PROSPECTS OF UKRAINIAN AGRICULTURAL MARKET DEVELOPMENT IN THE CONTEXT OF EUROPEAN INTEGRATION

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Abstract. Ukraine’s European integration is a multilevel, dynamic, and long process that has a complex, sometimes dramatic evolution and depends on many internal and external factors. Ukraine has favorable geographical, climatic, resource and other prerequisites for rural development, so it is potentially able to become a country with priority agricultural development and one of the main suppliers to world markets of environmentally friendly food products. However, today the problem of inconsistency between the level of development of the Ukrainian agricultural sector and rural areas in general at the world level and the standards of the EU countries remains unresolved.

The prerequisites for Ukraine’s integration into the EU are analyzed, considering the advantages and disadvantages of this process for the country’s agricultural market. The necessity of transition to the investment and innovation model of development of this market was proved. Optimization of the development of all sectors of the agricultural market should become a significant direction for improving the management of innovative financing. The article considers the current state of development of the agri-food market in the foreign economic activity of Ukraine. The assessment of the level of competitiveness of agricultural products is summarized. Factors influencing the improvement of competitive positions of agricultural products in the domestic and foreign markets are proposed.

Global trends indicate that Ukraine can gain a lasting push for development and even become a world leader, becoming a breadwinner for almost the whole world. The adoption of EU norms and standards in Ukraine, together with duty-free trade, should attract investors who want to introduce the latest technologies into the country’s economy. This will help turn Ukraine’s economy into an exporter of value-added products, and exports of raw materials will be a thing of the past.

These global changes would have to be accompanied by a qualitatively new steps to create conditions for the liberalization of markets. This should also apply to markets for agricultural products and food products. In this way, we can expect success only if we increase the competitiveness of agricultural products. And this, in turn, can only be realized in conditions of innovative development.

Keywords: agricultural market; export; import; foreign market; investment; innovation; competitiveness; EU; European integration.

1 Supervisor – doc. Ing. Daniela Hupková, PhD
Introduction.

On the threshold of Ukraine’s independence, there were many expectations about the future power of the country. These expectations had a certain basis, because not only the republics of the Soviet Union, but also most of the countries of the so-called socialist camp, were ahead of the main economic indicators. The hopes were not to be fulfilled.

The next stage of hopes for Ukraine’s economic recovery is the expectation of Ukraine’s rapprochement with the European Union. This was seen as a certain chance to restore the lost power and further development. There were significant obstacles on the way to the European Union. The political part of the Association Agreement with the EU was signed on March 21, 2014, and the economic part was signed on June 27, 2014. And then the European Parliament and the Verkhovna Rada of Ukraine simultaneously ratified the Agreement on September 16, 2014.

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Analysis of recent researches and publications.

Scientific and applied problems of increasing the competitiveness of products, forming and developing the market and studying the effectiveness of its functioning were constantly in the field of view of foreign and domestic scientists. The works of Ukrainian scientists: V. Andriychuk, O. Berezin, V. Boyko, P. Gaidutsky, V. Geets, S. Dusanovsky, Y. Kovalenko, T. Ostashko, B. Paskhaver, P. Sabluk, V. Tochilin are devoted to the study of the problems of formation and development of the national agro-food market, individual product markets, determining the role of the state in their effective functioning in the conditions of reforming the agricultural sector of Ukraine, which formed the basis for the development of the research methodology. Their efforts created a theoretical and methodological foundation for the study of this problem, solved a number of methodological and applied aspects of the formation of the agricultural market, improving the economic mechanism of its functioning in the post-reform period.

At the same time, the high dynamics of modern economic, political and social factors in Ukraine requires in-depth research on the impact of market transformations on the agricultural sector and on the level of food consumption by the population, the study of potential demand for organic agricultural products, the development of qualitatively new models for the development of the national agricultural market, saturated with competitive products to meet the domestic food needs of the state and expand its export opportunities.

Purpose. The purpose of this research is to substantiate the theoretical, methodological and applied aspects of the development of the Ukrainian agricultural market in the context of European integration processes, as well as their advantages and disadvantages.

Materials and methods of research.

In order to achieve the objective in this article were used general scientific and special research methods, in particu-
lar: analytical and logical generalizations, system-structural and comparative analysis. For analyzing Ukraine’s foreign trade and dynamics of gross agricultural output of Ukraine the method of statistical observation was used. Methods of theoretical level were used: abstraction, idealization, formalization, analysis and synthesis, induction and deduction, generalization. To determine competitive strategies for the agricultural market of Ukraine, a matrix research method was used.

**Results of the research and their discussion.**

Ukraine accounts for 11% of all arable land in Europe (Trangul et al., 2014). Ukraine is able to provide food for about 140 million people, and in the conditions of changes in the management system of the agricultural sector, Ukraine can take a leading position in the European Union. However, there are many problems along the way that require research and solutions.

The agricultural market of our planet is constantly growing, and the world food market is gradually reformatted in favor of high-calorie products, including meat and milk, for the production of which more and more feed grains are needed. Under these conditions, Ukraine has a huge potential in the development of agriculture and obtaining competitive advantages in the international division of labor.

To achieve this, the country’s economic development should be accelerated, and this cannot be achieved without adequate investment in agriculture. The Ukrainian government should simplify the conditions for attracting investment in the agricultural sector, otherwise the country risks losing global competition in one of its most promising industries – agricultural.

Changes in the investment climate of Ukrainian agriculture are possible only after restoring order in the turnover of land. While the government has not lifted the moratorium on its sale, it is important to simplify rental relations.

Agriculture is the only industry in Ukraine that has shown growth over the past 17 years, but the agro-industrial complex provides 14% of Ukraine’s GDP. The agricultural sector brings every third dollar that Ukraine receives. Without these foreign exchange earnings it would be difficult to hope for stabilization of the hryvnia exchange rate and an increase in the gold and foreign exchange reserves of the National Bank of Ukraine.

After the large-scale expansion of the EU in 2004-2007, new challenges arose for the European agricultural market, since the new countries had a large agricultural sector that specialized in products that were primarily supported under the CAP (common agricultural policy). Common Agricultural Policy – is an integrated system of measures that support prices for agricultural products and subsidize the production of agricultural products such as beef, milk, and cereals.

In November 2008, the review of the organizational and economic mechanism for implementing the EU CAP was completed, which made it clear that after 2013, the next stage of reforming the common agricultural policy will take place, adapting it to new long-term trends in the development of the world agricultural sector. The European Commission published a communiqué entitled “Joint agricultural policy until 2020: meeting the food, natural resource and territorial challenges of the future”, where were described possible options for the development of the EU’s common agricultural policy in 2014-2020 (Varshavska, 2016).
The priorities of the EU CAP for the planning period 2014-2020 were chosen according to the “Europe 2020” strategy, which defines three approaches to strengthening the economy: reasonable growth, sustainable development, and comprehensive growth (Ministry of Justice of Ukraine, 2014).

As a result, three agricultural policy goals for 2014-2020 were identified: sustainable food production; sustainable use of natural resources and climate change mitigation; and balanced rural development.

One of the main goals of the common agricultural policy of the European Union for the development of the agricultural sector is to provide farmers with an acceptable standard of living. The development of the agricultural market is characterized by deepening of integration processes, liberalization of agricultural trade, orientation toward external markets, and increased attention to product quality (Lissitsa A., 2014).

The free trade area (FTA) with the EU countries has opened new opportunities for Ukraine’s economy. With the adoption of the FTA, Ukraine received trade preferences – duty-free tariff quotas for 36 types of goods (beef, pork, lamb, poultry, milk, yogurt, cereals, bran, honey, sugar, starch, mushrooms, garlic, malt, grape and apple juices, butter, cigarettes, ethanol, eggs, etc.).

The Association Agreement with the EU provides for a reduction in the duty rate for Ukrainian goods and the unilateral abolition of customs duties by the EU at the initial stage (Fig. 1).

In turn, Ukraine has set tariff quotas for three types of goods (pork meat, poultry meat and poultry semi-finished products, sugar) and provided additional volumes for two more. According to the State statistics service, in the first year of free trade with the EU, Ukrainian exports to the EU increased by more than 3%, and trade turnover – by more than 6%. But in general, trade in agricultural products is not as rapid as expected. Duty-free quotas are used quickly, and the general conditions are not so attractive and feasible for domestic producers.

Thus, 11 groups of goods under quotas were quickly exhausted. The main drivers of accelerating the exhaustion of quotas for exports of domestic products to the EU were such groups of goods as:

- Reduced duty rates for Ukrainian goods under the EU GSP
- Unilateral abolition of customs duties by the EU
- Provisional application of the Association Agreement (pending ratification by all signatories)
- Entry into force of the Association Agreement

Fig. 1. Stages of implementation of the free trade area (FTA) with the EU
Source: formed by author based on (Salkova, 2015)
glucose and syrup from it (the quota in 2016 was used by 58.7% against 6.1% in 2015), barley (99.8% vs. 77.7%), malt and wheat gluten (100% vs. 72.9%), poultry meat (additional quota, 43% vs. 22.5%), starch (18.8% vs. 9.6%).

Recent statistics show that Ukrainian producers have begun to increase exports of value-added goods. Such rates of trade pushed to the initiation of quota increases. By the way, today 288 Ukrainian companies have the right to export to the EU. In particular, 108 companies export food products to this market (State statistics service of Ukraine).

At the end of 2016, the European Commission accepted the proposal of Ukrainian producers and in May 2017 increased the quota for cereals and flour by 7.8 thousand tons, oats – by 4 thousand tons, corn – 650 thousand tons, honey – 3 thousand tons, wheat – 100 thousand tons, grape juice – 500 tons, processed tomatoes – 5 thousand tons, barley – 350 thousand tons.

As of October 4, 2017, the EU import tariff quotas for such Ukrainian goods as: honey, sugar, barley groats and flour, processed tomatoes, grape and apple juices, oats, barley, corn, wheat – have already been exhausted. 98% of the quota for duty-free export of malt and wheat gluten has been exhausted. Experts note that compared to 2016, the dynamics of closing quotas has accelerated significantly. But there are still a number of goods where quotas are not exhausted at all (lamb, beef, mushrooms, processed milk products, etc.).

In August 2017, the EU Council approved a number of preferences for three years. Preferences include temporary (for three years) additional annual import quotas at zero tariff on the following agricultural products: natural honey – 2.5 thousand tons; processed tomatoes – 3 thousand tons, grape juice – 500 tons; oats – 4 thousand tons; wheat and flour – 65 thousand tons; corn and flour from it – 650 thousand tons; barley and flour from it – 350 thousand tons; barley groats – 7.8 thousand tons (State statistics service of Ukraine).

From October 1, 2017, additional quotas began to apply to five items of Ukrainian agricultural products from this list: honey, grape juice, barley flour, processed tomatoes, oats. Quotas for wheat, corn and barley groats took effect from January 1, 2018. As of January 11, 2018, EU quotas for Ukrainian honey (8,000 tons), grape and apple juice (14,000 tons) have been exhausted, and quotas wheat exports were exhausted by 25%.

If the quota expires, Ukrainian companies can supply their products to the EU by paying a duty, which makes their products uncompetitive in EU markets due to significant price increases. This indicates the need to diversify Ukrainian exports, connecting the countries of Asia and Africa to Ukrainian area of interest, paying special attention to Chinese markets.

One of the priority areas for the agro-industrial complex of Ukraine for 2018 is farming. The restraining factor for the production and export of high-quality beef is the structure of farming in Ukraine. Most of farms (almost 66%) are maintained by households, and only 34% are agricultural enterprises. For the development of this industry it is necessary to change the structure of animal husbandry. For this purpose, the budget of Ukraine for 2018 provided UAH 2.3 billion. So far, Ukraine is dominated by the purchase and sale of calves and young cattle from the population. To change this situation, it is necessary to create attractive conditions for long-term investment in the industry, as their payback has a long time.
State support should be aimed at: reducing the cost of construction or reconstruction of livestock farms and complexes; cheaper loans for such construction; development of genetics and selection. Their implementation is impossible without the connection of innovative technologies.

Unfortunately, live animals predominate in the structure of livestock exports so far. In 2016, the export of cattle reached 51 thousand heads, and the main importers were Azerbaijan and Egypt (Golub, 2017). At the same time, in the chilled beef sector, which is the most attractive in terms of exports, Ukrainian share is very small, although gradually growing. The priority markets for the development of beef exports today are the countries of the Middle East, Asia and others.

It should be kept in mind that any investment projects will not solve the tasks set by the state for the development of the livestock industry in the country without the introduction of innovative technologies. Any company that has such technologies and is able to implement them by investing in the economy of Ukraine, before entering the Ukrainian market, will assess the level of “security” for their property: it is the courts and the “stability” of the law; secondly – infrastructure: roads, airports, railway stations; lastly, it is the potential of human capital and fourthly, the tax regime (Cheberiak, 2014).

Ukraine has difficulties with all these factors. In addition, Ukraine has recently had a rather negative trend in the outflow of human capital from the country. The working capable share of the country’s rural population is declining at a particularly rapid pace. Only significant investments can stop this extremely terrible trend, because the primary reason for the outflow of “brains” from the country is the lack of adequate jobs proposition, the creation of which directly depends on the capital to which the country has access.

According to the results of 2019, the foreign trade turnover of agricultural products amounted to 24.3 billion US of which 18.8 billion accounted for ag-

![Fig. 2. Dynamics of Ukraine’s foreign trade in agricultural products for 2010-2019](image-url)
Agricultural exports, which accounted for 39.8% of Ukraine’s total exports. Agricultural exports retain leadership in the commodity structure of export. In 2019, the record of 2012 was exceeded, when exports of agricultural products amounted to 18.2 billion US dollars.

Between May 2018 and April 2019, Ukraine became one of the three largest exporters of agricultural products to the European Union, selling agricultural products worth 6.3 billion euros. According to a report by the European Commission, in May 2019, Ukraine exported agricultural products to EU countries for 519 million euros, which is 173 million euros more than in May 2018. This means that in terms of growth in exports of agricultural products to EU countries in May 2019, Ukraine ranked first in the world. Fig. 2 presents the dynamics of Ukraine’s foreign trade in agricultural products for 2010-2019.

The main direction of Ukrainian agribusiness is crop production (about 70% of agricultural products). It should be noted that the basis of the agricultural sector of Ukraine are raw materials, in particular products of plant origin (corn, wheat, soybeans, and barley) (Fig. 3).

The largest volumes in exports of plant products are cereals ($1188.2 million), seeds ($213.8 million), finished food products - residues and waste from the food industry ($166.1 million), vegetable processing products ($69.9 million), as well as cocoa and cocoa products ($57.2 million). In the volume of animal products, the largest share of milk and dairy products ($98.3 million), meat and edible products ($43.5 million).

In matters of additional capital raising in Ukraine, it makes sense to turn to the experience of Poland. Poland and Ukraine are two post-socialist states that had roughly the same starting positions at the beginning of the transformations, a rather similar economic structure, a similarly complex geopolitical situation, and a polarized political system. For a long time, they followed different paths, so it is interesting to compare the current results of the two countries, including agricultural development indicators, which allows us to assess the effectiveness of each of the two eco-

![Fig. 3. Dynamics of gross agricultural output of Ukraine, UAH billion](image-url)

Source: formed by the author on the basis State Statistic Service of Ukraine
nomic strategies: clear and pro-European integration and East-West balancing.

Poland has introduced tax incentives for investments in attractive projects. In addition, much attention is paid to the creation of technology parks and business incubators, where university graduates can implement their boldest ideas. For this they receive initial capital and three years of free rent of premises and equipment.

Territorial reform is currently being introduced in Ukraine, which provides the consolidation of local communities and the delegation of greater powers to them, along with responsibility (Coreiba, 2016). It is known that a third of our population lives in rural areas. Community consolidation should take place there.

The idea, at first glance, is good, because it is supposed to restore Ukraine’s rural communities, or rather the Ukrainian villages, which are dying out. But given the growing debate in Ukrainian society over this reform, it should be noted that without demonopolization in the agricultural sector of the economy and without the return of land to the rural population, Ukrainian villages will not be revived or flourished.

Today, Ukrainian agriculture is quite far from the level of Poland, and Polish scientists, in turn, emphasize that their agriculture is 30 years behind the development of agriculture in Western Europe, and from the United States – for a much longer period (Lipchuk, 2018). It is becoming obvious that the attempt to compete with highly developed countries in the industrial model of agricultural development is unpromising.

The generalization of the state of Ukrainian and Polish agriculture makes it possible to assess the achievements of the agro-industrial complex in Poland and to overcome the backwardness of the Ukrainian countryside. First of all, the strength of Poland is the Polish gminas, centers of self-government at the local level. The current system of local self-government in Poland is able to effectively manage territories and promote their development. It has the opportuni-

<table>
<thead>
<tr>
<th>Success strategies</th>
<th>Competition strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increasing the production of agricultural</td>
<td>Agricultural policy leading to the development of the</td>
</tr>
<tr>
<td>products.</td>
<td>organic market.</td>
</tr>
<tr>
<td>Export of organic products.</td>
<td>Development of professional associations and consumer</td>
</tr>
<tr>
<td>Promotion of goods on EU markets.</td>
<td>cooperatives.</td>
</tr>
<tr>
<td>Development of Ukrainian agricultural brands.</td>
<td>Introduction of the latest technologies.</td>
</tr>
<tr>
<td>Activation of agricultural and ecological</td>
<td>Establishment of organic production companies.</td>
</tr>
<tr>
<td>tourism development.</td>
<td>Establishing links between manufacturers and retailers in</td>
</tr>
<tr>
<td></td>
<td>the EU.</td>
</tr>
<tr>
<td></td>
<td>Lending development</td>
</tr>
<tr>
<td>Conservation strategies</td>
<td>Defense strategies</td>
</tr>
<tr>
<td>Improving the quality of organic products,</td>
<td>Attracting foreign capital.</td>
</tr>
<tr>
<td>which is the basis for increasing the</td>
<td>Introduction of new technologies.</td>
</tr>
<tr>
<td>competitiveness of Ukrainian companies.</td>
<td>Formation of competitive markets.</td>
</tr>
<tr>
<td>Increasing farmers’ incomes based on small</td>
<td>Attracting European funds.</td>
</tr>
<tr>
<td>business development</td>
<td></td>
</tr>
<tr>
<td>Access to European funds</td>
<td></td>
</tr>
</tbody>
</table>

Source: formed by author based on (Varshavskia, 2016; Vitko, 2018)
ty not only at the discretion of the local community to redistribute funds allocated from the state budget, but also to actively attract additional funds for the implementation of projects of various levels. Unfortunately, the United Territorial Communities (UTCs) established in Ukraine do not yet have experience in writing and defending fundraising projects to address pressing community issues.

The most painful place for all UTCs in Ukraine are roads, or rather their almost complete absence. There is clearly a lack of funds allocated from the state budget and attracted from local budgets. Winning projects in competitions in international organizations could come to the rescue. Poland’s experience in project management is impressive and should be useful to Ukrainian UTCs. Without creating proper living conditions for people in the countryside, one should not think about the significant successes of the Ukrainian countryside. Especially about the return home of Ukrainian seasonal workers, so that they create added value in their homeland.

The analysis of the prospects of Ukrainian agricultural enterprises in the implementation of the Association Agreement allowed to form strategies for the development of their competitive advantages and leveling of shortcomings (Table 1).

Conclusions and future perspectives of the study.

Global trends indicate that Ukraine can gain a lasting push for development and even become a world leader, becoming a breadwinner for almost the whole world. The adoption of EU norms and standards in Ukraine, together with duty-free trade, should attract investors who want to introduce the latest technologies into the country’s economy. This will help turn Ukraine’s economy into an exporter of value-added products, and exports of raw materials will be a thing of the past.

More active involvement of innovative technologies can ensure a steady growth of exports from the Ukraine. To this end, it is necessary to constantly expand the markets for its products, relying not only on EU countries, but also on cooperation with African and Asian countries, in particular with China.

The analysis allows us to conclude that Ukraine continues to grow production in the agricultural sector due to a significant increase in yields of sunflower, corn, canola, soybeans and a number of other crops. At the same time, the role of the national agricultural sector in the foreign market intensified, the export of certain types of agricultural products reached large proportions, and the budget-generating function of agriculture intensified.

While prioritizing European integration, Ukraine should adapt its agricultural policy to the standards of the European Union. This is influenced not only by internal processes in the EU, but also by the requirements of the external environment.

Acknowledgements. This paper was supported by the Ministry of Education, Science, Research and Sport of the Slovak Republic under project VEGA no. 1/0808/21.

References
Перспективи розвитку українського аграрного ринку в контексті європейської інтеграції.


Анотація. Європейська інтеграція України – це багаторівневий, динамічний та тривалий процес, який має складну, часову драматичну еволюцію та залежить від багатьох внутрішніх та зовнішніх факторів. Україна має сприятливі географічні, кліматичні, ресурсні та інші передумови для розвитку села, тому вона потенційно може стати країною з пріоритетним розвитком сільського господарства та одним із основних постачальників на світові ринки екологічно чистих харчових продуктів. Однак сьогодні проблема невідповідності між рівнем розвитку українського аграрного сектору та сільської місцевості загалом на світовому рівні та стандартами країн ЄС залишається невирішеною.
Є. Р. Синецька

Проаналізовано передумови інтеграції України до ЄС, враховуючи переваги та недоліки цього процесу для аграрного ринку країни. Доведено необхідність переходу до інвестиційно-інноваційної моделі розвитку цього ринку. Оптимізація розвитку всіх секторів аграрного ринку має стати значним напрямком для вдосконалення управління інноваційним фінансуванням. У статті розглянуто сучасний стан розвитку агропродо́вольчого ринку у зовнішньоекономічній діяльності України. Узагальнюється оцінка рівня конкурентоспроможності сільськогосподарської продукції. Запропоновано фактори, що впливають на покращення конкурентних позицій сільськогосподарської продукції на внутрішньому та зовнішньому ринках.

Світові тенденції вказують на те, що Україна може отримати тривалий поштовх до розвитку і на́віть стати світовим лідером, ставши годувальником майже усього світу. Прийняття в Україні норм і стандартів ЄС разом з безмитною торгівлею має залучити інвесторів, які хочуть впроваджувати новітні технології в економіку країни. Це допоможе перетворити економіку України на експортера продукції з доданою вартістю, а експорт сировини залишиться в минулому.

Ці глобальні зміни мають супроводжуватися якісно новими кроками для створення умов для лібералізації ринків. Це також має стосуватися ринків сільськогосподарської та харчової продукції. Таким чином, ми можемо очікувати успіху лише за умови підвищення конкурентоспроможності сільськогосподарської продукції. А це, у свою чергу, можна реалізувати лише в умовах інноваційного розвитку.

Ключові слова: ринок сільського господарства; експорт; імпорт; зовнішній ринок; інвестиції; інновації; конкурентоспроможність; ЄС; європейська інтеграція.