# ASSESSMENT OF STATE SUPPORT OF AGRICULTURE OF UKRAINE

**Zakharova Natalia,**
PhD, Associate Professor,
Dmytro Motornyi Tavria State Agrotechnological University,

The agricultural sector of Ukraine's economy forms more than 10% of the country's GDP, and the share of agricultural products in the total structure of exports is 44.3%. This sector determines the potential of other sectors of the economy and forms the basis of food security. Despite this, due to a number of factors, among which we should highlight, first of all, high dependence on climatic conditions and seasonality of production, agriculture needs support from the state.

The problem of state support for agriculture in Ukraine in the formation of the food market is multifaceted. Its solution is primarily to create an effective financial and credit mechanism that would organically combine and improve the system of budget financing of production, providing its necessary level and providing opportunities to attract additional resources for the development of the agricultural sector.

World experience in agricultural development shows the growing role of the state in regulating the agricultural and food markets. The amount of state support in some countries can reach 70% of the cost of agricultural products. To determine and evaluate measures of collective support for agricultural enterprises in different countries around the world use a set of indicators of the Organization for Economic Cooperation and Development (OECD), which is shown in Fig. 1 [1].

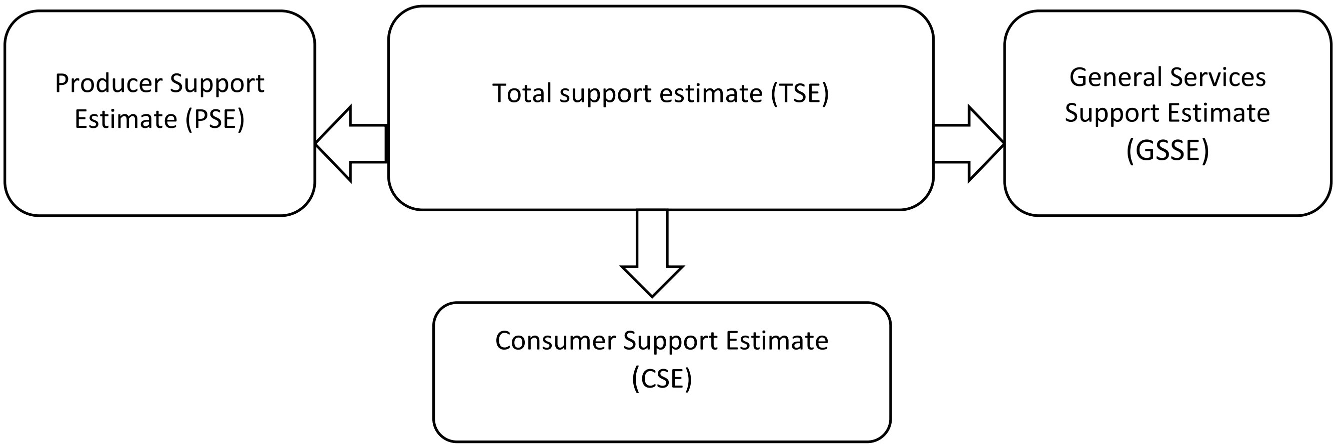


Figure 1. A set of indicators for identifying and evaluating measures of aggregate support for agricultural enterprises according to the OECD

Support for producers in Ukraine, according to PSE, has been volatile over the last three decades, mainly due to fluctuations in market price support (MPS). MPS has been negative for many years due to the fact that average producer prices are below their international level. Only in recent years has the overall MPS for the agricultural sector been positive. Negative MPS (sunflower seeds, milk) is offset by positive MPS (sugar, pork) and limited budget support from producers. On average, producer prices are in line with reference prices, resulting in a nominal protection level (NRP) of 1.0 for the period 2017-2019, although there are differences between products [2].

In 2019, the total amount of PSE is 561 million dollars. US, which is 16% less than the previous year. But in general, after the difficult situation of 2016-2017, there was a positive trend in support of agricultural producers (Fig. 2).

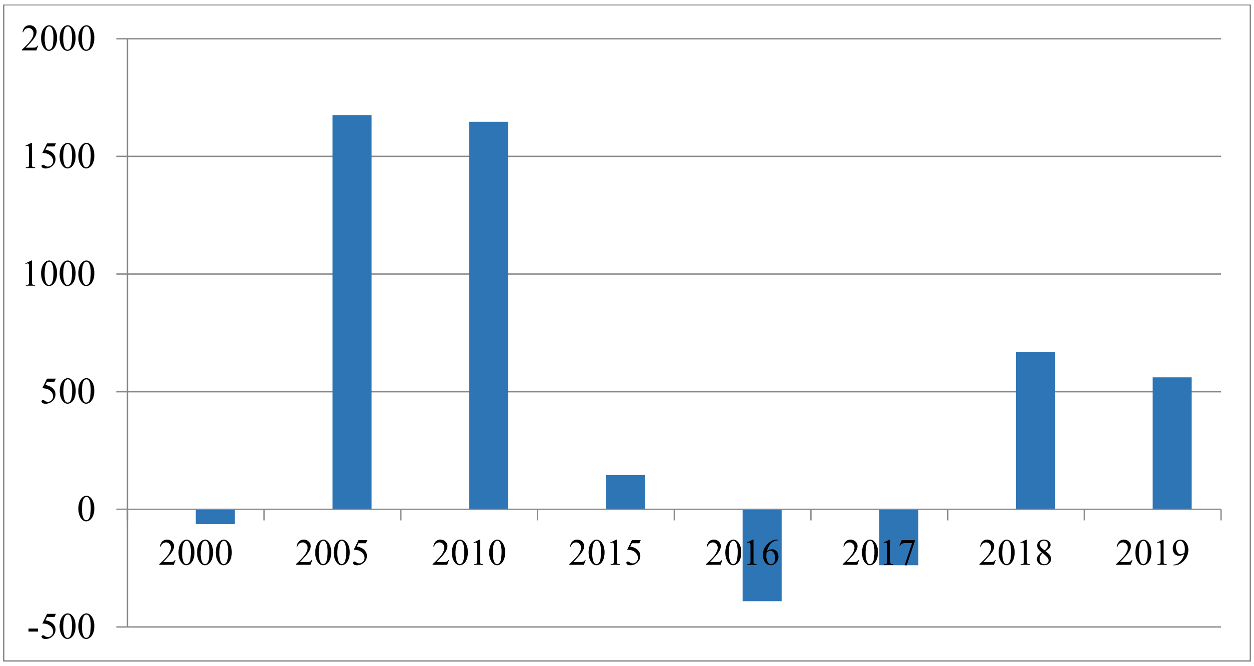


Figure 2. Dynamics of support for agricultural producers in Ukraine according to the OECD (PSE) methodology, million USD

The relative rate of assessment of producer support (% PSE) fluctuated around zero over the last decade and averaged 1,0% of gross revenues of agricultural enterprises during 2017-2019. Thus, only 1% of agricultural products in the total cost of agricultural output of Ukraine were received by enterprises as a result or through the implementation of state support. Accordingly, about 99% of agricultural output was obtained without any support [2].

The nominal coefficient of support for producers in 2018-2019 is more than one and indicates that the state supports agricultural producers, but the amount of this support is minimal. A similar situation is observed with respect to the nominal protection factor of the producer, which in the last two years is slightly higher than the unit, ie producers of agricultural products are protected because their sales prices are slightly higher than the world. But for all types of products, this interpretation is unfounded, because there are large differences in the ratio of world prices and domestic market prices for certain types of agricultural products. The share of support for general services is about 30% of the total and 1,7% of the value added of agriculture in 2017-2019 and remains low compared to other countries.

The total amount of support in 2019 amounted to 791 million dollars. US, which is 11% less than the previous year. Total support for GDP in 2019 was 0,5%, and on average over the last three years - 0.4% of GDP.

Characterizing the total amount of budget support (TBSE) for agriculture in Ukraine, it should be noted that in recent years there have been no significant fluctuations in this indicator. Thus, on average for 2017-2019, it amounted to 564 million US dollars and 0.4% of GDP. At the same time, in 2000-2002, TBSE was $ 705 million. USA, which is 25% more than in recent years, and its share in GDP was 1.9% (Fig. 3).

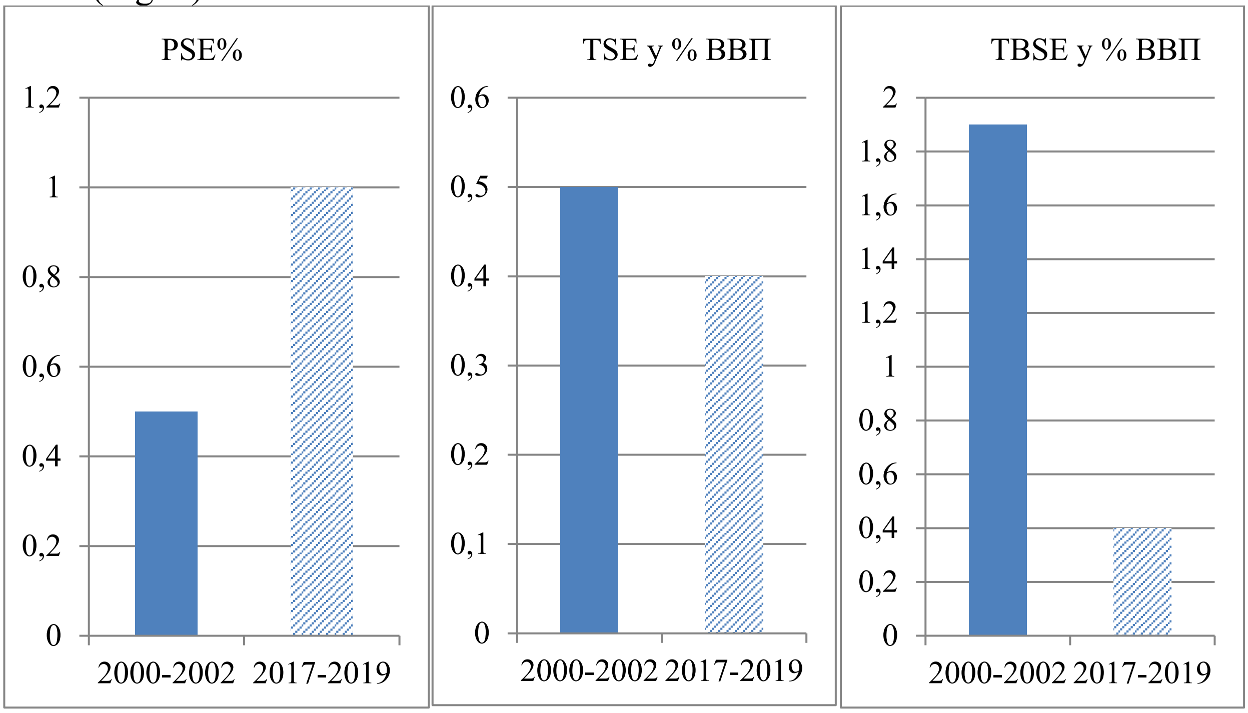


Figure 3. Comparative assessment of the main indicators of support for agriculture in Ukraine

The agro-industrial complex is the most important segment of the economy of many countries. These include almost all countries of the European Union, Australia, Brazil, India, China, Vietnam, Canada, Japan, Britain and the United States.

In the EU, Canada and Turkey, the main mechanism of agricultural policy is to directly provide direct support to farmers. It is carried out through various payments per ton of product or head of animals, subsidizing the purchase of fixed and working capital, maintaining the market price and is an effective means of raising the agricultural sector [2].

Making international comparisons, it should be noted that support for agriculture in the European Union has been gradually declining since the 1990s. The share of producer support in gross agricultural revenue (% PSE) has stabilized at around 19% since 2010. The largest share of total support for the agricultural sector (TSE) falls on producers (89% in 2017-2019). Government spending on general services in the sector as a whole (GSSE) relative to total support was 10% in 2017-2019.

In general, EU rural development policy continues to evolve and improve in order to respond in a timely manner to the needs of rural people. In accordance with the Europe 2020 Strategy and the objectives of the Common Agricultural Policy (CAP), three long-term strategic objectives have been identified, which are defined for the further implementation of the EU rural development policy in 2014-2020:

- promoting the competitiveness of agriculture;
- ensuring sustainable management of natural resources;
- achieving balanced territorial development of the rural economy and communities, including the creation of conditions and support for employment [2].

The Europe 2020 strategy focuses on three factors strengthening the economy:

- smart growth - economic development based on knowledge and innovation;
- sustainable development - economic development based on the purposeful use of resources, ecology and competition;
- comprehensive growth - promoting employment, achieving social and territorial harmony.

The development of Turkish agriculture is carried out in accordance with the development plan for 2019-2023, the main purpose of which is the development of an efficient agricultural sector, sustainable from an environmental, social and economic point of view. It sets out a number of measures and objectives, including increasing red meat and oilseed production, land consolidation and the use of irrigation. Since the 1980s, state-funded transfers have accounted for more than 20% of farmers' incomes, with much of this support aimed at changing market prices for agricultural products. Total support for agriculture reached 4% of GDP, but decreased as the importance of agriculture in the economy as a whole decreased and now stands at about 1.5% of GDP. The cost of irrigation infrastructure development is the largest form of support for general services that benefit the sector as a whole (GSSE), accounting for 75% of the GSSE [2].

The main priority of US agricultural policy is to expand domestic and foreign markets for agricultural raw materials and food. The level of support provided to US farmers has consistently been below the OECD average. Producer support (PSE) accounted for 11% of gross agricultural income in 2017-2019. On average, prices obtained by farmers were 4% higher than world market prices, mainly as a result of maintaining market prices (MPS) for milk, sugar and, to a lesser extent, lamb. Consumer support accounts for nearly half of all US agricultural support through domestic food aid programs. General service expenditure (GSSE) was equivalent to 5.8% of value added in agriculture, slightly above the OECD average.

In May 2019, the US Department of Agriculture announced a second package of trade mitigation programs for farmers affected by tariff responses, leading to the loss of traditional markets. The package includes three programs: the Market Development Assistance Program (MFP), the Food Procurement and Distribution Program (FPDP) and the Agricultural Trade Promotion Program (ATP). MFP provides up to $ 14,5 billion in three tranches of payments to affected producers of row crops, pigs, milk and some special crops.

Since 2000, Canada has almost halved support for farmers. Canadian PSE accounted for 8% of gross agricultural income in 2017-2019, compared with 17% in 2000-2002. % Of Canada's PSE during this period was consistently below the OECD average. On average, prices received by farmers were 5% higher than prices on world markets. The share of the General Service Support Assessment (GSSE) in the General Agricultural Support Assessment (TSE) has almost doubled since 1986 and reached 42% in 2017-2019 [2].

Comparison of the efficiency of the agro-industrial complex of Ukraine with the agro-industrial complex of other European countries confirms the presence of unused huge resources and areas, the development of which, with appropriate state support can encourage farmers to enter the world's leading food producers.

In Ukraine, the following areas of state support for agricultural development for 2020 have been identified:

- state support for the development of animal husbandry and processing of agricultural products;
- financial support for the development of farms;
- partial compensation for the cost of agricultural machinery and equipment of domestic production;
- financial support of measures in the agro-industrial complex by reducing the cost of loans;
- financial support for horticulture, viticulture and hop growing.

The strategy of the Ministry of Economic Development, Trade and Agriculture of Ukraine on state support of the agricultural sector for 2021-2023 provides for the addition of support for new programs and expansion of areas under existing programs. In particular, 7 main support programs are planned, the list of which, in addition to the current ones, is supplemented by programs for the development of industrial potato growing, support for the production of niche crops. Also under the program of cheaper loans, farmers are offered new areas - insurance of agricultural products and compensation for the purchase of agricultural land [3].

The comparison of the state support of the agro-industrial complex of Ukraine with the agro-industrial complex of other countries confirms the existence of opportunities for its expansion in different directions through the use of effective mechanisms. Given the existing potential of the agricultural sector, the state's priority should be a balanced policy to support agricultural producers, which will promote the development of the national food market and ensure food security of the population on the one hand, and provide opportunities to expand exports and foreign exchange [4].

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