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AGRO-INDUSTRIAL COMPLEXES
BASIS FOR THE INTEGRATION OF INDUSTRIAL
AND AGRICULTURAL OPERATIONS ^{1/}

by

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The socio-economic development of the People's Republic of Bulgaria after the revolution of September 9, 1944 is based on the Bulgarian Communist Party's policy to create an alliance of the working class and the working peasants. The collectivization of agriculture was an important step in consolidating the friendly relations between these two basic classes in our society. The doing away with the traditional differences between urban and rural life was made possible by this step, and agricultural production could then be put on an industrial basis.

Present-day relations between industry and agriculture are of a principally new type, and their aim is to achieve the harmonious development of the two main components of the socialist economy. The implementation of modern methods requires an inter-relation between the key industrial and agro-cultural operations, i. e. between the production of means of production and their supply to agriculture along with the auxiliary industrial activities, and the inter-relation of agriculture itself with the food industry and food retailing. The state's active participation in this sphere aims at rationalizing the forms of organization, at making efficient use of the available production resources and natural conditions.

The new institutional and organizational forms of the economic and technological merging of production units in these spheres of social production are, of course, subordinated to the task of finding the most efficient ways of raising the living standards of the workers and meeting the country's growing needs for food and other agricultural products.

It was in view of these principal considerations that the agro-industrial complexes (AIC) became the basic form of organization in agriculture at the present stage of the country's socio-economic development.

The setting-up of the agro-industrial complexes would have been impossible but for the existence of certain key economic and social prerequisites which had been gradually created in the course of the country's socialist development over 30 years, namely, the agrarian reform, the nationalization of the basic means of production in industry and agriculture, the structural improvement of production, the concentration and specialization of economic activities and the intensification of the whole economy.

In order to fully understand the essence of the agro-industrial complexes as an organizational form of vertical integration it is necessary to examine the historical development of agriculture's organization. Production cooperation is regarded as being of key importance, as it marked the beginning of a new era in the development of the Bulgarian village.

On the eve of the socialist revolution of September, 1944 there were some 1,100,000 private farms in our country, and the land was split up into nearly 12 million plots averaging 0.35 hectares each. Boundary strips, which took up scores of thousands of hectares, were in fact a breeding-ground for weeds and pests. The modest size of the farms prevented any sort of mechanization; the land was cultivated using only draught animals and human labour. The basic farm implements in Bulgaria at the time were the wooden plough and the hoe, the sickle and the scythe, the pitchfork and the threshing-board. The structure of agriculture hindered the introduction of new high-yield sorts and highly productive breeds. All this resulted in very low average crop yields and low productivity of the farm animals. During the 1936-1940 period, the average annual per hectare yield of wheat was 13.1 cwt, of maize - 11.7 cwt, of sunflower seed - 8.8 cwt. During the

same period, the annual milk yield was 400-500 litres per cow, and the laying capacity per hen was 75-80 eggs.

Because of the general technological backwardness, the tax burden and total dependence on banking and usury capital, the incomes of the large peasant masses were insignificant and the people lived in desperate poverty.

During that period, self-sufficiency was the by-word on the petty farms. Only a tiny fraction of the milk, butter, eggs, vegetables and fruits produced was sold. The sale of cereals was casual, too. Only tobacco, sugar-beet and certain quantities of malt rye were sold by contract to factory-owners, at terms unfavourable to the producers.

Along with the political struggle that the Bulgarian peasants were waging together with the working class, the former also sought ways and means of improving their economic position to this end, pre-war Bulgaria developed an extensive cooperative movement (credit, consumer and general cooperatives).

The pre-war period saw the formation of more than 40 farming cooperatives. The state, however, gave them no economic or administrative aid; what is more, it used all means at its disposal to hinder their development. Because of this, by 1944 the number of the cooperative farms had dropped to around 29.

Cooperation in production led to its concentration, to the use of up-to-date means of production such as tractors, harvesters, better seed material, etc.

The cooperative movement of the period helped defend the interests of the peasant masses and reeducate them in the spirit of mutual assistance. A drawback under the conditions of the time, however, was the fact that these cooperatives to a certain extent favoured the richer land-owners.

The problem of agriculture's further development was given priority after 1944. The agrarian reforms carried out by the Fatherland Front administration during the 1944-45 period limited the process of parcellation in agriculture. But they could not ultimately resolve the agrarian problem.

Bulgaria adopted the socialist concentration of agriculture through cooperation in production. To this end, it followed and creatively implemented the principles of Lenin's cooperative plan.

Due to the dominance of small and middle plots prior to the revolution in Bulgaria, the state decided against nationalizing the land, as at that stage such an act would have provoked a negative reaction from the majority of peasants. To this end, cooperation was carried out on a strictly voluntary basis, with the peasants retaining ownership of their land. Cooperation made possible the use of machinery, artificial fertilizers, high-yield sorts and improved breeds, division and rational organization of labour and the mass participation of the farmers in the management and control of production. The cooperative farm became the basic form for the development of Bulgarian agriculture. This form, scientifically formulated by Georgi Dimitrov, brought about the unification of the thousands of farm workers through collective ownership of the land and of all means of production.

The line of parallel industrial and agricultural development was of cardinal importance for the success of Bulgaria's agrarian policy. Very useful and timely in this respect was Georgi Dimitrov's formulation that 'popular-democratic rule and socialist construction cannot be founded for too long on two different bases, the base of large-scale industrialization of socialist industry and parcellation and backwardness of unproductive agriculture.'

A considerably smaller number of state farms was set up at the same time with the creation of the cooperatives. The state farms' tasks were rather more specific, namely, to

ensure a definite part of agricultural production, to organize the rapid spread of new sorts of cultures and new livestock breeds, to set an example in the organization of large-scale production.

The very beginning of cooperation went hand in hand with the setting up of state machine and tractor stations (MTS), which was a decisive step towards the rapid erection of the material and technical base of the cooperative and state farms and towards the mastery of technology. At a later period, when the cooperative farms had gained a firm foothold, and when they had received the necessary number of engineering and technical cadres, the equipment of the greater part of these stations was bought out by the cooperatives.

The cooperative and state farms and the MTS were greatly influenced in their development by the invaluable organizational and production experience of the Soviet kolkhoz and sovkhoz farms and MTS.

The period of the creation and organizational and economic stabilization of cooperative farms in Bulgaria is seen as the first stage of concentration of agricultural production. It is the stage of the formation of new production relations while still using the existing productive forces in the process of their development.

The 1958-1959 period witnessed the second stage of concentration of agricultural production. The 3,500 cooperative and state farms created by that time, and averaging 1,000-1,200 hectares each, were concentrated into 1,100 large socialist agricultural enterprises, each having about 4,000 hectares of arable land. In this way, agricultural production reached its optimum level under the then-existing conditions. The concentration of cooperative farms made it possible to raise the level of intensification of agricultural production. The cooperative farms were thus able to expand their material-production base, to carry out new irrigation projects and set up livestock farms.

During the first stage of the cooperative farms' development, the distribution of incomes was carried out on the basis of the work done and the area of land pooled by each individual member. This mode of distribution of incomes played a key role in attracting the middle peasants to the cooperatives and in increasing their activity. It should be noted that the income for the acreage pooled in was essentially different from rent, characteristic of privately-owned farms. For the majority of peasants, who had voluntarily joined the cooperatives with land and equipment, this income was in fact a sort of remuneration for the long years of hard and unrewarding toil. During the initial period, remuneration on the cooperative farms was both in kind and in money.

The ratio between remuneration for work and acreage both in kind and in money was settled separately by a general assembly of the members of each cooperative. The exemplary code set up the following regulation: not less than 75 per cent must be remuneration for the work done, and not more than 25 per cent must be remuneration for acreage pooled. With the stabilization of the cooperative's economy in the sixties, the farmers voluntarily gave up remuneration for the acreage pooled. In this way, the cooperative farms wholly acquired the character of socialist enterprises.

Due to growth in production and to their commodity economy, during this period the cooperative farms gradually did away with remuneration in kind.

As a result of the overall improvement in the organization of the cooperative and state farms through intensification and state measures for stimulating production, during the second period of concentration our agriculture achieved significant rise in volume and effectiveness of production. In comparable prices, the volume of overall agricultural production grew by 204.6 per cent between 1948 and 1970 and by 97.6 per cent over 1956

and 1970, thus overtaking the growth of the basic production funds.

The contract system on the basis of planning became the basic form of realization of agricultural production. Production and economic ties between the cooperative and state farms on the one hand, and the food industry and fresh-produce marketing, on the other, developed on a large scale and became lasting and stable ties.

At the same time, during this period the economic potential of some of the cooperative and state farms grew, and with state aid they built new canneries, drying houses, etc., while other farms increased the capacity of existing shops for the processing of fruit and vegetables, grapes, etc. By 1970 there were some 46 farm-owned canneries with a capacity of between 2,000 and 10,000 tons, 119 wine-cellars and distilleries, and 35 drying houses for fruits and vegetables. These were elements of integration between agricultural and industrial operations on the basis of combining the two.

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The industrialization of agriculture leads to constant changes in its technological base and in the forms of its organization. The demands for raising the level of concentration and specialization of production, for increasing the acreage of certain crops or the number of animals according to breeds and production groups are especially dynamic in character. Besides this, industrialization requires large and growing capital investments, which are effective only if made in the short term.

From this point of view, by the end of the sixties, the cooperative and state farms were no longer able to step up production on their own while keeping up with the latest achievements in science and technology.

Despite the large size of the farms (4,000 hectares on the average), their multi-specialization did not allow them to achieve optimum volume of production in the various crops and breeds.

At the same time, the need for setting up large-scale raw-material bases for the food industry on the territorial principle and the existence of other key economic and social problems in agriculture posed the need for uniting the forces and means of the cooperative and state farms through the creation of agro-industrial complexes.

The agro-industrial complexes are an economic organization of the cooperative and state farms in a given agricultural micro-region. They were created with a view to raising the effectivity of production on the basis of its further industrialization. And so in 1975 the country had 163 agro-industrial complexes averaging 24,000 hectares of arable land; the average annual overall volume of production reached 29.1 million leva, while the average size of their basic production funds went up to 25.5 million leva. The average number of farmers and workers at each complex is 6,170.

The need arose in the process of setting up the agro-industrial complexes to draw up a comprehensive and scientific formulation of their make-up and size, of their specialization and the size of their component farms and other auxiliary subdivisions. To this end, the setting up of each agro-industrial complex was preceded by the development of technological and economic blueprints concerning both their overall organization and the organization of all agricultural and industrial activities.

The agro-industrial complexes created conditions for centralizing all fiscal means and for ensuring their purposeful utilization for realizing modern and economically effective projects and for creating certain economic levers for stimulating production.

The setting up and development of the agro-industrial complexes are achieved in accordance with the principle of democratic management. This principle has its roots in cooperative democracy and in essence means that the leadership is elected, that the farmers and the workers are actively involved in the running of the complexes, according to the whole collective and public control on the work of the management. No less necessary was the creation of all conditions for the closest possible overlapping of the interests of the separate component farms with those of the complex, i.e., with the correct and harmonious development of the agro-industrial complex as a whole. It is for this reason that the agro-industrial complex, as the basic organizational form of agricultural production in Bulgaria, is in essence a continuation and improvement of the cooperative form of production.

The activities of the agro-industrial complexes and their component cooperative and state farms are subordinated to a science-based economic mechanism, regulated by its specific code.

The arrangements for the formation and distribution of incomes and funds are the most important element in the economic mechanism of the agro-industrial complex. (Appendix 1).

The centralization of the funds for expansion and technological improvement, for economic influence and assistance, for improving social and living conditions and for cultural activities creates new, greater possibilities for their purposeful utilization in the building of a new material and production base, as well as for the reconstruction and modernization of the existing capacities. These funds are also instrumental in stimulating the further concentration and specialization of production and in providing economic assistance to those sub-divisions of the complex working under less favourable conditions.

The centralization of funds provided the solution to a key socio-economic problem, namely levelling up wages on all component farms. Through the fund for economic influence and assistance, the agro-industrial complexes gradually levelled up both production quotas and pay rates. This neutralizes the negative effect of differing natural and economic conditions on the age-level, and respectively, on the material interest of the separate production units.

The rapid rise in labour productivity and production effectivity played an important role in surmounting the newly-arisen contradictions between the different production units as regards unequal production quotas and pay rates. On the other hand, the state, through the Ministry of Agriculture and Food, granted additional fiscal aid to the agro-industrial complexes, which allowed the latter to implement the above principle.

Each agro-industrial complex specializes in several main and subsidiary agricultural productions, depending on production conditions: the complexes in cereal-growing and stock-breeding regions, for instance, specialize in the production of cereal and fodder, industrial cultures, stockbreeding and poultry or pig-farming, while those in the labour-intensive regions specialize in fruit and vine-growing, vegetable production, stockbreeding; the complexes in tobacco-growing regions specialize, respectively, in tobacco-growing, livestock- and sheep-breeding, etc. Sixty-three agro-industrial complexes have one single leading speciality which accounts for 50 per cent of their overall production; 51 complexes have two specialities making up 66.1 per cent of their production; 38 complexes have three leading specialities comprising 75 per cent of their production and the other 11 complexes have four or more leading specialities.

The process of specialization of the agro-industrial complexes is planned in order to help reduce the number of specialties and to correctly combine them to achieve the rational utilization of soil, labour and other resources. The size of the agro-industrial complexes allows them to organize production of several leading and additional specialties over large areas and in big production units. It also allows the most advantageous utilization of concentration and specialization of production by avoiding the negative consequences of mono-cultural use of the soil. Some 27 specialized enterprises for cereal production had been established by 1974 within the framework of the agro-industrial complexes, another 38 for the production of fruit and vegetables, 23 for the production and processing of fruit and grapes, 5 for tobacco, 14 for cow's milk, 11 for sheep-breeding, 23 for pigs, 21 for poultry, 22 for beef cattle, etc. These specialized enterprises have become a direct raw-material base for the industrial and commercial organizations. They are created on the basis of large areas of homogeneous field and vegetable crops and perennial plants, and modern stock farms for the optimum number of animals. In this way the small cereal tracts averaging 40-50 hectares have been replaced by massifs of 500 - 1,000 hectares; vegetable crops are concentrated in massifs averaging 315 hectares. Orchard and vine massifs of 1,000 - 2,000 hectares account for nearly 80 per cent of all perennial plants. Some 39 pig farms have been built with a capacity of 12,000 to 46,000 animals, together with 33 poultry farms with an annual capacity of 3-7 million broilers and of 50,000 to 300,000 laying hens. There are also 12 farms for fattening calves with a capacity of 3,000 to 10,000 animals.

In some regions the specialization and concentration of agricultural production even goes beyond the borders of the agro-industrial complexes. In the Pleven district, for instance, which has nine such complexes, poultry production is concentrated in the agro-industrial complex of the town of Pordim, whose poultry farm has an annual capacity of seven million broilers. At the same time, egg-production is concentrated in the agro-industrial complex of Pleven-South, which has a farm for 300,000 laying hens. The agro-industrial complexes are also specialized to a large extent in the production of sugar-beet, hemp, vegetables and grapes.

The different agro-industrial complexes in the Plovdiv district specialize respectively in pig breeding, poultry raising, vegetable, grape and fruit production.

The auxiliary activities of the agro-industrial complexes are also concentrated in large-scale specialized enterprises: for transportation, for running repairs of farm machinery and equipment, for construction, agro-chemical stations, etc. In terms of technological base and organization, these enterprises are industrial in character. By 1975 there were some 300 such enterprises within the agro-industrial complexes. Such specialized production units based on a well-developed material and technological base play a major role in improving production.

Besides that, by taking on a certain part of production, they contribute to the further specialization of the other units of the complex.

The process of creating specialized units within the agro-industrial complexes continues to develop rapidly and is indicative of a trend for the setting-up in the near future of large-scale specialized units based completely or mainly on the principle of speciality and on modern technology.

The results achieved by the agro-industrial complexes over their short period of existence are proof of the correctness of the policy of concentration and specialization of agricultural production under present-day conditions.

Between 1971 and 1975, the period of consolidation of the agro-industrial complexes in this country, there was a rise in the volume of production paralleled by higher labour productivity and greater effectivity of the growing material and technological base (table 1).

Table 1

Index	Overall production in leva	
	1970	1971
Per hectare of arable land	737	851
Per year-round worker	2,408	3,292
Per 1,000 leva production funds	1,194	1,433

The level of labour productivity per year-round worker rose five times over in the period 1939-1975.

Besides carrying out normal agricultural and auxiliary operations, some of the agro-industrial complexes have also built processing capacities such as fruit and vegetable canneries, wine-cellars, fodder-production facilities, drying houses, modern cold stores for perishable fruits, etc. The share of the agro-industrial complexes in the overall volume of processing is relatively small, ranging from about 17 per cent of all fruits and vegetables to 5 per cent of all wine-producing grapes. But processing operations play quite an important role in those complexes that have either built or received such facilities from the state. The processing of agricultural produce by the complexes accounts for 9.1 per cent of their overall volume of production.

The production structure of the agro-industrial complexes also includes certain industrial operations that are not directly connected with agricultural production, namely the production of construction materials, of commodity goods and hand-made souvenirs. These operations account for 6.48 per cent of the complexes' overall volume of production. Their development is encouraged by the state as far as they help create conditions for the fuller year-round employment of the work-force in the villages. During the winter months, for instance, many of those employed in crop raising switch to industrial and crafts shops. And vice versa: in summer, the peak season for field work, many of those who are permanently employed in the complex's industrial branches assist the field hands.

From what has been said so far about the production structure of the agro-industrial complexes, the following should have become evident: that thanks to their centralized management the complexes are able, within their own framework, to achieve a certain degree of vertical integration of consecutive operations in the production of some agricultural products. Thus, for instance, fodder production is linked to the industrial processing of fodder, and further on to the production of meat, eggs and poultry. Fruit and vegetable production is linked up on the one hand with the auxiliary operations (fertilization, anti-pest operations, repairs, transportation, etc.), and, on the other, with the industrial processing of the fruits and vegetables.

But the significance of the agro-industrial complexes as the organizational base of vertical integration is even greater in that they are the leading partners of the state-owned food industry in the production of finished foods and other goods of agricultural origin. This is illustrated by the organizational structure of those branches of the national economy which are directly connected with agriculture.

The production and supply of agriculture with means of production, the rendering on a nation-wide scale of certain industrial services, such as construction of irrigation systems, overhaul of machinery, and transport operations, are concentrated in a system of state economic corporations, each with its own production profile. That system also includes state corporations which produce or import means of production solely for agriculture, among them the Agromachina Corp., the Agricultural Machinery Repair Corp. (Remont na Selskostopanski Machini), the Water Economy Corp. (Vodno Stopanstvo), etc. Agriculture also receives supplies from such economic corporations which not only produce means of agricultural production but are also engaged in making and selling products to other branches of the national economy such as the chemical and pharmaceutical industry, the construction materials industry, etc. The increased industrialization goes hand in hand with a high rate of growth of the volume of means of production which industry supplies to agriculture and expanded relations between agriculture and industry. Considering the large scale of production in the different agro-industrial complexes, the latter appear as major buyers in these relations.

This is illustrated by the volume of the different types of means of production which an agro-industrial complex annually receives from industry. Thus, for instance, on a national scale the average agro-industrial complex buys every year 21.5 tractors (in 15 hp units), over 3,800 tons of artificial fertilizers (pure substance), about 315 tons of herbicides, fungicides and insecticides, more than 12,000 tons of combined fodder, etc. At the same time, the agro-industrial complexes are constantly raising their demands to the corporations producing and supplying them with industrial means of agricultural production not only as regards volume, but also in relation to their technical and technological specifications.

Other state corporations and their local branches are engaged in buying, processing and retailing agricultural production. These corporations are characterized by their high degree of specialization. Thus, for instance, Bulgarplohd buys, processes, exports and retails at home through its own system of shops fresh and canned fruits and vegetables; the Bulgarski Tyutyuni Corp. buys and processes tobacco, exports and retails at home tobacco and tobacco products; the Rodopa Corp. is engaged in the buying, processing and wholesaling of meat and meat products; the Dairy Industry (Mlechna Promishlenost) Corp. buys, processes and retails milks and dairy products, etc.

The high degree of concentration and specialization which has been achieved so far allowed the different agro-industrial complexes to produce and deliver large quantities of standard raw materials to the processing and commercial organizations and enterprises, and thus be their equal partners.

In 1974, for instance, Bulgarplohd's Plovdiv branch and its canneries bought up enormous quantities of fruits and vegetables from the agro-industrial complexes specializing in their production, namely over 67,000 tons of vegetables, including more than 38,000 tons of tomatoes and over 27,000 tons of fruit, including 17,000 tons of apples from the Thracia agro-industrial complex; over 51,000 tons of vegetables, over 27,000 tons of grapes and 22,000 tons of fruits from the Purvenets agro-industrial complex; more than 50,000 tons of vegetables from the Krichim agro-industrial complex. The various branches of the Vinprom Corp. bought wine grapes from the specialized complexes as follows: more than 31,000 tons from the Pomorie agro-industrial complex and over 19,000 tons from the Sungurlare agro-industrial complex. During the same year, the Radnevo agro-industrial complex sold 2,300 tons of cotton to the Bulgarski Textil Corp. and 41,000 tons of sugar beet to the Bulgarska Zahar Corp. The Bul-

garski Tyatyuni Corp. bought 4,000 tons of tobacco from the Sandasnki agro-industrial complex, 4,500 tons from the Kroumovgrad agro-industrial complex and 7,700 tons from the Gotse Delchev agro-industrial complex. The Nikopol agro-industrial complex alone, specialized in cereal production, sold 15,000 tons of grain to the Zurneni Hrani Corp. The Sredets agro-industrial complex sold more than 32,000 tons of cow's milk to the Serdika Dairy (Rodopa Corp.).

Industrial enterprises of the food industry sometimes enter into close production relations with their agro-industrial counterparts. Bulgarplod's Georgi Kirkov State Cannery in Pleven, for instance, has set up six installations for preliminary processing of tomatoes for tomato paste right in the middle of the vegetable fields of the Pleven agro-industrial complex. The cannery also takes part with machinery of its own in the picking of green beans and green peas for preserves. In this way the cannery contributes to the introduction of modern technology, lower labour expenditure and reduced overhead costs.

The Fourazhna Industria Corp. occupies a very important place in vertical integration, as it is engaged in the buying up of cereal fodder, the production of combined fodder and its pre-scheduled delivery to the livestock plants and farms within the agro-industrial complexes, as well as to the specialized poultry and pigbreeding corporations. The role of the Sortovi Semena i Posaduchen Material Corp. (Select Seeds and Seedlings) is similar in some respects. The corporation organizes the production of select seeds on its own farms and the sale of seeds to given agro-industrial complexes, and supervises their use. The sub-divisions of the corporation are engaged in the buying, storing and processing of the seeds, as well as in their delivery to agricultural producers.

It is evident from the above-said that the production of means of agricultural production and such key activities for agriculture on a national scale as the building of irrigation systems, the overhauling of equipment, transportation services, etc. as well as the buying, industrial processing, retailing and exporting of agricultural produce, are concentrated in the state economic corporations. Each such corporation has its own profile of industrial, commercial and other activities, and each one operates through a network of sub-divisions in the respective regions of the country. Within the framework of the national agrarian and industrial complex, the state economic corporations and the agro-industrial complexes represent large-scale, economically powerful units boasting high concentration of production and high centralization of management. They are separate in terms of organization and technical base. According to state regulations on their interrelations and their relations with the state they are relatively independent in economic terms. These conditions allow the widest use to be made of the contract form of vertical integration. The contracts are a concrete expression of the plans for delivery of means of production to the production units of the agro-industrial complexes, as well as of the plans for production and delivery of fresh and canned agricultural produce, which the respective economic organizations have assumed an obligation to buy up. The transition from annual to long-term contracts (for five and more years) is proof of their stable inter-relations. By regulated state prices, standards and premiums the state provides the economic conditions for material interest and incentive both for the production and the commercial activities of the different economic organizations and sub-divisions. In the process of accumulation and distribution of the general fund, the state economic corporations can participate directly with their own means in the introduction of scientific and technological innovations in the agro-industrial complexes as far as it concerns the production of the agricultural raw materials which a given corporation buys up and processes. The contract system is also instrumental in ensuring a stable market for agricultural products, i. e. the producers are guaranteed fixed prices for their products.

In fact, contractation as a form of vertical integration has been given a new meaning, contingent upon the state's active role in regulating the inter-relations and in overcoming the contradictions between the economic organizations in agriculture (the agro-industrial complexes) and those in the sphere of industrial activities connected with agriculture (the state economic corporations). Of no lesser importance is the fact that both the complexes and the corporations are economically powerful organizations, identical in their socio-economic essence. They conduct their relations on an equal footing.

The agro-industrial complexes and the state economic organizations are instrumental in creating the organizational and economic conditions and pre-conditions for the organic linking up of large-scale agriculture to large-scale industry, the food industry in particular.

The use of the contract form is paralleled by the growing use of combining certain agricultural activities and the corresponding branches of the food industry as a form of vertical integration. A good illustration of this is the fruitful work of the poultry research and production corporation and its sub-divisions. The corporation comprises a poultry institute, a centre for the production of hybrid poultry, an enterprise for the production of select and pedigree poultry, incubators and abattoirs, large-scale poultry farms and large-scale farms for eggs and broilers. Conditions are also at hand for combining the production and industrial processing of pigbreeding, the growing and processing of wine grapes, vegetables, etc. The possibilities for rationally combining these operations are growing all the time, as are the prospects for achieving higher overall effectivity.

Conditions are at hand for the development of specialized industrial agrarian combines. Combining will result in organizational, technical and economic unity in the decisive stages: the production of raw materials and their processing. Conditions are also at hand for specialization in production and management. This will allow the closer involvement of science in the production process.

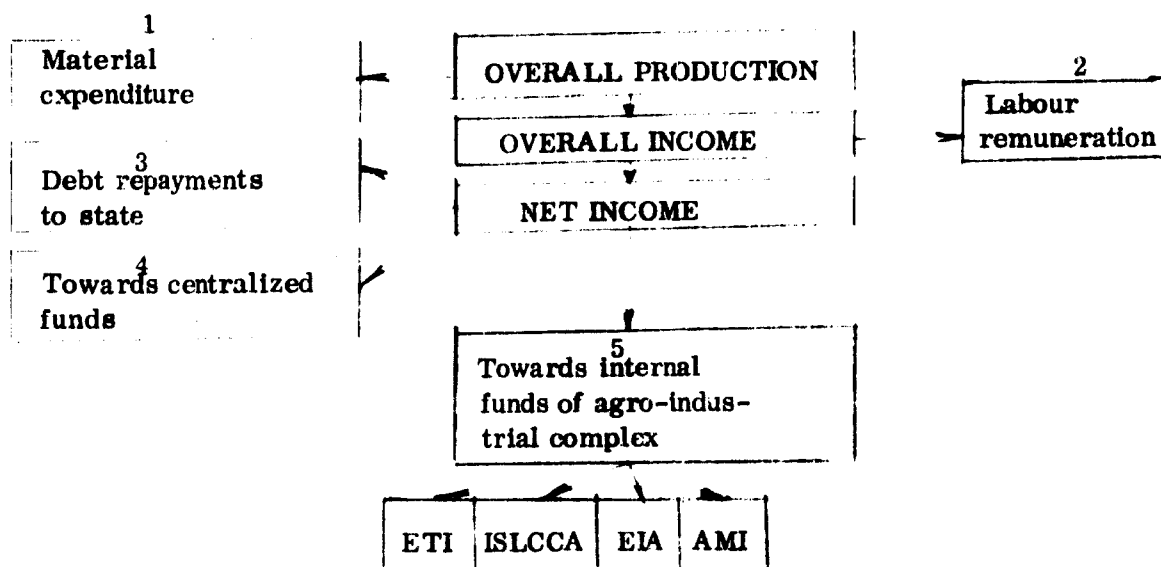
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These are the guidelines for solving a problem which is of great importance to the development of the economy and social progress in Bulgaria. Having based the search for its solution on strict scientific principles, the government and citizens of this country are deeply confident that they will score even greater successes in increasing the production of foodstuffs and other goods - one of the ways of raising the living standards of the Bulgarian people and enhancing the material and cultural well-being of the cooperative farmers and the working class.

INCOME DISTRIBUTION IN THE AGRO-INDUSTRIAL COMPLEX

The different stages in the formation and distribution of incomes in the agro-industrial complexes are illustrated below:

Income formation and distribution in the agro-industrial complexes



Overall agricultural production includes:

- a) The value of annual production;
- b) Incomplete production - in terms of actual production expenditures;
- c) Construction and assembly work and overhauling on a self-accounting basis - in the terms of actual production expenditure;
- d) Young perennial plants up to giving fruit - in terms of actual production expenditure;
- e) Services by other organizations and persons - in terms of realization.

Material expenditures include all costs over the current year connected with the creation and realization of overall production, excluding expenditures towards the fund for labour remuneration and deductions towards social security.

After material expenditures are deducted from the overall production figures, the remainder represents the overall income. The first appropriations made from the overall income are those for the labour remuneration fund.

The labour remuneration fund consists of the expenditures for the labour remuneration of the farmers, workers and employees in all productions and activities (excluding expenditures financed by other sources), expenditures for wages, rates and wage-rates, including bonuses to farmers and workers for high-quality work, fringe benefits according to Labour Code regulations and other laws.

After deductions for labour remuneration are made from the overall income, the remainder represents net income. It is from net income that the agro-industrial complex makes its payments to the state income tax, loan interest, insurance payments and its deductions towards centralized funds (state social insurance, pensions of cooperative

farmers, 'bad crops, calamities and economic influence'). The rest of the complex's net income is used for the setting up of the following funds:

a/ a fund for expansion and technological improvement (ETI). It is made up of deductions from the net income in accordance with set regulations; of deductions for wear and tear in accordance with set regulations; of deductions for wear and tear of the basic means of production; of receipts from the sale or liquidation of basic means of production; of compensation for property insurance of the basic means of production; fund interests, etc.

The means from this fund are spent on: limiting capital investments in production, including decentralized investments; decentralized investments in production; overhaul of basic means of production; the replenishing of turnover means in the production sphere; the education and qualification of production cadres; development of technical and scientific activity of youth, towards receipts for the fund of the Ministry of Agriculture and Food for automation of production, etc.

b/ a fund for improving the social and living conditions and for cultural activities (ISLCCA). It is made up of deductions from net income in accordance with set regulations; of deductions for wear and tear of the basic means intended for cultural activities; of the sale or liquidation of basic means intended for cultural activities; of compensation for property insurance of the basic means intended for cultural activities, etc.

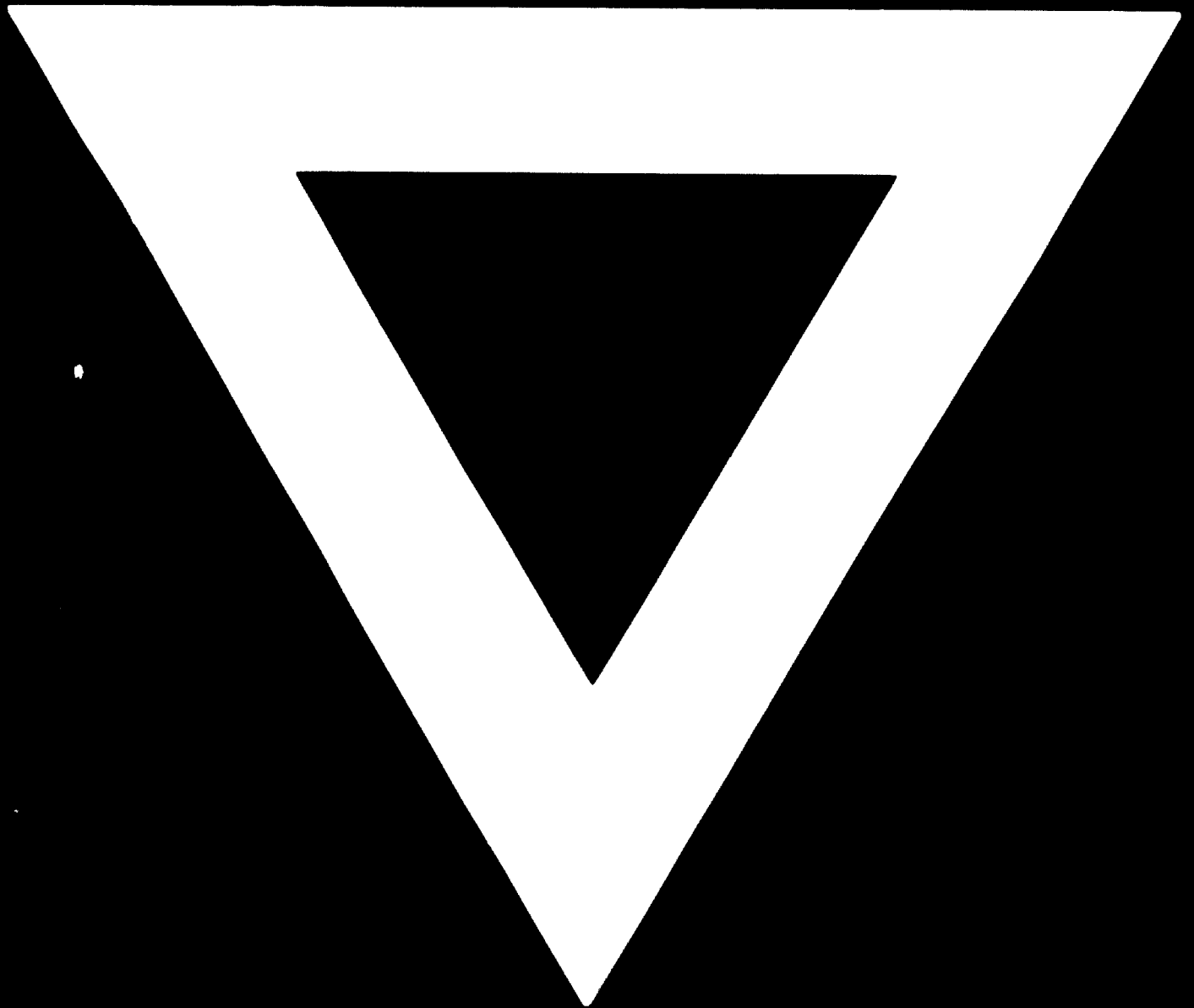
The fund for improving social and living conditions and for cultural activities is spent for limiting and decentralizing capital investments in construction and repair of homes, residence halls, holiday houses, etc.; for the replenishing of turnover means servicing the community services; for improving the community-servicing of cooperative farmers, workers and employees; for the equipment and maintenance of canteens, communal kitchens, child care establishments, holiday houses and medical stations; for assistance to farmers, hospitality expenses, prizes for farmers, etc.

c/ The fund for economic influence and assistance (ELA) is made up of deductions from net income in accordance with set regulations. It goes on making up eventual deficits in the labour remuneration fund; on supporting the production structure under unfavourable conditions; on prizes to production units and individual persons for good production results, etc.

d/ the fund for additional material incentive (AMI), which is made up of deductions from net income at the latter's distribution; of deductions from the remainder in accordance with the diagram and of transfers from the fund for economic influence and assistance. This fund is spent on the bonuses for farmers, workers and employees upon fulfilment or overfulfilment of the plan quotas.



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