

INVESTIGATING MARKET PRICES FOR AGRICULTURAL PRODUCTION MEANS AND AGRICULTURAL PRODUCTS

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Abstract. At the present stage of development of Ukrainian agribusinesses, pricing for agricultural products is one of the major tasks to be solved. It is well known that the price significantly impacts business performance since it determines both production cost recovery and business profit. In a market economy, the success of agribusinesses largely depends on how reasonable prices for their products are. However, the current sluggish pricing process at agribusinesses argues the lack of effective methodological and theoretical support for decision-making in the field of pricing policy, which often leads to material miscalculations when pricing, and consequently to significant losses. Thus, it is necessary to study pricing principles, methods, and features in the sector and their impact on the efficiency of agribusinesses. *The purpose and objectives of the study:* the study aims at determining the factors, methodological approaches and peculiarities of pricing for agricultural products and agricultural production means in the present-day conditions. *Background:* the peculiarities of pricing in the agrarian sector and the influence of the price mechanism on the Ukrainian agrarian sector are examined by many domestic scientists. Among the works published in recent years, the fundamental studies by M.M. Artus, R.F. Brukhanskyi, V.B. Vavryk, V.V. Hudak, Ye.M. Kyrlyuk, M.Z. Matviichuk, M.K. Parkhomets, B.Y. Paskhaver, Ye.A. Firsov, O.M. Shpychak, and others deserve a special consideration. Although, it should be noted that there are significant changes in how certain factors impact pricing for agricultural and agrarian products. For the reasons given, it is necessary to continue investigating the corresponding processes. *The research methodology* is based on the dialectical method of cognition of the current market situation, in which agribusinesses function, the method of theoretical generalization, analysis and synthesis to determine theoretical framework for studying pricing for agricultural products, determining pricing methods and rationalizing their application, a systematic approach to determining pricing factors and interrelations between them. Having examined, synthesized and critically evaluated studies on pricing in the agricultural sector at the stage of its reform and the market-oriented agricultural model, the following theses have been formulated. A broad methodological and theoretical base for pricing is laid in classical works on economic theory. Although, there have been different trends, concepts, and schools within the issue. They can be classified according to two main and even alternative price theories: 1) labour theory of value and price; and 2) marginal utility theory. Their content is well-known and developed in many studies in economics. For the said reason we only note that currently, domestic scientists suggest various points of view on base and basis of pricing. Many of them argue that in the market system of economic management, regardless of its model and national characteristics, the law of value functions in all spheres and branches of the economy. *Results.* The author focuses on the peculiarities of pricing for agricultural products, considers the causes and consequences of a significant fluctuation in prices for certain types of products and shows an increasing influence on the pricing of foreign economic transactions and the concentration of agricultural production. It is concluded that agribusinesses strengthen their positions in pricing their products, which is proved by improving selling price variation in the context of individual producers and their groups. *The practical implication* of the results of the study is as follows applying in practice the suggested recommendations that allow providing a comprehensive definition of the factors affecting the price of agricultural products. *Value/originality.* Knowledge of theoretical foundations of pricing is one of the most important success factors in the practical application of experience. Very relevant is the analysis of numerous price strategies of foreign companies related to differences in the positioning of companies and goods, the speed of penetration of the national and the world markets, the formation of brands, relationships with competitors and consumers, systems of stimulation of demand and sale, movement of goods products, the ratio of wholesale and retail components of the sales complex.

Key words: selling price, agricultural products, agribusiness, price variation, price disparity.

JEL Classification: E30, D40, D46, Q10, Q13

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1. Introduction

In today's conditions, one of the most important social problems is the problem of economic growth of the country, which focuses on the attention of politicians and leading scholars of economic science.

The problem of ensuring high-quality economic development in Ukraine and in the world is gaining momentum due to the global exacerbation of socio-economic and financial problems. Indeed, the dynamics of economic growth gives us a description of the development of the national economy, its place on the international scene. On the basis of its data, there is an opportunity to draw conclusions: on the standard of living of the population, about how the problem related to the resource constraints are being solved. Support for economic development, its rates at an optimal and stable level, is among the main long-term goals of the government of any country in the world, as a part of its economic policy, which has been observed over the past decades.

In this regard, the emergence of functional studies that reflect the theoretical and practical aspects of ensuring sustainable economic growth and the development of agrarian production in Ukraine under present conditions are very timely and important in the scientific world.

Strengthening globalization processes, Ukraine's European integration in the direction of the EU, in particular, will contribute to the growth of exports of agricultural products. At the same time, the most pressing problem for the latter is the formation of a more efficient structure of export of agricultural products. First of all, it is about increasing the share of ready-to-eat products.

Economic growth and development in the agricultural sector as a sphere of the national economy and its primary production chains are determined by numerous conditions and factors. The driving forces of this process, mainly at the micro level, i.e. economic entities, are generally investigated. There is a system of internal (endogenous) factors affecting their economic development. The thesis that the latter is significantly influenced by a number of external (exogenous) factors, in particular, climatic and natural conditions in agriculture, is theoretically substantiated and practically proven. Apart from the above factors, the rest can be divided into political (political stability), legal (economic law), social, and economic. A system of these factors creates a macro environment, in which each production agristructure functions and correspondently its economic growth and development or its decline and even destruction (economic bankruptcy).

2. Pricing as an external influence on economic growth

An individual, an economic entity, is the dominant driving force of economic growth and development.

If he/she is an entrepreneur-business manager, his/her main goal is to obtain and maximize profits. "Economic interest in managing the agrarian sector," as notes P.T. Sabluk, "largely depends on external factors, which under market conditions radically changed the order of income generation in agribusinesses. The times demand to produce what can be sold and gain profits" (Sabluk, 2008).

The profit is ultimately determined by the difference between the product/service price and its cost price. As to the goods produced and offered for sale, for the seller of such goods, the "production costs" (cost price) component is fixed in a purchase and sale transaction. It is beyond the influence of both market counterparties. To achieve the desired profit, its increase at given market prices is possible only with a reduction in production costs and an increase in profit caused by such a reduction. In other words, with respect to the goods marketed, the market price is an external influence on the profitability of agribusinesses. An increase in profit, its maximization can be realized provided the highest possible price of the goods under the given market conditions and a specific act of selling the goods. But the market price may be reduced to a minimum level.

The minimum price for a particular product is the marginal price that covers production and selling costs (cost price). In this case, the return is zero. There are no profits at all. At lower prices, the production ceases to have its meaning, i.e. becomes unprofitable and the commodity producer is unable to carry out even simple reproduction.

Meanwhile, in terms of incentives for economic growth and development, the minimum price may ensure survival and further reduction in costs, profit-earning and an increase in profits as well. As to market prices, on the surface level, a number of concepts are used that somehow characterize them as: "reasonable", "low", "factory", "moderate", "acceptable" and so forth. It is quite obvious that prices should be theoretically substantiated and satisfies the "selfish" interests of the commodity producer and society, that is, promote economic growth and development of both the enterprises and the national economy. Considering the fact that in the market conditions production is aimed at gaining the profit, then any prices should ensure it for the producer.

For the reasons above, scientists and political economists have always had an undying interest in pricing. In this regard, however, "quantity has not transformed into quality." Neither in the past nor in the present has a single "theory of value and prices" been developed. Instead, there are different and even alternative points of view on this issue. It is a complex multi-vector and requires special fundamental, methodological, and theoretical research. It should be also taken into account that during the transformation from a centrally planned economy to a market economy, a number of works by Ukrainian scientists were devoted to the theory and practice of pricing.

That is why, in the context of the research area, the price is analysed only as an external influence on the profitability of agroproducers, and accordingly on the economic growth and development of individual agribusinesses and their aggregate (agriculture).

3. Analysing the pricing theories

In Soviet times, it was generally accepted that only the "labour" theory of value is scientifically substantiated. All the others are contrary to the market economy. Since the 90s of the last century, domestic scientists began introducing other approaches to determining the intrinsic substance of market prices. Let us distinguish the most typical of them.

The labour theory of value. Its supporters believe that no one has refuted the Marx's formula $c + v + m$. The cost of goods is determined by the costs of socially necessary labour ($c + v$), and the price must recover costs and ensure the surplus value (m). This is the requirement of an objective law of value, the violation of which leads to significant losses, up to halt to a business. The price should cover production costs, circulation costs, and provide every properly operating enterprise with required profit – the fundamental rule of a market economy that determines the feasibility of an enterprise in the market and in the industry. "Currently, the main issue that must be resolved is the compliance with the objective law of value." (Mesel-Veseliak, 2012) The intersectoral exchange, like any exchange process, is regulated by the law of value. However, a relation between the non-equivalence of the intersectoral exchange and the law of value is quite specific. The law of value stipulates that the sum of the prices of all goods to be exchanged must equal their social value. This equality cannot be realized at the level of an individual commodity, but when the goods are considered in the entirety of the exchange process, it becomes contingent and necessary in accordance with the law of large numbers (Valentynov, 2002). "The labour theory of value can be refuted by a theory that offers the substance of the prices common to all goods, which are weightier for abstract work and more closely related to the price. This, however, is not given" (Hosh, 2001).

The concept of market base and market prices: "The basis for pricing under market conditions is the ratio of product supply and demand" (Melnyk, 2009). The pricing is significantly influenced by "...the ratio of supply and demand for a certain type of goods" (Demediuk, 2013).

The multi-factor market pricing: "Under market conditions, prices for manufactured products are determined by supply and demand, quality, production and selling costs, and taxes and market charges. Finally, the price is a monetary reflection of the commodity value and its value for buyers." (Cherven, 2007) "The price of goods contains a conflict: it is almost

always low for the seller, and high for the buyer. Price harmonization takes place in the market and is based on the law of supply and demand, where the supply is based on the theory of labour value, and the demand – on the theory of marginal utility. The theory of labour value examines the problem from the producer's standpoint, and the theory of marginal utility – from the consumer's standpoint". (Stratehiia rozvytku ahrarnoho sektoru ekonomiky na period do 2020 roku, 2013).

The above gives grounds to conclude that there is no single theory of value and prices. The thesis that the labour theory of value is the only one scientifically substantiated theory, which was popular in the Soviet times, was proven to be wrong. Any of the theories are valid to some extent, and different pricing theories focus on different aspects of this complex process. Thus, the labour theory of value and prices emphasizes production costs ($c + v$). Scientists argue that the market compensates commodity producers for the public, not individual expenses, and non-equivalent exchange occurs only when the price of goods does not cover them and does not bring profit. Since individual expenses (cost price) in this sector are significantly differentiated in accordance with businesses, it is normal for the market economy when some businesses receive an excess profit (due to low cost compared to the public one), and some make no profit at all. The differentiated individual expenses encourage businesses to achieve social production costs and reduce them in order to obtain excess profit as a result of innovative development. And in this context, the market constantly encourages commodity producers to introduce scientific and technological advances in production and contributes to the development of the industry. Such pricing is typical for a competitive market, which provides an equivalent exchange based on the law of value, i.e. prices are formed at average costs. But with limited natural resources, e.g. agricultural land and its fertility, climatic conditions, more adverse business conditions in relation to the factors may be acceptable.

In other words, agricultural prices theoretically should be based on costs incurred in the worst lands. This is due to the fact that the land is a unique, space-limited resource, and there is land rent. That is, all parcels of land, except for the worst ones, bring excess profit. However, due to the difficulty in determining prices for agricultural products from the worst land, this idea has not been put into practice, and the prices are formed at average costs. The latter makes it difficult to solve the problem of disparity of price for agricultural products and material and technical resources entering the agriculture sector and requires to solve the disparity in its own way (Melnyk, 2016; Semenova, 2013, Stratehiia rozvytku ahrarnoho sektoru ekonomiky na period do 2020 roku, 2013).

But the said refers to highly competitive markets, where all its subjects gain profits on the difference between

the price of production and the average industry costs. If any subject of the agrarian market takes a monopoly or oligopolistic position, then he/she will take advantage of that position to dictate his/her terms to partners. The economic realization of the market monopoly is earning monopoly excess profit by using price factor. There are monopoly (oligopoly) high prices in the market of agricultural production means, and there are monopoly low purchasing prices in the agricultural market. In both cases, the agrarians incur the loss appropriated by their counterparts in those markets (Melnyk, 2016).

Summarizing numerous scientific approaches to the price base, we believe that each of them is worthy of attention, and all of them are mutually complementary. The study is not aimed at developing another approach to pricing. There is probably no need for it. We are rather interested in the practical aspect of pricing, namely: the market price at a given cost price determines the producer's profit, which is the main goal, the motivator of all economic entities involved. In terms of the law of value, each commodity producer with socially necessary expenses gains profit according to his/her average rate. Those whose expenses are lower gain excess profit, while those whose expenses are higher lose a share of the average profit. Such pricing and profitability correspond to market management principles and objective economic laws.

The above provision is implemented in the conditions of the free competition market, the so-called perfect market. Almost all domestic scientists have to admit that agrarians generally have the least market power in all markets and accordingly experience economic pressure in both markets: in the input market – from the enterprises of the first sphere of the agro-industrial complex, in the output market – from the third sphere, primarily mediators. In other words, agrarians, compared with other agrarian market participants, have less opportunity to defend their interests. As a consequence, the long-term non-equivalence of intersectoral relations within the agro-industrial complex often called “disparity or price discrepancy” is not in favour of the agricultural sector.

All domestic scientists agree that price disparity has an adverse influence on agriculture: poor material and technical base; reduced remuneration of labour; and suspended social development of rural areas. Prices for agricultural products do not reimburse their cost of production.

The specific losses in the industry referred to in works on economics are as follows. The agribusinesses lose 8.37 billion UAH of their average annual income because of price disparity, and the agricultural workers are underpaid 3.34 billion UAH because of disparity in remuneration of labour. The total lost profit accounts for 128 billion UAH, which also includes a reduction in budget financing (Sabluk, 2008; Semenova, 2013).

The price disparity in the agricultural sector can be caused by different reasons. They are generally caused

by special characteristics of the industry. An increase in non-equivalent intersectoral exchange can be explained by increasing dependence of agriculture on industries that buy its products and sell the means of production to it, as a result of a deeper social division of labour. Ultimately, inelastic demand for agricultural products is typical for the agricultural market. All of the above lead to price dictated from the enterprises of the first and third spheres of the agro-industrial complex.

Thus, the market mechanism, in the agrarian market where oligopolistic mediators dominate, leads to the fact that the agrarian producer loses profits or even suffers losses, and the mediators gain excess profit. That explains why for many years agriculture is actually on the verge of simple reproduction. The adverse influence of “price disparity” on the profitability of agribusinesses today is probably the most significant among the factors that hinder the agrarian sector from developing and contribute to its destruction. This applies to both economic and social components.

The accuracy of the data given can be disputed. After all, the case in hand is about a potential loss, and even according to their minimal estimate, annually the agrarians receive 40-50 billion UAH less, which is twice the amount of net profit earned by agribusinesses in 2014 (20.3 billion UAH). At best, prices for agricultural products provide a simple reproduction for most agribusinesses, which conflicts with the laws of the market economy. As a result, the money, which has not been received by peasants, is appropriated by other agrarian market participants (Melnyk, 2016).

In the final analysis, agriculture is one of the least profitable since the surplus value is to some extent appropriated by those who buy their products. Provided that there were equivalent exchange conditions, this could be avoided. Hence, the conclusion to be drawn is that the price factor of agribusiness profitability hinders its economic growth and development.

In a perfect market, the price of goods is close to its value. The more perfect the market, the more the commodity price is close to its value, and the profit to the surplus value.

Monopoly low prices or monopoly high prices are a means to calculate the latter, its free transfer by agricultural producers to the buyer, or to the seller who sells products to agricultural producers, that is, agricultural production means.

It should be noted that almost all agrarian economists argue that the agrarian market is imperfect. It is first of all about the non-equivalent intersectoral exchange and price disparity in agriculture from the first and third spheres of the agro-industrial complex.

Based on this, most scientists conclude that the experience of the developed countries and domestic practice show that the market economy does not provide such pricing in the agrarian market that would promote economic growth and development of agriculture.

Concerning the set of causes that explain the increasing discrepancy between prices for agricultural products and production resources for agriculture, scientists emphasize the relative disadvantage of agriculture, primarily due to high monopolization of allied industries. This forces agricultural commodity producers to accept prices that are formed in uneven distribution of market power. Other causes include: inelastic supply of agricultural products and demand for them; inequality between scientific and technological progress and increasing demand for agricultural products; high immobility of agricultural resources; inequality of the speed of capital circulation in various sectors (Valentynov, 2002).

“In market conditions, the profit regulates the production. It is the factors of long-term return of advanced capital and the profitability of current costs that measure the investment attractiveness of the specific industry. Agriculture belongs to the industries that are unable to accumulate capital and create excess profit. Due to slow capital turnover and dependence on climatic and weather conditions, agriculture is considered to be one of the riskiest industries. It is difficult to predict prices for products, amount of products and marginal costs for agribusinesses. The monopsonic structure of the market makes the situation more complicated. Having market power, processing and procurement enterprises exert a significant pressure on agricultural prices. Thus, the agrarian sector becomes non-competitive and unattractive for investment due to the lack of government regulatory measures aimed at agricultural price support” (Kozak, 2009).

Foreign and domestic practices clearly show that the agrarian market is far from the perfect. It is characterized by inelastic demand for agricultural products and, to a certain extent, their surplus (both absolute for developed countries and relative for prohibitive market prices due to low incomes of the population).

However, at least in theory, market conditions in any economic field and industry should ensure exchange equivalence. Otherwise, what was the reason to create an entrepreneurial and market environment for Ukrainian agriculture is to denationalize the latter. After all, in recent years, the vast majority of scientists suggest that government should intervene in market pricing mechanisms.

Thus, it is of significant practical importance to scientifically substantiate the objective necessity for the government to interfere in market pricing mechanisms in the agrarian market. It is evident that over the years since independence the agrarian market has been imperfect since it lacks for equivalent intersectoral relations. “The current agrarian market model formed over the last two decades makes it possible to provide tangible financial performance only to large producers – agrarian holdings. At the same time, small and medium-sized farms are not developed properly.” (Stratehiia

rozvytku ahrarnoho sektoru ekonomiky na period do 2020 roku, 2013) Due to imperfect intersectoral economic relations, the price mechanism in particular, over the last 15 years the industry has lost more than 600 billion UAH, which caused a significant decrease in funds channelled for its material and technical facilities and remuneration of labour, which are twice lower in the agriculture sector when compared to the industry.

The low profitability of most agribusinesses does not facilitate the key driving force of economic growth and development of agriculture – the satisfaction of the economic needs and interests of its subjects. It should be noted that most scientists, investigating the nature of the non-equivalent interchange exchange, consider it is a perennial problem of agriculture in market conditions and it is impossible to avoid it completely.

Now let us consider theoretically the market capacity to settle, provide equivalent intersectoral relations in agribusiness, and give an answer whether the state intervention in this process is objective.

4. Regulating the market for intersectoral relations in the agro-industrial complex

As we have already noted, most domestic scientists agree that objective economic law of value operates in agriculture as well, and, accordingly, its self-regulation. And this means that the price is based on the social cost of production and sale of goods. That is, market prices are formed on the basis of the law of value, which is the law of prices. And here, as the scientists rightly believe, it is important to determine what costs are involved since in practice individual expenses, especially in agriculture, differ significantly in the industry. They can be divided into three groups for convenience: high; average; and low. According to the labour theory of value (and it is logical), the market price should compensate for the costs incurred in socially normal production conditions, with an average level of technical and technological equipment, professional skills, and the average intensity of labour. Such costs are more or less in line with the economic units that currently produce most of the products. But even common sense and logic give grounds to assert that for the seller the commodity price, with all price manipulation, has a lower limit – the costs of production. Moreover, the commodity producer has not only to reimburse the costs incurred. His/her activity is aimed at gaining a profit. The buyer, who creates the demand, is primarily interested in the “marginal utility” of the product and, of course, he/she considers his/her ability to pay. Any commodity producer, therefore, will fail to reproduce even simple production, if the market price does not constantly compensate for it. In this case, the following are possible: 1) incomplete reproduction; 2) production specialization change; 3) economic bankruptcy. That is, the case in hand is the decline and destruction of a certain type or branch of production (Melnyk, 2016).

The development of the productive forces is accompanied by significant shifts in the production structure. Certain types of production are reduced and even completely replaced by others (for example, ironmaking and steelmaking are largely replaced by plastic and ceramics). However, it is impossible to imagine the suspension of production in the agriculture sector, where products of vital importance and raw materials for many processing enterprises are produced. Theoretically, the world division of labour makes it possible for small countries, for example, Iceland. For most countries of the world, mass imports are issues of food and economic security, a demand for considerable funds.

If agriculture is considered within the national economy of those countries, in which it is the main agricultural producer, the massive bankruptcy of agribusinesses without government intervention would inevitably lead to an increase in prices to a level of sufficient profitability (subject to socially necessary costs). Market conditions would naturally increase the concentration, centralization, and integration of production and reduce the public spending. The whole society would benefit from this, but there would be a significant decrease in the number of economic entities. Therefore, now most of the Western countries support small- and medium-sized farms, as discussed above.

A rather different situation is observed in Ukraine. The government support is insufficient. The rural households survive due to their mostly subsistence consumption character. In the sector of agricultural enterprises, expenses are compensated for about 9/10 agribusinesses. Others are satisfied with relatively low profitability, and every tenth enterprise is unprofitable. In the end, all this significantly hinders the economic growth and development of agriculture.

Thereby, settling parity intersectoral relations in the agro-industrial complex is a pressing issue. It requires to develop ways to activate the main factor that affects the profitability of agribusinesses, and thereby their main economic goal achievement. Science and practice have proved that in current conditions one of the most accessible is free competition market relations, and accordingly spontaneous self-organization. However, as it has been already noted, this option is not used in almost all countries with developed market economies. Agriculture is regulated both by the market and by the state. How exactly it is sufficiently covered in many economic works. In particular, back in the late 90s of the last century, S. Demianenko noted that now more and more economists abandon themselves to the idea that it is quite difficult to reach price parity, and in general, its expediency is questionable. And with it, significant shortcomings of the concept of price parity are emphasized.

Therefore, now most Western economists incline to two other concepts of equalization of production

opportunities in agriculture and other industries. These are the concepts of income parity and resource parity, which currently are the most popular in agrarian policy.

The concept of income parity provides that in agriculture, net profit and profitability (the share of profit in the price of agricultural products) should be the same as in other economic sectors.

The concept of resource parity lies in the fact that agriculture should ensure the same resource efficiency as non-agricultural sectors. First of all, it is meant the resource productivity and production optimization, at which resources would be optimally (in terms of resource allocation between different sectors of the national economy) involved in the production.

The national agrarian policy should be based on the parity of incomes between agricultural producers and workers in other sectors, as well as the resource productivity parity. This means a retreat from the concept of agricultural and industrial price parity.

The concept of income parity is much broader than the concept of price parity. It consists in equalizing the incomes of agricultural workers with the incomes of workers in other sectors and provides for a set of measures aimed at achieving that, including maintaining prices for industrial resources for agriculture, subsidizing certain types of agricultural products (in particular livestock), creating a favourable tax climate for agrarian enterprises, and improving social living conditions in rural areas. The implementation of the concept of income parity will increase the incomes of agricultural producers (which are now half as low as the national average) and balance the development of the agrarian sector as well (Demianenko, 1998).

The issues of state regulation of prices and incomes in Ukraine should neither be underestimated nor overestimated. At least since independence, it has been very problematic. Let us consider what agribusinesses themselves can do in the current marketing environment in Ukraine.

To answer the question posed, the agricultural market has been analysed (Table 1).

As can be seen from the table, in 2015, "other channels" account for the lion's share of agricultural products, – 86.0%. And it has significantly increased over the last 20 years. Only 2.0% was sold in the market.

This raises the question about what the most economically significant agricultural product sale, – "other channels" include. It should be noted that in 1990, there were no "other channels" for any of the products except for grain and leguminous crops (3.2%) and eggs (0.2%). Who personifies this "encoded" agricultural sale channel, that is, who buys the agricultural products? The scientists give an unambiguous answer to this question – various mediatory structures, grain traders in particular. Concerning the latter, economists believe that the largest grain traders in the Ukrainian and foreign markets occupied their niche long ago, and still hold

Table 1

The structure of the main agricultural products sold by Ukrainian agribusinesses according to sale channels (as a percentage of total sales)

Types of products	To processing enterprises		To shareholders		To population as remuneration of labour		In the market		Other channels	
	1990	2014	1990	2014	1990	2014	1990	2014	1990	2014
Grain and leguminous crops	80.4	3.3	-	4.7	13.2	0.2	3.2	3.1	3.2	88.7
Oil crops	98.9	6.1	-	0.3	0.8	-	0.3	2.0	-	91.6
Sugar beet	100.0	93.6	-	-	-	-	-	-	-	6.4
Livestock and poultry (live weight)	94.8	23.5	-	0.1	3.3	0.3	1.8	16.6	0.1	68.8
Milk and dairy products	99.1	94.9	-	-	0.8	0.1	0.1	1.3	-	3.7
Eggs	98.1	3.5	-	-	0.4	0.2	1.3	14.5	0.2	81.8

Source: (Statystychnyj zbirnyk "Silske hospodarstvo Ukrainy" za 2015 rik, 2016)

their positions. According to the Ukrainian Agrarian Confederation, the top three grain traders provided about 38% of exports, and the top seven – about 3/4 of Ukraine's total grain exports.

International trader representatives remain the largest exporters of Ukraine's grains (Serna PE, Louis Dreyfus Commodities Ukraine Ltd, Suntrade AC, Kernel Trade LLC, Alfred C. Toepfer Ukraine LLC, etc.), and among the companies with domestic capital, the largest are Agroexport and Adora. Of the 600 companies exporting grain, the largest accounts for about 60-70% of the shipped grain. The total number of exporters is practically unchanged over the years. Most of them are in Kyiv, Odesa, Mykolaiv, and Kherson regions.

Domestic grain traders made a significant impact on the production and sale of grain, focusing on exports, they actively developed their trade infrastructure by creating regional grain elevator networks and investing in domestic port facilities. Due to private investment, grain exports from 2003 to 2010 grew from 6 million tons to 36 million tons (Vlasenko, 2015).

The vast majority of scientists criticize the dominance of mediators in the agricultural product market (Table 2).

Some researchers rightly believe that one should not absolutize mediator malpractice in the agricultural products market. That is, in a more general approach to the problem, mediation should not be perceived only as a negative phenomenon. After all, the presence of mediators is typical for a market economy as a whole, at all stages of its development. As is generally known, almost all trade performs such a role, once separated from the industry. And this is beneficial to both sectors and their primary structures. The agrarians also will benefit from specializing in direct production and transferring such functions as transportation, storage, processing, and sale of products that require funds, time, and professional skills to mediatory structures. The latter have the opportunity to obtain "economy of scale" in selling products since they serve many agricultural producers, they have the opportunity to thoroughly study the market situation, use marketing structures, and minimize transaction costs.

Table 2

The assessment of mediatory structures in the agricultural product market by domestic scientists

Author	Interpretation
M.V. Zubets	"Currently, the domestic market is mainly controlled by mediatory structures, whose main purpose is to pay as cheap as possible for the grown produce to the agricultural producer when buying and sell as expensive as possible to the consumer. This leads to the impoverishment of agricultural producers, buyers are unable to buy products at high prices. This results in artificial overproduction and creates an opportunity for a mediator to export the products. Such actions nullify almost all the government efforts to support the agricultural sector, and most importantly, the absence of market self-regulation since the results of the supply and demand interaction, in this case, are reaped by mediators" (Zubets, 2007)
V.Ya. Mesel-Veseliak	"... various trader formations, which undertook to sell agricultural products. They set purchase prices which are not for benefit of agrarians, trade in the world market and appropriate all the earnings" (Mesel-Veseliak, 2009)
M.O. Pohoretskyi	"... the domestic agricultural commodity producer leaves it to mediators to deliver products to the ultimate consumer. The mediators often take advantage of that, setting a very high margin between the purchase price and the selling price. Ultimately, the consumer receives products at excessively high prices, and the mediator becomes the most profitable participant in the market, producing nothing and spending very little. The government must solve this problem by constantly influencing the mediatory structures and issuing relevant laws" (Pohoretskyi, 2013)
P.T. Sabluk	"An analysis of export selling prices shows that at the export stage up to 70% of the total revenues from the sale of agricultural products in the world market are formed, and expenditures at this stage in most types of products do not exceed 20%" (Sabluk, 2011)

Source: summarized by the author

The most important thing for direct agricultural producers is to get a fair price for their products. But in Ukraine, mediators dictate prices to them, i.e. establish a monopoly low level (Melnyk, 2016).

5. Conclusions

Thus, a branched commercial mediator system has been created in Ukraine's agricultural market. They wedged themselves in between agricultural producers and ultimate consumers. Such mediators are not superfluous since they are engaged in moving products from the producer to the ultimate consumer. Under certain conditions, the mediator is beneficial for the producer, the ultimate consumer and society provided they conduct a proper price policy in respect of both their counterparties. To date, "...a rather branched and practically uncontrolled commercial mediator system has wedged in the market turnover mechanism. Thus, agrarian products move as follows: the agrarian enterprise – the mediator – the ultimate consumer ... Therefore, the price formed in this way is virtually unprofitable for agrarians and production becomes unprofitable. But the mediator buys the product for a song (the cost price is higher than the offered price) and sells it to the ultimate consumer at the price, which provides the mediator with high profit. So, the market mechanism can be represented as follows: the agribusiness – losses; the mediator – excess profits; the processing enterprise – profits; the ultimate consumer. Thus, losses incurred by the agribusiness are transformed into excess profits gained by the mediator and profits made by the processing enterprise ... Their participation in the agrarian market is determined by the algorithm: to buy as cheap as possible to sell as expensive as possible" (Khorunzhyj, 2011).

It should be noted that there is no official data on the excess profits gained by agrarian market mediators. Accordingly, it is impossible to accurately determine losses born by agribusinesses as a result of not selling their products to the ultimate consumer by themselves. Losses from price disparity can only be hypothesized.

The above refers to all agrarians: "Agricultural producers do not have direct access to the market since the market is shared primarily by mediatory structures that operate according to non-transparent schemes for selling food products" (Kotkalova, 2010).

Under such conditions, it is urgent to use all possible directions, mechanisms, and levers to ensure that agricultural producers directly participate in the entire food chain to move their products to the ultimate consumer. How exactly? It is well-known that this requires handling costs, from transportation, storage, reprocessing, and processing of agricultural products to the formation of trade and logistics infrastructure, the construction of grain elevators and port facilities, commodity exchanges, auctions, and formal markets.

It is clear that producers take risks and bear possible losses when storing products. The agrarian market eventually becomes more transparent and predictable for all its participants.

The above gives grounds to conclude that in the current economic conditions, most agricultural enterprises do not sell their products directly to domestic ultimate consumers, not to mention foreign consumers. This is due to many reasons. The main of them are: lack of common facilities for agribusinesses to use when moving their products from the producer to the ultimate consumer. It is primarily about different types of cooperatives, common grain elevators, processing enterprises, wholesale markets, firms, and so on. In selling products to processing enterprises, it is important to establish long-lasting and mutually beneficial relationships between agrarians and processors. It is important to compensate socially necessary expenses to agricultural enterprises and a normal profit gained by them, in other words, to obtain mutual maximum benefits by each of the participants.

Creating these conditions does not exclude the presence of mediators in the agrarian market. But they will have to act in a competitive environment. This will significantly decrease the government regulation and support of market prices. Is it possible for individual agricultural producers to sell products to the ultimate consumer? It is probably possible only for those who have reached production overconcentration, agri-holdings in particular. The others need to join their efforts to implement those functions that are currently performed by mediators.

The experience of economically developed countries gives grounds to assert that one of the effective ways to reach the ultimate consumer is to create "own mediators", as a rule, non-profit ones. Such mediators also act in the agrarian market according to the algorithm: "to buy as cheap as possible to sell as expensive as possible", for example, supply and marketing cooperatives. But such savings are distributed among the cooperative members. Other ways for the producer to directly access the ultimate consumer or processing enterprise are also important.

In Ukraine, the cooperative movement has not developed properly due to the negative impact of objective and subjective reasons. Currently, the following directions are deemed as the most actual (for more or less large-scale agribusinesses). First, to create joint ventures to develop an extensive network to perform certain functions in the supply chain from the producer to the ultimate consumer. For example, the construction of joint warehouses, elevators for storage of products. Domestic scientists have repeatedly pointed to the fact that, for example, the effectiveness of grain production is affected by a term of realization. Agribusinesses that do not have warehouses (elevators) for storing grain are forced to sell their products in July-August when grain prices are sharply reduced due to an

increase in supply. Agribusinesses that have their own elevators and enough working capital can sell grain, soya beans, and sunflower seeds in January-June when prices are high. Therefore, for lack of elevator capacities in Ukraine, it is advisable to have own granary in order to increase profitability in the production of grain, soya beans, rapeseed, sunflower seeds.

An agribusiness project provides for the construction of an elevator with a capacity of 40 thousand tons. In addition to drying and storing own grain, the business may provide such services to other agribusinesses, which will provide extra earning and improve return on investment in the elevator (Ilchuk, 2015).

Secondly, an important direction in diminishing agricultural price disparity is to build an effective contractual system, conclude long-term contracts (on a long-term basis) as to the amount, quality, terms and, most importantly, the price. It is clear that the latter is the principal and most controversial item of the contract as both counterparts have opposite interests.

The practice of relations between agricultural producers and buyers of agricultural products indicate the lack of an effective contractual system that would guarantee reduction of risks for buyers and sellers, timely payment and would be a medium to avoid bankruptcy and sale of non-profitable companies. The problem can be solved by developing an appropriate legislative framework for concluding, maintaining, and executing contracts, bearing responsibility for non-fulfilment of contractual obligations and protecting the party whose rights have been violated.

Overseas experience confirms the importance of a contractual system for marketing agricultural products. For example, in the USA 90% of broilers, up to 30% of veal, and a quarter of all wholesale trade are sold in accordance with contractual relations between the producer and the supplier, with clearly defined volume and cost of production. Such measures make product quality control more effective and the market situation more predictable for all its operators (Hura, 2013).

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