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Food Market of Kazakhstan: Current State and Innovative development Directions

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Abstract

This article is devoted to the very important part of the economic system of modern Kazakhstan – agricultural sector in a whole and food market as a very significant part of this sector. Currently, one of the main directions of agricultural sector's development is developing based on the clustering of economic operations of Kazakhstan, providing for the organization and concentration of production capacity in one region or the most optimal system. In the modern economic literature clustering is regarded as one of the most effective tools to ensure competitive businesses, and improve their business itself. Also we regard the modern conditions of agricultural development in Kazakhstan nowadays.

Keywords: food market, agricultural sector, innovation cluster, innovative.

Introduction

According to Granit J. et al (2012) Food Market is a social economical and organizational system, where the processes of production, sharing, exchange, consumption mutually interacts, and described by complex structure consisting of a majority number of inter-related subjects in agriculture and certain food markets. Development of the food market gives possibility to solve the problems of food security in the country, to improve the health of residents, ensure the profitability of the different areas of agribusiness.

As we know, the founder of a cluster technology development is Michael Porter, who gives in his book "The national competitive advantage" the following definition of a cluster – "... a geographically concentrated groups of interconnected companies, specialized suppliers, service providers, firms in related industries, as well as related to their activities organizations".

According to M. Porter's, competitiveness should be viewed through the lens of international competitiveness and not through individual companies and clusters but as clusters of firms of different industries, thus showing its fundamental importance in the ability of these clusters effectively using internal resources. Most of Kazakhstan's scientists have come to the determination that the "cluster – a sustainable territorial and sectoral partnership, joint innovation program, the introduction of advanced manufacturing, engineering and management techniques in order to improve the competitiveness of its members".

Today it should be noted that the regional economy in which there are no clusters, is not competitive in the global market sense in the long run, as mentioned by Schmitz A. et al (2015). A significant natural resources and large corporations owners of fixed assets may be located in their territory, but it does not increase the influence of regions devoid of clusters on the global people expertise exchanges, technology, information and finances.

The economic strength of the region is not determined by the capacity of production, but the resource mobilization across the network of producers, its overall impact on the global exchanges. Instead of the rigid specialization in a single-industry, it can be characterized by clusters of so-called flexible specialization and their ability to innovate. In many ways, these are qualities based on knowledge and information sharing.

The essence of the business combination coming to a cluster, especially the development of joint projects for the production of goods (services), is about innovation within the projects and educational programs. Multiplicative effect of clustering is expressed in the reduction of the cost in order to improve the quality of products.

Materials and Methods of Research

The cluster as a basis for public policy the Republic of Kazakhstan was determined by a number of fundamental policy documents. The immediate step in this direction was the adoption of the Strategy of Industrial and Innovation Development of Kazakhstan for 2003-2015, the main provisions of which were developed on the base of the National Development Strategy until 2050, and other program documents, as well as a number of orders of the President of the Republic of Kazakhstan. Specification of the strategic plan is reflected in the President missive to the population of Kazakhstan in 2005, where the President presented a model of a competitive economy with the priority sectors that have potential for economic competitiveness, as well as the Kazakh system of clusters. He also was asked to develop a plan of creation and developing clusters of 7.5, which will determine the long-term specialization of the economy in the non-oil sectors (strategy2050.kz).

Kazakhstan has identified seven priority directions of development of the cluster model, one of the main of which is agriculture, which is regarded as the main source of raw materials for industries processing agricultural raw materials and producing food, and textile and leather industries. The competitiveness of the economy depends on the development of agriculture, so the development of this sector should be considered as one of the priorities of economic policy. The main objectives of agricultural development should be an increase in output of agricultural products, improving quality and productivity in the agricultural enterprises and farms.

Agro-industrial complex has enormous socio-economic importance, because it not only meets the needs of the population in a number of major food products, but also reflects the quality of life in the country. Bearing in mind that the present world situation is characterized, on the one hand, with the presence of a large number of hungry people in third world countries, and on the other hand, having the excess food production in developed countries, where lives no more than 20% of the population of the planet. The developing countries are unable to provide the population with their own food in accordance with physiological standards of nutrition, they are forced to import it in exchange for strategic material resources, precious metals and significant political concessions.

Agriculture in Kazakhstan at the present stage can be characterized as a steadily growing economy, capable of providing food security of the country and meeting the needs of the domestic food market. Annual output growth is 7-8%, it has been noted both the growth and processing of agricultural raw materials, with an increasing volume of exports. For example, the gross of agricultural output in 2011 was only 2748,7 billion tenge, which compared with 2011, higher by 1.2 times. The main share of the gross agricultural output accounted for crop – 1479.39 billion tenge, while the animal products amounted to – 1260.98 billion (Table I).

Table 1 : Gross agricultural output in 2009-2017, billion tenge

Year	Total	Along with	
		Crop	Livestock
2009	1640.19	936.85	70.34
2010	1442.63	662.65	774.11
2011	2286.04	1337.19	942.38
2012	2012.3	997.3	998.3
2013	2487.2	1236.7	1000.1
2014	2502.3	1402.3	1180.6
2015	2748.7	1479.39	1260.98
2016	3978.1	2227.88	1736.52
2017	4097.0	2278.0	1807.0
Source stat.gov.kz			

Today in Kazakhstan the saturation of the consumer market in food products is provided by the domestic production and imports. The state of the internal market is characterized by a threshold level of food depending on the external market. The state controls the little food market, a country can no longer feed itself regarding some types of products. For most of the food basket of imported goods comprise from 40 to 60%, whereas an individual items "goes beyond" over 100%. Only for such goods as bread and cereal products, Kazakhstan provides itself and feeds the nearby countries (stat.gov.kz).

The main components of the food market in Kazakhstan are the production of grain, milk, meat and meat products, and from this point of view, we identify future development of these clusters - a cluster of processing wheat, a cluster of meat and milk.

Results and Discussion

To improve the efficiency and sustainability of the domestic food market should be, above all, a detailed study of the organizational-economic mechanism of the market, with a view to further improvement. In general, the formation and development of infrastructure, food market requires a lot of time and capital costs due to the creation of structures adapted to market conditions, as mentioned by Lioubimtseva E. (2010).

Therefore, government regulation is used in many cases for infrastructure development of the food market, in the form of financing a capital-intensive infrastructure of food wholesale markets: database storage products, as well as its transportation, information. Because of its strategic importance, the significant role in the formation and development of organizational and economic mechanism of the food market is of the state. State influence on the development of the food market is based on mechanisms that include economic, organizational and administrative levels. In general, the process of public exposure is branched as a direct (subsidies and compensation) and indirect (to support the development of market infrastructure) the nature of the action.

Much of the measures of government impact is economic, which is considered essential in the regulation of market processes, because they are based on the necessary physiological needs, and therefore, they are inherent to enhance the impact properties. In addition, they are characterized by great flexibility and variety. Currently, the main purpose of government regulation of the food market is to achieve sustainable food market on the basis of preservation of the equilibrium of supply and demand, which will fully meet the country's food security and to make full use of the product produced by producers. For example, in many foreign countries in order to maintain the equilibrium of supply and demand in the market is focused on: the creation of legislation approved by the regulatory pricing, eliminating the subjectivity of their formation, when the cost of producing food, service providers included unrelated to production costs or the cost is several times the actual cost, guaranteeing to agricultural producers marketing of these products, creating a market infrastructure, the system of wholesale food markets, trade and logistics centers (for example, many Kazakh

producers would take goods in bulk by prior arrangement (even in multiple locations) immediately received payment; regulate the import proceeds, using the tools of tariffs and import quotas, arrange for product and purchase interventions to maintain the equilibrium of the market and the price level, in order to create certain conditions for effective and sustainable operation of the food market, market forecast exercise of market conditions and in a timely manner before planting in the open publishing of statistical publications.

Thus, the organizational-economic mechanism of the food market is the combined set of specific mechanisms (pricing, taxation, investments, loans), directed by the state influence on the achievement of certain objectives through the organization of the subjects on the basis of their economic motives.

Improving the competitiveness of the cluster formation and development of innovative infrastructure-food market is possible on the basis of financial sustainability and modernization of agriculture, as well as ensuring the accelerated development priorities towards ensuring food security, especially livestock. The growth of agricultural production in agricultural enterprises and farms in the future is possible due to the increase in livestock production. Currently in the structure of agricultural production in these categories, the share of livestock farms account for only 13-15%, i.e. livestock mainly concentrated in households mentioned Kondybayeva S. et al (2012). The growth of this is doable through the creation of a new technological base, the use of modern technological equipment for the modernization of livestock farms, as well as by increasing the genetic potential of productivity and accelerate the establishment of appropriate prey. Measures of state support should be aimed primarily at increasing the stock of farm animals in the major agricultural enterprises and farms.

The calculations show that under the sponsorship of businesses in order to increase the livestock numbers are formed in different sizes of state support in the value of gross output produced, that is, the distribution of the amount of state support for the regions in proportion to livestock. Kondybayeva S., et al (2013) mentioned this is due to the established different levels of livestock productivity and sales prices in the regions. This approach to the allocation of amounts of support, in our opinion, valid means of concentrating in the areas of budget priority livestock development. For example, in the southern region, which hosts about 40% of total cattle population accounted for 40% of budget funds allocated to the Republic, although their share in gross output value is slightly different from the national level.

In this regard, the development of wholesale trade must be maintained and regulated by the state, particular attention in this regard should be given to price factors, and in particular the establishment of limiting trade margins - in the wholesale sector of 25-30% in the retail link - 18 - 20%, socially significant margin products should be below 20, and 15% respectively.

In our opinion, because of the introduction of measures of state price regulation particularly important foods it may raise the demand of the population to a higher level than in previous periods and the present time. For example, beef, vegetables, and poultry raised by 1.8 - 2 times, apples to 6 times.

Therefore, to date, the development and adoption of the regulation is required, implementing the socially important food products, which will be determined by organizational, legal and economic framework of regulation and coordination of their implementation, as well as ensuring effective control of prices and pricing in this market food products.

Also as a part of the activities, it is necessary to develop and implement a standard contract of sale of socially important food products to be concluded between the enterprises of wholesale and retail trade and producers (suppliers), the socially important food products, which determines prices and profits on the value chain.

In modern conditions the Republic is entering a period where global economic relations are governed by rules and principles of the WTO. There is increasing growth in trade flows, goods movement across borders. All these features make it a necessary part of the state organization and implementation of strict control of purposeful development of export-import operations, their

proportions and sizes, in order to strengthen the national economy, maintain food security, support for producers and the maximum satisfaction of the needs and requirements of different population regions of Kazakhstan.

Conclusion

In view of the most rapid and effective integration into the global economy, the agricultural sector of the Republic of Kazakhstan should be a fairly short period of time to solve such complex problems as the construction of the external economic cooperation, which provides the conditions for the sustained development of agriculture, significant growth of export potential, the benefits and opportunities of the international division of labor to improve the efficiency of the agricultural sector. Kazakhstan's accession to the WTO should be accompanied by guaranteeing and ensuring that the domestic producer has the right to use: the protective measures for domestic agricultural market (tariff and non tariff) measures, to stimulate exports of agro-industrial products (export subsidies, primarily to transport goods).

Significant costs for shipping goods to the recipient country even reduce the competitiveness of main export crops which is corn. According to the European countries, the average transportation costs is amount to 55-58%, the selling price of wheat on the North African countries the figure exceeds twothird.

There is still a number of factors that have a sufficient effect on the changes in tariffs in particular due to rising energy prices, which is reflected in the world trade. Studies of Canadian scientists - economists suggest that the increase in oil prices for \$ 1 per barrel causes an increase in transportation costs by 1%. At present, prevailing oil price increase in the distance for transportation of goods by 10% leads to an increase in transportation costs by 45, in the case of oil price rise to \$ 200 cost will increase by 88%.

In the current situation for the Kazakhstani producers of food and agricultural products, in our opinion, it is necessary to use the mechanism of subsidy in respect of compensation for the cost of transportation of export products. The export subsidy is the difference between the total cost of export products and the world price, i.e. price of goods of domestic producers in the market of the importing countries will meet or approach the world, which, in turn, will allow the engine to apply countervailing duties. The establishment of export subsidies should be required, taking into account the export transactions of the importing country.

The system of export incentives should certainly include the provision of consulting and marketing assistance to organizations - exporters; this will determine more fully the needs of foreign markets in goods, the preferred directions of trade flows and the possible sale price realization.

At the same time, in order to support producers and form a positive image for them in the international market with the implementation of international treaties to the introduction of public insurance of export contracts, creating a vast network of representative offices abroad, and possibly the brand common Kazakh exports.

Balanced food market suggests that the effective management of production can be carried out in the framework of achieving the optimum ratio "price - quality", which will fully and rapidly implemented with increasing output. All of this is the determining factor for the development of priority sectors of agriculture.

The Republic in the context of the region is characterized by a variety of conditions, which determines the features of the production and the use of food in these regions, but despite this economic transition, the processes have increased multivector of their development, leading to some deviation from national trends and the effective use of food resources.

Meanwhile, the stable development of Kazakhstan's food market depends on the receipt of food, on the amount of its reserve funds and reserves for socially important kinds of food.

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