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THE DEVELOPMENT OF AGRO-INDUSTRIAL PRODUCTION OF KAZAKHSTAN.

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Kazakhstan is among the world's ten leading grain exporters. The agricultural sector remains the major employer, and an important source of exports. The financing of agricultural producers is one of the most acute problems along the entire scope of economic reforms in Kazakhstan. The issue is: What kind of financial sources could maintain the development of agricultural production?

Internal sources such as profit, depreciation capital, and various reserve and insurance funds cannot be considered as a key financial base. State financial support of agriculture in Kazakhstan (which plays a significant role in the most developed countries), is episodic in nature, small in size and typically does not reach the recipients. In these circumstances, a potential supplier of financial and investment resources could be a banking system and such non-banking credit institutions as credit cooperatives.

Keywords: agricultural finance in Kazakhstan, production functions, capital demand.

Agriculture plays an important part in Kazakhstan's self-image, and continues to be a significant economic sector, employing about a third of the workforce. In the two decades since independence, agriculture has experienced dramatic swings in performance and in public policy. During the 1990s the sector suffered from external shocks, reduced public support. Since the turn of the century, the booming economy has seen rural-urban migration and substantial public funds devoted to the agricultural sector.

In the twenty-first century, agricultural performance has improved substantially and tenure arrangements are more transparent. However, the reform process remains incomplete. The path to land reform has left a legacy of weak land markets and difficulty in using land as collateral. The institutional arrangements are inadequate for coherent agricultural and rural development. While farm output has increased, interventionist policies and distrust of market mechanisms lead to resource misallocation and hamper productivity growth. In times of plenty, resource misallocation can seem a minor problem, but if a goal of diversification is to make the non-oil sector more resilient, then inefficient policies that promote an output mix determined by officials will not succeed in achieving this goal.

In the late Soviet era, agriculture was favored by budget subsidies, input and market support, as well as by subsidies (such as cheap fuel and transport) that were not agriculture specific. During the final decades of the Soviet era, grain and cotton farmers received favorable relative prices, and a prime aim of Soviet policy was to increase the output of the livestock sector in order to increase living standards through higher consumption of meat and dairy products. Meat output in the Soviet Union increased by 60 percent during the 1970s and 1980s, supported by the import of feed grains and soybeans from the United States and elsewhere. In the 1980s Ka-zakhstan exported 300,000 tons of meat per year, 250,000 tons of milk, and 150 million eggs to other Soviet republics.

In 1991 just over a quarter of the workforce was formally employed in agriculture, although agricultural output accounted for less than 15 percent of GDP. Of 39 million hectares of cultivated land, 65 percent was devoted to cereals and 33 percent to fodder crops. Although less important in terms of total acreage, rice and cotton were significant crops in the south, and cotton was Kazakhstan's third largest export to non-Soviet markets after mineral fertilizers and coal. Oil crops, regionally important in two eastern regions, supplied 40 percent of domestic demand.

Agricultural Reform during the 1990s . In December 1991 the Soviet Union was dissolved. The farm sector, like the economy as a whole, was affected by the disruption of supply chains both for inputs and to markets. In January 1992, other Soviet successor states, still using the ruble as a common currency, had to follow Russia's price reform. Price and trade liberalization changed the incentive structure, and most farmers were operating in undistorted product markets during the second half of the 1990s.

Policy toward agriculture in the 1990s was largely one of neglect, as the government addressed other more pressing priorities. Trade policy was fairly liberal with moderate tariffs on imports and few tariff peaks or non-tariff barriers to trade in agricultural products. OECD producer support estimates for agriculture in Russia and Ukraine are highly positive up to 1991, and then fall dramatically in 1992 to around zero or to negative values. A similar picture almost certainly applies to Kazakhstan, as price liberalization removed the benefit of receiving key inputs at below world prices. During the 1992–94 hyperinflation, farmers' input prices increased by at least twice as much as output prices.1 Subsidies for agriculture declined from 10–12 percent of GDP before 1991 to 2–3 percent in 1993, and between 1995 and 1999 subsides for agriculture were negligible. Some farmers faced locally monopolistic buyers for their outputs (e.g. cotton gins, dairies, grain merchants, or flour mills) and for all producers trade costs were high.

As the decade progressed, farm reform and re-structuring added to the pressures for change in the agricultural sector. Privatization in principle broke up large farms, but in practice many farms remained essentially unrestructured. When farms went bankrupt during the second half of the 1990s, farmers, mechanics, and others in the rural economy received land or equipment in lieu of wages. The sector was characterized by the continuing power of former state farm managers and of local authorities, and by the Soviet era phenomenon of household plots producing a large share of output, especially of milk and meat and of fruit and vegetables.

Although economic reforms were sporadic during the 1990s, Kazakhstan had a market based economy by the end of the decade. After an uncertain start in the 1990s, macroeconomic management has been good since the turn of the century. In the twenty-first century, the European Bank for Re-construction and Development gives Kazakhstan high marks for progress in small-scale privatization, price liberalization, and trade and forex system, slightly lower scores for large-scale privatization and competition policy, and low marks on its financial sector, infrastructure, and, especially, enterprise restructuring. The farm sector reflected this aggregate pattern, with a slow and difficult process of land reform.

The current state planning system was adopted in 2009. Agriculture is a priority development area for the decade to 2020, and the Ministry of Agriculture is focusing on eight subsectors (fruit and vegetables, grain, meat, milk, oil crops, poultry, sugar, and wool), which have priority over other products such as honey or cotton. Since October 2009 these subsectors have received priority loans from KazAgro, and larger subsidies or lower interest rates on loans/leasing. Regions are responsible for implementation, but central control ensures coherence. Evaluation of policies is primarily in terms of quantitative targets, mostly for output, with little concern for allocative efficiency. Socio-economic and environmental concerns are referred to, but do not appear to have a high priority in practice.

Agricultural policy is almost entirely supply-side oriented. KazAgro Marketing has two main functions: price monitoring (which is also done by the State Statistical Agency) and consulting services that mainly provide advice on how to obtain state support. The FCC buys grain, but does little to help farmers to increase the unit value of their sales by creating international awareness of Kazakhstani quality standards or by improving supply chains. The 2010 customs union with Russia and Belarus reinforces this pattern with, for ex-ample, quantitative targets for supply of beef from Kazakhstan to Russia.

Some goals are poorly articulated or inconsistent. Although reference is made to public good provision, the share of funds devoted to infrastructure has fallen.

Problems:

- Backwardness of agricultural technologies, physical and moral deterioration of equipment;
- Small-scale agricultural production;
- Low genetic potential of used seeds and farmed livestock;
- Weak fodder base, degradation of pastures;
- Lack of a uniform system of identification of farm cattle and the electronic database on it;

SWOT analysis of cattle sector of Kazakhstan

Strengths Weaknesses - In the south-eastern Kazakhstan Climatic conditions are favorable for grazing (low-cost) sheep; - in the North, Central, West and East regions there is a surplus unused grassland suitable for transhumance of livestock; - The competitiveness of Kazakhstan Meat market in Russia.	Weaknesses - Small-scale production, more than 80% livestock is in the personal part-time farm; - Reducing the area under feed crops, reducing the volume of production and high cost of feed; - Sporadic cases of registration centers especially dangerous diseases of animals and birds in some regions; - Low proportion of tribal livestock; - High level of dependence on import of meat products; - The seasonal nature of livestock production.
Opportunity Threat - With population growth is expected increase of meat consumption. In this case, potential beef market for Kazakhstan is Russia. The entry of Kazakhstan into the Customs union raises competitiveness of domestic beef; - Production of ecologically production (without using gene engineering), as well as establishing production of meat industry standards of "Halal" is potential output domestic producers of meat markets of Arab countries and the Middle East.	Threat High level of competition from major meat importing countries: Argentina, Brazil, Australia, New Zealand. These countries export large amounts of frozen meat, which allows they offer meat at prices significantly lower than the product of Kazakhstan production; - A ban on the importation of products in connection with outbreaks of especially dangerous diseases of animals.

- Low levels of investment in the agricultural sector;
- Lack of implementation of scientific developments into production;
- Lack of qualified personnel;
- Lack of development of rural co-operatives;
- Insufficient financial resources to fully satisfy the needs of rural producers in credit facilities.

POSSIBLE SOLUTIONS:

Develop drop irrigation in South Kazakhstan;

1.Biological progress.

2. Creation of the infrastructure of tribal service.

3.Strengthening of material-technical base;

4.The purposeful selection of agricultural equipment, petroleum products, and preferential credit;

5.Creation of consolidated enterprises (cooperatives) and the solution of marketing problems through the cluster approach;

6.Creation of a market infrastructure for processing, harvesting, storage and export products;

7.Increased area of fodder crops up to 30% in crop rotation;

8.Conduct advisory and advocacy and practical work on the rational use of distant pastures among pet owners. – "Extension service".

Conclusions

Livestock in Kazakhstan can be profitable. To do this, farmers must comply with the advanced technology of growing, feeding and housing of livestock; use a livestock breeding on pastures, for which the country has a chance. Kazakhstan has 182 million hectares of pasture – it is a huge potential that few country have in the world.

The Customs Union, removal of administrative barriers, harmonization of veterinary standards make it possible to export meat to Russia, which annually imports 1.8

million tons of meat, of which 800 thousand beef.

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РОЗВИТОК АГРОПРОМИСЛОВОГО ВИРОБНИЦТВА КАЗАХСТАНУ

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Казахстан входить до десятки світових провідних експортерів зерна. Сільськогосподарський сектор залишається головним роботодавцем, і важливим джерелом експорту. Фінансування сільгоспвиробників є одним з найгостріших проблем по всій області економічних реформ в Казахстані. Питання: Що це за фінансових джерел може підтримувати розвиток сільськогосподарського виробництва? Внутрішні джерела, такі як прибуток, зносу капіталу , а також різні резервні та страхові фонди не можуть розглядатися в якості одного з ключових фінансової бази. Державна фінансова підтримка сільського господарства в Казахстані (який відіграє значну роль в найбільш розвинених країнах), носить епізодичний характер, невеликі за розміром і зазвичай не доходить до адресатів. У цих умовах потенційний постачальник фінансових *та інвестиційних ресурсів може бути банківська система і такі небанківські кредитні організації, кредитні кооперативи.*

Ключові слова: сільськогосподарське фінансування в Казахстані, виробничі функції , потреба в капіталі .

РАЗВИТИЕ АГРОПРОМІШЛЕНОГО ПРОИЗВОДСТВА КАЗАХСТАНА

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Казахстан входит в десятку ведущих мировых экспортеров зерна. Сельскохозяйственный сектор остается главным работодателем , и важным источником экспорта. Финансирования сельхозпроизводителей является одним из самых острых проблем по всей области экономических реформ в Казахстане. Вопрос: Что это за финансовых источников может поддерживать развитие сельскохозяйственного производства? Внутренние источники , такие как прибыль , износа капитала , а также различные резервные и страховые фонды не могут рассматриваться в качестве одного из ключевых базы . Государственная финансовая поддержка сельского хозяйства в Казахстане (который играет значительную роль в наиболее развитых странах) , носит эпизодический характер , небольшие по размеру и обычно не доходит до адресатов . В этих условиях потенциальный поставщик финансовых и инвестиционных ресурсов может быть банковская система и такие небанковские кредитные организации , кредитные кооперативы .

Ключевые слова: сельскохозяйственное финансирование в Казахстане, производственные функции, потребность в капитале.