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**PRIORITY AREAS OF IMPROVING THE SYSTEM OF
STATE REGULATION OF BUSINESS IN THE MARKETS OF FOOD PRODUCTS**

Annotation

In this article the priorities for the improvement of state regulation of business in the markets of food products are identified; the macro- and microeconomic factors that influence the development of food markets are revealed; the priority objectives of state regulation of business in the food markets in the medium term are determined.

Keywords: state regulation, food safety, food markets, management.

Анотація

В статті визначені пріоритетні напрями вдосконалення системи державного регулювання підприємництва на ринках продовольчих товарів; окреслено макро- і мікроекономічні чинники, що впливають на розвиток продовольчих ринків; обґрунтовано пріоритетні цілі державного регулювання підприємництва на продовольчих ринках на середньостроковий період.

Ключові слова: державне регулювання, продовольча безпека, продовольчі ринки, управління.

Анотация

В статье определены приоритетные направления совершенствования системы государственного регулирования предпринимательства на рынках продовольственных товаров, изложены макро- и микроэкономические факторы, влияющие на развитие продовольственных

рынков; обоснованы приоритетные цели государственного регулирования предпринимательства на продовольственных рынках на среднесрочный период.

Ключевые слова: государственное регулирование, продовольственная безопасность, продовольственные рынки, управление.

Introduction

The current state of food markets and food security reaffirms the fact that the market self-regulation does not provide a way out of crisis as well as the increase of production of food products. The sharp reduction of government intervention has led to a disruption of inter-branch relations, disparity in prices for agricultural and industrial production, decline in agricultural production, and reduction of the tax base. At each stage of development of food markets there are the set priorities, material and financial support for their implementation required. These priorities are: improving the efficiency of agricultural production, quality status and level of productive capacity, the use of scientific and technological progress and marketing [5, p 6].

The main purpose of this article is to identify the priorities for the improvement of state regulation of business activity in the markets of food products.

Analysis of recent research

The problem of ensuring food security is the focus of a large number of scientists, including

L. Abalkin, E. Borisenko, A. Varchenko, V. Geyts, O. Hoychuk, S. Demyanenko, A. Kochetkov, R. Markov, P. Sabluk, I. Svidersky, O. Shebanina and others. However, some related issues are still not fully explored.

Statement of research objectives

– to identify priorities for the improvement of state regulation of business in the markets of food products;

– to determine macro- and microeconomic factors that influence the development of food markets;

– to justify the priority objectives of state regulation of business activity for the food markets in the medium term.

A necessary condition of ensuring the safety of the food markets is the legally docked food policy.

Results

For the accomplishment of purposes and principles of food policy, the following methods of state regulation are being applied:

– special tax regimes applicable to the subjects of agro business market;

– procurement, storage, processing and marketing of agricultural products and food products for the public use;

– setting of the minimum and maximum threshold (guaranteed) intervention prices for agricultural products and food;

– customs regulation, taking into account the specifics of the food sector;

– tariff and non-tariff regulation of imports and exports of agricultural products and food, support of the exports of agricultural products and food;

– providing subsidies, subventions, guarantees and compensations to agricultural producers and other actors in the food market and other forms of budget financing;

– state investments;

– technical regulations, licenses and other types of restrictions;

– risk management in agriculture, related to the specifics of food sector.

Encouraging the development of institutions and infrastructure on the food market, including the system of cooperative crediting through land mortgage, leasing of the equipment, insurance;

– antitrust regulation, measures to address the administrative, regional and technical barriers in the agricultural sector;

– programs for the sustainable rural development and conservation of natural resources and natural landscape;

– informational support and advisory services provided to the subjects of the food markets;

– measures targeted at financial recovery of agricultural producers, including the restructuring of their debts.

– promoting the scientific and technological progress and innovation in the industrial complex;

– other instruments of state control as provided by the current legislation of Ukraine.

It should be noted that the economic security of food markets is a macroeconomic problem. It is related to the efficiency of social production, the level of differentiation and income, unemployment. Consumption growth is possible only with macroeconomic stabilization and growth in real incomes, and not through redistribution of land, as it is recommended by international organizations regarding developing countries.

It should also be underlined that the development of food markets affect macro-and microeconomic factors. The macroeconomic ones include: budget, tax, monetary, sectoral, foreign

trade and also the problems of economic and food security of the state.

The microeconomic factors include problems of insolvency and financial recovery in agricultural sector [4, p. 64].

All these problems are closely interconnected with each other. Let us consider the macro-economic factors and problems of the food markets.

1. The budget problem is to determine the optimal level and structure of budgetary support for agriculture and other agricultural enterprises.

2. To the tax problems should be counted in the significant tax burden (even setting a fixed agricultural tax, calculated per unit of land is not sufficient to restore financial stability of agricultural enterprises).

3. Monetary problems during the period of adjustment negatively affected the food markets. The replacement of the normal cash payment by the natural «barter» was not in favor of the food market and, in fact, excluded the development of the market mechanism. After the 1998's default situation slowly began to get corrected, but the credit, especially the long-term one, continued to be unavailable for farms.

4. Intersectoral cooperation. Currently, there are so called «price scissors» for the agricultural and industrial products and services. Since 2000, the ratio of prices relative to agricultural products constantly deteriorated, primarily due to accelerated growth of prices for electricity and petroleum products. As the result, the share of agricultural raw materials in the final price of products is constantly decreasing.

5. Foreign economic relations affect the food markets of Ukraine very much due to their unreasonable openness to imported goods produced in a better climatic conditions, with the help of higher technical equipment and high level of economic support.

6. Microeconomic problems arise at the level of interaction between farmers as the producers of the food products and the food market. One difficult problem is the insolvency of agricultural enterprises that incurred during the years of reforms. Currently, the market of food products became the object of high attention from the side of investors who buy or lease the enterprises of food industry and apply modern technology in their activity. Such formations, mainly in the form of holdings, are already operating successfully in the regions with the most favorable climatic conditions.

7. The problem of manpower in the market of food products is becoming more acute. It should be ideally solved in conjunction of the state, regional bodies of government and the businesses enterprises themselves.

8. Environmental issues. Today there is the problem of maintaining and increasing the soil fertility, conservation of water and forests.

An independent problem is the legal framework for the formation and operation of the information about the state of the food market, because its specifics is that it must be accurate and provided to the participants of the market process for free.

Currently there is no legal basis to restrict the release of economic entities in the information space. This allows large operators to go into media and pursue their own corporate goals while misleading the public about the real situation on the market. This results in the excessive demand for products and the higher prices. Similar actions in a civilized market are not allowed.

With the adoption of the relative law the set of measures aimed at creating a competitive environment and equal access to information for all agents of food markets would be fixed.

The system of state information support of the food sector is based on the principle of equal access to the revenues of this information to the subjects of the food market. In order to implement this principle the rules about posting the information on the website of the authorized body of executive power and its dissemination through the media without restrictions and for free are being introduced.

The stability of food supply is determined by the well-being of the country. In terms of political autonomy and economic instability due to the reduction of agricultural production, raw materials and food, their role becomes a priority. Despite to the diversity of ways and mechanisms to solve the food problem, the most important trend is achieving the stability of production through the sustainable development of national agriculture.

Thus, the strategic goal of the food security is to secure the population with sufficient agricultural products and food. The guarantee for its achievement is the stability of domestic production and the availability of the necessary provisions and reserves.

The main objectives of food security, regardless of the changes in external and internal conditions are the following:

– timely prediction, detection and prevention of internal and external threats to the food security, minimizing their negative effects through the constant readiness of citizens to ensure food and the formation of strategic stocks of food;

– sustainable development of domestic production of food and raw materials which is sufficient in order to ensure the food independence of a state;

– achieving and maintaining physical and economic access of every citizen of the country' to the safe food in the volume and range, corresponding to the rational norms of consumption of food needed for an active and healthy lifestyle;

– ensuring food safety through certification of food products [2, p. 22].

Given the risks and threats to food security of Ukraine, we would like to offer the following priority areas in improving the system of state regulation of business.

1. In the area of economic access to the food products for all categories of the population the special attention should be given to solving problems by the means of reducing poverty and providing priority support to the most vulnerable population, as well as healthy nutrition for pregnant and lactating women, infants, children of preschool and school age, in schools and in other establishments of the social sphere.

2. In the part of physical accessibility of food: to develop inter-regional integration in the sphere of food markets and food security, to use the mechanisms of support of the regions that are located in areas of low food production or

caught in the extreme situations more efficient, to improve the transport accessibility in remote areas for the uniform and steady food supply to the population, to create conditions for increasing the number of objects of trade infrastructure and catering of various types.

3. In the part of the formation of the state material reserve the range of the relevant material values and norms of the problem should be determined.

4. In order to ensure the food safety the control in this area should be organized and carried out in accordance with the legislation which exists in the spheres of agricultural, fishery products and food, including imported, at all stages of production, storage, transport, processing and sale.

5. To exclude the uncontrolled proliferation of food products derived from the genetically

modified plants using dietary modified microorganisms and organisms that are genetically modified counterparts.

6. To continue harmonization with the international requirements of food safety indicators based on the fundamental research in the field of scientific study.

7. To improve the control of food safety by the means of certification of food products, including the establishment of modern technical and methodological basis for it.

In the field of producing agricultural and fishery products, raw materials and food products the state support should concentrate on these areas:

- the increase of soil fertility and productivity, the expansion of the agricultural crop due to the unused arable land, the reconstruction and building of the reclamation systems;

- the accelerated development of the livestock;

- the expansion and more intensive use of the aquatic biological resources and new technologies of industrial growth;

- the creation of the new technology of deep and complex processing of food raw materials, the methods of storage and transportation of agricultural and fishery products, the development of scientific potential of agricultural and fishery facilities, the support of the new research directions in the sphere of adjacent fields of science and implementation of measures aimed at preventing the outflow of highly qualified scientific personnel;

- the increase of the pace of structural and technological modernization of the agricultural and fishery facilities, the reconstruction of the nature-ecological potential;

- the development of the system of training and re-qualification of the staff which is able to implement the objectives of the innovative model of the development of agricultural and fishery facilities taking into account the requirements of food security;

- the improvement of the mechanisms of regulation of the market of agricultural and fishery products, raw materials and food products in terms of increasing the efficiency and eliminating the price distortions in the markets of agricultural and fish products and material-technical resources;

- the improvement of the efficiency of the state aid into the branch by paying special attention to creating conditions for financial stability and solvency of the producers.

In the sphere of foreign economic policy the following must be provided:

- operational measures of customs and tariff regulation for the purposes of rationalizing the ratio of exports and imports of agricultural and fishery products, raw materials and food;

- active use of safeguard measures during imports of agricultural and fishery products, raw materials and food, and in cases of dumping and the use of subsidies during their export to foreign countries;

- effective operation of the sanitary, veterinary and phytosanitary control taking into account the international rules and standards;

- gradual reduction of the dependence of domestic agricultural and fishery complexes from the import of technology, machinery, equipment and other resources.

The formation of the foreign economic policy must be in compliance with the criteria set out in the Law of Ukraine "On food security of Ukraine."

The actions of the state and society in connection with ensuring food security should be based on comprehensive objective analysis and forecasting of food situation in the country.

The mechanisms of food security are being developed and implemented as the most important part of the state's forecast of the programs of socio-economic development of Ukraine, as well as special programs of agricultural development of the country.

The results of the proposed priorities for the improvement of the system of state regulation are necessary to be analyzed according to the following complexes (indicators) that were built into four categories: food, agriculture, agricultural, trade.

The food unit includes such factors as:

- p norms of consumption per capita;

- the structure of consumption, calculated on the basis of effective demand, given the actual consumption of own and imported goods;

- an indicator of consumption, calculated as the ratio of the structure of consumption of own and imported goods to the total physiological needs of the population;

- food self-sufficiency rate, calculated as the ratio of consumption of own products to the physiological needs of the population [1, p. 4].

The agricultural unit includes:

- i of the potential that can be defined or based on actual achieved output, or by using the method of analogues – the rate of potential increase in production under the condition of the use of modern technology;

– the rates of performance of agriculture (gross output of 1 hectare, gross output per 1 employee, cereal yields of 1 hectare, productivity per unit of livestock feed; capital return, the number of people that the farmer can feed, etc.);

– consumer basket of the manufacturer – an indicator that shows the costs of a particular kind;

– profitability of production (calculated on the basis of the previous figure as it is the indicator of the need of this particular type of production for the state support;

– the level of subsidies into agriculture;

– the ratio of wages of agricultural producers and the average wage in the country as the reflection of the potential labor force activity of agriculture.

Within the agricultural unit should be distinguished:

– the structure of production costs (material, labor costs, depreciation and other costs) and its comparison with the developed standards;

– the balance of production and marketability factors, the use of products for different purposes, losses. Based on the evaluation of losses inherent in the entire APC, the measures of the structural policy aimed at reducing the costs of food producing can be developed and justified;

– price ratio: factor – the product, product – product, factor – factor;

– definition of the agricultural wholesale and retail prices (due to the structure of the retail price).

The foreign economic trade block includes the following indicators:

– the share of imports in the consumption of food (food import dependency);

– the balance of import and export of agricultural products;

– the ratio of domestic and world agricultural and wholesale prices;

– the assessment of the possible damage caused from trade liberalization of agricultural products and food not only to farmers but also for the end users due to the measures related to import restrictions;

– a group of indicators related to the annual fluctuations in the production of crops by the region, country and around the world; the production of livestock products by the region, country and worldwide; providing animal feed industries in regions, countries and around the world, providing food products by the region, country and around the world; prices for different types of agricultural products and food.

Based on the current conditions prevailing in the market of food products, today's problems of the

functioning of this market, its vitality, that requires the resolution at the regional and state level, the following priority objectives in the medium term are highlighted:

1. The stabilization of the fiscal, monetary and pricing policies of food markets.

2. Enhancing market and other institutional changes in the field of food markets.

3. Scientific study and innovation projects for the creation and implementation of the resource technology, environmentally friendly product.

4. The creation of organizational and economic conditions for investment and innovation in agriculture.

5. Programs and mechanisms for the modernization of production, restructuring of the agricultural enterprises.

6. The programs of the sustainable development of the regions according to the food security indexes.

Conclusions

The governmental regulation of business in the sphere of food markets under the modern conditions of the existence of society is an objective necessity. But creating an effective system of this regulation is an extremely complex issue, as it is evidenced by the years of experience.

Therefore, the objective of the state regulation is the development of an optimal combination of market and state intervention in achieving the main goal - a comprehensive account of the interests of the society as a whole.

It should be noted that in areas such as development of rural infrastructure, agricultural research and education, information provision, crediting, the regulation of the market of foreign trade, the undisputed leading role lies on the government regulations. At the same time, maintaining the state of prices and incomes requires a differentiated approach.

Major difficulties in developing the effective system of state regulations creates a subjective approach of the legislative bodies in the process of formation of the food policy that is inherently presented in Ukraine, where many politicians decide upon the issues affecting the fate of millions of people and the entire state.

It is very important, as the experience of foreign countries shows, to maintain the principle of voluntariness while developing the mechanism for regulating the food market. The freedom of choice of the manufacturer cannot be restricted.

Compliance with the strategic goals is very important during the process of forming a system

of effective state regulation. This choice of the right strategy, given the macroeconomic situation not only in the country, but in the world, could be decisive.

The policy of state regulation of the market of food products must be integrated. All its programs and mechanisms should focus on achieving the

overall goal, not contradict each other, unlike other sectors of the economy of Ukraine, the food market is not just a market. It is the production, social and cultural sphere, the basis for the substantial part of the population that historically formed over the large areas of Ukraine.

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