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## DEVELOPMENT OF EXPORT POTENTIAL OF AGRARIAN SECTOR IN THE PROCESS OF TRANSFORMATIONAL CHANGE

### Summary

In the article the authors reviewed current trends of functioning of the agricultural sector, which led to increasing rates of agricultural production and export orientation for most agricultural products. Also the systemic barriers that inhibit the process of full implementation of agri-food potential of Ukraine in foreign markets in terms of institutional change were determined. Priorities of exports, based on the preferences guaranteed by the Agreement on free trade zone between Ukraine and the EU were grounded. The authors proposed measures for institutional changes to ensure Ukrainian agricultural sector efficiency and foreign attractiveness, taking into account European experience.

**Key words:** agricultural product, agrarian sector, institution, exports potential, transformational change.

**JEL codes:** F14, F15, Q18

### Introduction

Export potential and its actual implementation is a testament to the competitiveness of the agricultural sector on the international market. The situation prevailing at present in the agricultural sector of Ukraine regarding its export orientation cannot be considered unambiguous. On the one hand, the positive is that in recent years, the agricultural sector is positioned as a «locomotive» of the national economy, or «point of economic growth» due to favorable domestic factors. Among them: fertile lands, favorable geographic position, favorable climatic conditions, relatively cheap labor force, growth of budget-export role due to activation of the agricultural food products. Due to these factors, Ukraine expands segments of foreign trade, deepens industrial export specialization and reaches a certain competitive advantage in the international division of labor. On the other hand, volumes of export of agricultural products, the prevalence of raw materials in the export specialization, quality and safety of food, forms of state support of export-oriented agricultural production cannot be considered satisfactory

and sufficient capacity for export expansion in foreign markets. Despite the considerable potential of the agricultural sector, its dynamics is determined by the capabilities and conditions of sale of small number of positions of agricultural food products. The solution of this problem as the most important task of the national economy in terms of transformational change in foreign policy is the priority of Ukraine.

Accordingly, the purpose of the proposed study is theoretical-methodological substantiation and analysis of the characteristics of the export potential of Ukrainian agricultural sector in the context of transformational changes and taking into account European experience. Systematic and synergetic learning methods of development patterns of Ukrainian agricultural sector's export potential served as the methodological basis of the study. The combination of general and specific economic methods allowed to explore formation features of export opportunities and to increase foreign economic attractiveness of the agricultural sector of Ukraine in the context of the Agreement on free trade zone between Ukraine and EU.

## **Prerequisites of formation of export potential**

The gradual reorientation of foreign relations from the Russian market to European and other foreign markets is due to reasons of military-political and economic nature. Ukraine is actively involved in the international trade, increasing exports and imports of agricultural food products with different countries of the world. Agricultural export shows growth of rates and maintains the leading positions, which is confirmed by relevant indicators. The share of agricultural food products in the structure of national export increased from 19% (9.8 billion dollars) in 2010 to 30% (16.7 billion dollars) in 2014. Recently, Ukraine has entered the forefront of world exporters, holding the first place in the export of sunflower oil (4.3 million tons), the third place in the export of maize (18 million tons), the fourth place in the export of barley (2.7 million tons), the sixth place in the export of wheat (11 million tons), the seventh place in the export of soybean (2 million tons), the eighth place in the export of poultry (170 thousand tons) (Business Views, 2015). Increasing supply in the international market, agrarian policy of Ukraine in the sphere of foreign relations helps to reduce world food prices and avoid the problem of food security. The positive dynamics of grain growth is confirmed by predictive calculations. Thus, by 2020, cereal production will reach 72 million tons, of which exports will amount – 41 million tons (LIGABiznesInform 2014). However, insufficient food resources are used to back other sectors of agriculture, including livestock. This requires a change in the structure of production and exports for final products with high added value content, strong

competitive advantage, high quality, and what strategy should agribusiness concentrate at.

The need to strengthen the export potential of the agricultural sector is due to several reasons:

- *Firstly*, exceptional importance of export in the national economy, leading to increased production of agricultural food products, the saturation of the domestic market, increase of tax revenues to the budget, creating jobs, harmonization of quality and safety standards with international and European standards;
- *Secondly*, ensuring economic efficiency and investment attractiveness of exporters of agricultural products;
- *Thirdly*, clearly defined European vector of development of Ukraine that allows to use the experience and practices of EU member countries in formulating and implementing export potential, export diversification, high level of monitoring compliance with quality and safety standards, state support to agricultural producers under the rules of the Common Agricultural Policy of the EU (Zinchuk 2008).

In the evolution of foreign policy of Ukraine, there is a breakaway from the practice of strict vertical control of export potential to the liberalization of export, operational and economic autonomy of outer economic agents. Accordingly, we can note the tendency to increase the number of companies exporting agricultural food products. During the period from 2007/08 to 2014/15 marketing year, the number of companies that have been exporting grain, vegetable oil and oilseeds has increased more than 3.5 times, namely from 374 to 1346 companies. Only for the 2014/15 marketing year, the increase compared to the 2013/14 marketing year was 29.5% or 307 companies (Nibulon 2016). However, the main subjects of foreign trade are the large-scale producers of agricultural products, which are mainly of holding structure of manufacturing and exporting the most profitable types of crop production. Small and medium businesses (farms) are passive observers of streams and geography of exports. This, in turn, shows the inadequacy of institutional (including legal) principles of formation of the ownership structure of the agricultural business, inefficiency ratio of economic incentives and obligations to encourage them to enhance foreign trade.

## **The dynamics of trade relations in agricultural sector between Ukraine and the EU**

In trade between Ukraine and the EU as a key trading partner, there is constant dynamics of growth of foreign trade (Table 1). This is particularly evident in terms of agricultural exports, which for the period 2010-2015

increased more than 1.3 times, while imports decreased by 40%. In recent years, the agricultural sector maintained a positive trade balance. When compared to the national balance of trade with the EU, we may observe the opposite situation, i.e., predominance of imports over exports. Therefore, Ukraine continues tendency to strengthen export-oriented agricultural sector.

**Table 1. Dynamics and balance on the trade of agro-food production Ukraine and the EU by commodity groups (thsd. USD)**

Commodity groups	2011	2012	2013	2014	2015	2015 in % to 2011
<b>Exports</b>						
I. Live animals and livestock products	22 476.5	30 114.6	55059.7	136 966.7	163 959.7	in 7.3 r.
II. Plant products	2 076 673.6	3 330 212.8	3136669.5	2 936 270.8	2 444 656.1	117.7
III. Animal or plant fats and oils	666 412.9	821 551.3	500500.1	792 967.2	678 335.7	101.8
IV. Finished food industry products	431 692.0	745 112.6	775925.4	899 322.9	762 111.2	176.5
<b>Total</b>	<b>3 197 255</b>	<b>4 923 796</b>	<b>4 468 154.7</b>	<b>4 765 527.6</b>	<b>4 049 062.7</b>	<b>126.6</b>
<b>Imports</b>						
I. Live animals and livestock products	413 923.2	677 259.2	668 608.6	455 268.7	272 698.9	65.9
II. Plant products	697 603.2	911 069.4	890 418.5	753 395.9	405 471.3	58.1
III. Animal or plant fats and oils	120 267.6	124 867.2	104 506.2	72 854.6	47 894.5	39.8
IV. Finished food industry products	1 217 181.6	1 260 875.1	1 416 705.6	1 197 624.0	777 186.7	63.9
<b>Total</b>	<b>2 448 975.6</b>	<b>2 974 070.9</b>	<b>3 080 238.9</b>	<b>2 479 143.2</b>	<b>1 503 251.4</b>	<b>61.4</b>
<b>Balance (+,-)</b>	<b>+748 279.4</b>	<b>+1 949 725</b>	<b>+1 387 915</b>	<b>+2286384</b>	<b>+2 545 811.3</b>	<b>-</b>

Source: UkrStat.

Ukraine is more dependent on imports of plant products (growth in 1.4 times) and finished food products, growth respectively in 1.3 and 1.2 times. Terms of trade with EU Member States impose requirements to change the commodity structure of export products for complete product cycle. Calculations of commodity structure of exports to the EU show that 63.9% of European exports go to the final product, 21.7% for intermediate goods and only 14.4% for products that are the raw material. However, the structure of exports of Ukraine in the final product accounts for only 6.4%, 44.1% for intermediate goods and 49, 5% for commodities (Lupenko 2015).

Confirmation of potential dominance in the agricultural raw component of food serves as a detailed analysis of the commodity structure of export of certain types of products (Table 2). Slow export growth observed in individual

livestock production. Increase is achieved by a small assortment of meat and dairy products, poultry, eggs, honey, certain types of dairy products.

**Table 2. Exports of agri-food products Ukraine-EU types (thsd. USD)**

Types of agricultural food products	2011	2012	2013	2014	2015
<b>Exports. total (I+IV)</b>	<b>3 197 255</b>	<b>4 923 796</b>	<b>4 468 154.7</b>	<b>4 765 527</b>	<b>4 049 062.7</b>
<b>I. Live animals and livestock products</b>	<b>22 476.5</b>	<b>30 114.5</b>	<b>55 059.7</b>	<b>136 966.7</b>	<b>163 959.7</b>
01 live animals	110.6	244.5	112.4	310.1	130.6
02 meat and meat preparations	81.1	161.3	1116.8	51 973.7	66 507.4
03 fish and crustacea	2 449.1	3 975.0	7 215.2	9 133.9	8 612.5
04 milk and milk	16 074.1	21 959.9	41 864.9	69 424.3	84 299.1
05 other animal products	3 761.5	3 773.8	4 750.4	6 124.7	4 410.1
<b>II. Plant products</b>	<b>2 076 673.6</b>	<b>3 330 212.8</b>	<b>3 136 669.5</b>	<b>2 936 270.8</b>	<b>2 444 656.1</b>
06 seedings and other trees	23.0	25.5	353.8	256.5	1 277.2
07 vegetables	17 815.8	33 515.9	22 702.5	23 915.4	11 890.9
08 eatable fruits and nuts	99 289.7	78 602.0	82 451.0	88 905.0	87 536.6
09 coffee, tea	3 537.8	2 971.1	2 505.0	3 109.7	2 480.9
10 cereals	1 031 619.1	1 981 013.5	1 719 275.1	1 805 431.6	1 625 849.5
11 flour-grinding products	2 934.2	5 296.1	8 293.8	10 204.5	14 330.8
12 oil seeds and fruits	919 630.3	1 227 637.5	1 247 637.7	919 003.2	645 289.0
13 shellac natural	133.9	73.4	128.0	322.4	253.6
14 plant materials for producing	1 689.6	1 077.8	53 322.7	85 122.4	55 747.6
<b>III. 15 Animal or plant fats and oils</b>	<b>666 412.9</b>	<b>818 356.1</b>	<b>500 500.1</b>	<b>792 967.2</b>	<b>678 335.7</b>
<b>IV. Finished food industry products</b>	<b>431 692.0</b>	<b>745 112.6</b>	<b>775 925.4</b>	<b>899 322.9</b>	<b>762 111.2</b>
16 preparations from meat, fish	1 377.5	1 499.8	1 889.5	3 019.3	3 961.3
17 sugar and sugar confectionery	38 101.2	43 877.0	29 168.5	20 862.6	32 912.3
18 cocoa and cocoa preparations	21 378.5	22 780.6	19 445.3	25 755.5	21 144.9
19 preparations of grains	20 607.4	23 376.7	26 281.1	29 598.6	39 251.0
20 products of vegetables processing	19 608.3	87 946.5	160 941.3	157 204.9	114 146.7
21 other mixed foodstuffs	17 772.1	18 209.9	21 047.0	22 844.6	23 568.2
22 alcoholic and nonalcoholic beverages, vinegar	27 566.4	24 464.9	20 509.5	28 556.3	29 522.7
23 remains and wastes	285 169.8	519 862.3	496 384.9	605 714.4	490 584.0
24 tobacco and industrial substitutes of tobacco	110.7	3 095.0	258.2	5 766.8	7 020.1

Source: as in Table 1.

Such types of agricultural food products like meat and edible offal, most types of milk and dairy products are accounted respectively at 40.6 % and 51.4 % (Table 3). The lowest share of exports belongs to products of animal origin,

particularly to group of products – fish and shellfish (5.25 %), live animals (0.08 %). Only three types of agricultural food products of plant origin: grains, oil, residues and waste of food remain confident leaders in exports to the EU.

**Table 3. Structure of exports of agricultural food products by the type Ukraine-EU (%)**

Types of agricultural food products	2011	2012	2013	2014	2015
<b>I. Live animals and livestock products</b>	<b>0.70</b>	<b>0.61</b>	<b>1.23</b>	<b>2.87</b>	<b>4.05</b>
01 live animals	0.49	0.81	0.20	0.23	0.08
02 meat and meat preparations	0.36	0.54	2.03	37.95	40.56
03 fish and crustacea	10.90	13.20	13.10	6.67	5.25
04 milk and milk	71.52	72.92	76.04	50.69	51.41
05 other animal products	16.74	12.53	8.63	4.47	2.69
<b>II. Plant products</b>	<b>64.95</b>	<b>67.64</b>	<b>70.20</b>	<b>61.61</b>	<b>60.38</b>
06 seedings and other trees	0.001	0.001	0.01	0.01	0.05
07 vegetables	0.86	1.01	0.72	0.81	0.49
08 eatable fruits and nuts	4.78	2.36	2.63	3.03	3.58
09 coffee, tea	0.17	0.09	0.08	0.11	0.10
10 cereals	49.68	59.49	54.81	61.49	66.51
11 flour-grinding products	0.14	0.16	0.26	0.35	0.59
12 oil seeds and fruits	44.28	36.86	39.78	31.30	26.40
13 shellac natural	0.01	0.00	0.00	0.01	0.01
14 plant materials for producing	0.08	0.03	1.70	2.90	2.28
<b>III. 15 Animal or plant fats and oils</b>	<b>20.84</b>	<b>16.62</b>	<b>11.20</b>	<b>16.64</b>	<b>16.75</b>
<b>IV. Finished food industry products</b>	<b>13.50</b>	<b>15.13</b>	<b>17.37</b>	<b>18.87</b>	<b>18.82</b>
16 preparations from meat, fish	0.32	0.20	0.24	0.34	0.52
17 sugar and sugar confectionery	8.83	5.89	3.76	2.32	4.32
18 cocoa and cocoa preparations	4.95	3.06	2.51	2.86	2.77
19 preparations of grains	4.77	3.14	3.39	3.29	5.15
20 products of vegetables processing	4.54	11.80	20.74	17.48	14.98
21 other mixed foodstuffs	4.12	2.44	2.71	2.54	3.09
22 alcoholic and nonalcoholic beverages, vinegar	6.39	3.28	2.64	3.18	3.87
23 remains and wastes	66.06	69.77	63.97	67.35	64.37
24 tobacco and industrial substitutes of tobacco	0.03	0.42	0.03	0.64	0.92
<b>Exports, total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.0</b>

Source: as in Table 1.

However, the analytical results of import of agricultural food products from the EU show the dependence of Ukraine from the products of groups I and IV: mostly food ready for eating. In recent years of the integration of adaptation, imports of live animals, dairy products and other foods of animal origin from the EU significantly increased. Speaking about the second group – vegetable products, imports of vegetables, coffee and tea, cereals, oilseeds also increased (Table 4).

**Table 4. Imports of agricultural food products by the type Ukraine-EU (thsd. USD)**

Types of agricultural food products	2011	2012	2013	2014	2015
Imports, total (I+IV)	2 448 975.6	2 974 070.9	3 080 238.9	2 479 143.2	1 503 251.4
<b>I. Live animals and livestock products</b>	<b>413 923.2</b>	<b>677 259.2</b>	<b>668 608.6</b>	<b>455 268.7</b>	<b>272 698.9</b>
01 live animals	75 759.5	95 513.6	110 436.6	77 183.6	58 460.2
02 meat and meat preparations	199 231.5	395 923.6	305 156.4	177 826.3	94 209.3
03 fish and crustacea	66 115.0	87 917.4	111 325.4	93 974.6	49 589.9
04 milk and milk	68 106.6	92 168.0	133 465.3	98 735.1	65 191.3
05 other animal products	4 710.6	5 736.6	8 224.9	7 549.1	5 248.3
<b>II. Plant products</b>	<b>697 603.2</b>	<b>911 069.4</b>	<b>890 418.5</b>	<b>753 395.9</b>	<b>405 471.3</b>
06 seedings and other trees	70 144.0	104 979.3	92 063.8	46 286.0	15 499.9
07 vegetables	55 912.8	51 872.0	62 092.5	63 802.7	22 163.4
08 eatable fruits and nuts	167 109.1	307 508.4	258 682.7	172 581.9	104 864.9
09 coffee, tea	71 876.7	71 066.8	81 034.0	60 829.9	58 159.4
10 cereals	154 690.6	188 789.7	221 259.2	266 309.7	103 879.1
11 flour-grinding products	14 056.0	9 484.4	7 815.3	6 050.5	4 570.0
12 oil seeds and fruits	139 964.3	153 029.6	145 588.4	119 531.5	82 665.9
13 shellac natural	23 847.2	24 336.9	21 881.3	17 964.4	13 659.5
14 plant materials for producing	2.5	2.3	1.3	39.3	9.3
<b>III. 15 Animal or plant fats and oils</b>	<b>120 267.6</b>	<b>124 867.2</b>	<b>104 506.2</b>	<b>72 854.6</b>	<b>47 894.5</b>
IV. Finished food industry products	1 217 181.6	1 260 875.1	1 416 705.6	1 197 624.0	777 186.7
16 preparations from meat, fish	33 743.3	45 247.9	49 213.9	36 252.4	20 609.9
17 sugar and sugar confectionery	16 241.9	22 156.8	23 185.5	24 128.7	19 475.4
18 cocoa and cocoa preparations	158 635.3	126 987.4	150 675.6	127 793.8	76 285.5
19 preparations of grains	92 929.9	97 765.5	124 030.2	99 615.6	58 842.3
20 products of vegetables processing	123 018.4	120 902.6	125 466.6	107 355.3	68 624.5
21 other mixed foodstuffs	324 736.7	319 521.5	380 209.9	317 171.7	188 779.6
22 alcoholic and nonalcoholic beverages. vinegar	217 257.8	260 421.7	285 165.0	215 110.2	138 896.5
23 remains and wastes	160 549.1	180 172.6	198 671.4	178 244.4	127 156.3
24 tobacco and industrial substitutes of tobacco	90 069.2	87 699.1	80 087.6	91 951.9	78 516.7

Source: as in Table 1.

The structure of imports is more indicative according to the ratio of many types of agricultural food products (Table 5). Improving the structure of foreign trade in the agricultural sector lies in the further integration ties with the EU.

**Table 5. Structure of imports of agricultural food products by the type Ukraine-EU, according to different types (%)**

Types of agricultural food products	2011	2012	2013	2014	2015
<b>I. Live animals and livestock products</b>	<b>16.90</b>	<b>22.77</b>	<b>21.71</b>	<b>18.36</b>	<b>18.14</b>
01 live animals	18.30	14.10	16.52	16.95	21.44
02 meat and meat preparations	48.13	58.46	45.64	39.06	34.55
03 fish and crustacea	15.97	12.98	16.65	20.64	18.18
04 milk and milk	16.45	13.61	19.96	21.69	23.91
05 other animal products	1.14	0.85	1.23	1.66	1.92
<b>II. Plant products</b>	<b>28.49</b>	<b>30.63</b>	<b>28.91</b>	<b>30.39</b>	<b>26.97</b>
06 seedings and other trees	10.05	11.52	10.34	6.14	3.82
07 vegetables	8.01	5.69	6.97	8.47	5.47
08 eatable fruits and nuts	23.95	33.75	29.05	22.91	25.86
09 coffee, tea	10.30	7.80	9.10	8.07	14.34
10 cereals	22.17	20.72	24.85	35.35	25.62
11 flour-grinding products	2.01	1.04	0.88	0.80	1.13
12 oil seeds and fruits	20.06	16.80	16.35	15.87	20.39
13 shellac natural	3.42	2.67	2.46	2.38	3.37
14 plant materials for producing	0.0004	0.0003	0.0001	0.01	0.002
<b>III. 15 Animal or plant fats and oils</b>	<b>4.91</b>	<b>4.20</b>	<b>3.39</b>	<b>2.94</b>	<b>3.19</b>
<b>IV. Finished food industry products</b>	<b>49.70</b>	<b>42.40</b>	<b>45.99</b>	<b>48.31</b>	<b>51.70</b>
16 preparations from meat, fish	2.77	3.59	3.47	3.03	2.65
17 sugar and sugar confectionery	1.33	1.76	1.64	2.01	2.51
18 cocoa and cocoa preparations	13.03	10.07	10.64	10.67	9.82
19 preparations of grains	7.63	7.75	8.75	8.32	7.57
20 products of vegetables processing	10.11	9.59	8.86	8.96	8.83
21 other mixed foodstuffs	26.68	25.34	26.84	26.48	24.29
22 alcoholic and nonalcoholic beverages, vinegar	17.85	20.65	20.13	17.96	17.87
23 remains and wastes	13.19	14.29	14.02	14.88	16.36
24 tobacco and industrial substitutes of tobacco	7.40	6.96	5.65	7.68	10.10
<b>Exports, total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.0</b>

Source: as in Table 1.

## **Institutional support for the implementation of the Agreement on Free Trade Area between Ukraine and the EU**

Sustainable development and realization of agricultural export potential is determined by the established rules, norms, attitudes, principles that are considered institutions according to the socio-economic characteristics (Tochilin et al., 2009). Terms for their compliance and performance are provided by institutional mechanism, which laid the basis for interaction between people in the production, exchange, distribution and consumption of wealth (North, 2000), that are the participants of foreign economic relations. Thus, the key instrument of this mechanism are “rules” to improve access of producers to foreign markets, and protection of their interests in the markets of



“third countries” and coordination of state control in terms of financial, non-financial and information support, etc.

The most important step in the field of institutional transformations during integration of Ukraine is the implementation of the Agreement on the Free Trade Area (FTA) between Ukraine and the EU (01.01.2016), which is the economic part of the political association agreement between Ukraine and the EU. The context of the Agreement provides for the establishment of a new format of export and import operations, based on trade liberalization and the promotion of agricultural exports (Government, 2016). The main goal, which lies in the conditions of the Agreement is to promote Ukrainian agricultural food products exports not due to deformation of the structure of the national agricultural production, but due to achievement of competitive advantages through products with high processing level and significant added value. Introduction of new rules of production and export for Ukrainian producers of agricultural products is a kind of “economic window to Europe.”

Among the innovations of the FTA, which began to be implemented during 2014-2015, it should be singled out the most important ones:

1. *The tariff liberalization.* Within this measure, import fees should be cancelled on most Ukrainian and European products agricultural. However, in order to protect Ukrainian producers from excessive competition from the European market and to stimulate innovative development of agricultural production in Ukraine, there is a transitional period of ten years for the cancellation of fees with the small part of the fees for the first year of the Agreement.
2. *Administration of tariff quotas.* Setting the EU duty-free tariff quotas provided for 36 types of goods. Two algorithms provide the use of tariff quotas: a) “First to come, first to receive.” For the vast majority of goods quotas are granted on a “queue”; b) Through a system of import licenses (for a limited list of goods the EU importer must obtain a license in the relevant bodies of the EU).

The proof of Ukrainian origin of goods is certificate EUR.1, issued by the customs authorities. Overall, in the current period the EU cancelled duties on 83.4% of Ukrainian agricultural products with the likely increase in the size of quotas on certain products (wheat, poultry, and canned tomatoes). Thus, the introduction of tariff quotas means that some Ukrainian goods may be supplied to the EU in certain quantities without charging fees.

## **Assessment of export of agricultural food products to the EU under the tariff quotas**

Favorable institutional conditions for the liberalization of the Ukrainian manufacturer must ensure the effectiveness of exports and encourage

entrepreneurs to seek investment resources for the modernization of production. However, given that the Agreement provides for restructuring of the market and gradually complete its opening for European goods, there are a number of problems related to the reluctance of Ukrainian producer of agricultural food to retraining and sales according to the new requirements. It is, for example, the inability to overcome non-tariff barriers to trade due to non-compliance of certain conditions of production products, European quality and safety parameters and differences in approaches to the functioning of the market. After all, in order to obtain permission to export products to the EU farmer must bring their products into compliance with technical, sanitary and phytosanitary requirements confirmed by certificates of European standard.

At this stage, Ukraine can export under those requirements animal products: poultry, fish, meat, eggs, honey. Ten Ukrainian dairy processors are authorized to export milk and dairy products. On the compliance of certain products to European quality speaks the fact of full use of quotas in 2014-2015.

The results indicate inaccessibility of the European market for such products as beef, pork, lamb, certain types of dairy products, butter. Remaining and unused is the quota for sugar syrup, mushrooms, processed products with milk and butter, cigarettes, processed starches, etc. Speaking about such products as bran, waste and residues, poultry meat and semi-finished poultry meat (optional), finished products from sugar, starch, garlic, ethanol, corn sugar, there were used less than 30% of the volume of the quota (Taxation, 2016).

Thus, only traditional exporters to the EU with trade relations and strong competitive positions of commodities may fully use their quota. An absolute priority of the producers of the agricultural sector under the FTA remains the preserve maximum involvement of the EU to support Ukrainian exports.

## Conclusions

Institutional changes in the field of foreign policy of Ukraine and the EU in particular occur through the replacement of old institutions to new social focus and perspective. The most important step to institutionalize the export policy was the adoption of the Agreement on Free Trade Area between Ukraine and the EU.

Implementation of the Agreement on free trade area between Ukraine and the EU obliges manufacturers and exporters of agricultural products to get closer to EU standards, which will gradually remove barriers to the output of new products both on the domestic and foreign markets and prevent cheap imports and low-quality products of foreign manufacturers. Implementation of the Agreement on FTA, implementation of certain provisions of the customs legislation of the EU in the customs legislation of Ukraine (70-80%)

will contribute to the organization and efficiency of customs procedures, establishment of rapid response to violations in customs offices.

The development of trade and investment cooperation between Ukraine and the EU in agricultural food sector is the driving force for small and medium enterprises in agriculture, obliges producers to produce quality and safe products with added value, followed unhindered implementation of the European market, as the terms of the Agreement stipulate zero rates of duties on all types of agricultural food products. Formation of the export potential of Ukraine in the new format of cooperation with the EU is in itself an important economic and social mission aimed at developing domestic and foreign markets, the increase in real income and purchasing power, poverty reduction.

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## Rozwój potencjału eksportowego sektora rolniczego w procesie zmiany transformacyjnej

### Streszczenie

Autorzy pracy zbadali obecne trendy funkcjonowania sektora rolniczego, które doprowadziły do nadwyżek produkcji rolnej i orientacji eksportowej dla większości produktów rolnych. Dodatkowo, w pracy opisano bariery

systemowe, które hamują proces pełnej implementacji potencjału rolniczo-żywnościowego Ukrainy na rynkach zagranicznych pod kątem zmian instytucjonalnych. Praca zawiera również uzasadnienie priorytetów eksportu, oparte na preferencjach gwarantowanych przez umowę o wolnym handlu pomiędzy Ukrainą a UE. Autorzy proponują także rozwiązania w kwestii zmian instytucjonalnych, które zapewnią ukraińskiemu sektorowi rolnictwu wydajność i przyciągną zagranicznych inwestorów, opierając się o doświadczenia europejskie.

**Słowa kluczowe:** produkt rolny, sektor rolniczy, instytucje, potencjał eksportowy, zmiana transformacyjna.

**Kody JEL:** F14, F15, Q18

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