

INTERNATIONAL ECONOMIC RELATIONS AND GOVERNANCE BY NATIONAL ECONOMY

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FOREIGN ECONOMIC ACTIVITY OF AGRICULTURAL ENTERPRISES IN UKRAINE

The full functioning of agricultural enterprises is impossible without a developed system of foreign economic relations in the field of agriculture. Integration of the agricultural sector into the general system of international economic processes and the formation of effective strategies for foreign economic activity by agricultural enterprises in Ukraine has a positive impact on general trends in the agricultural sector, and contributes to the overall technical level of agricultural production, rationalization of natural and raw materials. Therefore, it contributes to the overall improvement of the quality of life of the population. However, the practice of foreign economic activity shows that ensuring its effectiveness largely depends on compliance with product standards adopted in world markets. Ukraine is one of the key exporters in the world food market, but the bulk of products exported by Ukrainian agricultural producers are agricultural raw materials. At the same time, processed products, which are more expensive and include a larger share of value-added, occupy a significantly smaller share in the structure of Ukrainian food exports.

The article substantiates that the strategy of improving the efficiency of agricultural enterprises in Ukraine should be based on the use of strategic planning of their foreign economic activity and be focused on increasing sales of agricultural products in foreign markets. At the same time, a key element of such a strategy should be to focus on increasing the share of processed agricultural products in the structure of exports, as well as reducing the share of agricultural raw materials sold abroad. It is proved that the implementation of this strategy also requires the formation of an institutional framework for state support for the development of the foreign economic activity of agricultural enterprises in order to increase their competitiveness in international markets.

Keywords: agricultural enterprises, foreign economic activity, export, import, agricultural sector, agricultural production.

Formulation of the problem. The current state and features of agricultural enterprises in Ukraine provide for significant transformations in relations in the field of sales of agricultural products, which are associated with the expansion of markets and activation of large agricultural holdings operating in all areas of agricultural production – from growing raw materials, storage and processing to establish channels for its implementation. The main reason for such transformations is the Association Agreement signed with Ukraine with the European Union, which opened for Ukrainian companies the markets of European countries with high effective demand.

If previously fluctuations in demand for agricultural products of Ukrainian enterprises occurred in accordance with changes in supply and demand in world markets, but in general were unpredictable and most changes occurred in fluctuations, the opening of new markets has led to steady growth in agricultural demand of Ukrainian enterprises. At the same time, operations on the export of raw materials and increase of volumes of processing of production of the agricultural sector which is directed to foreign markets acquire

special value. Thus, based on the dominant trends in world food markets and the dynamics of the agricultural sector in Ukraine, agricultural production is one of the priority areas of economic activity in Ukraine, which experts estimate covers up to 30% of all exports in foreign trade.

According to A. Syrotiuk¹, that is why today the problems of finding scientifically sound mechanisms for improving the foreign economic activity of agro-industrial enterprises, increasing the competitiveness of domestic agricultural products, researching new ways for Ukrainian enterprises to enter the foreign market, and protect the domestic market from unfair competition.

Analysis of basic research and publications. Many works of leading scientists and practitioners are devoted to the study of improving the foreign economic activity of agricultural enterprises and increasing its efficiency in terms of ensuring the growth of profitability of agricultural enterprises. In particular, the issue of ensuring the efficiency of agricultural enterprises in the implementation of foreign economic activity is reflected in the studies of I. O. Baneva², O. Bolduieva³, F. Bourguignon⁴, O. S. Holovachova, A. O. Hutorova⁵, D. F. Krysanova⁶, L. S. Kriuchko⁷, T. V. Matsybora⁸, Ya. V. Shmalenko⁹, V. Yakubiv¹⁰ and others.

However, given the significant amount of work in the field of research of agricultural enterprises and their foreign economic relations, the issues of research of promising areas of foreign economic activity of agricultural enterprises, finding ways to improve the efficiency of agricultural production and implementation in the activity of agrarian enterprises of effective financial and economic mechanisms of regulation of their foreign economic operations on the open market, especially – in the conditions of strengthening of globalization and internationalization of international economic activity.

Formulation of the goals of the article. The aim of the article is to study the existing approaches to ensuring the efficiency of foreign economic activity of agricultural enterprises in Ukraine, the study of existing forms, methods, and tools to stimulate profitability of foreign trade operations of agricultural enterprises, as well as making proposals to improve the existing mechanisms to ensure the effectiveness of operations of agricultural enterprises of Ukraine in foreign markets.

Description of the main research material. The acceleration of globalization, as well as the opening of new markets, has led to the need for Ukrainian agricultural producers to ensure the efficiency of their activities in international markets. If 10-12 years ago the main volume of export-import operations with agricultural products was carried out through several dozen large agricultural producers and specialized intermediaries, now access to operations in foreign markets is open even to small farms. In addition, the liberalization of legislation governing international economic relations, reducing state control over the operations of importers, as well as the introduction of new technologies in the system of financial settlements and simplification of logistics problems, allowed a significant number of agricultural enterprises to enter into direct contracts for foreign products. At the same time, the opening of more expensive and solvent European

¹ Сиротюк, А. М. (2013). Особливості здійснення зовнішньоекономічної діяльності в агропромисловому комплексі. *Наукові праці Полтавської державної аграрної академії. Серія: Економічні науки*, 6 (2), 279-283.

² Банева, І. О. (2013). Регулювання інноваційно-інвестиційного розвитку підприємств аграрної сфери регіону. *Вісник ХНАУ*, 3, 15-21.

³ Болдуєва О. В. (2012). Оцінювання економічної ефективності зовнішньої діяльності суб'єктів господарювання. *Держава та регіони*, 4, 190-195.

⁴ Bourguignon, F., Morrisson, C. (1990). Income distribution, development and foreign trade: A cross-sectional analysis. *European economic review*, 34 (6), 1113-1132.

⁵ Гуроров, А. О. (2015). Експортні кредитні агентства в системі формування інвестиційного забезпечення інтегрованих агропромислових формувань. *Вісник ХНАУ*, 4, 158-172.

⁶ Крисанов, Д. Ф. (2013). Система гарантування безпечності та якості харчової продукції в Україні : ретроспектива реформування та рівень сформованості у європейському вимірі. *Економіка харчової промисловості*, 4, 5-12.

⁷ Крючко, Л. С. (2013) Перспективи піднесення аграрного сектора України в умовах фінансової глобалізації ринку продовольства. *Агросвіт*, 15, 30-35.

⁸ Мацибора, Т. В. (2017). Світовий досвід у поліпшенні інвестиційної привабливості аграрного сектору України. *Економіка АПК*, 7, 101-105.

⁹ Шмаленко, Я. В. (2015). Формування зовнішньоекономічної стратегії підприємства. *Держава та регіони*, 3, 270-277.

¹⁰ Dziamulych M., Yakubiv, V., Myshko, O., Stryzheus, L., Yakubiv, R. (2020). Economic efficiency of land use by agricultural producers in the system of their non-current assets analysis: a case study of the agricultural sector of Ukraine. *Scientific Papers Series «Management, Economic Engineering in Agriculture and Rural Development»*, 20(3), 543-554.

markets for Ukrainian agricultural enterprises gives them additional opportunities to increase the efficiency of their activities, as well as increase the production and marketing of agricultural products.

According to L. I. Neikova¹, an important stage of the enterprise engaged in foreign economic activity is the choice of distribution channels. Enterprises can use international wholesale and retail trade to sell their products. Analysis of domestic experience shows that in recent years, Ukrainian agro-industrial enterprises have not used such a powerful marketing tool as international branded trade. These shops have a certain positive image and their stable customers. By providing these stores with a wide range of agricultural products and developing a flexible pricing system, they will be able to occupy leading niches in the international sales system, as international branded trade is one of the most effective means of selling products, determining the optimal level of international prices. producer and consumer of products.

However, the practice of foreign trade operations states that ensuring their effectiveness largely depends on compliance with product standards adopted in the relevant market. In particular, Ukraine has been one of the key players in the world food market for the past five years, but the bulk of the products supplied by Ukrainian agricultural producers for export are raw materials. At the same time, processed products, which are more expensive and include a larger share of value-added, occupy an order of magnitude smaller share in the structure of Ukrainian food exports. The reason for this is not the reluctance of Ukrainian producers to process finished products or customs barriers, but the difference in quality standards. In particular, in order to supply foodstuffs for export to the countries of the European Union, it is necessary to ensure the transition to the relevant European standards for their production. And this, in turn, requires investment in new equipment on which appropriate production is possible. Thus, it can be argued that the effective foreign economic activity of agricultural enterprises is associated with the need to take into account a number of factors that determine the specifics of international markets.

At the same time, the high level of competitiveness of Ukrainian products allows them to feel confident in foreign markets. In particular, according to O. Kovinko². In 2015, Ukraine confidently increased its presence in the agricultural markets of Bangladesh, Egypt, India, Indonesia, Iraq, Iran, Canada, China, Korea, Turkey, Saudi Arabia, USA, to which exports amounted to 31 %. At the same time, domestic agricultural enterprises managed to diversify markets, record growth in exports to Asia, the Middle East (USD 6.6 billion), and Africa (USD 2.8 billion, an increase of 0.3%).

At the same time, a favourable precondition for increasing investment inflows in the export sector of processed products was the growth in 2014-2019 of food sales, which indicates a high level of competitiveness of Ukrainian food products. If in 2014 the volume of food sold on world markets amounted to UAH 37.4 billion, in 2016 – UAH 81.7 billion, in 2018 – UAH 121.6 billion, in 2019 – already UAH 125.6 billion. Thus, in 2019, compared to 2014, the volume of food sold under foreign trade contracts increased 3.4 times or by UAH 88.3 billion. (Fig. 1).

One of the main reasons for the increase in food exports is the increased demand for products of Ukrainian producers in the world food market, due to population growth. Another important factor in the growth of Ukrainian food exports is that in their structure a significant share is occupied by waste and food industry residues, which are then used abroad as semi-finished products for in-depth processing and production of finished products with a higher share of value-added.

Thus, as noted by Ya. Shmalenko³, the strategy of foreign economic activity of agricultural enterprises is a key element of the concept of development of agricultural enterprises based on the internationalization of activities. Strategic market management is characterized by external orientation, timeliness of decisions, entrepreneurial spirit, support for information systems, and knowledge management programs on a global scale. At the same time, according to O. Bolduieva⁴, a comprehensive system of evaluation of foreign economic activity involves determining its strengths and weaknesses based on the analysis of indicators of economic effect and economic efficiency of each type of foreign economic operation. It makes it possible to identify development reserves and minimize costs, as well as optimize the structure of foreign trade operations for agricultural producers.

¹ Нейкова, Л. І., Круценко І. В. (2013) Управління збутом продукції агропідприємств-суб'єктів зовнішньоекономічної діяльності. *Ефективна економіка*, 11.

² Ковінько, О. (2016). Зовнішньоекономічна діяльність аграрних підприємств. *Зовнішня торгівля: економіка, фінанси, право*, 5, 40-54.

³ Шмаленко, Я. В. (2015). Формування зовнішньоекономічної стратегії підприємства. *Держава та регіони*, 3, 270-277.

⁴ Болдуєва, О. В. (2012). Оцінювання економічної ефективності зовнішньої діяльності суб'єктів господарювання. *Держава та регіони*, 4, 190-195.

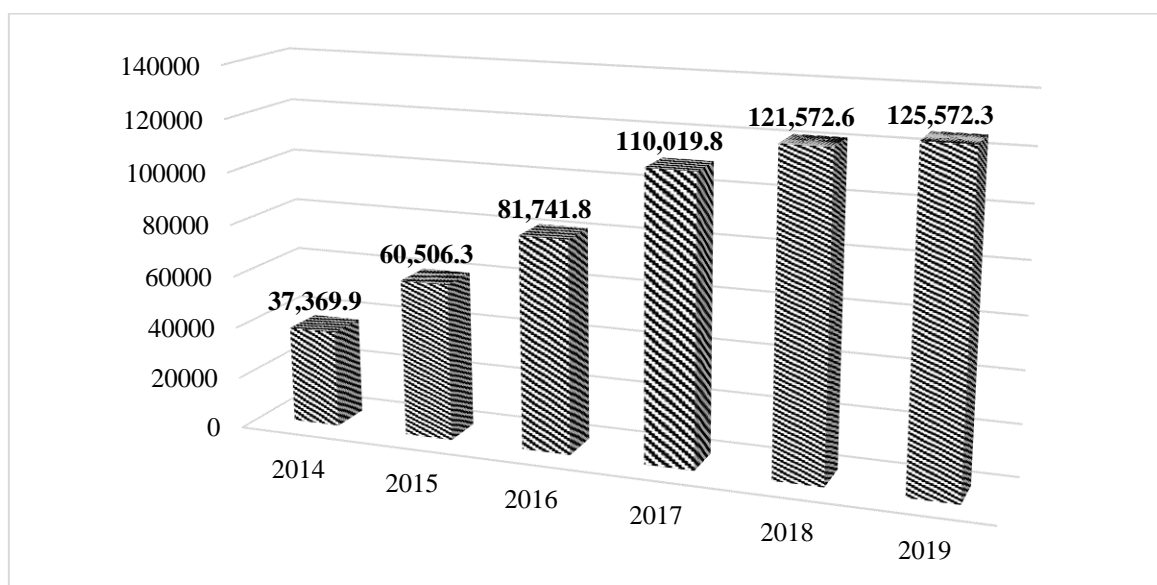


Fig. 1. The volume of sold food products outside the country, UAH million, excluding VAT and excise duty in 2014-2019

Source: State Statistics Service of Ukraine¹

In general, it can be argued that increasing sales of agricultural products in foreign markets requires Ukrainian agricultural enterprises to improve the competitive characteristics of finished products, which requires significant investment in the renewal of the production base as a whole and thus increase the level of processing of agricultural raw materials and increase the capitalization of the entire national agro-industrial complex.

However, it should be remembered that foreign trade operations in the agricultural sector include not only the export of agricultural products but also their import. The volume of comparison of the structure of export-import operations in the agricultural sector makes it possible to assess the specifics of the agricultural sector in the relevant market sectors (Fig. 2).

As you can see from Fig. 2, in fact, in the structure of foreign economic activity, crop production occupies 58.3% in export operations and only 31.3% in import operations. This confirms the above trend about the priority of raw material exports of agricultural products in Ukraine. At the same time, 45.6% of all agricultural imports in Ukraine are finished food products, i.e. products of processed agricultural products. In turn, in the structure of exports, such goods make up only 14.5%. Accordingly, these disparities have a direct impact on the cost structure of foreign economic operations of agricultural enterprises. In particular, since the finished products of processing industries are more expensive than raw materials, it increases the total value of imports of agricultural products and vice versa, which means less value of products of agricultural enterprises, which are exported.

In addition, we see that 21.4% of all Ukrainian exports are fats and oils. This figure is not typical for world practice, because the average value of this position for developed countries does not exceed 7-8%. However, this is due to Ukraine's world leadership in the production of sunflower and sunflower oil. Regarding the import of products of this category, it is mainly represented by animal fats, and in general, it is 4.4% in the structure of imports. As for products of animal origin, the prolonged crisis in animal husbandry, especially in the field of cattle breeding, determines the predominance of imports over exports (which mainly includes poultry products) both in the structure of foreign economic operations and in absolute terms.

According to S. Kvasha², the efficiency of the agro-industrial enterprises and the prospects of their development are influenced by two groups of factors that determine the competitiveness of their products in both domestic and foreign markets.

¹ Державна служба статистики України (2021). Головна сторінка <<http://www.ukrstat.gov.ua>> (2021, March, 17).

² Кваша, С. М. (2000). Трансформаційні перетворення в зовнішньоекономічній діяльності АПК. *Вісник аграрної науки*, 8, 68-73.

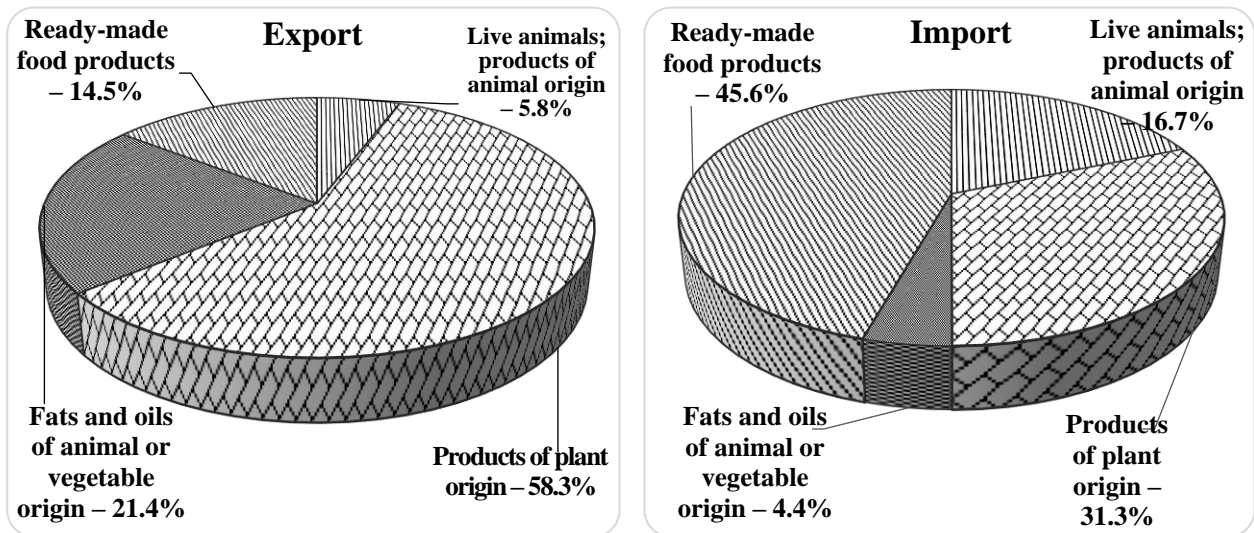


Fig. 2. The structure of exports and imports of agricultural products in Ukraine in 2019, thousand US dollars

Source: State Statistics Service of Ukraine¹

The first group includes those factors that are not directly dependent on producers, they are formed by government agencies. These are the price, credit, tax system, the policy of state support of the industry, regulation of property relations, the development of science, and more. The second group of factors depends on agricultural producers and includes methods of agriculture, crop production, animal husbandry, application of advanced technologies, use of high-yielding varieties and hybrids of crops, development of infrastructure at the local level, improvement of the material and technical base, and so on.

At the same time, the formation of a competitive export-oriented agro-industrial complex of Ukraine cannot be carried out in the short term, as it requires the development of specific measures by agricultural enterprises and state support. The state's use of protectionist methods in the agricultural sector is not sufficient to achieve this goal, as a necessary condition for its effective application is to improve the system of financial support for the development of agro-industrial production and the market of agricultural products. It will also be important to take into account such factors as pricing policy and sales activities of agricultural enterprises, certification of their products, compliance with standards, infrastructure development, and more.

Conclusions and prospects for further research. Thus, it can be argued that ensuring effective foreign economic activity of agricultural enterprises and increasing their competitiveness should be ensured by the formation of an economically sound strategy of foreign economic activity. Such a strategy should be based on the use of strategic planning of foreign economic activity of agricultural enterprises and focus on increasing sales of agricultural products in foreign markets. The key element of such a strategy should be to focus on increasing the share of processed industries in the structure of agricultural exports and, accordingly, reducing the share of agricultural raw materials sold abroad. The reason for this is that quite often the goods that are the product of the processing of Ukrainian exports are returned as imported finished products.

In addition, it is necessary to focus agricultural enterprises on increasing sales of small enterprises and farms, which are now a fairly large category of agricultural producers in the agricultural sector of Ukraine but are at risk of absorption by large agricultural holdings. The implementation of the outlined tasks requires the formation of an institutional framework for the introduction of state support for the development of the foreign economic activity of agricultural enterprises in order to increase their competitiveness in world markets for agricultural products.

¹ Державна служба статистики України (2021). *Головна сторінка* <<http://www.ukrstat.gov.ua>> (2021, March, 17).

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