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UKRAINES AGRI-FOOD MARKET DEVELOPMEN DIRECTIONS IN THE
CONDITIONS OF EUROPEAN INTEGRATION

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The authors carried out a comprehensive analysis and substantiated the main problems that arose in the agri-food sector of Ukraine's economy as a result of the world economic space joining, globalization processes strengthening, trade liberalizing and developing the main advantages that agriculture can get in the context of integration with the EU.

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INTRODUCTION

The agrarian sector of Ukraine's economy plays an important role in the development of the national economy in the context of the spread of globalization and integration processes. From its development, food security, economic growth and the position of the state in the world market of agrarian products depend on it. Obviously, Ukraine as an important participant in world food markets and a powerful producer of many types of agricultural products can not remain outside the integration processes.

The most important event of the current decade for the development of Ukraine is the signing of the Association Agreement between Ukraine, on the one hand, and the European Union (hereinafter - the EU) and its member states, on the other hand (hereinafter - the Agreement; Association Agreement). The agreement allows for the functioning of the free trade zone between Ukraine and the EU (hereinafter - SIT) and is a powerful impetus to the development of the entire economy of the country and its agricultural sector, in particular.

The Agreement provides for a unilateral decision of the EU to abolish and reduce 98% of customs tariffs for the export of Ukrainian products came into force on April 22, 2014. In general, a free trade zone with the EU will contribute to an increase in sales volumes and currency, increasing the role of our state in the world. It is estimated that a reduction in import duties in the EU in the future may lead to an increase in exports of agri-food products to 50% at the end of the period of the Association Agreement. The average annual increase in non-quota and quota-based Ukrainian exports will average 6.1-7.8%. First of all, export growth of grain crops, poultry meat and various food products is expected. The total cost savings (estimated annual income) due to the cancellation of the EU import duty within the quota will reach 180-200 million euros.

Along with the positive factors of integration, the free trade zone with the EU poses significant challenges for the agrarian sector of the economy of Ukraine, associated with the complete or partial loss of traditional foreign markets, primarily domestic products, today is not competitive in the markets of the EU member countries.

In the conditions of the FTA, a possible increase in imports of agri-food products in Ukraine. After 10 years, imports from the EU will reach about \$ 9 billion a year. As

a result, due to the VAT, additional revenues to the state budget will amount to 1.5-1.8 billion USD. This amount compensates for the reduction in customs payments provided for in the Agreement. The reduction of import duties of Ukraine will lead to an annual increase in imports by 7% due to an increase in the supply of meat and by-products, dairy products, fruits and vegetables.

The creation of the FTA provides for a possible reduction in the competitiveness of individual sectors of the domestic agricultural sector (viticulture and winemaking, meat production, in particular pork), the complexity of their transition to the European level of requirements and limited quoting of certain types of goods. The transition to European standards may be delayed and will require certain financial costs, which are necessary both for the acquisition of equipment for testing the quality and safety of agricultural products and foodstuffs, and for modernizing the production itself to EU technological standards.

The solution of these problems will contribute to the successful adaptation of the domestic agrarian sector to the conditions of the EU and the minimization of losses of the Ukrainian economy. The free trade zone will stimulate the inflow of foreign investment in the agricultural sector of Ukraine, the creation of new enterprises and jobs, rather the introduction of European standards and the development of transport and logistics infrastructure, will ensure the growth of production and exports not only raw materials, but also products with high added value.

This paper presents an analysis of the possible benefits and risks of the development of the agricultural sector of the domestic economy in the conditions of Ukraine's free trade zone with the EU for the agricultural sector and provides some estimates of the development of trade in agricultural products with EU member countries.