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## COMPETITIVE POSITION STABILITY OF AGRICULTURAL SECTOR OF UKRAINE AT INTERNAL AND EXTERNAL MARKETS

*The paper analyzed quantitative changes in export and import operations. Gaps in the development of foreign economic activity of Ukrainian agricultural enterprises are investigated. Possible ways of coping with the existent problems are determined. Suggestions on the assurance of effective development of foreign economic activity at agricultural enterprises in accordance with strategic development goals, measures on enhancing the output competitiveness, investment and innovative activity stimulation, improvement of organizational forms of agricultural enterprises export activity are outlined.*

*Keywords:* foreign economic activity; agricultural sector; competitiveness.

*JEL classification:* E62; G32.

## Інна Ю. Гришова, Оксана В. Митяй, Віталій В. Кужель СТАБІЛЬНІСТЬ КОНКУРЕНТОСПРОМОЖНОГО СТАНУ АГРОПРОМИСЛОВОГО КОМПЛЕКСУ УКРАЇНИ НА ВНУТРІШНІХ І ЗОВНІШНІХ РИНКАХ

*У статті проаналізовано кількісні зміни експортно-імпорتنних операцій, досліджено основні прогалини в розвитку зовнішньоекономічної діяльності підприємств агропромислового комплексу України. Встановлено можливі шляхи подолання існуючих проблем та сформувано пропозиції щодо забезпечення ефективного розвитку зовнішньоекономічної діяльності аграрних підприємств на основі визначених стратегічних цілей розвитку, заходів з підвищення конкурентоспроможності продукції, стимулювання інвестиційно-інноваційної діяльності, удосконалення організаційних форм експортної діяльності аграрних підприємств.*

*Ключові слова:* зовнішньоекономічна діяльність; агропромисловий комплекс; конкурентоспроможність.

*Табл. 2. Літ. 12.*

## Инна Ю. Гришова, Оксана В. Митяй, Виталий В. Кужель СТАБИЛЬНОСТЬ КОНКУРЕНТОСПОСОБНОГО СОСТОЯНИЯ АГРОПРОМЫШЛЕННОГО КОМПЛЕКСА УКРАИНЫ НА ВНУТРЕННИХ И ВНЕШНИХ РЫНКАХ

*В статье проанализированы количественные изменения экспортно-импортных операций, исследованы основные пробелы в развитии внешнеэкономической деятельности предприятий агропромышленного комплекса Украины. Установлены возможные пути преодоления существующих проблем и сформулированы предложения по обеспечению эффективного развития внешнеэкономической деятельности аграрных предприятий на основе определенных стратегических целей развития, мероприятий по повышению конкурентоспособности продукции, стимулирования инвестиционно-инновационной деятельности, усовершенствованию организационных форм экспортной деятельности аграрных предприятий.*

*Ключевые слова:* внешнеэкономическая деятельность; агропромышленный комплекс; конкурентоспособность.

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**Problem setting.** Business entities' foreign economic activity is the main factor of influence on the level of economy development of every country. It is an essential part of economic activity of enterprises, ventures and all participants of market relations.

Effective development of foreign economic activity of agricultural sector encourages the circulation of Ukrainian goods at world markets, formation of rational structure of imports and exports, foreign investments involvement on mutually agreed conditions, assurance of Ukraine's economic security. The problem of agricultural sector development has escalated with Ukraine's entrance to the World Trade Organization (WTO). This problem requires an improved way of agricultural producers' foreign economic activity adjustment at the national and world markets levels.

**Recent research and publications analysis.** The issues of the effective development and stimulation of agricultural enterprises foreign economic activity have been covered in the works of many researchers, especially: S. Ajupov (2015), Y. Anisimova (2009), M. Demianenko et al. (2012), I. Gryshova et al. (2015), O. Kyrychenko et al. (2000), O. Panna (2014), B. Shelegeda et al. (2014), T. Zinchuk (2009) and others. Despite a large quantity of researches not all the aspects of this problem have been studied enough. This concerns the grounding of prospective ways in the development of foreign economic activity of agricultural sector's enterprises and working out the effective ways of foreign economic activity improvement in agriculture.

**The aim of the article** is to investigate foreign economic activity of agricultural enterprises in Ukraine and to work out the proposals on its improvement.

**Key research findings.** Foreign economic activity of agricultural enterprises is a form of business activity, which is connected with agricultural production, manufacturing technologies as well as with international marketing of export and import operations. The meaning of foreign economic activity of agricultural enterprises lies in the possibility of receiving currency earnings from export to raise the technical level of production (at the expense of import and more effective technologies).

Implementation of effective foreign economic activity in the agricultural sector may solve not only the problem of loading the enterprises' productive capacity keeping the quality assurance, but it also creates cost-efficient conditions for agricultural production growth, securing employment of agricultural producers and creating the conditions for national producers to be at world markets. That is especially actual under the current world food crisis (Kyrychenko et al., 2000).

It is necessary to note that there are several serious problems in the agricultural sector of Ukraine related to agricultural enterprises' foreign economic activity, in particular:

- unstable dynamics of export and import operations, the disbalance between the supply and the structure of general volume of exports and imports;
- the use of outdated technologies by agricultural producers, which cause low economic efficiency of agricultural production;
- dominance of goods with low level of processing in the structure of exports, inadequacy of foreign trade policy in production and realization of high-technology products;
- non-effective state support for agricultural production, which requires further intensification of regulatory instruments;

- low production competitiveness and its inadequacy to international standards on quality and safety;
- insufficient investment attraction of the sector and country overall (Sheleheda et al., 2014).

As a quantitative indicator of foreign economic activity efficiency may serve the agricultural production mutual commodity exchange among countries in their general external turnover (Table 1).

**Table 1. Dynamics of export and import of agricultural and food products of Ukraine** (The State Statistics Service of Ukraine, 2014)

	2010	2011	2012	2013	2014
<b>mln USD</b>					
Export	9,514.8	9,935.9	12,804.1	17,905.6	17,038.8
Import	4,936.0	5,763.5	6,346.7	7,513.9	8,187.4
<b>% to general volume</b>					
Export	23.9	19.3	18.7	26.0	26.8
Import	10.8	9.5	7.7	8.9	10.7

Agricultural business and food industry production form a large share of Ukrainian export. The trend of export increase has been observed since 2013, however, in 2014 agricultural and food export was 17 bln USD which is 0.9 bln USD less than in 2013.

In 2014 agricultural and food products were imported in the amount of 8.2 bln USD (0.7 bln USD more than in the previous year). In the cost structure of country's total import the share of the sector under study is 10.7% (in 2013 it was 8.9%) (The State Statistics Service of Ukraine, 2014).

In the general volume of agricultural and food export the production of plant origin comprised about 52.1%. 71.8% of the general volume of plant production export accounted for cereal crops, 23.1% – for seeds and fruits of oil plants. The grain export in 2014 comprised 27.1 mln tons. The main export cereal crops are still corn and wheat. During 2014 16.7 mln tons of corn were exported (the biggest supplies have been delivered to Egypt, Spain, Iran, S. Korea, Japan). 7.8 mln tons of wheat have been exported to Egypt, Syrian Arab Republic, South Africa, Kenya and Thailand. The export volume of seeds and fruit of oil plants was 4 mln tons (the key deliveries have been carried out to France, the Netherlands, Italy, Belgium and Turkey).

32.6% of all agricultural and food import accounts for plant production. In the total volume of plant production the biggest part of import falls on edible fruit and nuts – 46.6%, seeds and fruit of oil plants – 14.6%, coffee and tea – 12.6% (The State Statistics Service of Ukraine, 2014).

During 2014 meat and edible by-products exports from Ukraine increased by 10.4% in cost dimension comparing with the previous year and reached 348.6 mln USD. The main export countries for beef and poultry were Kazakhstan, Iraq, Moldova and Uzbekistan.

The total volume of meat and edible by-products in 2014 comprised 628.6 mln USD and reduced as compared to 2013 by 12.9%. In the general volume of meat and edible by-products import pork accounted for 61.8% (388.6 mln USD), poultry and

its by-products accounted for 16.2% (101.6 mln USD), grease, lard and poultry oil accounted for 10.8% (67.7 mln USD), 8.6% fall on big horned cattle (54.3 mln USD).

In 2014 milk and dairy products were exported in the amount of 515 mln USD, which is 3.7% more than in 2013. The main part of export costs of dairy products comprised different kinds of cheese (362.3 mln USD, or 59 ths tons) and 14.7% fall on milk and condensed cream (75.9 mln USD, or 30.3 ths tons).

The volume of milk and dairy products increased in 2014 as compared to 2013 by 35.5% and reached 241.8 mln USD. The main import dairy products remain cheese, butter and other fats produced from milk. In such a way, during 2014 19.3 ths tons of all kinds of cheese were imported for the amount of 111.3 mln USD, and also 14 ths tons of butter and other fats from milk in the amount of 67.4 mln USD (27.9%).

In 2014 the export volume of all kinds of poultry eggs and egg products increased to 46.5% as compared to 2013 reaching 123.8 mln USD, the import also increased and reached 20.9 mln USD (The State Statistics Service of Ukraine, 2014).

In general cost of exported agricultural and food products the share of fat and oils of animal and plant origin was 20.6%. During 2014 the export of fat and oils of animal and plant origin reduced by 16.7% as compared to the previous year and comprised 3507.1 mln USD, the sunflower oil export reduced by 17.4%. Import of fats and oil of animal and plant origin reduced by 0.7% and comprised 403.4 mln USD (The State Statistics Service of Ukraine, 2014).

Low efficiency of state agricultural production is caused by technical and technological underdevelopment of the sector. Agricultural enterprises lack modern agricultural techniques and efficient crediting system.

Reforms of the system of foreign economic activity adjustment in Ukrainian agribusiness took place in the next stages: legal framework formation, the period of liberalization, limitations on import and national producers' protection, improvement of the system of state adjustment of foreign economic activity according to the World Trade Organization requirements.

Agriculture has always been an important part in the negotiation process on Ukraine's accession to the World Trade Organization. The main purpose of successful completion of these negotiations was to ensure the appropriate level of support for national agriculture and to create conditions for competitiveness of domestic agricultural producers after joining the WTO.

Joining the World Trade Organization, Ukraine received certain restrictions and obligations, but membership in the WTO does not mean refusing to support the agricultural sector in general. With certain restrictions on the programs that have distorted impact on production and trade ("yellow box"), the WTO offers a range of measures which do not cause such an impact, and help agricultural producers ("green box"). For more developed countries with an actual problem of overproduction, the measures of "blue box" are applied aimed at limiting production (Volchenko, 2009).

Structural measures under "green box" include: government research programs; program combating pests and diseases; training services, information dissemination and consulting; programs of environmental protection; helping producers in disadvantaged regions etc. Among support measures, imposed under current conditions in

Ukraine and the "yellow box" terms we can mention: budget subsidies for livestock production; state support crop for production and crop breeding, animal husbandry, poultry; financial support through the mechanism of cheaper loans etc. (Ambrosova and Onegina, 2009).

Despite relevant legislative and regulatory state support of agricultural production, government policy in this area has a number of problems. These problems are mostly related to in reduced funding for activities directly supporting the agricultural sector, namely: 2.82 bln UAH were provided directly in 2013 which is 31% less than in 2012, and considerably less than the amount that Ukraine can allocate according to the agreement with WTO (On the development of mechanisms of state support of agricultural production in Ukraine, 2015). We can also mention here the inefficient tax stimulation in agribusiness in the form of privileges on VAT and also disproportionate distribution of funds of accrued taxes' accumulated assets. Hence, the current system does not provide optimal redistribution of financial resources to meet the needs under priority directions that require additional support. Budget support is provided at the 10–20% level of actual total demand. Long-term underfunding leads to significant reduction in the efficiency of budgetary funds use. Procedural mechanisms and opacity of state aid receiving leaves many domestic producers outside. 2.3 ths of agricultural enterprises used support, preferential loans were used only by one of 10 enterprises, socially oriented advisory services in 11 regions of the country were never granted (Ajupov et al., 2015).

Insufficient funding of government programs and inefficient use of funds led to suspension of government target programs. In June 2012 State target economic program for agricultural service cooperatives support till 2016 and the State Program on wholesale agricultural markets were introduced. There are still no programs protecting agricultural lands, on their rational use, concerning degraded and unproductive lands in Ukraine (on the development of mechanisms of state support for agricultural production in Ukraine, 2015).

Unpredictability of administrative controls and export restrictions, inefficient mechanisms of state support for agricultural production, underdevelopment of agricultural land market do not help the investment attractiveness of agriculture and constrain the development of agriculture as such (Table 2).

**Table 2. Investments in Ukrainian agriculture, 2010–2014**  
(The State Statistics Service of Ukraine, 2014)

	2010	2011	2012	2013	2014
Investments in fixed assets, mln UAH	9,382	11,567	17,039	19,411	19,059
Total volume, %	6.2	6.1	6.6	6.6	7
Foreign direct investment (equity capital), mln USD	813.3	793.0	838.7	857.2	839.3
Total volume, %	2.3	2.0	1.9	1.6	1.4

Over the entire period of Ukraine's independence the agricultural sector received about 2.5 bln USD of foreign direct investment. Every year European Bank for Reconstruction and Development is stepping up investing in agricultural sector of Ukraine: in 2010 their funding amounted to 138 mln, and in 2012 it reached 190 mln USD. 76.2% of these total investments fall on joint enterprises which are potentially able to implement new technologies, use foreign experience of management and pro-

mote the domestic producers entrance on foreign markets (The State Statistics Service of Ukraine, 2014).

This priority to joint enterprises can be explained through the following main criteria: commercial efficiency reflects the focus on financial costs and benefits; effectiveness of investment and innovation investments is demonstrated through the profit from investment processes; technical and technological efficiency increase the profitability while reducing technological cycles, lowering production costs, reducing complexity of technology; social efficiency provides more jobs and also higher personnel qualification; export potential growth would increase foreign exchange earnings; budget efficiency takes into account the impact of joint enterprises on budget income (Demianenko et al., 2012).

Reorientation of subsidies mostly on the processing industry will make it possible not only improve the competitiveness of agricultural products at foreign markets, but also get more financial benefits from the development of processing enterprises, because they form the basic value-added agricultural products. Developed countries' experience confirm that agricultural functioning, rational use of industrial capacities and introduction of non-waste technologies depend on these enterprises first of all (Zinchuk, 2009).

Alignment of interests of all agriculture subjects and public administration at improving the mechanism for managing foreign economic activities, fuller use of opportunities and benefits from effective forms of integration would help Ukraine take a worthy place in the global agricultural market.

**Conclusions.** The existing contradictions between quantitative indicators of export-import operations dynamics, low competitiveness of domestic agricultural producers are among many other of the sector under study problems. In particular, harmonization of domestic agricultural standards with the EU standards; increasing the export potential of domestic agricultural producers through promoting the development and implementation of quality management systems; improving Ukraine's reputation at the international food market as a country of clean and safe products, cooperation with international stock exchanges, organization of international exhibitions, fairs, seminars in Ukraine and facilitating the participation of local entities in such events abroad; increased public funding for scientific research in the field of biotechnologies, genetics and breeding in order to improve input factors ensuring agricultural products competitiveness; developing infrastructure the agrarian market; cooperation between agricultural producers and research institutions; use of positive experience of the EU countries in agricultural market regulation to strengthen the competitiveness of agribusiness (Gryshova et al., 2015).

Efficient agricultural enterprises activity is predetermined by the right choice of strategic guidelines in realization of this sector potential. Foreign trade has become the basis for the economic growth strategy and development of enterprises in the food sector and agriculture.

Strategy of agrarian sector development in Ukraine till 2020 sets the priority areas for practical effective use of agricultural sector potential that guarantees solving the major problems in foreign economic activity of agricultural enterprises. This would enable stable and competitive export-oriented development of domestic participants for foreign agrimarkets.

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