Insurance of the agro-industrial complex: prospects of legal regulation

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Abstract. The agro-industrial complex is an extensive and comprehensive sector that needs legal regulation for efficiency and legal protection. One of the labor-intensive and complex branches of the agricultural sector in the economy is agriculture. The complexity of economic development through the agricultural sector lies in the instability of climatic conditions in different rural areas of the Russian Federation. Two directions of development of the agro-industrial complex are considered. A new strategy for the development of the agro-industrial complex until 2030 is analyzed. Very careful attention is paid to the goals and directions of this strategy. There are certain strategic risks in the agro-industrial sector. Fluctuations in the economic situation and the application of sanctions by foreign countries create a negative environment for Russia in international trade. Due to the instability of economic and political factors, it can be said that the agro-industrial sector is a risky industry. Therefore, the way out of this situation is insurance of agro-industrial risks. Insurance refers to the protection of property that has suffered damage or loss in certain insurance cases, with the help of insurance funds. In the future, in the author’s opinion, the development of insurance in agriculture should be carried out in the following directions: improvement of legislation, namely the adoption of a regulatory act regulating the specifics of insurance in the agricultural sector, taking into account the changed economic conditions.

Key words: Russian Federation, insurance of agro-industrial complex, farmers, legislation of the Russian Federation, risks.

1 Introduction

In this article, the author has made an attempt to analyze the key aspects of the formation of the agricultural insurance market in Russia in modern economic conditions, stages, dynamics and problems of legal regulation.

The main purpose of the study is to study the methods of legal regulation in the field of insurance of the agro-industrial complex, as well as the analysis of positive and negative aspects in legislation.

The subject of the study is the consideration of legislation regulating insurance in the agro-industrial complex.

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2 Methodology

When writing a research paper, regulatory legal acts and draft laws regulating the agro-industrial complex, as well as agricultural insurance in the Russian Federation, are analyzed.

3 Results of the research

The agro-industrial complex is an extensive and comprehensive sector that needs legal regulation for efficiency and legal protection. One of the labor-intensive and complex branches of the agricultural sector in the economy is agriculture. The complexity of economic development through the agricultural sector lies in the instability of climatic conditions in different rural areas of the Russian Federation. The bioclimatic potential of territories affects not only objective changes in plant productivity, but also the overall development of the economy in our country. Also, the general level of the economy does not allow sufficient use of economic levers for the development of agricultural production. Due to the instability of the dynamics of the recovery, agricultural production has not yet reached the potential level of development. Taking into account all these features, in 2020 the President issued a Decree "On the approval of the Food Security Doctrine of the Russian Federation", the strategic goal of which is to provide the population with safe and affordable agricultural products. It should be of high quality and ensure rational consumption by the population of the Russian Federation. According to the Doctrine of the Russian Federation, food independence is guaranteed, as well as the availability of food that meets the quality requirements for every citizen of the country is ensured [1].

But it is impossible to achieve the real effect of this provision without the necessary material base of the agro-industrial complex. In the agro-industrial complex, the material and technical base is the totality of all technical and material means that are necessary for the production of agricultural products by the enterprise. The complex of the material and technical base also includes land and water resources. As part of the food security of our country, a register of agricultural real estate objects has been developed, which is subordinate to the Ministry of Agriculture of the Russian Federation. These include such electronic databases as the Register of Federal Property of the Agro-Industrial Complex and the Atlas of Agricultural Lands. They contribute to the simplification of control and accounting of objects of agricultural machinery that is used in our country. The special principles of optimization of agricultural production include: ensuring the economic efficiency of production, decentralization of management, taking into account the peculiarities of regional agriculture, material interest and responsibility of agricultural workers, the planned organization of agricultural production, the balance of regional budget policy, the complexity of technological solutions and the integration of innovations in agriculture, the dynamism of investment support for specific sectors of the agricultural economy.

There are two directions of development of the agro-industrial complex: legal and economic. The economic direction includes the financing of the agro-industrial complex by such methods as: support of grants, investment of the agro-industrial complex, change of the tax regime. In this case, the investment of projects contributes to the optimization of production and the development of new industries in the agro-industrial complex. Thus, in Clause 5, clause 2 of Article 358 of the Tax Code of the Russian Federation, owners of agricultural machinery are exempt from paying taxes by the state. Moreover, the owners of agricultural property that is used in the production and processing of manufactured products are also exempt from taxation. To increase the level of production, the Government of the Russian Federation has allocated about 5 billion rubles for the development of seed
production. In March 2022, the Government of the Russian Federation issued a decree approving the provision of subsidies to Russian banks to reimburse income that was not received due to non-payment of loans issued at a preferential rate to agro-industrial organizations [2].

The legal direction of the development of the agro-industrial code is understood as the totality of all legal means and the development of programs aimed at improving the efficiency of the agro-industrial complex and developing the potential of agriculture in Russia at the international level. There are federal and regional programs for the development of agriculture in Russia.

In September 2022, on behalf of the President of the Russian Federation, the Government of the Russian Federation approved a new Strategy for the development of agro-industrial and fisheries complexes until 2030. The previous strategy was approved in 2020, but due to the new realities and the changed geopolitical situation, as well as increased sanctions pressure on the Russian Federation, the previous goals required adjustments. The version of the old 2020 Strategy was adopted in more stable economic conditions and certainly requires changes. The main goal was the formation of sustainable growth of the agro-industrial sector, 3% per year. In order to do this, it is necessary that state support for the industry amounts to 900 billion rubles, but according to the plans, the financing of the agro-industrial complex is going to be reduced compared to the volume of the previous year.

The Head of the Cabinet of Ministers claims that domestic agricultural producers provide food needs in grain, vegetable oil, sugar, meat and fish. But the New Strategy considers such a goal as the growth of production volumes [3]. In particular, it is necessary to increase the level of production of such products as: milk, potatoes, vegetables, fruits and berries. The strategy also involves the transition from imported means of production to domestic ones, which include not only agricultural equipment, but seeds and feed components. To strengthen food security, it is also necessary to increase yields, develop breeding, create new technologies for production, processing and storage of products.

The new strategy sets such a task as involving about 13.2 million hectares of land in agricultural turnover. To achieve this goal, it is planned to increase soil fertility. The creation of a single digital platform for the agro-industrial complex by 2030 becomes another goal for the development of the agro-industrial complex. According to the Government, the digital platform will allow obtaining the necessary information in real time, as well as simplify the receipt of state support for farmers.

Considering the old strategy, it is clear that it does not allow developing the economy in the new realities. In the present time, international relations have changed, logistical ties have become more complicated. The sanctions policy of states against Russia affects both the import of products in the used industry and its export. And also do not forget that some farmers faced mobilization, which significantly reduced the number of agricultural producers.

It becomes obvious that using old goals and tools in today's changing world is not quite relevant. Agriculture ensures the stability and security of Russia. Therefore, such a key industry is at the epicenter of changing events that require special measures.

There are certain strategic risks in the agro-industrial sector. Fluctuations in the economic situation and the application of sanctions by foreign countries create a negative environment for Russia in international trade. Significant risks arise during the construction of ships. Equipment for ships was supplied from foreign countries and currently they have no analogues. Economic risks caused by the possibility of deterioration of internal and external economic conditions, a decrease in the growth rates of the global and national economy, high inflation and the crisis of the banking system, a decrease in the investment attractiveness of domestic agriculture and fisheries. It is impossible not to mention climatic
and agroecological threats. Mass diseases of animals that were not previously registered in Russia create veterinary risks. As well as the spread of various plant pests also create certain risks in the development of the agro-industrial complex in the Russian Federation [4].

Projected expenditures of the federal budget for the implementation of measures of the State Program for the development of agriculture may amount to 344.75 billion rubles. in 2023, 331.15 billion rubles, in 2024 and 239.16 billion rubles. in 2025. Compared with the expenditures approved by the Law on the Federal Budget for 2022 and for the planning period 2023-2024, an increase in budget allocations by 40 billion rubles is envisaged. (13.1%) next year and by 4.2 billion rubles. (1.3%) in 2024. At the same time, in comparison with the indicators of the consolidated budget list as of September 1, 2022, state support for the industry will be reduced. The indicators are lower than the passport of the State Program for the Development of Agriculture provides: in 2023 – by 32.7 billion rubles. (8.7%), in 2024 - by 46.2 billion rubles. (12.2%), in 2025 – by 61.5 billion rubles. (20.5%). At the same time, part of the financing of the activities of the State Program for the Development of the agro-industrial complex is provided in the draft law at the expense of the expected revenues of the federal budget from the payment of export customs duties on grain crops.

Within the framework of the State Program of the Agro-industrial Complex, the volume of support for preferential lending to export-oriented enterprises, subsidies to grain producers and enterprises of the baking industry will be reduced. According to the ministry, if necessary, financing can be increased at the expense of income from export duties [5].

Of the total amount of funds provided for the State Program for the development of agriculture in 2023, half (173.4 billion rubles) will be used to stimulate investment activity, 24% (83.4 billion rubles) – for the development of industries and technical modernization of the agro-industrial complex, 12% (41.4 billion rubles) – to support exports. 10 billion rubles are provided for subsidies to grain producers. Companies launching the construction of breeding and seed centers will be able to receive compensation from the state for 50% of capital expenditures. The volume of support for such areas as viticulture and winemaking, the laying of perennial plantings, livestock breeding and beef cattle breeding, rural tourism will increase. From 2023, support for vegetable and potato growing will become a separate federal project with a funding volume of 5 billion rubles. Not only small and medium-sized enterprises will be able to count on subsidies, but also the self-employed and citizens who run personal subsidiary farms.

As follows from the draft budget, one of the significant sources of financing of the state programs of the Ministry of Agriculture are revenues from export duties on cereals (for 2023 – 220 billion rubles). However, they still need to be obtained, which is questionable in the conditions of hidden barriers to the export of Russian grain.

Due to the instability of economic and political factors, it can be said that the agro-industrial sector is a risky industry. Therefore, the way out of this situation is insurance of agro-industrial risks. Insurance refers to the protection of property that has suffered damage or loss in certain insurance cases, with the help of insurance funds. The insurance fund is formed through the payment of insurance premiums by the insurer. There is voluntary and compulsory insurance. Insurance relations in agricultural activities have a certain specificity, which is due to the risk of product losses, seasonality, dependence on natural conditions. The organization of insurance of the agricultural sector with competent legal regulation will be able to contribute to the development of commodity production in the agricultural sector. In this regard, insurance of agricultural production losses should be an important part of financial relations in the industry. The development of agro-industrial insurance began in Western countries at the beginning of the 20th century. The reason was the frequent crop failures of farmers, from which they were not insured. Many farmers left
the agricultural business due to constant losses, which significantly affected the economy. To prevent the decline of agricultural organizations, the state introduced agricultural insurance, the purpose of which was to attract farmers to the agro-industrial sector. With the help of such legal measures, the State guaranteed farmers a stable income [6].

Agricultural insurance in Russia appeared only with the development of market relations at the end of the 20th century. Previously, this was not necessary, since there was a planned economy in the USSR, there was only state property, which was controlled exclusively by the state.

To date, agricultural insurance in Russia applies not only to crops of agricultural production, but also to enterprises that are engaged in animal breeding. Insurance of all sectors of the agro-industrial complex makes it possible to stabilize all industries, since they are directly interconnected. By law, uniform standards have been introduced in Russia, with the help of which damage is assessed and, as a consequence, payments for such damages are made. To date, there are about 8 companies in Russia whose job is to insure agro-industrial sectors. They are registered in two associations of agricultural insurers – the National Union of Agricultural Insurers and the Association of Agro-industrial Insurers «Agropromstrakh» [7].

In the Russian Federation, only a part of farmers insured their property. This follows from the fact that according to the rating of farmers' contributions, Russia ranks 8th, and according to the rating of the area of agricultural land – 1st place. In order to attract farmers' insurance in Russia, it is necessary to regulate the insurance process. Due to the lack of a well-formed insurance market, this process is difficult for business. The aggravation of this situation lies in the lack of competent insurance specialists, as well as the lack of free financial resources for agricultural enterprises that can be used to pay insurance premiums and insufficient development of methodological issues of insurance organization in agriculture.

![Number of insured agricultural enterprises](image)

**Fig. 1.** Number of insured agricultural enterprises.

Insurance in the agro-industrial complex cannot be developed without regulatory regulation. The basis for the development of legislation in this sector of the economy is the agrarian and legal science. It is necessary that the agrarian and legal science in Russia become exactly the component that will form exactly such a legislative framework that can affect the functioning of the Russian agro-industrial complex. We propose to divide the stages of regulatory regulation of the agro-industrial insurance market in Russia into two periods.

The first stage of the formation of agro-industrial insurance has been since 1991. Before the adoption of the Federal Law "On State support in the field of agricultural insurance and
on Amendments to the Federal Law "On the Development of Agriculture". During this period, Federal Law No. 100-FZ of July 14, 1997 "On State Regulation of agro-industrial production" was in force. At that time, considerable attention was paid to crop insurance. Risk insurance in other industries were not covered at that time. The analysis of the first period is insufficient due to yield instability [8].

Agro-industrial insurance is a stable and guaranteed way of financing agricultural producers. Since the central participant of this type of insurance is the state. It is a reinsurer and a guarantor of insurance transactions. The state provides financial assistance to agricultural producers through the allocation of compensation from the federal budget for the costs of the insurance premium. The study of the history of insurance business organization in Russia and abroad has shown that state support for insurance in agriculture is incomparably more effective than financial assistance provided in unfavorable years in the form of additional loans, subsidies, offsets, write-offs, deferrals and direct monetary compensation.

The positive fact is that the risk of a commodity producer can be covered by an insurance company, which removes the risk of endless losses to farmers in the agro-industrial sector [9].

The post-transition period belongs to the second stage of the development of agro-industrial insurance. It comes after the adoption of Federal Law No. 260-FZ dated 25.07.2011 «On state support in the field of agricultural insurance and on Amendments to the Federal Law "On the Development of Agriculture» [10].

4 Discussion of results

The Law of the Russian Federation «On Insurance» and the Civil Code of the Russian Federation, these legal mechanisms regulate insurance activities in the Russian Federation. The bodies involved in the control and supervision of insurance activities are a special federal executive authority. In turn, he has the right to:

The body carrying out control activities may require insurance organizations to report on insurance activities [11].

The authorized body also monitors compliance with the legislation of the Russian Federation by insurance companies.

The authorized body may issue prescriptions to insurers, which oblige them to eliminate the detected violations, as well as this body has the right to revoke the license from the insurance company.

The policyholder may appoint any natural or legal person as the recipient of insurance payments in accordance with the insurance contract. The insured person may be either the policyholder himself or another person who was chosen by the policyholder and in whose favor the insurance contract is concluded. The existence of insurance is impossible without special terminology [12].

For the normal regulation of insurance relations in agriculture, it is necessary to have a certain regulatory framework. The main elements of legislation are laws and other regulatory legal acts. Based on the legal status of normative acts, the law has greater legal force, unlike by-laws, since it is adopted by the highest legislative authority - the State Duma of the Russian Federation. If we talk about the system and structure of insurance legislation, then there are various points of view in the scientific doctrine, the analysis of which makes it possible to clarify the content of insurance legislation. If we consider the works of A.P. Arkhipov and V.B. Gomel, they believe that in Russia, as well as in a number of European countries - for example, in Germany, a three-stage system of legal regulation of the insurance market is being formed: Civil and Tax Codes; Special laws on insurance activities and other related activities; Regulatory acts of ministries and
departments in the insurance business. Judicial practice, customs established in insurance relations, standard insurance rules, as well as norms of international law also play an important role in the regulatory legal regulation of insurance activities. All these sources form the regulatory framework of insurance.

Currently, insurance in the agro-industrial sector protects not only from traditional risks, but also from the consequences that have developed in a negative way in business. The modern legislator defines insurance as an institution of civil law. This circumstance proceeds from the fact that insurance relations are based on property obligations. The insurance contract is exhaustively regulated by the norms of Chapter 48 "Insurance" of the Civil Code (Articles 927-970), as well as general norms of civil law. The exception is contracts concerning special types of insurance: foreign investments against non-commercial risks, marine, medical, bank deposits and pensions, which are subject to the laws on these types of insurance (Article 970 of the Civil Code) [13].

In the process of insurance activity, the distribution of risks is carried out evenly between economic entities. This increases the stability in the financial sphere of economic entities. There are two forms of insurance: compulsory and voluntary. Compulsory insurance does not take into account the will of its participants. In turn, voluntary insurance is directly related to the desire of insurance participants. The conditions of compulsory insurance include [14]:

a) life, health and property of other persons in case of harm;

b) the risk of civil liability, which is likely to occur as a result of harm to the life, health or property of other persons or violation of obligations with other persons.

The legislation of the Russian Federation prohibits obliging and forcing a citizen to insure his life and health, as well as property belonging to him. In an exceptional case, this is a violation of the rights of the policyholder.

We will analyze changes in legislation in agricultural insurance. Since January 1, 2016, the agricultural insurance system has been operating according to uniform rules and standards. According to the heads of the National Union of Agricultural Insurers, for the National Insurance Association, this means, first of all, a serious strengthening of responsibility, since now the union is responsible from the insurance industry and within its competence for everything that happens in agricultural insurance. Currently, the National Insurance Association is becoming not just the only union of agricultural insurers, membership in which will be mandatory for insurance companies working on agricultural insurance with state support, but also a union that, in accordance with the law, develops uniform rules and standards for the agricultural insurance system, but also reports to the Bank of Russia.

The legislator gives a guarantee to the farmer that if the insurer turns out to be bankrupt, the farmer will still receive his insurance payment. This is based on the fact that the state has formed and invested funds in a compensation payment fund. In the Russian Federation, agricultural insurance is only gaining momentum. In our opinion, a very big plus is that farmers in agriculture have state support in the field of business insurance [15].

Also, the achievement of modern agro-industrial insurance is the rapid expansion throughout the territory of the Russian Federation. To date, the insurance industry is used in 45 regions. The Volga Federal District is the most developed in the agricultural insurance system.

Due to the fact that agricultural insurance in Russia has not yet gained such popularity as in the West and is just beginning to expand, there are also some economic and legal difficulties that both insurers and farmers have to face, namely:

1) The absence of a mechanism of state support for agricultural insurance. There are also many problems with the paperwork itself for receiving subsidies from the state;

2) Insufficient financing of agricultural enterprises;
3) The problem of forming a compensation fund for payments. Because of this issue, many farmers simply do not want to insure their lands, believing that they will not be able to receive compensation for the damage caused to them.

5 Conclusions

It is difficult to overestimate the potential for the development of agricultural insurance in Russia, given the pace at which agro-industrial production is growing in Russia, which has become one of the locomotives of economic development. At the same time, only a small part of crops and livestock is provided with real insurance protection – 8-12%, while the need for insurance protection against natural risks will only grow.

The existing insurance procedure offered on the insurance market to agricultural producers contains both positive and negative aspects. In addition, in the future, in the author's opinion, the development of insurance in agriculture should be carried out in the following directions: improvement of legislation, namely the adoption of a regulatory act regulating the specifics of insurance in the agricultural sector, taking into account the changed economic conditions, including those related to the imposition of sanctions against Russia; creation and implementation of special programs at the federal and regional levels to support and develop insurance in agriculture; expanding the range of insurance services and their availability for agricultural producers.

Thus, insurance is a complex mechanism with its components. Insurance is regulated by a number of regulatory legal acts adopted at different levels of legislative activity. Any agricultural. Agriculture is one of the most risky sectors of the economy, since the dependence of the conditions and final results of agricultural activity on random, most often natural and climatic factors, is very high. Therefore, the use of agricultural insurance programs acquires a special role in minimizing unforeseen financial losses.

References

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