

The Efficiency of Grain Exports as a Factor in Increasing the Stability of the Domestic Market of Agricultural Products

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ABSTRACT

The article discusses the issues of improving the efficiency of grain exports in foreign markets, taking into account both the volume of grain production by domestic agricultural producers and in the context of market conditions on world trading platforms. The approaches to the formation of the scientific basis for the development of competitive advantages of international exchange in this sector are analysed, and a critical analysis of various interpretations and views on the development of foreign trade operations in commodity markets, which, undoubtedly, should include the grain market and its derivatives, is made. In addition to the various theories consideration of international trade at the current stage of the development of international relations of the goods and services exchange, the specifics of the grain market are determined, which is expressed to a very high degree in the methodology of the types of research used. In addition to analysing the volume and cost of export supplies of products in this market, we conducted a PEST analysis of the positions of the Russian Federation in the global grain market, thanks to which it is possible to determine the vector of development of trade relations in the medium and long term with a high degree of probability. In conclusion, the study's conclusions and the main directions for improving the efficiency of grain production are presented; considering the export component, the forecast growth of grain export indicators, both physical and economic, is calculated.

Keywords: Grain subcomplex, Grain export, Market niche, Export strategy, Export-oriented production, Agribusiness efficiency.

1. INTRODUCTION

From the economic science point of view, the export of goods and services is consistently highlighted as a unique element of attention of both economic entities and the state. We particularly note the entry into export positions of those industries that produce renewable products, primarily, industry and agriculture [1].

The study of exports as an economic category is of great interest, both from a scientific point of view and from the practical application of the competitive advantages of exporting products to promote goods and services on international markets.

In our opinion, the methodology of studying the process of exporting goods and services is presented in economic theory more broadly than just the expression of the conceptual foundations of international trade in applied sciences, such as the world economy or neoeconomics [2].

First of all, this statement is connected with the fact that it is the fundamental basis of economic theory that has developed the priority vectors on which the entire process of world exchange of goods and services stands.

In considering this concept, one can mainly focus on the theory of comparative advantages of D. Ricardo, which, for the time of its appearance, made a compelling impression in the entire system of

international trade. According to the proposed concept of considering world trade as a process, D. Ricardo proved that the primary factor in developing international exchange relations is the mutually beneficial nature of this exchange. I.e. his concept defined the rule according to which the competitive advantages of exports are determined by relative costs, regardless of whether a country has absolute advantages in producing goods or does not have one [3].

D. Mil developed and multiplied this concept in his works, suggesting that the exchange price on the international market can be set based on supply and demand (that is, the market mechanism for setting prices has not been refuted). However, in his opinion, the price-determining the advantages of exporting some goods can act as a specific mechanism for reducing the negative consequences when importing other goods into the country [4].

And, of course, it is impossible not to dwell on the pronounced scientific concept of international trade theories presented by the Swedish School of Economics in the early 30s of the last century (Eli Heckscher and Bertel Olin). The Heckscher-Ohlin theory gave rise to modern models for analysing the effectiveness of the economic exchange of goods in international markets. These economists have put forward and proved the hypothesis that excessive factors or goods are exported, and those that are available in insufficient quantities are imported, on the contrary [5].

In our opinion, in the modern practice of exporting goods and services, this theory no longer meets the requirements since the tasks of international exchange have changed. Therefore, the scientific world is on the verge of developing a qualitatively different concept, which will be based on the fact that specific factors will be imposed on each direction of goods and services, independently determining the mechanism of interaction between supply and demand on world trading platforms [6].

It should be noted that the specifics of the exchange product will come out in the first place since quite sharp jumps in supply and demand have often begun to occur. Food markets are particularly specific, where it is often possible to predict the volume of demand with a sufficient degree of probability. Still, difficulties arise with supply forecasts since it often depends not on economic factors that can be adjusted and controlled but on external environmental factors [7].

Moreover, the influence of such hard-to-influence factors as weather, maturation and vegetation periods, productivity and yield, which cannot be fully controlled, is highly likely to only increase in the long term [8].

For economic entities, the presence of export channels for the sale of manufactured products allows achieving the following goals and objectives:

- 1) The expansion of exports of products leads to an increase in the revenue of enterprises and organisations, in the vast majority of foreign currency;
- 2) The export of products makes it possible to diversify the sales channels of products;
- 3) Foreign markets are a significant tool for the penetration of products into the trading systems of other states and make it possible to form robust market niches;
- 4) The sale of a part of the manufactured products in foreign markets provides an opportunity to minimise the negative factors of the impact of the domestic market on the activities of companies.

From the above analysis of the reasons of foreign markets importance for the companies life, it can be concluded that in current economic conditions, entering into foreign markets is the key not only to the financial performance of economic entities but also a factor of their survival in the medium and long-term planning horizons.

The active external presence of domestic goods is also beneficial for the state since grain itself is a renewable resource, unlike most currently exported [9].

In our opinion, an increase in the stability of the grain export process and an increase in the volume of supplies with a high degree of probability has the following main positive manifestations for the state as a participant and regulator of market relations:

- 1) Increasing the degree of sustainability of the agro-industrial segment of the economy;
- 2) Increase in tax deductions and mandatory payments;
- 3) Penetration into foreign markets as a way of influencing their conjuncture;
- 4) The possibility of reducing unrelated support for agricultural producers.

Of course, there are questions about the overwhelming volumes of exports falling on grain and not on its processed products. However, at this stage of developing economic relations in the world community, this state of affairs is already beneficial.

It should be noted that the increase in prices for any goods or services is acute for direct consumers, most of whom are households of the population. Therefore, the state should regulate this process and take direct and indirect measures to neutralise the negative manifestations of market power, expressed in a reduction in supply on the domestic market or an increase in prices.

2. RESEARCH METHODOLOGY

In the process of analysing the export potential of the grain subcomplex of the agro-industrial sector of the economy, we hypothesised that an increase in the volume of supply in foreign markets in the conditions of growing demand for grain would not only increase the efficiency of agricultural producers but also reduce the volume of unrelated support for them in the domestic market.

If this hypothesis is proved, it can be argued that a decrease in the volume of unrelated support in domestic markets would lead to a specific price decrease, from which social tension in society caused primarily by inflationary risks would begin to decrease.

During writing the article, when considering export volumes, we applied methods of scientific abstraction and modelling, primarily when considering forecast volumes. When considering risks and ways to level them, we applied the methods of contract theory, and when forming a set of data on prices and risks, we used two methods of price formation in foreign markets – cost and market.

In addition to the presented applied methods of studying the process of grain export in foreign markets, the PEST analysis method was actively introduced into the process since we consider its use justified from the standpoint of determining the strategic direction of grain export development.

Its application fully meets the challenges of current economic conditions in foreign markets, as they increasingly focus on political and social aspects, especially in the food segment, the role of which is constantly increasing in all countries of the world community.

3. RESEARCH RESULTS

During considering a possible mechanism for improving the efficiency of grain exports, we analysed the volume of supplies of these products for export and the dynamics of these supplies, which can be presented in more detail in Figure 1.

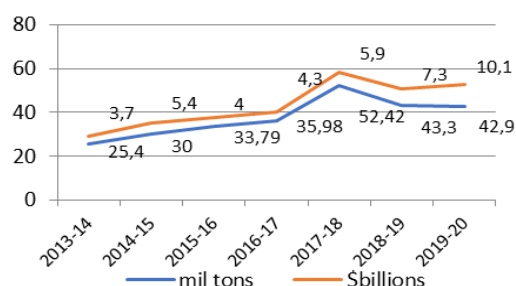


Figure 1 The volume and value of grain exports from Russia (2013-2020) [10].

As presented in Figure 1, throughout the study period, there is a reasonably steady trend towards an increase in the physical volume of grain exports and the cost of grain supplies to international trading platforms.

It should be noted that this situation allows us to speak not only about the attractiveness of grain exports as such but also about increasing the final financial results of entities engaged in grain production at the first level of economic relations. That is, domestic production in such an external environment begins to become more profitable and cost-effective [11].

However, there are negative manifestations of market pressure on the domestic market in this positive trend, which is expressed in a decrease in the volume of grain supply on the domestic market and an increase in prices, which objectively increases in conditions of supply reduction with growing, or even constant demand. It turns out that with an increase in the effectiveness of foreign trade exchange, it is impossible to ensure price stability in the domestic market without active government intervention.

The state in this market situation can act as a platform for building a mutually beneficial exchange between producers and domestic consumers, which will undoubtedly increase the stability of the entire agro-industrial segment of the economy.

It should be recognised that the interests of consumers and producers of products, in almost all markets, both domestic and international, do not coincide, since, for consumers, the main task is to purchase the maximum amount of goods or services at the lowest possible price. For manufacturers and sellers, it is crucial to sell the possible amount of goods and services at the highest possible price.

At the same time, the external grain market is of paramount importance for agricultural producers since the overwhelming majority of them, due to various factors, both direct and indirect, specialise in the grain direction of production. Therefore, the development of external sales channels will increase the production and economic efficiency of agricultural enterprises and organisations.

The current situation of the Russian Federation in foreign grain markets can be expressed by applying the PEST analysis method when considering the situation in foreign markets (Table 1).

4. RESULTS DISCUSSION

In this section, we consider it necessary to dwell in more detail on the results of the PEST analysis, which we discussed above since when choosing the methodology for the study of this work, we did not accidentally choose this particular scientific technique.

Table 1. PEST-analysis of the positions of the Russian Federation in the global grain market

Political factors	Economic factors
<ul style="list-style-type: none"> - export element of presence in foreign markets; - the increasing role of non-market factors influencing the process of grain supplies on international markets; - increasing political influence on the internal environment of countries and regions of the world community, where grain supplies are carried out. 	<ul style="list-style-type: none"> - improving the efficiency of grain production in the Russian Federation; - increasing the attractiveness of the agro-industrial complex and its effectiveness; - the possibility of modernising grain production potential, primarily by increasing the profitability of grain products.
Socio-cultural factors	Technological factors
<ul style="list-style-type: none"> - improving the standard of living in rural areas; - increasing the attractiveness of business in the agro-industrial sector of the economy; - increasing the employment of the population, both in rural areas and in the locations of transport infrastructure and grain storage infrastructure. 	<ul style="list-style-type: none"> - modernisation and development of transport infrastructure; - development and construction of grain storage infrastructure; - the emergence of new technologies and their introduction into the grain export process, for example, blockchain technology.

In our opinion, this is justified, first of all, by the following trends, consideration of which is necessary when determining the positions of Russian grain exports, especially in the medium and long-term planning horizon.

Based on the conducted research, we consider it possible to recommend for attention the following directions and trends in the development of the grain market, which, to a large extent, will have an impact on grain exports, in particular, and the export potential of the economy as a whole:

1) the presence on foreign grain markets will allow Russian exporters to increase their export potential in other commodity areas, thereby strengthening the position of the domestic producer;

2) the demand for grain products in foreign markets will require manufacturers to expand production volumes, which will have a positive impact on the activities of the entire agro-industrial complex;

3) considering the issues of expanding the representation of domestic grain producers and sellers in foreign markets, we can talk about an increase in foreign exchange earnings, therefore, the stability of the monetary system of Russia will increase;

4) increasing the level of presence in foreign markets will expand existing market niches and create new ones.

Note that these trends are forward-looking, so we present them in a forward-looking way. However, the presence of a positive trend is evident.

5. CONCLUSIONS

At the final stage of the conducted research, it can be said that the increase in the export potential of grain products, more than ever, corresponds to the achievement of not only economic goals but also practical results of the process of exchanging goods in the modern trading environment. It should be recognised that not only the dynamics of foreign trade in food-oriented goods, to which grain belongs, has been changing recently, but the process of foreign trade activity itself has been significantly correlated. The economic principles of optimising the process of international trade do not always work in total, and factors of different orientations are put forward to weighty positions, which begin to influence the exchange process (we have considered them through PEST analysis).

As a result of the analysis of grain exports in the medium-term planning horizon, the following results can be achieved:

1) Increasing the volume of grain supplies on world markets will increase the revenue from grain sales from \$10.1 billion. in the 2019-2020 season, up to \$15.6 billion, in the 2023-2025 season;

2) Optimisation of the grain export process positively affects the production process of these products. Therefore, increased activity on world markets with a high degree of probability can increase grain production from the current 120-125 million tons (the

average harvest of the period 2016-2021) to 135-140 million tons in the forecast period 2023-2025;

3) Increasing the export potential of the grain market contributes to reducing the degree of regulation of the domestic market through the mechanism of unrelated support for producers, which will reduce the burden on domestic consumers of grain products;

4) The increase in export earnings will have a high probability of positively impacting the exchange rate of the national currency and its stability since the primary financial flow from grain exports will come in foreign currency and be exchanged for rubles on the domestic foreign exchange market.

To improve the process of grain export, in our opinion, at the moment there are all the prerequisites that, if properly applied, can have a positive effect, which will manifest itself not only in the economic indicators of export content but also in the increase in the efficiency of production, distribution and exchange processes in the agro-industrial complex.

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