In the article three specific historical stages of the conjuncture in the agro-food market of the Western European countries are distinguished and analyzed. These stages are great waves of the conjuncture fluctuations in demand and supply levels, and long waves of conjuncture cycles in the agro-food market. The reasons causing long deviations of demand from supply, a steady increase and decrease in the alternative production cost are disclosed. As a result, trends in dynamics of the land rent in the course of the market development are discussed, the main reasons for changes in the parity of prices between agriculture and industry are revealed. The stages of the regulation mechanisms of the agro-food market are investigated in detail as well as the expediency of these mechanisms. Possible forecasts of the conjuncture development in the agro-food markets in Europe are provided. Agriculture and agrarian Russian market as well as markets in Asian countries are at the second stage of the cyclic development.

Key words: market, demand, supply, conjuncture, cycles, rent, agro-food

The food market at the industrial stage of the European states development (XVIII–XX centuries) underwent a number of the essential quality changes in the course of its evolution. The analysis of development of the long-term agro-food market condition in the developed European states enables to distinguish three stages of the historical evolution of this market (Figure 1) (1; 2).

These stages differ in quantity and quality of the market condition and they are considered to be the great waves of the changes (fluctuations) in the level of demand and supply, the great waves of the cycles of condition in the agro-food market. The experience of the foreign countries points at the significant differences in these stages both in the regulation mechanisms of the agro-food sector of the economy and in the degree of the economy liberalization.

Results

The stage of the unsaturated food market, the stage of its growth

During the initial industrialization period under the conditions of the industrial revolution and the creation of large-scale machinery industry the increased number of factories raises the demand for farm raw materials. The demand for food greatly rises due to the growth of the urban population and the increase in its incomes. At this stage of the market development the specificity of the food demand is connected with its elasticity in relation to the population incomes. The high demand elasticity is due to the extremely low saturation level of food needs of the population, especially in such kinds of products as livestock products and fruit. The mentioned demand specificity can be clearly illustrated by Figure 1.

The demand level (D) and the consumption level at the beginning of the first stage of the food market evolution in the industrial society were considerably lower than absolute needs formed at the level of the rational norm of consumption (C). For example, if the rational norm of consumption of meat and meat products per head fluctuated according to the age and the sex within 80–90 kg per year, the real demand and the average consumption per head were not higher than 30–40 kg during this period. At such a low saturation of the needs the
dependence of the demand on the growth of the population incomes was very high. In contrast to the present situation in the food market the demand for it was elastic at the first historical stage of the market development.

The specificity of the first period was quick, steady growth of the elastic food demand for a long period of time. It resulted in the increase of volumes of sold agricultural products. If at the previous period, during the Middle Ages, a large share of food was spent on consumption, with the beginning of industrialization the share of food spent on consumption through a commodity-money exchange rose noticeably. It means the increase in the food supply at the market. Along with the growth of the market exchange, the increase in supply was caused by a certain growth of the production in the agro-food sector of the economy.

However, at the first evolution stage of the agro-food market there was a situation when the supply growth in the agro-food market remained behind the demand growth due to the lag in development rates of agriculture and disproportions appeared between the development of the material and technical bases of industry and agriculture. At the first stage social needs grew more rapidly than the production possibilities of agriculture (Figure 1).

The inter-branch competitive mechanism is not able to ensure the equilibrium of the demand and supply for the long time. It is connected with the perfect market mechanism infringement principles at the inter-branch level.

Barriers on the way of inter-branch transition of capitals, on a way of an input of firms on the branch market in conditions of high market terms in this branch are connected not to classical forms of market structures (a monopoly, an oligopoly, a monopolistic competition). The specific inter-branch barriers for a firm entering the agricultural market are caused by the monopoly ownership, management and use of a natural production factor – the land. The supply of land is scarcity and inelastic, the land cannot be reproduced artificially and it is immobile. At a given moment this production factor is being completely distributed between the owners and the land users. It is entirely occupied by them. As a result the possibilities to increase the number of firms in the branch by the numerical growth of such production factor as the land are extremely limited. The possibilities for the production growth and agricultural product supply increase by such extensive increase of the land resources are limited as well. It implies that the price inelasticity of the supply of agricultural output is connected directly with the inelasticity of supply of such production factor as the land.

The appearance of the barriers to the inter-branch flow of capitals and their flow into agriculture, under the conditions of favorable conjuncture for this branch at the first stage, are connected with artificial non-reproductively, the inelasticity of the land supply, and its monopolistic ownership. In its turn, it restricted the production growth possibilities on the basis of its intensification. The braking of the processes of the inter-branch resource redistribution causes the prolonged deviations of the social needs from production possibilities as well as demand and supply differentiation from each other (under the influence of non-price factors).

Only within a long period of time the mechanism of the inter-branch competitive equilibrium is able to overcome gradually the mentioned specific barriers and ensure a steady increase in the production by investing the attracted to the branch capitals into the used land areas and by increasing their efficiency. At the first stage a long and steady excess of demand over supply predetermines the trend towards the formation of market prices for food at a higher level than prices of the competitive equilibrium. The state of the competitive equilibrium is upset. The market prices (marginal income) steadily exceed the level of marginal as well as the average production costs.

The obtained economic profit has the form of the economic rent (a quasi-rent) since its formation is connected with the stability of the price inelasticity of supply of the land. According to the classical economic theory this type of rent is known as an absolute rent of land. The amount and the dynamics of the economic land rent are determined by the steady excess of demand level in the agricultural products and land markets over the supply level as well as the changes in the degree of this excess. For this turn, it determines such specific characteristic of the examined stage as a long and steady infringement of the principles of the normal profit formation in the branch (the infringement of the law of the average profit rate). At the stage of the unsaturated market the elastic demand for food responds flexibly to the market changes and it is regulated by the market mechanism relatively well. Under these conditions the doctrine of the classical economic school – the concept of the market economy self-regulation – was the prevailing one. The infringement of the competitive equilibrium was considered to be an accidental, temporary phenomenon to be easily and flexibly removed by the market mechanism. The government interference in the agro-food economy was minimum and occasional. Only the protective measures were used towards some importing agricultural and food products.

The stage of incomplete market saturation.

At the boundary of the 19–20th centuries the fundamental changes in agriculture and the agro-food market in the Western European states took place. In contrast to the previous stage this one was characterized by such a phenomenon as long, periodic excess of product supply over demand (Figure 1).

Historical evolution of the agro-food market showed that stability of economic profit obtained in agriculture is relative. This part of profit at the second stage, that is the stage of incomplete market saturation, disappears gradually. It happens due to the fact that the landownership monopoly does not remove entirely the inter-branch competitive mechanism, but it only caused difficulties and delays the balancing process of demand and supply in agricultural market. Moreover, the situation when demand exceeds supply and there exist higher cost and market prices for this produce may be relatively stable because of the landownership monopoly. As the agrarian sector of the economy develops the saturation degree of the society needs for food increases. As a result the demand elasticity for it greatly decreases and the demand growth slows down, that is, it becomes sluggish, inflexible, and unresponsive to the market mechanism signals. On the contrary, the supply growth for food facilitates. It is due to the fact that the inter-branch competition overcoming barriers steadily increases the capital inflow in agriculture and it ensures the land efficiency increases correspondingly. Finally, the inter-branch competitive mechanism leads to the balancing of the production possibilities (the supply level) of the society and the public needs (the demand level) in agriculture in course of time. In addition, transition of the agrarian market in the Western European states in the 20th century to the stages of the saturated market results in the formation of the unfavorable conjuncture for agriculture, when a relatively stable excess of demand over supply is observed in the given branch.
The overproduction takes place, but it is relative in comparison with the demand, but not with absolute needs (C). On the whole, at this stage demand and supply are closer to the saturation level (to the level of the absolute needs). It results in the trend towards the decrease in the prices for agricultural products in relation to the industrial products prices. Market prices fall to the level of the competitive prices and lower. The disappearance of the additional (economic) profit under such conditions means the disappearance of the economic rent.

What makes up the basis for the price of land resources, the basis for the rent payment at the second and third development stages of the glutted agro-food market if the economic rent disappears at this stage? What share of income makes up this payment? This income must be obtained even from “worse” land sites (claimed by the society) at all the development stages of the agro-food market, including the stages of its saturation. Otherwise, there will be nothing to pay for these lands usage.

It is necessary to distinguish two types of the land rent – the economic and normal ones which are the components of the single land rent and differ in the formation conditions as well as in their functional and economic assignment. Both these rents will be united under the name of the absolute land rent. The main reason to refer them to the absolute land rent is the fact that they are the basis of the payment for the use of any land despite its quality and location. It form that these types of the rent are the basis of the payment for the use of worse land plots. One type of the absolute rent – the normal rent – is the normal amount of payment for land resources (the market equilibrium amount of the rent payment). This is the rent share which is formed even under the conditions of the macroeconomic competitive equilibrium when the demand level for products is balanced with the supply level of the ones. In this case, it is of stable character and it is obtained at the all examined stages of development of the agro-food sector of the economy on the condition that the land is the object of market relations.

The other share of the absolute rent is known as the economic rent and it is based on the relatively stable super-profit; that is, the economic profit obtained only at the growth stage of the agro-food market. Its function, assignment is to increase the food production up to the level of public requirements, to the demand level. It should be spent on the development of agriculture.

According to the neoclassical theory the land rent (the normal rent) in the form of the rent payment, as well as the payment for any other economic resource, is included in production costs. If an entrepreneur is a landowner, the normal rent, as imputed production costs, will be referred to the normal profit. The mechanism of the normal rent formation is the balancing mechanism in the land market. From the general economic point of view, the functional purpose of this share of the absolute rent is to ensure the economic realization of the land ownership as a payment for resources. Land is a limited resource. Limited economic resources are objects of isolated purchase, objects of the property in any of its forms. Therefore, in a market economy the land use will always be chargeable, as the isolation of its acquisition still exists due to the land scarcity (within any form of landownership). Unlike the differential rent, the normal rent is formed for all plots of land, so it is this rent that makes up the basis for the market prices for the land use.

The normal absolute rent as the market equilibrium price for the right to use the land is formed when land demand and supply are in balance. Some deviations from the land demand and supply equilibrium may lead to the increase or decrease in the payment (the price) for the land use. If the land was not a limited natural resource with inelastic supply, under the conditions of the perfect competition the market mechanism would cause relatively short-term and uniform fluctuations of the absolute rent around its market equilibrium value, that is around the normal rent.

However, as it was shown above, there exist long and steady deviations from the competitive equilibrium state in the agricultural products and market of land. These deviations are caused by the long-term formation of a certain ratio between the society requirements in this produce and its production possibilities. Under all other equal conditions, at the first development stage of the agro-food market (at the growth stage) a steady excess of social needs over the production possibilities as well as the excess of production supply over demand, and the land correspondingly, lead to the formation of the market prices at a higher level in comparison with the price of the competitive equilibrium. Under these conditions there is a steady trend towards the increase in the deviation of the equilibrium value from the absolute rent. Along with the normal rent, the economic rent is formed as a part of the absolute rent.

On the contrary, at the stages of the glutted agro-food market, especially at present, there is a trend towards the formation of the market prices lower than the price level of the competitive equilibrium due to the stable low conjecture in the Western European countries. In this connection the economic absolute rent disappears, but there is also a reduction in the basis of the equilibrium value of the normal absolute rent. It is due to the steady trend towards the excess of the society production possibilities (the supply level) over the social needs (the demand level) for agricultural products at the second and third development stages of the agro-food market.

The indicated changes in the level and dynamics of the agricultural products price in the course of historical evolution of the agro-food market result in the fall of its cost in respect to the industry products. Owing to this, at the stage glutted of the agrarian market in industrialized Western states a marked trend towards the relative decrease in the price for agricultural products in comparison with industry was observed. It is a practical evidence for the fact that the absolute rent has no basis in the form of the super-profit at present. Moreover, the market prices for agricultural products do not often ensure even

Figure 2  Price discrepancies. Dynamics of prices for agricultural products and resources that were sold to farmers of the USA in 1910–1995

Gráf 2  Cenový nesúlad. Dynamika cien polnohospodárskych pro-
dukov a zdrojov, ktoré boli predané farmlandom v USA v rokoch 1910–1995
(1) ceny vstupov, (2) cenový index, (3) polnohospodárske ceny
the normal profit (the average profit) for farmers. Thus, there is a trend towards the steady deviation of the equilibrium value of the absolute rent (the normal rent) towards its reduction. The disturbance of the price parity for agricultural and industrial products takes place in favor of industry (Figure 2).

The present concept of the formation mechanism of the total economic and branch market conjuncture allows not only to disclose the contents and dynamics of the absolute rent in the process of the historical evolution of the agro-food market, but it serves as a methodological basis for revealing deep-seated reasons for the prices parity change between agriculture and industry.

At the second stage the main task of the government regulation of the agro-food market is to promote the effective aggregate demand for agricultural products and food. Such strategy in the agrarian policy was caused by the fact that at the second stage the demand due to its inelasticity was formed at a lower level in comparison with the aggregated food supply and the public requirements in it. The market was not able to ensure a rapid rising of the inelastic demand up to the supply level. In its turn, agricultural products supply grew at rapid rates, and it did not reduce during the crises, which means that it did not respond to the lag of demand and the corresponding price signals in the market. The supply of agricultural products is inelastic in relation to the decreasing prices. For example, during the Great Depression in 1929–1930 the production output of agricultural products in the USA decreased only by 6 percent, while the prices for it fell by 63 percent during the same period.

The sharpening of the overproduction problem became apparent for all main kinds of agricultural products. This problem was especially critical for the grain market.

The market mechanism is not able to overcome rapidly the overproduction in this branch of economy because of the resources immobility and the difficulty in their inter-branch flowing. It is proved by such specificity of the agrarian slump as their long character. When the agro-food market enters the second stage such crises become a typical phenomenon in the economy (Figure 1). The four world agrarian crises are known:

1. The first world crisis began in the beginning of 70° and lasted till the second half of the 90° of the 20° century; the second agrarian crisis lasted from the early 1920s till World War II; the third world agrarian crisis started at the end of the 1940° and lasted till the early 1970°; the fourth agrarian crisis began at the end of the 1970°.

The reasons for the long character of the agrarian crises are connected with the formation peculiarities of the agro-food market conjuncture at the stage of the incomplete saturation. On one hand, these peculiarities mean that the competitive mechanism cannot sharply increase the food consumption and demand owing to its inelasticity in relation to population incomes. On the other hand, this mechanism is not able to ensure a rapid reduction in the agricultural products production to the existing demand level due to the prices inelasticity of demand. The inelasticity of supply is concerned with the barriers against the inter-branch mechanism of the competitive equilibrium. However, at the second stage and especially at the third one the barriers are of the reverse character. These are not the barriers against entering agriculture, but against leaving the branch. These barriers are caused by immobility or low resources mobility involved in agriculture. Land as a specific agricultural production factor is practically immobile and cannot participate in the inter-branch transition of concerning excessive stocks of resources under the influence of the inter-branch mechanism of the competitive equilibrium. Labour in agriculture is also relatively inert and immobile.

The conducted analysis enables to make a conclusion that at the second stage, under the conditions of the glutted demand for food and approaching its level to the magnitude of the absolute needs, there is a lack of sufficient conditions for the effective inter-branch competition, for the normal “work” of the market mechanism. The given conclusion about the failure of the competitive mechanisms is of great importance, especially in case of the imperfect competition in non-agricultural branches while a free competition is maintained to a great extent in agriculture itself. All this, setting additional barriers to the inter-branch competition, makes the problem of the disparity of the price and incomes between agriculture and industry sharper.

As the inelastic demand for food responds slightly to the market signals, its government regulation is required. However, the role of the government in such situation does not mean the replacement of the market regulation mechanism, but it should create such conditions under which the mechanism would balance demand and supply by the increase in demand for the product, but not by the decrease in its supply. The problem of the increase in the aggregate demand for farm products and food can be solved only by implementing the certain government methods of the agro-food market regulation which will stimulate the demand. As a result the theory of the effective demand developed by J. Keynes is sure to have influenced the government policy in the agrarian sector. The methods of stirring up and increasing the aggregate demand were used as the basis for the government regulation of the agrarian market (Figure 3). For this purpose, the policy of the supported prices and farmers’ incomes was widely used during the prewar and especially during the postwar periods.

As the inelastic demand responds slightly to the market signals, its government regulation is necessary. As it can be evident from the experience of the developed countries, there are two main ways of the government regulation of the demand.

1. Direct and indirect support of the population demand for food. In countries with a developed market economy measures aimed at the increase in the food demand by the low-income population are widely used.

2. Demand incensement for agricultural products from the side of the government. The given direction in the government regulation of the agrarian market is mainly aimed at the support of producers. At the second stage – at the stage of the incomplete saturation – the expansion government

![Figure 3](image-url)

**Figure 3**  Keynesian model of macroeconomic equilibrium (Keynesian cross)

**Graf 3**  Keynesiánsky model makroekonomické rovnováhy (Keynesiánsky kríž)
policy of increasing the demand for agricultural products, on the whole, agreed with the requirements of the balanced development of the agro-food market. The policy had to balance demand and supply without the production decline as well as to support the prices and producers’ incomes.

This policy was applied in reality by the Western states in the 1930s, but it became widely spread during the postwar period. In the EU countries the policy was developed as the main directions of the Common Agricultural Policy in the 1950s–1960s when the level of food self-sufficiency production was not developed enough. For example, the grain production in the countries of the Common Market within the given period was much lower than the consumption level. The failing demand was covered by import. It can be proved by the constantly negative balance of the Western Europe in the world grain trade. The magnitude of the negative balance was increased till the 1970s. In 1970 the excess of grain import over export accounted for 30 million tons, but it decreased to 16 million tons in 1980.

Since the 1980s the grain production exceeded the level of its consumption and the balance was positive for the Western European countries in the world grain trade (Figure 4). The indicated trends which led to the changes in grain self-sufficiency were mainly due to the government policy aimed at the increase in demand for agricultural products and food as well as at the support of farmers’ incomes.

The agrarian policy was aimed at the solution of the following problems which are typical of the second stage:
1. To remove the prices disparity
2. To support the incomes of agricultural output producers
3. To increase the demand for the products of the agro-food complex.

In order to solve the indicated tasks at the examined development stage of the agro-food economy, the main following methods of the government market regulation were used:
1. The supported prices were set for a large share of production.
2. Compensating payments, subsidies, beneficial crediting.
3. The government purchase interventions.
4. The financing of the programs of food support.
5. The market protectionism.

The stage of the complete market saturation (the stage of the market liberalization)

By the end of the 1970s of the 20th century the essential changes in the quality and quantity of the agro-food conjuncture took place. They occurred both in the internal Western European markets and in the world markets. As it can be seen in Figure 1, the methods, which were widely used by the government for promoting food demand and supply at the previous stage, led to the saturation of the internal market (the demand in this market) by the main kinds of products at the level of the absolute needs (at the level of the rational consumption rates – C). Under such conditions the given policy began to fail. It made the problem of overproduction sharper, instead of removing or mitigating it, as it happened at the previous development stage of the food market. It can be explained by the fact that the EU food market at the border of the 1970–1980 entered the qualitative new development stage – the stage of the complete saturation. The overproduction, which was relative and periodical at the previous stage (the stage of incomplete saturation), had become absolute and chronic by the beginning of the second stage, the supply exceeding not only demand (D) but the absolute needs (C), as they coincided with each other now (Figure 1).

The demand became completely inelastic and its further growth was practically impossible. In such conditions the policy of supported prices and incomes stimulating the further production growth, while the population demand for food was decreasing, increased the gap between demand and supply to a greater extent and promoted the increase in the overproduction output. The further implementation this policy leads to the contradiction with the market mechanism. Instead of balancing demand and supply, such a policy results in their greater misbalancing as well as in the market and economic imbalance.

Scales of overproduction are increased at transition to the third stage. Production exceeds internal consumption in the countries of the European Union. At the end of the second stage in 1973–1974, for example, the consumption of only three kinds of food – pork, poultry and eggs – was provided by the domestic production. But for all that, the supply level did not practically exceed 100 per cent. By 1989–1990 the EU countries provided their internal consumption in eight kinds of food from twelve ones due to their domestic production.

The conducted research of the patterns and characteristics of the agro-food market development enables to distinguish the borders of the qualitative transition of its conjuncture from one state into another and which, correspondingly, determine the change in the guiding lines and the directions of its government regulation. These borders can be clearly seen in Figure 1. Historical process of the conjuncture dynamics in the agrarian market is illustrated in the graphs by demand and supply curves, by their position towards each showing the stages of its development. The first stage is characterized by a long wave of the high conjuncture in the market. At this stage of the market mechanism, overcoming the barriers built by landownership and land tenure monopolies, decreases the conjuncture to the normal level by steady increasing the production within a long period of time.

The wave of the decreasing trend in the conjuncture was prevailing at the second and third saturation stages in the market. It is during this period of the historical evolution of the agro-food market, while the food market is saturated, that the conjuncture cyclic fluctuation are activated and the agrarian economic crises became deeper. In this connection active anticyclical policy of state regulation starts to be applied. Its directions and methods depend on what phase of a cycle of a conjuncture there is a market of the foodstuffs.

By the early 1980s the conjuncture in the world and domestic food markets was greatly changed. The transition from the second stage to the third one involved the radical turn in the quality and quantity conjuncture index activities is clearly illustrated by the facts of the grain market in the EEC (Figure 4).

When the agrarian markets of the Western European countries entered the third stage – the stage of the complete saturation – the increase in the agricultural products supply, considered as the positive result of the applied methods of the government regulation, turned to become a heavy burden in the form of the excess of unsalable products. The rapidly growing supply ran against the limited demand both in the domestic and in the external markets. The accumulation of the huge product “surpluses” occurred.

The further promotion of the supply growth by the supported prices could be expedient only if there was a possibility for the effective export of the product excess. On the whole, the conjuncture of the agricultural products in the world market was not favorable for the exporters in the 1980s.
It is necessary to have in view of that the market mechanism in agriculture is not capable to provide automatically curtailment of production due to liberation of excessive inefficiently used resources. There exist factors that prevent spontaneous flow of these resources into more profitable branches owing to the inter-branch competition. Therefore, the systems of government measures for “helping” the market in the inter-branch redistribution of resources and promoting the release of the excess resources from agriculture are required.

Unlike the policy of the supported prices, such agrarian EU policy was not aimed at the liquidation of the negative consequences of the low conjuncture in the food market, but at the elimination of their reasons (the excess of resources). A large variety of measures within the given policy is directed at the prevention of the excess production as well as the support of the excess produce export. The special place among these measures occupy the restriction or even reduction of areas under crops, introduction of quotas of volumes of production and realization of agricultural products, etc. The State agricultural policy has passed from extensive support of the prices and the income to programs of management of risk.

At the third stage the government regulation is realized by the market methods within the market system. The government interference into economy in aimed at the elimination of the barriers against the market mechanism which are connected with the peculiar actions of the demand and supply law in the food market. Thus, it is aimed at balancing the demand and supply levels as well as the public demands and production possibilities.

Summarizing the analysis of the third development stage of the agrarian economy, one can generally distinguish the following directions in the policy of the market liberalization in the agrarian economy:

1. The containment or even reduction of the production.
2. The decrease of the supported and preliminary prices.
3. The guide line towards the market regulation mechanism in order to increase the agricultural production efficiency.
4. The replacement of the compensation payments by the system of flexible production contracts.
5. The introduction of more perfect insurance programs for agricultural output producers.
6. The liberalization of the domestic and foreign trade. The orientation towards the requirements of the GATT-Uruguay Round (WTO).

The future trends in the development of the agro-food market in the European and Asian states in the stage growing conjuncture on the world market of the food

Change of the conjuncture of the world market can significantly change the inter-state agro-food relations. In 2005–2007 there was the fifth enlargement of the EU. Twelve countries joined the Union. This historical event meant the beginning of the new development stage of the integration processes in Europe and it fundamentally changed the geopolitical situation on the continent. There are 27 country-members in the EU now. The latter has become the only powerful supranational organization on the continent. The joining of twelve new countries to the EU leads to a greater increase in the territorial, demographic and economic potential of the community. The European Union territory has increased by 28%, the population by 20%, the total wealth by 4.6%. All these changes are sure to affect the development processes of the agro-food market in the community.
The fifth enlargement of the EU may result in a great excess of supply over demand for agricultural products in the Union markets. The changing of the Common Agricultural Policy (CAP) of the EU towards liberalization means that if market prices and incomes of agricultural output producers fall under the worsening conditions of the overproduction crisis, one should not expect, as it happened before, any essential compensation of the decreased incomes in agriculture at the expense of the EU budget. In order to avoid economic, social, and political contradictions, and first of all the contradictions between the countries of the Old and New Europe, it is necessary for the EU to take measures for the re-orientation of the excess productions towards the external markets.

As agricultural raw materials and food produced in the new countries of the EU (CEECS) are uncompetitive in the Western European markets and inappropriate to the Common Agricultural Policy of the EU, it is necessary to promote the development of the competitive export production and agricultural products processing which are aimed at the external markets. The food market in the Union of the independent states (CIS) and developing states of Asia take a special place among them. Demand on many kinds of agricultural raw material and the foodstuffs will increase in these states in connection with economic growth and increasing incomes of the population.

The production potential of the agrarian sector economy of the Union of the independent states destroyed during the deep crisis of the 1990-s is not able to recover rapidly and saturate the growing demand for food in the nearest years. In comparison with 1990 the cattle stock in the Russia by more than two times, that is by 33 million heads. The physical depreciation of many kinds of farm technique reached 70–80 percent. The return of farm lands is low, grains yield is more than two times lower than the average world one, and a large part of agricultural land is not cultivated.

The success of the project of the fifth EU enlargement depends to a great extent on how actively the Russian market and market of Asian states would be involved in the integration processes in Europe. A positive trade balance of the Russian Federation with the European Union exceeds 20 billion euro that is more than a half of the total foreign trade of Russia. By joining the CEECS to the EU the ratio of the Union in the Russian foreign trade circulation will exceed 65%, but it accounted for about 40% before the Union enlargement. The success of the EU enlargement project will greatly depend on how the new system of the international labour division between the expanding EU, Russia and Asian states will be formed.

The European capital can flow into Russian agriculture attracted by enormous, rich agro-resources and cheap labour in Russia which are hardly half used at present. Agro-resource of Russia unlike mineral raw materials is an inexhaustible, renewed and increased resource. Nowadays less than 40% of its potential is used. Its use at a full capacity due to the active inflow of the Western European capital and intensive technologies can increase the production output of grain up to 190–200 million tons (instead of 60–80 million tons at present) and reduce the production costs to $40–70 per ton.

However, in a short-term run and a medium-term one such increase in production is unreal. First, due to the existing conjuncture in the European and the world grain markets it disagrees with the CAP of the EU. A sharp increase in grain production will worsen the situation of overproduction both in the markets of the European Union and in the whole world market. Second, a relatively long period will be required in order to carry out the structural technological rebuilding of Russian agriculture and restore the resource potential of the agrarian country’s sector degraded during the years of destroying economic crisis. As it was mentioned above, in case of a sharp transition to the liberal market model of the development, at the initial stage of the membership in the WTO, Russian uncompetitive agriculture will be involved in a new crisis characterized by stagnation, and even by the production recession.

The direct imitation of the modern methods of the agrarian Western European policy and the USA policy by all the country-members of the WTO is impossible. It is necessary to take into account the characteristics of agriculture and the agrarian market existing in different countries. Firstly, the different characteristics of the formation and development of the food market should be considered. In contrast to the food market in the USA and the Western European, the food markets in the Union of the independent states and Asian states are unsaturated.

At the same time it is important to point out that there will be leveling in the saturation of food markets in different European countries. As a result the growth of food overproduction may take place not only in the domestic markets of the EU but in the markets of the Union of the independent states and Asian states with developed agriculture. However, by this time, according to the forecasts of a number of researchers, the problem of world food supply may worsen.

21st century can become the period of transition to the fourth stage of the cyclic development of the agro-food market – stage growing conditions on the external market. It is not reflected in Figure 1. The first signals we have received: growth on the world market demand and food prices in 2003–2008 and increase in the last seven months in 2009. Price index in 2010, in spite of certain decreases, was 162% in April (Figure 5 and Table 1).

New evidence identified the conclusions of this article on the development of world agro-food market, its entry to the fourth stage of the cycle of development, are given in the report of the FAO «The State of Agricultural Commodity Markets 2009», which was written by a team of staff from the Trade and Markets Division of FAO, led by David Hallam. The report with reductions and some changes are used in this article (3).

In June 2008, the prices of basic foods on international markets reached their highest levels for 30 years, threatening the food security of the poor worldwide. FAO estimates that
soaring food prices pushed another 115 million people into

Food prices were up as much as 40 percent from their 2007
level and 76 percent from 2006. The sharpness of the price
increases and their persistence, which left many developing
countries struggling to cope with the consequences, make this
fourth stage different from past stages of the cyclic
development of the agro-food market (3).

International food prices have fallen back towards their
2007 levels as the financial crisis and world recession have
taken hold. However, prices are still significantly above the
levels we have seen in recent years and are likely to remain
high by historical standards.

Real prices have showed up to 2000 a steady long-run
downward trend punctuated by typically short-lived price spikes.
Up until 2006, the real cost of the global food basket had fallen by
almost one-half in the previous 30 years, with prices of many
foodstuffs falling on average by 2–3 percent per year in real terms.
There is some suggestion of a flattening out since the late 1980s
with a gradual recovery beginning in 2000 before the sharp
increase in 2006 – the average annual growth rate of 1.3 percent
for the period 2000–05 has jumped to 15 percent since 2006 (3).

Price growth factors are production shortfalls, low stock
levels, oil prices, biofuel demand, growing incomes in emerging
economies, depreciation of the US dollar and speculation.
Popular explanation the reasons for rising prices is rapid
economic growth in certain emerging economies, notably
China and India, increasing demand for food, especially for
livestock products, which generated increased cereal and
oilseed demand for feed. While it is difficult to determine their
individual contributions quantitatively, some of these factors
could have a persistent effect on the average level of prices.
There are some features of the current situation, notably the
historically low stock levels for cereals and strong demand for
biofuels, that suggest that, in spite of the downward adjustments
from the peak of early 2008, the recent high prices may well not
be short-lived but could persist for some years. Prices for most
agricultural commodities by mid–2009 have fallen significantly
from the peaks reached in the first half of 2008. World grain
prices have fallen by 50 percent and prices for other basic foods
have followed. However, prices remain high by historical
standards and are still above their 2007 levels.

The importance of growth in demand from China and India
as a shaper of world food markets and prices has been
highlighted in a recent study by the International Food Policy
Research Institute (IFPRI, 2008). This argues that rapid
economic growth in certain developing economies has pushed
up middle-class consumers’ purchasing power and this has
increased the demand for livestock products such as meat and
milk and, hence, demands for feed grains. Emerging
economies, particularly China and India, are certainly playing
an important role in global agricultural commodity demand and
supply. However, the high commodity prices of 2007 and 2008
do not seem to have originated in these emerging markets,
Cereal use in China and India has in fact been growing more
slowly than in the rest of the world. Cereal imports by China
and India have been trending downwards since 1980, by about
4 percent per year, from an annual average of about 14 million
tonnes in the early 1980s to roughly 8 million tonnes in the past
three years. This means that the growth in cereal feed demand
in these two countries, at least until recently, has been met
mainly from domestic sources. Moreover, while China has

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Table 1  Source: Data of FAO
FAO cenový index potravin
(1) cenový index potravin, (2) mäso, (3) mliečne produkty, (4) obilniny, (5) oleje a tuky, (6) čukor
become a major importer of oilseeds, vegetable oils and livestock products, the country’s overall agricultural trade balance has remained largely positive in most years since the mid – 1990s. The long-term development in the trade position of India also goes contrary to the belief that it is one of the drivers of increasing food prices in world markets. India has been a major exporter of food. In most years between 1995 and 2007, it exported more wheat, rice and meat than it imported. Even India’s relatively large imports of vegetable oils need to be considered in the context of equally large exports of oilcakes. In fact, in the case of both China and India, there is no evidence of a sudden increase in imports of oilseeds, meals and oils to indicate that they have contributed to their price hike, which began in mid – 2007 after the spike in the prices of grains (maize in particular) a year earlier. China and India have not been the cause of the sudden price spike in the oils complex, but this does not downplay their role nor that of changing consumption patterns in general on developments in food markets both in the past and in the future (3).

The growth of agricultural production in India in recent years time marked increased use of fertilizers and pesticides. Thus, fertilizer consumption (nitrogen, phosphorus and potassium), which has stabilized in the period 1990–1991 and 1993–1994 at 12 million tonnes increased in 1996–1997 to 14.3 million tonnes (4).

The OECD–FAO Agriculture Outlook 2008–2017 (OECD–FAO, 2008) indicated that both nominal and real agriculture commodity prices would fall from the record levels reached in early 2008 but would remain higher over the next decade compared with the previous one. The Outlook argues that among the prime factors in the latest price spike – droughts in key grain-producing regions, increased biofuel feedstock demand, high oil prices, US dollar depreciation and a changing demand structure for commodities, all in the context of low stocks – some have permanent elements that are expected to sustain higher prices over the next ten years. In particular, the Outlook pointed to biofuel demand and oil prices. While globally, and in absolute terms, food and feed remain the largest sources of demand growth in agriculture, there is now a fastgrowing demand for feedstock by the bioenergy sector. Biofuel demand is the largest source of new demand in decades and is seen as a strong factor underpinning the upward shift in agricultural commodity prices. Biofuels have forged a new link between agricultural product prices and oil prices, which also has the potential to break the pattern of long-run decline in real agricultural commodity prices (5).

All of this is confirmed by new tendency of price growth on the food during August–September 2009. The FAO food price index, taking into account the price of cereals, oilseeds, dairy products, meat and sugar, in November was 168 points, the highest since September 2008 (6).

It is being broadcast that there will be a world population increase from 6 billion people at the beginning of the 21st century up to 8 billion by 2050, which may seriously change the conjuncture in the world food markets. If the world market conjuncture is high, the problem of balancing in the agro-food markets in Europe, including the Russian market, will be solved by the increase in the amount of food export (7). This failure, already dreadful, may soon get worse. None of the underlying agricultural problems which produced a spike in food prices in 2007–08 and increased the number of hungry people has gone away. Between now and 2050 the world’s population will rise by a third, but demand for agricultural goods will rise by 70% and demand for meat will double. These increases are in a sense good news in that they are a result of rising wealth in poor and middle-income countries. But they will have to happen without farmers clearing large amounts of new land (there is some scope for expansion, but not much) or using up lots more water (in parts of the world, water supplies are stretched to their limit or beyond). Moreover, farmers also wrestle with the consequences of climate change, which, on balance, will do more harm than good to farmland (7).

The need to protect consumers from higher food prices must be balanced against maintaining incentives for productivity-raisın investment and supply response. Policy measures need to be targeted, non-distortionary and positive towards agricultural investment. Many developing countries need international support to overcome budgetary constraints and to identify and implement appropriate policies. Developed countries also need to consider the impacts of their agriculture, trade and energy policies on international food prices and availability.

References


Súhrn


Klúčové slová: trh, dopyt, ponuka, konjunktúra, cyklus, renta, agrárny

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