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Strategic Management In Agriculture

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Abstract

The most important task of strategic planning for the development of agricultural enterprises is the formation of a perspective sectoral structure of production, ensuring its sustainable development in a long term perspective.

The purpose of this work is to study the features of the formation of strategic management at the enterprises of the agricultural sector.

Methods or methodology of investigated work. The research is based on the fundamental works of native and foreign scientists, revealing the mechanism of strategic management at the level of an economic entity.

Results. Agriculture has already passed the boundary which the society is not ready to consume everything longer that it grows. In modern conditions, when there is competition with foreign producers, only those goods of native producers that are needed by society and correspond to its purchasing power are in demand.

This circumstance leads to a change in the combinations of economic sectors and the structure of each of them, which contribute to a significant increase in production efficiency, ensuring high profits for the enterprise as a whole, insuring one industry to another and one product to another in cases where unaccounted climatic, technological or market factors arise. Another internal factor of a comprehensive solution to the problem, which should be highlighted, is the on-farm reorganization of agricultural production and the widespread introduction of technologies and technological methods into it that ensure resource and energy conservation.

Sphere of usage the results. The results of the research can be used in the development of specific proposals related to the scientific substantiation of the formation and implementation of the strategic management system at the enterprises of the agricultural sector.

Conclusions. It is concluded that the peculiarities of enterprises in the agricultural sector that affect the content of strategic management should include: size, structure and potential of land; dependence on natural and climatic conditions and seasonality of production; availability and capabilities of fixed assets; the number, age structure and qualifications of the labor force; the state of the market for agro-industrial products, etc.

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Introduction

The peculiarities of the enterprises functioning in the agricultural sector in the modern conditions of a transforming economy are manifested in various forms of ownership and the development of market relations in the economy of Kyrgyzstan, accompanied by increased competition, difficult conditions of economic activity, a decrease in the predictability of results, and an increase in the severity of economic consequences caused by managerial mistakes.

It should be noted that management is the sphere in which the transformation and implementation of the economic laws of the development of society take place, the forms of organizational and economic relations, the proportions of the development of sectors of the national economy, regional aspects of the activities of enterprises and organizations are determined.

If the principles of management, economic laws and regularities of the functioning of the market are violated, then at the state level there will be a serious deformation of the economy, social upheavals ^[1].

Insufficient management knowledge at the level of management of a specific enterprise, poor understanding of the essence of the market and competition can lead to the loss of a significant part of the profit, or even to the complete destruction of the enterprise. One of the directions that contributes to the enterprises of the agricultural sector to function successfully in market conditions is the use of strategic management tools ^{[2][3]}.

Agrarian reform and policy, factors of sustainable development of the agrarian sector of the economy, analysis of methods for a comprehensive assessment of the development of territories, socio-economic modeling of regional development, economic mechanisms for ensuring sustainable development of agricultural production, natural potential, "green economy", food markets are reflected in the works of scientists of the Union of Independent states: A.I. Altukhova (2006), M.V. Algina (2012), S.N. Bobyleva (2003), 4 M.M. Bulgakova (2012), V.A. Ivanova (2011), D.S. Lvov (1999), A.M. Nosonova (2014), E.V. Serova (1999), M.V. Tereshina (2011) and Yu. Shedko 2015) ^[4].

Complex problems of the development of the agricultural sector, the transformation of market relations in it, sustainable development of the economy, strategies for reforming economies and industries, regional integration of the agricultural sector of Kyrgyz Republic in Central Asia, the formation of clusters, as well as agrarian reform in Kyrgyzstan are set out in the works of Kyrgyz scientists: A.U. Oruzbaeva, Abdymalikova, J.S. Dzhailova, D.K. Omurlieva, R.K. Aknazarova, M.

Israilova, A.O. Orozbaeva, A. Sarybaev, K. Atyshov, Zh. Zhumabaev, and others. At the same time, the sustainable development of the agrarian sector of Kyrgyz economy has not been sufficiently studied yet [\[4\]](#).

Research methods. The conduct of an agricultural enterprise in the competitive conditions of Kyrgyzstan is determined by a number of main factors:

- the general crisis situation in agriculture, characterized by a long and deep decline in production, inflation, and the rupture of economic ties;
- underestimation of the role of science and the practical absence of research in the field of agricultural enterprises conduct in changing economic conditions and, as a result, the lack of practical recommendations;
- the practical absence of state policy in relation to agriculture. It can be concluded that at present agriculture is not an entrepreneur in the classical sense, since the motivation for its activity is a certain combination of goals, in which the motive “to survive, to retain staff, to find a niche in the market” dominates and only then to maximize profits, production volumes, rate of return, etc.

The features of agricultural production that distinguish its enterprises from all other sectors of the economy are as follows.

The results of economic activities of agricultural enterprises are influenced by natural and climatic conditions. Under the influence of rains, droughts, frosts and other natural phenomena, harvests can significantly decrease; labor productivity and many other productive indicators can decrease.

Agriculture is characterized by seasonal production, which results in irregular use of labor resources, equipment, uneven sales of products and receipts.

Agriculture has a long production process that does not coincide with the working period. The values of many indicators can be determined only at the end of the year.

The level of development of agricultural production depends not only on economic, but also. biological, chemical and physical laws. This complicates the ability to measure the impact of factors on business results.

The main means of production in agriculture is land, the natural features of which are inextricably linked with climatic conditions. And, if in other sectors of the national economy it is possible to accurately take into account the economic efficiency and production capacity of all assets, the accounting of land productivity cannot be accurate, and its natural and economic nature changes under the influence of various factors [\[5\]](#).

The difference between agriculture and other industries is that products are partially used for their own purposes as a means of production: seeds, fodder, animals. In this regard, commercial output is less gross in physical terms and in comparable prices.

Taking into account the specifics of agriculture, in order to assess the activities of agricultural enterprises, various specific indicators are used (yield, livestock productivity, etc.). General indicators used in all sectors of the national economy do not fully reflect the specifics of agricultural production.

Consequently, based on taking into account the specific features of agricultural production, the activity of an enterprise in the industry can be considered as a complex of interrelated economic processes, which is influenced by numerous and diverse factors, including those not controlled by humans. If some factors are left out of consideration, then the assessment of the influence of other factors, as well as general conclusions, may turn out to be incorrect.

Accelerated growth of agro-industrial production in the future should be ensured mainly at the expense of agricultural enterprises. This will require a significant increase in the level of material and technical equipment of these organizations with agricultural machinery, fuels and lubricants, mineral fertilizers, feed [6].

Currently, enterprises in the agricultural sector operating in a market economy should meet the relevant requirements. The production technology has become so complicated that today completely new forms of organization and production management are required. The production technology has become so complicated that today completely new forms of organization and production management are required. The transition to the market led to other, new relations, in which business entities became independent, assumed obligations and were responsible for them, entered into competitive relations and were exposed to the risk of ruin and bankruptcy. The economic depression that the country has undergone has left collective farms in a difficult situation. Without the previous state support, they were unable to maintain the material and technical level of their production.

The available equipment in the form of vehicles, agricultural machinery and equipment has exhausted its resource over the decades; its physical wear is about 90%. In these conditions, it is difficult to carry out technical and technological renewal [7]. And it is necessary because it affects the improvement of production. To prevent the destruction of the material and technical base, it is necessary to improve the situation in agricultural engineering. A technical update of the agro-industrial complex database should provide translation.

In any state, the efficient functioning of agricultural enterprises is impossible without scientifically based planning for the medium and long term perspective. The presence of such plans is a condition for their investment attractiveness; the country's strategic plans allow one to foresee crisis and unfavorable situations and to work out the necessary solutions of overcoming them [8].

The sharp transformation of the centralized management system in Kyrgyzstan, which took place in the course of radical economic reforms, led to the fact that, along with fluctuations in natural and economic factors, agricultural producers faced fluctuations in market-driven factors. Moreover, in some cases, the depth of fluctuations of the latter kind led to more serious negative consequences even in comparison with the influence of meteorological conditions.

In such unstable conditions in Kyrgyzstan, the interest of strategic management is growing, in the opinion of Doctor of Economics, Professor M. Israilov, "a successful strategy and its skillful implementation are the surest signs of quality management in modern conditions". Undoubtedly, the primary and leading element of the economy is the management cycle and it always begins with planning.

Unfortunately, in Kyrgyzstan, there is a clear lack of researches devoted to understanding the features of the application

of the main provisions of the strategic planning theory in agricultural production. At the same time, the problems of substantiating the development strategy of agricultural organizations that ensure the maximum profitability and stability of their functioning under changing conditions of management remain poorly studied [9].

Today there is a need to comprehend and adapt modern scientific directions of strategic management to the peculiarities of agriculture and on this basis to create a methodological basis for the formation of a strategic planning system in an agricultural production.

The basis of strategic planning is a complex multi-stage process, during which a wide range of various issues related to socio-economic and scientific and technical problems should be resolved.

One of the most important tasks of strategic development planning of agricultural organizations is the formation of a perspective sectoral structure of production, in justifying which is necessary to take into account not only the fixed values of the profitability of certain types of products, but also to assess the natural fluctuations in the management conditions.

In spite of the agrarian sector of economy reform in Kyrgyzstan, agricultural producers cannot carry out production on a large scale, since today there is a lack of usage of modern equipment, innovative technologies have not been established and the population have not been provided with the necessary products enough.

In addition, the analysis showed that consumption of basic food products does not correspond to medical standards. For example, on average for all categories of farms in the republic in 2020, gross production in agriculture increased from 58.4 to 112.0 million soms, or by 92.1%, including the crop growing industry - from 32.0 to 63.1 million soms, or 97.1%, livestock - from 25.3 to 47.1 million soms, or 85.6% [10]. Economic planning by the state should be drawn up by specialists in advance for many years, therefore, strategic planning in the development of agricultural production presupposes the need to develop interrelated and balanced agri-food strategies in order to ensure the country's food security.

In this regard, it is necessary to determine the position of each commodity producer in the production of agricultural products, food supply of the population and perspectives in this area, which is one of the necessary stages in the development of a regional program for the development of agricultural production.

The strategy of economic development of Kyrgyz Republic with the aim of achieving the required level of food security should be based on a scientifically grounded forecast of increasing the volume of agricultural production, ensuring not only a sufficient supply of basic food products to the population of the region, but also the export of the maximum possible amount to other regions of the country, as well as in abroad.

The presented Strategy of 2018-2040 defines the strategic guidelines for the development of Kyrgyzstan for the long term, taking into account the challenges of the coming period. It formulates the image of the country's future, the basic principles and ways of achieving development goals in all spheres of our society's life - spiritual and political, social and economic. Also priorities of medium-term steps for launching the strategic vision were identified.

The development strategy of Kyrgyz Republic till 2040 should be considered as a fundamental document that sets the policy for the development of the state in all spheres of society [1].

Kyrgyzstan has a favorable natural and climatic potential in agriculture, which can be realized with a significant increase of production potential in the industry.

One of the directions of state policy is to improve the social situation, increase the living standards of the population. When determining the main directions of the strategy for the development of agricultural production, it is necessary to take into account the food supply of its population ^[10].

In a market economy, most entities need reliable investment funds in the agricultural sector. Therefore, a cardinal improvement of the country's credit and financial system is required, taking into account the problems of agriculture ^{[9][11][12][13]}. The market places interests of agricultural producers in conflict, forcing them to make risky decisions and review even the best past decisions. In these conditions, enterprises must be able to predict and timely make changes in the structure of their capital in order to survive in a highly competitive environment ^[14]. The diversity and interdependence of conditions and factors for the development of agricultural production should be emphasized. The optimal forecast should take into account:

- size and structure of land, types and physical properties of soils and their potential fertility;
- availability, condition and possibility of increasing fixed assets (buildings and structures, machinery and equipment);
- number, age structure, professional and qualification composition of labor resources;
- the optimal combination of land and other production factors with the most profitable combination of resources for each crop, animal species, product;
- the state of the market for agro-industrial products (demand, supply, prices), availability.

One of the most important directions in the development of agricultural production should be considered its further intensification. Consequently, for many organizations that are faced with the problems of survival in the market, the main condition for the success and effectiveness of management is an innovative strategy, the goal of which is to maximize the satisfaction of consumers' requirements for the quantity and quality of products at the lowest possible cost for its development and production. Innovative strategy is a very complex and multifaceted problem that affects the entire complex of relations in economic systems: research, development, production, sales, and service.

However, innovative activity in most organizations is carried out in small amounts. This is due to the fact that commodity producers practically do not have their own circulating assets and it is not possible to replenish them at the expense of internal reserves with the existing results of economic and financial activities ^[10]. The system of stimulating investment activity in the region's agriculture should be aimed to supporting projects involving the introduction of innovative technologies and comprehensive investment in the development of the production potential of agricultural organizations ^[8].

Currently, in agricultural production, a number of prerequisites can be identified for the introduction of strategic approaches into management practice. However, the complexity of this process, as well as the presence of some constraining factors, require gradualism, the presence of a well-thought-out procedure, which is advisable to reflect in the

project of embedding strategic planning in the economic planning system. ^[12].

Results

The peculiarities of enterprises in the agricultural sector that influence the content of strategic management include: the size, structure and potential of land; dependence on natural and climatic conditions and seasonality of production; availability and capabilities of fixed assets; the number, age structure and qualifications of the labor force; the state of the market for agro-industrial products, etc. In modern conditions, when there is competition with foreign producers, only the goods of domestic producers that are needed by society and correspond to its purchasing power are in demand ^[11].

This circumstance leads to a change in the combinations of economic branches and the structure of each of them, which contribute to a significant increase in production efficiency, ensure high profits for the enterprise as a whole, hedge one industry with another and one product with another in cases where unaccounted climatic, technological or market factors arise. Another internal factor of a comprehensive solution to the problem, which should be highlighted, is the on-farm reorganization of agricultural production and the widespread introduction of technologies and technological methods into it that ensure resource and energy conservation ^[10].

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