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PRIORITYWAYSFOR TE DEVELOPMENT OF THE STATE REGULATION SYSTEM OF THE UKRAINIAN FOOD MARKET

У статті доведено, що основними напрямками державного впливу на розвиток вітчизняного агропромислового виробництва на перспективу мають стати: підтримка обсягів товарного виробництва та підвищення конкурентоспроможності сільського господарства; підтримка дрібних товаровиробників, нових суб'єктів господарювання, сімейних ферм і кооперативних об'єднань; охорона земель і раціональне використання сільськогосподарських угідь; встановлення цін підтримки на окремі види сільськогосподарської продукції; розвиток ринкової інфраструктури; підтримка місцевих ініціатив розвитку сільських територій та якості життя на селі; розвиток аграрної науки і впровадження у виробництво новітніх технологій виробництва сільськогосподарської продукції, догляду за тваринами, систем обробітку ґрунту тощо; розвиток сільськогосподарського машинобудування.

Ключові слова: державна підтримка, охорона земель, ринкова інфраструктура, сільські території, аграрна наука, новітні технології, обробіток ґрунту.

Problem definition. The state regulation of food market firstly foresees the providing of State influence on demand, proposal, sell conditions and control. On one hand food market defines the final result of agricultural and processing branches functioning, On one hand the food market defines final result of agriculture and processing industry functioning but on the other hand it directly depends on agricultural production level. However, due to some specific peculiarities, due to cyclicity of the agricultural production it can't participate in the inter-branch business competition in full extend and on equal terms. So, the food market and the agriculture need a dynamic State agrarian policy for the conservation and development of this important economy sector. Furthermore the start-up of the food market in leading world countries was done in several stages – from unregulated market to inter-state integrated structures with a powerful state regulation. That is why the study of leading countries positive and negative experience allows to define narrow place in the State regulation system and to develop a concrete concept of the food market functioning in Ukraine.

Analysis of last researches and publications. Some questions related to the formation of institutions and mechanisms regulating and protecting the agro-food market, providing its infrastructure are considered in the works of the following native researchers: A. Dibrova, S. Dusanovski, S. Kvasha, M. Koretski, M. Latynin, Y. Lopatynski, Y. Lupenko, O. Mogylniy, T. Ostashko, B. Paskhaver, M. Pugachov, M. Talavyra, P. Sabluk. O. Skydan, O. Shpychak, O. Shpykulyak, O. Shubravska and others. But in the present conditions the formation of the state support levers should be done with due regard to changes in external milieu of agriculture's functioning and to changes of their internal possibilities.

The article purpose is to study, to analyze and to generalize the experience of food market regulation by the state in leading world countries and to develop the practical recommendations for improving the mechanism of State regulation and functioning of Ukrainian food market.

Research results and their discussing. In economic aspect the agriculture has a characteristic peculiarity: it is not a self-sufficing branch and the food market is not self-regulating. The state regulation of the food market is related to the support of the agriculture. The world market functions in conditions when the world prices are defined by the best conditions of exporting countries. The best production conditions mean natural conditions, economic mechanisms, material and technical resources, developed infrastructure. All other countries are not able to compete with such exporting countries.

So, many countries pursue the protectionist policy in order to defend native producer; this policy is based on fiscal system, amends payments, subsidies etc. It is ascertained that the changing of the situation at market makes countries to apply widely new regulation methods, at that way some tools of this process become significantly wider. The category of direct payments includes a wide variety of different payments types which have different impact on food market: compensation payments, subsidies per surface unit or per heard, assurance payments, financing of resources buying etc. In general the subsidies per surface unit or per heard make 2/3 of all compensation payments in developed countries.

It is important to notice that the amount and the structure of these payments are different according to countries, their natural, climatic and economic conditions, their principles of agrarian economy. The crop yield level and the surface level are also taken into account. These payments are related to the programs of production stabilization and environment protection. During last years the budget expenses for

enterprise consolidation, lands melioration and agricultural production infrastructure development become very significant.

Nowadays in leading countries the direct State subsidies to producers are destined not to stimulate the production but to maintain the producer's income level, to implement the structural, social and regional policy not related to the production but guaranteeing the life quality improvement. The budget expenses in EU countries are presented in Table 1. The data presented in Table 1 show that the expenses for the direct payments to agricultural producers and for the market functioning overcome 30% and are gradually growing.

Table 1. – Budget expenses of EU to the Common agricultural policy, milliards of Euros

Indices	1020	2011	2012
Total EU budget	139832,5	138459,7	142531,0
Expenses to the agriculture development	59744,7	58801,7	59647,5
Inter alia: administrative expenses	133,0	133,4	134,5
Expenses for production and market functioning	3985,2	2969,4	3146,9
Direct payments to agricultures	39675,7	39771,1	40673,7
Payments for production development	14585,4	14432,2	14611,6
Preceding expenses	169,8	215,0	237,5
External policy	5,2	6,4	6,5
Strategy and coordination in the agrarian policy	38,4	27,2	45,8
Incoming in the framework of the common orientation and guarantee fund			

Resource: Agriculture in the European Union statistical and economic information, 2011

The question the most important in the countries which are WTO members is the agreement of the lines of the state agriculture support in general. All tools of the state agriculture support are divided in three groups by WTO classification and according to their impact on the commerce.

It is worth looking at the experience of the State agricultural support programs which structurally support two main lines of the state support – at internal and at international markets. The federal programs of state support at international level are coordinated by the Foreign Agricultural Service – FAS. It carries out the monitoring of food proposals and reserves in the world and coordinates such services and programs as:

the Trade Assistance and Promotion Office (TAPO) provides the information concerning agricultural and food foreign markets, assists producers participating in government programs;

the Foreign Market Research program provided information on countries and goods for persons and companies which plan to export agricultural products produced by themselves;

the Emerging Markets Program was elaborated on the legislative acts devoted to the reform of the agriculture in 1996. The legislation empowers this program to promote the agricultural export in developing countries by the implementation of the American agricultural expertise and by providing the technical assistance. The law foresees the annual provision of 10 million American dollars during 7 years for the agricultural technical assistance aimed to development, support and enlargement of the USA agricultural export to developing markets and foresees the improvement of food quality and rural business systems performance, which include the possibility to limit trade barriers, to enlarge the perspectives for the American trade and investments in these countries. This program covers all USA regions and uses the capital and the service means of the Commodity Credit Corporation (CCC);

the Export Enhancement Program (EEP) is aimed to support the competitiveness of American farmers' products especially in EU countries. According to this program the Ministry of agriculture pays as a prime some amounts to exporters allowing them to sell American agricultural products and food abroad at the price which lower than exporter's costs. The main purpose of this program is to extend the American agricultural export;

Facility Guarantee Program (FGP) allows the Commodity Credit Corporation to facilitate the financing of industrial goods and services related to agro-food products which are exported to new markets from USA;

the purpose of the Foreign Market Development Program (FMD) which is known as the Cooperation program administrated by FAS is to develop, to maintain and to extend perspective export markets;

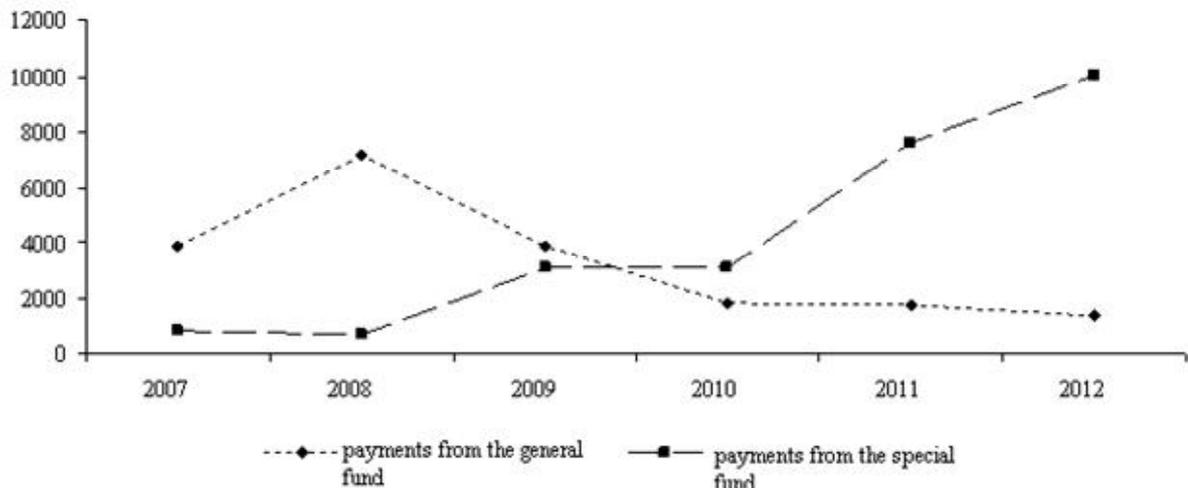
the Commodity Credit Corporation (CCC) coordinates the Export Credit Guarantee Programs for the commercial financing of the American agricultural export. The programs stimulate the export to countries where the credit support is needed for increasing the volume of American products but where the financing is not possible without the guarantees of CCC;

according to the Supplier Credit Guarantee Program (SCGP) the Commodity Credit Corporation credits a part of payments needed by importers at a short-term financing (180 days) for buying American agricultural products and food;

according to Market Access Program (MAP) or the Market Promotion Program the Commodity Credit Corporation provides the financial support to American producers, exporters, private companies and different trade organizations. MAP stimulates the development, service and extension agricultural export markets. The actions financing includes the consumers support, study of market conjuncture, technical assistance and trade service.

The priority ways of the State support to the Ukrainian agrarian sector are: price regulation through the implementation of minimum purchasing prices (for cereals, flower seed, animal husbandry products); subsidies and allowances for production and acquisition of resources, credit and finance assistance which foresees the payments to agricultural producers from the state budget in form of subsidies for paying a part of assurance and a partial compensation of credit interests to commercial banks and for leasing payments; tax stimulation in form of fixed agricultural tax; special mechanism of TVA payment, specialized support to certain branches and programs (farming development, credit cooperatives, plants growing, animal husbandry, soils fertility improvement, farming on radiologically contaminated territories etc.).

We should notice that the Ukrainian Law “Of the State Ukrainian budget for 2013” foresaw 363,6 milliard of hryvnias of payments from the State budget which is on 3,1 milliard of hryvnias more than the previous year. The foreseen payment of the Ministry of agrarian policy and food were 8,4 milliard of hryvnias which is on 2,3% less than in 2012. In comparison with 2008 the payments from the State budget have increased on 110,4 milliard of hryvnias, but the financing of the Ministry of agrarian policy and food decreased on 378 milliard of hryvnias. The least financing of the agrarian sector was in 2010, it made 578 milliard of hryvnias (picture 1).



Picture 1. Payments for the development of the agro-industrial sector branches financed from the general and special funds for the State Budget, milliard of hryvnias

Picture Source: done and calculated according to the data of the State statistic service of Ukraine

The joined State support on 1 ha of agricultural lands in Ukraine gradually increases but remains on the level of 100 \$ per 1 ha. For the comparison, in USA, Canada and EU it is 150–700 \$ per ha. Due to the limited State resources the volumes of the financial support in the agriculture are not sufficient and don't take into account the real needs of the agrarian sector.

The actual policy of the agriculture budget financing is multidirectional which doesn't contribute to the efficiency of measures carried out in the situation where the state resources are limited. The Ukrainian account chamber has audited the implementation of “The State aid program to the native machinery development for the agro-industrial complex for 2007 – 2010 years”, this audit showed that during the Program action only 18,2% of the planned measures, financed by the State budget were carried out. At the same time only one of three planned directions was financed by the State budget, it was research and design engineering works, and two other directions: compensation of credit bank interests for the credits destined to technical equipment of agro-industrial enterprises and improvement of the normative and legislative base for agricultural machinery were not financed at all. In 2007–2010 the Ministry of industrial policy used 16 milliard of hryvnias or a half of all used budget costs in contravention of the law

and without efficient results. The measures foreseen by the State target program of the Ukrainian village development until 2015 are not financed sufficiently: in 2010 the Program was financed only on 84% (8 milliard of hryvnias, but the budget of 2010 foresaw 9,5 milliard of hryvnias), and the Program passport foresaw 14,5 milliard of hryvnias for 2010.

The mechanisms for the use of the State finances remain faulty. Thus, in 2011 the quantity of the financed budget programs was on 50% less. So, the practice of the finance assistance to agricultural producers is not complex and systemic. It has some problems which don't allow to meet the financial needs of agro-industrial production actors.

In view of the restricted general amount of the agricultural budget support for 2013 only 91,8 million of hryvnias are foreseen from the State budget fund for financing measures in the agro-industrial complex. It is 12 times less than in 2012 when the amount of the State financial support was 1,2 milliard of hryvnias. (table 2).

These data show that the financing of one of the main programs for agricultural producers, the aid to the measures in the agro-industrial complex foreseen for this year is 96,8 million of hryvnias vs 1,01 milliard in 2012. The analysis of the aid from the Ukrainian State budget in 2013 shows a significant reducing of financing destined to all agricultural programs, in comparison with 2012. It is also greatly less than Ukraine can give according to the commitments with WTO. So, according to the commitment with WTO Ukraine is not obliged to reduce the internal aid which is delivered through the "yellow" programs. The only commitment is not to exceed the conventional annual total dimension of aid which is 3,43 milliard of hryvnias and which accumulates certain "yellow" aid programs. Additionally every year Ukraine can spend on "yellow" programs till 5% of the gross agricultural production cost and till 5% of every product annual cost.

Table 2 – **State financial aid of the agrarian sector, million of hryvnias**

Payment indices and the crediting from the state budget according to the institutional and program classifications	General fund		Special fund		Total		Deviation in 4 2013 to 2012, %
	2012 p.	20013 p.	2012 p.	20013 p.	2012 p.	2013 p.	
Financial aid to the agro-industrial complex							
Fight against pests and plants diseases, prevention of animals' contagious diseases dissemination	34,0	25,5	-	-	34,0	25,5	-25,0
State aid to hop growing development, young orchards, vineyards and berries planting.	-	-	1075,0	100,0	1075,0	100,0	-90,7
Financial aid to the laboratory of agricultural products quality and safety	-	6,06	-	3,15	-	9,2	-
Creation of the State land bank	120,0	-	-	-	120,0	-	0,0
Financial aid to the creation of agricultural gross markets	200,0	-	-	-	200,0	-	0,0
State aid to the animal husbandry	-	-	732,0	650,0	732,0	650,0	-11,2
Land reform	96,43	221,78	-	-	96,43	221,78	+130,0
Delivery of State certificate of property rights on lands in rural territories	1,27	0,9	232,1	53,16	233,37	54,06	-76,8
Crediting							
Crediting of small farms	-	-	27,8	27,9	27,8	27,9	+0,36
Support of agricultural measures in the form of financial leasing	25,0	-	5,02	8,84	30,02	8,84	-70,6

Source: done and calculated according to the data of the State statistic service of Ukraine

We should notice that the Ukraine doesn't have the programs devoted to agricultural lands protection, to their reasonable use, to the conservation of degraded and low productive lands. The mechanisms of the State compensation to agricultural products assurance foreseen by the Law of Ukraine "About the assurance peculiarities of agricultural products with the State aid" are not developed. The existing higher education system doesn't provide qualified specialists as for the production so for the State administration authorities which elaborate the State policy concerning the aid to the agro-industrial complex. 1

In 2011 due to the price aid Ukrainian agricultural producers received 18,79% of the total aid. For the comparison: in the same year in USA the pride aid was 12,41%, in Russia – 59,27%, in EU – 15,69%. As we know, the price aid is formed firstly by export and import taxes which are applied for certain products as the price aid is considered as a measure that mostly "distorts" the market pricing.

In EU countries 65,88% of producers' aid consist of subsidies per hectare, par head etc., in USA this part 41,72%. In Russia the subsidies per hectare and per head were only 2,1% of the aid and in Ukraine they were 0,66%.

We should notice that the transition from subsidies on production volume of certain products to subsidies per hectare and per animal head is conditioned by the WTO requirements. This subsidy became very popular during last decade. It was implemented as a measure which less distorts the market pricing that the subsidies on a unit of products.

In difference of producers' aid which is aimed to increase the competitiveness of native producers at internal and external markets, the general aid of services has indirect impact on competitiveness. These measures are financed from the budget. The finances are provided not to producers but to research and educational institutions,

phytosanitary and veterinary services, organizations of rural development, extension services, services and organizations which carry out the promotion farmers' products among internal and external consumers, storage enterprises etc. Due to these measures producers obtain access to new varieties of agricultural crops, new animal breeds, technologies, consultancy services, sell markets, products from the reserve funds etc. 3.

If we compare different countries we will see that the part of general services in the aggregate aid to the agriculture is very unsteady: it is high in USA and Ukraine (52,3 and 32,9% correspondingly) and it is quite lower in EU and Russia (11,6 and 15,2%). There is a great difference in amounts spent for general aid measures and in their structure. Thus, in USA in 2010 86% of all these expenses was destined to marketing and products promotion, including expenses on food coupons for poor families. 4 These instruments conditioned the increase of demand on agricultural products. In EU countries 30% of all expenses are destined to the support of services, in Ukraine this figure is 1,1% and in Russia it is only 0,7%.

We believe that in order to provide an efficient direct budget financing of productive programs it is necessary: to improve the definition order of subjects for obtaining the aid though the differential distribution of budget finances in the framework of social and economic support measures, to correct the composition and the structure respecting the logical order of the implementation according to their content, priorities, ranking, terms and financing volumes taking into account the reducing of the budget programs for agriculture support; to reinforce by the legislation the stimulating role of the budget support in order to aggregate the volumes of native agricultural competitive products and to organize their promotion at internal and external levels.

Conclusions. The main ways of the State impact on the perspective development of the agro-industrial production should be: support of production volumes and improvement of the agriculture competitiveness; support of small producers, new economic subjects, family farms and cooperatives; lands protection and reasonable use of agricultural lands; price fixation for certain agricultural products; market infrastructure development; support of local initiatives for rural development and life quality improvement; development of the agrarian science and implementation of new technologies into the agricultural production, animal breeding, soil labor etc.; development of agricultural machinery.

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Приоритетные направления развития системы государственного регулирования продовольственного рынка Украины О.М. Варченко, Л.А. Степура

В статье доказано, что основными направлениями государственного влияния на развитие отечественного агропромышленного производства на перспективу должны стать: поддержка объемов товарного производства и повышение конкурентоспособности сельского хозяйства; поддержка мелких товаропроизводителей, новых субъектов хозяйствования, семейных ферм и кооперативных объединений; охрана земель и рациональное использование сельскохозяйственных угодий; установление цен поддержки на отдельные виды сельскохозяйственной продукции; развитие рыночной инфраструктуры; поддержка местных инициатив развития сельских территорий и качества жизни на селе; развитие аграрной науки и внедрение в производство новейших технологий производства сельскохозяйственной продукции, ухода за животными, систем обработки и т.п.; развитие сельскохозяйственного машиностроения.

Ключевые слова: государственная поддержка, охрана земель, рыночная инфраструктура, сельские территории, аграрная наука, новейшие технологии, обработка почвы.

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