Food Security And Measures To Support Small Businesses In The Agro-Industrial Sector Of The Economy In The New Economic Conditions

By

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Annotation

Rationale

The new realities of modernity are characterized by the formation of new economic conditions, which are due to: firstly, the dominant influence of the effects of exogenous factors, unknown and previously unexplored by researchers as determinants of transformational processes in the national and world economies.

Target

To broadcast that in the new economic conditions caused by the effects of external shocks, food security indicators are quite alarming, since the production sector is key to meeting the needs of the national economy, both at the micro and macro levels: especially when it is forced to localize.

Materials and methods

The methodology of an integrated approach was used based on the systematic approach of Western and Russian researchers, as well as on the methodology of small economic structures Chayanova A.V., Kondratieva N.D. Methods of comparative economic analysis using the data of official statistics of the Russian Federation and FAO, as well as methods of visualizing the results of the study are involved. The case method was used to study the specifics of various economic structures, and the scenario modeling method was used to determine the trends for further development.

Results

In the article, the authors analyzed the structure of the activities of small and medium-sized businesses; the share in the structure of agricultural production is determined; studied state support measures in recent years; highlighted the main programs to support small and medium-sized businesses; the features of grant support in the field of agriculture are revealed.

Conclusion

Attention is focused on the importance of transforming activities and improving state support measures for small businesses; a hypothesis has been worked out about the relationship between food security and measures to support small businesses in the agro-industrial sector of the economy

Keywords state support, small and medium business, small businesses, grant support, government programs, institutions

Introduction

Among the external factors, it is logical to single out two large groups: first of all, these are the effects of the global pandemic, which, to varying degrees, had a negative impact on the development of local markets and individual industries. At the same time, the manifestation of such a "phenomenon" was also observed, when, against the backdrop of negative growth rates in all sectors, the agro-industrial sector of the Russian economy demonstrated not only stability, but also a slight increase of 4 p.p. during a global pandemic. In this case, one of the main explanations for this "phenomenon" is another proof that the key driver of economic development is the realization of the primary needs of consumers in food products. The solution of this problem is interconnected with the tasks of ensuring overall food security.

The second group of factors of external influence is associated with new shocks of geopolitical challenges that "provoked" the processes of deglobalization, localization and transformation of virtually all national economies, including the Russian one. Considering that the best alternative for a market economy has not yet been created, it remains important to maintain the level of competitiveness in the economic system, which cannot be achieved without maintaining a stable position of small and medium-sized businesses (SMEs). This is explained by the fact that SMEs, on the one hand, are one of the institutional conditions for maintaining competitiveness and the market foundations of the economic system as a whole. On the other hand, it is SMEs, due to their characteristics as an economic entity (mobility and flexibility), that are able to quickly respond to filling emerging "narrow" niches in various sectors of the economy, when global value chains (GVCs) are destroyed due to a series of external shocks, and the functioning of many production cycles depends precisely on specific intermediate products. At the same time, under "narrow" niches, the authors mean specialized activities for the production of certain types of intermediate products that do not depend on economies of scale, but often require the creation and production of "customized" products, including the needs of economies of the "mobilization" type in short periods. In each field of activity, such niches have their own characteristics, but large businesses, most often focused on large scale standardized operation processes, both in the production process and in the service sector, are usually not interested in filling "narrow" niches. On the other hand, the presence of such niches is not only an opportunity for the development of SMEs, but a certain degree of risk, since such activities can be low-profit, and therefore economically uninteresting for businesses without government support. This is most clearly manifested in

the agro-industrial sphere of the economy, where the concept of MPB in its economic essence and functionality is identical to the concept of small forms of management, which include peasant (farmer) households, household households, family farms and certain types of agricultural enterprises.

At the same time, it is important to note that in the context of a combination of the effects of external shocks, consumer preferences are changing, and consumers are increasingly oriented towards the consumption of food products produced by MFAs: in particular, food products of peasant farms. With such approaches, both the psychological effects of the consumer and the motivation for the economic activity of the MFAs, oriented towards green economy trends and historical management practices, work. In this part of the question, it is also important to note that, despite the successful development of the agro-industrial sector of the Russian economy, in general, the planned indicators for the level of food supply are not all met according to the results of the implementation of the Food Security Doctrine of the Russian Federation. [1] The lag is observed in such main categories of food products as potatoes, fruits and berries, milk and dairy products, and vegetables. (Fig. 1) According to FAO data, the number of hungry people at the end of 2021 has reached more than 800 million people, about 1 billion cannot provide good nutrition, and about 1 billion cannot provide a healthy diet. [2] It must be taken into account that the population of the entire world economic system is about 8 billion. The answer is obvious: for every third person on the planet, his "desires" or the realization of primary consumer needs do not coincide with the possibilities. In addition, according to the same estimates, the unfavorable situation in the implementation of primary needs for food products leads to the fact that there is a developmental delay in children under five years of age in more than 20% of the world or one in five. Therefore, it is clear that food security issues continue to be key in every economic system.
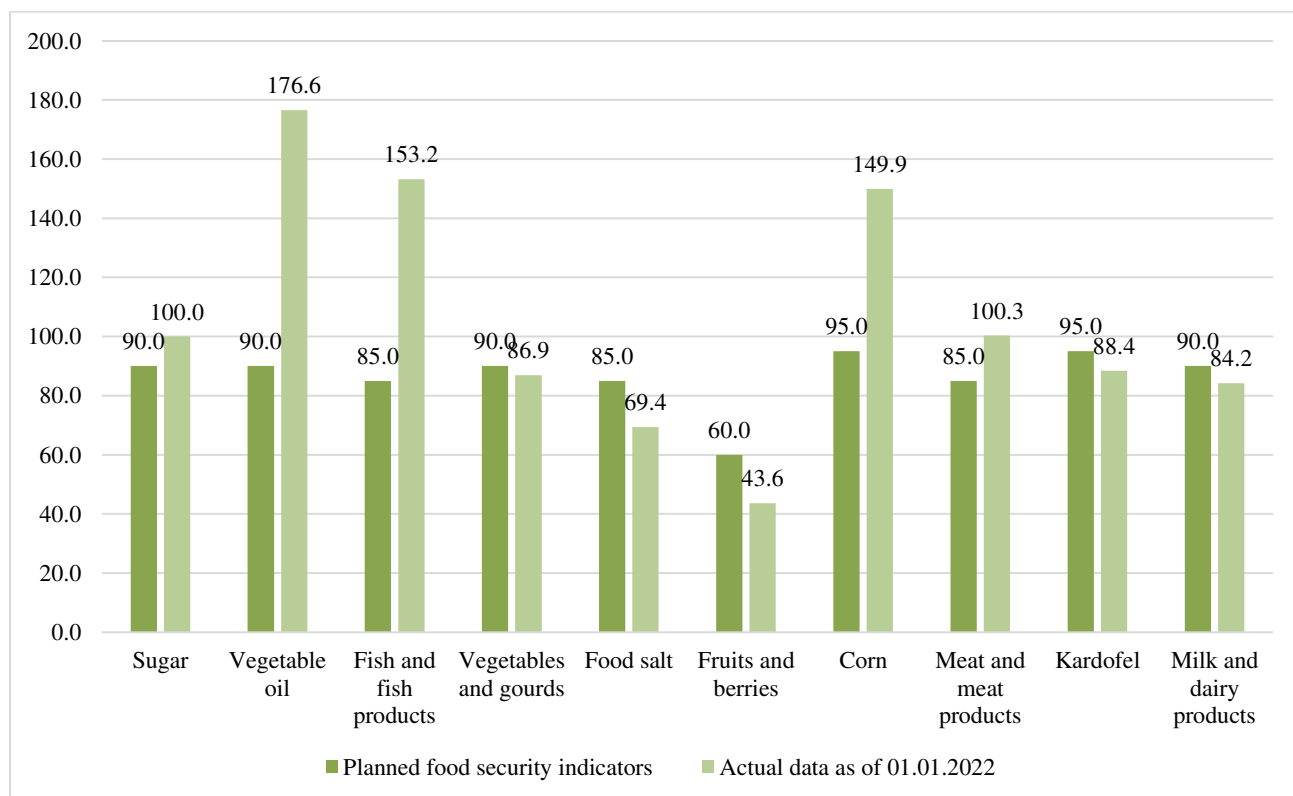

Figure 1. *Comparative analysis of planned and actual indicators of food security as of 01.01.2022 (%)*

Historically, in the practice of management, it is precisely those groups of food products for which the planned indicators continue to be in the process of achieving them that have traditionally been the object of economic activity in the households of the population under different types of economic systems, when households in rural areas tried to independently provide themselves with the necessary set of food products under conditions limited financial and land resources. In market conditions, with the provision of the necessary institutional conditions, these categories of food products are the very example of "narrow" niches that are not always tied to economies of scale, and which could be filled by small businesses or SMEs. Therefore, it is important to explore the level of creation of such institutional conditions for SMEs in the form of various types of state support and to identify the relationship between ways and means of achieving the planned level of food security, taking into account the emergence of new economic and geopolitical challenges for the economic system as a whole.

Methods

The challenges of a completely new phenomenon in the recent history of the world economy: the global pandemic and the shocks of geopolitical transformations of the last decade have become a clear manifestation of the fact that mathematical predictive models are far from always able to take into account all potential risks that radically change economic development trends, ahead of understanding the ongoing changes. The use of the analogy method allows us to assert that a similar situation in terms of the degree of perception was observed with the global financial crisis of 2008, which was given impetus by the mortgage crisis in the United States, the specifics of which were quite clearly and figuratively described by Paul Krugman, the 2008 Nobel Laureate in Economics in his time. The analogy in this case is that, if we study the archival data, the predictive calculations of mathematical models on the eve of 2007 testified to stable growth trends in the global and national economies. Therefore, in order to achieve this goal and test the hypothesis about the existing relationship between ensuring the country's food security and creating institutional conditions for SMEs, as one of the key factors in providing the population with biodiversity and food quality, the authors rely primarily on the methodology of system analysis. An additional argumentation of this author's position is the fact that a systematic approach, including a combination of the comparative analysis used in the work, the method of grouping and ranking, logically formalized modeling and diagnostic assessments will make it possible to substantiate the importance of state support for SMEs in the agro-industrial sphere of the national economy.

Among the main principles of the systematic approach, a large place belongs to the principles of verifiability: for example, when identifying causal relationships between the measures of state support for SMEs (including their types and size) and the observed trends in the development of SMEs. Among the "pioneers" of the popularization of a systematic approach in world practice, such researchers as Bertalanfi L., Bono E., Simon G., Drucker P. and others are often named. Among Russian researchers, Kleiner G.B. consistently develops the methodology of system analysis in his works. [3] And although when adapting this method in practical realities, Kleiner G.B. usually relies on industrial production, however, the basic principles of this approach are appropriate to adapt to economic structures in agriculture. Of obvious interest is the hypothesis, voiced more than once during face-to-face

speeches, about the need to supplement the "triad" of questions in the neoclassical approach: what, how and for whom to produce such a question: "why produce" this or that product?

In addition, when studying the relationship between different economic structures, the use of such a principle as system-functional becomes obvious. Its meaning is to identify and study the main functions of the object of analysis. Among the Russian researchers who develop this approach, one can also name Buzgalin A.V. and Kolganova A.I., who contribute their touches to the development of Kleiner's theory in order to explain, being Marxists and "Hegelians" (as they call themselves), that a market economic system is not an eternal objective reality. Of course, it is logical to agree with the authors' statement that most of the "socio-economic systems" during their life cycle are not in stable functioning, but in the process of transformation. [4]

At the same time, comprehension and understanding of ongoing transformational processes and possible relationships between them will be insufficient without using the methodology of institutional analysis. Thus, from the position of this methodology, each economic structure of SMEs, represented by official statistics, in its essence, is already a local institutional structure in the food markets. Its distinguishing features are that it has both an internal system of interconnections and interconnections with the outside world, including adaptation to macroeconomic conditions and different markets. Small and large businesses are characterized by their own specific system of relationships: in particular, if for large businesses (or large forms of management) all relationships are "registered" by legal institutions (or formal rules of conduct), then SMEs have their own characteristics. These features lie in the fact that, for example, the structure of small business forms (including motivation and nature of activity) is often determined by "unwritten" rules of conduct or the positive effects of informal institutions. Very often in practice, due to the insufficient study of the neo-institutional theory of informal institutions, they are often confused with the informal (shadow) economy, and therefore are usually associated with the negative effects of manifestations. However, D. North's theory focuses more on positive effects. Such positive effects in the agro-industrial sphere of the economy include historical management practices, management culture, and motivational features in the production of food products. In other words, we can agree with the approach that small forms of management perform not only production functions, but also axiological ones. [5] It seems that the axiological approach also has every right to further development: in relation to the specifics of the management practices of M SMEs in the agro-industrial sphere of the economy. For SMEs at the level of rural areas, informal institutions, performing an axiological function, determine not only the nature of production, but also trends in healthy eating, reproduction of cultural traditions and national identity, a combination of an updated rural way of life and lifestyle using NBIC technologies. It is quite obvious that in the process of changing generations and types of economic systems, a transformation of the mentality and motivation of managing economic structures took place: a completely new type of economic entity was formed.

Relationships with the outside world for economic structures are provided most often by creating institutional conditions (formal institutions) in such forms as, for example, various measures of state support. As practice shows, in all national economies, the economic stability of the MFH in the long term is determined by the system of state support measures. An analysis of the ongoing state support measures in conjunction with the indicated research methods will, in the opinion of the authors, make it possible to establish the relationship between the problem of solving the problems of food supply and the development of small forms of management in the agro-industrial sphere of the national economy.

Results and Discussion

The main trends in the development of small and medium-sized businesses and features of state support

A comparative analysis of official data on the development of different areas of activity over a five-year interval (from 2016 to 2020) showed that agriculture in the overall structure of all areas of SME activity has the lowest value: less than 4%. (Figure 2). In industry, the share of SMEs is 2 times higher than in agriculture. And, finally, the largest share is occupied by the service sector: 45%. Growth rates are similar: the share of agriculture, for example, remains practically unchanged at about 4%, while the share of SMEs in the service sector continues to grow gradually.
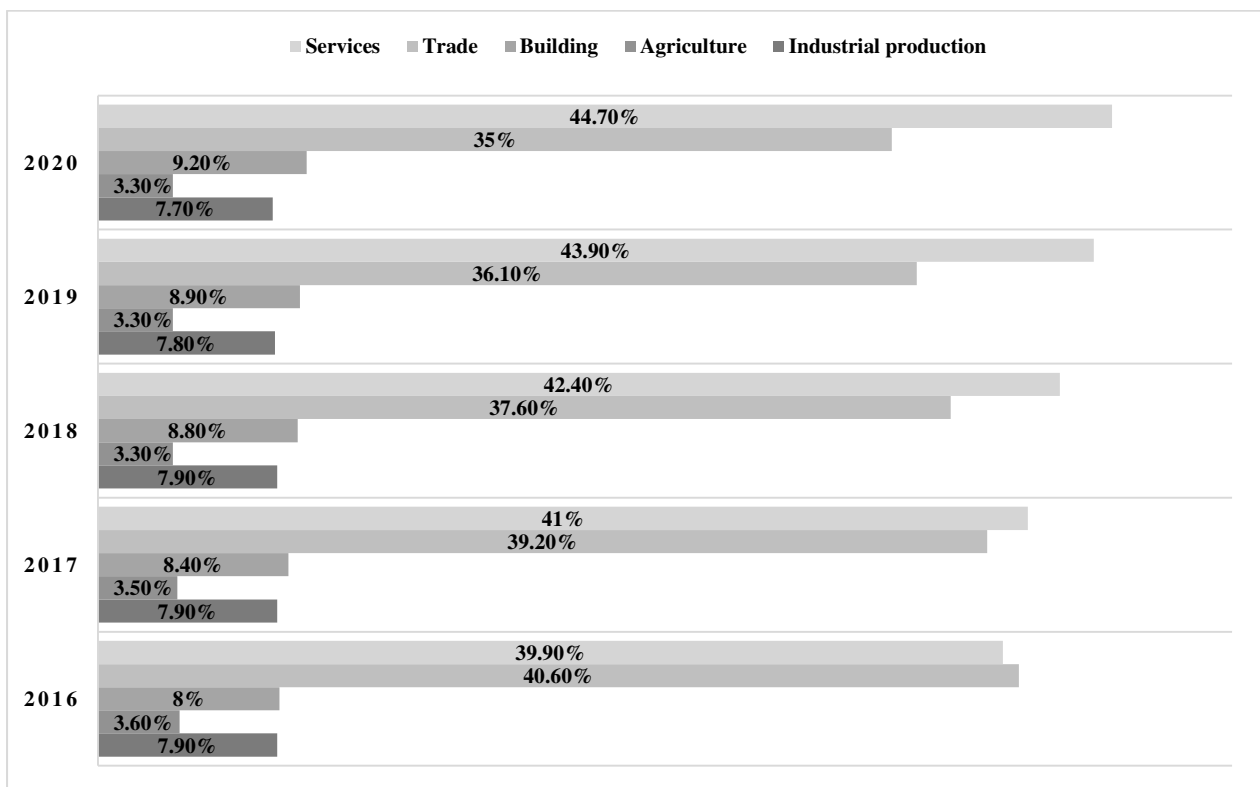

Figure 2. *Structure of SMEs by main types of activities*
Source: *Compiled by the authors based on [6]*

It seems that in the new economic conditions caused by the effects of external shocks, these indicators are quite alarming, since the production sector is the key to meeting the needs of the national economy, both at the micro and macro levels: especially when it is forced to localize. At the same time, it should be emphasized that world practice also has its own "paradoxes", among which the following should be highlighted: the share of people employed in agriculture in economies with a favorable food situation is lower than in regions where there are serious problems with food supply. [7]

If we analyze the rate of change in the share of all forms of management in the overall structure of production, we can see stable trends in the total weight in the output of peasant farms. The total share of small farms decreased from 52% in 2010 to 42% in 2020, i.e. by 10 p.p. (Picture 3) At the same time, the share of peasant farms increased by 10 p.p. From the position of the main canons of economic theory, these trends indicate an increase in market power on the part of big business, which, other things being equal, can objectively lead to the

need for government intervention. Thus, the objective risks of the transformation of market relations in the field of agriculture are obvious. These risks are associated, on the one hand, with the processes of concentration and "capture" of market power by big business and the formation, in fact, of oligopolies in the form of agricultural holdings. On the other hand, any additional state intervention in the market mechanism through direct regulation, as has been happening recently with the establishment of a "ceiling" for prices for socially important food products, leads to the transformation of the entire market system of the economy. Therefore, the establishment of a "ceiling" of prices without combining with government support measures can become an additional demotivator for SMEs to "come" to agriculture. At the same time, if we analyze in comparative terms, we can observe that the share of peasant farms almost doubled over a ten-year interval, which can be considered as a favorable factor: including the preservation of competitive principles in the agro-industrial sector of the economy. [8]
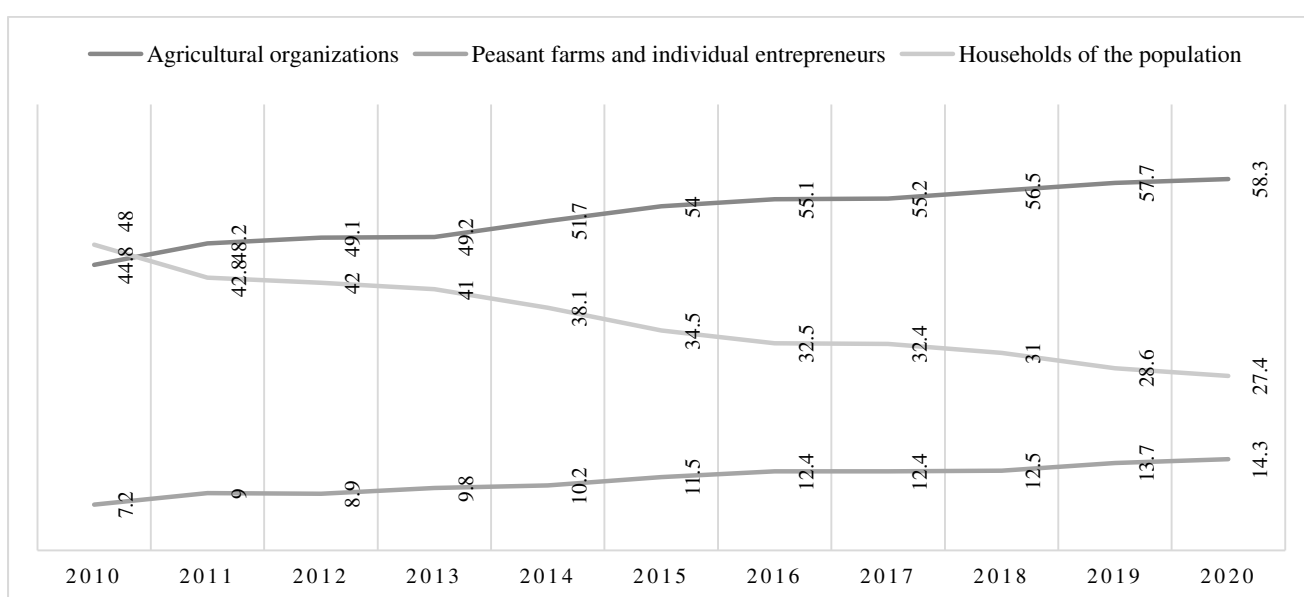

Figure 3. *The share of different forms of management in the overall structure of agricultural production (%)*
Source: *compiled by the authors*

It is quite obvious that, in accordance with the main provisions of N 209-FZ "On the development of small and medium-sized businesses in the Russian Federation", government institutions play a large role in the implementation of various support measures. [9] In fact, those state institutions that are listed in N 209-FZ can be considered as a basic structural element of the overall institutional infrastructure for supporting SMEs. Although, in the new economic conditions, the importance of finding additional funding sources is increasing: in particular, by attracting private investors. But, as practical realities testify, the dominant role will remain with state institutions for a long time to come: and even more so, in periods of general economic and financial instability. In the system of measures of state financial support for SMEs, such main areas as credit and financial measures and grant support measures should be singled out. Among the credit and financial measures to support SMEs, which are developed by the Government of the Russian Federation and the Bank of Russia, 3 main programs can be highlighted.

Firstly, this is an anti-crisis program that was launched during the global pandemic for businesses that require support due to the introduction of restrictive measures related to COVID-19.

Secondly, this is an investment program that the Bank of Russia has been implementing jointly with the SME Corporation since March 2022. [10] According to this program, investment loans for medium-sized businesses are expected at a rate of up to 13.5%, and for small and micro businesses - up to 15%. Accordingly, for such firms, for their successful development, it is important to ensure a profitability level of at least 20-25%.

Thirdly, this is a revolving lending program, which is being implemented by the Bank of Russia. Under this program, the revolving lending rate remains the same as under the investment program, however, its duration is limited to a short-term period of up to one year (until December 30, 2022), and the total lending volume is 340 billion rubles. [11]

A study of the analytical report of the Central Bank of Russia suggests that during the first half of 2021, financial support for SMEs was carried out mainly in such forms as the provision of subsidies and grants (27,668 companies), while only 18 enterprises received financial support in the form of in capital investment [12]

According to official data, 6.72 billion rubles, or 28.6% of the federal budget incentive subsidies, were allocated for grant support "from the federal budget, including: 4.97 billion rubles for supporting family farms; for the development of the material and technical base of agricultural consumer cooperatives 1.59 billion rubles - for the development of the material and technical base of agricultural consumer cooperatives and 0.17 billion rubles - for the implementation of Agroprogress projects. [13] The results of such support had a tangible result, as they led to an increase in agricultural production compared to 2021: among family farms that received grant support, such an increase was observed by 26%, and among cooperatives - by almost 30%. However, by regions and federal districts, the increase in volumes is uneven, and we can say that this is an objective given, given: the overall size of the entire country, natural differences in natural and climatic features and institutional differences in creating additional conditions for small forms of management by state institutions at the mesolevel. On the cross section of the comparative analysis by federal districts, the Ural and Central federal districts demonstrate the minimum increase in agricultural production (about 21% and 23%, respectively). In fact, the Ural, Volga and Northwestern federal districts are on the same level: with a gap of less than 1%. Drivers in this direction are the Southern and Siberian federal districts: moreover, with a gap of 10%. (Figure 4).
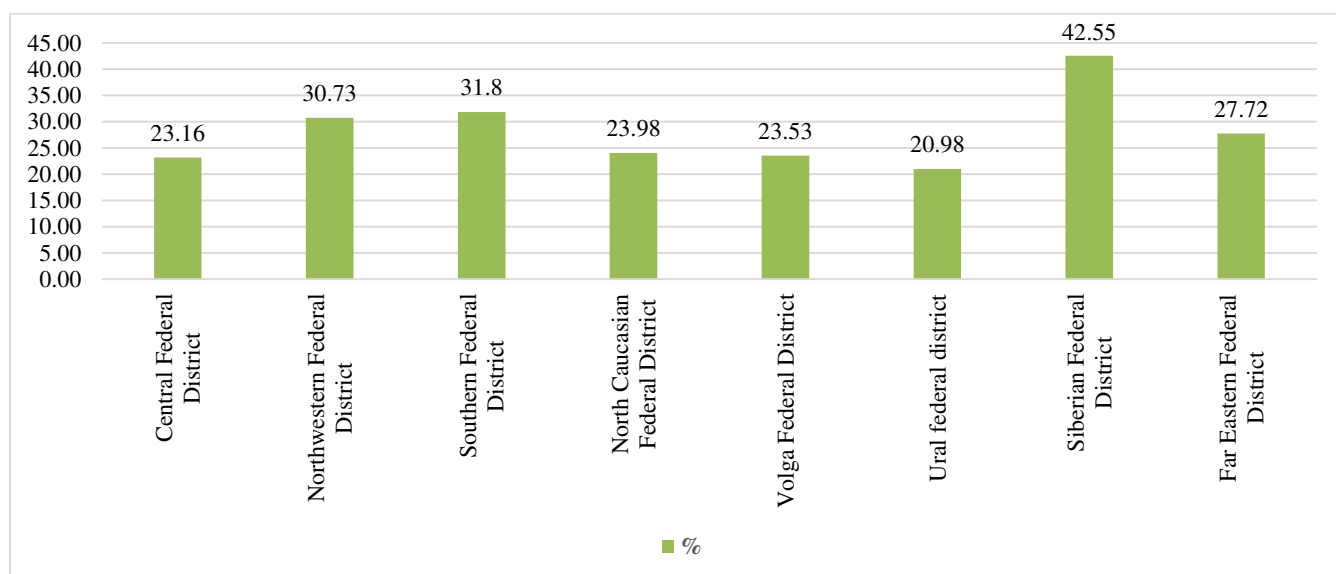
Figure 4. *Growth rates of agricultural production by grant recipients by federal districts (small farms)*
Source: *compiled by the authors based on data [13]*

When analyzing the implementation of the results of grant support for SMEs in the agro-industrial sector of the economy, it is important to focus on a number of conceptual clarifications. For example, it is important to note the existence of such a "paradox": family farms that are supported (in particular for the development of animal husbandry) are still not separately accounted for by official statistics. As for quantitative indicators, in total in 2021, 632 peasant farms received financial support in the form of grants. (Figure 5)
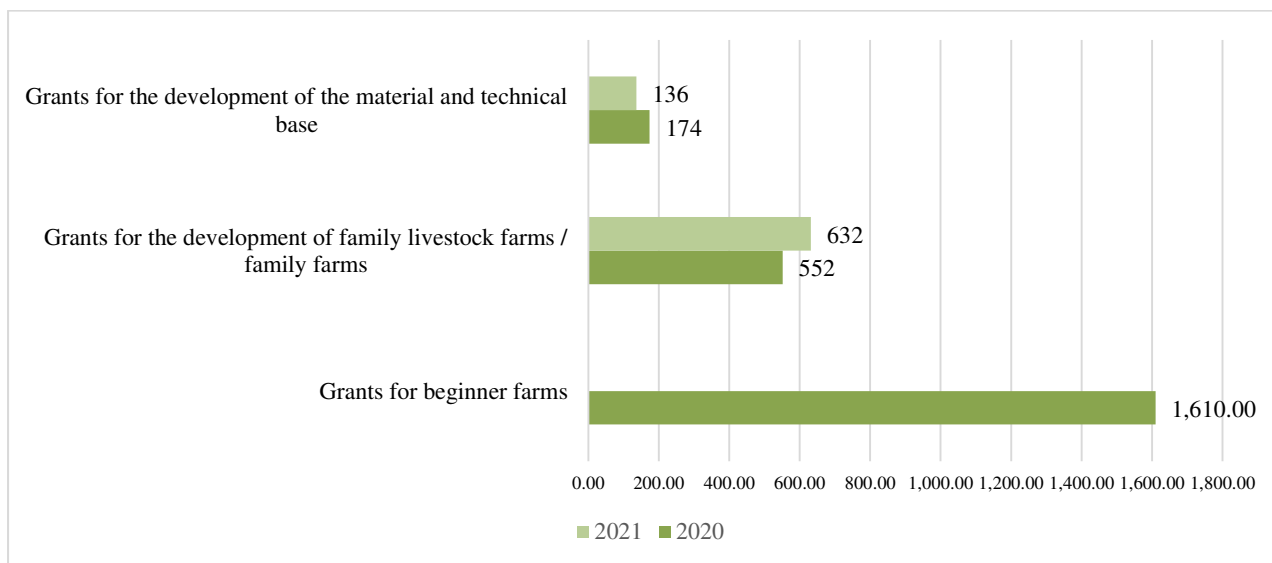

Figure 5. *Number of recipients of grant support*
Source: *Compiled by the authors based on open official data [13]*

Average grant support for the development of family farms during 2020-2021 practically did not change and remained at the level of 9 million rubles. The average grant to support novice farmers in 2020 was at the level of 3 million rubles, and grant support for the development of the material and technical base decreased by more than 1 million rubles: from 15102.9 million rubles. in 2020 to 13994.7 million rubles. in 2021. [13]

At the same time, in 2022, an additional emphasis was placed on supporting the service sector. Thus, in March 2022, Presidential Decree No. 83 dated March 2, 2022 "On measures to ensure the accelerated development of the information technology industry in the Russian Federation" was issued, which presents state support measures for IT companies.

Conclusions

Thus, it can be argued that in the system of the national economy:

Firstly, not all types of food groups in the Food Security Doctrine have achieved planned quantitative indicators.

Secondly, agriculture in the overall structure of activities for SMEs occupies a very small share, however, based on an analysis of the implementation of the Doctrine of Food Security, there are quite attractive niches for the MFH for the production of those groups of food products that, from an organizational and economic point of view, were produced

households and which do not require large areas of land as one of the key factors in agriculture to ensure economies of scale.

Thirdly, there is a fairly wide range of state support measures for SMEs, which contributes, in general, to the creation of institutional conditions for the development of small and medium-sized businesses. However, these measures are sometimes formed "fragmentally", which is an alarming signal, since such an approach further increases the potential risks of "oligopolization" in the system of the agro-industrial sphere of the Russian economy. At the same time, it is the successful development of small and medium-sized businesses that can ensure the sustainability of competitive principles, and, consequently, contribute to the dominance of market mechanisms in the economic system.It should also be taken into account that in the current conditions, requests for the priority development of the sphere of production, including, first of all, the realization of needs for food products, light industry products, domestic analogues of technologies in demand for users, etc., become obvious. Therefore, for the flexible adaptation of SMEs to Given the current geopolitical challenges and shocks of the effects of the global pandemic, it is important to transform the entire system of state support for SMEs by making the necessary additional clarifications in the legislative framework as soon as possible. In addition, there is a need to create a unified system of interconnection between unified monitoring of the distribution of various types of state support and the dynamics of quantitative indicators for those types of activities for which such support is provided to determine: both the main problems of SMEs and to identify the synergistic effect from different types state support.

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Author Contributions

The authors contributed equally to this article.