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Risks and Threats to Russia's Food Security: the Current Situation and Tools for Remedying it

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Abstract

This paper provides a rationale for the need to enhance the system of institutions concerned with ensuring food security in a climate of implementation of a strategy of import substitution. The authors examine a set of key factors that can affect the sustainable development of Russia's agri-food complex and give rise to threats and risks to the nation's food security. The paper provides an assessment of the current level of the nation's physical and economic accessibility of food, traces the role of the small agri-business sector, and analyzes the factor of interregional trading barriers in ensuring food security. The authors demonstrate the advisability of cultivating multiformat food retail and developing various forms of food wholesale. The paper provides a rationale for the need to implement a program of internal food assistance to help overcome social risks to food security and stresses the importance of government support for the participation of small retail and agri-business formats in it.

Keywords: *Agri-food complex; Economic accessibility of food; Food assistance; Food security; Food wholesale and retail; Small agri-business.*

1. Introduction

The external environment, which influences the development of the national agri-food complex, is quite complex and mobile. The current stage in the development of human civilization is characterized by dynamic processes of globalization cutting across all spheres of life, exacerbating the discrepancies associated with the divergence of indicators of economic development and levels of well-being in countries around the world. One is witnessing a rise in geopolitical instability, with world economic development getting increasingly less sustainable and global competition getting increasingly stiffer. The start of the 21st century is characterized globally by an acceleration in the pace of emergence of economic, social, technogenic, and environmental challenges and threats of a varying level – above all, the global one. Amid the exacerbation of social and poitical instability around the world, an establishment that has found itself in quite a predicament is the Russian agri-food complex, which is concerned with ensuring the nation's food security based on its food independence. On May 13, 2017, with its Decree of the President of the Russian Federation No. 208 the Russian government signed into law a strategic planning document entitled 'The Strategy for Economic Security in the Russian Federation for the Period through to 2030' [1]. It was developed with a view to implementing Russia's strategic national priorities, which were established in 'The Strategy for National Security in the Russian Federation', signed into law on December 31, 2015, via Decree of the President of the Russian Federation No. 683 [2]. The Strategy for Economic Security establishes some of the key challenges and threats in the area of national economic security, as well as some of the key goals and objectives for government policy aimed at ensuring economic security. The document acts as the basis for putting in place and implementing government policy at all levels of the economic system. The Strategy develops the legal component of ensuring food security. It construes threats to food security as a set of conditions and factors that enable the possibility of national interests regarding food security being jeopardized. Challenges to ensuring food security are a set of factors that may, under certain conditions, result in threats to food security. Risks in the area of ensuring food security may be construed as the possibility of national interests being jeopardized due to the emergence of threats to food security. Ensuring food security should be viewed as federal and local authorities, as well as civil society institutions, implementing a set of organizational, social and economic, information, and legal measures designed to counteract challenges and threats to national food security. This implies implementing the process of continual scientifically substantiated transformation of the institutional component of food security, which should find reflection in supplementing existing concepts and programs with new metrics and tenets designed to meet the challenges of today and enhancing the strategic management of development of the institutional environment within the agri-food complex [3].

Today's complicated internal and external conditions of economic development require enhancing the system of institutions concerned with ensuring food security and increasing the competitiveness of the national agri-food complex, which is a crucial factor in implementing the policy of import substitution as a response to exacerbating global challenges within the agri-food sector. Among the priority areas for enhancing the system of food security institutions amid strategic challenges are the following: modernizing the system of managing the agri-food complex and putting in place an institution of internal food assistance and an institution of innovation-focused development of small enterprises within the agro-industrial complex with a focus on liaison and interaction with large and medium-sized enterprises within the complex. With some of the above institutions already functioning successfully and others still being in their formative stages, a system of food security institutions that combines formal and non-formal elements is currently in place. But objective reality regard-

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ing the situation in the nation's agri-food complex and in the national food market signals the need to adjust the above institutions and enhance the interrelationships between them amid the current climate of exacerbating social risks, reflected in declines in people's real income.

2. Methods

The state of food security is governed not so much by the state's policy in the area of agriculture as by the overall level of macroeconomic development of the national economic system. In conducting this study, the authors employed the methods of systems analysis and grouping. Outlined below are some of the key groups of factors that may have a negative effect in relation to the sustainable development of Russia's agri-food complex and give rise to threats and risks to its food security.

The first group of factors includes the factor of equilibrium in the food market, the level of meeting people's purchasing-power and real needs for food, the degree to which the food market is satiated, and the level of physical and economic accessibility of food. The economic and physical accessibility of food, along with food independence, are crucial criteria for food security [4]. In situations where it is impossible to adequately meet the demand and there is a threat of shortages of food products amid a low level of elasticity of people's demand for food, a crucial aspect of ensuring food security is the level of elasticity of supply from the agrarian sector of the economy. At present, one can observe a situation where the food consumption model is being preserved via mobilizing all household resources through a substantial transformation of the structure of demand. There is an increase in the number of households that are directing toward the acquisition of food products over half of the funds intended for expenditure on goods and services.

The next group of risk factors covers issues of uneven distribution of production forces within the agri-food complex across the country's territory, which, coupled with an insufficiently developed transportation network and difficulties in trading at the interregional level, also acts as a threat to food security. Global risks and risks of foreign trade form the third group of factors. Achieving food security requires not only a certain degree of independence from food imports but also sufficient foreign currency receipts to secure food imports. The fourth group of factors brings together issues of government policy related to the agri-food complex at the federal and regional levels.

The low elasticity of agri-food production in the internal market may result in the impossibility of meeting through domestic production an increased need for food in the event of an acute need arising. Significant fluctuations in real household income are having a noticeable effect on food security. High income differentiation is creating groups of citizens characterized by steady undernutrition. Increases in household income are one of the determining factors in boosts in key parameters for the agri-food complex. Russia is witnessing a highly elastic demand for food based on income. In this regard, increases in real household income will be facilitative of increases in demand for food products. With that said, overall the food industry and the agri-food complex are demonstrating a highly elastic supply.

It is worth noting the role of household plots in ensuring food security. There is a trend whereby small forms of business within the agri-food complex are less common in regions with high household income levels. An improved situation within the economy leads to drops in production by small forms of business within the agri-food complex. This is a testimony to the buffering role of small forms of entrepreneurship within the agri-food complex in the event of recessionary phenomena, which may be characterized as a survival mechanism.

Issues of external trade are no less crucial to ensuring food security than internal domestic factors. The theory of international trade holds that no nation can reach a level where it will be able to provide itself with food entirely on its own. Importing additionally is an objective necessity in today's world. Food security is characterized by not only being provided with sufficient production levels domestically but also having the funds to import things in required volumes. The safest scenario is to pay for imports using receipts from the export of products from the same sector. In Russia, this approach is currently not employed due to limited exports from the agri-food complex. Revenue from Russian exports of agricultural products and food covers only 10–15% of costs from the import of goods in this group. From this, it follows that stable imports are based on the dynamics of exports of mineral products and world prices for these raw materials.

Boosts in the export of agri-food products are of a strategic macroeconomic significance to achieving an economically secure level of the national balance of trade, minimizing the dependence of provision with agri-food products on the pricing environment within the market for mineral raw materials as a key export item. Also, it is worth noting that greater volumes of agri-food exports help stabilize internal prices for agro-industrial products and ensure a better demand and increased foreign currency receipts, which provides support for the agri-food complex. To help foster groundbreaking scientific and technological and social and economic development in the Russian Federation, drive boosts in population size, in people's standard of living, create them comfortable conditions for living, as well as proper conditions and opportunities for every person's self-actualization and self-fulfillment, Decree of the President of the Russian Federation No. 204 'On National Goals and Strategic Objectives for Development in the Russian Federation for the Period through to 2024' of May 7, 2018 sets the Russian government an objective to ensure the achievement of a number of national objectives for development in the Russian Federation in the period through to 2024, among which is creating within the economy's key branches, above all the manufacturing industry and the agro-industrial complex, a highly productive export-oriented sector that will develop based on cutting-edge technology and highly qualified human resources [5].

Threats to food security are posed by both long-term and short-term factors, including, for instance, major short-term gaps between retail prices for food products and household income. Declines in purchasing power amid growing food prices may cause the threat of undernutrition. The high risk of sharp drops in people's real purchasing power may result in an increase in small forms of business within the agri-food complex.

Interregional trading barriers are a common and serious obstacle to the development and operation of a balanced system of the agri-food complex. Regions that resort to them strive to thus guard the local market. Some of the common trading barriers include prohibiting the export of the more liquid agricultural products, prohibiting the import of food, and engaging in unfair interregional competition. In the event of introduction of administrative restrictions with regard to the sale of subsidized raw agri-food output to other regions, there may arise a situation where processing enterprises will acquire raw materials at lower prices. As a result, when there is no control over the end price of that output, it is packers and processing enterprises that actually end up obtaining those subsidies ultimately.

3. Results

The findings of the authors' analysis indicate that the development of the nation's agri-food complex is mainly impeded by the impact of internal factors of a general economic nature. With that said, it is worth noting an increase in that impact.

At present, a significant social risk declines in people's real income and, consequently, drops in their demand for food, when, on account of low income and high prices, getting a minimum required amount of calories in a diet reduces significantly the degree to which other key needs are met. A potential tool for minimizing

this social risk is internal food assistance. Internal food assistance is one of the more effective tools for ensuring the economic accessibility of food along with increasing people's real income. Amid drops in people's real income, the significance of the institution of food assistance has grown increasingly in recent years. Implementing internal food assistance is one of the so-called "green basket" measures of government support, based on a classification from the World Trade Organization (WTO), and, therefore, it cannot be limited in any way.

4. Discussion

A positive aspect of implementing food assistance for the population is that using this instrument of government support makes it possible to resolve two major objectives for national development at once – of a social nature and the economic one. This is not only about food support for the poor segment of the population but support for domestic agri-producers as well. With the proper organization of the system of food assistance, this could be state support for those links within the agri-food complex that are crucial but are experiencing certain difficulties amid recessionary phenomena within the economy. The focus here is on small retail and agri-business formats. Participation in food assistance programs should create guaranteed demand for their product and enable small formats to adapt to conditions of exacerbating challenges and threats to food security, stay within the economic space, and, thereby, maintain the required levels of competition within the agro-industrial complex, helping preserve jobs and maintain people's income at a certain level – primarily, in rural areas. The institution of food assistance is crucial to reducing social tension in society, as it can make a substantial contribution to preserving social stability in the tough conditions of the external and internal environment within the agri-food complex and the entire economic system as a whole. Today, it is hard to overestimate the significance of the institution of internal food assistance, but, to get the maximum effect from it, the government needs to put in place a sound organizational and economic mechanism for implementing it. The balanced operation of this mechanism, which should ensure top end results, is governed by the degree of development of the theoretical and methodological foundations of the institution of food assistance within the system of institutions concerned with ensuring food security, which, in turn, are expected to continually stay dynamic in order to meet the challenges of today and resolve the objective of sustainable innovation-driven and socially oriented development within the national agri-food complex.

To implement the system of internal food assistance, it will definitely help to employ the potential of small and medium-sized trading companies. As is justly noted in the Strategy for the Development of Trade in the Russian Federation for the Period 2015-2016 and through to 2020, small and medium-sized trading companies perform a crucial economic and social function, acting as a channel for the sale of output from small and medium-sized manufacturers of consumer products – primarily, food products. Having in place a sufficient number of small and medium-sized trading companies helps stimulate the development of production, including within the agri-food sector [6].

5. Conclusion

To ensure the sustainable development of the agri-food complex, it will help to stimulate internal demand and expand distribution channels for the sale of end products. This expansion could be implemented via building multiformat retail trade. In these conditions, any manufacturer, irrespective of its size, could use various sales channels. The development of a multiformat trading infrastructure may help cultivate a comfortable consumer environment, providing the consumer with the opportunity to choose forms of service and variants of pricing policy that are most convenient for them. Creating in each region a complete spectrum of trading formats by reference to its demographic, geographic, economic, infrastructural, and other characteristics is a crucial area of activity for the regional authorities. The interaction between retailers and food manufacturers at a cutting-edge level implies having in place a wholesale link that incorporates wholesale trading organizations, distribution centers within major chain stores, and a system of wholesale food markets. The key function of the above wholesale link is to minimize the costs of agricultural producers and retail trade, as well as reduce the time for selling end products. As is justly noted in the Strategy for the Development of Trade in the Russian Federation for the Period 2015-2016 and to 2020, the system of wholesale food markets should be in place alongside distribution centers within major chain stores. Each of these forms of wholesale trade has specific objectives to fulfill. Only having both forms in place will make the wholesale link for trading food products adequate to the requirements of today and stimulate the development of agri-food production on a full scale. It is worth noting that wholesale food markets help ensure the development of a competitive environment for agricultural producers and trade of all formats. Owing to wholesale food markets, the product's path from the manufacturer to the consumer gets shorter and all trading organizations are ensured, regardless of their format, equal access to quality products that are available in a wide product range. The wholesale food market helps bring together producers of agri-food output and retailers and provides services related to sorting, packaging, and primary processing of products and many other types of service. As part of preparatory activities for implementing an internal food assistance program, the Russian government has prepared a draft system of targeted food assistance (STFA). The STFA is expected to comprise two major areas: an additional sustenance program and a social sustenance program. The additional sustenance program can feature retail outlets of all formats (chain and nonchain stores, markets, etc.) [7]. The program is grounded in various trading operators competing for the funds of a consumer who is the holder of an electronic food certificate. This is one of the key principles in the operation of the additional sustenance program. The only requirement for trading entities (retail organizations) is that they have to be connected to the program's central processing system under terms in which the processing operator joins the public offer (which are established by Russia's Ministry of Industry and Trade). In the authors' view, it is important to ensure the participation in the additional sustenance program of small trading formats, since it is through them that agro-industrial output from small and medium-sized producers is normally sold. In this regard, government support for small trading formats at the beginning stages of implementation of the additional sustenance program is of great importance. Based on the experience of many nations around the world, government support is crucial for the participation of small forms of agribusiness in the social sustenance program as well.

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