

Секция - Экономика, организация и управление предприятиями

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## **REGULATORY POLICY ON GRAIN MARKET**

The grain market in Ukraine is developing unsystematically in modern conditions, and it gives reasons to consider grain production to be risky in terms of finance and economy. The most unstable sphere is grain production which is influenced by a number of factors and it produces from 20 to 50 million tons per year. The researches also show the lack of organization and regulation of this market, insufficient coordination of legislation of Ukraine, absence of developed logistic system, poor diversification and monopolization of grain ill channels etc. All these features exist despite the fact that grain is product which forms both food security of the country and balance on the world grain market.

Therefore, the efficiency and predictability of the state regulation market is the objective prerequisite of its efficient operation. The strategic approach to the state regulation of grain market and the improvement of legislation can improve the effectiveness of the performance of all agents of this market.

It is a well-known fact that there is no uncontrolled market in the world at the present stage of the development of the society. Every country directs their efforts at elaborating measures to correct the market mechanism which could help to minimize destructive forces at the same time keeping its positive features. State regulation of the economy is the efficient compensation of negative influence of the market mechanism and prevention of negative social and economic consequences. The experience of countries with advanced

economies proves that state regulation is an integral part of modern market: a country influences the process of supply and demand self-regulation in the interests of farm producers and the country as a whole.

There are such directions of state support of agricultural production as:

- pricing policy,
- taxation,
- budget support,
- credit backing,
- customs tariff regulation,
- promotion of insurance,
- government's guarantees concerning investment by foreign organizations,
- ensuring profitability of national farm producers,
- formation of equal conditions of competition with foreign producers.

Today price regulation is made mainly by administrative actions such as export restrictions for corn (embargos, quota, and licenses), profitability restriction of flour production, bread and bakery products.

In its turn, the use of administrative regulation misrepresents the situation on the corn market as it leads to the income decrease and losses of the market participants, deepening of the misbalance in income distribution, causing market failures, which again need administrative regulation. Besides, discrepant actions, and unexpected for the market participants measures do harm to the country's reputation on the world grain market. In the long-run the Ukrainian exporters will have to restore the lost positions on the world market and the state will need to renew the trust of the market participants.

The state regulation of grain market is the system of economic, financial,, legal, organizational and social measures which are undertaken by the country to provide the efficient and the stable development of the market and to provide: people with high-quality grain products at reasonable prices.

The state grain market policy is regulated by the Law of Ukraine "About Grain and the Grain Market of Ukraine". This Law is directed at creating the legal, economic and organizational conditions for competitive production and forming grain market to meet the country's needs in food, seed and feed, to increase its export potential.

The state regulation of the economy should be balanced, without replacing the market mechanism, but complementing it only within actions of the economic market laws via checked by the world practice economic and legal levers such as prices, interest rates, tariffs, taxes, credits, securities, depreciation policy, benefits, state order and contract, reserves, subsidies, state duties.

Thus, the combination of the principles of free price formation with the economic regulation by the country that is supposed to provide the price equality among grain manufacturers, inputs providers, processors, traders, sellers is an important direction of the state regulation. In the present situation grain manufacturers are in the worst condition as the production costs are growing irresistibly, the prices are low; the efficiency is reducing, so the economic interest in grain production is being lost. This means that the present regulation leads to reducing consumer prices without taking into account the needs of grain producers. The experience of the developed countries proves that the developed pricing mechanisms, should not only protect customers' interests, but ensure certain level of profitability for producers.

Taking into consideration the indisputable role of grain production in food security of the country, it is necessary to harmoniously combine free market mechanism with the state regulation which is based on economic, financial, legal, organizational and social measures.