

Nonpayments, Bankruptcy and Government Support in Russian Agriculture

Russian corporate farms are characterised by low profitability and high indebtedness, which are a major obstacle to their access to credit. The government's subsidised credit programme reduces the cost of borrowing, but access is effectively limited to about 25% of farms that meet both government and bank conditionalities. Government-sponsored machinery leasing is a state monopoly with strong monopolistic effects. The marginal impact of government support programmes requires careful rethinking of the role of government in agricultural finance. To be successful, Russian farms need fewer barriers to the proper functioning of market channels, not necessarily more support.