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## Theory of Agricultural Market Regulation in the Context of Food Security

**Abstract**

The *purpose* of the article is to provide a detailed analysis of the characteristics of agricultural market regulation in the context of ensuring food security at the regional and global levels at the present stage, given the urgency of global and regional issues related to food security. The article analyses the peculiarities of agricultural market regulation in the context of food security. The agricultural market is the main area that includes agricultural producers, consumers and the links between them, which makes it possible to ensure adequate access to food. The *object* of research is the agricultural market as a component of the state economy. The *subject* of the study is the theory of agricultural market regulation as a component of food security. The research is based on the scientific works of Ukrainian authors aimed at studying certain issues of the chosen topic. The article clarifies the main scientific approaches to the definition of the agrarian market. It also identifies the structural features of the agrarian market and clarifies the main functions of the agrarian market as a component of the state economy. The role of the agrarian market in the context of food security regulation is defined. The authors also identify the need for state regulation of the agrarian market. In the course of the work, the main features of the state regulation of the agrarian market were clarified and its main directions were identified. The paper also outlines the current problems of regulating the agricultural market in Ukraine under martial law. In addition, the publication identifies the peculiarities of international regulation of the agricultural market. On the basis of the results obtained, the authors have developed recommendations for improving the regulation of the agricultural market. The *results* of the study underline the importance of regulating the agricultural market as an integral factor in ensuring food security of the state and the world.

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**1 Introduction**

For many years, the issue of food security has been particularly relevant in academic circles. In 2015, the UN Sustainable Development Goals were adopted, which defined 17 Global Goals, one of which is to end hunger and ensure agricultural development, which emphasises the importance of ensuring food security at the global level. Thus, ensuring food security is possible only if agricultural production is properly developed, as agricultural products constitute the diet, which, in turn, meets the basic physiological needs of citizens. In addition,

the agricultural sector is an important component of the state's economic security, as it provides an opportunity to meet the needs of domestic consumers and to generate income from agricultural exports. All this contributes to the need to ensure the optimal development of the agricultural market as an economic sector in which relations between producers and consumers of agricultural products are concentrated. Therefore, an important issue is the regulation of the agricultural market, which is primarily carried out by the state. The regulation of the agricultural market makes it possible to ensure the proper development of agricultural production,

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equal access to agricultural products and the improvement of the market in accordance with current needs. Regulating the agricultural market is therefore one of the conditions for ensuring food security, both at home and globally.

The scientific community is developing certain aspects of the issue of regulating the agricultural market in the context of food security. First of all, the peculiarities of state regulation of agricultural production are studied: V. Galanets in his study considers the main methods of state regulation of the agricultural sector and justifies the need to form specialised state programmes (Halanec, 2019). In addition, V. Melnyk defines the peculiarities of state regulation of agricultural production and also establishes the main methods, forms and tasks of state regulation of the agricultural market (Melnyk, 2019). O. V. Lazareva addresses the issue of the role of the agricultural sector in the formation of food security, emphasising that the agricultural market is one of the main factors in ensuring food security at the regional level (Lazareva, 2015). The role of state regulation of the agricultural sector in the context of sustainable development is studied by L.A. Svystun, Y. Popova and K. Shtepenko, who identified the leading role of state support of the agricultural sector in ensuring the food security of the state (Svystun, Popova, Shtepenko, 2020). According to the latest research, the issue of agricultural market regulation in the context of food security is currently under-researched, and a comprehensive study is needed to identify the main aspects of this issue.

## 2 The Main Research Material

At the present stage, food security is a priority area of domestic policy and international relations of the state, as defined by the UN Sustainable Development Goals by 2030, which have been adopted by most UN member states, including Ukraine. One of the Sustainable Development Goals is to overcome hunger and develop agriculture, which, in turn, is possible only if the agricultural sector – agricultural production and the agricultural market – is in good condition (Sustainable Development Goals: Ukraine. National Report). In view of this, it is important to emphasise that at the present stage, an essential component of state policy is to ensure the proper development of the agricultural market.

According to V.I. Semchyk, the agricultural market is a sphere of commodity exchange between sellers and buyers in the form of commodity exchange arising from the results of agricultural production in established places and forms through the conclusion and execution of purchase and sale contracts, as well as other civil law transactions on voluntary terms agreed between the parties (Semchyk, Kostenko,

Chervoniak, Semchyk, 2012). In addition, Y. Kovalenko describes the agricultural market as a system of institutions, methods and resources whose main task is to coordinate and manage the country's agricultural production through exchange processes in order to meet the needs of consumers (Kovalenko, 1998). L. Levkivska also describes the agricultural market as a set of separate commodity markets that function to ensure the production and free movement of agricultural products. Accordingly, the agrarian market is a set of relations between agriculture, industrial enterprises and other consumers of its products (Levkivska, 2002).

In addition, the structure of the agricultural market is as follows (Lebedenko, 2020):

- Agricultural farms and private peasant farms that grow agricultural products for further sale to consumers in the form of industrial enterprises and to end users – citizens;
- industrial enterprises engaged in the processing of agricultural products;
- end consumers who receive agricultural food resources that meet their nutritional needs on the basis of purchase and sale agreements.

It is also important to note the following functions of the agricultural market (Kovalova, 2014):

- Regulatory, which is to regulate relations in the agricultural market;
- incentive, which involves encouraging producers of goods and services to reduce costs, improve their quality and consumer properties; it involves the use of special incentives in the form of subsidies, privileges, investments, and so forth;
- informational, which involves providing manufacturers with information about products that are needed by society;
- pricing, which involves the formation of the social value of goods and services in the market;
- integrative, which is caused by the unification of agricultural market players into a single entity;
- communication, which is to provide a system of links between different market participants;
- controlling – facilitates control over production, price levelling, etc.

With this in mind, it should be emphasised that the agricultural market is a set of enterprises and links between them, whose activities allow them to meet the needs of consumers for food, which, in turn, is a key aspect of food security. Agricultural products are produced, and their availability in sufficient quantity and quality allows to provide citizens with food and to avoid hunger and related health problems that arise as a result of malnutrition.

Accordingly, it is the agricultural market that plays the main role in food security, which requires its full development. At the same time, the

development and functioning of the agricultural market is primarily ensured by state regulation. It should be emphasised that the role of the state in regulating the agricultural market is significant because the agricultural sector is of strategic importance for the state in terms of meeting domestic needs and export opportunities. Thus, state regulation of the agricultural market is carried out through the use of economic, organisational, legal and social measures of state economic policy aimed at creating a stable agriculture as an important sector of the economy in order to ensure food security. Hence, not only the development of the agricultural market, but also its state regulation is important in the context of food security (Melnyk, 2019).

The areas of state regulation of the agricultural market include the following (Svystun, Popova, Shtepenko, 2020):

- Legal regulation – through the adoption of legal norms in the form of laws and other regulations that are fundamental to the agricultural market;
- financial regulation – regulating market prices, introducing credit support, and government funding for important agricultural market development programmes;
- tax regulation – the introduction of tax privileges and subsidies for certain sectors of the agricultural market, which serves as an incentive for their activities;
- social regulation – providing the agricultural market with the necessary labour resources;
- state support for research and development that will help improve the agricultural market, etc.

In addition, another important area of state regulation of the agricultural market is the creation and implementation of development programmes aimed at gradually improving the state of the agricultural market and solving existing problems, which will have a positive impact on food security.

Consider how the agricultural market is regulated in Ukraine. First of all, regulation is carried out from a legal point of view. Ukraine has adopted a number of legislative acts aimed at reforming the agricultural market: the Decree of the President of Ukraine "On Urgent Measures to Accelerate Reform of the Agricultural Sector of the Economy", the Land Code of Ukraine, the Decree of the President of Ukraine "On Measures to Ensure the Formation and Functioning of the Agricultural Market", the Law of Ukraine "On the Basic Principles of State Agricultural Policy for the Period up to 2015", etc. In addition, regulations defining the functions of executive bodies in the agricultural sector have been adopted. At the same time, it should be noted that there is currently no state programme for the development of the agricultural market in Ukraine. Furthermore, the existing regulations do not take

into account the state of the agricultural market in the context of a full-scale war, which indicates the need for its improvement (Halanec, 2019).

The next aspect of state regulation of the agricultural market in Ukraine is financial regulation. First of all, it is the state regulation of prices, which is important to ensure uniform market development and equal access to food, given the role of the agricultural market in ensuring food security. At the same time, it should be stressed that Ukraine lacks an effective mechanism for regulating prices on the agricultural market, which has a negative impact on food security. A key problem in this case is the lack of access to food by vulnerable groups of the population who do not have sufficient financial resources to meet their food needs. This phenomenon is a negative factor in ensuring food security in the country, as insufficient access to food due to financial insolvency leads to malnutrition, which threatens the health of citizens (Huda, 2019).

In addition, the financial regulation of the agricultural market includes investments in agricultural production sectors, aimed at ensuring the optimal development of agricultural production. Today in Ukraine there is an urgent need to help agricultural producers who are in a difficult situation due to the negative impact of military operations. All this requires the introduction of public investment in the agricultural market, which will contribute to its sustainable development. Moreover, the availability of public investment ensures the development of new agricultural sectors, including organic farming. In France, the UK, Greece and Germany, for example, farmers receive financial support from the state to develop organic production. Ecological food production is also an important component of food security, so this issue is also necessary in the context of state regulation (Lazareva, 2015; Sehed, 2023).

At the same time, an important component of state regulation of the agricultural market is the introduction of a system of tax benefits and subsidies for enterprises operating in the agricultural market. Such support is introduced for certain groups of producers, in particular, in times of war, tax benefits are granted to farmers in the combat zone, temporarily occupied territories and mined areas (The law on tax benefits for farmers in the combat zone needs to be clarified).

In addition, it is important to note that the agricultural market is regulated not only by the state but also at the international level. An important regulator of the international agricultural market is international agricultural law, which provides for the legal regulation of market relations. The market is also regulated by the World Trade Organisation and the Food and Agriculture Organisation of the United Nations, whose joint activities are aimed at establishing rules for trade in agricultural products,

requirements for the cultivation and production of products, and so on. All this, in turn, is an important factor in ensuring food security at the international level. However, since the agricultural market is a component of the economy of each country, it is government regulation that determines the proper development of the agricultural market and thus food security.

It should also be pointed out that the regulation of the agricultural market in the context of food security should be carried out in accordance with the general provisions of food security. In this case, the following measures aimed at regulating the agricultural market, which are implemented by both the state and international organisations, will be outlined (Lazareva, 2015):

- Regulation of the production of environmentally safe and environmentally friendly agricultural products;
- protection and improvement of soil fertility through the use of special technologies by agricultural enterprises and farmers;
- optimisation of the composition of agricultural land;
- ensuring stable and uninterrupted supply of agricultural products to consumers.

Given all this, it is worth noting that the regulation of the agricultural market is an important part of Ukraine's economic policy at the present stage. Firstly, the agricultural market ensures food security at the local level by providing sufficient food to meet consumer demand. Secondly, Ukrainian agricultural production is export-oriented, providing food for both developed and developing countries facing food security problems. In this case, Ukraine's agricultural market is one of the most important factors in ensuring global food security, as the country is one of the world's leading grain producers. Global food security in times of war is ensured through the "grain corridor", but there are currently a number of problems related to the safe movement of ships along the sea trade routes. There are also problems with transporting Ukrainian food via land transit routes through European countries, which also poses a threat to global food security (Androshchuk, Riabovolyk, Riabovolyk, 2022).

In view of this, the following measures are suggested to improve the regulation of the agricultural market at the national and international levels:

- Improvement of the regulatory framework of the agricultural market, in particular, improvement of existing regulatory approaches to the functioning of the agricultural market;
- provision of more effective international regulation of the agricultural market in order to create a common agricultural market that will help solve the existing problems of food insecurity;

- ensure financial regulation of agricultural enterprises by introducing programmes that include public and international investment;
- introduction of public investment in the agricultural sector under martial law in Ukraine to improve the financial condition of agricultural producers, which will help ensure the country's food security;
- granting tax benefits to agricultural producers operating under martial law, regardless of the location of their enterprises;
- improvement of state regulation of pricing policy to ensure equal access to food for different segments of the population in different regions of the country;
- creation of a state programme for the development of the agricultural market under martial law and in the post-war years, which will improve the current state of the market;
- attraction of foreign investment to create more favourable conditions for agricultural production.

Thus, the introduction of effective measures aimed at improving the regulation of the food market will make it possible to improve the current state of the market, which will have a positive impact on food security in the country and globally (Bratinova, Vakulenko, 2023).

### 3 Conclusions

To summarise, the following conclusions can be drawn. The agrarian market is an important component of the state's economy, representing a set of enterprises, consumers and relations between them, whose activities are aimed at meeting the needs of citizens in food, which is one of the conditions for ensuring food security. Therefore, the agricultural market is one of the factors of food security. In view of this, it is necessary to regulate the agricultural market, which is currently being carried out by the state and international organisations. Regulation of the agricultural market involves the application of regulatory, financial, tax, social and other areas of regulation, which makes it possible to ensure the proper development of the agricultural market. The current state of regulation of the agricultural market in Ukraine during the war is not effective enough, which negatively affects the food security of both Ukraine and other countries that depend on its agricultural products. All this makes it possible to state the need to introduce effective measures aimed at improving the regulation of the agricultural market, which will ensure food security. In addition, it is necessary to carry out more research aimed at determining the specifics of agricultural market regulation in Ukraine, which will help to identify existing problems related to this issue and ways of solving them.

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