

PRINCIPLES OF PRICES FORMATION FOR FOODSTUFFS (MEAT INDUSTRY PRODUCTS)

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The key principles of a price formation in the up-to-date stage of the development of economics will have to be a subsequent improvement taking into account the consumer properties of the produce in prices and a creation of optimum economic conditions for the manufacture of the produce which would satisfy consumer demands for concrete, specific goods with minimum expenditures of socially required work.

Complex of consumer properties means the use value of goods which represents their usefulness; the aim of the production is a creation of values as bearers of social usefulness. Since all the products manufactured serve for improving the satisfaction of consumer demand, they have to be evaluated from the point of view of their usefulness. The society is interested in that as exactly as possible to know to what extent one or another product improves the well-being level of the population. A sign of that, whether a complex of consumer needs is an optimum one, is the estimating equality of consumer properties between all kinds of products. The second aspect is an equalization of production estimations. An optimum state is achieved only when consumer estimations agree to production ones between all kinds of products. From this arise definite demands for a price system, namely prices must be proportional to both consumer properties and production estimations.

The efficiency of the production can be achieved only when available resources being used in such a way that differential production expenditures are proportional to their differential usefulness. For all this, enterprises orientating themselves on price ratio will produce what is the most necessary to satisfy as much as possible needs of the people.

The price system which is valid up to now restrains the development of commodity-money relations. The ratio of prices on raw materials and finished products of their processing reveals a lack of correspondence which can give birth to contradictions between national interests and interests of individual production subjects.

To eliminate this lack of correspondence it is necessary to go over to a price formation on the single methodological basis with keeping to exchange equivalence in commodity-money relations.

A price policy has to be based on principles which could ensure a fixed level of incomes for producers with due regard for specific characteristics of conditions for the manufacture and realization of concrete products as well as a scientifically grounded equilibrium of demand and supply for the produce of processing plants. The differentiation of purchase and wholesale prices on the produce of processing plants must be carried out with due regard of qualitative parameters of agricultural raw materials and finished produce.

In terms of market relations prices are unstable indices. Therefore, it is the most advisable to conduct a comparative estimation of economic results according to criteria based on complex quality parameters of raw materials and produce. As a basis of such parameters a criterion of cost should be assumed which takes into account the different properties of food products: their colour, taste, odour, chemical composition, etc.

When modelling prices on the agriculture produce, a model of production price has to be created taking into account production costs and resource-capacity of the produce.

Prices must presuppose a minimum guaranteed level, the so-called secured prices which are aimed at the stabilization of food production market and ensuring the profitability of production.

It should not be forget about an upper limit of prices - orientating prices which represent a desirable level of market price for consumers.

The calculation of parity prices on the agricultural produce and their ratio also requires special calculations of indices of agrarian prices in accordance with a basis period and a price index on means of production and services. It is necessary for maintaining the equivalence of predetermined cost proportions of an exchange of the different branches of industry, for giving a taxation, credit on favourable conditions as well as other inevitable forms of State control.

Prices have to reflect socially necessary expenses for the manufacture of products, the effect of utility as well as a ratio of demand and supply. Price formation and price-wave are influenced by the law of money circulation, its action obliging to take into account the production needs and solvent money demand, alterations of cost of products and money.

Prices have to stimulate the improvement of product quality. The economic main point of this principle of price formation consists in that a high quality of the produce can be ensured with high expenditures of labour and means, with a higher skill of workers. Prices on high-quality produce must stimulate its manufacture, must ensure a high profit per a unit of expenditures.

The up-to-date stage of the development of relations of production assumes an estimation of functioning of enterprises in terms of both of price of the produce and its quality which is reflected in price of sale and profit.

The main causes of crisis in a system of the manufacture of meat products are a drop in volumes of production of animal husbandry products in agriculture because of disbalancing of the national economy as a whole, decentralizing the management, disturbing links between enterprises of agriculture, the meat industry and industries supplying the Agro-Industrial Complex (AIC).

Abandoning the tough directive system of price formation allowed the meat industry to create a definite financial potential for the last years. However, many plants send the bulk of their incomes to a social sphere and only negligible sum for the development of production which reduces a technical potential of this industry.

Furthermore, in connection with a specific character of meat products (they always are in a great demand and in a number of cases are in short supply) the laws of market are not acting when demand determines supply. Almost all meat plants behave as monopolists and dictate their conditions in market what results in a continuous rise in prices on meat products and in the intensification of inflation processes.

The system of price formation to be in action in Russia until recently included basically an expense principle which took into consideration the influence of a price on expenses as a criterion. Transition to a system of free market prices formation didn't practically change methodic approaches to the determination of prices and had no influence on their structure.

It should be admitted that in conditions of market relations in Russia prices regulated on the basis of demand and supply remain only theoretical economic position.

With a view to form a price parity that means an equality of conditions while making prices in both vertical and horizontal directions, i.e., while determining prices on raw materials and the finished products as well as on the different groups of products, a scientifically grounded approach to a price formation must be developed.

Two main trends are proposed while creating a price parity.

The first one is a formation of industry prices on the basis of simplified calculations of prices on the animal husbandry produce and, in particular, on livestock.

Prices on livestock can be determined in accordance with the methods proposed by the specialists of agriculture. These can be guaranteed prices, prices having a special purpose, security prices and protection prices, but above all these prices must ensure a rate of extended reproduction-keeping.

A price of sale of livestock processing products (meat) must be formed proceeding from a price on raw materials with taking into account the index of cost ratio of raw materials and the finished produce (P_1).

The second trend is a calculation of prices on all kinds of meat products on the basis of a price on the base product (P_2).

If P_1 would not correspond to P_2 , it should be carried out a compensating correction of a price on raw materials and, if prices on raw materials to be lower than fixed ones, it is necessary to start the mechanism of State regulation on a federal or regional level.

A scale of State regulation of agriculture depends on the degree of economic development.

In the first stage of the improvement of price formation in agrarian sector of Russia the compensation to producers of the agricultural products should be carried out by direct refunding a difference in prices on raw materials, which being received as a result of disparity in prices estimated on the basis of a price on the finished product with taking into account the index of cost ratio of raw materials and finished produce and purchase prices to be determined by a producer.

In the next stage it is necessary to compensate with taking into account a factor of use value, i.e. to refund expenses on the most high-quality raw materials to a greater degree to stimulate the development of this production.

Therefore, the basis of a price must be formed by parameters of consumers' properties to be determined on the basis of natural qualities of a product which are the most valuable for the society as a whole and for a concrete person.

The authors of this report have developed coefficients of use value of livestock meat according to its species and grades, of the different kinds of slaughtering products and products of their processing.

These coefficients were determined on the basis of results of research works to be carried out by the specialists of the All-Russian Meat Research Institute in the field of meat theory and its practical use for livestock slaughtering and processing and for the manufacture of meat products.

Coefficients of use value determined are objective indices and depend on properties and quality of a specific product.

Thus, taking into account consumers' properties of products in the form of coefficients of use value would ensure that prices could have an influence on the improvement of the product quality and their influence on the balance of demand and supply could become stronger.

Coefficients of use value developed by the authors for all kinds of meat and meat products can serve as an initial comparative basis for determining analogous coefficients for all kinds of food products.

Calculations of these coefficients for all the produce of food and processing industries and agriculture give an opportunity for making a detailed classifier of these products what would be a basis for creating a common inter-coordinated system of price formation in these fields of the national economy.

Reorganization of a system of price formation in accordance with principles stated allows to increase the strength of the economic mechanism, gives the possibility for applying principles of marketing on the scientific basis since marketing represents a system which is intended for planning a range and volumes of products manufactured, for determining prices, distributing products and stimulating their sales with the object of satisfying the requirements undergoing constant change.