



STRATEGIC DIRECTIONS OF DEVELOPMENT OF THE AGRICULTURAL MARKET OF UKRAINE IN NOWADAYS INTERNATIONAL TRADE CONDITIONS



Dmytro Gusonka ^{*1}, Olena Polyova ²

^{*1, 2} Department of Finance, Banking and Insurance, Vinnytsia National Agrarian University, Ukraine

Abstract:

Current state of agricultural market of Ukraine is analyzed at these paper. Dependence of this market on state regulation of external economic activity of Ukraine is determined. It is investigated, under what conditions of state regulation, market of agrarian products of Ukraine can develop. Also, it is singled out factors of state regulation of external trade of Ukraine, which adversely affects on development of agrarian market. Strategic directions of development of Ukraine agricultural market is examined in current paper by author. With what problems participants of this market are faced during process of output of their own product to foreign markets, is considered. Also, how the state can regulate the problematic issues in current field, is mentioned in the scientific paper. Directions for improvement of state regulation of external economic activity in the market of agrarian products of Ukraine is proposed by author in this article. Ways of improving export and import policy of Ukraine for agricultural products in modern conditions are presented. In the article directions of formation of optimal structure of foreign trade in the agroindustrial complex of Ukraine are considered. The means of improving the export-import policy for agricultural products are presented.

Keywords: External Economic Activity; Development Strategy; Agricultural Products; Market Participants; State Regulation; Quotas; Licensing; Diversification.

Cite This Article: Dmytro Gusonka, and Olena Polyova. (2018). "STRATEGIC DIRECTIONS OF DEVELOPMENT OF THE AGRICULTURAL MARKET OF UKRAINE IN NOWADAYS INTERNATIONAL TRADE CONDITIONS." *International Journal of Engineering Technologies and Management Research*, 5(9), 14-22.

1. Introduction

Production potential of Ukraine agricultural sector greatly exceeds the domestic needs of the country, that mean, this sector of economy of our country is able to provide the main positions on world market of agricultural products. Access to international markets for Ukrainian commodity producers of various forms of economic activity remains rather complicated.

For large companies, holdings, situation is not critical, they can afford to pay all customs duties, logistics costs, obtain the necessary certificates for their products, and so on. Small producers if they wish to enter the international markets are facing problems such as lack of information about the situation on international markets and business conditions in the industry abroad; significant

loss of products because of imperfection of the infrastructure of agrarian market, logistics of storage; lack of financial resources for certification of products; equality of conditions for entry into international markets for different sizes and social burdens of economic actors is a minus, not a plus.

All these issues should be regulated at the government level, including such as creation of a network of laboratories to determine the quality of agricultural products and foodstuffs. The state should to expand the possibility for small business participant on external markets of agrarian products.

Relevance of this study is need to develop mechanisms for state support of small and medium-sized businesses in the field of international trade in agricultural products. Firstly, it is necessary to create organizational and economic conditions for effective development of the agrarian sector on the basis of the unity of the economic, social and environmental interests of society for the stable provision of the population of the country with high-quality, safe and affordable food and agricultural industry by raw materials, and secondly, to create conditions for free access to international markets for Ukrainian producers of various activity sizes.

The investigations of many Ukrainian scientists is devoted to study of various aspects of development of agrarian market in Ukraine under the current conditions of international trade. Consideration Issues of strategic directions of development of agrarian products market in Ukraine in the current conditions of international trade involved the following scientists: Kovin'ko O., Lupenko Y.O., Tarasyuk G.M., Gorshkova L.O., Reutov V.Y., Kuliksky S., Dudar V. However, there are certain differences in the views of scientists regarding certain issues in this issue. A variety of views indicates the complexity and relevance of the problem and the need for further research.

Purpose of the article is to investigate the strategic directions of development of the market of agrarian products in the conditions of state regulation of foreign economic activity of Ukraine. Suggest ways to increase the volume of international trade in order to increase the presence of Ukrainian agricultural products to various segments of the global market.

2. Materials and Methods

The theoretical basis of the research was the results of scientific research on state regulation of foreign economic activity in the market of agrarian products in the conditions of globalization, as well as an interpretation of such in the regulations and developments of leading domestic and foreign specialists in the field of state regulation of foreign economic activity in the market of agrarian products. The theoretical basis of the research was the fundamental intellectual provisions on the process of regulation of the agrarian market, in particular, in the process of integration into international markets of the world. To achieve this goal, the article used traditional general scientific and special methods: analysis and synthesis (For the detail of the object and subject of the study); system-structural analysis - in identifying factors of influence and, in particular, clarification of certain concepts and categories concerning the explanation of dysfunctions in the agrarian sector of the economy; economic-mathematical analysis and modeling - for constructing a model of the efficiency of functioning of certain organizational groups of agrarian business;

correlation-regression analysis and mathematical-statistical analysis of the relationship between the indicators that reflect the state of the objects under study; sociological and expert surveys - in the study of the opinions of various groups of agents - recipients of agrarian business, etc.

The information base of the study was the legislative and normative acts of Ukraine in the field of regulating the organizational development of agrarian business, literary sources, monographs and scientific-analytical articles of domestic and foreign scholars on relevant issues, statistics from the State Statistics Committee of Ukraine, the Main Department of Statistics and other government agencies in the Vinnytsia region.

3. Results and Discussions

External economic activity - activity of economic entities Ukraine and foreign business entities, built on the relations between them, which takes place both on the territory of Ukraine and abroad [8].

A key element in expanding the scope of the market of agrarian products in Ukraine on the world stage is the effective use of the country's foreign trade presence on the world market. This requires development of appropriate mechanisms for stimulating and promoting state to Ukrainian producers in the field of international trade, thus also stimulating economic growth of the state as a whole.

Today Ukraine is one of key players on the world stage in production of agricultural products, which leads to development of domestic and global markets in parallel directions. According to estimates of the UN FAO, Ukraine's potential in solving food security issues in the world is 1 billion people. Today, of course, a leading role here belongs to the crop production. In particular, grain market is a system-forming integrated market of agroindustrial complexes of Ukraine, which has significant production and export potential. Activity of agricultural sector covers an area of 41.5 million hectares - 70% of area of Ukraine. According to State Statistics Committee, crop area of grain crops is 58% of national crop areas, share of grain in the total cost of crop production reaches 40%. Exports of agricultural products last year totaled 17 billion. USD. USA, 32,122 million tons of grain were exported. In the structure of grain exports, the largest share of 62%, with a volume of 20.1 million tons, was corn, nearly a third - 29% of the volume of 9.4 mln. tons was wheat. Thus, corn and wheat together provided 91% of grain exports to Ukraine. The barley, with the volume of 2.4 million tons, occupied almost 8%, other grains accounted for slightly more than 1% [2].

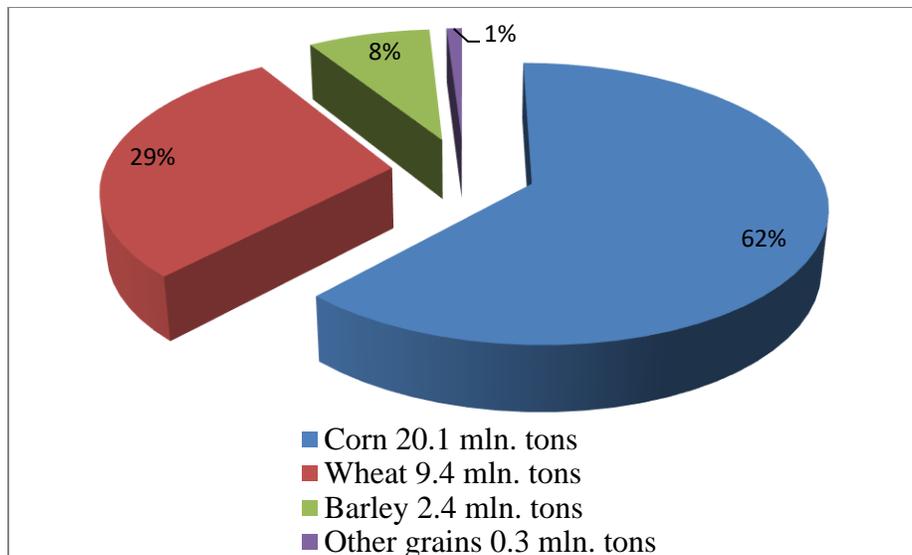


Figure 1: Main grain crops exports structure in 2017

Ukraine has an invaluable potential to become a leader in the global food market (70.8% (427.3 thousand km² of Ukrainian territory are lands suitable for agricultural crops and grazing of cattle). Over past 10 years, share of ukraine's agricultural products in the European market has increased fourfold. The share of Ukrainian exports to European agrarian market is currently 40% of t total domestic exports of agricultural products. Basically, growing share of Ukrainian exports to EU is due to products with low added value.

Diversification of commodity exports is desperately needed today Ukraine and taking into account that its main share (57.8% as of September 2017) consists of agricultural products and metals, an increase volumes of production of agrarian goods with high added value should be considered one of the priorities, especially given the typical agricultural phenomenon - diminishing returns. Therefore, as noted by the well-known Norwegian economist Eric Reinert, the longer the country will specialize in growing crops and export them, the poorer it will become. On the following important conclusions Ukrainian economists and policy makers need to pay closer attention to once again not confirm paradox "resource curse."

Some experts believe that Ukrainian government has already achieved some results in the field of regulation and development of market for agrarian products. However, this market still needs enforcement, in particular, to optimize the main areas of external economic activity: logistics of transportation of agrarian products, it is necessary to create an effective system of risk hedging, it is necessary to reform system of certification of agricultural products. As for the land market, this is another painful issue for Ukraine. Today, the land market has not yet been formed, it is not indicated what place the land will occupy in the system of economic circulation, it is not provided at the legislative level the appropriate conditions for the realization by citizens of the right of ownership of land.

Main task of state regulation of the agrarian market is to create fair conditions for all market participants, promote and assistance in diversifying the production of agrarian enterprises, if it contributes to national interests. Assistance in resolving disputed issues that will arise in the

process of functioning of the market of agrarian products, since the objectives of market participants may conflict with each other. There is a certain closed circle, all producers of agricultural products are interested in raising price of their products and reducing the tax pressure, citizens, in their turn, are interested in lowering prices, but without loss in product quality, the state is interested in filling the budget by collecting taxes from commodity producers and citizens.

The purpose pursued by the market of agrarian products can be divided into several points:

- in accordance with the approved norms and standards to provide the population by high-quality finished products;
- to provide conditions for growth of competition in this market and to exclude the possibility of monopolization;
- to provide appropriate conditions for profitable sales of products for domestic commodity producers in the domestic and foreign markets;
- to ensure the protection of the domestic market of agrarian products from excessive imports;

Strategic directions of development of market of agrarian products in the process of integration into the world market system is the formation of a fair and export-oriented system of trade in agricultural products; tightening of trade rules and adoption of specific commitments in field of agricultural support and protection for the correction and prevention of restrictions on world agricultural markets; significant improvement of market access conditions.

Urgent issue of negotiations with EU on increasing the quota for agricultural products from Ukraine is currently being processed by the authorities, because the presence of EU certification opens access to other markets around the world. As of February 1, 2016, 213 Ukrainian enterprises exported agrarian products to EU countries. Prerequisite for increasing agricultural exports is to increase the safety and quality requirements of Ukraine's food products and raw materials through the introduction of quality management systems at Ukrainian enterprises International Organization for Standardization (International Organization for Standardization – ISO) and food safety management systems (Hazard Analysis Critical Control Point – HACCP) [3].

In order to promote development of domestic market of agrarian products and facilitate its entry into the world market, Ukraine should ensure transparent and favorable conditions for its functioning. It is necessary to reduce number of licensing procedures, number and types of licensed activities, it is necessary to form a market of corporate rights in the agrarian sector of Ukraine's economy, to prohibit administrative interference (not provided by the legislation of Ukraine) in the conduct of private business. It is necessary to develop mechanisms of self-regulation of agrarian products market and to simplify customs control procedures, but only for high value-added exported products. Finally, it is necessary to legislatively regulate the activities of family farms, households.

Another area of deregulation agricultural sector must become self-development and self-regulation based on enhancing the role of public professional organizations (Manufacturers industry associations) with transfer to them of functions of existing system of public administration. In NSC "Institute of Agrarian Economics" together with public professional associations worked out a bill on expanding the participation of agricultural producers, their public professional associations in

development and implementation of agrarian policy on the basis of public-private partnership, development of self-regulation and democratization of the sector management system [5].

In my opinion no need to focus Ukrainian exporters of agricultural products only on the European market or the markets of other developed countries. At this stage of development for Ukraine at the state level, it is necessary to conclude international agreements on supply of agricultural products to rapidly developing countries at the expense of minerals or other natural resources. Thus, having no climatic conditions to provide food or raw materials for agro-industrial complex. This is particularly the countries of the near east, they do not have such high requirements for certification and quality of agricultural products. If Ukraine succeeds in solving the issue of Ukraines producers to entering these markets, then in a short period of time they will be able to accumulate experience in foreign trade and cash resources to update the material and technical base. So, this will allow Ukrainian's manufacturers to go to European and American market prepared for tougher conditions of trade.

Potential consumers of Ukrainian exports of agricultural products should include countries that are, firstly, dependent on imports of food and agricultural products; and secondly, they tend to increase demand for this product due to high rates of economic development [6].

These countries include countries of the Middle East, Asia and North Africa. Development of close economic relations with countries of the Middle East (Iran, Kuwait, Saudi Arabia, etc.) that do not have climatic conditions for production of most agricultural products is promising, because they have opportunity to import them through oil export revenues. The commodity nomenclature of imported food needs of these countries mostly coincides with the structure of Ukrainian exports, and Ukrainian goods in general are competitive in this region [6].

The issue of regulation of imports at market of agrarian products of Ukraine should be given special attention, as the effective mechanism of stimulation of import of AIC products of critical and priority import has not yet been created. In addition to strategically important for state raw material products for industrial and technical purposes, which is demanded for the needs of domestic enterprises, but subject to a fair price. It is necessary to develop mechanisms for rational restriction of imports of agrarian products, which in sufficient quantities can be produced in Ukraine. Therefore, the key levers in matter of regulation of import of agricultural products should be a flexible tariff-and-tariff system, which would be based on expediency of importing certain categories of goods. A prerequisite is the prevention of abuse by importers, the protection of the domestic agricultural market through non-tariff measures, in the first place, phyto-sanitary and veterinary norms, requirements for product quality.

Studies show that for Ukraine, the functioning of trade relations in foreign markets is a rather complex phenomenon and significantly differs from scientist-based models of their construction. The practice of recent years has shown that Ukraine's trading partners in the field of agricultural products and foodstuffs are in no hurry to open their markets for Ukrainian goods in response to the creation of favorable conditions for the import of agricultural products from Ukraine [1].

In general, relevance of carrying out effective import substitution in Ukraine today is quite likely to be much higher than before. Especially in recent years, as has happened before, the optimization

problem of imports of goods and services in Ukraine both quantitative and qualitative parameters, perhaps worse.

Moreover, the structure of the domestic economy, as a precondition for changing the structure and volume of imports of goods into Ukraine, is transforming rather slowly. Besides increasing revenues Ukrainian observed recently, it increases the demand for imported goods, a significant share of which in Ukraine is not produced. All this contributes to maintaining the aforementioned trends in the dynamics of imports of goods and services by Ukraine, which have been formed lately. Moreover, the current rise in world oil prices may in the near future increase the cost of Ukraine's imports of oil, petroleum products and natural gas. If we add to this expected reduction of revenues from transportation of Russian natural gas through territory of Ukraine in connection with commissioning of main gas pipelines "Turkish Stream" and, most likely, the "North Stream-2", then in the near future the threat of a significant increase in the absolute value of the negative trade balance of Ukraine will increase significantly [4].

Ministry of Agrarian Policy and Food of Ukraine in 2013 developed project "The Strategy for the Agrarian Sector Development of the Ukrainian Economy for period till 2020". In this strategy it is said that agrarian sector of Ukraine with its basic component, agriculture, is a system-forming in national economy, forms basis for preserving sovereignty of the state - food and, within certain limits, economic, ecological and energy security, ensures development of technologically related branches of national economy and forms socio-economic basis for development of rural areas [7].

In addition to ensuring the country's stable, high-quality, safe and affordable food supply, Ukraine's agrarian sector is undoubtedly capable of contributing significantly to the global hunger problem.

The strategy will be implemented through the development, adoption and implementation of the State Program for the Development of the Agricultural Sector for period up to 2020, structure of which will respond to the Strategy, determine the ways and means of implementing its tasks in each of the priority areas, will including a list of measures, volumes and sources of funding, expected results (indicators) terms and the part of responsible government and partners on the part of market participants [7].

Ukrainian imports considerably exceed exports, in particular on the agrarian market. In the period January-March 2018 import-export ratio was 0.90 and in January-March - 2017 - 0.93, ie there is a negative balance of foreign trade in Ukraine.

Ukraine imports a huge amount of goods in the food industry and consumer goods, which are produced in the domestic market in sufficient quantities. The question is why the state does not control the problem, or not sufficiently control. It is necessary to give an estimation to fact that by purchasing abroad goods, which can be manufactured inside the country, Ukraine sends foreign currency funds to the development of foreign competitors. Thus, financing the economies of other countries, our country provides jobs out there, when it's so lacking here in Ukraine. The worst is fact that a significant part of Ukrainian imports are goods manufactured by Russia, a country that has launched a war on the territory of Ukraine - accounting for a quarter of all imports.

In conditions of aggression by the neighboring country and as a result economic instability situation - Ukraine needs to be very careful in choosing foreign partners in the field of procurement of agricultural products, and to provide demand for products that are produced inside of the country. This will provide opportunities for business development and job creation in Ukraine. This statement is fully justified, given that in structure of Ukrainian imports, a small percentage of "indispensable" goods.

Ukraine is a country with rich natural resources and fertile soils, and at this stage of development of the domestic economy with cheap skilled labor, it is of interest to international investors. Despite all negative phenomena in today's economic situation, Ukraine is currently in a state of extremely attractive to foreign investors, who are ready to invest in agriculture. It is only necessary to solve a few key issues for investors, such as opening of land market in Ukraine, provision of legal justice and guarantees of stability of economy.

4. Conclusions and Recommendations

Consequently, taking into account the whole unrealized agricultural potential of Ukraine, it is possible to declare, that without a threat to national food security, we can provide food for 956 million more people. For example, this is the entire population of the following countries: the USA, Indonesia, Brazil, Japan. Therefore, in order to realize the whole agrarian potential of our country, it is necessary at state level to stimulate expansion of markets for products with high added value. This is the guarantee of filling the country's economy with foreign exchange funds, which means the rapid development of not only the agricultural sector but also other industries such as the chemical industry, mechanical engineering, metallurgy, science, etc. In order to realize the above-mentioned potential, Ukraine needs to formulate a clear strategy for the development of the agrarian market, taking into account the challenges facing the country today. Given strategy of development of the market of agrarian production of Ukraine in modern minds of international trade should include the following key concepts:

- Solution of the land issue in Ukraine.
- Awareness of domestic producers of agricultural products to date and relevant information according to specific areas of activity.
- Availability of laboratory research in public research institutions and the ability to quickly obtain permits, certificates of quality and conformity of production.
- Encouraging and stimulating Ukrainian commodity producers to produce as many competitive products as possible with high added value.
- Optimization of logistics of transportation of agrarian products, creation of an effective system of hedging of risks for market participants.
- An effective market for corporate rights in the agrarian sector of the economy of Ukraine, the prohibition of administrative interventions (not provided by the legislation of Ukraine) in the conduct of private business.
- Implementation of the mechanism of rational restriction of imports of agrarian products, which in sufficient quantities can be produced in Ukraine.
- Criticize the choice of foreign partners in the field of import of agricultural products, and ensuring the demand for products produced in the middle of the country.

Ukraine needs to maximally use the current economic and social situation that lasts from 2014. We need to inform foreign investors that Ukraine is now the most favorable conditions for doing business (low wages, high qualifications of workers, rich Ukrainian black earths, advantageous geographical connectivity, preferential terms of export to the EU, etc.), thus creating additional jobs and not allowing them to leave skilled personnel abroad.

References

- [1] Dudar V. (2014). Main tendencies of development of the agro-food market of Ukraine in foreign economic activity. *Visnyk TNEU*, 1, 81–92 [in Ukrainian]
- [2] Irynychina I.B. (2015). Priorities of the development of foreign trade of Ukraine. *Stalyy rozvytok ekonomiky. Mizhnarodnyy naukovo-vyrobnychyy zhurnal*, 2. 50–56 [in Ukrainian]
- [3] Kovin'ko O. (2016). Foreign economic activity of agrarian enterprises. *Zovnishnya torhivlya: ekonomika, finansy, pravo*. 5(88). Retrieved from: [http://zt.knteu.kiev.ua/files/2016/5\(88\)/5.pdf](http://zt.knteu.kiev.ua/files/2016/5(88)/5.pdf) [in Ukrainian]
- [4] Kulycky S. (2018) Foreign Trade Ukraine: state, problems and prospects. *Ukrayina: podiyi, fakty, komentari*. 10. Retrieved from: <http://nbuviap.gov.ua/images/ukraine/2018/ukr10.pdf> [in Ukrainian]
- [5] Lupenko Y.O. (2015) Development of Agrarian Sector of Ukraine's Economy: Projections and Prospects. *Naukovyy visnyk Mukachivs'koho derzhavnoho universytetu. Seriya Ekonomika*. 2(4). Retrieved from: <http://www.msu.edu.ua/visn/wp-content/uploads/2015/12/2-4-2-2015-5.pdf> [in Ukrainian]
- [6] Reutov V.E. (2012) Strategic directions of development of foreign economic activity of agro-food market of Ukraine. *AGROSVIT*. 4. 2–5 [in Ukrainian]
- [7] Strategy for the development of the agrarian sector of Ukrainian economy for period up to 2020. (2013). Kiev: Ministerstvo aharnoyi polityky ta prodovol'stva Ukrayiny [in Ukrainian]
- [8] Tarasyuk G.M., Gorshkova L.O. (2018). Approaches to solving problems of foreign economic activity of enterprises of Ukraine. *Hlobal'ni ta natsional'ni problemy ekonomiky*. 21.. 412 – 415. – Mykolayiv. [in Ukrainian]

*Corresponding author.

E-mail address: gusonkad@meta.ua/ olena_polova@i.ua