GROWTH AND COMPETITIVENESS FACTORS
OF THE AGRI-FOOD SECTOR IN POLAND AND UKRAINE
AGAINST THE BACKGROUND OF GLOBAL TRENDS

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ФАКТОРЫ РОСТА И КОНКУРЕНТОСПОСОБНОСТИ СЕКТОРА АПК В ПОЛЬШЕ И УКРАИНЕ НА ФОНЕ ГЛОБАЛЬНЫХ ТЕНДЕНЦИЙ

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Chapter 2.

FOOD SECURITY IN UKRAINE AND ITS PLACE IN THE GLOBALIZATION OF THE WORLD TRADE

Alena Klyuchnyk

Abstract. The trends of Ukrainian food supply Ukraine are analyzed; the position of foreign relations in the agro industrial complex of Ukraine is studied; the main problems of the agricultural sector and foreign trade in view of the world globalization and the main directions of their solving are identified.

Keywords: Ukrainian food security, the agricultural sector of Ukraine, foreign relations, globalization.

JEL: Q18, P2

Introduction

The problem of the food security is always of current importance. The history shows that political stability of the country and its dynamic development are possible only if the problem of the food supply is solved.

The food security is a very difficult problem, and the essence of its solution lies primarily in creating of some sustainable systems of agricultural production, which makes taking a prominent place in foreign trade possible.

A lot of scientists paid a lot of attention to the problem of the food security of the country, including A. Varchenko, O. Vishevska, V. Heyets, O. Zelenska, E. Lazeby, R. Mudrak, P. Sabluk, V. Topilha, N. Potrivaeva, E. Shebanina, V. Shkaberin, O. Schekovich and others.

The purpose of this article is to investigate the food security of Ukraine and to determine its place in the global trade of the world. This goal involves the following tasks: analysis of current trends in the food security of Ukraine, the research of the foreign relations in the system of the agro industrial complex of Ukraine, the identification of the main problems of the agricultural sector and foreign trade in view of the globalization process and the definition of the main directions of their solutions.

The trends of Ukrainian food security

The level of the food security of Ukraine depends on the position of the agricultural sector. Agriculture is one of the most important branches of the material production, where in 2012 according to the preliminary estimates there is about 7.9% of the gross value added among all the sectors of the economy (in 2011 it about was 8.5%), and the volume of agricultural production was UAH 258.3 billion (at current prices).
The total agricultural output in 2012 compared to 2011 had decreased by 4.5%. This diminution was due to reductions in crop production. Despite the decline in total production of the country, in 13 regions the increase in agricultural production (from 0.6 to 12.9%) had been observed. Kiev (6.6% of total production), Vinnitsa (6.5%), Cherkassy (6.3%) and Poltava (6.0%) regions made a significant contribution to the total gross of agricultural products.

The total volumes of production had decreased in agricultural enterprises (6.5%) and in the households (2.4%). The gross agricultural production of the enterprises and in the households is almost in the same proportions. The reducing of the agricultural products of the enterprises had a place. It had shortened their share in the total production to 50.7% in 2012 (vs. 51.8% in 2011), they are still the main agricultural producers. The contribution of the households to the total agricultural production had increased by 1.1 p. p. in 2011. It is about 49.3%.

Plant growing is the main component of agricultural production. Its share in the total production was 66.8% in 2012 as against 2011. The crop production had decreased by 8.2%, including the agricultural enterprises – by 10.9% and the households – by 4.6%.

The main factors of the crop production reducing are the high baseline of 2011 when the record yields of almost all crops were obtained and unfavorable weather conditions in the winter – spring period which led to a reduction in the harvested area and crops’ yield. The agricultural enterprises are the main producers of the crops. Their contribution to the total crop production was about 55.0%. Thereafter, the share of the households was 45.0%. The level of the crop production had exceeded in 13 regions of the country (from 0.6 to 14.1%).

In 2012 the total volume of gross output was also formed with 33.2% of the livestock products as against 2011. The livestock production had increased by 3.8%, including in the agricultural enterprises – 7.6% and in the households – 1.2%. While the contribution of the households to the total livestock production had declined by 1.5 percentage points (57.9%) as against 2011 yet they are still the main livestock producers. The excess of the livestock production in 2011 has occurred in all regions except Mykolaiv and Cherkassy regions. The greatest increase in output was obtained by the agrarians of Poltava (11.7%), Vinnitsa (10.6%), Khmelintsksy (9.9%), Kiev (9.4%), Ternopil (7.9%), Volyn (6.0 %), Kherson (5.3%) and Sumy (5.1%) regions.

The results of the activities in the agricultural sector, namely the availability of the necessary raw materials, have a significant impact on the right functioning of the food and beverages enterprises.

At the end of 2012 the production volumes in the industry have increased against the previous year by 1.8%. An increase in output in the production of oils and fats (14.0%), processing and preserving of fruit and vegetables (10.5%), dairy, meat, confectionery and flour – milling industry (3.2%, 2.5%, 3.0% and 2.4%) had been reached. However, the reduction in beverage output (2.0%) and sugar (20.1%) was observed.

In 2012 compared with the previous year, the food prices fell by 3.1%. This was due to the lower prices for vegetables (46.0%), sugar (29.0%), fruits (5.5%), and bread and bakery products (2.0%).

It should be noted that the decline in prices in the whole group of "bread and bakery" was due to lower prices of processed cereals (25.1%). With this the prices for bread and pasta products had rose (5.2% and 2.7%). Besides, the prices for meat and meat products had rose by 7.1%, including poultry – by 10.1%, beef – by 7.4% and pork – by 3.9%. There was noticed the rise by 4.0% in prices for fish and fish products.

In 2012 the food market registered the higher prices for dairy products. For example, milk products rose in price by 7.6%, sour cream – by 4.0%, cheese – by 3.4%. But the milk price showed the decline in price by 0.2% and eggs – by 0.3%.

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For consumers the prices for the food group “oils and fats” became higher for 2.9%. Among the products of this group the fat showed the highest rise in its price (11.6%). The situation in the production and processing of agricultural products had affected the levels of consumption of basic foodstuffs. According to the preliminary estimates, in 2012, as against 2011, the consumption of meat and meat products had increased by 6.3%. It is about 54.4 kg per person per year. The amount of milk per person per year has increased by 4.9% (214.9 kg), fish – by 1.5% (13.6 kg), potatoes – by 0.6% (140.2 kg), fruits, berries and grapes – by 0.2% (52.7 kg), vegetables and melons – by 0.1% (163.0 kg). However, the consumption of bread has reduced by 0.9% (109.4 kg), eggs – by 1.6% (305 pcs.), sugar – by 1.3% (38.0 kg) and oil – by 5.1% (13.0 kg).

Foreign relations in the agro industrial complex of Ukraine

The agricultural production and food industry form a significant part of Ukrainian exports. In 2012 it was exported of agricultural products and food industry for $17.9 billion. It is for $5.1 billion more than in 2011. This averages 26% of Ukraine’s exports (compared with 18.7% in 2011).

In 2012 there were imported of agricultural products and food by $7.5 billion (for $1.2 billion more than it was in the previous year). The value share of the country's imports of products with vegetable origin goods has amounted to 8.9% (in 2011 – 7.7%).

The total value of exports of agricultural and food products of vegetable origin made up 51.5%. Thus, 39.1% of total export was occupied by crops among which there are 9.8% of seeds and oleaginous fruits. In 2012 the grain exports in real terms amounted to 27.1 million of tons. It is more than in 2011 for 91.6%. In value terms, the exports of cereal crops increased by 93.5% due to the increase in the supply of corn and wheat. The largest supply of corn was carried out to Spain, Egypt, Iran, Portugal and Japan. The largest supply of wheat was carried out to Egypt, Spain, Morocco, Israel and Tunisia. In comparison with 2011, the rise in export volume of seeds and oleaginous fruits for 22.2% was noticed (basic countries of supplies were Italy, Turkey, Poland, the Netherlands and Belgium).

It is about 32.3% of total imports of agricultural products and foodstuffs. In the import volume of crop production the largest share is for edible fruits and nuts – 46.5%, oil seeds and oleaginous fruits – 14.8%, coffee and tea – 13.2%. In 2012 the export of meat and edible offal of Ukraine in value terms increased by 59.6% to $315.9mln as against 2011. USA. The main countries exporting beef and poultry are Russia, Kazakhstan and Moldova.

The total imports of meat and edible offal in 2012 was about $722 mln. It means that there was an increase in 2.5 times as against 2011. In the total value of meat and edible offal imports the share of pork supply was 61.8% ($446 mln), the supply of meat and poultry edible offal was 21.8% ($57.2mln), the share of bacon, pork fat and poultry fat was 8.4% ($60.9 mln), the share of the cattle edible offal was 6.1% ($43.9 mln).

In 2012 the exports of milk and dairy products was $496, 7 mln. It is more for 16.3% than in 2011. The bulk (72.2%) of the exports of dairy products were made up with cheeses of all kinds ($358.4mln or 67.7 tons); 20.4% of milk and condensed cream ($101.4 mln or 45 tons).

In 2012 the export of eggs, poultry and egg products had increased by 2.2% ($84.5 mln) compared with 2011. The imports of those products had also increased by 5% ($17.7 mln).
The total value of agricultural products and foodstuff export was accounted 19.5%. In 2012 the exports of processed food products from Ukraine in value terms had increased by 18.9% ($3,493.9 mln). This was also due to the increasing share of the white sugar supply in 26.4 times. The main countries of export were Kazakhstan, Kyrgyzstan, Moldova, Georgia and Syria.

The food products are accounted about 39.4% of total imports of agricultural and food products. The imports of processed food products had decreased by 2% ($ 2,965.4 mln). In the total value of exports of agricultural products and foodstuffs the share of fats and oils of animal or vegetable origin was 23.6%. In 2012 the export of fats and oils of animal or vegetable origin had increased by 24% ($4,211.5 mln). The supply of vegetable oil had also decreased by 26.3%. The imports of fats and oils of animal or vegetable origin had decreased by 13.3% ($406.3 mln).

The food security of Ukraine and the development of the foreign trade relations in the conditions of the world globalization

We think that today the most important ways of foreign trade development and the food security of Ukraine ensuring are:

- The creation of an effective governmental support. Today the Agricultural Policy of Ukraine should be directed primarily to the improvement of the agribusiness due to the concentration of agricultural lands in the hands of the most active part of the rural population; the overcoming of the strain ratio in the agricultural production between farms and personal farms to form the many-commodity production according to the national sectoral programs; the transformation of farms into the half-commodity enterprises with the trade structure; the improvement of the governmental support system of farms and farmers training to ensure the appropriate level of education. The respective contributions for Ukrainian farmers’ income support are also very important. However, we should specify that the current size of those contributions do not cover production costs and do not give the producers an opportunity to avoid the bankruptcy. We believe that public authorities should reconsider the approaches to the subsidizing of the agricultural producers considering the foreign experience;

- The ensuring of the internal market and price control efficiency. Pricing policy in the agricultural sector should be based on the open pricing with the elements of the governmental regulation. The matter of it is the implementation of the government intervention by the Agrarian Fund, allowing to set the price balance (fixing prices) at the level which is not less than the minimum purchase price or higher than maximum. The price index for inputs that are consumed in agricultural production over the last decade is almost 6 times higher than the price index for agricultural products.

Ukraine needs to tighten the inputs’ price control and the costs for the energy and services consumed by agricultural producers. The pricing policy should be aimed at ensuring the profitability of production in key sectors of agriculture, supporting of a stable price situation and transparent economic relations on agricultural markets, prevention of some unfair competition and dumping with monopoly features, creation of an integrated system of price monitoring;

- Sustainable use of agricultural land. We consider it is appropriate to:
  - The extension of the tax and credit incentives for individuals and entities who with the help of their own means protect the land from erosion, improving soil fertility and providing some other measures according to the national and regional programs of lands’ protection;
  - The exemption of land owners and land users who deal with the reclamation, restoration, conservation and other land works from the payments for land;
- The compensation for the agricultural producers of the under-supplied income share due to the conservation of the degraded, unproductive and contaminated lands;
- The practical implementation of land insurance from lowering of its efficiency because of the force majeure;
- The prediction penalties for inefficient agricultural land use. It would be advisable to introduce the environmental payments for the deterioration of the environmental efficiency of soils while leased lands usage. The funds for the violations of the land security legislation should be accumulated in the State Land Bank and be used only for the intended purpose;
- The taxation of land redistribution. We believe that the changes in property relations concerning land tenure and land use should be taxed. The tax rate should be determined based on whether the land’s purpose is kept or not. It should be the highest when the agricultural land had changed its purpose;
- The development of the agricultural services cooperatives’ network, which will not only increase the transparency of sales’ channels on the national market, but also make lower some costs increasing the intensity of agricultural products’ promotion, but also help to increase the efficiency and export of agricultural products;
- The development of the public and private partnerships that is embodied in promoting of the activities of the private agricultural associations of producers from the side of the state (privileged modes of management and subsidization of the activities) and creating of public and private business associations together with government and local authorities. The activities of such structures are aimed at the efficient organization of markets, farm income support representing of the framers’ interests and village development;
- The improvement of the food quality and its international standards with the help of:
  - The creation of an independent certified food safety testing centers which would be able to label products with an appropriate sign based on the appropriate analysis;
  - The adaptation of national legislation to the EU sanitary and phytosanitary requirements for food and feed safety and animal welfare;
- The improvement of existing and development of new governmental programs to support the agricultural development, especially livestock producing, providing highly efficient formation of economic structures which are capable to produce the products of high quality and standards;
- The improvement of the public regulatory bodies to prevent corruption in the area of food products’ certification and standardization. The work of these bodies should be guided by the principle of transparency. The information about their activities should be available to the public;
- The providing of the public funding centers of food products’ standardization for the scheduled and unscheduled inspections of food producers and sales places of the products;
- The promotion of the organic agricultural production (www.niss.gov.ua...);
- The improvement of the export potential with the help of:
  - The increase of the agricultural food production based on modern technologies of processing, storage, packaging, transportation and marketing;
  - The increase of the agricultural products’ and products of the processing industry exports;
- The expansion of the international freight forwarding services and transit traffic (motor, air, water, rail and pipeline transport), giving the services on repayment of the rolling stock and transport equipment;
- The increase of the scientific and technical researches, patent and trade license, know-how, engineering and services for the processes of the preproduction, production and sales of the exported products;
PART 5. FOOD SECURITY AND IMPROVING COMPETITIVENESS OF FOOD PRODUCTS

- The introduction of the energy saving technologies with the agricultural and domestic purposes;
- The promotion of the international technical ISO – standards and industrial regulations implementation;
  - The attraction of the foreign investments with the help of:
  - An effective system of institutional support for the activities of investors, namely supporting of the investment projects in the sphere of high technologies;
  - The reduction of the regulatory burden on investors (introduction of a simplified system of permits, registration, licensing);
  - The participation in the foreign investment forums;
  - The support of the entrepreneurs in the developing of the investment projects that meet the requirements of global investment funds;
  - The provision of the wide-spread information about the investment potential of a particular region involving possibilities of trade and economic missions abroad;
  - The organization of exhibitions and promotional activities in order to ensure the provide market of competitive products and high technologies.

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Продовольственная безопасность в Украине и ее место в глобализации мировой торговли

Аннотация. Проанализированы тенденции поставок украинского продовольствия; исследованы внешние отношения в агропромышленном комплексе Украины; определены основные проблемы аграрного сектора и внешней торговли в связи с мировой глобализацией и направления их решений.

Ключевые слова: продовольственная безопасность Украины, сельскохозяйственный сектор, внешние отношения, глобализация.