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ASSESSMENT OF INTER-REGIONAL RELATIONS DEVELOPMENT IN THE FOOD SYSTEM

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Abstract

The article shows a relevant study of reserves for creating a stable food fund to strengthen food security of Russia in conditions of the import substitution program. The trends are shown, problems are identified, social and economic consequences of the import substitution development are determined. An assessment of the food supply level in the region is given. The structure of basic food products creation and consumption by residents of some regions of Russia is analyzed. Regional food market functioning is shown. The concept of the regional food market is supplemented as a harmoniously developing system of relations between economic entities in the process of food products creation, exchange and consumption in certain conditions of regional development, in particular, national characteristics of food consumption, taking into account climate varieties, where the population lives, etc. The structure of basic food products imports and export in the Republic of Buryatia (the Russian Federation) is analysed. The study shows that the export share of basic products has increased significantly since 2015 when economic sanctions from European countries and the USA were introduced. At the same time, the share of imports increased in meat products, canned meat, butter, etc. The state and development of economic relations in the food supply system of the Republic of Buryatia and its foreign trade relations with Mongolia, China and the CIS countries is assessed. To improve the system of inter-regional exchange, it is proposed to create an effective mechanism for regulating inter-regional relations in the food supply system.

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Keywords: Food market, food products, food security, interregional exchange, region.



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1. Introduction

In the food supply system of the region, it is very important to develop a food market on the basis of interregional ties that ensure balanced development of the country's agro-industrial complex and reduce dependence on the negative impact of environmental factors. Regardless of the dominant forms of management and the level of social and economic development, each region of the Russian Federation urgently needs effective organization of trade. The potential opportunities of the regions allow for a more rational and mutually beneficial exchange of agricultural products and food. This is the undoubted and indisputable advantage of each regional agri-food market in the context of world trade globalization. Moreover, the development of interregional trade plays an important role in the implementation of intersectoral and interregional exchange and the establishment of stable ties between regions (Altukhov & Semin, 2018).

The development of interregional food relations in the existing conditions is manifested not only in the segmentation and regionalization of the food market, but also in the expansion of cooperation with the countries of the Asia-Pacific region. It should be emphasized that the regionalization of the food market limits the scale of interregional exchange. This trend is in complete contradiction with the import substitution program. However, its development is due to a number of reasons, first of all, the desire of many regions for self-sufficiency, poorly developed infrastructure, high transaction costs, disintegration of agricultural production, and the attachment of many producers to the needs of the regional market (Altukhov, 2017).

In recent years, in the process of implementing the import substitution program, the development of the food market in Russia was carried out in several stages, its structure was constantly changing, economic ties and relations between partners improved, agricultural clusters and large integrated structures were created on the basis of public-private partnerships. At the same time, rather high transport costs that destroy the common economic space of Russia, as well as specialization and concentration of food production, have a negative impact on the development of the food market in the region. A significant difference in food prices in regions leads to unjustified differentiation of the value of the consumer basket. In addition, the increase in transaction costs in the regions in an innovative economy is due to a reduction in production volumes, an increase in the level of fixed costs in production costs structure. Therefore, to reduce transaction costs, it is necessary to improve the system for promoting food products in the region's market. Under these conditions, the application of the transactional approach will minimize costs using the tools of the price mechanism (Dugina, Badmaeva, Alexeev, & Korsun, 2017).

The specific thing about the current stage of agri-food sector development is that agrarian transformations are mainly transferred to the regions. Since a significant part of the products is produced in the regions and, accordingly, certain relations are established between agricultural producers, processing enterprises, procurement organizations and trade. In recent years, the food market has become more self-regulating, therefore, in the event of the breakdown of existing ties in the context of insufficient supply of certain food types, the tendency toward individual self-sufficiency has intensified. The above determines the range of problems associated with the development of an effective system of inter-regional food relations (Dugina, Dorzhieva, Baginova, & Alexeev, 2017).

Based on this, an assessment of the food market should be carried out, bearing in mind the particularities of these relationships, which form the entire range of assortment of food products on the

market, determine the ratio of supply and demand, and establish optimal prices. Moreover, the system creates conditions for food promotion from producer to consumer, forming a complex mechanism for economic relations functioning in the structure of the food complex.

2. Problem Statement

The food market is becoming an important element in the structure of the national economy of Russia. At the same time, it appears as a relatively independent subsystem. This necessitates the study of its functioning features, economic assessment of the state and clarification of the extent to which the needs of the region are met by local production and what is the role of interregional ties in improving the degree to which the population of the region is provided with basic food products.

The development of the agri-food sector is characterized by a slowdown in the exchange process as a whole and is manifested in the limitation of interregional ties. First of all, this is due to the unstable economic and political situation in the country and the world, the disintegration of production, and inflationary processes.

In the food supply system, the food market in the region is a relatively independent subsystem. Therefore, the assessment of regional characteristics of the development of the food market is especially relevant taking into account the environmental restrictions of individual regions. In this regard, it is necessary to determine the level of self-sufficiency of the population with products of its own production, the quality of development of inter-regional food relations, and on this basis to develop priority areas for their improvement.

3. Research Questions

- 3.1. How is the system of food relations between regions of Russia formed?
- 3.2. What is the level of self-sufficiency of the population of Buryatia with basic foodstuffs?
- 3.3. What are the directions for the cooperation development in the regional food supply system?
- 3.4. How can the mechanism for regulating food relations development in the agricultural sector be improved?

4. Purpose of the Study

Objective: to study methods for assessing the level of development of food relations in the region, to analyze the self-sufficiency of the region's population with basic foodstuffs, the degree of inter-regional food flows development, to develop a mechanism for their regulation.

5. Research Methods

- 5.1. To study the state of development of food relations, a methodological approach was used, based on the systematization of assessments of the state of the socio-economic development of the region.

- 5.2. The study proposed a methodological technique that allows a more detailed analysis of the import and export of food products from the regions of Russia.
- 5.3. A comparative analysis of the export and import of food products in the regions of the Russian Federation and foreign countries is presented.
- 5.4. Based on the results of the study, priority directions for improving interregional ties in the food supply system are proposed.

6. Findings

Considering the vast territory of the Russian Federation and the strong differentiation of the Russian regions in terms of climatic and socio-economic conditions and the existing agricultural potential, we can confidently say that the successful functioning of regional food markets depends on established inter-regional food relations, since most of the territory of Russia (almost 3/4) is located in an unfavorable zone for farming. It is the development of these relations that makes it possible to satisfy the needs of the population in food products, taking into account the rational norms of their consumption established by the Russian Academy of Medical Sciences. Thus, one of the main features of the food market of the constituent entities of the Russian Federation is its dependence on the markets of other regions. The stability of food supply in the region will depend not only on the development of the region itself, but also on the state of similar markets in other regions (Ushachev, 2011).

Currently, the system of food resources distribution is constrained by the lack of an objective indicator of supply and demand, as well as the presence of numerous intermediaries that impede the formation of reliable food prices.

Consider the structure of basic food production in the regions of Russia. Novosibirsk, Omsk regions, Altai Territory have sufficient agricultural potential for the production of milk and dairy products, meat and meat products, food grains, surpluses of these products can be exported to other regions. Buryatia and Tuva have sufficient resources for the production of livestock products: meat and meat products, milk and dairy products. Currently, these regions contain 67% of the livestock and 52% of mutton meat. The development of regions in this direction will ensure not only their own needs, but also the population of neighboring constituent entities of the Russian Federation (Afanasyev, Rudoi, & Stasyulis, 2014).

The structure of imports and export of food products and agricultural raw materials is determined by the level of solvent demand of the region population, as well as by the presence of agricultural resource potential (Cialdini, 2009). The Republic of Buryatia, like a number of other Russian regions, is currently unable to fully meet the needs of the population in basic food products through its own production. Therefore, inter-regional relations play an important role in the development of the food market.

In this regard, there is an objective need to study the problem of the provision of the region's population with food resources from the point of view of balance, economic security and the influence of various factors on the market conditions of the Republic of Buryatia (Law of the Republic of Buryatia, 2019).

In 2018, food industry enterprises produced 10,538.9 tons of meat and meat products, 2,056.9 tons of milk and dairy products, including butter, cottage cheese, sour cream, cheeses and other products. Part of the products is exported from the region, so in 2018 2780.3 tons of meat and meat products, 2411.1 tons of sausages were exported.

At the same time, food products import significantly exceeds the export. An analysis of statistical data (“Regions of Russia ...”, 2018) shows that in 2017, compared to 2015, the share of exports in almost all indicators increased. So, in particular, the share of imported meat products increased 7.2 times and amounted to 1710.5 thousand cans for canned meat, 5.1 times for butter and amounted to 243.6 tons, for semi-finished meat products – by 68%. In the structure of import of meat products sausages prevail (74%), semi-finished products (65%). In the structure of import of dairy products, the largest share is occupied by cottage cheese and curd products (93%), butter (48%), sour cream (58%). The main suppliers of these products are the Irkutsk region (meat and meat products) and the Krasnoyarsk Territory (dairy products).

Despite the fact that the Republic of Buryatia has extensive food relations with many regions of Russia, the regions of the Siberian Federal District (almost 90%) occupy the largest share in the general structure of goods turnover – these are the Irkutsk and Novosibirsk Regions, the Krasnoyarsk and Altai Territories. The development of interregional and food relations with the regions of the Siberian Federal District is primarily due to low transaction costs, convenient location, etc. (Rozhkova & Pachulia, 2011).

The decrease in food production in 2015-2017 due to adverse weather conditions affected the structure of imports of basic food products (Figure 01).

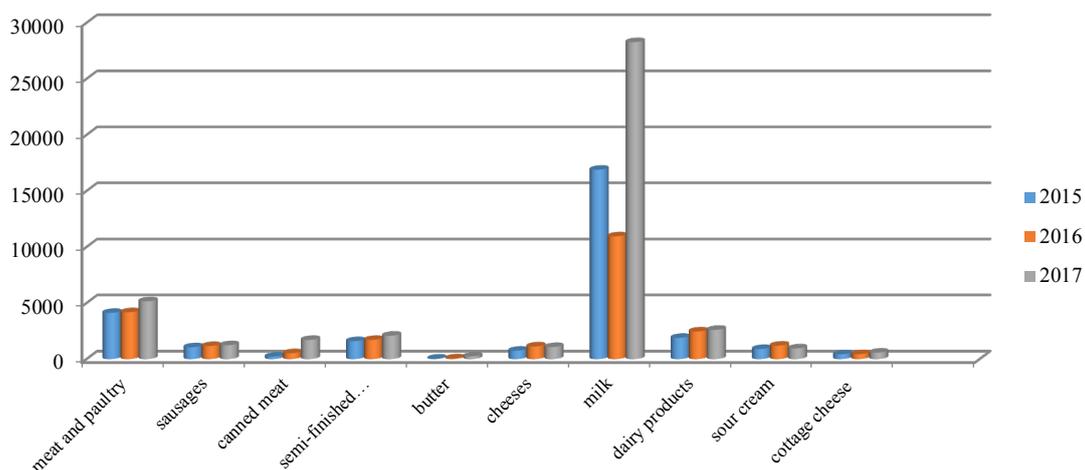


Figure 01. Dynamics of food imports in the Republic of Buryatia, millions of US dollars (Regions of Russia, 2018)

The results of the study show that over the indicated period of time, almost all types of food products show an increase in imports, except for cheeses, butter, sour cream, cottage cheese. This is due to a sharp reduction in productivity and, accordingly, in the production of dairy products. In 2017, compared with 2015, the total foreign trade turnover of food products and agricultural raw materials in Buryatia increased to \$53.1 million, or by 39%. The volume of foreign trade turnover of food products

with non-CIS countries increased over the indicated period by 29% and amounted to \$49.1 million; with CIS countries more than 4.1 times and amounted to \$4.2 million.

At the same time, the trade balance in 2017 has a negative trend - compared with 2016, it is 19% less and amounts to \$18.5 million. Over the past three years, foreign trade in food products increased by 39%; The Republic of Buryatia is developing cooperation with 54 countries, including China – 35.5%, Japan – 17.9%, the Republic of Korea – 15.6%, Mongolia – 4.9% of foreign turnover.

Buryatia carries out export operations with partners from 36 countries. In the export structure, China accounts for the largest share – 32.4% of total exports, Japan – 19.6%, the Republic of Korea – 17.1%, Taiwan – 10.9%, Mongolia – 4.5%.

The development of interregional ties was significantly influenced by economic sanctions imposed by EU countries, the USA, Canada, and counter-sanctions by Russia. In 2017, compared with 2016, the volume of imports decreased by 2.5% and amounted to \$35.8 million. The Republic of Buryatia mainly imports vegetables, fruits, dairy and meat products. In 2017, compared with 2016, the volume of imports of vegetables increased by 37.9%, the volume of imports of fruits, meat products and dairy products decreased by 15.7%, 1.0% and 1.2%, respectively. The physical volume of deliveries of vegetables from non-CIS countries increased by 43.1%, meat – by 7.1%. While the import of fruits in physical volume from non-CIS countries fell by 30.9%, the supply of fruits from CIS countries increased by 2.8 times. Deliveries of meat and meat products from Belarus decreased by 11 times, milk and cream – by 4%.

In recent years, foreign trade relations of the Republic of Buryatia with Mongolia have significantly intensified. In 2017, compared with 2016, foreign trade turnover increased by 18.2%, export growth over the specified period amounted to 16.6% (due to an increase in the physical and cost volume of food).

Let us consider in more detail the export-import relations of Mongolia and Buryatia that have developed in the food sector (Figure 02).

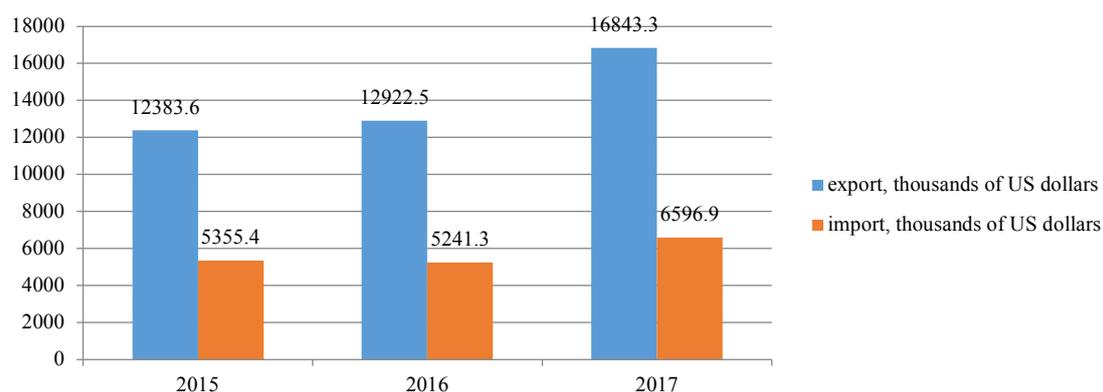


Figure 02. Figure 02. Export and import volumes of food products and agricultural raw materials between the Republic of Buryatia and Mongolia, thousands of US dollars (Regions of Russia, 2018)

The analysis of food products export by product groups shows an increase in almost all products except flour and cereal products. In 2016, compared with 2015, food exports to Mongolia increased by

4%, in 2017 the growth amounted to 30%. This is due to the fact that in 2017 in Ulan Bator, Absolut Ltd opened a network of hypermarkets selling food and other non-food products.

Over the indicated period, the volume of imports from Mongolia also increased by 27% (it amounted to \$7.2 million, mainly due to an increase in the supply of horse meat and other meat products). Note that in Soviet times, Mongolia was the main supplier of raw materials for the Ulan-Ude meat processing plant.

In the context of the sanctions economy, the resumption and expansion of foreign economic cooperation with Mongolia and other Asia-Pacific countries will significantly increase the supply of raw materials and food products to Buryatia.

The Republic of Buryatia has a rather high agro-resource potential and can reduce its dependence on imported food expansion. The creation of large innovative food production complexes in the field of livestock, food, pig farming will allow the republic to achieve self-sufficiency, ensure food independence and expand food supply to other regions. For example, in 2016, compared with 2015, the supply of meat and meat products to other regions increased by 2%, and in 2017 the growth amounted to 22%. At the same time, supplies of vegetables and potatoes for the indicated period were significantly reduced. China still enjoys competitive advantages in the field of deliveries of fruits and vegetables to Russia (including Buryatia). In recent years, it has been supplying fruits (apples, grapes, pears, oranges, pomegranates, tangerines) and vegetables (cucumbers, cabbage, tomatoes, onions) to Buryatia. However, in 2017, due to an increase in the import of fruits from the CIS countries and the EAEC, the supply of fruits from China decreased by 23%.

It should further be noted that the decrease in the volume of domestic production of agricultural raw materials is associated primarily with the climatic conditions of the region (Buryatia is located in the risky farming zone). Food production is constrained not only by the seasonal nature of the supply of raw materials, but also by the fact that the majority of food meat and dairy resources are concentrated in households – 52.2% and 91%, respectively. Since the purchase prices for meat and milk remain low, it is much more profitable for rural producers to sell their products on the food market. In this regard, state support in the form of subsidies, compensations, etc. is especially necessary. This will allow motivating producers to expand production of food products, which is especially important in the context of the food embargo of the countries of the European Union and anti-Russian sanctions. In general, the republic provides the population with basic foodstuffs: for potatoes – 85.6%, vegetables – 74.2%, eggs – 36.8%, milk and dairy products – 77.9%, meat and meat products – 68.8%.

In recent years, a number of food industry enterprises in the Republic of Buryatia have been providing growth in food production. By filling the food market with goods of their own production, commodity producers help to reduce food imports from other regions and expand the geography of supplies outside the Republic of Buryatia.

An assessment of the state of inter-regional food relations shows that the actual commodity exchange of Buryatia with Russian regions and other countries does not correspond to the level of modern economic development.

To improve the system of interregional exchange, it is necessary to carry out a set of measures to optimize and diversify in order to expand interregional cooperation and reduce transaction costs in the

process of movement of food flows. The expansion of interregional food relations will ensure a steady supply of raw materials, semi-finished products, food products, providing the market with food, and food industry enterprises with the necessary raw materials to fully load production capacities (Silaeva, & Esipenko, 2014).

To strengthen international cooperation and the development of inter-regional exchange with partners from the Russian regions and other countries, it is necessary to create a new mechanism for regulating inter-regional food relations.

The priority areas in the development of international cooperation and the improvement of the system of regulation of inter-regional relations should be:

- creating favorable conditions for the development of competitive business structures;
- improving the quality and competitiveness of food products;
- introduction of new innovation and investment models for the development of the country's food complex;
- expansion of the geography of international and interregional cooperation.

The implementation of these areas will increase the efficiency of the development of inter-regional food relations by reducing transaction, managerial and coordination costs in the process of implementing a systematic approach to organizing a management mechanism in the field of international and inter-regional cooperation (Borisova et al., 2014). This is especially important for the regions of the Siberian Federal District, where the production of vegetables and food grains is strongly influenced by environmental factors. Therefore, uninterrupted supply of the population of the Siberian regions with high-quality dairy products, fruits, vegetables, etc. can be ensured by improving the mechanism of functioning of inter-regional food relations.

7. Conclusion

The food market, on the one hand, is a complex dynamically developing system, and this complexity gives it a large number of relationships between market entities. On the other hand, it is a system of economic relations that take shape in the process of production, circulation and distribution of food products, characterized by the freedom of economic entities in choosing buyers and sellers, determining prices, and forming resources.

The development of sustainable food inter-regional relations is one of the strategic tasks of the state economic policy. Intensified cooperation between the regions will contribute to the formation of the all-Russian food market, the functioning of which is based on the free movement of food products between the subjects of the Russian Federation, specialization of production and the social division of labor.

The development of the agri-food sector in modern conditions requires the development of new approaches to improving state regulation and supporting domestic producers.

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