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AGRI-FOOD MARKET PECULIARITIES AND ITS INFRASTRUCTURE IN THE CONDITIONS OF CONSTANT DEVELOPMENT

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Abstract

The paper is devoted to the analysis of modern conditions of agri-food market and its infrastructure in the conditions of continuous development. Modern conditions for the development of the North Caucasus regions are characterized by economic recovery rates, which allows setting and solving the tasks of sustainable growth of rural areas, where the development of the agri-food sector – the sector of the national economy focused on strengthening the food security of the country – plays a key role. The importance of developing the agri-food sector is determined by the fact that this sector of regional economy provides for a large part of the social needs, in which a large share belongs to those that directly create the conditions and standard of living of its citizens. The paper analyzes the industry from the point of view of its historical formation and considers modern improvement stages of the agro-industrial policy. It is impossible to create an effective agro-industry without the compliance with the basic requirements of the market economy and complete improvement of the investment climate in the republic. Further improvement of the agro-industrial sector of the republic requires organizational and economic mechanisms to manage its development resources. In this regard, it is critical to develop the agri-food market on the basis of its resource potential as a condition for improving the competitiveness of the agricultural sector of the regional economy, reducing dependencies on the negative influence of external environmental factors based on the development of interregional integration.

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Keywords: Agro-industrial sector, transformation, competitiveness, infrastructure.



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1. Introduction

The relevance of the topic is related to the fact that the agro-industrial sector – a strong, effective, essential component of the economy – is necessary for each constituent entity of the Russian Federation. The urgent tasks of restructuring the economy, improving the technical level of production and competitiveness of products in both domestic and world markets cannot be implemented without active state intervention. The improvement of the economic mechanism in close connection with the system of state support of the village seems the way out of this situation. This is one of the main tasks of the state policy within the agro-industrial complex. In this regard, the development of the agri-food market on the basis of its resource potential as a condition for improving the competitiveness of the agricultural sector of the regional economy, reducing dependencies on the negative external factors of the environment based on interregional integration, is extremely relevant (Borovkov, 2016).

The formation of a competitive agri-food market is only possible with the integration and cooperation of all participants of a single technological chain. Thus, similar mechanisms for regulating economic relations between producers and consumers based on market principles may function under the influence integration in territorial markets, a unified infrastructure will be formed, and a single infrastructure for coherent agri-food policy that ensures free movement of agricultural products and food will be created. The identified factors predetermine the development of agri-food market in the region.

Figure 1 shows the dynamics of agro-industrial complex until 2020 (Figure 01).

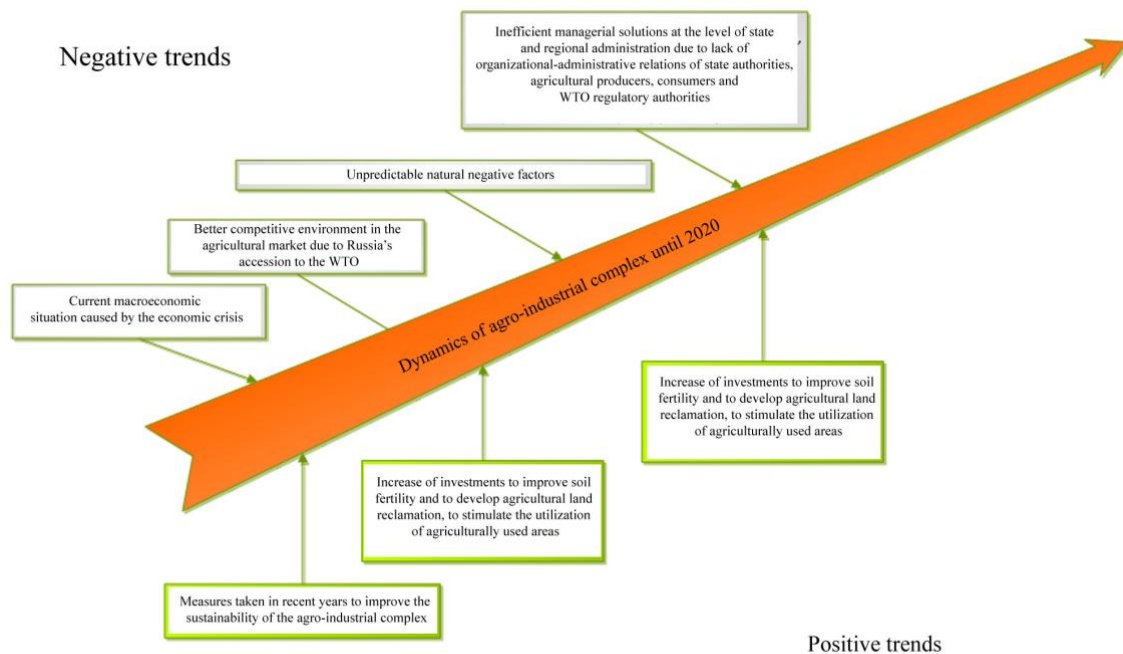


Figure 01. Dynamics of agro-industrial complex until 2020

2. Problem Statement

Many theoretical and methodological aspects of the formation and functioning of regional agri-food markets have not yet been sufficiently studied and require further scientific analysis and synthesis taking into account the globalizing role of interregional interactions within the external economic potential of territories, which dictates the need to expand the scale of scientific developments determining the vector of addressed challenges. The economic substance of the agri-food market, approaches to socio-economic assessment, mechanisms of its formation do not find the methodological unity of interpretations in modern literature. The theoretical foundations of the agri-food market are considered on the basis of a common understanding of the economic category “market”. Thus, the market characterizes a certain option of functioning of the economy, formation of economic ties and relations. Broadly speaking, the market can be defined as any interaction of people in the process of trading with each other (Buzdalov, 2005).

The study of interpretations of the category of agri-food market offered in modern domestic literature allows extracting three main approaches: institutional, systemic and process. Market research implies the study of the volume, level, structure and dynamics of the market, its regional features. The parameters of agri-food market efficiency can be defined by a number of factors: effective mechanism of market regulation, availability of developed market infrastructure, level and development of integration activity.

3. Research Questions

The subject of this study includes theoretical and methodological patterns created in the process of formation, functioning and development of the regional agri-food market.

4. Purpose of the Study

The purpose of the study is related to the development of the agro-industrial complex of the region, i.e. to develop theoretical and methodological provisions and practical proposals to justify the developmental trends of the regional agri-food market on the basis of the agricultural resource potential. In accordance with the purpose of the study, the task is to study the state and clarify the elements of the conceptual framework of the regional agri-food market and the resource base of its development.

5. Research Methods

In order to achieve the goal and justify the hypothesis, the following methods were used: general scientific (analysis of literature on the problem of study, comparison, systematization of theoretical and factual data) and empirical method (testing using a set of particular methods).

6. Findings

The economic substance of the agri-food market, approaches to socio-economic assessment, mechanisms of its formation do not find the methodological unity of interpretations in modern literature.

The theoretical foundations of the agri-food market are considered on the basis of a common understanding of the economic category “market”. Thus, the market characterizes a certain option of functioning of the economy, formation of economic ties and relations.

Broadly speaking, the market can be defined as any interaction of people in the process of trading with each other (Israilov, 2009).

The study of interpretations of the category of agri-food market offered in modern domestic literature allows extracting three main approaches: institutional, systemic and process. The polyhedral nature of the category under consideration, the tasks set in its scientific study, the evolution of the process of social development led to differences in methodological approaches to the interpretation of this concept, as well as to multiple terminological interpretations.

The approach of the authors in identifying the analyzed category is to define the agri-food market as a multifunctional system of socio-economic relations, which is formed in the process of interaction between market entities to bring agricultural and food products to end-users through the system of interaction of institutional structures.

Often literary scientific sources refer to identification of concepts of agri-food market, agricultural market, food market. Many authors, guided by the position of organizational structure, consider the agricultural market, the agricultural raw materials market, the food market as structural sectors of the agri-food market.

In our view, the boundaries of the above markets are not quite the same: some of the goods traded on the food market are of non-agricultural origin; one part of agricultural products is intended for sale, the other is used for agricultural needs; the agri-food market is the basic component of food, but the latter contains a segment of biosynthesis products.

This trend does not allow us to fully agreeing with the approach of identification or the possibility of structuring the agri-food market according to the designated organizational structure (Vorobyev, 2006).

The market research implies the study of the volume, level, structure and dynamics of the market, its regional features. The parameters of agri-food market efficiency can be defined by a number of factors: effective mechanism of market regulation, availability of developed market infrastructure, level and development of integration activity.

The level of development of the agri-food market shall be assessed using the system of indicators.

Researchers in the field of agro-industrial policy Alekeev and Grenlund (2013) propose to assess the level of development of the agri-food market according to a number of socio-economic indicators: the degree of efficiency of the agricultural sector of the economy in food self-sufficiency of the population, regions and the country as a whole; the level of food imports, the level of food availability, especially of the poorest part of the population. The role of the region’s agri-food market in providing food to the population is significantly increasing in the context of the increased economic independence of the regions. The target of its operation is to provide the local population with quality food at affordable prices in sufficient range and volumes. The foreign scientific literature discusses three main factors of agri-food market efficiency, the most important of which is the development of economic integration. Besides, it highlights the level of development of market infrastructure and mechanisms for regulating agri-food markets.

Integration allows regions specializing in the production of certain types of products, while other regions can develop complementary types of products thus making it possible to achieve higher production results through the “economies of scale” increasing the competitiveness of agri-food products. The authors developed a cognitive model of formation and development of the agri-food market in the region. This model is based on a market mechanism as a self-regulating mechanism of demand and supply, which determines the pricing, which the marketing system is aimed at. The formation and development of the agri-food market of the region in the modern globalizing economic space are impossible without reasonable state regulation. The model contains a set of factors forming the regional agri-food market, including the supply of agricultural and food goods, society, the influence of the world agri-food market. A key component of the model is the activation of integration activities of agri-food market entities as one of the patterns in the development of the agri-food market of the region, which can provide the system as a whole with a number of advantages. The resulting component of the model is its competitive advantage that can ensure a sufficiently high level of food consumption by the population, food security in the region and the country in general.

Thus, the proposed cognitive approach is caused by the multidimensional nature of the subject of the study, its high dynamism and the increasing role of information in the modern world. It is intended to form a systemic idea of the state and trends of the development of the agri-food market of Russia in the context of the globalization of the world economy and the scientific basis of its research.

The institutional structure of the state includes the institutions of public and budgetary sectors of the national economy. The market serves a basic element of the institutional structure of the economy, but is characterized by its institutional structure that coordinates and motivates market activity.

With regard to the agri-food market, the institutional structure is an interconnected set of institutions that coordinate and motivate market exchange and contribute to the effective promotion of agri-food products to the consumer (Nuraliev, 2003).

The institutional structure of the market is multi-component, and includes economic, natural-climatic, political, demographic, information and other aspects. The agri-food market is also characterized by local rules and procedures. Consequently, the institutional structure of the agri-food market can be linked across many components to the notion of the “region”.

According to the institutional theory, an effective reproduction process is possible if the system of institutions performs its functions effectively. The institutional structure of the market is an important factor in the effective reproduction process in the region.

The recent institutional changes in Russia did not contribute to the transformation of the agri-food market into a highly organized structure. The main characteristics of regional agri-food markets are high transaction costs, monopolism, high share of imports, which, in our opinion, is caused by the problems of the institutional component. These problems are caused, among other things, by insufficient study of the institutional structure of agri-food markets of the region. Scientific transformation and optimization of the institutional structure of the market is the main way towards the efficiency increase of the agri-food market, to stability in the economy of the regions, solution of food security problems and improvement of the standard of living of the population (Mazloev & Ktsoev, 2014).

The number of classifications related to market institutions is very extensive and depends on the chosen criteria and their combination.

Having grouped market institutions into their functional role according to Coase's (1993) theory, we can identify the following elements:

- legal system through which market actors are regulated and protected;
- system of state control and regulation;
- associations, consumer, business and employee unions (trade unions);
- set of enterprises, institutions and organizations connecting producers and consumers, thus making the market system integral and complete.

Another classification relates to the nature of the impact of the institution on the market. Hence, it is possible to identify basic and supporting institutions of influence.

Basic institutions are designed to shape the institutional environment; they define the basic "rules of the game" in the market. This category includes the institutions of norm, the institutions of law and contracting institutions.

Supporting institutions are represented by various tools to achieve the goals of the core institutions. They include such institutions as profit institutions, price institutions, credit and payment institutions. Their task is to disseminate information about products, volumes, buyers, sellers, prices.

The institutions of influence serve as the tools to support core institutions, or act as the distribution channels of opposition sentiments offering alternative programs and assessment of market situations (Borovkov, 2016).

All institutions can be grouped in relation to the sphere of market activity. This classification distinguishes between agricultural, turnover and land market institutions; legal; financial; information and innovation institutions.

Such institutions as state and territorial authorities structure the relations between the subjects of the regional agri-food market. Therefore, in order to accelerate social and economic reforms in the agricultural sector, it is necessary to form an institutional space adequate to the existing conditions steeped in the power lines of economic priorities at the level of industry, region, country. This measure will make it possible for agrarian entrepreneurs to be involved in strategic goal-setting, without which it is impossible to harmonize the economic interests of agri-food market entities. This will contribute to reducing risks, and in turn to the reduction of transaction costs (Idigova et al., 2016).

7. Conclusion

The comprehensive analysis made it possible to identify and systematize the key characteristics of the agri-food market, approaches to socio-economic assessment, mechanisms for its formation within the framework of changing institutional conditions. The approach of the authors in identifying the analyzed category is to define the agri-food market as a multifunctional system of socio-economic relations established through the interaction of market entities to supply the end-users with agri-food products through the system of institutions.

The economic substance and peculiarities of the regional agri-food market are revealed, the institutional conditions of development and structural elements of the agri-food market are justified, the resource potential of agricultural production of the region is considered.

The proposed cognitive model of formation and development of the agri-food market of the region is based on the market self-regulating mechanism of demand and supply, which determines pricing. An important component of the model is the activation of integration activities of agri-food market entities as one of the patterns of the development process, which can provide the system with competitive advantages within the framework of food security of the region.

Recommendations on the prospects for the development of the regional agri-food market based on interregional integration in the context of a single market space present a particular practical importance. The prospects for the formation of a unified infrastructure and the implementation of a coordinated agri-food policy are based on the free trade in agricultural products and food, which will qualitatively change the nature of decisions taken within the agrarian policy with regard to state support for the agro-industrial complex.

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