

PROBLEMS FACED IN THE AGRO-FOOD SYSTEM OF THE REPUBLIC OF ARTSAKH AND MECHANISMS FOR THEIR SOLUTION

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Key words: agri-food system, economic policy, problems of the economy, industry, enterprises

Introduction. The agri-food system is a sector that ensures the long-term development of agriculture, contributes to the stabilization of the real sector of the economy and creates added value¹. The formation of this branch is extremely important for increasing the level of food self-sufficiency of the country, and in neutralizing the threats that have arisen, based on the threat of the blockade, it is of strategic importance for the Republic of Artsakh. Every country should have its own economic policy, one of the main guarantees of which is to classify desirable imports from undesirable ones. In this context, it is a mandatory condition to create the most favorable conditions for the expansion and development of local production thanks to competent state support. At the same time, the state, along with the role of the main supporter, should also be the main demander through the use of appropriate mechanisms, so that the support programs provided in the field of agro-processing are a mandatory condition in terms of increasing the competitiveness of local production. It is necessary that local products in terms of competitiveness are at least as good as imported ones. If the above-mentioned tasks are implemented, it is possible to register qualitative results and a highly competitive agri-food system in the field of agro-processing in the Republic of Artsakh.

Methodology. The purpose of the article is to study and highlight the problems faced in the agri-food system of the Republic of Artsakh and the mechanisms for their solution. The research was based on qualitative and fundamental analyses carried out in the field of agro-processing.

Literature review. The blockade in the Republic of Artsakh indicates that in order to solve the problems of food security, a sharp revision of the existing policy in the agri-food system is mandatory. All that implies the following:

1. Sharply reduce the dependence of the economy on imports and, based on the threats of the blockade, significantly increase the volume of food production.
2. From the point of view of increasing the production potential of processing organizations, increasing the level of technological saturation and profitability indicators, it is highly desirable to provide targeted support continuously.

¹ Bocconi University, Challenges of Agribusiness Management www.coursera.org

Scientific novelty. In order to mitigate the socio-economic consequences of the geopolitical and military-political challenges facing the Republic of Artsakh to a certain extent and to avoid a total economic crisis, it is necessary to create the prerequisites of a closed cycle economy. The agro-processing sector is actually one of the main pillars of the closed cyclical economy. In the current situation, an important circumstance is the availability and targeted use of special toolkit in parallel with the general state toolkit. Among the measures carried out through a special toolkit, we can include the provision of tax and credit privileges, the introduction of easy lending mechanisms and the provision of state guarantees for business lending instead of collateral based on the specific sectors defined by the priority of state policy. In terms of the implementation of business projects, it is important to provide subsidies, applied support related to information and business programs. It would be highly desirable to provide assistance at the state policy level for the proper presentation of local products in large and chain stores, as well as the implementation of other necessary measures arising from the situation. Based on the peculiarities of the agro-processing sector, the support can include the in-kind provision of production equipment to the beneficiaries in exchange for financial lease. The above-mentioned measures will make it possible to establish a minimum and maximum price limit for agricultural products through emphasized state support and special economic and legal instruments. This policy will be an incentive in terms of curbing speculative inflation and preventing unfair competition through possible dumping.

Analysis. The difficult situation created in the field of agriculture in post-war Artsakh directly has its negative impact from the point of view of the continuous supply of raw materials in the field of agro-processing. The insufficient volumes of raw materials resulting from the war create additional difficulties in the production process, particularly due to forced imports in terms of quality raw materials and production costs. From the point of view of significant mitigation of the problem, the goal is to provide additional loans so that producers have the opportunity to make purchases at affordable prices during the agricultural season, which will positively affect the formation of the cost of production. As in other branches of the economy, as well as in the agro-processing segment, one of the most frequently encountered problems can be classified as the pronounced lack of qualified labor force. This picture exists in parallel both from the point of view of low-skilled jobs and narrow specializations.

One of the tools for activating the real sector of the economy and increasing the attractiveness of investment in any branch in particular is the significant increase in credit volumes provided to that sector. From the point of view of increasing the efficiency of lending to agriculture at the state level, when granting a loan on preferential terms, it is advisable to give preference to areas of primary importance and contributing to food security, determined by state policy. However, this model may cause certain problems between the sectors of primary importance and the sectors preferred by busi-

nessmen to engage in entrepreneurial activities, depending on the levels of profitability and labor intensity. It is extremely important that both in the case of business loans and in the case of leasing, lending should be on such terms that would allow the repayment of the loan to begin after the start of the production process, taking into account the fact that a certain period of time is required from obtaining a loan to the start of the production stage to complete construction and technical work.

A large part of the gross output in the agri-food sector of the Republic of Artsakh is produced on a domestic basis by households and individuals, which, unlike agro-processing enterprises, do not submit a report on production volumes. It should be noted that a significant part of Artsakh entrepreneurs do not have sufficient knowledge about modern entrepreneurship, but they fully own their activities and the segments where they present relevant products. The use of mini-workshops in a modular way can significantly contribute to the activation of micro-business in the agri-food system. In contrast to traditional construction, the application of the modular model makes it possible to obtain technologically equipped ready-made mobile workshops [Baghryan, 2022, 8]. This will help manufacturers of agro-processing products, especially at home, to enter the market with more competitive professional-level products instead of amateur ones.

The lion's share of exports of agro-processed products produced in the Republic of Artsakh is sold on the Russian market, however, based on foreign political factors, the further economic policy of the Russian Federation and the issue of ruble appreciation are still uncertain. Foreign exchange risks in the export value chain create additional difficulties, particularly from the point of view of financial planning and actual gross revenue generation.

One of the main problems of the economy of Artsakh is the incomplete use of export potential. In this context, the provision of financial and organizational technical support for participation in exhibitions, expos and export-oriented events is an important circumstance. It is particularly important that agro-processing organizations also review their participation tactics in exhibitions and business forums. The role of the main goals should be not just participation with the implementation of certain additional sales, but also the formation of tangible results due to economic cooperation. From the point of view of assessing and consistently improving the effectiveness of the state assistance provided, it is highly desirable that the economic entities that are beneficiaries of the program, in the form of relevant reports, provide information on contracts concluded, practical agreements reached, actual positioning opportunities in new markets and sales volumes. Pan-Armenian business clubs have significant potential in terms of promoting the export of local products within the framework of cooperation between the state and the private sector. Such structures are not only a platform for creating business relations, but also an opportunity to form new markets, to position ourselves in foreign Armenian markets, as well as to overcome numerous market obstacles with limited production and

financial resources. This approach actually provides an opportunity for unrecognized countries to overcome obstacles in the export value chain through informal economic diplomacy.

The number of challenges facing the agri-food system includes the frequency of suspension of production among enterprises operating in the given segment. Therefore, one of the primary tasks of the state support provided to this sector should be the continuous provision of expanded reproduction in the agro-processing branch.

In order to get acquainted with the problems of agro-processing enterprises at the state level and develop realistic support packages, it is necessary to organize frequent round-table discussions, which will also allow taking into account the points of view of the business environment in comprehensive studies.

Taking into account the above factors, it can be concluded that for qualitative changes in the agro-food system, it is necessary to have an appropriate policy at the conceptual level. The conceptual approach will provide an opportunity to ensure the complex substantive development of the given branch. One of the main issues should be to promote a sharp increase in the level of food security at the expense of internal potential. Being on the agenda of food self-sufficiency in the Republic of Artsakh requires the presence of an appropriate infrastructure base (refrigeration farms, large raw material warehouses, laboratories, necessary specialized organizations as well as other supporting and service infrastructures) to consolidate the possibilities of agro-processing organizations in the event of a total blockade scenario. At the same time, mutual complementarity through the food and energy sectors is of no less importance. The intensive use of renewable energy in the production chain will contribute to the basic needs and their continuous supply to the population. In the real sector, the use of electric vehicles instead of traditional vehicles is of paramount importance in removing logistical barriers in the event of a complete blockade due to lack of fuel, the impossibility of import and the need for strictly targeted use.

Conclusion. The agro-processing sector is considered one of the main sectors contributing to the sustainable development of both the food industry and agriculture. The agri-food system in the Republic of Artsakh is under development and can be a catalyst for a significant increase in local production. When looking at the agro-processing industry in the Republic of Artsakh, it is extremely important to consider the fact that the majority of these organizations are SMEs. Therefore, the fact that the SME branch is considered one of the relatively more established sectors of the Artsakh economy is worthy of attention, but mostly due to inertial growth.

Thus, due to the current economic situation, in case of application of competent management approaches, there are all preconditions to ensure mutual complementarity between the branches of agriculture and industry.

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Due to the threats of blockade of the Republic of Artsakh, the importance of food self-sufficiency was presented, based on the features of the closed cycle economy. From the point of view of the activation of the agri-food sector, the importance of having special toolkit in parallel with the general state toolkit in terms of promoting local production was emphasized. Having studied the problems formed in the agro-processing branch, appropriate solutions were proposed regarding the effectiveness of credit policy, the increase of production potential, the use of the latest technologies in the private sector, and the neutralization of factors hindering the competitiveness of domestic production. Based on the specifics of the sector, the mechanisms of comprehensive research were emphasized in order to make the provided support more targeted. From the point of view of achieving qualitative results in the proposed changes, the importance of developing and implementing the appropriate concept was justified.