

SCOPE ACADEMIC HOUSE

5th International Conference
«SCIENCE AND PRACTICE: A NEW LEVEL OF
INTEGRATION IN THE MODERN WORLD»

February 28, 2018, Sheffield, UK

Conference Proceedings



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POLITICAL SCIENCE	
Absence of the national idea as one of the main factors of the imminence of the globalization in the modern society <i>D. Yakunichev</i>	62
ECONOMICS	
Model of management of innovative activity of naukograd <i>S. Chinazirova</i>	66
Determining the costs of environmental protection measures <i>T. Keloev, I. Goudieva</i>	72
Financial analysis in the system of cash flows management <i>A. Vasilyeva, M. Ilyina</i>	77
Inflation - as an indicator of the financial state of the economy <i>R. Ubavdullaev</i>	80
Theoretical aspects of crediting of physical persons in commercial banks <i>L. Zernova, S. Ilyina</i>	83
Clusterbildungen als system-management-innovation <i>M. Abuzjarova</i>	85
Improving the analysis techniques and approaches in the strategic development of effectiveness enhancement of a company's international trade <i>O. Martvanova</i>	90
Agricultural losses budget support econometric modeling <i>V. Nosov</i>	101
HISTORICAL SCIENCES	
Water policy of the soviet government in the Central Asia <i>K. Taichikova</i>	105
PHILOLOGY	
Negation in modern English and Russian languages <i>F. Aghakishiyeva</i>	109
Towards softer boundaries between languages <i>A. Abduvohidov</i>	112
Interpretation of fictional text and foregrounding as a way of it <i>S. Usmanova, S. Inamova</i>	115
PHILOSOPHY	
Ivane Dzhavakishvili – philosophical understanding of history <i>N. Bitsadze</i>	118

AGRICULTURAL LOSSES BUDGET SUPPORT ECONOMETRIC MODELING

V. Nosov¹

Abstract

Insurance as risk management instrument is not used enough in Russian Federation, while federal crop insurance has multiple shortcomings and does not perform its functions, which leads to extra costs being allocated from the budget for agriculture financial support. In this paper adverse events losses in agriculture and budget support for their coverage are analyzed using statistical and econometrical methods.

Keywords: Agriculture, Loss, Compensation, Budget, Regression, Cointegration.

Despite all the achievements of modern science and technology, agricultural production in Russia still implies a high risk caused by climatic and biological factors that have a negative impact on yields, which reflects in farms and the whole agrifood system low economic performance.

According to the Hydrometeorology and Environmental Monitoring Agency, over the last century the temperature has increased by about 0,8°C. The temperature increase in Russia was 1.5 times more over the same period compared to the global temperature, and led to 20% decrease in precipitation. This resulted in frequent droughts, land degradation, and fire risk growth. The increase in average annual temperatures may also lead to a spread of pests and pathogens, as they are not killed by cold temperature.

In contrast, the climate change has also led to increase in precipitation in some areas, which resulted in floods.

The agricultural production practice has developed a whole range of economic measures, including insurance, which can mitigate or prevent environmental negative output impact.

Throughout of the world, federal crop insurance with premium subsidies for producers is an important mechanism for agricultural policy if it is not in conflict with WTO requirements and is among the «green box» measures. It is also the main producers' financial protection mechanism. For instance, in U.S. crop insurance with premium subsidies has been practiced since 1980, with further amendments and completions [4; 5; 6]. The Agricultural Act of 2014 states insurance as the main instrument of the agricultural policy that will be subsidized over the next 10 years at a cost of approximately 90 billion dollars.

Besides insurance, federal disaster assistance program payments might also be provided (when available). Note that if the producer receives insurance payments and disaster assistance payments in the same year, the total value should not exceed 100% of aggregate loss.

Figure 1 presents the annual adverse events loss in agriculture, which is about 18 billion rubles on average.

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