Whereas previously that share constituted approximately 7 percent, at the present time it occupies 25-30 percent of the total wage fund.

Despite the unification of the forms and methods of providing incentives to the workers, including the farm managers and specialists, on the whole the payment of labor is not always directly linked with the results of production, with its qualitative indicators. The forms of additional material incentive are extremely varied, and frequently duplicate one another, but, most important, they are insufficiently interrelated with the criterion and indicator of effectiveness. That is why it would appear to be important to intensify the work of guaranteeing the direct dependence of any additional incentive payment upon the achieved indicators of effectiveness, upon the amount of profit obtained, and the level of profitability. According to many participants in the international conference that was held in 1981 and that was devoted to the problem being discussed, herein lies one of the basic areas for improving the economic mechanism in the agroindustrial sphere of the CEMA countries.

The rate of results in the comprehensive improvement of the economic mechanism, the effective use of all the previously analyzed elements of that mechanism, and the concrete economic instruments and levers, are largely determined by the organizational structure in the NAPK, by the orientation on the final results of the agroindustrial production not only of the economic levers and incentives, but also the organizational-administrative system.

Practical life has shown us that without a change in the organizational-administrative structure of the agroindustrial complex, it is impossible to overcome the departmental dissociation or to eliminate the disproportions within the complex. A step forward in the elimination of these shortcomings was the creation in Hungary, East Germany, Romania, and Czechoslovakia of single ministries of agriculture and the processing industry. That made it possible, in particular, to maneuver the resources more effectively on the scale of the entire complex, and to be more time-responsive in taking into consideration the changing economic situation. However, the experience of the activity of the new ministries attests to the fact that it has not yet been possible to overcome completely the interdepartmental discrepancies in the relations among the branches and spheres of the NAPK. The question of including the branches in sphere I in the administrative system of the agroindustrial complex has not been resolved (or has not received a definite scientific substantiation).

At the present time in the CEMA countries there predominates the opinion concerning the need to create a coordination center for NAPK on the Council of Ministers level, which center would be granted broad powers for resolving the basic questions of developing the complex, as well as the administrations and departments of the agroindustrial complex in the planning agencies. That kind of center, with the existence of the corresponding economic functions, could, by using contract relations and cost-accounting levers and incentives, guarantee the comprehensive development of the NAPK and carry out effective interdepartmental monitoring of its development.

In a number of CEMA countries there have already been created organizations that are fulfilling functions that are analogous to the tasks of this

coordination center. For example, a governmental commission for administering the supply of the basic types of foodstuffs is functioning in Czechoslovakia. The commission is headed by the deputy chairman of the Federal Government. Its makeup includes representatives of the ministries of agriculture and the food industry, Gosplan, the Federal Price Administration, and other departments. In East Germany for a number of years all the questions linked with the development of the NAPK, within the framework of the State Planning Commission, have been under the jurisdiction of one of the deputy chairmen. That makes it possible in a more time-responsive manner to maneuver the resources, and especially to change the structure of capital investments. At the present time there has been an intensification of the comprehensive nature of planning and administration of the NAPK in the USSR. In 1981 an Administration of Planning of the Agroindustrial Complex was formed in USSR Gosplan. It has four sections: a combined section and three branch sections (agriculture, food industry, microbiological and combined-fodder industry).

Efficient organizational-administrative forms of the agroindustrial complex are also developing on the microeconomic level. In Hungary a form that has become widespread is the use of industrial production systems (IPS) for growing animal-husbandry crops and for the production of animal-husbandry output. Their members are the overwhelming majority of the state farms and agricultural production cooperatives in the country. The central link in the organizational-administrative structure of the IPS is the so-called head farm, which might be an advanced state farm or cooperative. The head farm is characterized by the availability of a large amount of experience in the production of a definite kind of output, by a high level of comprehensive mechanization, and by the availability of highly skilled personnel. The association functions as a completely independent economic organization. Every member of the industrial production system concludes a contract that regulates its relationship with the head farm and with the other partners. The general assembly, where the delegates of all the participating enterprises are represented, and the board of governors, which is elected by the general assembly, are the collective administrative agencies of the IPS.

In East Germany organizations that have proven their value as an efficient form of agroindustrial integration are the associations which have been given the name of cooperative unions. The cooperative unions include specialized agricultural enterprises and organizations, as well as enterprises in the processing industry and trade. The enterprises and organizations that are included in a cooperative union retain their legal and economic independence. The highest agency of the cooperative union is the assembly of authorized agents, the makeup of which includes an identical number of representatives from all the enterprises and institutions that are included in the associations. The assembly of authorized agents elects the council chairman and a time-responsive administrative agency -- the council of the cooperative union. Various working groups and commissions are the consultative agency for administering the association. Their tasks include the preparation of decisions in a particular area of development of the association.

In the Soviet Union the regional agroindustrial associations (RAPO) are a promising organizational-administrative form of agroindustrial integration. These



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associations include within themselves, within the confines of the rayon, all the kolkhozes, sovkhozes, interfarm associations, and processing enterprises and sections of Goskomsel'khoztekhnika. The administrative agency of the association is the council, which carries out the administration of the partners on principles of cost accounting. The RAPO are subordinate to the rayon executive committee and to the functional republic-level or union-level agency. The RAPO have become most widespread in Estonian SSR. Starting in 1982, all the rayons in the republic are changing over this kind of organizational structure for administering the agriculture and the branches that are connected with it. There has been an increase in the number of rayon agroindustrial associations in Lithuania, Latvia, and Georgia. The formation of regional organizational-administrative structures on the microlevel completes the transition to production-economic integration within the national-economic agroindustrial complex.

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