



## **Business Administration and Business Economics**

### **The Role of Global Trends in Stimulating Food Production**

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**Abstract:** Meeting the demand for food products has been a pressing issue throughout the development of human society. The emergence of these problems has been closely linked to factors such as population growth and challenges in food production. In essence, as the global population increases exponentially, so does the demand for food products. These challenges, in meeting the demand for food products, often coincide with economic crises and geopolitical tensions, creating more problematic situations. Given all these considerations, there is a greater need for stimulating food production in modern conditions. The process of stimulating food production is particularly relevant in developing countries, where factors contributing to intensity in food production are relatively low and processes related to the application of the latest achievements in agricultural technology are weakly implemented. In modern conditions, the influence of global trends on stimulating food production is more pronounced. This process has its own socio-economic dimensions. Firstly, it is closely related to the deepening of the globalization process in the international relations system, as well as the incorporation of globalization into various aspects of society, including social, economic, and even household life. The globalization process affects not only socio-economic fields but also natural-geographical processes to a significant extent. Global climate change, including global warming and other factors, fundamentally affect food production, creating sharp problems. Particularly, ecological issues, destruction of green spaces, water conflicts, and other factors negatively impact the food production sector. Therefore, considering global trends in stimulating food production is of paramount importance. Considering global trends in stimulating food production primarily entails taking necessary measures to eliminate the adverse effects of these trends.

**Keywords:** Food production; Globalization; Socio-economic dimensions; Global climate change; Agricultural technology

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## **1. Introduction**

The consumption of food products is considered one of the significant factors for maintaining the physical well-being of society members. The consumption of food products within physiological norms plays a crucial role in shaping a healthy lifestyle for individuals. Looking at these processes through the prism of globalization, it becomes apparent that the production and consumption of food products are more exposed to global influences, including market dynamics. In a scenario where both population growth and food production are increasing exponentially, stimulating the production of food products and utilizing modern technologies become crucial. Therefore, approaching the stimulation of food production from a global perspective and considering the influence of global trends in the stimulation process holds significant strategic importance. The detrimental effects brought about by the process of globalization significantly affect both the production and consumption of food products, posing a considerable threat to the economic security of states in certain cases.

## **2. The Necessity of Stimulating Food Production in the Context of Globalization and the Protection of State Strategic Interests**

In contemporary conditions characterized by deepening globalization processes, stimulating food production becomes of vital importance. Essentially, under globalization, the stimulation of food production processes becomes an objective necessity driven by global factors. Notably, global competition constitutes an integral part of the globalization process. Entities operating in global sales markets not only face free competition but also operate within a global competitive environment. The significant distinction between the global competitive environment and free competition lies in the active support provided to large companies by the states to which they belong. According to information from international organizations, contemporary trends show an increase in the consumption of special foods and food products worldwide, leading to the lawful strengthening of competition in prospective sales markets. Discussing the necessity of stimulating food production, it is crucial to note that food products are consumed both domestically and internationally. Consequently, changes in the domestic and international market conditions significantly impact the production and consumption processes of food products.

Within the framework of economic entities, particularly at the micro level, the necessity of stimulating food production is closely related to the distinctive characteristics of agriculture and food production enterprises compared to other sectors of the economy. Therefore, there is a need for necessary measures to enhance economic efficiency, which are directly supported by stimulation measures. It should

be noted that globalization processes virtually encompass all countries worldwide, leading to the extensive global impacts on both domestic agricultural and food markets. Globalization processes essentially derive from the direct activities of large economic entities, particularly those involved in the search for new markets and market penetration. Although globalization processes generally reflect non-interventionist economic activities, in most cases, they result in the emergence of monopolistic tendencies in the global competitive environment. Thus, monopolists create more favorable economic conditions for themselves in the market. However, they also create various barriers to entry for new players, including producers and sellers, hindering their entry into the market.

In conditions where globalization processes deepen, a more acute situation arises in the food products market, primarily due to the aforementioned global competitive environment. These circumstances, especially in countries heavily reliant on imports, lead to the formation of dependency on market conditions. The uncertainties in market conditions directly result in sharp price increases in countries heavily dependent on imports. Consequently, reducing the country's dependency on imports, particularly through enhancing the competitiveness of food producers and increasing the export potential of the country's food industry, becomes an objective necessity. Therefore, the implementation of indispensable measures aimed at stimulating food production primarily leads to ensuring food security, specifically economic security. Food security has always played a crucial role in maintaining economic security, even in stateless societies, and has been a significant factor in preserving the physical well-being of society members. From the inception of states to the formation of complete economic relations within society, food problems and food security have played a sufficiently robust role in starting wars. The commencement of wars has played a role in collecting more food gains. It is possible to agree with the author's views that food security, as a significant component of economic security, directs towards meeting the demand for food products through local production, particularly in the context of stimulating food production under globalization conditions.

Moreover, the necessity of stimulating food production in the context of globalization also entails the realization of measures aimed at balancing the volume of currency leaving the country through food imports. In other words, internal financial support directed towards stimulating the process of food production can contribute to balancing the volume of currency leaving the country through food imports. Additionally, the necessity of stimulating food production under globalization conditions also implies that measures aimed at stimulating production ultimately led to the establishment of large-scale agricultural and industrial enterprises, enabling structural changes in exports. This may be of significant strategic importance for countries like the Republic of Azerbaijan, which are heavily reliant on the oil sector, in terms of the development of the non-oil sector.

In our opinion, measures aimed at stimulating food production in the context of globalization are essential for safeguarding the state's economic security and interests. In this regard, the economic strength of the state emphasizes the need for the state's intervention processes in the economy, especially in post-Soviet countries, particularly in developing countries, it is not possible to achieve the stimulation of food production without effective government intervention means in today's globalized world.

It is possible to conduct heated debates and research around questions like: What should be the optimal level of state intervention in the economy? What should be the ratio between the state sector and the private sector, and how should this ratio change? Would it be feasible to consolidate the entire economy in the private sector? It is crucial to accept one thing unequivocally: the issue of state intervention in the economy depends on the specific conditions of each country, its historical development, social development level, and domestic policies. Proposing the same scenario for all countries in this matter would be a mistaken notion. Whether from the author's views or through a contemporary analysis of the world economy, it can be concluded that the most export-oriented countries in the world are precisely the developed countries. Developed countries have achieved significant advancements in the production of food products because the level of economic development in these countries is higher. In these countries, the economic power of the state is higher, and large multinational corporations act as exporters of food products. Even though it is acknowledged several times in Anglo-Saxon model countries, they still restrict state intervention in the economy to a considerable extent. However, necessary measures aimed at stimulating food production under globalization conditions prove that this process is not one-dimensional.

### **3. Factors Characterizing Globalization in Stimulating Food Production**

As mentioned above, the deepening of globalization processes, especially economic globalization processes, significantly affects all sectors of the economy. These effects are particularly sensitive for countries that import food products. The sensitivity of the impact of globalization processes on countries that import food products is primarily related to the fact that they not only import food products but also face inflation in their own countries against the backdrop of rising prices of imported goods. In addition to being an economic problem, the issue of food imports also has its own distinct social character in the context of globalization, which has a greater impact on the social life of developing countries. In comparison with developed countries, in developing countries, the purchasing power of the population is lower, and in such conditions, certain population categories cannot afford to prioritize the use of food products from the food market. Rather, food product affordability carries global significance for these population categories. The

differences between countries manifest themselves in the process of stimulating food production. These differences stem from the fact that in the modern context of globalization, as a result of the latest activities of the post-industrial society, including the application of artificial intelligence, developed countries have already significantly modernized agriculture and hold a dominant position in the world market through the application of artificial intelligence. In developing countries, however, manual labor predominates in agriculture, leading to a decline in labor productivity.

The European Union has largely succeeded in implementing dynamic agricultural policies, particularly through the Common Agricultural Policy (CAP), which promises high-quality food availability and accessibility to its citizens within its borders. The CAP was developed after World War II to address food shortages and ensure essential food provision for the population. As a result of relatively successful implementation of this policy, goals related to increasing food production and diversity have been achieved. The EU has become the main international producer and exporter of agricultural products and has developed new advanced institutional management forms and methodologies in the field of agricultural development.

This can be explained by the fact that countries within the European Union have unified agrarian policy measures and have broad economic capabilities. Due to their wide economic opportunities, especially considering the economic power of the state, these countries have been able to increase the volume of food production and ensure food availability. In recent years, comprehensive analyses of the production of certain food products per capita within CIS countries have shown that, for example, in Azerbaijan, there were 305 kg of grain produced per capita in 2022, while in Kazakhstan and Russia, this figure reached 1133 kg and 1049 kg respectively. All these observations suggest that Kazakhstan and Russia, with their vast territories and larger populations compared to Azerbaijan, are more favorable for becoming major exporters of grain products among CIS countries.

Similarly, if we analyze potato production, Azerbaijan produced 106 kg of potatoes per capita in 2022, while Kazakhstan and Russia produced 210 kg and 128 kg respectively. This suggests that within CIS countries, Kazakhstan and Russia are more suitable to emerge as major exporters of potato products. In general, the issue of food production in developing countries within the context of globalization manifests itself due to both objective and subjective reasons. Especially in developing countries, food production conflicts also arise due to lower productivity in agriculture and lower consumption demand of the population.

In many developing countries, agriculture is not highly productive. Each agricultural worker in these countries can only provide for their own family. For comparison, in the United States, one farmer can provide for 60 people, while in Western European countries such as Germany and Japan, one farmer can provide for 20 and 15 people

respectively. In many developing countries, they use more land for agricultural development than in developed countries (in India, for example, more than 40% of farms have less than 1 hectare of land each). As the author notes, in developed countries, agriculture is highly modernized, resulting in not only self-sufficiency in food production for their populations but also exporting surplus products to foreign markets. This leads to the conclusion that developed countries implement resources aimed at stimulating food production through revenues from food exports.

#### **4. The Increased Role of Transnational Corporations in Stimulating Food Production is a Result of the Globalization Process**

In the modern world, logistics and international trade processes have expanded, and it is not possible to imagine any country being outside of these processes in one way or another. This is driven both by the necessity to improve food security and by the increasing role of WTO in the global economy. Transnational corporations not only play a significant role in the production and distribution of food products but also penetrate the global food industry by establishing their subsidiaries in various countries and implementing highly modernized production in these subsidiaries. Specifically, global producers can make their products competitive by applying higher technologies compared to local producers.

It is not coincidental that financial and commodity flows, which determine the development of the world economy, pass through the structures of transnational corporations. They perform international regulatory functions for the production and distribution of goods and services. There are approximately 53,000 transnational corporations with more than 450,000 foreign subsidiaries worldwide, with their capital totaling approximately \$5.4 trillion. More than half (57%) of the market controlled by transnational corporations is accounted for by five main industrial sectors. Particularly in the food production sector, where the transnationality index reaches 80.3%, the number of foreign employees recruited has also increased. Among the largest transnational corporations, Nestle from Switzerland stands out for selling its products and services outside its home country by recruiting foreign employees. The company is the 7th largest in Europe and employs 253,000 people. It owns 511 factories and industrial facilities in 86 countries. One of the most well-known brands globally is Coca-Cola, which markets more than 230 different types of beverages and food products worldwide. McDonald's fast-food restaurant chain, which operates more than 30,000 restaurants in 118 countries, holds the second position among the most expensive and well-known brands. It dominates the global market, with an average annual sales volume increasing by 8%.

It is not coincidental that in terms of leading the food industry in production and distribution, companies such as Coca-Cola and McDonald's can actually be

considered as representing the globalization of the world food complex. Indeed, these companies serve as the main drivers of the globalization of the food industry. The significant role of transnational corporations in the food industry creates strong incentives not only for the countries they represent but also for the countries they operate in. These incentives are related to the fact that these countries not only export food products to various countries worldwide but also strengthen their positions in global markets. Currently, Azerbaijan's national interest should focus on establishing a competitive economy based on intensive technologies, in addition to other priorities such as the social-economic development programs of regions. In this regard, the state's investment policy should encompass measures aimed at directing investments not only to the oil sector but also to non-oil sectors, including the agricultural sector, with a focus on developing high-value-added and food industry fields. This objective can be achieved by drawing on the experience of China, where economic reforms began with the agricultural sector, resulting in successful food security within the country. As a result, China not only ensured food security for its population but also contributed to addressing the global food problem.

While we agree with the author's views, we would also like to add that China is the most populous country in the world. Therefore, its ability to ensure food security and export food products to the world should be evaluated as a highly significant achievement, and in our opinion, leveraging the country's natural climatic conditions and economic characteristics would be more appropriate in utilizing this experience. In conclusion, we believe that adopting a more goal-oriented approach towards global factors in stimulating food production, particularly focusing on economic security, including food security, would be more effective. Measures aimed at stimulating food production, especially in import-dependent countries, pose a threat to economic security. Therefore, measures aimed at ensuring economic security should be closely related to stimulating food production. This process, alongside creating favorable conditions for the development of the non-oil sector, particularly in agriculture, can accelerate the social-economic development of regions and increase the incomes of the population. It is worth noting that Azerbaijan has nine out of eleven climate types, all of which offer broad prospects for the development of agriculture and manufacturing industries. In our opinion, efficient utilization of existing potential opportunities could enable the provision of food products to the domestic market reliably and export some food products to global markets.

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