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## ТЕОРЕТИЧЕСКИЕ ОСНОВЫ РАЗВИТИЯ ВНУТРЕННЕГО РЫНКА АГРОПРОДОВОЛЬСТВЕННЫХ ТОВАРОВ

*Аннотация:* в статье исследовано современные тенденции развития агропродовольственного рынка страны, обосновано приоритеты усиления его роли при формировании социально-ориентированной национальной экономики.

*Ключевые слова:* потребление, продовольствие, аграрный рынок, баланс рынка мяса.

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## THE THEORETICAL BASES OF THE DOMESTIC AGRI-FOOD MARKET DEVELOPMENT

*Abstract:* the article explored the modern trends of the domestic agri-food market development, reasonable priorities of strengthening its role in the formation of socially oriented national economy.

*Keywords:* agricultural market, food, consumptions, meat market balance.

*Formulation of the problem.* In the modern terms of economics transformation the rapid development of globalization processes is observed, that causes significant changes in the formation and functioning of the agri-food market. Market of food is formed under influence of a combination the interests of the population and producers. Its forestalling development causing an accelerate the pace of economic growth in some industries, ensuring an effective stimulus to improve the quality of life. Last years the inefficient functioning on the market of agri-food products caused macroeconomic imbalances and structural changes of socio-economic development. It is conditioned by the several reasons: reduce the competitiveness of certain industries, low solvency of the population. All of this increases the relevance of determining the theoretical and

methodological concepts of concerning the improvement the mechanism of functioning agri-food markets at the current stage of post-crisis development of the country.

*The analysis of researches and publications.* The problems of agri-food market development and its role in ensuring the domestic food security are reflected in the writings of local researchers: Thomas Reardon [1], Jill E. Hobbs [2], Rene Villalobos [3], Photis M. Panayides [4]. However, the theory and practice of market relations are changing and since the signing of the Association Agreement between Ukraine and the European Union a lot of problems, which are require the solutions, were appeared and the necessity in constant updating of knowledge about the functioning and development the agri-food market. All of this raises the serious questions about defining the roles and place of agri-food market in providing individuals a full diet and economic growth of the industry.

*The aim of the article* is to research the current trends and justification the prospects of agri-food market development at the current stage of economy transformation.

*Presentation of the key results of the research.* Agri-food market is a part of the consumer goods market. The main goals of the last are improving the living standards, ensuring a qualitatively new level of the whole complex of social and economic drivers that provide the process of society vital functions. All of this confirms the necessity of the objective determination the current trends in the agri-food market.

1. The domestic agricultural market is formed under influence of several factors: economic growth, income levels of individuals, competitive advantages on the market of certain categories of producers. During the period 2000–2015, the domestic market of meat and meat products, despite the positive changes, is developing quite contradictory, some trends become sustainable (table 1).

Table 1

*The consumption of basic food products (per capita for the year, kg)*

<i>Types of products</i>	<i>2000</i>	<i>2005</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2015 in% to 2000</i>
<i>Meat</i>	32,8	39,1	52,0	51,2	54,4	56,1	54,1	50,9	155

<i>Milk</i>	199,1	225,6	206,4	204,9	214,9	220,9	222,8	209,9	105
<i>Eggs</i>	166	238	290	310	307	309	310	280	168
<i>Bread products</i>	124,9	123,5	111,3	110,4	109,4	108,4	108,5	103,2	82
<i>Potato</i>	135,4	135,6	128,9	139,3	140,2	135,4	141,0	137,5	102
<i>Vegetables and melons</i>	101,7	120,2	143,5	162,8	163,4	163,3	163,2	160,8	158
<i>Fruits, berries</i>	29,3	37,1	48,0	52,6	53,3	56,3	52,3	50,9	174
<i>Fish</i>	8,4	14,4	14,5	13,4	13,6	14,6	11,1	8,6	102
<i>Sugar</i>	36,8	38,1	37,1	38,5	37,6	37,1	36,3	35,7	97
<i>Oil</i>	9,4	13,5	14,8	13,7	13,0	13,3	13,1	12,3	131
<i>Caloricity of the diet, kcal</i>	2661	2916	2933	2951	2954	2969	2939	2799	105

*Author's own calculations according to the State Statistics Service (URL: <http://www.ukrstat.gov.ua>).*

Established that the consumption of basic foodstuffs per capita has increased for the last fifteen years, but bread and cereal products have decreased. At the same time the consumption of meat and milk does not comply with the established medical standards, and consumption of oil, bread, sugar exceeds these standards, which indicating on the necessity to create conditions for the more complete diet. Caloricity of diet is lower than a sufficient level (3000 calories), most of it is ensured by consumption of foods of plant origin, the share of consumption products of animal origin below the required level (55%).

The multidirectional vectors of dynamics of basic food products consumption are possible to observed in the formation of meat and meat products proposal (table 2).

Table 2

*Balances of meat and meat products in Ukraine, thou.tons*

	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2015 y in% to 2010</i>
<i>Production</i>	2059	2144	2210	2389	2360	2323	113
<i>Import</i>	378	244	423	332	201	158	42
<i>Resources, overall</i>	2440	2425	2610	2741	2579	2482	102

<i>Export</i>	48	79	125	182	218	245	5,1 times
<i>Fund of the consumption, overall</i>	2384	2339	2478	2550	2325	2179	88
<i>Including calculation per capita</i>	52,0	51,2	54,4	56,1	54,1	50,9	98
<i>The share of imports in the consumption funds, %</i>	16	10	17	13	9	6	-10
<i>Ratio of exports to imports, %</i>	13	32	30	55	108	155	+142

*Author's own calculations according to the State Statistics Service (URL: <http://www.ukrstat.gov.ua>).*

Established that during the last five years the rate of increase the production were 113%; in 2010–2013 the production of meat and meat products had a tendency to increasing with further reduction of its from 2,389 thou.tons to 2323 thou.tons. The saturation of the domestic market was mainly due to domestic production, while import of products was increasing up to 2012, then – was reducing. The share of imported products in the funds of the consumption during the analyzed period decreased from 16% to 6%. Increasing the consumption of animal products in calculated per person is observed till 2013, then – reducing. At the same time in the country is no achieved the recommended rates of consumption of meat and meat products (per capita) – 80 kg. A restrictive factor for this is the low purchasing capacity of population, as a stimulus for the increasing of production was the export of meat, the rate of increase of which are more than 5 times.

Research showed that, despite the impact of non-tariff methods of regulation by the European countries to access Ukrainian products to EU markets, the ratio of exports to imports since 2013 was cardinally changed – domestic producers are exporting more than import in Ukraine. The important factor, among others, is the impact of foreign exchange, which makes imported products, does not always of high quality, noncompetitive by price at the domestic market.

The positive dynamics of increasing the rate of production and consumption of products was formed under the influence of the main factors: increasing the rates of

purchasing power, significant investment in the industry, formation of vertically integrated agricultural holdings and the rapid development of poultry farming on an industrial basis. However, since the 2014 the food market has started to stagnate. The basis of this condition was the global financial crisis, which caused a slowdown of economic growth in the country. This, in turn, was adversely influenced on the development of agri-food market, because the financial capabilities of the population were declined significantly, the purchasing capacity was decreased. The direct indication was the reduction of consumption the basic food products by the population, especially products of animal origin, increase of food production in personal farms, reducing the attractiveness of the investment climate. The main characteristics for this period of market development were the dynamic inflation, changes in welfare, trends of conjuncture capacity at the domestic market. As a result, the consumption of meat, milk, fish, fruits were decreased. In subsequent years, the stabilization of financial performance was accompanied by growing consumer orientation to unified global consumer trends and standards.

2. The modern food market is formed under influence of income levels of population and changes in the structure of household expenditures. To date, fairly significant part of expenditures of individuals directed to purchase the food products (50%) (fig. 1). For comparison, it should be noted that in developed countries consumer spending on food does not exceed 15–20%.

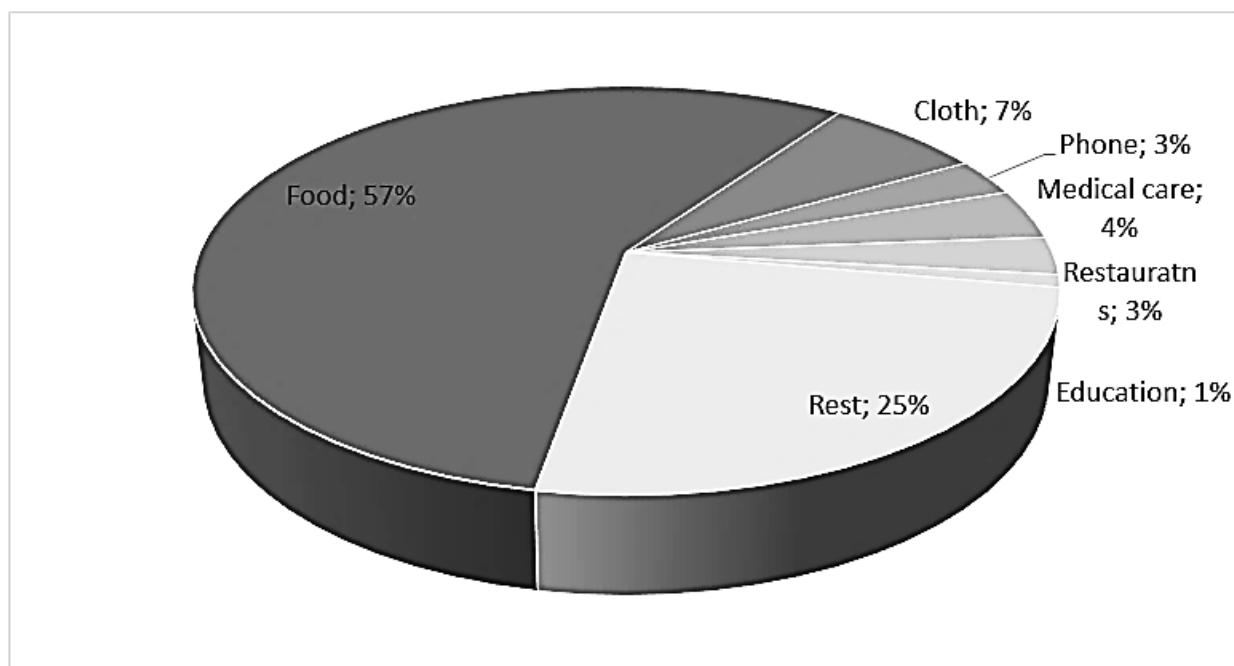


Fig. 1. Expenditures structure in Ukraine, 2015

Research the trends of consumption the certain foods and expenditures of individuals per household have shown that in households with average monthly income equivalent below the subsistence level are spending money for the cheapest foodstuff: potatoes – 22.6%, milk, cheese, eggs – 12.2%, oil – 11%. Thus, almost half of household income is spent on the less useful for the organism products. The costs on meat, fish, fruits fluctuate within 16–19%. With increasing the income levels, these trends are changing: spending on consumption of bread and oil are reduced, and the expenses on meat, fish and fruits are increased. The low level of solvency of the population in existing production capabilities, increasing the domestic production of food are hindering the improvement of nutrition of population and improve the quality of life (table 3).

Table 3

*The structure of household expenditures on food according to the size of average per capita equivalent cash incomes (per household, 2015, %)*

<i>Types of products</i>	<i>In households with average per capita equivalent cash incomes per month</i>			
	<i>Below the subsistence level (1227,33 UAH)</i>	<i>Below the average cash incomes (2216,11 UAH)</i>	<i>Below 50% of average cash incomes (1108,06 UAH)</i>	<i>Below the median level of cash incomes (1978,48 UAH)</i>
<i>Food, %</i>	96,8	97,8	96,3	97,8
<i>Including:</i>				
<i>Bread and bakery products</i>	22,6	19,8	23,1	20,1
<i>Meat and meat products</i>	16,7	19,4	16,6	19,0
<i>Fish and fish products</i>	5,3	5,8	5,0	5,8
<i>Milk, cheese, eggs</i>	12,2	12,4	11,9	12,4
<i>Oil</i>	11,0	10,6	10,8	10,8
<i>Fruits</i>	4,9	5,4	5,0	5,4
<i>Sugar</i>	8,2	8,2	8,2	8,1
<i>Cash expenditures on food</i>	100	100	100	100

*Author's own calculations according to the State Statistics Service (URL: <http://www.ukrstat.gov.ua>).*

At the domestic food market due to lower individual purchasing power in recent years observe a clear segmentation – more affluent and poor people with relevant standards and levels of consumption. The poor people can expect on products that satisfy basic needs, and some products for the diet should be grown on subsidiary farms. Low solvency of the population creates significant limitations of development the agri-food market.

3. The market of consumer goods is characterized by contradictory trends, as the structure household expenditures is evidenced. It reflect the allocation of costs for the purchase of various goods (food and industrial), confirm the differences in consumption of various decile groups. In the pre-crisis period (2014) the positive trends and commodity structure of retail turnover – increasing the proportion of non-food products were founded. At the same time the inequality of development the food market in

the regional context, and differing vectors of expenditure the urban and rural population were defined.

4. During the last years the saturation of Ukrainian market of food occurs due to import of food products. According to expert estimates, a significant share of the growing domestic demand for meat and meat products is met through imports, which is nominal growth rates outpace export growth of these types of food. Reduction of production domestic producers offset by import not always high quality, but at a price cheaper products. At the same time the domestic consumer demand for these products is growing faster than domestic producers can to provide it. A significant proportion of imports of products consists of the European Union countries imports. The main reasons for the negative dominance of imports over exports are the lack of competitiveness of domestic products, the requirements of harmonization of national standards of quality and food safety to international norms and standards, the quota of the national export to the European market that becomes a deterrent to development of food production. As a positive thing we should note that this state of development of food market is contributed to saturation the internal market and to find new markets on the territory of Asia and Africa. During the last years, the dynamics of selling products of domestic manufacturers in the domestic market shows a tendency to increase.

Nowadays Ukraine can export products only to limited number of countries, because EU countries are protecting its markets, the Russian market is closed for the domestic producers and the search markets in the Asian region and Africa is related with certain difficulties. At the same time the accession of Ukraine to the WTO has made the domestic market more open to imports, which significantly increases the competition in it. It improves the investment activities, promotes the intensification of domestic enterprises work for improving product competitiveness, increases the effectiveness of methods of struggle against unfair competitive actions of foreign companies.

*Conclusions.* Conducted researches identified the peculiarities and contradictions of formation and development the domestic agri-food market, which require justification of priorities to strengthen its role in the formation of socially-oriented economic



development. The most important are: elimination of distortions in the structure of the food market, its saturation of competitive products of domestic production and import substitution policies; improving methods of price regulation based on withdrawal of administrative methods, as been made since 1.10.2016, when the partial state price controls on basic foodstuffs was canceled; improving individual purchasing power through raising wages, pensions and support social and unprotected layers of population; regulation incomes by reducing its differentiation; implementing a system to ensure safety both domestic and imported products, its compliance with international standards; forming an effective competitive market environment of interaction, large agricultural holdings, small businesses, farms; application of complex protectionist non-tariff character to limit the expansion of the imported goods on the domestic food market. Intensification of the development and concretization of such measures at the state level in the future have to become the subject of further researches in this area.

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