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Risk Management in the Food Security System of the Russian Federation

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ABSTRACT

Based on the analysis of the current situation in the domestic food market and the assessment of the current regulatory framework, the article substantiates the need for a transition to a new model of planning and managing the country's food security, which can be conventionally called the "big challenges" model. Ensuring food security is an ongoing process characterized by a periodic change in tactical tasks and guidelines, mechanisms for their solution against the background of a growing lack of information and a constantly changing external environment. We formulated the main principles of the new model: a combination of strategic planning and operational-tactical management of the development of the domestic food market, the integration of long-term structural measures to increase the income of the Russian population with the mechanisms of domestic food aid, the formation of a risk management system, including price risks and risks arising from export products of the agro-industrial complex, scenario forecasting. The existing regulatory framework in the field of strategic planning and management does not imply the implementation of such a model, and the methods and instruments of state policy used do not make it possible to implement its basic principles in practice. The paper formulates the main directions and mechanisms for adjusting the new model in relation to the tasks of ensuring the food security of the Russian population.

Keywords: food security; Food Security Doctrine of the Russian Federation; big challenges; risks; strategic planning; adaptive strategy

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In its most general form, security is the state of security of individuals, society and the State against internal and external threats. Under the Federal Act from 28 December 2010 No. 390 "On Security", activities to achieve it include: "security threat forecasting, identification, analysis and assessment; definition of public policy guidelines and strategic security planning; legal regulation in the field of security; development and implementation of a set of operational and long-term measures to detect, prevent and eliminate security threats and to localization and neutralize the consequences of their occurrence; application of special economic security measures and a number of other areas and activities".[1]

The main lines of State economic policy in the area of food security in the Russian Federation are specified in the Doctrine of food security of the Russian Federation[2] (then — Doctrine). Doctrine defines food security as "State of social and economic development in which the food independence of the Russian Federation is ensured, physical and economic accessibility of food to every citizen is guaranteed, in accordance with the mandatory requirements, in quantities not less than the rational consumption of foodstuffs necessary for an active and healthy lifestyle". According to an American cryptographer and computer security specialist — Bruce Schneier "security is a process, not a product". With regard to food security, this implies that it must be achieved through a continuous sharing of long-term, tactical, situational public policy measures. Food security is a continuous process, characterized by a change in tactical tasks and orientations, mechanisms for solving, at least because, that our perceptions of adequate nutrition and sustainable consumption are changing.

Theoretical analysis and empirical knowledge of developments in the domestic food market suggest that the Doctrine has not been brought up to the level of practical tools and algorithms for managing food supply risks. The formulation listed of the food security risk and threat Doctrine is vague and non-operational, they are not linked to certain indicators and performance of food security, sources of risk, dangerous developments and their consequences, opportunities and mechanisms for State regulation of the food market (including regulation of foreign trade). Food security measures are also well articulated in the Doctrine, without reference to specific strategic goals, tactical objectives and indicators of the current state of food security.

Moreover, of the updated version of the State Programmer for the Development of Agriculture and the Regulation of Markets for Agricultural Products, Raw Materials and Food,[3] prepared in accordance with the Decree of the Government of the Russian Federation of 26 May 2021 No. 786 "Management system of State programmers in the Russian Federation" and will enter into force on 1 January 2022, removing the goal of food security (independence).

The economy of the 21st century is developing under conditions of "great challenges" — combination of challenges, threats and opportunities that require an unconditional response from the

[1] Federal Act from 28 December 2010 No. 390 "On Security" (latest version). URL: http://www.consultant.ru/document/cons_doc_LAW_108546/.

[2] Decree of the President of the Russian Federation from 21 January 2020 No. 20 "On the approval of the Doctrine of food security of the Russian Federation". URL: http://www.consultant.ru/ document/cons_doc_LAW_343386/.

[3] Resolution of the Government of the Russian Federation from 02 September 2021 No. 1474 "On changes to the State Programmer for the development of agriculture and the regulation of markets for agricultural products, raw materials and foodstuffs and the recognition of the invalidation of certain acts and certain provisions of certain acts of the Government of the Russian Federation".

State, the complexity and scale of these challenges and opportunities being such that they cannot be addressed, eliminated or realized solely through increased resources.[4] Genesis of "great challenges" is connected, on the one hand, with the complexity of interactions of technological, institutional, financial elements of modern economy, on the other hand — increasing fundamental "uncertainty of the future" and scarcity of information. Great challenges pose significant risks to society, the economy, public administration, but they also represent an important factor in the emergence of new opportunities and prospects for scientific, technological and socio-economic development (new "windows of opportunities"). [1] In an environment of growing fundamental uncertainty, risk management assumes particular importance, as the risk of a significant deviation from economic expectations, including for food security, increases significantly as strategic planning horizons expand. [2, 3]

It is important to distinguish between risks and subjective errors (in the justification of objectives, set of activities and/or the amount of funding needed) that may lead to the non-achievement of objectives. Such errors should be avoided at the stage of planning programmers, projects and individual activities. In contrast to such predictable factors, measures to neutralize, reduce exposure, elimination of the consequences of a dangerous event may be of a purely preventive nature. Classical risks include, for example, the unfavorable development of the epidemiological situation that emerged at the end 2019: the COVID-19 pandemic and its demographic, economic and social consequences. Although in theory such specific events may be considered as probable,[5] obviously that it has not been possible to prepare in advance for the pandemic and to neutralize its specific effects. A distinction should also be made between risks and the impact of persistent adverse factors (for example, the sanctions regime), which have been sufficiently studied and should be assessed and taken into account at the project created stage by adjusting the level of funding of activities and/or project targets.

Over recent years, the Russian economy has demonstrated a high degree of resilience to crisis events and a mobilization capacity to deal with crisis situations in a manual mode, however, price hikes in the food market in the autumn of 2020 once again demonstrated the lack of built-in mechanisms and procedures to automatically respond to the food security risks of the country's population. [4] In the second half of 2020, the country experienced a marked increase in the prices of basic foodstuffs beyond the average rate of agflation observed in recent years. Overall, the increase in prices of observed foodstuffs was 106.7% in 2020, the highest in the last 5 years since — the imposition of sanctions against Russia and the adoption of counter-protective measures in 2014. Of course, part of the increase in food prices was due to the spread of coronavirus infection, but the impact of the latter cannot be exaggerated. The health situation in European countries was no less serious

[4] Decree of the President of the Russian Federation from 01 December 2016 No. 642 (ed. from 15 March 2021) "On the Strategy for Scientific and Technological Development of the Russian Federation". URL: http://www.consultant.ru/document/cons_doc_LAW_207967/.

[5] As early as 2015, Nature published an article on the development of a deadly human-induced artificial virus as a result of experiments by American scientists with bats. In October 2019, Johns Hopkins University hosted the Event 201 (event 201) pandemic exercise with the Bill and Melinda Gates Foundation and the World Economic Forum, in which the spread of the pandemic of a new hypothetical zoonotic coronavirus, transmitted first from bats to pigs and onwards to humans, was simulated. According to the results of the simulation during the first 18 months "killed" 65 million people, within 18 months trade and movement of people on the planet were paralyzed, and the world economy collapsed (a fall of 11%).

than in Russia, but the rise in food prices in EU countries was markedly lower than in our country.[6] Price increases were highly selective and most affected segments of the food market. While food prices rose by 6.7%, sugar prices rose by 64.5%, sunflower oil by 25.9%, cereals and pulses by 20.1%.[7] Such structural biases cannot be explained by the impact of the pandemic.

At the end of February 2020, Bloomberg named Russia as one of the world's five medium-development countries where the impact of global food price increases can be greatest.[5] This can be accepted as price hikes in the domestic food market are particularly painful for the Russian population due to low overall income levels and their significant differentiation by population groups. [6, 7]

In 2019, food expenditure (without alcohol and non-alcoholic drinks) accounted for 35.2% of all final consumption expenditure of Russian households.[8] The situation is exacerbated by a significant income disparity among citizens (households), with some 19 million to 20 million people unable to purchase even a minimum food basket. Obviously that any price hikes for certain groups and even for food commodities with the current expenditure pattern have a negative multiplier effect on the whole sphere of personal consumption. Higher prices of staple foods that are high priority and invisible (with no alternative), may not even have a significant impact on consumption, but it reduces the amount of money a household can spend on other relevant needs (housing, transport, communications, industrial goods, health, education, recreation).

Certainly, along with increasing efficiency of domestic agro-industrial complex, the fundamental basis for combating food inflation is the increase in the population's income from basic work and/or other legal sources of income on the basis of the systematic technological modernization of the Russian economy and the creation of high-productivity jobs, establishment of a multi-level system of strategic planning, developed markets free from monopolies. In this article, we would like to refer to operational and tactical measures to manage the risks of price hikes in the domestic food market.

As before, in 2007–2008, 2010–2012 and 2014 years, food security risk management in 2020–2021 years was reduced to a situational response to the impacts of pre-existing hazards. Interim multilateral price control agreements were revived,[9] emergency customs and tariff restrictions.[10] The procuratorial authorities were again called upon to assess the validity of individual price increases.

A new strategic planning and management paradigm [8] requires a transparent and predictable system to respond proactively to changing food market conditions Using a set of defined standard tools and generic scenarios to respond to price fluctuations, depending on their cause, volume and other factors. The system should be based on medium-

[6] Certificate "On consumer price indices in Russia and foreign countries in December 2020".URL: https://www.gks.ru/bgd/free/B 09_03/IssWWW.exe/Stg/d02/ind-zen2901.htm.

[7] Consumer price index operating Data in December 2020. URL: https://rosstat.gov.ru/storage/ mediabank/Irep0Kmp/CPI-dec.pdf.

[8] Household consumption income and expenditure. URL: https://rosstat.gov.ru/storage/ mediabank/8JZxiZIM/doh07_05.xlsx.

[9] Resolution of the Government of the Russian Federation from 14 December 2020 No. 2094 (ed. 27 March 2021) "Agreements between the federal executive authorities and economic entities to reduce and maintain the prices of certain types of socially significant foodstuffs". URL: http://www.consultant.ru/ document/cons_doc_LAW_370922/.

[10] Resolution of the Government of the Russian Federation from 10 December 2020 No. 2065 "On the introduction of changes in the rates of export customs duties on goods leaving the Russian Federation outside the States-parties to the Customs Union agreements". URL: http://www.consultant.ru/document/ cons_doc_LAW_370533/.

term food security risk management plans, aligned with both domestic AIC development priorities and objectives, and risk management plans at different levels and governance areas. For example, the sugar market began to send price signals as early as mid-July 2020, when sugar producers' prices began to rise markedly. Whereas at the beginning of July industrial sugar producer prices for white beet sugar were 25.44 rubles/kg, by the end of October they had reached 41.35 rubles/kg.[11] At the same time, processing plants continued to rely on inputs from the previous season, i.e. price increases were not caused by increased production costs but by market expectations. It is obvious that the executive branch should have responded to the dynamics of producer prices already at that time, without waiting for a surge in retail sugar prices in the retail chain in the autumn of the same year.

Following the recent surge in food prices, measures were taken to empower the executive branch in the area of food market price regulation through continuous monitoring.[12] However, the regulatory mechanism is still set up to respond to price spikes in an ad hoc manner (first tracking, recording, then developing a specific solution), and the instruments of such a response are not clearly defined, procedures are time-consuming.

Since risks are likely, different risk management scenarios should be developed as part of risk management planning. Clearly, there is a need to improve the methodology of strategic planning, moving from the so-called formative strategy to the adaptive one. In the latter, the desired outcomes are presented as several alternative futures, a range of possible scenarios, executive responses and expected outcomes. [9] Each scenario would have to take into account a combination of the following factors: dangerous events, their sources and consequences; level of risk and acceptable (accepted) limits of its spread; normative, organizational, financial capacity to influence risk; mode of risk processing and associated operating procedures. Regulations developed should be implemented automatically in sequence when some threshold or limit values are reached for prices and other parameters of the domestic food market. [10]

It is seeming, that economic and social policy priorities need to be adjusted to exports of agricultural and food products; incentives for the latter are in latent conflict with food security objectives. An analysis of the development of the food situation in the country shows that exports, which level- and dynamism-oriented prices in world markets, were one of the triggers of the most recent price surge in the domestic food market and the deterioration in the food status of a large part of the Russian population.

As the change in the strategic planning model is ripe, the experience of the development of the multi-volume Integrated Science and Technology Programmer should not be forgotten its social consequences and to adapt it to contemporary conditions. In particular, the scientific principles on which the Programmer was developed remain relevant: Multi-scenario, evaluation of "bottlenecks", "growth points", risks and threats to socio-economic development, Realistic and ambitious goals, targets and their planning values; cascading decomposition

[11] On the sugar market (29 June — 3 July 2020 years). URL: https://mcx.gov.ru/upload/iblock/ a3e/a3ec04b4aef209ab6ddbd3bfceabbc4d.docx; On the sugar market (26–30 October 2020 year). URL: https://mcx.gov.ru/upload/iblock/ 383/383c177a363b3ebc53c0163e3a07b594.docx.

[12] Order of the Government of the Russian Federation from 27 February 2021 No. 497-p "Approval of a list of groups of consumer goods and services falling within the competence of the federal executive authorities for the purpose of analysing the causes of the increase in consumer prices and formulating economic regulations, aimed at achieving a balanced market for consumer goods and services". URL: http://www.consultant.ru/document/cons_doc_LAW_378654/.

of objectives, mutual harmonization of programmer indicators in various aspects and directions (technological, economic, social development); justification of the practical tools used to achieve the stated goals and objectives.

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