

## Improvement of the economic mechanism of the structural policy of the state in the agricultural market

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**Abstract.** The problems on the improvement of the economic mechanism of the structural policy of the state in the agricultural market have been researched in the article. For this purpose, first of all, the research level of the problem have been viewed, the priority goals and duties have been determined. Structure of agricultural market, its mechanism of action, institutional basics, specific features of the agricultural market, the theoretical aspects, its regulation directions, the role of credit and financial mechanisms have been researched. The importance of regulating and improving the state policy regarding agricultural market has been substantiated. A group of proposals and recommendations have been provided on solution of the considered problems.

[Amrahov V.T. **Improvement of the economic mechanism of the structural policy of the state in the agricultural market.** *Life Sci J* 2014;11(10s):471-476] (ISSN:1097-8135). <http://www.lifesciencesite.com>. 90

**Keywords:** agricultural market, economy, agriculture, structure, state policy, food safety, credit and finance, JEL classifications: Q 10, Q 13, Q 18.

### Introduction

Ensuring dynamic development of agriculture is chiefly directed at raising specific weight of local production in the agricultural market and increasing its competitiveness. Being an essential structure in terms of the implementation of the agricultural products, agricultural market fulfils the formation of agricultural commodity producers' incomes, including exercise.

In the condition that globalization processes are deepened, increasing competitiveness of the production, along with other measures depends directly on the effective implementation of structural policy in the agricultural market.

Analysis shows that the competitiveness in the agricultural sector is closely connected with volume of investments in production areas. Thus, the competitiveness of the manufactured product can be achieved at the expense of increasing investments which may have a direct impact on ensuring stability in the agricultural market. Taking into account the above-mentioned, conducting researches towards the realization of structural policy in the agricultural market was outcome of objective necessity.

Problems associated with the implementation of structural policy in the agricultural market started to show themselves in an objective manner from the middle of transition to the market economic relations. A.F. Abbasov [1], B.H.Atashov [2], Z.A.Samadzada [3], I.H.Aliyev [4], S.V.Salahov [5] and others have touched upon various issues associated with the implementation of structural policy of the state. A.Smit [6], F.Kotler [7] A.L.Pustiyev [8],

T.A.Veblen [9], O.G. Williamson [10], T.Makkonel and F.Bryul [11], M.Porter [12], E. Toffler [13], Y.Welson [14], P.Samuelson [15] from the classical economists and contemporary foreign economists and others have conducted worthwhile researches in studying socio-economic problems of the agricultural market, as well as the various aspects of regulation of agricultural market and its structural policy in this area.

researches of the named economists-scientists on the regulation of agricultural market, stabilization of the level of prices, mechanism of implementing agricultural reforms, scientists, development of entrepreneurship, improving the financial-credit mechanism of agricultural market mentioned scientific on other directions particularly draw attention. Taking into account the aforesaid, the issues have been researched on a number of problems.

The purpose of the study is to research theoretical-methodological principles in the formation of agricultural market and the scientific-theoretical principles of the structural policy of the state, to analyze the current situation of agricultural market, to determine priority directions of structural policy of the agricultural market, to develop proposals and recommendations on the improvement of the economic mechanism of the structural policy in the agricultural market.

The following duties have been identified in accordance with these purposes:

- to research institutional principles of the formation of agricultural market;
- to research the mechanism of action and structure of the agricultural market;

- to determine the essence of agricultural market and its role in the development of agricultural economy;

- to research the impact of structural changes on the development of agricultural market;

- to determine the directions of improving the regulation of agricultural market;

- to determine the directions of improving the financial-credit mechanism on regulation of the structure of agricultural market;

- to develop proposals regarding the improvement of the price mechanism etc.

***Institutional principles of the formation of the agricultural market, its structure and mechanism of action.***

Market relations are among the directions of the formation of the economic system of society and they are characterized as special forms of the public relations. It should be noted that the relations of production reflect the system of objectively developing social and economic relations-connections which are established within the framework of the public production.

At all times when economic systems existed, the relations of production entirely acted as crucial component of that system.

In this regard, there are specific features in the various spheres of the economy. These characteristics are primarily related with the dependence of production on the natural-climatic factors in agriculture. Moreover, it is essential to pay attention to the mechanism of the formation of social and economic relations in the realization of agricultural products, as well as the essence and structure of the agricultural market. In general, the agricultural market reflects the totality of socio-economic relations between consumers and producers of agricultural products in the process of exchange, as well as in the field of material and technical resources, work and services and it chiefly sells and performs purchase and sale of commodities. The changes taking place in system of international relations in recent years, have led to the creation of institutional changes in the market system. In this regard, while the process of institutional changes taking place in the sphere of market relations, as well as in the agricultural market as its essential integral part of is analyzed, eventually, it is significant to pay attention to the theoretical and historical aspects of this process.

One of the founders of the theory of institutionalism T.Veblen reckons that in fact, the formation of institutionalism combines two factors that are closely interrelated with each other. The first of these combines the dominant

position of their ideas and thoughts in the lives of the members of the society and methods and means of reacting to the incentives existing in one form or another. Ultimately, this reacts to the changing circumstance of the productive forces existing in the society. In other words, from an economic point of view, the essence of institutionalism is closely linked with mastering of this and other value by wide layers of population. Furthermore, the totality of standards of behavior and social norms existing in the society also combines the essence and characteristic features of institutionalism. On the other hand, T.Veblen, in fact, supposes that the dominant position of public relations in the adaptation to this or other changing circumstance is noteworthy [9]. Although for modern neoinstitutionalist liberalization principles have more dominant position, they do not diminish role of the state in the formation of institutionalist structures. In general, institutionalist consider that giving preference to evolution-oriented changes in the formation and changing of the social and economic institutions in society as a whole would be more expedient. In O. Williamson's theory, first of all, views distinctive from the previously existed ideas and associated with the economic nature of the institutions are put forward.

He chiefly mentions the organization of contractual relations in the management of economic institutions and characterizes these relations as the primary mechanism of the economic institutions. From this point of view, minimizing separate transaction costs in economy in fact depends directly and totally on the organization the contractual relations [10].

***Theoretical aspects of agricultural market and its role in the economic development of the country.***

Globalization process is expanding with its full meaning in international relations system. One of the important features characterizing it is the reflection of free movement of commodities, services, capital and technology in itself. From this point of view, the priorities of development of countries' national economy is mainly determined by market economic relations.

In the opinion of American economist P.Kotler, the market is directed by existing potential commodity consumers [7]. K.Maconel and S.Brew consider that, the market as a whole, is the totality of existing relations system between the sellers and buyers of separate commodities and services. In fact, the above mentioned mechanism serves as a leading force of the market [11]. In the opinion of A.L.Pustiev the market reflects rapid circulation system of the capital in

itself and characterizes the aggregate of commodity-money system. The deepening of market labour division in the market, including the characteristic elements of demand and supply, not only covers exchange system, but also all the aspects of extensive reproduction process and at the same time directly influences to all the forms and results of production resources and human activity [8].

Agricultural market also performs a stabilizing function and first of all, this function is characterized by stabilization of prices of agricultural products. It is known that, sufficiently high price level ultimately leads to the limitation of demand for agricultural products in this or other way and it has a negative impact on the increase of sales volume [4].

The functions carried out by agricultural market play an important role in the formation of its structure. Agricultural market's structure is characterized by a number of criteria and reflects in itself the following:

- specialized markets: food markets, agricultural raw materials markets, material-technical resources markets, work and service markets etc;

- infrastructural institutions of agrarian market: economic-legal and credit-financial infrastructures, financial exchanges, insurance companies, consultancy-information services etc.

Researches show that, the market of specific product is not able to ensure a balance due to the following reasons:

- high number of producers. So, only one producer may slightly affect the total volume of production as a whole;

- existence of delays in the decisions made with regard to production process which is typical for commodity producers ;

- decisions adopted in relation to the production volume significantly impact on the current price levels;

- existence of the problems associated with the sale of products. Particularly, the problems occurred due to the high period of time related to the realization of perishable products lead to the emergence of income loss of manufacturers etc.

Modernization of the economy as well as provision of cost-effective activity in the sectoral and territorial structures of economy is considered to be one of the most important tasks standing before the government.

As it is known, transition to the market economic system results in liberalization of the economy. In this regard, the provision of diversification of the economic development and

the implementation of structural changes in the economy have turned into objective necessity. Structural policy of the government is carried out at macroeconomic and regional level. Structural policy reflects the following from macroeconomic point of view:

- optimization of sectoral structure, vouching for the implementation of progressive biased structural changes (the creation of favourable condition for the development of scientific production area, industrialization of the economy, application of advanced methods of scientific-technical modernization, qualitatively realization of supply of the economy with energy resources);

- expectation of optimality among the economic proportions;

- provision of priority development of scientific and technical spheres of the economy ;

- stimulation of development of the priority areas;

- ensuring access opportunities of highly competitive products to foreign market,

- provision of necessary support by the government to increasing the export of these products.

The macroeconomic regulation methods used in the realization of government's structural policy serves the formation of sustainable development of the economy by serving the provision of economic, technological, food, ecological and energy safety [5]. Government's structural policy at macroeconomic level combines in itself the issues on the realization of priorities of programming, normative-legal, protectionist measures, differentiated taxation, also public investment policy.

Another important aspect of realization of macroeconomic and regional structural policy is the formation of institutional market. Formation of institutional market mainly particularly reflects in itself the creation of suitable condition for implementation of the structural changes. In this case, the creation of differentiated investment climate on differential areas, regions and economic zones and increase of its attractiveness are put forward. Institutional oriented arrangements used in the realization of government's structural policy, were performed in USA, France, Sweden, Japan and Germany in the 30s of last century and it significantly affected the provision of sustainable development of the economy, the stimulation of flow of the investment resources into the low-income sectors of the economy. In this respect, the optimal application of above mentioned methods

associated with the realization of government's structural policy can play an important role in the provision of sustainable development of economy.

**The specific features of the agricultural market regulation and government's structural policy in this field.**

Agrarian market is a significant integral part of economic system and has a dominant position as a self-regulation process in its activity. It is necessary to take into account that agricultural and food products are realized in the market related to meeting the needs of population. Agricultural market regulation by the government is formed by the influence of several factors:

- sufficiently low competitive ability of agricultural production in agrarian market ;

- significantly dependence of production from natural and climatic conditions requires the formation and development of insurance funds in agriculture and this should be realized with regulatory measures carried out by the government. It should be pointed out that, other mechanisms to support of USA farmer prices are also used. So, the costs of government purpose are determined and that costs are paid to the farmers in the case of difference between market prices and collateral prices. The measures directed to the agrarian market regulation in Japan, are taken through the financial-loan intervention. This tool mainly serves the coordinational implementation of change in control system of food markets .

Generally, due to the significant dependence of Japan economy from import of energy carriers, the expansion of energy-intensive manufacturing process in the production of food products almost does not fit to the economic interests of this county in comparison with the other ones. Protectionism-oriented activities carried out in Japan in recent years, had significant impact on the assurance level of country with food products. Thus, the country meets the need for rice at 100%, the need for vegetable at 92%, need for meat products at 72%, need for fish products at 90% level. Also, the local market price of main type food products in this country gains the upper hand over the world market prices. So, the price of rice in the domestic market exceeds the world market prices about 8 times, market price of meat products 3 times and market price of dairy products prevails over the world market prices up to 40%. Specifically, average market price of main type food products is up to 12-20% higher than the world market prices. Generally, Japan is characterized by the high price of food products among the world countries. Specific gravity of expenditures incurred in food products in national

revenues of population is at the level of 19% in Japan. It should be taken into account that this indicator is 8% in USA and on average is equal to 17% in the countries of the European Union [15].

Studies show that the regulation mechanism of the agricultural markets in the EU countries is quiet common and the solitary agricultural policy in the Union countries serves to the following purposes:

- Increasing of productivity in the agriculture and enhancing of efficiency of use of the elements of the manufacturing capacity;

- Improving of the living conditions of the rural population and upgrading of the income in the agricultural sector up to the level of middle income;

- Stabilizing of prices in the agricultural markets;

- Improving of food supply, and etc.

Ensuring of sustainable development of the agriculture is considered as one of the key requirements for the food security of the country [2]. Sustainable development has specific economic mechanisms. Among them, the price mechanism is particularly prioritized. We can give the followings as examples for direct influence tools focused on regulation of prices in the agricultural market:

- Application of direct administrative influence tools to definition of prices;

- Regulation of the limits of the profitability level;

- Using of standards for definition of prices and of level indicators of prices; and

- Application of price declaration.

Among measures focused to regulation of prices, indirect methods of regulation of the prices are also very common. Such indirect methods may include the followings:

- Influencing on price levels through taxation system;

- Influencing on prices by levels of wages;

- Defining of priorities for the government loan policy;

- Using of customs system;

- Regulation of money circulation system, and etc.

**Improving of the mechanism of finance and loans of the structural regulation in the agricultural market.**

One of the key elements of the economic mechanism of the structural regulation in the agricultural market is improving of the finance and loan mechanism. From this perspective, both the agricultural production that forms the financial foundation for the agricultural market and stimulation of the demand of population with purchasing power as the following key element of

the agricultural market must be implemented exclusively through financial and loan resources.

The experiences of developed countries show that currently the measures focused on improvement of the finance and loan mechanism of the structural regulation in the agricultural market are similar to all institutional structures of the functions and methods of the institutional-financial regulation of entrepreneurship in many cases. Surely, these ultimately also play an important role in realizing of the commercial activity of various entities irrespective of ownership for. In realizing of the measures focused on improvement of the finance and loan mechanism of the structural regulation in the agricultural market, we should first of all take into account the agrarian industrial complex, including the specific properties of the agricultural production as its key element.

Improvement of the loan mechanism of the structural regulation of the agrarian market is also important in the structural reforms in the spheres which are in interaction with the agriculture. Generally, the key objective of the structural reforms is to eliminate structural disproportions in the spheres establishing the agrarian market. Analyzes show that the disproportions currently existing in the structure of the agrarian sector may include the followings:

Deformation of the technological structure of manufacturing;

Wear and tear and obsolescence of available technology;

Poor technical level of manufacturing and poor quality of manufactured products;

Inability of the manufactured products to endure in the current market competition of the world; and

Presence of negative trends in the regional structure of economy.

By providing favorable conditions for implementation of social and economic changes in the agrarian sector as well, the improvement of the finance and loan mechanism of the structural regulation of the agrarian market has the following properties:

Ensuring of a development strategy focused on increasing of efficiency related to agricultural manufacturing;

Providing financial contributions for the formation of a broad reproduction and market infrastructure; and

Increasing of the government support to agricultural manufacturing and ensuring of differentiation in this sphere.

During the improvement of the finance and loan mechanism of the structural regulation of

the agrarian markets, definition of priority spheres, especially ensuring of the food security of the country must be prioritized [2]. From this point of view, the following measures may be important:

Improving of the financial and technical capacity of cattle-breeding and granting loans to this sphere to provide favorable conditions to manufacturing of food-stuffs as well as partly compensating of the value of the investment processes related to cattle-breeding and poultry factories by the governments;

Financing of measures focused on ensuring financial and technical capacities of seed-growing and vegetable-growing farms and providing them with fruitful seed sorts; Partial compensation of the values of financial and technical resources and breeding cattle used by agricultural goods manufacturers by the governments;

Providing necessary government support to ensure favorable conditions to manufacturing of perennial plants in the country;

Seasonal partial establishment of the financial and technical resources and their reserves;

Drafting and implementing of purposeful financing programs at the regional level;

Producing of a privileged taxation system in the entities that are parties to financial-industrial groups;

Producing of advanced technologies to agricultural and manufacturing entities; and

Development of the agrarian market infrastructure and improving of the system of procurement and transportation of food products at the expenses of governmental and regional foundations.

## Conclusions

The agrarian market formed as a result of realization of the market relations in the agrarian sector has an important role in development of the agrarian industrial sphere of the country. Studies conducted in relation to agrarian markets provides necessary grounds to state that the agrarian market mechanism is unable to meet the strategic interests in terms of the food security of the country completely, despite it has a key role in development of the agrarian sector. It is the case for both the microeconomic and macroeconomic levels. Taking into account the researches, we may include the followings to the priorities of improvement of the economic mechanism of the structural policy of the agrarian market:

Providing of governmental financial support to the agricultural and manufacturing spheres that are unable to meet the demand of the agrarian

market at the expense of the domestic production, but play important roles in the food security of the country, in addition to other spheres.

Subsidizing of the plant-growing and cattle-breeding spheres that have the property of limiting the reproduction process at the expenses of their income level, and partly compensating the expenses spent to manufacturing;

Providing financial support to agricultural entities implementing structural reformation and retraining according to the demand of the agrarian market;

Increasing of capital investments in establishing of manufacturing and market infrastructures in the agriculture;

Constantly regulating the ratio between the purchasing power, which is one of the key indicators governing an efficient operation of the agrarian market, and the prices of food products;

Implementing a privileged loan system for the manufacturers of agricultural products, especially producing of a differential approach in terms of self-financing of the funds directed to manufacturing of goods in determining both loan interests and the reimbursement period of the loans and of the level of providing the manufacturing zones with resource capacity;

In order to stimulate joining of the manufacturers of agricultural goods cooperatively, providing privileged loans to their cooperatives, and granting one time financial aids to newly established cooperatives;

Improving of the supply system of the agricultural product manufacturers with financial and technical resources: increasing of lease and mortgage of technical resources, and taking into account the economic interests of the manufacturers in this process;

In order to stimulate manufacturing of competitive and organic products, producing of systems for procurement of more quality goods by the government, and etc.

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6/12/2014