

Chapter 3

State Support of Agricultural Production in Emerging Countries as a Tool to Ensure Food Security

Marina Lescheva

Stavropol State Agrarian University, Russia

Anna Ivolga

Stavropol State Agrarian University, Russia

Oleksandr Labenko

National University of Life and Environmental Sciences of Ukraine, Ukraine

ABSTRACT

The chapter examines the practices of state support of agricultural production in various emerging economies in comparison with selected OECD countries. The aim of the research is to discover how agricultural protectionism and support of domestic farmers affect the level of food security on the emerging markets in the conditions of expanding globalization and liberalization of trade in food. The authors focus on the evaluation of the best practices of state support and discovery of opportunities of their utilization on the emerging markets. Content and mechanisms of state regulation are examined based on the data and evaluation methods obtained from the Organization for Economic Cooperation and Development (OECD). The authors find out that the system of state regulation is one of the key determinants of achieving food security in the conditions of turbulent emerging markets. Both the volume and priority directions of state support of agriculture are determined by financial capacities of emerging economies and current goals of their agrarian policies.

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INTRODUCTION

International experience of development of agriculture confirms that performance is only possible based on the effective state support. Bearing in mind special role of agricultural production in ensurance of food security and sustainable social and economic development, governments of the leading countries of the world forward substantial resources on the support of domestic agricultural producers, food market regulation, rural social programs, and environment protection. Such measures undertaken as much as possible by most every country affect domestic food markets, agricultural production, and food security.

While international trade in recent decades has been gradually liberalized, trade in agricultural products and food has remained among the ones most influenced by international regulations and national policies (Božić, Bogdanov, & Ševarlić, 2011). As of Markovic and Markovic (2014), agricultural protectionism is a part of the agricultural policy of almost every country. It is focused on the selection of measures of foreign trade and economic policies to achieve the protection of agricultural sector and domestic food market from foreign competition. In a broader dimension, protectionist policies in the form of state support of agricultural production are aimed at the development of sustainable food production, ensurance of food security of a country, and sustainable management of natural resources.

As of Erokhin, Ivolga, and Heijman (2014), developed countries implement a wide range of tools that affect the competitiveness of domestic farmers and food security both directly and indirectly. Such policies support the effective elimination of price disparity and growth of farmers' incomes. The off-loading of agricultural surpluses of developed countries on the world market brings down prices and creates disincentives for local producers in many developing countries where agriculture is the main source of livelihood for a major part of the population.

The case of emerging economies is different. In such countries, institutional reforms often lay behind the paces of economic growth and integration to the global market (Erokhin, 2015). Sustainability of domestic food market requires the development of institutions, but such institutional development can be extremely costly on emerging markets. In the early 1990s, due to the difficult economic situation, many emerging countries decreased the level of state support of agriculture and undertaken reductions in the protection of their domestic food markets, at considerable pain and effort, largely with a view to enhancing the supply of food products for their populations. Trade liberalization was successfully implemented in countries where this process was sustained for a long period. In the short run, trade liberalization as a way to increase food security is often painful and may be even damaging for emerging economies, which cannot compete against free trade. Liberalization froze state support and left emerging economies with very few policy instruments to protect themselves from food imports and to subsidize their agriculture.

Despite the certain progress in economic growth during the 2000-2010s, most of the emerging economies still fail to support domestic farmers on a level comparable with the developed states. In many cases, volumes of domestic support gained by farmers in emerging countries are tenfold lower than those in the developed states (Erokhin et al., 2014). Domestic production of basic agricultural products and food in many emerging countries, including such big agricultural producers as Russia, China, Brazil, India, and Argentina fails to meet demand. Providing the population with food in sufficient quantity and variety is a challenge, which includes a range of issues of food production, import dependence and export orientation of the food market, solvency and dietary patterns of the population. Many emerging economies have to rely on agricultural imports, leaving them vulnerable to global price fluctuations and affecting their export revenues, which tremendously threat food security of those nations.

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