

STRATEGY FOR THE PROTECTION OF PUBLIC INTERESTS  
IN ORDER TO ENSURE FOOD SECURITY OF UKRAINE

**Annotation**

*The nature, elements and importance of food subcomplex in ensuring food security of a state are defined. The strategy for the protection of public interest in regards to the food security of Ukraine is grounded.*

**Keywords:** state interest, food safety, food subcomplex, strategy, territorial structure.

**Анотація**

*Визначено сутність, складові та значення продовольчого підкомплексу у забезпеченні продо-вольчої безпеки країни. Обґрунтовано стратегію захисту державних інтересів для забезпечення продовольчої безпеки України.*

**Ключові слова:** державний інтерес, продовольча безпека, продовольчий підкомплекс, стратегія, територіальна структура.

**Аннотация**

*Определена сущность, составляющие и значение продовольственного подкомплекса в обеспечении продовольственной безопасности страны. Обосновано стратегию защиты государственных интересов для обеспечения продовольственной безопасности Украины.*

**Ключевые слова:** государственный интерес, продовольственная безопасность, продовольст-венный подкомплекс, стратегия, территориальная структура.

**Introduction**

Food sub complex is a complicated system of closely related to each other sectors that are involved in the production and sale of food. However, one should specify that the pace and level of effectiveness of its development in recent years is insufficient. This, of course, inhibits the solution of the current economic and social problems. Analysis of the food sub complex shows that in our country, unfortunately, there are significant deficiencies in virtually all of its verticals (and this applies to raw materials and processing, and trading their constituents), insufficient volume of sales of finished products and relatively low levels of return operation. In addition, the production of most food products is not sufficiently resistant and unable to provide adequate levels of consumption per one person of population.

**Analysis of resent research**

The specialty of the development of the food sub complex are in sight of many domestic scholars, among whom may be called V. Andreychuk, P. Haydutskoh, I. Demchick, O. Oleinik, P. Sabluk O. Shebanina and others. But so far neither components nor strategy in this sector are clearly defined.

The problem of ensuring food security is the focus of a large number of scientists, including L. Abalkin, E. Borisenko, O. Varchenko, V. Geys, O. Hoychuk, S. Demyanenko, A. Kochetkov, R. Markov, P. Sabluk, I. Sviderska, O. Shebanina. However, some related issues are still not fully explored.

**Statement of research objectives**

- to determine the nature, elements and importance of the food sub complex in ensuring food security;
- to justify the strategy for the protection of public interest for the food security of Ukraine.

**Results**

Food sub complex, in our opinion, should be approached by several ways: first – as the organizational structure of the interacting elements (producers, buyers, infrastructure and the state – in the face of federal and regional governments), and secondly – as a regulated economic system because from the stability of food production, handling of economic and organizational processes an achievement of the main goal – the provision of domestic food production in sufficient quantity, range and quality depends on.

The food sub complex is one of the most important areas of our country. It is the main source of satisfaction of most basic daily human needs as it provides the population of Ukraine with the third of the total social product.

The main elements of the food sub complex are the agricultural enterprises of different ownership and management types, enterprises of manufacturing and food processing and market infrastructure. Therefore, the food sub complex is a union of several groups of business entities: 1) customers, which are represented by the food industry enterprises, procurement organizations engaged in the operation of the purchase, storage and supply of food to the federal and regional funds, wholesale trade firms, retail firms 2) production units of various forms of ownership and management, farmers and their associations, individual peasant farms, and 3) market infrastructure, including enterprise network of trade (exchange, wholesale markets, auctions, fairs), financial institutions (banks, insurance companies, investment funds), organizations of service and support purposes (marketing, consulting, legal, supply).

To the food sub complex, according to A. Shebanin [9, p. 12], must be accounted its following structures: spherical (by groups of sectors), functional, sectoral and territorial. Speaking of the spherical structure of a food sub complex it should be specified that there is no single point of view on it in the economic literature yet.

Various authors, while considering the food subcomplex, offer far different opinions towards its structure. For example, T. Pepa [6, p. 189] distinguishes the following four areas in this sector: 1) industries producing capital goods for agricultural and manufacturing sectors, as well as for the food industry, 2) agriculture, 3) processing and food industry, and 4) infrastructural formations which are serving the second and third components of the sub complex. But, in our opinion, the mentioned approach does not allow us to clearly define the limits of food sub complex.

Some researchers define the food sub complex as a set of four sub components:

1) agriculture (other than the manufacture of non-food raw materials) and other activities for the production of food resources (fisheries, mineral water, use of food resources of the forest, salt industry);

2) processing industry;

3) production infrastructure – a set of industries that provide the conditions of the production

process (cargo transport, wholesale trade, electricity, gas and water supply, refrigeration, storage and packaged industry, technical and reclamation services, marketing services, rent, lease);

4) food trade.

In our opinion, the limits of the food sub complex should be restricted to industries and manufactures which are directly combined with the production of food products and bringing them to the consumer and providing the necessary resources.

In regards to the functional and branch function of the structure of food sub complex it should be specified that it reflects the relationship between groups of firms that perform different functions. It includes a number of links that consistently operate in the process of expanded reproduction. Being united vertically, they form the food (grocery) vertical, the totality of which forms the functional branch of the structure [9, p. 15-16].

Food sub complex from the functional and industrial point of view consists of a large number of product verticals, which include agricultural, processing and trading units which are engaged in cultivation of this type of raw material, processing and sale of finished products. These verticals are: grain-, potatoes-, sugar-, wine-, vegetables-, dairy-, meat-, oil and fat- and others branches of agricultural industry.

Speaking about the territorial structure of the sub complex, it should be indicated that it is based on the territorial division of labor. In the economic literature national economic, regional, district and local (within one or more towns) territorial contours are distinguished. It is based on economic regionalization and administrative divisions of the country.

In fact, food subsector is being represented by a set of branches which are associated with the production, storage, transportation, refining, processing, wholesaling and retail, as well as relevant services. The subjects of this sub sector are entities and enterprise of all legal forms which activity is connected with the production of goods (services), its storage, processing and marketing, logistics and providing service.

In particular, the food industry is represented by a set of industries that produce and bring the identical intended food products to the consumers. Thanks to its development appropriate changes in both production and consumption of food are

provided. That is food industry that is engaged in processing of primary agricultural products.

We believe that the attention deserves the proposed by E.V. Sklyar [8, p. 7] classification of cereals by the criterion of allocation of raw materials, which are divided into the following four groups: first – the branches that produce food products with a limited life (bread and bakery products, dairy products, etc..) second – the branches that are situated in almost every regional or district center (meat, milk, flour), the third – the branches that transform raw materials (vegetables and fruits), the fourth – the branches which are developing in some particular areas (salt, fish, tea).

Food sub complex has its own specific features, namely a significant impact of soil and climatic conditions; noticeable fluctuation of the levels of crop yields and the total volumes of production and consumption of agricultural products; inelastic demand for food (in the first place – bread and cereal products, potatoes and some others), relatively small terms of shelf life of most food products.

This exact complex differs from other complexes in agriculture by the specific set of products that serve as the basis for different product verticals. In addition, in this sub complex very needed to the population food products are being produced. And without those a normal life is practically impossible.

In relations that are developing between actors in the food sub sector, there are the following main types of economic relations between them: 1) producers of different types of ownership (including private farms) which on the basis of direct ties implement agricultural commodity of food industry and the food itself via wholesale and retail trade or through its own sales network and direct to local markets, 2) creation from the side of the producers of corresponding elements of market infrastructure (wholesale and small wholesale markets, supply and marketing, service and other co-operatives), by which not only the produced products are being sold and the supply of the agricultural and industrial entities of the sub complex with all necessary means of production is accomplished, but also giving them a variety of industrial, scientific and technical services along with the storage possibilities, and 3) companies and farmers associations are selling large batches of food (primarily – grains, sunflower seeds) with the help of regional or interregional specialized stock markets, 4) the relations of commodity

producers and the state in the matters of sale of food products are built through contractual system on the open competitive basis.

Food sub complex of the country should ensure its food security, which is the most important task of each state. Ensuring food security is a guarantee of independence, an important condition for the stability of society.

Inherent task of any country is in satisfying the needs of its population in food products with the help of scientifically based physiological regulation. Thus, it is essential to increase the production of high quality food products and to improve their balance.

Ensuring food security can be achieved through sustainable and effective development of agricultural production. The base for it should serve the introduction of advanced technologies. Urgent task of the food sub complex is in developing a strategy for food security.

Unfortunately, in the economic literature there is not even a single, universally accepted definition of the essence of food security. For example, E. Borisenko [1] defines food security as the supply of the population with their own agricultural and food products using a strategy of agricultural protectionism. A. N. Varchenko [2] underlines that the food safety is an officially adopted in international practice concept which is being used to describe the condition of the food market of the country or group of countries and also the world market overall.

It should be pointed out that in the economic literature there are other opinions on food security. They can be grouped into the following approaches:

1) consideration of food security as the level of supply of the country with the food products of domestic manufacture;

2) satisfaction of the needs of the population with all food products (both domestic and imported);

3) implementation of two criteria: the presence in the food market of the country of such a number of food products which is sufficient to maintain a healthy way of living; the availability of these products for completely for all social groups of the population [186, p. 7].

In our opinion, the most accepted definitions of the above stated food security is the one which was proposed by A. Shebanin, O. Kochetkov and R. Markov for the characterization of the state of food security offer to apply these two criteria: the

equilibrium of the market quantity of food should not exceed the minimum need for food for the whole population; the cost of the required ration at market prices should be lower than the incomes of all segments of the population [4].

The state of food security in each country is characterized by the following components: the presence of food in the required range any time throughout the country; income levels of different population groups in all regions of the country, which allow them to buy food products even under the minimum rate of consumption; the prevention of production, sales and consumption of low-quality products that are harmful for human health.

By taking over the world food markets, leading countries at the same time care for maintaining their own high-level self-sufficiency: the United States and France – over 100 %, Germany – 93 %, Italy – 78 %, and even Japan, which is poorly fertile with soils – 40 %, Russia – 67 % [3].

Under the conditions of globalization external factors make a great contribution on the state of food security, which is being managed internationally. The results of a study showed that the economic situation in agriculture of Ukraine is deteriorated as a result of its accession to the WTO. According to the requirements of the organization, state support of agriculture and the level of customs and tariff protection in Ukraine are much lower than in European countries, which puts into question the fairness of the existing world agricultural order [7].

Ensuring food security of any country is primarily connected to the proper development of agriculture, without which it is practically impossible to achieve a reduction in imports of food products and to eliminate the crisis in agriculture. According to the project «Integrated program for the support of the development of the Ukrainian village until 2015» agricultural potential is the basis of growth of national income and ensuring food security of a state. The agricultural sector provides food security and food sovereignty of the country, forming 17-18 % of its gross domestic product [5].

An important role in solving the food problem has the food industry, which is the final stage of food production and ensuring the effective functioning of the food under sub complex of the agriculture.

Speaking of food safety, one must specify that the food consumed by the population of the country and its every region must be environmentally safe.

An essential element in reaching that result is providing an appropriate level of responsibility of managers, professionals and each employee.

The main factors which are affecting food security are: the lack of investment funds spent on rural development, and as a result – insufficient introduction of new technologies and techniques in the fields of food sub complex; weak protection of domestic market from the expansion from the side of other countries and the emergence of dependence of separate groups of food products on imports; discriminatory pricing, tax and credit policy (the lack of incentives and subsidies for agricultural producers, food aid to vulnerable populations).

The current state of economy of Ukraine determines the particular relevance of the state in ensuring food security. Moreover, the purposeful activity for our country in this field is necessary. This is due to the fact that Ukraine had experienced difficult times and entered an era when its mechanism of financial and economic regulation of trade flows when the new stratum of society – the owners was formed. The problem of food security for Ukraine is fundamental.

In order to achieve success in ensuring food security the state should implement appropriate support for producers of agricultural and food products, and develop governmental programs for the regulation of food sub complex, financial and monetary policy, taxation and insurance policies. As the world practice shows, only the state may conduct an independent policy in the development of the market food products and be able to provide its populations with food products.

Food security can only be ensured by the country which is able to handle this issue without external supply of food products. In order to ensure the food independence every state should increase its economic potential and increase the efficiency of agriculture.

### **Conclusions**

In order to ensure food security, Ukraine needs a strategy for the protection of state interests such as social stability, meeting the nutritional requirements, independence of imports, the development of domestic production of food products, the creation of reserves to stabilize the food supply. The state must meet the needs of the population for food, which is achieved by providing a certain level of domestic production or full self-sufficiency.

According to the experience of developed countries, Ukraine should develop a system of targeted food aid. In particular, low-income

families with many children and the disabled can be provided with vouchers to purchase food, free lunches and school breakfasts, meals in kindergartens. In addition, regional authorities should work to stimulate demand by providing information about prices and quality of local production. The state should regulate the advertisement market, thereby helping local agricultural companies in the organization of the broadcasting of their services and products being produced.

The mechanism of ensuring food security is a set of organizational forms and economic methods, interconnected at the international, national and regional levels in a single mechanism that is regulated by legal norms, which allows the

state to stabilize the level of food security.

Since each individual region of the country has its own characteristics, the mechanism of ensuring food security in it is, of course, different. Moreover, the strategy of ensuring food security of each particular region should take into account its entire specific features and focus on socio-economic situation and economic opportunities. During the development of this strategy the right analysis of indicators which are reflecting the region's food security and the requirements for its food self-sufficiency are ought to be fixed by law. From the way how the food security in each separate region is being conducted the food security of a whole state depends on it.

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