

# Innovation Development of Food Market of Kazakhstan

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**Abstract**—Currently, one of the main directions is developing of development based on the clustering of economic operations of Kazakhstan, providing for the organization and concentration of production capacity in one region or the most optimal system. In the modern economic literature clustering is regarded as one of the most effective tools to ensure competitive businesses, and improve their business itself.

**Keywords**—A cluster, food market, innovation cluster.

## I. INTRODUCTION

AS we know, the founder of a cluster technology development is Michael Porter, who in his book "The national competitive advantage" gives the following definition of "... a geographically concentrated groups of interconnected companies, specialized suppliers, service providers, firms in related industries, as well as related to their activities organizations. "According to M. Porter's competitiveness, it should be viewed through the lens of international competitiveness and not in its individual companies and clusters but as clusters of firms of different industries, thus showing its fundamental importance in the ability of these clusters to effectively use internal resources [1].

Most of Kazakhstan's scientists have come to the determination that the "cluster - a sustainable territorial and sectoral partnership, joint innovation program, the introduction of advanced manufacturing, engineering and management techniques in order to improve the competitiveness of its members" [2].

Today it should be noted that the regional economy in which there are no clusters, is not competitive in the global market sense in the long run. A significant natural resources and large corporations owned fixed assets may be located in their territory, but it does not increase the influence of regions devoid of clusters on the global people expertise exchanges, technology, information and finances.

The economic strength of the region is not determined by the volumes of production, but the resource mobilization across the network of producers, its overall impact on the global exchanges. Instead of the rigid specialization in a

single-industry, it can be characterized by clusters of so-called flexible specialization and their ability to innovate. In many ways, these are qualities based on knowledge and information sharing.

The essence of the business combination coming to a cluster, especially the development of joint projects for the production of goods (services), is about innovation within the projects and educational programs.

Multiplicative effect of clustering is expressed in the reduction of the cost in order to improve the quality of products.

## II. MATERIALS AND METHODS

### *A. Background and Need for Cluster Development in Kazakhstan*

The cluster as a basis for public policy the Republic of Kazakhstan was determined by a number of fundamental policy documents. The immediate step in this direction was the adoption of the Strategy of Industrial and Innovation Development of Kazakhstan for 2003-2015, the main provisions of which were developed based on the National Development Strategy until 2030 [3], and other program documents, as well as a number of orders of the President of the Republic of Kazakhstan. Specification of the strategic plan is reflected in the President to the people of Kazakhstan in 2005, where the President presented a model of a competitive economy with the priority sectors that have potential for economic competitiveness, as well as the Kazakh system of clusters. He also was asked to develop a plan to create and develop clusters of 7.5, which will determine the long-term specialization of the economy in the non-oil sectors [4].

Kazakhstan has identified seven priority direction of development of the cluster model, one of which is agriculture, which is regarded as the main source of raw materials for industries processing agricultural raw materials and producing food, and textile and leather industries.

The competitiveness of the economy depends on the development of agriculture, so the development of this sector should be considered as one of the priorities of economic policy. The main objectives of agricultural development should be an increase in output of agricultural products, improving quality and productivity in the agricultural enterprises and farms.

Agro-industrial complex has enormous socio-economic importance, because it not only meets the needs of the population in a number of major food products, but also reflects the quality of life in the country. Bearing in mind that the present world situation is characterized, on the one hand,

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with the presence of a large number of hungry people in third world countries, and on the other hand, having the excess food production in developed countries, where no more than 20% of the population of the planet resides. The developing countries are unable to provide the population with their own food in accordance with physiological standards of nutrition, they are forced to import it in exchange for strategic material resources, precious metals and significant political concessions.

Agriculture in Kazakhstan at the present stage can be characterized as a steadily growing economy, capable of providing food security of the country and meeting the needs of the domestic food market. Annual output growth is 7-8%, it has been noted both the growth and processing of agricultural raw materials, with an increasing volume of exports. For example, the gross agricultural output in 2011 was only 2286.0 billion tenge, which compared with 2005, higher by 2.9 times. The main share of the gross agricultural output accounted for crop - 1337.2 billion tenge, while the animal products amounted to - 942.4 billion (Table I).

TABLE I  
GROSS AGRICULTURAL OUTPUT IN 2005-2011, MILLION TENGE

Year	Total	Along with	
		Crop	Livestock
2005	763843,0	400218,0	363625,0
2006	853313,0	432492,0	420821,0
2007	1121774,0	630796,0	490978,0
2008	1384188,4	761117,2	623071,2
2009	1640187,9	936849,6	70338,3
2010	1442630,1	662652,6	774105,8
2011	2286042,3	1337194,4	942384,3

source:www.stat.kz

Today in Kazakhstan the saturation of the consumer market in food products is provided by the domestic production and imports. The state of the internal market is characterized by a threshold level of food depending on the external market. The state controls the little food market, a country can no longer feed itself regarding some types of products. For most of the food basket of imported goods comprise from 40 to 60%, whereas an individual items "goes beyond" over 100%. Only for items such as bread and cereal products, Kazakhstan provides itself and feeds the nearby countries [5].

The main components of the food market in Kazakhstan are the production of grain, milk, meat and meat products, and from this point of view, we identify future development of these clusters - a cluster of processing wheat, a cluster of meat and milk. In the textile and garment industry, which is also an integral part of agriculture, a cotton-textile cluster can be created - a cluster of cotton processing.

#### *B. Cluster Production and Processing of Wheat*

By sowing areas allotted for wheat, Kazakhstan occupies the 6th place in the world and is located at 11th place in its collection, and among the CIS countries on the 3rd place after Russia and Ukraine [6]. In the structure of the share of wheat it has more than 80%, whereas the proportion of barley and other products in less than 12%.

However, the process of production of grain production is fragile and depends on the climatic conditions of a particular year. For example, if in 2009 20.8 million tons were produced, in 2010 it amounted to 12.2 million tons and in 2011 production rose back to 26.9 million tonnes (Table II).

The main reason is the non-agricultural work cycle, low update the ICC, the lack of and unavailability of funds, etc. The main reason for the growth of grain production is to increase the acreage (if the crop area in 2005 was 14,841.9 hectares, by 2011 it reached the area of 16,219.4 hectares), while in developed countries, the increase in production is achieved by increasing yields.

Grain export-oriented production in Kazakhstan in connection with which, depending on the fluctuating world price indices on the domestic market. Prices in the grain market of Kazakhstan is practically the same global trends, although the majority of exporters fence off its national market from the impact of the world.

Thus, the competitiveness of Kazakh wheat on the international market is in demand because of good quality grain. These factors determine the competitiveness of products made from Kazakh wheat. There are provisions to reduce production costs and enhance competitiveness of the grain clusters.

The main competitor for Kazakhstan in the production of wheat and its products appears to be Russia. However, the level of competitiveness of these products have the same in both countries, due to the current state of grain production in them, and the identical conditions for development.

The increase in exports of Kazakh wheat is due to lower global stocks, however the better quality grain is primarily exported out of the the Republic. Thus, lack of quality raw materials is formed by the domestic market.

To improve the efficiency of the grain industry it is vital to develop a cluster of production and processing of wheat. Most of its elements in the country have already been formed, but they are immature and are currently in an ineffective relationship with the outside world.

This situation is explained by the presence of problems in the production and processing of grain, the characteristic for the entire agricultural sector of the country.

A cluster of wheat processing involves strengthening the existing ties between the structural elements of the cluster and the creation of new elements (production) aimed at the increasing the production of wheat and its products with high quality and competitiveness in both domestic and foreign markets.

Competitiveness of the cluster will be provided by the fullest use of natural-climatic potential of the territory of its location, which enables clients to grow high-quality wheat, as well as the priority of state support in the first phase of development.

To improve the efficiency of the cluster, reducing costs and increasing competitiveness, in our opinion, we need to develop a deep waste-free processing of wheat grain (production of crude frozen gluten), development of new products, among which it would include the products of long-

TABLE II  
PRODUCTION OF MAIN AGRICULTURAL PRODUCTS FOR 2005-2011

Index	Year							2011 in % by 2005
	2005	2006	2007	2008	2009	2010	2011	
Grain (tousan d. tons)	13781,4	16511,5	20137,8	15578,2	20830,5	12185,2	26960,5	195,62
Meat products (tousan d. tons)	762,2	808,6	838,7	874,2	896,3	937,4	939,4	123,24
Milk (tousan d. tons)	4749,2	4926,0	5073,2	5198,0	5303,9	5381,2	5232,5	110,17

Note: data take from the statistics on RK // [www.stat.kz](http://www.stat.kz)

term storage, including a new range of biscuits, crackers, crusty bread with different fillings, cereals, porridge and other semi-fast food, semi-finished products for confectionery, ice cream and pastries.

### C. Cluster of Milk Processing

The spontaneous nature of the milk market in Kazakhstan is the reason for the low quality and high share of imports. Currently, milk production is characterized by low production of dairy products deep processing, as more than 90% of milk produced in Kazakhstan by small producers, for which a separate milk processing requires significant investment.

The structure of milk production in Kazakhstan agricultural enterprises occupy only 3.3% -7.7% farms, and the population is going to 89%, which leads to low marketability, range of goods and extremely poor quality. In addition, the profitability of milk processing does not exceed 5-7%. As a consequence more than 30% is not recyclable. In the republic of power processing plants are loaded on 30-35%. The main reason is the lack of milk collecting points. The bulk of milk production of the deep processing, in the major cases, is imported from neighboring countries. Despite the increase in domestic production, there is a high import share in consumption of butter was 25-30%, cheese and curd - 40-45%, condensed milk and cream - for more than 75%.

In turn, large milk processing companies due to the acute shortage of high quality natural milk – have to buy powdered milk through its recovery, which is then used as the main raw milk to produce dairy products.

There is a significant gap between retail and farm price for raw milk. On average marginal cost the Republic amounted to 2.4 times the price. This indicates the imperfection of the system of the goods, the presence of a large number of intermediaries, the weak competition in the market. By product of industrial production there are significant differences in the value chain. In the market domestic producers of butter there is a tendency of displacement of natural animal oils and saturation of the market with soft varieties of butter. Over a five-year period, the share of production of butter in commercial areas of the Northern region decreased from 65.5 to 35.2%. The share of manufacturing lightweight butter is 12.5% a year, as there is a growth rate of production of butter, and lightweight is 60.5%.

The average price of 1t of imported dessert butter is below the price of the domestic producers by 9.8%. However, the domestic retail price of animal oils and dessert butter almost equalized both in regards to the domestic production and imported butter. This reduces the motivation of domestic producers in producing as the consumer has preferences to the natural butter.

At the same time, Kazakhstan has the potential conditions for the development of the cluster production and processing of milk, based on the domestic market:

- Traditional management of livestock;
- Large areas of grassland;
- High rural population;
- Availability of spare capacity on the processing of milk;
- Modernization of processing industries with new technologies for processing of milk;
- Increase in the effective management and simultaneous support for the state of the commodity sector and processing industries. Some of its elements are already in operation in the country, but for cluster formation it is essential that all members of his production and institutions are developed enough to fully meet the needs of the cluster in its products, and have a stable and effective trading relationships.

The initial processing of milk and cheese are the most promising areas for small shops that are created within the farms, at the present stage, it is virtually absent.

Building a competitive production of dairy products is only possible with the simultaneous development of all elements of the cluster and enhance the integration between them.

The implementation of the cluster is appropriate as it provides a deep processing of milk with a wide range of finished products, especially in the specialized area of commercial milk production in the north of the Republic, that is, in Kostanai, North Kazakhstan and Akmola regions and the South of Almaty, Zhambyl and South Kazakhstan oblasts (the share of each of these regions are 32% of milk processing facilities in the Republic), where the fullest use of natural and climatic potential areas and development of fodder production will ensure sustainable development of the cluster, as well as the towns near large cities where there are agricultural commodities, and quick delivery of dairy products to the consumer .

In cases where market relations are characterized by intensive development of integration processes and globalization of economic activity, competitiveness in major cases is determined by such components of the product as "the price of the product" and "product quality". It is these components that provide the movement of the product on the market and consumption growth.

Foreign experience of most developed countries shows that government influence on competitiveness is reflected in the compensation of the costs of production through differentiation of tax rates, the introduction of tax and credit incentives and subsidies.

In the U.S. base in the total credit costs of Agriculture makes up 70%, Britain and Germany - up to 50%, while the benefits are realized on the loan in the form of compensation interest payments for commercial banks, securities, officers pledge for a loan from the federal credit funds, debt obligations, the interest on which is not taxed, and many others.

Basically, the state itself is interested in developing the competitiveness of the food market that provides full development of national competitive advantage. For example, according to WTO rules to state support of developed countries, affecting the prices of agricultural products ("yellow box") is allowed up to 5% of the entire output of the agricultural sector. For developing countries, this threshold is set at 10%. In fact, the average subsidy rates in the developed WTO member countries is about 14% of the value of the EP Agriculture, and in the main producing countries, the level of agricultural products of this kind of state of the EU 50% of the cost in the U.S. - 25-30%, in Finland - 70%.

The leading exporters of milk and dairy products are New Zealand and Australia. It should be noted that the economy of New Zealand initially focused on international markets. That says a lot about the fact that in this country there is over 3,400 kg of milk per person and more than 90% of dairy products supplied to foreign markets.

In the European contingent of foreign trade activities (especially the export of milk and dairy products) it is represented mainly by Germany, France and the Netherlands. The U.S. also continues to remain a leading world exporters of skimmed milk and various milk protein compounds.

The most relevant is the issue of competitiveness of agricultural products, which despite the State resuscitative measures is still characterized by poor quality.

Competitiveness of the agricultural sector is now closely linked to the process of government support. Not a single state of the world would have its agriculture developed independently but always closely intertwined with the process of financial, fiscal and administrative support from the state. For example, the cost structure of agricultural production levels of all types of state support of developed countries is 40 or more percents per 1 ha of arable land in the United States - 107 dollars USD, Europe-855 dollars USD, Switzerland - 4214 dollars USD, Japan - 10 671 dollars USD.

The agricultural credit shall be at reduced interest rates in almost all countries of central and eastern European. For

example, the Czech Republic, Hungary subsidize 50% of the principal debt and interest rates on seasonal and long-term loans. In Romania, these subsidies reach 60%, Slovakia and Poland - up to 80%.

Currently, the development of the competitiveness of the food market of the agricultural sector RK influenced by the following factors:

- Small-scale agricultural shaping the agricultural sector;
- A rather low level of infrastructure development of the agricultural sector;
- The influence of climatic conditions and the low degree of water-and resource-saving technologies;
- Low level of investment attractiveness of the industry;
- Low utilization of innovative technologies and upgrade the machine-tractor park [7-8];
- Low level of public support compared with other states;
- Weak development of processing and production of the final product;
- Failure to comply with rules and regulations of all agricultural work cycle.

#### *D. Production of Meat and Meat Products*

According to the Republic of Kazakhstan Agency on Statistics, the gross production of animal farming in 2011 amounted to 942.4 billion tenge, which is 168.3 billion more than in 2010.

During 2011 in all categories of farms, meat production amounted to 939.4 thousand tons. The largest volume of meat produced in Almaty (18.0% of total production in the republic), Kostanai (16.2%), South-Kazakhstan (9.8%) and East-Kazakhstan (13.1%) regions.

The increase in supply of meat is achieved mainly by raising livestock, while livestock productivity remains low, the reason for this is the high percentage of cattle slaughter, which did not come to its full mass. Thus, for example, for 2010-2011 for the implementation of the meat it goes almost 43-45% of the total population, which negatively affects its extended reproduction. Another reason for the low productivity of livestock is the poor supply of food supply and increased cost of feed.

Poor development of beef production in the country, particularly cheap at the price and lack of development of industrial production, in most cases leads to the import of meat products. Delivery to the Republic of cheap goods is often hinders the growth of domestic production. From found analysis the growth rate of imports is far ahead of the development of domestic production, as currently implemented, poultry imports at a price of 145.6 tenge per 1 kg (including the payment of VAT and customs tariff of 20%), while the price domestic product of 267.5 tenge. However, getting on the national wholesale market, the price of imported goods increased by 2.2 times (325.5 tenge / kg), which involves the concentration of profits for importers. On the retail market of imported and domestic products are sold in almost equal rates.

Currently the market is complicated by parts of poultry carcasses (thighs) - import price of which is 225.5 tenge / kg

(including customs tariffs and VAT), wholesale - 345 tenge, and retail - 425 tenge / kg.

Thus, the additional premium is of 199.5 tenge / kg. As a result, Kazakh consumers do not get cheap meat, because it gets no gain in price. Domestic poultry are also unable to take advantage of as there are high prices in retail trade, as much of the revenue is deposited at the mediators and trade.

The increase in the capacity of the national poultry market at the expense of domestic producers in the short term is not exactly possible due to the low level of technical and technological equipment, underutilization of production capacities of various enterprises, as well as high production costs. In this case the cost of domestic production by 65% is formed by material costs, among which more than 75% falls on the food.

In accordance with the Government of the Republic of Kazakhstan dated February 27, 2006 № 130 approved the "Regulations on the use of subsidies to improve productivity and quality of livestock products in 2006" [9] and broiler poultry farms are able to obtain about 47 Tenge subsidies (to feed) on 1 kg of poultry meat sold. It is about 21% of production costs. This support is quite substantial. However, broiler factories realized (according to expert estimates) of the order of 40-42% of poultry meat, put on the market agricultural enterprises.

In addition, in recent the years in order to import the state actively promoted the development of production and maintenance of the internal market by other components of the food market. For example, in 2010 compared with 2008, there was a trend growth of oilseed production - by 1.9 times, sunflower - 1.8 times, sugar beet - 1.2 times, etc.

Meanwhile, many imported goods such as canned meat, pasta, margarine, yogurt, sausages, pastry, vegetable oils, and others may well be in the country.

Of course, maintaining a certain percentage of import of food products is necessary for diversification, meeting Kazakhstan needs in nutrition, as well as to maintain a competitive environment. The share of import on the recommendation of the International Food and Agriculture Organization of the United Nations should not exceed 17% of total consumption.

It should be noted that the bulk of the food market of agricultural products is provided, particularly grain, meat and milk, which in this country partly or wholly provided by domestic production excluding downstream products which are most likely imported. In general, the level of development of the agricultural sector and food market has always been and continues to advocate the determining factor in the economic, social and political stability, economic and food security, so the dynamic development of this sector should be one of the main priorities of social and economic policy in the future.

### III. RESULTS AND DISCUSSION

#### *A. State Regulation of the Food Market of Kazakhstan*

To improve the efficiency and sustainability of the domestic food market should be, above all, a detailed study of the

organizational-economic mechanism of the market, with a view to further improvement.

In general, the formation and development of infrastructure, food market requires a lot of time and capital costs due to the creation of structures adapted to market conditions [10]. Therefore, government regulation is used in many cases for infrastructure development of the food market, in the form of financing a capital-intensive infrastructure of food wholesale markets: database storage products, as well as its transportation, information. Because of its strategic importance, the significant role in the formation and development of organizational and economic mechanism of the food market is of the state [11]. State influence on the development of the food market is based on mechanisms that include economic, organizational and administrative levers. In general, the process of public exposure is branched as a direct (subsidies and compensation) and indirect (to support the development of market infrastructure) the nature of the action. Therefore, the design of regulators can be very diverse, but its application is the basis for the adequacy of economic conditions and market conditions and expected development tendencies (Table III).

Much of the measures of government impact is economic, which is considered essential in the regulation of market processes, because they are based on the necessary physiological needs, and therefore, they are inherent to enhance the impact properties. In addition, they are characterized by great flexibility and variety. Currently, the main purpose of government regulation of the food market is to achieve sustainable food market on the basis of preservation of the equilibrium of supply and demand, which will fully meet the country's food security and to make full use of the product produced by producers. For example, in many foreign countries in order to maintain the equilibrium of supply and demand in the market is focused on: the creation of legislation approved by the regulatory pricing, eliminating the subjectivity of their formation, when the cost of producing food, service providers included unrelated to production costs or the cost is several times the actual cost, guaranteeing to agricultural producers marketing of these products, creating a market infrastructure, the system of wholesale food markets, trade and logistics centers (for example, many Kazakh producers would take goods in bulk by prior arrangement (even in multiple locations) immediately received payment; regulate the import proceeds, using the tools of tariffs and import quotas, arrange for product and purchase interventions to maintain the equilibrium of the market and the price level, in order to create certain conditions for effective and sustainable operation of the food market, market forecast exercise of market conditions and in a timely manner before planting in the open publishing of statistical publications.

Thus, the organizational-economic mechanism of the food market is the combined set of specific mechanisms (pricing, taxation, investments, loans), directed by the state influence on the achievement of certain objectives through the organization of the subjects on the basis of their economic motives.

One reason for the low efficiency of crop production is a discrepancy between the volume of fertilizer according to the

TABLE III  
MAIN DIRECTIONS OF STATE REGULATION OF THE FOOD MARKET

The government means of impact		
Economic		
Stimulating a demand for food:	Stimulating of the offer:	Regulating of the food market equilibrium:
<ul style="list-style-type: none"> <li>- Establishment of the state order for socially important kinds of food and selling it at a fixed price</li> <li>- The development of inter-regional trade flows in seasonal subsidize transportation costs;</li> <li>- New directions for use with \ x products</li> </ul>	<ul style="list-style-type: none"> <li>- Investment aid in the development of large commodity production;</li> <li>- Concessional lending, including the security of harvest;</li> <li>- Expanding the scope of subsidies for fodder;</li> <li>- Subsidies for transport expenses, including and processing enterprises in the procurement of raw materials from domestic producers;</li> <li>- Development of the leasing of livestock, machinery and equipment for checking;</li> <li>- Establishment of the state guaranteed prices;</li> </ul>	<ul style="list-style-type: none"> <li>- Conduct in extreme situations of commodity and purchase interventions and the creation of a national food reserve;</li> <li>- export promotion, subsidies for transportation expenses for promotion of export products, the formation of an information system for monitoring the factors complicating the export state. insurance of export contracts)</li> </ul>
Organizational		
<ul style="list-style-type: none"> <li>▶ infrastructure market through preferential lending construction stores, wholesale markets, etc.;</li> <li>▶ provide consulting and marketing assistance;</li> <li>▶ improving market information;</li> <li>▶ establishment of foreign representative offices and common Kazakh export brand</li> </ul>		
Administrational		
<ul style="list-style-type: none"> <li>▶ accept the Act "On state regulation of food markets" that reflects the basic principles and mechanisms of state intervention in market relations;</li> <li>▶ improving the standardization and certification of food, the introduction of quality control and food safety;</li> </ul>		

evidence-based standards. Thus, when the needs of approximately 30 kg made of 3.9 kg active ingredient in fertilizer, for comparison, in Russia was introduced on 1 hectare of arable land 12 kg, Germany - 257 kg, Great Britain - 348 kg of fertilizer [12].

Joint Stock Company "Kazagrofinance" was established in the Republic with 100% state share capital. The main purpose and object of the company is supporting the development of the agricultural sector by providing access to agricultural enterprises to finance, to technology and process equipment on a leasing basis. However, under existing conditions, providing leasing has a number of problems:

- Equipment leasing, as well as breeding animals may purchase only large, stable, developing economy (which constitute a small percentage);

- The volume of leasing to date are small, especially given the constant rise in prices for the products of mechanical engineering.

Considering the feature of production activity of small and medium-sized producers, due to high costs and limited financial resources, it is advisable to install them for the leaser's interest rate at the minimum rate. These benefits, i.e. benefits provided by small farms, can be offset by the establishment of higher interest rates, being the largest steadily integrated financial structures.

In parallel with the state leasing companies, there is a process of formation pay, most of the food businesses markets lack of liquidity of collateral and the commercial leasing companies do not show much interest in the subjects of the agricultural sector. Terms of leasing schemes are being implemented fairly rigidly and conservatively.

Therefore, the solution to the problem of innovation and improvement of the maintenance of the food businesses market as well as the transition to advanced technologies can be based on the consolidation of production cooperatives and associations.

Improving the competitiveness of the cluster formation and development of innovative infrastructure-food market is possible on the basis of financial sustainability and modernization of agriculture, as well as ensuring the accelerated development priorities towards ensuring food security, especially livestock. The growth of agricultural production in agricultural enterprises and farms in the future is possible due to the increase in livestock production (currently in the structure of agricultural production in these categories, the share of livestock farms account for only 13-15%, ie livestock mainly concentrated in households). The growth of this is doable through the creation of a new technological base, the use of modern technological equipment for the modernization of livestock farms, as well as by increasing the genetic potential of productivity and accelerate the establishment of appropriate prey. Measures of state support should be aimed primarily at increasing the stock of farm animals in the major agricultural enterprises and farms.

The calculations show that under the sponsorship of businesses in order to increase the livestock numbers are formed in different sizes of state support in the value of gross output produced, that is, the distribution of the amount of state support for the regions in proportion to livestock. This is due to the established different levels of livestock productivity and sales prices in the regions. This approach to the allocation of amounts of support, in our opinion, valid means of concentrating in the areas of budget priority livestock development. For example, in the southern region, which hosts about 40% of total cattle population accounted for 40% of budget funds allocated to the Republic, although their share in gross output value is slightly different from the national level.

Livestock is concentrated mainly in private farms of the population. For the development of smallholders it should be allocated to short-term financing of livestock production, 20% of its value (90 billion), with an estimated volume of commercial products in this category, farms about 250 billion tenge (55% of merchantability). Through micro-credit, this is what distinguishes "KazAgroFinance" every year about 2 billion, it is impossible to solve the problem of financial

support for this sector. Such approach is considered appropriate as it allocates the budget funds for direct support to industries to stimulate the increase of livestock (including smallholders), and can be a speedy solution to major problems - the production of pedigree animals and animal food.

As shown by our analysis, the implementation of production is carried out in several stages, their number and determines the final wholesale mark-up. The premium basic is formed, most often in the wholesale trade, consisting of the mediation of commercial structures. It should be noted that the wholesale entities are more profitable to work with the imported food products in most cases, since the margin on domestic goods are lower due to their higher initial cost in relation to imports. This causes certain difficulties in the marketing of domestic products and determines the growth of imports of food products on sale.

Therefore, a system of goods is needed (irrespective of the number and structure of units), which will take into account the interests, needs and opportunities, both consumers and producers. To organize and coordinate the movement of goods and food, in our opinion, is necessary to implement an integrated approach in the implementation of state support and enhance state influence on the process of market regulation.

Thus, the required state program of purchasing and marketing cooperatives, slaughterhouses and other infrastructure, as the wholesale market highlights the specific conditions and requirements for wholesale suppliers to improve the quality of food products, standardization, improved packaging, assortment, etc. These requirements wholesalers and processors producers impose as a necessary condition for improving the competitiveness of the goods.

Thus, in our opinion, it is possible to regulate the issues and problems of food supply of cities, sales of domestic producers.

In this regard, the development of wholesale trade must be maintained and regulated by the state, particular attention in this regard should be given to price factors, and in particular the establishment of limiting trade margins - in the wholesale sector of 25-30% in the retail link - 18 - 20%, socially significant margin products should be below 20, and 15% respectively.

In our opinion, because of the introduction of measures of state price regulation particularly important foods it may raise the demand of the population to a higher level than in previous periods and the present time. For example, beef, vegetables, and poultry by 1.8 - 2 times, apples to 6 times.

Therefore, to date, the development and adoption of the regulation is required, implementing the socially important food products, which will be determined by organizational, legal and economic framework of regulation and coordination of their implementation, as well as ensuring effective control of prices and pricing in this market food products.

Also as part of the activities, it is necessary to develop and implement a standard contract of sale of socially important food products to be concluded between the enterprises of wholesale and retail trade and producers (suppliers), the

socially important food products, which determines prices and profits on the value chain.

In modern conditions the Republic is entering a period where global economic relations are governed by rules and principles of the WTO. The increase in trade flows, goods movement across borders, makes it a necessary part of the state organization and implementation of strict control of purposeful development of export-import operations, their proportions and sizes, in order to strengthen the national economy, maintain food security, support for producers and the maximum satisfaction of the needs and requirements of different population regions of Kazakhstan.

#### IV. CONCLUSION

In view of the most rapid and effective integration into the global economy, the agricultural sector of the Republic of Kazakhstan should be a fairly short period of time to solve such complex problems as the construction of the external economic cooperation, which provides the conditions for the sustained development of agriculture, significant growth of export potential, the benefits and opportunities of the international division of labor to improve the efficiency of the agricultural sector.

Kazakhstan's accession to the WTO should be accompanied by guaranteeing and ensuring that the domestic producer has the right to use: the protective measures for domestic agricultural market (tariff and non tariff) measures, to stimulate exports of agro-industrial products (export subsidies, primarily to transport goods).

Significant costs for shipping goods to the recipient country even reduce the competitiveness of main export crops which is corn. According to the European countries, the average transportation costs is amount to 55-58%, the selling price of wheat on the North African countries the figure exceeds two-third.

There is still a number of factors that have a sufficient effect on the changes in tariffs in particular due to rising energy prices, which is reflected in the world trade.

Studies of Canadian scientists - economists suggest that the increase in oil prices in the \$ 1 per barrel causes an increase in transportation costs by 1%. At present, prevailing oil price increase in the distance for transportation of goods by 10% leads to an increase in transportation costs by 45, in the case of oil price rise to \$ 200 cost will increase by 88%.

In the current situation for the Kazakhstani producers of food and agricultural products, in our opinion, it is necessary to use the mechanism of subsidy in respect of compensation for the cost of transportation of export products. The export subsidy is the difference between the total cost of export products and the world price, ie price of goods of domestic producers in the market of the importing countries will meet or approach the world, which, in turn, will allow the engine to apply countervailing duties. The establishment of export subsidies should be required, taking into account the export transactions of the importing country.

The system of export incentives should certainly include the provision of consulting and marketing assistance to

organizations - exporters; this will determine more fully the needs of foreign markets in goods, the preferred directions of trade flows and the possible sale price realization.

At the same time, in order to support producers and forming a positive image for them in the international market with the implementation of international treaties to the introduction of public insurance of export contracts, creating a vast network of representative offices abroad, and possibly the brand common Kazakh exports.

Balanced food market suggests that the effective management of production can be carried out in the framework of achieving the optimum ratio "price - quality", which will fully and rapidly implemented with increasing output. All of this is the determining factor for the development of priority sectors of agriculture.

The Republic in the context of the region is characterized by a variety of conditions, which determines the features of the production and the use of food in these regions, but despite this economic transition, the processes have increased multi-vector of their development, leading to some deviation from national trends and the effective use of food resources. Meanwhile, the stable development of Kazakhstan's food market depends on the receipt of food, on the amount of its reserve funds and reserves for socially important kinds of food.

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