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METHODS AND INSTRUMENTS OF GOVERNMENT CONTROL OF GRAIN PRODUCTS SUBCOMPLEX

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Abstract. It is known that the need to manage the sustainable development of the grain economy actualizes the search for effective solutions to problems and achieve socio-economic indicators of the functioning of all structures of the agro-food complex of the country. That is why in the conditions of deformation of market conditions and globalization of the economy grain production as a complex multifunctional and dynamically changing system that performs a wide range of economic functions, should be given priority by the government. This is particularly important in view of the fact that the unfavourable macroeconomic conditions for grain farming created during the initial period of market reforms contributed to the serious destruction and degradation of its production potential, which actually led to an aggravation of the crisis situation in the reproduction process. However, in the recent period, the existing system of grain farming has become more actively subject to improvement, including through the implementation of a multidimensional state grain policy, including its price, tax, credit, financial, insurance and tariff components. At the same time, agricultural producers have the opportunity to take advantage of more affordable short-term and long-term loans, to attract budget subsidies to repay part of the fixed interest rate on previously attracted loans, as a result of which a certain positive trend was noted for the financial recovery of agricultural (crop) and grain processing enterprises.

Keywords: grain policy; grain products subcomplex; regulation; conjuncture; mechanism; grain market; conditions; subjects; methods; tools; impact; prices; raw materials; competition; processing

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JEL Classifications: RS1, RS2

1. Introduction

According to analysts, positive trends in the economy of the Republic of Kazakhstan are largely due to various progressive forms of support for farmers and crop processors provided by the state. This is also facilitated by the creation of large cooperative and integrated formations uniting organizations in various areas of grain farming that carry out the entire cycle including the production and sale of grain and its products to the final consumer. At the same time, the existing potential and current level of grain farming are practically ensured today by the use of material resources, financial savings, scientific and technical achievements of the past period. Formation of

sustainable development trends is also influenced by investments of private capital and competent state support. However, this is obviously not enough to create a solid basis for accelerated innovative growth of the grain production in tactical and strategic perspective.

2. Methods of research

Therefore, monitoring and systemic assessment of the current state, as well as identification of trends and major problems in the development of the domestic grain subcomplex are needed in order to develop promising recommendations for improving the methods and tools of its state regulation under the changing market environment. According to scientists, the stability of grain production can be characterized as an ability to continuously maintain optimal proportions of grain production and consumption, resist effects of internal and external negative impacts, and adapt to dynamically changing natural and economic conditions, which determine the production and sale of different grains (Ushachev et al. 2017, 2018).

Noting the positive trends, let us once again emphasize that the current situation in the crop production of the republic still does not allow making conclusions optimistic for the industry. The indicators characterizing the harvest of 2018 are significantly below the expected level. In particular, 22.8 million tons of initial weight grain were harvested, which was 760 thousand tons or slightly more than 3% higher than in the previous period. The grain yield was 15.1 centners per hectare, which was 0.6 centners per hectare or 4% higher than the value of the same period. At the same time, the indicators under study had a negative trend in a number of Kazakhstan regions.

High variability of the grain production indicators and instability of its dynamics can adversely affect the market situation in the domestic grain subcomplex resulting in increased commercial risks and requiring introduction of administrative measures aimed at regulating the volume of grain production and sale. Sustainability of the sectoral production can be ensured only taking into account the possible arrhythmia of natural production factors, presence of market fluctuations in demand, supply and prices, systemic impact of the risks, and taking measures to implement the necessary state support for the grain industry development under the conditions of active government grain market regulation. According to foreign agrarians, effective functioning of the grain subcomplex is ensured by active intervention of the state authorities (Tireuov et al. 2018).

3. The discussion of the results

At the beginning of the formation and strengthening of the socially-oriented market economy, the state regulation expediency was objectively determined by the nature of mixed economy combining the competition and freedom of choosing a buyer and a seller with simultaneous demand to ensure equal conditions of functioning and protection for all grain farming subjects acting within the legal field without exceptions, and perform social functions to protect the low-income population by the state.

Complexity and diversity of the tasks set under the conditions of further development of the economic relations in the grain farming segment causes the emergence of a number of contradictions. We are listing the most acute of them.

For example, individual economic entities' desire to seize the leading position may result in a deformation of the perfect competition and its replacement by a monopoly power practically unacceptable in the market economic conditions. Production and financial-economic differentiation of the economic entities contributing to the bankruptcy of some of them as a result of the fierce competition actualizes the formation of an effective mechanism for ensuring the social protection for the vulnerable population groups.

The lack of market methods and instruments elaboration for the implementation of the regulatory impact on the reproductive process results in an increase in environmental risks, slowdown in the development of the fundamental science, education, health care and other branches. The lack of capital consolidation prevents the development of scientific and technological progress and practical realization of its most significant achievements in the form of technical, technological, raw material, product, managerial and social innovations.

Since the process of resolving these contradictory situations cannot be carried out only with the use of market self-regulation mechanisms, it requires adequate regulatory influence by the state aimed at observing public interests.

Currently, there are trends determined by peculiarities of the market economy and aimed at achieving maximum profit, thus contributing to the increase in the spontaneity of the grain production specialization. The study of the advanced country practices has allowed developing recommendations for strengthening the role of the state in regulating the grain product subcomplex (Bogomolova et al. 2016, 2017). Among them, it is necessary to highlight the need to develop government programs aimed at increasing the production of certain types of grain; expansion of the measure range for improvement of the public procurement organization with maintaining the level of guaranteed prices; introduction of export quotas and adoption of tax legislation; carrying out activities that allow raising prices in the domestic market, thus stimulating the domestic consumption of cereals as a raw material for other industries.

An assessment of the current situation in the world grain production allows stating a growing role of the grain and its products in the economy of Kazakhstan. Therefore, in order to enhance the industry's role in the world market, it is necessary to develop a national grain policy making all economic entities of the domestic grain economy economically interested in its realization since it is impossible to ensure highly efficient functioning of the considered socially important business area without this support.

One of the elements of implementing such a policy was allocation of additional 20 billion tenge in 2018 under a total microlending cost of 62 billion tenge. The state is also providing concessional loans for the implementation of the Program for Productive Employment and Mass Entrepreneurship adopted for 2017-2025.

A requirement of the State Grain Policy is the need to focus on the sustainable and effective functioning of not only the grain farming, but also related industries, as well as formation of a highly developed grain market providing more complete and guaranteed satisfaction of the country's needs for various grain and expansion of its exports.

The State Grain Policy should define clear guidelines for the development trends, quantitative and qualitative parameters of production, volume of distribution, degree and directions of its use. The state policy must be based on the principles of protectionism in relation to the production and marketing of high-quality and scarce grain. It should determine specific forms and effective methods for exercising the state influence on the grain market, forming a reliable system of interaction between the government bodies, business community and agricultural producers.

It should be legislatively adopted, have a successive and consistent nature, ensure the implementation of all activities planned and envisaged by the state, be a special guideline of the integrative functioning and a development guarantor for all participants of the agrifood market including the grain market as its major component (Mizanbekova et al. 2015, 2016, 2017).

The global experience clearly confirms that the currently emerging model of the Kazakhstani economy based primarily on the parity of exporting raw materials and fuel resources with importing food cannot be really

strategically effective, so drastic changes are required for its development. We also note that food dependence is especially dangerous in the modern period, when food and raw materials for its production are increasingly becoming a key factor in the possibility of political and economic pressure in foreign policy relations. This conclusion can be confirmed by the following statistical information (Bykov 2018). The economically developed countries consume more than a half of the food produced in the world, while no more than 20% of the world's population live in them. In addition, the threatening trends can escalate dramatically if we take into account that one seventh of the world's inhabitants are undernourished or almost starving today, and according to forecasts, their number may increase by one and a half or more times in the next ten to fifteen years.

In this regard, we consider it necessary to name the following areas among the complex of the main ones having positive impact on the development of the grain subcomplex (Altukhov 2014; Altukhov et al. 2015). First of all, it is important to pay attention to the organization of a system allowing the manufacturers to orient themselves towards the production of the grain types able to satisfy the highest demand for them and ensuring their production in the planned volume that guarantees their complete sale. This will enable rural producers to reduce the risks of uncertainty in the formation of the grain production structures, as well as likelihood of irrational costs or reduction in the efficiency of labor, materials and financial resources due to the production of undemanded types of grain. To resolve this issue, it is advisable to carry out periodic (once a week, a month, etc.) publishing of informational bulletins containing information on the situation trends emerging in the grain markets of the RK, as well as countries of near and far abroad (Mizanbekova et al. 2018).

In order to maximally approximate the structure of grain production to the emerging need for particular types, mechanisms of direct link establishment without participation of numerous intermediaries should be used. Due to the fact that economic relations between the producers and consumers of grain are manifested in the grain subcomplex, a clear coordination of their economic interests is necessary. On the one hand, the formation of these relations is based on the availability of grain and its products supply; on the other hand, it is the existing demand for them. We believe that the specific object of the state influence implementation should be the sale of grain. In this regard, measures should be developed first of all to improve the socio-economic and financial relations between the producing enterprises and enterprises involved in the storage, processing and transportation. However, under a shortage of grain storage facilities and capacities for ensuring the post-harvesting processing in certain areas of the country, today it is necessary to find money for commensurate support of individual economic entities with elements of public and private partnership in the creation of granaries in the production areas.

We believe that commodity exchanges engaged in the wholesale trade of grain can be important elements of the grain subcomplex sustainable development and adaptation of the partners' economic relations system to the changing conditions. Systematic functioning of the commodity exchanges allows determining the market prices, sharing operational information about their levels and trends and carrying out insurance operations for the sellers and buyers against possible negative consequences of sharp fluctuations in the market prices for grain. Interregional and interstate communications should also be constantly expanded as effective means of the grain subcomplex development requiring the creation of a reliable information support system related to the issues of geography and movement of the grain flows, capacity of the grain markets in general and their individual niches by types and quality indicators under the digital economy, as well as the level of the prevailing market prices for grain.

As noted earlier, grain plays an especially significant role in ensuring the state's food independence; therefore, it is traditionally considered as a classic exchange commodity. At the same time, it is worth noting that the above-mentioned basic functions of the exchanges can be effectively performed only under the absence of two grain markets existing in parallel (both the exchange and non-exchange ones) (Krylatykh, Stokov 2012; Taipov 2018). The presence of almost uncontrolled non-exchange market can result in the creation of conditions when numerous

grain dealers receive proportionate and in some cases larger incomes from resale operations than agricultural producers of grain.

By organizing the concentration and centralization of relatively large quantities of grain, the commodity exchanges unite and control the movement of grain, and receive information about cash flows through an established and fixed system of direct and inverse links between the economic entities of the grain subcomplex on this basis. Using the mechanism of price quotes, the exchanges unite the producers and consumers of grain and facilitate the processes of tactical and strategic forecasting of their business results taking into account current situation factors in the industry market. In addition, the exchanges also perform a number of other supporting functions. For example, in order to ensure the conditions necessary for effective functioning of exchange trading, their employees develop standards for grain and terms of standard contracts, they establish rules for trade organization, perform arbitration functions and provide a high level of information about transactions while observing information security requirements.

Under the conditions of grain being a traditional commodity that meets all the requirements of exchange trading, it is necessary to take into account during transactions that its properties include homogeneity and divisibility, so it can be interchangeable, stored for a long time, it is a mass commodity in the agro-industrial complex having a relatively permanent sale market (Uzun et al. 2017, Sandu et al. 2015).

According to world agencies, more than 20% of the total world agricultural trade involve grain products. Therefore, a key condition for its successful implementation is compliance with the requirements of enterprises' economic independence limiting the state intervention in the production, economic and commercial activities of the grain market entities on the issues of the production process, organization of exchange, consumption and distribution of grain.

Free pricing, unlimited competition among the sellers and buyers, and the presence of clear laws and regulations aimed at regulating the activities of grain exchanges can also contribute to the achievement of these goals.

Since the grain exchange trade is actually a modern element of the grain subcomplex effective functioning, the Republic of Kazakhstan should constantly improve the legislative documents regulating the activities of grain commodity exchanges, create bodies of state and public control over their current activities, distribution system and rules for using the exchange information, and solve other relevant organizational issues. Due to the fact that any advanced exchange legislation becomes obsolete and unable to take into account the necessary specificity of the exchange organization over time, it is necessary to introduce systemic administrative and economic control with direct participation of representatives of state authorities and organizations manufacturing and buying grain. The need to create such a structure arises acutely in the initial period of the commodity exchange formation and functioning without losing its relevance even with the development of market competition.

The accumulated experience of the domestic grain market shows that the functioning efficiency of most wholesale intermediaries providing services to both buyers and manufacturers of various grain types has increased over the past few years. At the same time, the range of basic services provided by the wholesale intermediaries to the buyers of grain is gradually expanding including a number of traditional measures, such as demand assessment, operations to assist in organizing the grain procurement process, registration and transferring of ownership for marketable grain and its delivery, performing storage operations. In addition, at present, the wholesale intermediaries assist the grain producers in carrying out a number of activities aimed at the reduction of the labor costs in the grain selling process and provision of cash for the production and storage processes by collecting and providing a wide range of information.

The main factors for the emergence and development of wholesale intermediation in the sale of grain are, in our opinion, centralization and specialization of its production and consumption reflected in the geographical concentration of many potential sellers (direct producers of grain) in the same regions under the corresponding demand for this product from its potential buyers.

Therefore, there is an objective need in the grain market for the emergence of specialized organizations (wholesale intermediaries), whose activities significantly increase the efficiency of product distribution. The wholesalers not only allow the consumers of their services to eliminate the need for organizationally complex business processes; they help the buyers with the search for sources of salable grain and its producers with establishing contacts and checking the solvency of numerous buyers, forming consignments in accordance with the grain quality indicators and transporting it. Their work really contributes to the procedure of sale and purchase at the lowest cost due to the acceleration of commodity turnover process creating additional conditions for the growth of the grain subcomplex functioning efficiency in the agro-industrial complex of Kazakhstan.

Under these conditions, the grain market balance can be achieved by establishment of an equilibrium ratio between the volumes of grain production and processing, and, accordingly, the required production resources under the conditions of existing effective demand. Today, the participants in the sectoral market have no doubt about the important role of ensuring the marketing service system effectiveness, processes of studying the deformation of conjuncture in the grain market, development of an optimal assortment, organization of product movement and sales, promotion of grain selling, coordination of the participants, and their information and advertising support.

Another important aspect of the government policy under the constant deformation and development of socio-economic and financial relations between the grain producers and receiving enterprises should be presentation of new, higher requirements for their information support (Proshchalykina et al. 2019). Information about the grain market conjuncture must comply with the principles of reliability, timeliness and accessibility for all its users. In particular, we should talk about the methodology of building and improving the accounting, methods for collecting and processing statistical information on grain and its products, analytical tools and multi-variant forecasting of the market conditions, as well as organizational and technical support for information sharing.

According to the results of the study, construction of regional grain balances reflecting the indicators of the grain movement presence and intensity in a particular territory for a strictly defined period is recommended as an effective information basis for implementation of the state regulation for the socio-economic relations between the grain producers and receiving enterprises. These balances provide an opportunity not only to identify trends in the territorial distribution of grain stocks, but also to make a more reliable assessment of the potential for their replenishment, follow the trends in the formation of sectoral and inter-sectoral grain flows, promptly perform the work on regulation of the grain flows between the producing and consuming regions of the Republic of Kazakhstan.

The relevance of the above-mentioned works is increasing due to the fact that there are trends of clear deterioration in the performance of accounting for the presence and movement of grain over the past period, which causes conflicting estimates of the available grain resources in the context of individual regions and the republic as a whole creating the basis for the development of shadow trade, shadow economy and, as a result, corruption. In order to eliminate these negative trends under the current positive changes in the state grain policy of foreign trade liberalization, expansion of organizational and legal management forms diversity in the field of grain production, emergence of a larger number of trading and intermediary structures, new effective approaches to the grain balance establishment are needed.

According to scientists and practitioners including the authors of this paper, today it is necessary to account the movement not only of the grain as a whole, but also its particular types. Transition to the organization of grain movement accounting from the calendar year period to the agricultural annual one with a detailed definition of the grain market economic entities and unification of indicators, as well as their accounting and reporting items for the entire process chain (starting from its producers and ending with the consumers) is also required. The information obtained can be taken into account by the users when preparing the grain forecast balance for the short, medium and long term.

Another mandatory requirement is the need to supplement the natural indicators of the grain balances with information on its cost including the levels of world and domestic market prices, production costs, tariffs for transportation and storage of grain. It is necessary to ensure equal rights of all business entities in the industry market to receive reliable information.

Therefore, it is necessary to expand the range of information published in newspapers instead of limited individual data on the sales volumes and price levels for certain types of grain in particular regions; as practice has shown, the latter can be useful majorly for the activities of trade and mediatory structures.

Collecting, analyzing and sharing the necessary information can be performed by information and analytical centers, which we recommend to create at research institutes, demand studying laboratories and computer centers. (Bogomolova? 2017) Carrying out functional diversification, the listed structures can expand the range of their activities through the additional collection and processing of primary information about the existing actors of the grain market (volumes and quality of marketable products, availability of containers for grain storage, price levels and tariffs, etc.), existing and possible changes in the conjuncture of particular regional, national and global markets in terms of specific types of grain both in the current year and in the planned periods.

Working in the field of providing this information to customers, the information centers will be able to promote multidimensional development of effective horizontal relations between the producers and consumers of the industry products allowing the latter to reduce the risks when developing competent tactics of behavior in the grain market. In addition, the information and analytical centers able to provide intermediary commercial services when organizing trade transactions for the purchase and sale of grain will have real chances to increase their competitiveness and achieve financial sustainability.

As a possible multiplicative effect of the increasing information support for the grain market development, we should note a significant potential growth in demand for marketing, leasing, consulting and other types of services, which is due to steady trends towards expansion and complication of the grain sales channels, emergence of various forms and formation of extensive links between the industries and enterprises (Alimkulova 2018; Razminienė, Tvaronavičienė 2018; Žižka et al. 2018).

We believe that in addition to state statistical agencies, this function can also be included in the duties of the information centers, dispatcher services, traffic control centers and other existing centralized, regional, intersectoral and highly specialized organizations of state and commercial ownership forms. At the same time, within the grain policy framework, the state should promote the creation of conditions for their formation, development and technical equipment.

The analysis made has confirmed that under the conditions of Kazakhstan grain market's multidimensional nature, the role of tools creation for advertising the production and sales activities has significantly increased. The need to use them is caused not so much by the significant distance between particular grain producers and consumers, but by the choice of simultaneously existing alternative conditions, forms and distribution channels for grain and its products, as well as dynamism of market changes in the industry.

Despite the fact that the modern grain market of Kazakhstan was formed under the conditions of state's role weakening in the transition of agriculture and enterprises of agro-industrial processing complex to market relations, stability and continuity of providing all regions and districts of the republic with grain, flour and bread should be noted as an obvious key achievement of the state policy in the field of market transformations. Today, the range of bread, bakery, pasta and flour confectionery products continues to expand and improve in accordance with the requirements of the country's food independence.

However, there are some actual problems that need to be solved. In particular, a significant reduction in the number of agricultural livestock in the country resulted in a decrease in demand for feed grain. Multidimensional pricing mechanisms have not been fully developed, and this often does not allow effectively regulating and maintaining the prices for grain and its products. The underdeveloped infrastructure of the grain market with the focus on its individual constituent parts does not allow forming a single effective economic system.

At the same time, the government has developed a correct idea about the formation of mutually beneficial economic relations between the grain producers and receiving enterprises allowing to ensure the stability of relationship between the grain producers and consumers to increase the grain market efficiency and promote its operational advancement, complete preservation of the quantitative and qualitative indicators and more rational use. Among the main elements of the effective infrastructure formation, we should emphasize the renewal of material and technical base for organizations engaged in the storage, processing and transportation of grain; improvement of the trading and procurement system engaged in the purchase and sale of grain; regulation of banking and insurance organizations providing the stability of financial activities by the economic entities of the grain market.

Conclusions. Summing up the analysis made, we conclude that the lack of government's attention to the development of economic relations between the grain producers and receiving enterprises at the stage of building the market relations resulted in a number of negative consequences in the industry market of the Republic of Kazakhstan. Violation of interbranch and intrabrand proportions, increase in the time needed to complete one operational trade cycle, substantial losses and inefficient use of grain contributed to an increase in material costs, decrease in competitiveness and slowdown in the development of the country's grain farming.

Under these conditions, the multifunctionality of the state policy and instruments of authorities' management influence on the further formation and development of production and market infrastructure under the deformation of the world market environment should be primarily directed at the formation of its missing elements. Despite the debates on the possibility of foreign experience direct adaptation, it is recommended to pay closer attention to the need for equal access to the infrastructure services for all market structures including ones ensuring storage and sales of marketable grain and performing marketing, information collection and processing functions under simultaneous compliance with the requirements of their economic interests' parity. Practical implementation of the developed recommendations can have a positive synergy and affect the growth of the Republic of Kazakhstan's grain and grain products competitiveness in the global industry market and constant process of economic globalization.

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