

## THE METHOD ENSURING SUPPORT OF DEMAND FOR AGRICULTURAL-PURPOSE LAND

Evgeniy ZAVOROTIN, Alla GORDOLOVA, Nataliya TIURINA

Volga Research Institute of Economics and Organisation of Agro-Industrial Complex,  
12 Shehurdin Street, Saratov, Russia

Corresponding author email: zavorotinef@yandex.ru

### **Abstract**

*A stable institution that ensures coordination of communication between authorities, sellers, and buyers, was designed within the developed method supporting demand for agricultural-purpose land, taking into account the provisions of the system approach. On the example of Saratov region (oblast) of the Russian Federation, the failures of the current land market were determined and taken into account when specifying the objectives, functions, activities, new norms, rules. The block model of the Institution supporting demand for agricultural-purpose land includes the central area of focus, functional purpose, regulatory activities, and expected results. The Institution is aimed at creating the attractiveness of agricultural-purpose land as a commodity, scientific justification of effective agricultural-purpose land use programs. The functions of the Institution supporting demand for agricultural-purpose land are to attract buyers among agricultural producers, to disseminate information on offers and enforcement of concluded contracts. The presented algorithm describes the process of interaction of subjects in land relations with state authorities through the introduced Institution supporting demand for agricultural-purpose land, buyers. The proposed institutional structure will be an effective alternative to a set of disparate initiatives and actions.*

**Key words:** agricultural-purpose land; auction; demand; land plots; method.

### **INTRODUCTION**

In the broad sense of the word, "method" is considered as a way of research or cognition, based on the certain body of previously obtained knowledge (Mostepanenko, 1972). In a narrow sense, a method is a systematized set of techniques and procedures of theoretical cognition and practical transformation of an object (Zavorotin et al., 2015; 2017; 2020). This understanding of the method will be used in this study.

The theoretical and methodological basis for developing a method supporting demand for agricultural-purpose land is the institutional theory, in which the structure of incentives is determined by institutions, that is, created by formal and informal constraints, as well as enforcement factors that organize relationships between people.

North (1997) defines institutions as rules, mechanisms that ensure their implementation, and norms of behavior that structure repetitive interactions between people. Sukharev (2014) has an idea of institutions as formal rules formed by society and government, which

acquire the meaning of norms that have legal significance, and informal rules.

The conceptual framework of market, market system is contained in the scientific works of Smith (2007), Ricardo (1955), Marx & Engels (1960), Samuelson & Nordhaus (1997), etc. Common definitions of the market are: the sphere of commodity exchange (Marx & Engels, 1960); the system of economic relations between producer and consumer (Kovalenko, 2019); the real space with interaction of supply and demand (Abalkin, 1999).

McConnell & Brue (1992) interpret it as an institution, or a mechanism that brings together buyers ("demanders") and sellers ("suppliers") of particular goods, services or resources. Ciaian, Kancs and Swinnen (2010) take into account demand factors for agricultural-purpose land.

The author's method ensuring support for demand for agricultural-purpose land involves drawing up a set of rational actions that must be taken to improve the efficiency of the development of the agricultural-purpose land market.

## MATERIALS AND METHODS

The method ensuring support of demand for agricultural-purpose land involves studying the bidding procedures, sale of agricultural-purpose land by auction, market volatility, and management of regulations, rules, and mechanisms.

## RESULTS AND DISCUSSIONS

### Analysis of the existing agricultural-purpose land market

Saratov region is the subject of the Russian Federation, which includes 38 municipal districts grouped into 7 natural-climatic microzones: West (Arkadasky, Balashovsky, Romanovsky, Rtishchevsky, Samoylovsky, Turkovsky districts); Central Pravoberezhye (Atkarsky, Ekaterinovsky, Kalininsky, Krasnoarmeysky, Lysogorsky districts); North Pravoberezhye (Bazarno-Karabulaksky, Baltaysky, Volsky, Voskresensky, Novoburassky, Petrovsky, Khvalynsky districts); Prigorodnaya (Saratovsky, Tatishchevsky, Engelsky districts); North Levoberezhye (Balakovskiy, Dukhovnitsky, Ivanteevsky, Marksovskiy, Pugachevskiy districts); Central Levoberezhye (Ershovskiy, Krasnokutskiy, Krasnopartizanskoy, Rovenskoy, Sovetskoy, Fedorovskiy districts); South-East (Alexandrovo-Gaysky, Dergachevskiy, Novouzensky, Ozinskoy, Perelyubskoy, Pitersky districts) (Wikipedia, 2020).

In Saratov region, the agricultural-purpose land market operates in two sales areas: agricultural-purpose land for ownership and right for lease. The main results of the study and analysis of information on the agricultural-purpose land market in the Central Pravoberezhye microzone of Saratov region on public auctions for the sale and lease of agricultural-purpose land plots placed on the official website of the Russian Federation for posting information on the conduct of trades (2020) in accordance with the Federal law of July 24, 2002, No. 101-FZ "On the Turnover of Agricultural Land" (2020) are presented in Table 1.

In 2017-2019 the largest number of offers for the sale of land plots is noted in Kalininsky district (19), for lease - in Ekaterinovsky (45) and Atkarsky (39) districts.

The maximum opening price for the sale of the ownership of 1 ha of land was 822755.1 RUB (Krasnoarmeysky district), and it was 4309.11 RUB (Lysogorsky district) for rental payment. Market transactions have not been concluded in all areas of the microzone due to the cancellation of auctions, their termination on the initiative of subjects in legal relations, lack of price step-up bids, participants admitted to the auction.

The main problem of functioning of the agricultural-purpose land market is in establishing adequate prices for a specific good. For example, the opening price for a land plot with a total area of 67 hectares for foreclosure sale, carried out through a public offer posted on the Internet by the auction organizers, is 6382872.13 RUB, which is 20 times higher than the price of the winner - 319143.70 RUB (Figure 1).

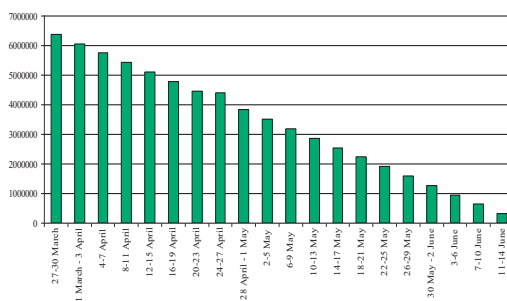


Figure 1. Dynamics of prices for the debtor's land plot in Krasnoarmeysky district of Saratov region, in 2017  
 Source: Own design based on E-Trade Center (2020)

Thus, there is a difference between the market price and the cadastral value, an imbalance of supply and demand.

### Improving the performance of the agricultural-purpose land market by activating norms, rules, and demand support mechanisms

The regional agricultural-purpose land market does not have proper development due to the imperfection of certain normative legal acts regulating land relations, presence of excessive administrative barriers, asymmetric information on prices, which causes an objective need of designing the institute of stimulating demand for land plots (Figure 2).

Incorporation of a new structural component in the existing institutional environment should help to eliminate negative trends that occur in the course of market and non-market turnover.

Table 1. Results of auctions for sale and lease of agricultural-purpose land in municipal districts of the Central Pravoberezhnye microzone of Saratov region of the Russian Federation

Indicator		Year		
		2017	2018	2019
<b>Atkarsky district</b>				
Number of lots, items	for sale	3	1	–
	for lease	10	9	20
	held	3	4	6
Total area of land plots, ha	for sale	7.21	7.00	–
	for lease	301.10	651.04	1289.36
Opening price of the lot, RUB/ha	for sale	12398.37	25573.00	–
	for lease	672.19	511.46	433.95
<b>Ekaterinovskiy district</b>				
Number of lots, items	for sale	–	2	5
	for lease	14	7	24
	held	8	–	2
Total area of land plots, ha	for sale	–	3.00	55.20
	for lease	349.05	358.00	581.66
Opening price of the lot, RUB/ha	for sale	–	155820.00	9817.14
	for lease	799.83	1796.86	1490.81
<b>Kalininsky district</b>				
Number of lots, items	for sale	10	1	8
	for lease	6	11	2
	held	7	6	6
Total area of land plots, ha	for sale	772.50	11.00	338.67
	for lease	459.50	1038.35	187.00
Opening price of the lot, RUB/ha	for sale	9190.03	9290.60	11710.38
	for lease	1067.49	1139.70	1240.64
<b>Krasnoarmeysky district</b>				
Number of lots, items	for sale	2	3	–
	for lease	–	5	6
	held	2	–	–
Total area of land plots, ha	for sale	0.43	60.00	–
	for lease	–	78.10	135.63
Opening price of the lot, RUB/ha	for sale	822755.10	3950.00	–
	for lease	–	593.47	1141.86
<b>Lysogorsky district</b>				
Number of lots, items	for sale	2	–	5
	for lease	2	–	10
	held	–	–	4
Total area of land plots, ha	for sale	345.90	–	454.43
	for lease	180.40	–	502.00
Opening price of the lot, RUB/ha	for sale	7091.65	–	8206.69
	for lease	609.76	–	4309.11

Source: Own calculation based on the data from the official website of the Russian Federation for posting information on the conduct of trades (2020) in accordance with the Federal law of July 24, 2002, No. 101-FZ "On the Turnover of Agricultural Land" (2020)

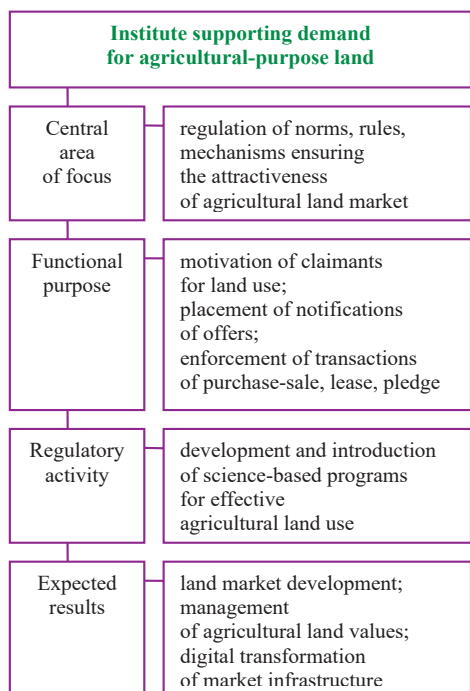


Figure 2. Scheme of the proposed Institute supporting demand for agricultural-purpose land  
 Source: Own elaboration

This measure will be the most effective when initiated by the authorities.

The Institute supporting demand for agricultural-purpose land is designed to make positive changes in the market situation, to provide the transition of land plots from inefficient to efficient users. Its intended functions are as follows:

- motivation of potential buyers – attraction of agricultural producers through advisory activity (meetings, webinars, etc.) on characteristics of the land plot, legal, financial and other aspects;

- organization of free access to offers - dissemination of information on a possible transaction with land plots;

- transaction enforcement - protection of concluded agreements and fulfillment of obligations stipulated within them.

Interaction of state institutions with modeled norms and rules occurs in a certain sequence (Figure 3).

The practical significance of the method using such institutional structure is the possibility of:

- applying a situational approach to analyze the results of monitoring the preferences of buyers of agricultural-purpose land;

- building systematic relationships with owners, land users, landowners, lessees through the organization of permanent seminars, round tables, including the use of information-and-communication technologies on topical issues of acquisition of land for agricultural production, overcoming the progressing diminishing of soil fertility;

- providing executive authorities with relevant materials for developing doctrines, strategies, concepts, programs;

- encouraging agricultural producers to make transactions for the purchase and sale of land for ownership or rights for lease;

- involving of unused and abandoned agricultural-purpose land in the turnover.

## CONCLUSIONS

The developed method ensuring support of demand for agricultural-purpose land allows identifying the problems of the existing market, creating an algorithm for the process stimulating demand for land, and optimizing the market situation by correcting the institutional environment.

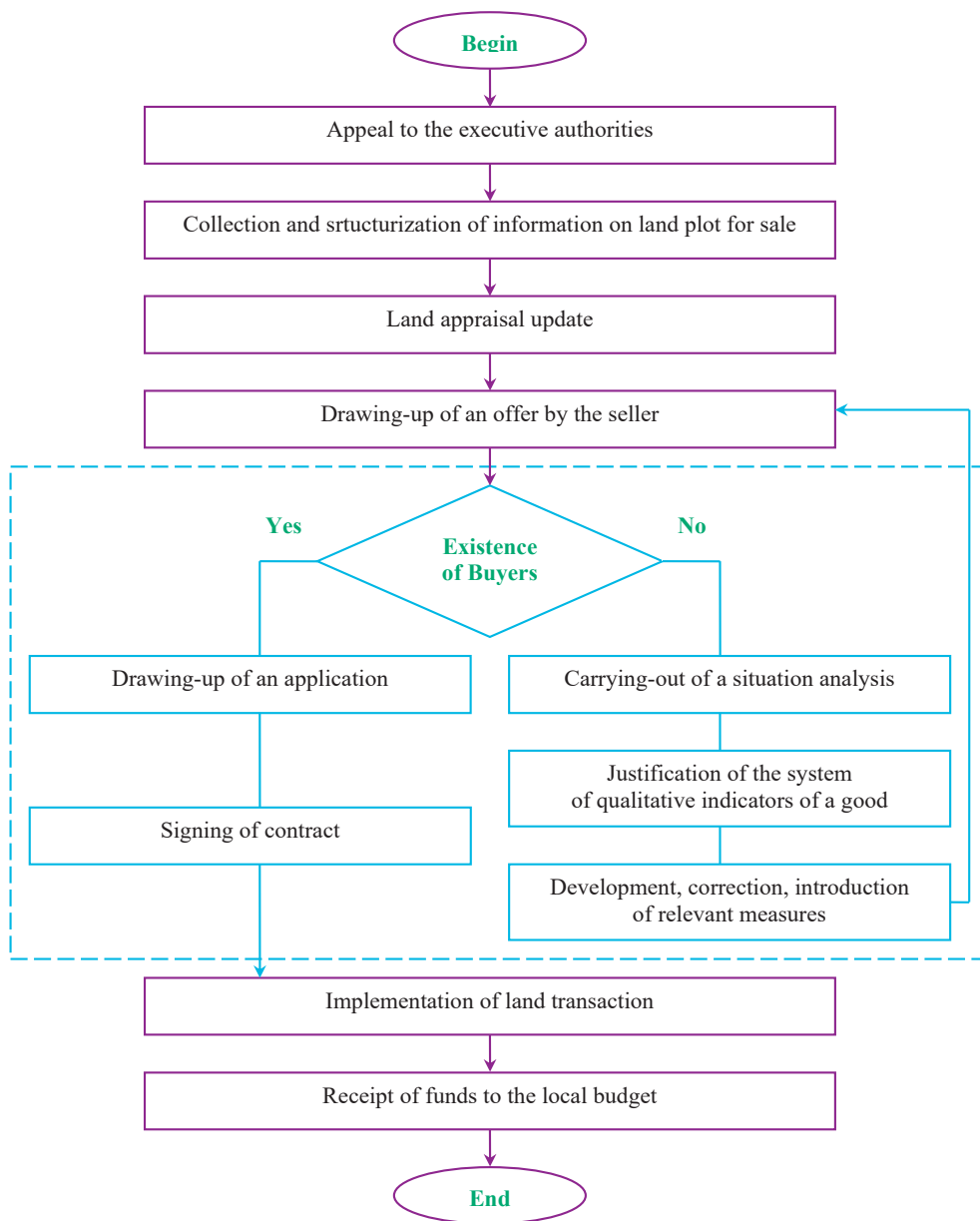


Figure 3. Algorithm of involvement of the Institute supporting demand in the functioning of the agricultural-purpose land market

Source: Own elaboration

Legend: The dotted line marks the responsibility of the Institute supporting demand for agricultural-purpose land

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