IMPORT SUBSTITUTION INDUSTRIALIZATION IN AGRO-INDUSTRIAL SECTOR AND POULTRY PRODUCT SUBCOMPLEX UNDER SANCTIONS

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Abstract. In article the impact of sanctions and counter-sanctions on food products and also possible ways to address the issue of self-sufficiency are considered. The imposition of an embargo, in fact, provided benchmark of development of the Russian economy, and, in particular, agro-industrial sector. This benchmark is import substitution industrialization (ISI). The government of the Russian Federation has taken a plan of action which included amendment of legal acts governing agro-industrial sector. However, existing expertise of food embargoes shows that condition is important but insufficient for rational ISI. Using data from Russia and Sverdlovsk oblast, this article argues that, in general, national situation gives cause for concern for a number of reasons, and basically due to a feature of agricultural sector, leading to its rigidities and impossibility of rapid production increase. However, the author asserts that task of ISI of some agricultural products, in particular, poultry products is progressing positively in selected areas, for example, in Sverdlovsk oblast. In this climate commitment to ISI became a natural reaction to action of the U.S. and some other countries. And it was well received by enterprises of poultry product subcomplex of Sverdlovsk oblast (the producers of agriculture and food just enhanced their status). It is necessary to adjust program of the State's regulation of agro-industrial sector to successfully implement the ISI policy under economic sanctions.

Keywords: sanctions, import substitution industrialization, poultry product subcomplex.

Economic activity of poultry-breeding enterprises in all forms and development of poultry farming are complicated by the numerous risks and, first of all, overdependence on external factors among them [1]. The extent of the changes taking place is accompanied by the radical change of institutions, methods, forms and technologies of economic regulation. Thus, it is necessary to monitor and analyse in depth of ever-changing conditions and factors of cyclical development of the economy.

An embargo on food products (which has already been immediated in 2014) that involves the ban on the import of a number of agricultural products, raw material and products from the EU, U.S. Canada, Australia, Norway and some other countries into the Russian Federation, is still in effect. It's about countries that imposed economic sanctions against Russian legal persons and individuals. In addition, prohibitory measures (previously imposed by Russia in 2015) against a number of agricultural products (veterinary and phytosanitary measures) from, in general, the EU (products of pig farming) and from individual countries (for example, suppliers of milk and horticultural products from Poland) has been under Russian embargo.

With the first 'steps' of embargo really didn't influence Russia's agricultural import, though export has increased significantly. However, in relative terms, agricultural import dependence of Russia virtually unchanged. General developments in export-import relationship of Russia have played a role under the influence of cheaper export of oil and gas and ruble devaluation.

The situation has changed over time. For example, Russian meat import dropped by 28% and poultry import respectively by 50-70% in kind in January-July 2016 in comparison with the same period in 2015 [4]. However, there is rigidities and impossibility of rapid production increase of agriculture because of its features (see the table). The development of production a number of main agricultural products has horizontal trend for the whole country.

Table 1. Production of a number of agricultural products in Russia (on average for the year / million tons)

Food products	*2011-2014*	*2015*	*2016*	*2020 (forecast)*
Vegetables	14,9	15,0	15,1	16,2
Cattle and poultry to slaughter (dressed weight)	8,3	9,2	9,3	9,7
Milk	31,2	30,6	31,5	38,2
Eggs, billion	41,6	41,3	42,0	42,0

The imposition of an embargo, in fact, provided benchmark of development of the Russian economy, and, in particular, agro-industrial sector. This benchmark is import substitution industrialization (ISI). The government of the Russian Federation has taken a plan of action which included amendment of legal acts governing agro-industrial sector. The goal of reaching the Government program aimed at development of agriculture and regulation of markets for agricultural products, raw material and products for 2013-2020 is to accelerate ISI regarding meat (pork, poultry, cattle) [2] and other agricultural products.

1416,3 million eggs have been produced by 01.01.2017, 25,8 million or 1,9% more than by the same period of 2015 as part of the implementation of the Sverdlovsk oblast government's program on development of agro-industrial sector and consumer market of Sverdlovsk oblast up to 2020 [6].

Consumption of eggs representing more than 100,0%, with per capita production 333 eggs and with consumption per capita 296 eggs in Sverdlovsk oblast. Consumption of poultry representing more 70,0%, with per capita production 23,8 kg and with calculated consumption per capita 30,0 kg [6].

139, 6 thousand tons of poultry have been produced by 01.01.2017, 7,3 thousand tons or 5,5 % more than by 2015 as the area of poultry production for meat consumption in this Oblast [6].

A leading enterprise among poultry factories for meat consumption is OAO (open joint-stock company) Reftinskaya poultry farming plant that has produced 50,5% of the total production of poultry among agricultural enterprises of Sverdlovsk Oblast.

70,5 thousand tons of poultry have been produced by 01.01.2017, 0,1 thousand tons or 0,1% more than by the same period 2015 [6].

Implementation of production of brood animals is quite vast all over the country. There is export to Kazakhstan, Uzbekistan, Tajikistan, and Mongolia apart from more than 50 enterprises in the Russian Federation. Belarus recently started cooperating, and there is cooperation with the People's Republic of China in the plans.

OOO (private limited company) PPR Sverdlovsky (brood poultry farming plant) was granted the status of breeding and genetic centre of the crossing of the 'Hisex Brown' in Sverdlovsk Oblast in September 2016. This enterprise includes the crossing of the 'Hisex White', 'Dekalb White' [6].

Based on the above, it may be noted that the task of ISI of poultry products is progressing positively in Sverdlovsk oblast.

In this climate commitment to ISI became a natural reaction to action of the U.S. and some other countries. And it was well received by enterprises of poultry product subcomplex of Sverdlovsk oblast (the producers of agriculture and food just enhanced their status).

In general, the situation is more complex in Russia. Galina Bobyleva, director-general of NO Rosptitseprom and PhD in economics, noticed that there is import to Siberia and the Far East because of its impossibility of self-sufficiency. There is not import to Belgorod because of development of production of pork, beef and poultry in large agricultural corporate groups. Galina also showed the reason of ensure balance of markets. It is time to develop poultry farming in Siberia and in the Far East. But there are not investment projects in these territories, therefore well-developed logistics will allow to reduce import [5].

Vladimir Fisinin, NO Rosptitsesyuz president, director of Russian Research Technological Institute of Poultry Farming (VNITIP), member of the Academy of Sciences, PhD in agricultural science believes that it is necessary to have independence in such strategic sectors. ISI won't be able to be implemented over a one-year period because 60% of brood herd, vaccine, vitamins and enzymes of poultry farming are imported [5].

Production shouldn't begin with the end of technological chain. Meat is the final product. A lot of poultry farming plants didn't have their own organizations for artificial breeding and hatching eggs were being imported from abroad. A lot of organizations for artificial breeding are under construction now. Despite sanctions, for example, Belgorod has endowment of eggs. Thus, it is necessary to realise full production cycle, including hatching eggs and herd [5].

It is necessary to address data of the Federal State Statistics Service to estimate intermediate results of ISI in poultry product subcomplex in the Russian Federation.

The import share in commodities of poultry, including giblets, was 10,1% during the period from January to June 2015, and only 4,5% during the same period in 2016. That is, the import share almost doubled declined. This is most evident in data of the Federal State Statistics Service in the consolidated balance of food resources (meat, meat products and poultry) [2].

Import of meat and meat products into the Russian Federation (1321 thousand) comprised 12,4% of the total food resources. That is, import was 69,7% of total import level in 2015 (declined by 32,3%). Production of meat and meat products (9573 thousand in 2016) increased by only 4,4% compared to 2015 in the Russian Federation. The total resources of meat and meat products, as a result, was 98,9% (of the 2015 level) declined by 2,6% in 2016. The share of domestic food production in the total in commodities (of domestic meat and meat products production) increased from 77,2% (in 2015) to 82,5% (in 2016) because of the significant decrease in import in 2016. This is, the value of the indicator under consideration was 85% (as the criterion of food

security). But decrease in food resources of meat and meat products caused the lower consumption that was 97,7% in 2016 (of the 2015 level) [2]. Moreover, according to data of Sverdlovskstat, there was the decline in real cash income by 5,8% (of the population of Sverdlovsk oblast) in the same period of time.

Increase in the proportion of products under consideration in the total in commodities of domestic market shows reinforcing the food independence of the Russian Federation (as a component of food security).

But there are a number of circumstances that are necessary to strengthen food security.

1. Physical and economic accessibility of production to the population. It is used to describe the opportunity to consume food items at a level below the rational norms (if there are food products in a specific area). The above statistical information for 2016 shows the reduced physical availability of food products to the population of the country.

2. Strengthening of independence of domestic agro-industrial sector from import of logistical resources.

3. Increase of purchasing power of the population.

Thus, to successfully implement ISI under economic sanctions, it is necessary to accelerate updating legislation according to a plan of action taken by the Government; to change State's regulation of agro-industrial sector (in a way that it will contribute to achieving ISI and ensure physical accessibility of food products to the population); to develop a strategy to strengthening of independence of domestic agro-industrial sector from import of logistical resources which are used in agricultural production; to develop export of products of poultry farming.

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