Agricultural Market Development: Trends and Prospects

Ivan Alekseevich Minakov, Alexander Valerievich Nikitin

Abstract: The present article considers the economic situation in the agri-food market: competition, supply that is formed by national production, import and export of products, producer and consumer prices, and government regulation of the market. In the structure of commodity resources, a considerable share of certain types of products (fruits, vegetables, and milk and dairy products) is imported, which improves the competition in the national market. The formation of commodity resources at the expense of the national production has been considered. The parameters for developing the agricultural sectors that provide import substitution in the agri-food market have been calculated. The areas of improving the production (concentration of commodity production in agricultural organizations and farms, transferring industries to the innovative development, modernizing the existing production facilities, building new modern facilities, improving state support) and efficiency of the commercial activity (market segmentation, positioning of goods, creation of marketing services in large agricultural organizations (agricultural holdings, agricultural firms) and processing enterprises, production and marketing, and supply structures (agricultural formations, unions (associations), consumer marketing (trade) cooperatives, consumer communities) have been grounded.

Keywords: market, competition, demand, supply, price, marketing, production and marketing organizations, Russia.

I. INTRODUCTION

The solution to the food problem in the Russian Federation largely depends on the formation and development of the agri-food market that is a system of socio-economic relations on exchanging agricultural raw materials, food and resources, and ensuring reproduction in the agro-industrial complex (AIC). It directs producers on manufacturing agricultural products and food demanded by buyers, ensures the efficient allocation of material and technical resources, helps to improve the competitiveness of agricultural enterprises, and meets the consumers’ needs in raw materials and food. Production costs are reimbursed, profit is earned by each adequately working producer, incentives are created for reducing costs, and the quality of products is improved by means of the market [1].

The agri-food market has certain features influencing the production and commercial activity of producers:

- Dependence of production volumes, and, consequently, the supply of agricultural products on natural and climatic conditions,
- Guaranteed demand for food and agricultural products because they are demanded by the population every day to meet urgent needs,
- Demand for food almost does not respond to price changes,
- Seasonal fluctuation in the supply of agricultural products, which is associated with the peculiarities of agricultural production,
- Fluctuation of prices for agricultural products during the calendar year, which is due to its uneven supply,
- A lot of perishable products; this increases the need in storage facilities and their sale in a very short time,
- Involving intermediaries to sell agricultural products in cities, which reduces the producers’ income, and
- State regulation of prices in the agri-food market, taking into account the solvent demand of the population [2].

When organizing production and commercial activities, it is necessary to take into account the above features of the agri-food market and to use new approaches in promoting agricultural products and food from producer to consumer. The efficiency of agricultural production is determined by the commercial activity of producers. The underdeveloped market infrastructure and the existing economic mechanism do not allow timely and loss-free selling of products. Under these conditions, the relevance of studies related to selling agricultural products and food based on the agri-food market development is growing.

II. METHODS

A. General description

When studying the issues on organizing commercial activities on the agri-food market, the data of the Federal State Statistics Service and the Ministry of Agriculture of the Russian Federation, articles from Russian and foreign periodicals were used.

B. Algorithm

The monographic, statistical-economic, calculation-constructive, abstract-logical and other methods were used during the study. The statistical-economic method makes it possible to comprehensively characterize the phenomenon under study by means of massive digital data. That is why it was used to analyze the state and trends of the agri-food market development and efficiency. The monographic method makes it possible to study certain units of the totality that are rather typical for characterizing the phenomenon under study. This method was used to study the activities of producers displaying high economic results. The calculation-constructive method determines how to solve the problem in the future.
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It was used to substantiate the development of the agricultural and food market in the future in order to solve the food problem.

III. RESULTS

The economic situation in the agricultural and food market is characterized by competition, supply and demand, prices, and sales.

On the agri-food market, perfect (pure) and monopolistic competitions dominate. In case of perfect competition, each participant has little impact on the market, and has to adapt to market conditions. On such market products are sold at the current market price, and in order to earn the maximum profit, the producer must reduce production costs by improving the products.

The agricultural market is characterized by perfect competition: there are a lot of small and medium-sized producers that sell a standardized product (grain, vegetables, sunflower seeds, etc.), and prices are determined by the supply and demand.

Monopolistic competition is characterized by many enterprises in the market that manufacture differentiated products. In case of differentiation, the product is given unique properties, and as a result, customers prefer products of one manufacturer to another. In this case, the manufacturer acquires a limited monopoly and can somehow influence the price [3].

To a certain extent, the food market is characterized by the monopolistic competition. In this market there are products that considerably differ in their quality, packaging, and trademark (cheese, butter, sausage, etc.). Manufacturing a differentiated product, agro-industrial enterprises can set the price independently. Manufacturers have a limited control over the price because their sales are small [4].

In the agri-food market, there is intra- and interindustry competition. The intraindustry competition is a rivalry between the entrepreneurs involved in the pro-duction and sale of the same products, i.e., related to one industry. In order to conquer the market and stimulate the consumer to purchase products, the company must sell it at lower prices. This is possible only subject to reducing production costs and selling products, which is achieved by improving technics, technology, and organization of production. It is as important to use the nonprice competition techniques (product quality control, packaging, advertising, etc.). As a result of the intra-industry competition, weak, technically backward enterprises with high pro-duction costs are gradually forced out from the market, and this stimulates the development of scientific and technological progress.

The intersectoral competition takes place between entrepreneurs of various industries. As a result, the capital and other resources are allocated taking into ac-count the rate of return achieved in various industries. The outflow of capital from industries with a low rate of return causes their reduction. As a result, the supply of goods in this industry is decreased on the market. The intersectoral competition contributes to the redistribution of production resources between sectors and there-by ensures the structural restructuring of the AIC economy.

In the agri-food market, the supply is determined by the amount of agricultural production and food, as well as import and export. The current state policy allowed improving the production of many types of agricultural and food products (Table 1). From 2000 and 2018, the grain production had increased from 65.5 up to 113.3 mln t, or by 72.9 %, sunflower – from 3.9 up to 12.8 mln t, or 3.3 times, sugar beets – from 14.1 up to 42.1 mln t, or three times, livestock and poultry for slaughter (live weight) – from 7.0 up to 14.9 mln t, or 2.1 times, sugar – from 1.2 up to 8.0 mln t, or 6.5 times, meat – from 1.2 up to 7.8 mln t, or 6.5 times. However, for some types of products there is a decline in production. During the period under consideration, the potato production had decreased from 29.0 down to 22.4 mln t, or by 22.8 %, milk – from 32.9 down to 5.0 mln t, or by 7.0 %, oil – from 9.0 down to 5.1 mln t, or by 43.3 %, and flour – from 12.1 to 9.4 mln t, or by 22.3 %.

Table 1: Manufacture of Major Types of Agricultural Products in Russia.

<table>
<thead>
<tr>
<th>Type of products</th>
<th>2000</th>
<th>2010</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grain, mln t</td>
<td>65.5</td>
<td>61.0</td>
<td>104.7</td>
<td>120.7</td>
<td>135.5</td>
<td>113.3</td>
</tr>
<tr>
<td>Sunflower, mln t</td>
<td>3.9</td>
<td>5.3</td>
<td>9.9</td>
<td>11.8</td>
<td>11.3</td>
<td>12.8</td>
</tr>
<tr>
<td>Sugar-beet, mln t</td>
<td>14.1</td>
<td>22.3</td>
<td>39.0</td>
<td>51.3</td>
<td>51.9</td>
<td>42.1</td>
</tr>
<tr>
<td>Potatoes, mln t</td>
<td>29</td>
<td>21.1</td>
<td>25.4</td>
<td>22.5</td>
<td>21.7</td>
<td>22.4</td>
</tr>
<tr>
<td>Vegetables, mln t</td>
<td>11.4</td>
<td>13.3</td>
<td>13.2</td>
<td>13.7</td>
<td>13.6</td>
<td>13.7</td>
</tr>
<tr>
<td>Fruits, mln t</td>
<td>2.7</td>
<td>2.2</td>
<td>3.2</td>
<td>3.7</td>
<td>3.3</td>
<td>3.9</td>
</tr>
<tr>
<td>Milk, mln t</td>
<td>32.9</td>
<td>31.5</td>
<td>29.9</td>
<td>29.8</td>
<td>30.2</td>
<td>30.6</td>
</tr>
<tr>
<td>Cattle and poultry for slaughter (live weight), mln t</td>
<td>7.0</td>
<td>10.6</td>
<td>13.6</td>
<td>14.0</td>
<td>14.3</td>
<td>14.9</td>
</tr>
<tr>
<td>Eggs, bln. pcs.</td>
<td>3.1</td>
<td>3.3</td>
<td>4.7</td>
<td>5.8</td>
<td>6.7</td>
<td>6.3</td>
</tr>
<tr>
<td>Oil, mln t</td>
<td>9.0</td>
<td>7.1</td>
<td>4.7</td>
<td>5.3</td>
<td>5.8</td>
<td>5.1</td>
</tr>
<tr>
<td>Sugar, mln t</td>
<td>1.4</td>
<td>3.1</td>
<td>4.7</td>
<td>5.8</td>
<td>6.7</td>
<td>6.3</td>
</tr>
<tr>
<td>Flour, mln t</td>
<td>12.1</td>
<td>9.8</td>
<td>9.9</td>
<td>9.7</td>
<td>9.2</td>
<td>9.4</td>
</tr>
</tbody>
</table>

Far from all manufactured agricultural products enter the agri-food market. Their part is used for the industrial (seeds, feed) and personal consumption, by-passing the exchange. The highest level of marketability of production is observed for sugar beets (98.2 %), livestock and poultry (89.6 %), grain (84.4 %), sunflower seeds (82.7 %), and the smallest one – for potatoes (30.5 %), fruits (40.7 %), and vegetables (46.4 %).

The marketability of agricultural production varies depending on the category of farms. In agricultural organizations and farms there is high volume production. The main task of these farms is to produce and sell products for profit. A low level of production marketability is observed in private households where the products are mainly grown for own consumption and only

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their surpluses are sup-plied to the agri-food market.

The growth of national production caused the import substitution of certain types of products on the agri-food market, which substantiated the import reduction (Table 2). At the same time, for some types of products, the food problem is solved by import. The import of milk (from 4.7 up to 7.1 mln t) and fruits (from 2.7 up to 6.7 mln t) sharply rose.

In 2017, the import of food products and agricultural raw materials amounted to $28.8 billion, or increased by 15.1 % as compared to 2016. In the commodity structure of import, the share of food products and agricultural raw materials was 12.7 %. In the structure of agricultural import fruits (16.2 %), meat and meat products (9.3 %), dairy products (8.3 %), and vegetables (6.2 %) predominate in value terms.

However, despite a considerable share of imported products in the national market, it was impossible to meet the needs of the population in certain types of food. For example, the actual consumption of fruit per capita was 59 kg per year with the recommended standard of 100 kg, and vegetables – 107 kg and 140 kg, milk and dairy products – 231 kg and 325 kg, respectively.

In order to solve the problem of providing the country’s population with fruit and berry products based on the import substitution, it is necessary to increase the gross harvest of fruits by 3.4 mln t, including fruits and berries – by 3.1 mln t, or almost twice as compared with the achieved production, and it is necessary to increase the area of orchards and berry beds from 517 up to 690 thous. ha, including the yielding ones – from 405 up to 560 thous. ha. Despite the fact that the indicators of the State Planting Program are exceeded (for 2013 – 2017, 61.5 thous. ha had been actually planted with field vegetables), their surpluses are supplied to the agri-food market.

In order to meet the consumer demand in vegetable products, it is necessary to increase the production of vegetables and gourds from 15.4 up to 23.2 mln t, or by 50.6 %, including open-field vegetables – from 16.4 up to 18.1 mln t, or by 10.4 %, vegetables of protected ground – from 1.7 up to 2.9 mln t, or 1.7 times, gourds – 1.7 up to 2.2 mln t, or by 29.7 %.

According to the State Program on Developing Agriculture and Regulating Markets of Agricultural Products, Raw Materials and Food for 2013 – 2020, this problem must be solved by developing vegetable growing in agricultural organizations and peasant farms (farms). It is planned to increase the production of open ground vegetables in this category of farms up to 5.2 mln t, or by 14.0 % as compared to 2017, vegetables of protected ground up to 1.4 mln t, or by 81.6 %, which will ensure the import substitution of vegetables in the off-season period up to 768.6 thous. t. In order to provide the population with fresh vegetables in the off-season period, it is necessary to build more than 1.5 thous. ha of modern energy-saving greenhouses and modernize about 1.0 thous. ha of the existing ones [6].

In order to solve the problem of import substitution in the milk and dairy products market, it is necessary to increase the number of cows by 1.4 million animals, or by 17.5 %, and in order to meet the consumer demand for these products – by 3.4 mln. animals, increasing the number of cows up to 11.4 mln. animals.

It is an important condition for the further development of dairy farming in Russia to improve the government support for the industry. Its main areas are the following:

- Subsidies per on kilogram of milk sold and (or) shipped for processing,
- Subsidies for the reimbursement of some of the direct costs incurred for creating and modernizing facilities at livestock complexes for the production of milk (dairy farms),
- Subsidies for the reimbursement of part of the interest rate on short-term credits (loans) for the development of dairy cattle breeding,
- Subsidies for the reimbursement of part of the interest rate on investment credits (loans) for the construction and reconstruction of facilities for dairy cattle breeding,
- Provision of subsidies for the reimbursement of part of the costs associated with the identification of the breeding dairy cattle stock.
Sugar from RUB 15.62 up to RUB 46.23 per 1 kg, or 6.3 times, for beef from RUB 69.12 up to RUB 553.02 per 1 kg, or 8.0 times, for white cattle, including cows, creating terms and conditions for the reproduction of cattle breeding, and stimulating the improvement of the milk marketability in all forms of farming [7].

The measures taken by the state allowed stabilizing milk production, but not improving the milk and dairy production. These are the main reasons why the dairy farming is developed slowly:

Low rates of structural and technological modernization in dairy cattle breeding and updating of fixed assets,

Low production of high-quality feed,

Insufficient level of productivity of dairy cattle in modern agricultural organizations due to the low proportion of the farms that have modern technologies and equipment, insufficient level of balanced feeding,

Low availability of financial and investment resources of agricultural producers,

Low-productivity cattle in private households, and

Deficit in qualified personnel caused by the urbanization trend and low life quality in rural areas.

It is possible to improve the milk production only by developing dairy cattle breeding in agricultural organizations and peasant farms (farms).

As the production of agricultural and food products increased, as well as the purchasing power of the population decreased, the export started growing. The ex-port of grain, oil, sugar, and meat increased sharply. In 2017, the exports achieved $20.7 bln. In the commodity structure of export, the share of food and agricultural raw materials amounted to 5.8 %. The main commodity items in the structure of agricultural export in value terms were cereals (36.4 %), oils (11.9 %, including sunflower oil – 8.6 %).

The environment of the agri-food market is largely determined by the price level. The average producer prices of agricultural products tend to increase (Table 3). However, their growth rates vary sharply by types of products. For 2000 – 2018 the price of cattle (live weight) had increased seven times, the price of sun-flower seeds and raw milk – 6.3 times, beef – 6.1 times, cucumbers and tomatoes – 5.7 times, while the price of poultry (live weight) had increased only 2.6 times, on-ions – 2.7 times, rye – 2.9 times, sugar – three times, chicken eggs – 3.2 times, and poultry meat – 3.3 times. Despite the increase in prices, their level does not provide expanded reproduction in some sectors of the AIC (dairy and beef cattle breeding, dairy and canning industries, etc.).

### Table 3: Average Producers’ Prices for Agricultural Products in Russia, RUB/t.

<table>
<thead>
<tr>
<th>Type of products</th>
<th>2000</th>
<th>2010</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat</td>
<td>2,179</td>
<td>3,867</td>
<td>8,768</td>
<td>8,837</td>
<td>7,304</td>
<td>8,537</td>
</tr>
<tr>
<td>Barley</td>
<td>1,822</td>
<td>3,395</td>
<td>7,344</td>
<td>7,741</td>
<td>6,782</td>
<td>8,115</td>
</tr>
<tr>
<td>Rye</td>
<td>1,922</td>
<td>3,411</td>
<td>5,247</td>
<td>6,149</td>
<td>5,622</td>
<td>5,561</td>
</tr>
<tr>
<td>Sunflower seeds</td>
<td>2,822</td>
<td>10,605</td>
<td>20,284</td>
<td>21,886</td>
<td>17,033</td>
<td>17,779</td>
</tr>
<tr>
<td>Cabbage</td>
<td>2,598</td>
<td>11,029</td>
<td>15,179</td>
<td>12,217</td>
<td>9,629</td>
<td>11,826</td>
</tr>
<tr>
<td>Cucumbers</td>
<td>12,436</td>
<td>58,163</td>
<td>67,896</td>
<td>75,293</td>
<td>75,986</td>
<td>71,483</td>
</tr>
<tr>
<td>Tomatoes</td>
<td>12,959</td>
<td>52,599</td>
<td>63,168</td>
<td>62,304</td>
<td>70,969</td>
<td>71,228</td>
</tr>
<tr>
<td>Onion</td>
<td>3,878</td>
<td>9,719</td>
<td>13,982</td>
<td>9,706</td>
<td>9,741</td>
<td>10,451</td>
</tr>
<tr>
<td>Potatoes</td>
<td>3,710</td>
<td>9,501</td>
<td>13,197</td>
<td>10,248</td>
<td>11,607</td>
<td>12,549</td>
</tr>
<tr>
<td>Uncooked milk</td>
<td>3,633</td>
<td>12,370</td>
<td>20,648</td>
<td>21,814</td>
<td>24,487</td>
<td>22,855</td>
</tr>
<tr>
<td>Eggs, thous. pcs.</td>
<td>978</td>
<td>2,341</td>
<td>4,171</td>
<td>4,184</td>
<td>3,565</td>
<td>3,098</td>
</tr>
<tr>
<td>Cattle and poultry (live weight):</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>large cattle</td>
<td>14,142</td>
<td>55,951</td>
<td>93,328</td>
<td>96,562</td>
<td>97,558</td>
<td>99,523</td>
</tr>
<tr>
<td>pigs</td>
<td>20,152</td>
<td>69,748</td>
<td>103,030</td>
<td>93,976</td>
<td>96,502</td>
<td>99,583</td>
</tr>
<tr>
<td>poultry</td>
<td>26,868</td>
<td>52,966</td>
<td>71,275</td>
<td>72,345</td>
<td>68,057</td>
<td>70,845</td>
</tr>
<tr>
<td>Beef</td>
<td>39,776</td>
<td>141,525</td>
<td>220,726</td>
<td>231,092</td>
<td>242,027</td>
<td>241,664</td>
</tr>
<tr>
<td>Pork</td>
<td>46,268</td>
<td>121,583</td>
<td>151,567</td>
<td>153,583</td>
<td>141,235</td>
<td>165,790</td>
</tr>
<tr>
<td>Poultry meat</td>
<td>36,211</td>
<td>73,205</td>
<td>93,964</td>
<td>100,578</td>
<td>90,482</td>
<td>117,993</td>
</tr>
<tr>
<td>Oil</td>
<td>9,954</td>
<td>41,364</td>
<td>52,705</td>
<td>50,777</td>
<td>44,181</td>
<td>48,676</td>
</tr>
<tr>
<td>Pasteurized milk</td>
<td>7,149</td>
<td>24,528</td>
<td>35,069</td>
<td>35,578</td>
<td>37,745</td>
<td>38,263</td>
</tr>
<tr>
<td>Wheat flour</td>
<td>4,773</td>
<td>10,914</td>
<td>15,462</td>
<td>15,338</td>
<td>12,568</td>
<td>16,255</td>
</tr>
<tr>
<td>Sugar</td>
<td>10,408</td>
<td>26,018</td>
<td>36,040</td>
<td>32,114</td>
<td>22,928</td>
<td>31,519</td>
</tr>
</tbody>
</table>

Not only producer but also consumer prices tend to grow. For 2000 – 2018 the highest consumer prices had grown for butter from RUB 69.12 up to RUB 553.02 per 1 kg, or 8.0 times, for beef – from RUB 52.72 up to RUB 330.58 per 1 kg, or 6.3 times, for white cabbage – from RUB 4.75 up to RUB 28.07 per 1 kg, or 6.1 times, and for pasteurized milk – RUB 9.70 up to RUB 54.09 per 1 kg, or 6.1 times. The lowest rates related to the price growth were observed for granulated sugar from RUB 15.62 up to RUB 46.23 per 1 kg, or 3.0 times, poultry meat from RUB 48.80 to RUB 151.27 per 1 kg, or 3.1 times, and apples – from RUB 22.02 up to RUB 85.66 per 1 kg, or 3.9 times.

Not only supply and demand, but also the state regulation have impact on prices in the agri-food market [8]. The state as a guarantor of food supply for the country’s population cannot make them completely free and regulates them. The state regulation aims at...
improving the competitiveness of agricultural products and food for the purpose of import substitution and promotion to foreign markets, creating terms and conditions for equal competition between domestic and imported products, and improving the investment attractiveness of agricultural production [9].

The measures the state takes to regulate the agri-food market include customs and tariff regulation, forecasting of the production and consumption structure by developing a balance of supply and demand of agricultural and food products by type, as well as by purchasing and commodity interventions.

It is necessary to create federal and regional food funds for purchasing and commodity interventions in cases where the government intervention is required to eliminate food shortages, stabilize and lower prices, and ensure freedom of products movement within the country [10].

Manufactured food products differ in terms of their quality, price and other parameters and cannot be claimed by all customers. In order to meet the needs of a particular group of customers, it is necessary to work in a certain market segment. The breakdown of the market into segments, i.e., its division into homogeneous groups of customers who have the same demand and requirements is its segmentation. It is reasonable to segment the market with a high level of competition or when it is difficult to sell products. Then the entrepreneur chooses a strategy to cover the market, i.e., to work in one or more market segments. For each market segment, the product range is determined taking into account the purchasing power.

The most profitable segment of the agri-food market should provide the highest sales volume, high growth rates, and the highest level of economic efficiency of commercial activities.

An important condition for successful work in the agri-food market is the product positioning which is a set of measures on giving the most advantageous features to the product and determining its place (position) in relation to the goods of competitors in the buyer’s mind. Products are positioned by such parameters as price, quality, packaging, design, etc. First of all, it is necessary to meet the buyer’s need in the price and quality ratio.

If the offered product is better than the competitors’ product, the market is large and the entrepreneur has more resources than competitors, it is reasonable to position the product in parallel with the same competitor’s product. In order to win consumers, it is also necessary to carry out positioning by developing a new product that has not yet been introduced to the market [111].

Marketing is important when focusing the AIC production on the market and selling products. It aims at studying the market conditions, planning the product range, substantiating the market and selling products. It aims at studying the market conditions, planning the product range, substantiating the market and selling products.

In agricultural organizations where processing enterprises (sugar factory, meat factory, dairy plant, etc.) are the main channels for products sales, it is inefficient to establish a marketing service because the costs for its establishment will not be compensated. In large enterprises of the food industry and agricultural organizations involved in processing the grown products, it is reasonable to have a marketing service that contributes to improving the efficiency of commercial activities [12].

The main tasks of the marketing service of AIC enterprises are market research, forecasting the volume of agricultural and food products sales, planning the product range, developing new types of products, advertising and marketing of manufactured products [13].

It requires some costs to establish a marketing service. According to the experience of AIC market leaders, the additional income earned from marketing activities is 8 – 15 times higher than the cost of establishing a marketing service.

It is unreasonable to establish marketing services in small enterprises. In order to obtain the required information on market conditions, small and medium-sized enterprises can use the services of the AIC information and consulting center that are available in many constituent entities of the Russian Federation. In addition, they can create independent organizations (limited liability companies, joint-stock companies, etc.) that will be engaged in marketing activities.

In the market economy, the main problem is marketing of manufactured products, their delivery to the consumer without quantity and quality loss. The improvement of the commercial activity will be facilitated by the creation of production and marketing organizations whose founders should include agricultural and processing enterprises, farms and private households of the population at the stage of production and exchange of the reproduction process. Such structures will ensure sales of products, reduce the number of intermediaries in the market and distribution costs, and improve the efficiency of commercial activities.

The existing sales system does not allow solving the above problem. The improvement of the existing product sales system is facilitated by the creation of production or marketing structures that are an association of marketing participants involved in various activities and representing various levels, but functioning as a unit. Producers are interested in creating sales organizations that guarantee the sale of products, and contribute to superseding unnecessary intermediaries and reducing marketing costs [14].

It is possible to establish the following forms of production and marketing organizations:

- Agro-industrial organizations involved in the production, processing, storage, sorting, packaging and marketing of products. This organizational form is mainly represented by agricultural firms and agricultural holdings,
- Unions (associations) that coordinate activities and protect the interests of participants involved in production and exchange. These formations are created, as a rule, on an industry basis,
- Sales (trade) cooperatives and consumer communities. These structures will contribute to the successful sale of manufactured products in private house-holds, improve their marketability, and grow their production. This category of farms produces almost 70 % of the potatoes, 65 % of the fruits and berries, 55 % of the vegetables, and about 40 % of the milk, and
Direct relations between manufacturers and consumers on a contractual basis. Such relations arise among agricultural manufacturers, trade organizations, and food industry enterprises, which reduces the delivery of products and product losses during their transportation, processing and marketing.

The creation of production and marketing formations will fully meet the needs of customers, increase sales of manufactured products, reduce transaction costs, and improve the efficiency of commercial activities of agricultural producers [15].

IV. CONCLUSION

To a large extent the commercial activity determines the development of the entire AIC. When organizing the commercial activity in the agri-food market, it is necessary to take into account its peculiarities: supply dependence on natural and climatic conditions, guaranteed demand for food products, seasonal fluctuations in offers and prices, the availability of many perishable products and intermediaries, state regulation of agricultural products, raw materials and food markets. In the structure of commodity resources, a considerable share of certain types of products (fruits, vegetables, and milk and dairy products) is imported, which increases the competition in the national market.

The main areas of improving production, and, consequently, offers, include its concentration in agricultural organizations and farms, transfer of industries to the innovative development, modernization of the existing production facilities, construction of new modern facilities, and improvement of state support.

The efficiency of commercial activities in the agri-food market will be improved by means of its segmentation, positioning of goods, and creation of marketing services at AIC enterprises and production and marketing organizations.

REFERENCES


