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CREATING A COMPETITIVE ADVANTAGE OF REGIONAL AGRI-FOOD MARKET IN A RESOURCE-CONSTRAINED ENVIRONMENT

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Abstract

The paper is devoted to the formation of a competitive advantage of the regional agri-food market in conditions of limited resources on the example of the Chechen Republic. Certain aspects of the market infrastructure of the agri-food sector and the organizational and economic mechanism of interregional product exchange were not sufficiently studied. According to the authors, the imperatives of increasing the competitiveness of the agri-food market in the Chechen Republic include the creation of conditions for the provision of basic food to the population through effective market mechanism; development of measures on integrational interaction of territories. The authors noted that the transformation of the economic system established in the conditions of the centralized economy objectively caused not only an increase in instability of agricultural enterprises, but also the need to create a system of strategic management at the micro level. Over a period of more than fifteen years of market reforms, a number of objectively necessary economic and organizational changes were carried out in the country's three-sector agro-industrial complex, which changed the nature of competitive relations between agricultural producers: there was a transition to mixed economy; regulation of the agri-food market by the state is reduced to a minimum; food and agricultural commodity market is open to foreign participants; due to increasing differentiation of incomes of the population, the pattern of demand for food is changing; agricultural producers are free to choose their management system. All this forces the economic entities of the agro-industrial complex to develop competitive strategies.

Keywords: Competitive advantages, regional agri-food market, resource constraints.

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1. Introduction

The relevance of the study is caused by the transformation in the regional economy involving the formation of specialized market zones for certain types of food depending on the level of costs for their production and circulation within the framework of the interregional product exchange (Ozherelieva, 2007).

In accordance with existing scientific criteria, the study classifies the regional agri-food market with a view to identify its competitiveness within the entity-district-federation format; to define the ways to enhance diversification and interdependence of the main elements of the agrarian system in the Chechen Republic.

In the vector of the identified research direction, the agri-food market of the Chechen Republic is characterized as follows:

1. Position in the regional economic space (geographic location of the agri-food market, distance from the center) – border area.
2. Dynamic development (agro-productive capacity; indicators characterizing the dynamics of market development) – poorly developing.
3. Level of self-sufficiency of basic food (production/consumption ratio) – orientation towards the import of goods.
4. Role in a single agri-food market of the region (market potential, its capacity, availability of market infrastructure) – orientation towards local space (Oreshnikova & Schumak, 2013).

The proposed typology of the agri-food market of the Chechen Republic makes it possible to increase the efficiency of the regional agro-industrial complex when considering management burdens and developing an organizational and economic mechanism for their regulation.

The scientific study of the regional agri-food market took into account its important feature, i.e. an increased level compared to other markets of state regulation. This quality is determined by a number of factors: inelastic demand for agri-food products with high price elasticity; low level of renewal of the material and technical base with weak investment activity; insufficient financial resources for infrastructural modernization; insufficient adaptability to external technical and economic transformations.

The basis for ensuring competitive advantages of agri-food market products, as stated in the economic literature, are the following contingents of indicators: qualified labor force, resource, infrastructure and logistics potential, nature and segmentation of market demand, possibility of implementation of modern organizational technologies, nature of corporate governance, competitive tensions.

2. Problem Statement

The formation and development of competitive strategies fall within the competence of strategic management tasks and can be successfully solved within the the system of strategic management of organizations (Gurnovich & Chernyshov, 2011). Without strategic management, an economic entity is

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only able to make short-term decisions. The situation is exacerbated by the fact that the market economy is characterized by increasing instability of the external environment, and the rate of change is also increasing, which significantly exceeds the rate of response of agricultural producers (Svetunkov, 2000). 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.

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 to develop theoretical and methodological provisions and scientific and practical recommendations on the formation and development of competitive strategies of agricultural economic entities. The objectives of the study are as follows: to clarify the economic substance and content of competitive strategies, to determine the place and role of formation and development in the strategic management of agrarian organizations; to justify the methodological basis of competitive strategies within the economic entities of the agro-industrial complex; to develop an algorithm for evaluation of strategic competitive potential of economic entities within the agro-industrial complex taking into account its industry features.

5. Research Methods

The study is based on systematic and complex approaches, scientific generalization of production experience. The methodological and theoretical basis of the study included the works of domestic and foreign researchers devoted to the transformation and development of agro-industrial complex, as well as to the formation and development of competitive strategies of agricultural enterprises.

6. Findings

The modern market economy is quite competitive. The entire variety of competitive relations in the agrarian sphere can be divided into three levels: micro-level (specific types of products, production, enterprises); meso-level (industries, corporate associations of enterprises and conglomerate-type firms); macro-level (regional agro-industrial complex). Successful competition involves the use of different types of competitive behavior by competitive actors: creative, adaptive or assuring (guaranteeing) (Israilov, 2014).

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We suggest defining the structure and content of competition factors affecting the enterprise at a certain point in time and causing the response of economic entities within the agro-industrial complex as a competitive field.

The small potential of the agricultural sphere of the Chechen Republic is demonstrated by the fact that with the share of the average annual employment of 0.5 %, the share of the republic in the all-Russian indicators of agricultural production makes 0.4 %, crop production – 0.2 %, livestock production – 0.6 %. In terms of the volumes of agricultural products the republic occupies the 66th place in the all-Russian ranking. The proportion of the rural population in the total population in the country makes 65.3 %, and according to population sampling on employment problems the unemployment rate is one of the highest in the country – 21.5 %, while the average Russian figure is 5.2 %, in the North Caucasian Federal District – 11.2 %. Among the rural population, the unemployment rate is 23.5 % (State Program, 2014–2020).

Due to the above, there is a lack of utilization of resource capacity. Over the past 10 years, the republic saw the annual withdrawal of significant areas of agricultural land, which in 2018 amounted to 9.2 thousand hectares in relation to 2008 (Table 01). The degree of depreciation of fixed assets in agriculture is one of the highest in the North Caucasian Federal District (47.0 %). The turnover of agricultural organizations of the republic in 2018 amounted to 1 billion rubles, while in the Republic of Dagestan the similar indicator amounted to 2 billion rubles, in Kabardino-Balkar Republic – 4 billion rubles, in Karachai-Circassian Republic – 2 billion rubles, in Stavropol region – 68 billion rubles.

Table 01. Main socio-economic indicators in 2018

	Square footage, th.km^2	**Population, th.ppl**	**Average annual employment, th.ppl**	**Income per capita (per month), rub.**	**Expenses per capita (per month), rub.**	**Agricultural production, mln rub.**
Russian Federation (mln km^2)	17.2	146544.7	67813.3	30225	30462	5037184
North Caucasian Federal District	170.4	9718.0	3464.1	22839	20520	390351
Chechen Republic	15.6	1394.2	365.8	22457	13163	17222

Source: compiled by the author according to Rosstat (http://gks.ru).

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Table 02. Production of the main agricultural products in peasant farms (thousand tons)

	North Caucasian Federal District	**Republic of Dagestan**	**Republic of Ingushetia**	**Kabardino-Balkar Republic**	**Karachai-Circassian Republic**	**Republic of North Ossetia-Alania**	**Chechen Republic**	**Stavropol region**	**Place of Chechen Republic among entities of the North Caucasian Federal District**
2016									
Grain (in weight after processing)	1536.4	12.3	27.8	505.0	73.3	181.4	26.4	710.2	6
Sugar beet	359.7	–	–	–	146.4	–	3.7	209.6	7
Sunflower seeds	82.5	1.0	4.2	13.6	6.8	0.8	0.4	55.7	7
Butcher stock (carcass weight)	49.0	17.2	0.5	16.0	4.9	1.2	0.4	8.8	7
Milk	316.4	138.1	18.2	70.2	46.1	16.0	6.1	21.6	7
2017									
Grain (in weight after processing)	2371.7	38.0	30.3	677.6	187.7	218.2	51.0	1169.0	5
Sugar beet	257.5	–	–	–	107.0	–	8.6	141.9	3
Sunflower seeds	98.9	3.3	3.2	16.6	16.3	0.6	1.4	57.5	6
Butcher stock (carcass weight)	49.9	17.7	0.5	16.2	4.3	1.0	0.5	9.5	6
Milk	333.6	139.1	19.8	73.6	52.1	16.0	7.0	25.9	7
2018									
Grain (in weight after processing)	2553.6	36.6	51.5	601.4	158.1	195.1	47.6	1463.4	6
Sugar beet	282.7	–	–	–	101.1	–	6.5	175.1	3
Sunflower seeds	87.3	1.1	4.6	17.7	12.0	0.9	1.1	50.0	5
Butcher stock (carcass weight)	63.4	24.6	0.5	20.8	4.8	0.4	1.0	11.4	5
Milk	361.9	146.1	20.8	85.5	54.3	16.1	9.0	30.1	7

Source: compiled by the author according to Rosstat.

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The analysis of Table 02 shows positive dynamics for the main agricultural products produced in peasant farms of the Chechen Republic: grain – by 180.3 %, sugar beet – by 175.7 %, sunflower seeds – 2.7 times, butcher stock – 2.5 times, milk – 147.5 %. However, among the subjects of the North Caucasian Federal District, according to these types of products the republic mainly holds lower positions.

During the production of 951 thousand tons of mineral fertilizers in the North Caucasian Federal District, soil fertility is insufficiently maintained in the republic: only 17.8 kg is added per 1 hectare of crops (on average in the North Caucasian Federal District the similar indicator is 75.0 kg), significant volumes of agrochemical market products are exported.

In assessing per capita consumption of certain food products, it shall be noted that its level does not reach physiological standards (Table 03).

In terms of the total population, the Chechen Republic occupies the 34th place among the subjects of the Russian Federation, while in terms of the subsistence minimum the republic holds one of the last places (82).

Table 03. Per capita consumption of certain agri-food products

	2014	**2015**	**2016**	**2017**	**2018**	**2018 in % by 2014**	**Place in the Russian Federation in 2018**
1. Population, th.ppl	1275.1	1302.2	1324.8	1346.4	1370.3	107.5	34
2. Income per capita (per month), rub.	11982	14026	15274	17188	19788	165.1	66
3. Minimum subsistence level in 2014 (rub. per month)	-	-	-	-	6771	-	82
4. Agricultural production, mln rub.	10993	12897	13605	14706	15250	138.7	66
5. Annual food consumption per capita, kg:							
- meat and meat products	50	50	55	58	59	118.0	73
- milk and dairy products	223	223	224	223	224	100.1	51
- potato	70	75	83	91	96	137.1	61
- vegetables and cucurbits	87	91	101	109	112	128.7	32
- bread products (bread, paste goods, flower, grain, legumes)	126	124	124	126	128	101.6	21

Source: calculated by the author according to Chechenstat (www.chechenstat.gks.ru).

As a potential for competitiveness enhancement of domestic agri-food market for analytical and diagnostic measures it is proposed to take into account the difference between actual and standard consumption of agricultural products adjusted for the threshold value of domestic production (State Program, 2014–2020) (Table 04).

Table 04. Demand growth potential for certain agricultural products in the Chechen Republic

	Standard consumption per capita, kg	Threshold production, kg per year	Production to ensure food security, th.t	Production in 2018, th.t	Potential growth of demand, th.t
Meat and meat products (on meat basis)	75	59	27.9	22.2	5.7
Milk and dairy products (on milk basis)	340	224	398.8	262.8	136.0

Source: calculated by the author according to Chechenstat (www.chechenstat.gks.ru).

The study revealed a significant potential for growth in the volume of competitive products of the republican agricultural market, which is constrained by a number of negative factors. The sphere of logistics is characterized by a high degree of wear and tear of the main production funds, low rate of technological modernization, advanced disposal of equipment compared to its arrival.

Thus, the modern infrastructure of the agri-food market can be considered not only as a deterrent to the development of republican agriculture, but also as a contributing factor to the increase of competitive advantages of imported products.

The competitiveness enhancement of agricultural production is influenced by certain conditions prevailing during the period of price liberalization and foreign trade, which caused price fluctuations for agricultural and industrial products consumed in agriculture; promoted the dominance of imported agricultural raw materials and food products in the Russian market, along with reduced government support for agricultural producers in the absence of adequate market mechanisms (Trukhachev & Kusakina, 2011).

In general, despite a number of comparative advantages in terms of natural, climatic and resource potential, the competitive advantages of the republican agri-food market remain insufficient. Agricultural production must balance supply and demand from its own sources as well as due to import. The competitiveness and sustainability of the agri-food market is the basis for ensuring the food security of territorial socio-economic systems, and the effectiveness of its functioning is determined by appropriate mechanisms of state regulation, protection of local producers from external interventions, availability of necessary infrastructure and a number of other very important factors (Sekacheva, 2014).

Thus, improving the competitiveness of the regional agri-food market is one of the systemic factors to ensure the sustainable development of the regional economy and a priority of the state agrarian policy within the framework of promoting the food security. It is therefore proposed to capitalize the competitive advantages of a regional economy characterized by a high share of agri-food activities into a growth factor at a faster rate. The evolving positive dynamics is not yet fully conducive to a sustainable growth model (Vorobyev, 2006).

Sharp increase in prices in 2015-2018, with the ruble permanently falling against the dollar, significantly reduced the competitiveness (primarily price) of exports of most republican enterprises and increased the profitability of imports to the detriment of local production. In the absence of innovative competitive advantages based on a higher level of productivity, the most feasible option for regulating food price amplitude is to create conditions for increasing agricultural production with decreasing prices increase of food producers and to restrain the import of food and raw materials for their production (Idigova et al., 2016).

The behavior of organizations in the food market and their competitiveness are largely dependent on market conditions. The intensification of competition in almost all segments of the food market is the main factor affecting the strategic behavior of enterprises. At the same time, the fulfillment of foreign economic potential is the basis for modernized strategic behavior of enterprises (Idigova et al., 2017).

7. Conclusion

It can be concluded that the potential and competitive advantages of the regional agri-food market are limited to diversification based on product differentiation, which is renewed due to the increase in non-price methods of competition.

Within the framework of strengthening the competitiveness of products we defined the following conceptual measures of state support: extended implementation of state order for the creation of regional food funds; strengthening of subsidiary tools; state support for the import of agri-food products and agricultural raw materials; direct targeted investment; establishment of a system of financial institutions adapted to the need for credit resources; introduction of not only innovative methods of production, but also promotion of goods on the market.

The study identified the priority support procedures for enterprises in crisis situations, including concessional lending, development of personal processing infrastructure, improvement of leasing mechanism, antitrust policy in the field of processing, development of information and consulting services, as well as improvement of the general macroeconomic climate in the region.

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