

**ЄВРОІНТЕГРАЦІЙНІ ПРОБЛЕМИ АГРАРНОГО СЕКТОРА  
УКРАЇНИ**

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**THE EUROPEAN INTEGRATION PROBLEMS OF THE AGRARIAN  
SECTOR IN UKRAINE**

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**Statement of the problem.** The deepening of the international integration of the agrarian sector in Ukraine should be considered in the context of the efficient development of agriculture, an increase in the value added and the rural areas development. The European integration is a qualitatively new stage of the development, which makes topical the issue of increasing the efficiency of the agrarian sector of the national economy and needs the development of a set of measures for adapting national agriculture to the requirements and standards of the Common Agricultural Policy (CAP) of the European Union. A balanced and effective agricultural policy, ensuring the competitiveness of domestic foodstuffs and agricultural raw materials on the world markets should be an important positive argument in addressing the issue of Ukraine's membership in the EU.

For Ukraine, this process is particularly important in the context of the strategic objectives of macroeconomic stability and economic growth and calls for further research in both the theoretical aspect and the aspect of the economic policy practice.

**Analysis of research and publications.** A significant contribution to the study of the key theoretical and practical aspects of the European integration problems of the domestic agrarian sector was made by V.Ambrosov, O.Borodina, V.Heyets, S.Dem`yanenko, Ye. Kyryliuk, O. Popova and others. The researchers reveal the peculiarities of the formation and functioning of the agrarian market, the mechanism of pursuing the interests of its players, and the role of the state in their coordination.

As it is emphasized by V.Ambrosov, under current conditions, the organizational and socio-economic orientation of the agrarian formations should be linked to the innovation and investment development of their material and technical base to respond to the challenges of globalization and the international food market. In addition to that, the industrial relations should be based on the private ownership of the means of production and land. The state must always form real, not virtual, organizational production structures in agriculture, with which it is necessary to establish permanent economic relations, and address the issues of national economic development [1, p.80, 81].

Exploring the current state of the agricultural sector, the scholars argue that the equivalence of exchange between agriculture and related industries cannot be achieved under the conditions of underdeveloped market relations and lack of competitive environment. At the same time, lack of exchange equivalence in the relations between agricultural enterprises manifests itself in disproportion in prices for the products where there is a monopoly effect. Accordingly, such an effect in the agricultural markets and monopoly in the market of material and technical resources for the village led to the formation of "price scissors" and two lines of withdrawal of financial resources from the agriculture of the state due to the difference in prices [2.p.64]. Thus, the value added per worker in agriculture in Ukraine is the lowest and has a very low absolute value. It is 7 times lower than the EU average, 13 times lower than in Germany, and nearly 24 times lower than in France [3].

Exploring further improvement of the agrarian system and its integration vector, O. Popova notes that progressive changes in this area must be defined as systemic, humanistic, adapted by nature, and high-quality by essence purposeful advances, which are to provide boost to its economic efficiency, social progressiveness, environmental safety and stability [4, p. 79]. At the same time, the European practice and current trends in the development of the national agrarian sector indicate that the market opportunities to solve social, economic and environmental problems of the village are limited. That requires the modernization of

the agrarian sector, which will promote the role of agriculture in preserving rural communities and landscapes [5, p.61].

Summarizing the points of view of the researchers, it is appropriate to note that despite the detailed analysis of the processes of transformation of the agrarian sector of the national economy, the problem of formulating an effective strategy for its development in the context of European integration is not solved.

**The purpose of the article** is to analyze the organizational and economic measures aimed at improving the efficiency of the agrarian sector in Ukraine under the conditions of European integration.

**The key points exposition.** The main priority of Ukraine's European integration policy is a systemic factor of the development of national economy, foreign trade liberalization, creating a favorable foreign investment environment consistent with national interests. These trends in the integration development of the national economic system emphasize the need for comprehensive, systemic economic reforms to modernize the economy. Agriculture is one of the key issues of the negotiations on establishing a free trade area between Ukraine and the EU, the process which began in 2006 and is now helping to expand the access of the Ukrainian agricultural producers to the EU market through the prospective association and free trade area agreements. At this stage, Ukraine became a member of the Visegrád Four, as an observer of the Agricultural Chambers and signed a memorandum with the Committee of Professional Agricultural Organizations of the EU (COPA-COGECA). The functions of the organization include:

- to protect the interests of farmers and other representatives of the agrarian sector ;
- to maintain and develop relations with international organizations;
- to raise and resolve the issues that have an impact on the agrarian sector ;
- to coordinate agricultural policy and forecast market conditions;
- to develop cooperation;
- to standardize biofuels, cattle, cereals , poultry , environment, food safety, food, organic farming, quality assurance in agriculture.

As part of the MOU and the participation of Ukraine in the Visegrád Four, the main directions of the agrarian sector development are maximum use of the European experience for integration and restructuring of the national agrarian sector with the involve men of civil society organizations, building of an acceptable model of entering the EU and development of the rural areas. The first direction deals with a special status of agrarian chambers involved in the distribution of the agricultural budget adopted by the Parliament and developed by the core ministry. It includes the agricultural business and development of social infrastructure, implementation of effective models of the authentic Ukrainian village preservation, and supporting rural households.

The European integration of Ukraine's agrarian sector will have a significant impact on the rural areas development based on the European standards, it will allow to improved equality of life of the rural residents based on local development strategies of each rural settlement, as provided in the Draft Concept of Rural Development, developed by the Ministry of Agricultural Policy and Food of Ukraine [3].

At the same time, the model of the complementary integration of Ukraine into the EU agricultural policy and on the European agricultural market has not been developed yet. This is due to the fact that the European budget, which is approved for seven years, has the only common item of expenditure, the budget for agriculture. Thus, due to the European Commission project the total EU budget should equal 960 billion Euros between 2014 and 2020. This corresponds to about 1% of the total European GDP. 278 billion Euros are planned to support the agro-industrial sector of the EU member states. [6].The biggest items of expenditure are the EU traditional provision of funds for direct assistance to farmers and rural area development programs.

Since 2013, the EU Common Agricultural Policy provides for ensuring an acceptable standard of living of the rural population, stabilizing markets, guaranteeing reasonable consumer prices, modernization of agricultural infrastructure. These objectives are accomplished through a variety of tools: the

provision of export subsidies, procurement of the produce, subsidies to producers to improve and rationalize agricultural production methods, redistribution of direct payments by farmland, and permanent use pastures.

Currently, in the EU, there are contradictions with respect to the formation and distribution of the agricultural budget, pursuing common agricultural policy, which ignores the following realities:

- Differences in the competitiveness of the EU member states;
- Development disparity between the old and new member states;
- Deep mutual penetration into the markets for goods and services of the agro-industrial complex.

All this together creates common tension in agriculture and joint productive policy. Moreover, the situation divides the EU into two camps: the leading countries and the outsiders. The first category, France and Germany, are not interested in new potential competitors like Ukraine. They demand guarantees that the Ukrainian agricultural sector, having entered the European community as a competitive partner, will encourage the development of the economy, agriculture and the EU agrarian sector in particular.

At the same time, solving agricultural problems of the European integration for Ukraine should create conditions for real business executives and investors who regard the economic activity within the overall national system of social relations and environmental constraints and are aimed at improving the well-being of the rural population in the first place.

It is necessary to point out that the share of the employment in agriculture in Ukraine is the highest; in 2012 it was 15 %. Only Poland has a similarly high percentage of 14%. In all other European countries and the EU average, the figure is much lower 2-5%. Ukraine has almost a quarter of the world's fertile black soil and favorable climatic conditions. The share of the arable land (of the total land area) is the largest in Ukraine - 56%. The average value for the EU member states is 26%. The yield of grain in Ukraine is the lowest and almost twice as low as the EU average and three times as low as in Germany or France. The total efficiency of land in our

country is much lower than in the developed European countries. For example, it is almost three times as low as in Poland, and 8 -9 times as low as in Germany or France [3].

The analysis of the statistical data shows that the problem of the domestic agrarian sector is low competitiveness of goods and services compared to similar European products. Therefore, the expansion of European goods on the Ukrainian market may result in deterioration of the agrarian sector and even bankruptcy of agricultural enterprises. In European countries, competitiveness is maintained through technical standards, sanitary and phytosanitary standards, financial support of the agricultural sector by the EU and separate countries.

But, at the same time, the European integration is a powerful incentive to introduce reforms in the agrarian sector and to enforce European technical regulations, norms and standards at the Ukrainian agricultural enterprises, to provide financial support of the agricultural sector by the EU and separate countries which is its impartial and imperative condition.

Another problem that has arisen as a result of the agricultural reforms is the presence of a group of large companies - agricultural holdings - engaged exclusively in the agrarian business, the profitability of which is too high. Another group is represented by the small and medium-sized landowners whose incomes are much lower. It is large corporations with a highly concentrated production that are able to develop faster on the basis of innovation, implement energy efficiency systems, and ensure high efficiency of operation.

Meanwhile, according to the map of land degradation created by the scientists, the most degraded lands are the lands used by the agricultural holdings. Given that the land belongs to the key resources for human development, being a special object of commodity-money relations characterized by spatial limitation, irreplaceability, constant location, its redistribution between the entities always retains the risk of monopolization of the market and limitation of the competition, which might result in the loss of production efficiency and increased public expenditure on the monopoly ground rent.

Today in Europe the village economy is based on familial forms of business, which for centuries have demonstrated the effectiveness and ability to adapt to internal and external changes. The development of agriculture and rural areas in these countries is focused on achieving long-term, cost-effective development of the family farming, while maintaining the natural foundations of life and providing economic and social security for all segments of the population [5].

At present, the existence of agricultural holdings in Ukraine can be seen as a major threat to competition, which is an important component of the market economy, its regulator. Agricultural holdings can, in fact, concentrate all land resources within separate rural areas and even administrative districts, thus monopolizing the access to the land as a major means of production and a key asset in rural areas.

Under these circumstances, the antitrust laws on preventing monopolization of the access to the land used for agricultural purposes, should be enforced taking into account the whole set of mechanisms of the economic competition protection. The problem of competitiveness is global by nature, it determines many aspects of social and economic policy of the country, and affects the interests of all entities.

Another priority of the state, which requires the development of the national agrarian sector within the European integration, is the production of organic agricultural produce which is regulated by the Law of Ukraine "On the production and circulation of organic agricultural produce and raw materials." Certified organic agriculture is a sector of production, which is rapidly developing in 162 countries of the world [7]. The organic products are foodstuffs, grown or produced as a result of the introduction of certified organic production, which prohibits the use of synthetic pesticides and fertilizers and other artificial substances and genetically modified organisms. The organic raw materials for the production of organic food have to come from reliable sources: for 3 years it is forbidden to apply any substances of chemical origin into the soil on which agricultural crops are grown [8]. Only at the end of the "transition period" the produce gets the status of organic. Then the organic materials are supplied to the processing plants where they are processed separately

from the traditional materials to avoid mixing. Above all, every stage of the production must be under strict control of the certification body which certifies compliance with the requirements and standards of organic production by issuing an appropriate certificate.

The process of organic production creates new demands on the agrarian sector; it is a holistic system of business and food production that combines the best practices with regard to the protection of the environment, the level of biodiversity, the conservation of natural resources, the use of high standards of proper animal keeping and production methods, as well as meets certain requirements for the products produced with the use of materials and processes of natural origin.

The experts of the International Federation of Organic Agriculture Movements (IFOAM), a full member of which is the Federation of Organic Movement in Ukraine, believe that small farmers, independent farmers and rural cooperatives profitably engage in the production of certified organic raw materials or products thereof. [9] The new agrarian policy of Ukraine should provide adaptation of the system of state support and adjustment of agriculture to the EU standards, in the field of pricing and budgeting of the organic production in the first place.

**Conclusion.** Thus, the European integration processes of the agrarian sector demand to deepen the research and information activities within the EU-Ukraine cooperation, harmonization of the agricultural policy and common regulation of the activity of business entities on the basis of international agreements, joint efforts of Ukraine with the EU Member States to ensure the supply of agricultural products at stable prices, increased competitiveness of agricultural production, support of the living standards of farmers and ensuring optimal prices for consumers. At the same time, it is a process of structural approximation of the agrarian sectors of the national economies based on the formation of a joint market area of agricultural raw materials, foodstuffs, goods and services in the agrarian sector, spread of international forms of doing business. Trends and prospects of the development of foreign economic relations of the state agricultural enterprises with their foreign partners in the agrarian

sector also require scientific substantiation of these processes taking into account the peculiarities of the development of the national raw materials base.

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**проблеми аграрного сектора України.** У статті визначено стан розвитку національного аграрного сектору ,виокреслено основні проблеми його євроінтеграції та шляхи їх вирішення.

**Ключові слова:** аграрний сектор, сільське господарство, спільна аграрна політика, аграрний ринок , євроінтеграція.

**Титаренко Любов Михайловна**, кандидат економічних наук, доцент кафедри економічної теорії і регіональної економіки Полтавського національного технічного університету ім. Ю. Кондратюка. Євроінтеграційні проблеми аграрного сектора України. В статті определено состояние развития национального аграрного сектора, очерчены основные проблемы евроинтеграции та тенденции их разрешения.

**Ключевые слова:** аграрный сектор, сельское хозяйство, единая аграрная политика, аграрный рынок, евроинтеграция

**TytarenkoLiubovMykhailivna**, candidate of economic sciences, associate professor of the department of economic theory and regional economics at Poltava Yuri Kondratyuk national technical university. The european integration problems of the agrarian sector in Ukraine. The article defines the state of the national agrarian sector, outlines the main problems of the european integration and the ways of solving them.

**Keywords:** agrarian sector, agriculture, common agricultural policy, agrarian market, european integration.