Mechanism of Public Support for Agricultural Production in the Countries of the Common Economic Space

Mikhail Ivanovich Sigarev, Zhakipbek Myrzagazievich Nurkuzhayev, Raya Orazgalievna Nurgaliyeva and Lyazzat Tursymbayevna Alshembayeva

1Kazakh Research Institute of AIC Economy and Rural Development, Republic of Kazakhstan, 050057, Almaty, Satpaev Str., 30b

DOI: http://dx.doi.org/10.13005/bbra/1783

(Received: 10 February 2015; accepted: 29 April 2015)

The research aim - is to show the system of subsidizing agricultural production in Kazakhstan in comparison with Russia, Belarus, main forms of public regulation of agricultural sector, financial support directions that enhance reduction of food imports. The article presents the yield of grain and leguminous, and purchase prices; analysis of consumer prices, structure of financial support, which has different effects on the efficiency of agri-industrial production; justification of the volume of subsidies for agricultural producers from state budget, and measures for improving the system of public support for agricultural producers, which facilitate future reduction of production costs of agricultural and food products, establishing of large agricultural enterprises, introduction of energy saving technologies, increasing of productivity, efficient resource management.

Key words: Agricultural producers, State regulation, Livestock production, Prices, import, costs.

Most countries use subsidies as a tool to support agricultural production. However, the leading countries - exporters of products and food products (Austria, New Zealand, Argentina, Brazil, and others.) do not support direct subsidizing of producers. The system of subsidies in developed countries include the following basic forms of state regulation of agricultural sector: price support (USA) (Samuelson & Nordhaus, 2011), income support through payments per hectare and animal population (EU) (European Commission,, 2012; European Commission, Interservice Group on Urban Development, 2007), income support through payments based on income level (Canada) and preferential crediting regimes (Brazil). The most effective form of state support for agricultural production is in the US, in which the one-third of all agribusinesses receive certain budgetary payment. The main objective of the countries with developed market agricultural economy is control of overproduction of agricultural products (OECD, 2011). In Kazakhstan, state financial support aims to reduce food imports, determine support measures taking into account the budget deficit. In agricultural production of Kazakhstan exists a preferential tax system for producers. For legal entities - patent system of taxation. Private farms pay a single land tax instead of all tax types in the amount of 0.1% of the value of land plot.

Method

Development of common priorities in the development of agri-industrial production, establishment of a single size subsidizing in marketing of livestock products on domestic and foreign markets and purchasing of breeding stock, using the experience of the developed countries in terms of public support for agriculture will facilitate the reduction of budget and allocate them for the development of agricultural sector...
of economy, create equal economic conditions for agricultural producers (Nechaev and Khatuov, 2010; Chepik, 2011; Turban, 2009). Methodological basis includes the development of technological maps, relevant to scientifically justified technologies of crop production and livestock production. For determining the standard profitability level it is proposed to use the method of analytic groups which allows to reveal the impact of profitability level on economic and social efficiency of production and regulation of reproductive processes. Methodological approaches to allocation of public support resources for agriculture are constantly improving. Change of payment rates, list of supported product types and terms should be outlined as the main changes in allocation of funds between territories and fund recipients.

RESULTS

Analysis of national support for agricultural production in Kazakhstan and regions

The volume of farmlands in Kazakhstan is 90.1 mln. ha, of which 46.9% is owned by agribusinesses, private farms - 52.8%, households- 0.3%, including the amount of arable land which is 24.0 mln. ha, of which 61.7% belongs to agri businesses, private farms - 37.9%, households - 0.4%; pastures and hayfields- 63.3 mln. ha, including agribusinesses - 41.5%, private farms - 58.3, households - 0.2% (Sigarev, 2010).

On the territory of Kazakhstan there are 9 natural-agricultural zones with zone types and subtypes of soils and leading directions of agricultural specialization. The structure of total land area, the proportion of desert zone is 42.7%, dry steppe- 22.9, and semidesert - 13.7%. In total volume of farmland, the share of desert zone is 39.3%, dry steppe - 24.9%, in total amount of arable lands, steppe zone - 44.7% and dry steppe - 28.5%. (Kazakh Research Institute of Economy in AIC and Rural Development, 2013; Kazakh Research Institute of Economy in AIC and Rural Development, 2011).

Natural biological productivity of climate with average index 40 points is ranging from 100 points in mountain-steppe zone to 10-20 points in desert zone. Analysis shows that livestock production in the country as compared to grain industry, is less organized. The main volume of meat and milk production is provided by households, which are characterized by small-scale production, and imports of livestock products is prevailing. Only 33% of domestic consumption of poultry meat is provided by own production, two-thirds are covered by imports (USA - 88%, Brazil - 6, Ukraine - 3%) (Ministry of Agriculture, 2012).

Livestock productivity is low, crop yield capacity does not meet the climatic conditions. The analysis shows that the highest yield per 1 cow for 2013 amounted to average in Kazakhstan - 2211 kg, in Russia - 4732, in Belarus - 4482 kg. Price disparity is considered as the main cause of financial problems of agricultural production, and there are no effective price regulation measures on logistical resource market. Correlation of in sales prices growth rates and unit production cost, indicate the advanced rate of production cost growth, sales price growth rate, and in livestock production in general- the increase of prices for products is completely absorbed by rising production costs. Due to the shortage of own financial resources (profit) in agribusinesses of Kazakhstan, 70% of combines harvesters and 92% of tractors are worn out. Availability of fertilizers is about 8% of total demand, herbicides - 40, elite seeds - 38%.

By using innovative technologies 0.25% of agricultural products have been produced. The existing traditional technology of production of basic agricultural products does not provide the increase of crop yields and livestock productivity. It should be noted that the use of technological crop rotation provides protection of soil from wind erosion, collection and keeping of moisture in soil, improvement of the environment, increase of crops yield 3-5 times, quality of production - by 20-30%, use of agricultural machinery is reduced 1.5-2 times, costs of oil fuel resources are reduced by 25-30%.

Customer support for main livestock products is carried out at improper level (protection coefficient must be less or equal to 1). In average for the period 2008-2012, on beef it was 2.0, horse meat - 7.3, pigs - 17.4, and only on milk it was 0.5. The share of total level of support to agriculture in gross value was as
follows: in Belarus - 12.8%, in Russia - 5.6, in Kazakhstan - 3.6%. The level of overall support which has impact on mutual trade (yellow basket), in Belarus - 11.8%, Russia - 4, Kazakhstan - 3.1%. In the structure of total support for agriculture, measures which have no trade-distorting impact (green box) are: in Belarus - 7.7%. (State Program of innovative development of the Republic of Belarus for 2011-2015, 2010), in Russia - 28.3, in Kazakhstan - 77.6%, measures having a distorting effect on the mutual trade (yellow basket) are: in Belarus - 92.3%, in Russia - 71.1, in Kazakhstan - 22.4% (The concept of industrialization of Kazakhstan for 2015-2019, 2014), of them untied to a specific product: in Belarus - 90.5%, in Russia - 69.2, in Kazakhstan - 21.8%.

It is necessary to bring to the same rules the criteria of allocating public support to agricultural producers that will contribute to increasing of the efficiency of production and put on equal economic conditions the agricultural producers in the countries of the Customs Union (Belarus, Russia and Kazakhstan). Kazakhstan established a special tax regime for legal entities based on patent in the amount of 30% of the amount of all taxes and common land tax for private farms in the amount of 0.1% of land plot value.

Improvement of the efficiency of domestic support of agricultural production

The main areas of supporting agriculture include the improvement of its structure; change of support mechanisms. Domestic support should be based on state-funded government programs, and it is necessary to consider the following areas in the formation of total public support: establishing of public reserves to ensure food security, direct payments to producers, financial participation of the State in insurance programs and income assurance programs. The right for such payments is determined in the incomes exceeding 30% of average gross income for the previous three-year period: the amount of such payments compensates less than 70% of producers’ losses, payment does not depend on the type or volume of production, national and international prices. Payments are done through financial participation in yield insurance programs and natural disasters, termination of production of commodity agricultural products.

Important element of economic mechanism of sustainable agricultural production development is the pricing system. Price relations should be based on market pricing and public regulation, which is established as a benchmark for determining the amount of public funding and support for agricultural producers. This is the basis of the global experience of agricultural productional development. In determining the guaranteed prices for agricultural products, they should be based on standard cost level and profitability which is not less than 25%. The need for the formation of the system of public support for agriculture is preconditioned by its high significance in addressing food security, provision of social groups with high-grade environmentally friendly food products, creating conditions for encouraging the development of other sectors of economy on the basis of inter-sectoral resource potential of agriculture, reduction of the level and quality of life in rural areas, high unemployment level, significant excessive volume of food imports over national production of agricultural products. All this predetermines the need to strengthen the regulatory impact of the State on the development of agricultural sector aimed at implementing a set of measures on providing public support, creation of conditions for rural development, establishing comprehensive production infrastructure.

The important principle of regulation of national support is the minimum principle, which represents a threshold level of funding of “yellow box” measures. The methodology of allocation of public support in territories envisages the consideration of agricultural practices. Foreign experience shows that regions with difficult and unfavorable production conditions are characterized by consumption of material and labor resources per unit in comparison with regions with favorable natural conditions. The forecasted level of meat consumption by regions of Kazakhstan has been determined by using methodical approaches (population number, scientifically justified consumption of livestock products). The calculation includes the consumption of meat per capita - 82 kg, including beef - 28.8 kg, mutton - 15.8, pork - 20.1, horsemeat - 5, poultry - 10.8, milk - 405 kg.
According to equal share of subsidized production by regions of Kazakhstan, the volume of subsidizing of the industry on main types of sales of livestock products (beef, lamb, pork, horse meat, poultry meat, milk) has been calculated. It is proposed to use same size standard costs per production unit (share of subsidies in cost) for equal status of agricultural producers and increase their interest in determination of subsidies for produced and marketed products.

For example, if share of subsidies in milk production cost - 33.1%, as production cost increases, there is twice increase of the size of subsidies per 1 c of milk, in beef - to 93.7% in 31.3% of share of subsidies. Taking into account the experience of insurance of livestock in foreign countries and countries of the Customs Union, the following is recommended. It is necessary to create conditions in Kazakhstan for promoting the development of insurance institution, in particular, subsidizing of insurance risks in livestock production. It is necessary to establish associations of insurers who act as guarantor of solvency of the whole system in case of bankruptcy of one of them. With this purpose, a compensation payments fund should be established, which accumulates the insurers’ transfers of insurance premiums (not less than 5%). Insurance organization must send 80% of the received premium to the formation of reserves for payment of insurance compensation to agricultural producers and only 20% can be spent on maintaining their business. The size of insurance premium which is subject to payment is determined as insurance amount, specified in the insurance contract by type of animals, to the relevant insurance tariff on specific type of animal. The percentage of reimbursement of damage and cost for forced slaughter of livestock and poultry - is in the amount of 100%. (Program on development of agriculture in the Republic of Kazakhstan for 2013-2020 “Agribusiness 2020”, 2012).

**Insurance risk**

Risk of death of animals as a result of exposure to infectious animal diseases, mass poisonings; natural disasters; breaks of electricity, heat, water supply as a result of natural disasters. Animals are considered to be insured, provided that they are within the territory specified in the contract of insurance. At the conclusion of insurance contract for a term exceeding 1 year, the insurance tariff is defined as the sum of 1/12 of basic annual basic rate by the number of months that make up the insurance period (not full month is taken as a full month). Amount of insurance sum, on the basis of which the size of insurance premium (insurance fees) is settled, is defined by the agreement under which the insurance amount cannot be less than 80% of insurance value or exceed the insurance value of animals at location on the day of conclusion of the insurance contract.

**The size of the loss** (death) of animals to be reimbursed is determined as follows:

a) For the animals subject to individual account, as the product of the size of loss (death) on the value of one head / one kilogram fixed by the contract of insurance, except for annual balances;

b) Animals who are not subject to individual account, as the product of the size of loss (death) on the value of one head / one kilogram at the time of insurance event (in the amount of the costs of raising and fattening of lost/ dead animals), except for annual balances.

**Compensation** of loss will be done in case if animals died from infectious diseases. In concluding the insurance contract, the insurance organization has the right to apply correction (increasing or decreasing) coefficients to basic insurance tariffs, based on specific conditions of animal care and other factors affecting the degree of insurance risk. List of animals by sex, age, type, for which the insurance contract can be concluded, should be determined by the Plan of agricultural insurance for the year of conclusion of insurance contract, approved by the authoritative body. The following types of livestock: cattle, sheep and goats, pigs, horses, camels; breeding stock of cattle, pigs, chickens flocks are recommended for insurance of livestock due to public support.
this case, the insurers may be only farms that raise animals for sale. Livestock and poultry taken into insurance are considered insured in places of their keeping, grazing (range) and on the way to (c) the place of grazing (range, keeping, including temporary). The insurable value on insurance of livestock and poultry is their residual value on the 1st day of the month in which the contract on compulsory insurance of agricultural products is concluded. The insurance sum under the contract of compulsory insurance of agricultural products should be settled in amount of insurance value of livestock and poultry separately for each type. The contract of compulsory insurance of livestock and poultry is concluded for 1 year. If the contract of compulsory insurance of agricultural products includes insurance payment on one of the types of livestock and poultry, the insurance amount is reduced by the amount of insurance payment.

The insurance fee on the contract of compulsory insurance of agricultural products is calculated by the insurer separately for each type of livestock and poultry by multiplying the insurance sum to this type of livestock and poultry to insurance rate. Calculations show that in current system of insurance in Belarus insurance rate in insurance of dairy cow has been set at 0.05%, in Russia and Kazakhstan the recommended insurance rate - 1.5%, at the same insurance cost of insurance premium is 50% - on the expense of the farmer, and 50% - at the expense of the State budget. Thus, in Kazakhstan, in introduction of compulsory insurance of agricultural products includes insurance payment on one of the types of livestock and poultry, the insurance amount is reduced by the amount of insurance payment.

Subsidies for agribusinesses and private (peasant) farms in crop and livestock productive

These conditions are the same. As a result, the level of profitability of total agricultural production by agribusinesses was 36.5%, including crop production- 44.1%, livestock production- 15%; in private farms total production - 51.6%, including crop production - 53.5%, livestock production - 46%. To create equal economic conditions for agribusinesses and private farms, it is recommended that the profit from products sales should be subject to land tax, but not the estimated land value, existing in Kazakhstan, which will allow to pay other payments to the budget and funds (pension, water resources). Other taxes such as corporate, individual income tax, value added tax, property tax, excises, social security tax, vehicle tax are calculated in accordance with tax legislation, taking into account the patent system of taxation at the rate of 80% instead of current 70%. To determine the value-added tax, the international standard should be used. Value added tax, subject to be paid to the budget on taxable turnover is defined as the difference between the amount of value added tax, which is charged for provided goods (works and services) and to be paid for obtained goods (works and services). Thus, use of tax rates and tax base will allow to make the following conclusions and suggestions on improvement of taxation of the countries of the Customs Union (Belarus, Kazakhstan and Russia).

Analysis shows that taxation of agricultural producers in Belarus is at rate of 2% of the volume of provided products and services, in Kazakhstan - 30% of the amount of all taxes (on patent) and in Russia - 6% of profits. Countries of the Customs Union are encouraged to use a single methodological approach from earned profit from sale of agricultural products (profit) of 6%. For this purpose it is necessary to align the legal framework in each country. This will facilitate creating of equal conditions for agricultural producers, increasing their material interest. The second option - to use in each country the approved taxation law for agricultural producers. (Law of the Republic of Kazakhstan “On public support of industrial innovative activity”, 2010).
Financial recovery

It should be carried out on equal bases by joint measures and proportionate support by the owners of the AIC entities, creditors and the government. Lenders provide a restructuring of financial obligations of the AIC entity (by lowering interest rates, extending the term of repayment of loans, granting preferential period on payment of basic credit, cancellation of fines, penalties, late fees, and other measures), refinancing and financing of agribusiness to repay existing debts. The main volume of credit funds aimed at purchasing fixed assets, is done at the expense of borrowed (attracted), own funds of second level banks and leasing companies. With regard to the average credit interest rate, 12-15% lease, the farmer pays almost two costs of equipment in 7-9 years.

Terms of return of loans provided to the agricultural producers by second-tier banks do not meet the specifics of agricultural production, which is characterized by long payback of investments. Insignificant participation of second-tier banks and credit unions in financing AIC projects is due to the lack of long-term funding sources and high credit risks. The appropriate institutions have been established which are providing crediting of the following programs: Employment -2020, Tabigi Orta, Murabaha, Salam, Program on crediting small and medium-sized businesses in rural areas, crediting of microcredit institutions, crediting under the program “Sybaga”, Program on crediting of non-agricultural business activities in rural areas, Financing of rural consumer cooperatives, Crediting of spring field and harvesting works. Crediting of credit unions, Crediting of companies processing agricultural materials and food production companies, Commercial crediting of agribusiness development projects in the field of livestock and crop production.

DISCUSSION

In order to make innovations effective and contribute to the creation of competitive advantages, we need a multi-level innovation strategy, which represents a purposeful activity on identification of priority directions of perspective development of enterprises, which will result in a new quality of production due to innovations. In this direction it is possible to achieve the maximum effect only through close cooperation and interaction between AIC sectors of the state.

The priority objective - is to ensure food security of the country, aimed to unite efforts of government authorities at all levels, organizations of scientific and technical sphere and business sector of economy in accelerated use of scientific and technological achievements in implementation of national priorities of the country (Ministry of Education and Science, 2009).

The strategic goal is to create a favorable innovational environment for the transformation of scientific ideas into competitive market products, and introduction of these products into production. The essential elements of the mechanism of innovational development of the system are medium and long-term assessment of the perspective innovations, analysis of the effectiveness and scopes of their development, forecast of competitiveness on domestic and foreign markets.

Strategic issues of innovative development of agriculture Kazakhstan currently do not find proper solution, since public support is very insignificant both in the number of allocated funds (compared to the pre-reform period, it decreased more than 10 times), and the effectiveness of their use. At the same time, the provision of annual efficiency growth of agri-industrial production through the use of innovations is 30-60%.

Currently, the level of intensification of agricultural sector lags behind the world average achievements, for example, in grain production it is 53.1%.

According to estimates of susceptibility of enterprises to innovative processes, which is characterized by the share of active enterprises, innovative activity of enterprises of Kazakhstan is 4.3%, in the USA it is around 50%, in Turkey - 33, in Hungary - 47, in Estonia 9.1%.

The main problems of innovative development of agricultural production in Kazakhstan are as follows: big debts of agricultural enterprises; high interest rates for using credit resources; lack of collateral; high
risks of agricultural production; low availability of leasing and other financial instruments; 80 percent depreciation of agricultural machinery (Sigarev & Nurkuzhaev, 2012).

In crop production, more than 70% of agricultural producers produce products on extensive technologies, in which the achievements of science and advanced domestic and foreign experience are not used, intensification means (fertilizers, etc.) are not used in proper way, old machinery is used. The current level of technical equipment of agriculture, does not facilitate its effective development and adversely affect the timing and quality of seasonal agricultural work. Agricultural producers don’t have necessary machinery and equipment, and access to low-cost and long-term loans, and they are forced to use simplified technologies in production and processing of agricultural products.

The main volume of credit funds allocated for the purchase of fixed assets, is provided by borrowed (attracted) and own funds of second-tier banks and leasing companies. Currently, about 30% of small and medium-sized agribusiness do not have access to funding due to the lack of proper highly liquid collateral, and unreliable financial condition. Small volume of investment flow results in the low level of technical equipment, intensification of land cultivation, low genetic potential and productivity of livestock (Nurkuzhaev, 2014).

For improving the efficiency of agricultural production, it is necessary to increase the volume and structure of subsidies. Calculations show that purchased fertilizers should be subsidized, the amount of which will be in average 258 thous. tons for 2013-2020, herbicides - 31 thous. tons, elite seeds - 120 thous. tons, 46 thous. tons of beef, 9 thous. tons of mutton, 13 thous. tons of horse meat, 28 thous. tons of pork, 180 thous. tons of poultry meat, 200 thous. tons of milk. Subsidizing of crop production will be carried out in the following areas: subsidizing of fuel and lubricants will increase to 38% compared to 2012, fruits and berries - 4.6 times, original and elite seeds - by 43.5%, total direct support of crop production will increase 3.3 times, indirect support - 2.7 times, the amount of public financial support - 3.2 times. Subsidizing of livestock production will significantly increase, improvement of product quality will increase 2.1 times in comparison with 2012. In the structure of direct government financial support for livestock breeding the proportion of young pedigree cattle of foreign breeding will be 32.5%, conducting cattle breeding work - 29.7%, the amount of indirect support for livestock production - 314 billion. Tenge (State Program of innovative development of the Republic of Belarus for 2011-2015, 2010).

For research and innovation assurance of agri-industrial production it is envisaged to provide funds 6 times higher than in 2012. In the structure of allocated subsidies scientific support will be 51.3%, establishing of integrated research and educational facilities - 31.7%. The subsidy volume of budget crediting by 2020 on loans and leases will be equal to 48.6%, investment projects - 22.5%, through the system of insurance and loan guarantees - 15%, second-tier banks - 13.8%. The share of subsidies allocated for the development of crop production will be equal to 29.6% of total volume, livestock production - 30.6%, scientific support - 5.3%, budget loans - 23.3%, to processing enterprises - 1.8%, other support - 9.4%. Due to investment subsidies it is planned to build 35 breeding farms for growing cattle, modernize and technically equip 1,400 farms on growing commodity production cattle, 35 feedlots, 700 farms for 600 heads of ewes, build 25 pig farms for 2500 swine, 6 breeding -hybrid centers for 1100 sows; annually during 5 years purchase 1.4 thousand tractors, 1.5 thousand combine harvesters, 0.4 thousand reapers, 0.3 thousand seeders, 4 thous. seeders, 2 thousand sprayers, total amount 106, 5 billion Tenge. Subsidies rate for grain combines, forage harvesters - 40%, tractors - 35, harvesters, seeders, planters, sprayers, other - 30%, total amount of subsidies will be 37.1 billion Tenge.

Cost return on average in livestock production from implementation of investment projects will be 16.4%. This will allow to increase the current level of public financial support from 3.1 to 10%, including measures affecting mutual trade by agricultural products, i.e. green basket will increase 3.3 times. Support measures without reference to a specific product will increase 3.2
times, including financing of costs for loan services, partial or full return of obligations on payment of borrowed funds - 3.1 times, partial or full budget reimbursement of energy costs - 3.2 times, total public support - 1.5 times.

Results of the conducted research show that the scenario of innovational agricultural development of Kazakhstan at certain parameters of internal state support demonstrates the effectiveness of agricultural production (Set of measures on sustainable development of agriculture of the Republic of Kazakhstan for 2010-2012, 2009). Crop yield capacity and livestock and poultry productivity are increasing. Thus, by 2020, the yield of grain in average will increase to 5% as compared with the period of 2007-2012., corn for grain - by 9.2, rice - by 8.8, vegetables - by 22.2%. By 2020 production of beef per one head on average will increase to 7.4% compared with the average for 2007-2012, sheep and goats - to 11.8, pigs - to 16.7, horses - to 14.3%, yield per forage cow - 11.1%. by weight. The share of agricultural production of agribusinesses in general volume of the republic will be equal to 56%, including - 50% in 2020, including crop production - 45.9% and 73%, livestock production - 22.4% and 20.5%. By 2020 crop production will increase in all farm categories on average by 1.8 times in comparison with 2012; livestock production - 1.4 times.

The main factors impacting production cost is the introduction of intensive technologies, inflation processes, public financial support for crop and livestock production, which primarily affects the reduction of its cost. In view of the prevailing prices and public support, the profitability level of agricultural products sale will increase: grain - 1.4 times compared with 2007-2012, raw cotton - 1.9 times, all kinds of meat - by 1.8 times, milk - 1.6 times. By 2020 the level of profitability of grain will reach 65.1%, grain corn - 68, all types of meat- 36.2, pig meat - 35.8, meat and poultry - 29.8, milk - 58.6%.

The most characteristic features of innovation processes should be as follows: a variety of forms and linkages between agribusinesses and innovational entities; flexible, scientifically justified mechanism of transfer of scientific achievements on the development of innovations by commodity producers. Planning of innovation developments and assimilation of innovations should be based on the use of payback funding of highly effective applied scientific developments, state subventions and subsidies; enhancement of investors in high-tech production, providing financial support to patent and invention activities. Proposals on establishing AIC special fund through deductions from profit and budget support are very interesting.

Important areas of implementation of the state mechanism for innovational development in agricultural production should be introduction of achievements of science, technology and best practices; enhancement of agricultural science on conducting basic and applied researches; regulatory-legal support, protection of the objects of intellectual property and their incorporation into economy; improvement of examination and selection of innovative projects and programs with a view of their implementation in agro-industrial production; development of international cooperation.

The main mechanism of integration between agricultural science and production – are targeted programs. It is necessary to adopt public innovative program on improvement of the efficient use of innovative potential of agricultural sector. For implementation of these areas it is necessary to comply with the following basic principles of innovation achievements: recognition of their effectiveness at all levels, scientific justification of solutions and practical actions.

Wages in agricultural sector are the lowest, and don’t exceed 40-45% of its average value in economy in general. Low level - is the main reason that prevents the attraction of highly-skilled staff, capable to introduce innovations in production. Elements of financial mechanism, prices, subsidies, taxes, loans must be directed to the expanded reproduction in agriculture and innovation activity.

The most characteristic features of innovation processes should be as follows: a variety of forms and linkages between agribusinesses and innovational entities; flexible, scientifically justified mechanism of transfer of scientific achievements on the development of innovations by commodity producers. Planning of innovation developments and assimilation of innovations should be based on the use of payback funding of highly effective applied scientific developments, state subventions and subsidies; enhancement of investors in high-tech production, providing financial support to patent and invention activities. Proposals on establishing AIC special fund through deductions from profit and budget support are very interesting.
automation of production processes; intensive, environmentally friendly and technologically waste less industrial technologies; methods of increasing (by 40-50%) biological potential of livestock productivity; organizational and economic mechanism of livestock development, including justified prices for product sales, taxes, subsidies, public support of production, processing and marketing of products.

Introduction of a set of measures of public financial support will enhance the reduction of the share of import of agricultural products in domestic consumption and, first of all, fruits and vegetables and canned fruit, sugar, butter, sausages. The proposed level of public support will enhance the reduction of agricultural production costs and make it equal to the countries of the Customs Union - Belarus and Russia. For addressing many problems in processing industry, contributing to the modernization and creation of a strong resource and livestock fodder basis, it is necessary to develop national processing industry, in particular processing of milk, meat, fruit and vegetables, leather, oil and fat products, production of pasta, cereals and sugar. For the development of dairy industry it is necessary to provide households with investment subsidies and subsidize interest rates on bank loans.

**CONCLUSION**

Based on the conducted analysis we can make conclusions and proposals on national support of agricultural producers in Kazakhstan. The important principle of regulation of domestic support of agricultural producers is the principle of minimum - a threshold level of funding "yellow box" measures. The methodology of allocation of public support on the territories foresees consideration of conditions for agricultural production. Using methodical approaches (population number, scientifically justified food consumption), the forecast of agricultural production has been determined.

For equal status of agricultural producers and increase their interest in determination of subsidies for produced and sold products, it has been proposed to use same size cost rates per unit of production (the share of subsidies in cost).

In compulsory insurance of animals it is necessary to establish 1.5% insurance fee of balanced value of animals, the amount of insurance premiums 50% should be paid by the State. Countries of the Customs Union are proposed to use a single methodical approach on taxation of agricultural producers in the amount of 6% of the profits.

In order to improve the efficiency of agricultural production it is needed to increase the volume and improve the structure of subsidies. It is proposed to subsidize crop production in the following areas: subsidies for fuel and lubricants, fruit crops, original and elite seeds. Livestock production subsidies will significantly increase: improvement of quality - 2.1 times, breeding cattle - 2.9 times. Budget subsidizing volume for crediting of agricultural production is 695 bln.Tenge, the interest rate due to subsidies on the basis of leasing - 6.6%, attracting investments - 32.8%, through insurance and loan system - 6.7%. The volume of investments including subsidizing of investment projects will be equal to 336 billion Tenge, allocation of subsidies - 155 billion Tenge. It is envisaged to build 35 breeding farms for growing cattle, modernize and technically equip 1,400 farms involved in commodity production of cattle, 35 sheep farm feedlots, build 24 pig farms for 2,500 swine, annually purchase 1.4 thousand tractors, 1.5 thousand combine harvesters and other agricultural machinery for 106 bln. tenge, and total amount of subsidies will account 37 bln. tenge.

The level of public financial support will increase from 3.1% to 10%, including measures influencing on mutual trade will increase 3.3 times. As a result of the proposed total public support to agricultural sector the crop yields and livestock productivity will increase, allowing to increase the volume of agricultural production: crop production will increase 1.8 times, including due to the increased volumes - 8%, price increase - 9.1%. In view of the prevailing prices and public support the level of profitability (return) of agricultural products sale will increase: grain - 1.4 times, raw cotton - 1.9 times, all kinds of meat - 1.8 times, milk - 1.6 times. By 2020, the level of grain profitability will reach 65.1%, all kinds of meat - 36.2, milk - 58.6%.
REFERENCES

6. Chepik, O.V. Some economic aspects of public regulation and support of agricultural producers / / Herald of Rostov State Economic University RINH. 2011; 35