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## **Agrarian Transformations in the Countries of EU: Experience for Ukraine**

### **STATEMENT OF THE PROBLEM**

For the development mechanism for the revival of agriculture is important to consider the European experience of revival. Due to various conditions of development European practice of revival is different. Identifying common processes of revival in different countries, we highlight some of its features, and experience of revival on objects of different historical times and scales we consider in view of the provisions that can be used in carrying out effective reforms in agriculture under conditions of market economy.

### **ANALYSIS OF RECENT RESEARCH AND PUBLICATIONS**

Well known scientific public the publications reputable foreign researchers on agricultural transformation and the establishment of a new agricultural policy, especially labors of: L. Balcerowicz, J. Kornai, T. Morita, J. Van Ata, M. Tracy, P. Matthew, R. Friedman, J. Sachs, K. Ksani, F. Topchak et al.

However, the vast majority of economic and organizational problems for remains open.

The purpose of the article is the study of foreign experience of agricultural economics in the EU and its possible use in Ukraine.

### **THE MAIN MATERIAL**

Rural development policy in the EU carried out within the structural policy and the Common Agricultural Policy (CAP).

It was formed and operates on the foundation and framework of regional, primarily structural, policy. CAP EU in the broadest sense – direction of EU general policy aims to:

- Improving administrative relations between the institutions and entities in agriculture;
- Adoption of cost-effective and efficient regulations that enhance the competitiveness of EU agriculture and rural development;
- Improvement of legal regulation of relations in the agricultural sector;
- Promoting further liberalization of EU agriculture in line with WTO requirements.

The European experience of regulation of agricultural development proves the high quality of regulatory policy, which manifests itself not only weakened the taxation of business entities, but also in the developed and diversified system of subsidizing, backing and reimbursements for insurance of agricultural activities. In particular, the program ARiMR (Agency for Restructuring and Modernization of Agriculture) shall pay subsidies on agricultural land (basic subsidy per hectare is 125 euros per year payments structural pensions (its pay when a farmer 55 years old, such as having a 20 ha farmland is 500 euros per month), subsidies low-commodity farms (1250 per year for each household) etc. [Chebotarev, 2007, p. 142–148].

Developed countries are actively subsidize agriculture also for reasons of food security and minimize the threat of excessive migration of rural population to the cities and abroad and more. The value of these subsidies is in the EU – an average of 50% of the agricultural products, in Switzerland – 82%. According to available estimates nearly 75% of agricultural products sold in the domestic market of the EU, is the subject to government support measures [Sabluk, 2005, p. 4–12].

In some EU countries the share of public spending in support of national agricultural production equals the share of agriculture in GDP or even exceeds it. These countries include, in particular, sufficiently economically developed Austria. In some states the percentage of public spending on agriculture in GDP amounts to 4,1%.

Against this backdrop, Ukraine (where the share of rural population in excess of 30%) features low agricultural support. As of 2010 its capacity was 0,22% of GDP, while the contribution of agriculture to GDP was 9,3% (in the EU, around 4%). Thus there is a „wasting” even these funds through the existing disparity in the prices of industrial products that are consumed in agriculture and agricultural prices. The system of national government support of the agricultural sector is characterized by imperfect and opacity of forms and mechanisms preferences. Support is provided primarily agricultural enterprises and farms and private farms practically not feel it.

Stability of the EU agricultural sector also provides a specialized system of agricultural credit and insurance. It is based on the activities of the specialized agencies lending farmers, cooperatives and land banks and other financial institu-

tions. Quite common in European countries is the practice of public finance the acquisition of capital goods for agriculture. The system of compensatory payments from the state budget also insures farmers in the event of inclement weather conditions, floods, epidemics, etc. There are also budgetary payments related to „regional support” through which the farmers are able to agricultural production on an extended basis in areas with adverse weather conditions [Maystro, 2013].

Among the important functions of government regulation in the EU countries include managing technical progress in agriculture through research institutions and educational institutions, vocational training, advanced training, providing advice to farmers, technical and commercial services through public procurement, public wholesale markets, veterinary care and credit. The state also provides control and accounting functions. In some Western European countries is taken to control the social reconstruction of the village through the elimination of small production, training of persons displaced from agriculture to work in other industries, as well as the development and implementation of special programs of rural development [Ulianchenko, 2007].

Current national policy for development of rural territories of Ukraine also provides legal definition of object of regulation, its typology, the legal definition of the economic base of rural development and so on. However, its stability and institutional provision remains rather low, which gives every reason to conclude that their non-compliance with EU standards.

The current EU policy in the field of the land market functioning involves matching land use objectives of national policy in the agriculture, establishing strict qualification requirements for land users, taxation with land tax differentiation based on quality land use, constant monitoring any changes in the ownership structure of agricultural land, maintaining established traditions of land use, preservation of agricultural land in conditions of rapid urbanization etc. [Nazarenko, 2004].

Same characteristic trends of the land market in Ukraine over recent decades is the actual excessive concentration of land ownership, which rotates the monopolization of agricultural market and decrease the efficiency of land use, extensive use of technology and backward forms of work organization, insufficient development of the institutional environment, state paternalism and egalitarianism that does not stimulate the introduction of new approaches to agricultural production, including cooperation of farms and are accompanied by a decrease qualification level of land users, the deformation of the traditional way of rural life, a focus on achieving rapid return on funds invested in agribusiness, decreasing environmental standards of management and so on.

In the field of administrative-territorial structure is the contradiction between the nature of national and European legislation.

Implementation of the European practice of local government in Ukraine means granting of each local community capacity to dispose of all available land in its territory. In this case, the community will be blessed with a maximum ca-

capacity of powers and functions which allow it to tackle most of the problems of the territory through the use of one of the fundamental principles of the territorial structure of the EU – the principle of subsidiarity, which states that a higher level of management and administration hierarchy transmitted only those competencies that can not be effectively performed on the lower stage.

The economic integration of Ukraine and EU involves approximation the tasks of development of the Ukrainian agricultural production to European standards. In this context it is important to take into account modern trends and proposals to reform the CAP, among which should be noted: a) the abolition of payments to farmers to support their income, while necessary given the concentration of resources in intensive rural development and natural conditions compatible with the types of agricultural production, b) a gradual reduction direct payments and market regulation instruments (in the future – complete abolition), and c) the budget, intended for direct payments redirected on funding for rural development and the promotion of quality agricultural produce, promote consumption of healthy foods in the EU and beyond [Nukamp, Poot, 1998, p. 7–37].

Current status of the state regulation of rural development in Ukraine actually complies with the principles of agricultural policy of EU. The existing legal framework of rural territories Ukraine development can not adequately respond to the real challenges and sufficiently effective use of powerful domestic agricultural potential.

Quite interesting is the experience of agrarian transformation in Hungary. Agriculture in Hungary, in contrast to Ukraine, has undergone continuous socialization. There was always some small part of private households, private ownership of land officially recognized. At the beginning of reforms in the country there were about 13 state farms and 1250 collective farms. Agriculture has been the subject of special attention. The level of production and its technological support, economic support was very high.

In fact, even before the reforms in Hungary, there were very strong regional enterprises of cooperative type, which were pretty good management, marketing orientation, and even some skills in market conditions.

Reform of agriculture in Hungary started of wide-public debate over land ownership. At the end of 1996 were formed three groups of land owners: the state (20%), members of cooperatives (30%) and private owners (50%). Preference was given no mass privatization, but finding effective owners. It proposed the privatization of land by all working on it through contribution certificates on the principle of „land should belong to those it employed system is always”. Land privatization was carried out only through special land auctions.

However, given the law the right of alienation certificate allowed them to buy up certain persons with available funds and entities. Majority of Hungarian and foreign researchers noted unsatisfactory organization and methodological support of land privatization on the basis of compensation or contribution certificates, lack of adequate oversight and transparency.

Despite the unfavorable mode of privatization of land, family and private farms of market type in Hungary evolved enough rapidly. Private households became dominant in the stockbreeding, vegetable growing and horticulture.

A positive step in the privatization of state enterprises was the preliminary implementation of their restructuring. Privatization of state farms, in fact, was chosen almost individually. Some of the farms were converted into state holding companies, others were a original „pilot farms” in the public domain. About 20% of the state farms were owned by foreign investors.

An important feature of agrarian reform in Hungary has been a significant inflow of foreign investment. Only EU under a special program of business support allocated 5,7 million ECUs. Significant amounts invested overseas investors, particularly from Germany, Holland and France.

Although the whole land reform in Hungary receives positive feedback and reviews in international experts, however, in their opinion, for that significant financial, technical and political support, which has received the Hungarian rural sector, the results could be much better.

Noteworthy of the government of Germany's government action to support the priorities of agricultural produce. Financial support can be obtained to form farmers, family businesses, cooperatives, companies and private partnerships in agriculture, forestry, horticulture and fish culture, beekeepers, hops manufacturers, stockbreeders, and also enterprises of trade, processing of agricultural products, that master production for new technologies. Government support provided in the form of grants, payments, subsidies, and various awards through the consolidated funds from the EU budget, as well as directly from the budget of separate region [Shpychak, Maslyukov, Seperovych, Sydorenko, 1999, p. 51]. Development of agriculture promoted lending to farmers at low interest rates. The country also has a program to stimulate investment, which reduces the interest rate for long-term loans. Under this program, you can get reduced government loans on the construction of houses and other buildings in rural areas [Prykhodko, 1997, p. 43–48]. In Ukraine, at the regional level there is no such elaborations, because we believe that the use of such an experience should intensify restoration processes in agriculture.

Noteworthy experience in rural development in France. Agricultural cooperatives have contributed not only the development of agriculture, but also provided a transformation of the country in the biggest in Europe and second in the world (after U.S.) exporter of agricultural products.

Development cooperation also contributed to EU agricultural policy that supports cooperation as an important element of production, market and stabilization of prices. Development of the agricultural sector in France carried out under the direct control of the state, which in its agricultural policy follows a general principles of economic regulation of the EU [Nazarenko, 2004, p. 247].

Cooperatives engaged in lending farms, supply of capital goods, harvesting, processing, storage and marketing of production and training necessary personnel, provide advice.

Much more slowly and with much worse results took a long time land reform in Bulgaria. Prior to reform Bulgarian agrarian sector was almost completely cooperative. Indeed, the share of cooperatives in total landholding was 92% [Tracy, 1995]. Slow privatization of land resulted eventually strengthen private property. These land farmers can use to create your own enterprise, leasing or in rental use of the cooperative, as a unit for entering into cooperative.

Cooperative movement of manufacturing and service orientation are actively supported by the state. Cooperatives are eligible for tax relief and credits.

Complex and controversial issue of Bulgarian Agrarian Reform long time remained pricing and liberalization. Even a long time in a hidden form, there the state order and the state pricing, as in latent form, concerned 60% of production. Only 40% of the products sold at free prices. There were minimum prices for basic export products, and limit (fixed) prices on the most important products of domestic consumption. Government interference in pricing quickly exhausted the budget and unbalanced the agricultural market.

Therefore, the Bulgarian government was forced to return to the practice of agrarian reform and liberalize the market of agricultural products and its pricing. As noted academician O. Onishchenko and T. Ostash, Bulgaria managed to „achieve some progress in privatization and transforming agricultural cooperatives” [Onyshchenko, Ostash, 1994, p. 9].

The experience of agricultural reform in Bulgaria is in favor of strong and complex changes with a clear focus on standards and requirements of the EU.

Noteworthy experience in rural development in Austria. The basis of agricultural production is the principle „sustainability” of agricultural growth, that means the quality of growth and the combination of small, medium and large agrarian enterprises, manufacturing and services sector. Program of agricultural development includes environmentally oriented agriculture, „long term” conservation of natural and cultural landscapes, water resources, increased use of renewable raw materials and energy ted. The main provisions of the program are: support of rural areas through subsidies; compensation for the severe conditions of management; establishing quotas for milk and national defense of milk market; promote exports of meat and breeding stock; conducting matching commissions of prices and income in the relevant integration levels of production; attraction of investments for agricultural enterprises; support for young farmers; extracurricular vocational education; improving handling, processing and marketing agricultural products; support for environmental programs of agricultural water resources; update villages; arrangements on cultural landscape and infrastructure; promotion of tourism [Nazarenko, 2004, p. 164].

Most useful for agriculture in Ukraine from geopolitical point of view is the experience of agrarian reform of the Baltic states. The selected of Baltic states way lay in a consistent and decisive rejection from the Soviet system, the former economic relations and economic models that take place in parallel with the political steps to restore economic and political sovereignty.

Agrarian reform in the Baltic states were held with all the basic elements of economic transformation of EU. This decisive and unequivocal rejection of collective-state-farm system without any gestures to „save large industrial complexes”, full liberalization of agricultural markets and pricing, refusal of state paternalism and hidden monopolies, support for entrepreneurship in agribusiness and private family farms; orientation towards European integration.

For UK typical relatively low level of state regulation in agriculture. There are no special system of agricultural credit, farmers are supported by state subsidies. In recent years, the agricultural sector considered by the state as able to play and functioning on market principles without any external interference. History of revival agrarian sector of UK economy instructive because this state in the postwar period (XX century) made significant investments in agriculture in order to intensify production, to a large scientific and technical and technological breakthrough in this industry.

UK, founder of the idea of free market, made a turn towards strengthening the state's role in the food sector. These associations have transformed Great Britain from importer into the country-exporter of food, despite the limited land and human resources used in agriculture.

Agricultural transformation in Poland were in their original.

If you try to summarize the main steps of economic reforms in agriculture in Poland, we can identify two areas of change. The first direction concerning organizational and economic change in the structure agriculture itself and its principles of operation, and one – consists in the institutional changes designed to ensure the implementation of the new agricultural policy.

Basic organizational and economic changes in the environment of farmers lay in privatization of state farms and change principles of activity of cooperatives and cooperative enterprises.

#### THE NOVELTY OF THE RESEARCH

Very instructive and worthy adaptation, there are institutional changes in agriculture in Poland. The first steps of the Polish agrarian reform took place under the banner of liberalization, especially – of liberalization of trade in agricultural products. In the market of agricultural products developed is an situation that decades later repeated in Ukraine: the dominance of imported goods, limited supply, the price advantage of cheap imports. All this against a background of

high inflation sharply worsened the financial situation of farmers, led to decapitalization industry. Therefore, on-foot, very positive and worthy of imitation step in its reform was the creation of special fund of delay credit. It is for it to be returned agriculture in the financial sector, though not without some almost criminal problems associated with management of Fund. The government promoted the establishment of negotiations with banks on debt restructuring farming.

For coordinating the development of agriculture and agricultural related links created Agency for Restructuring and Modernization of Agriculture (ARMA).

The main objectives of ARMA are financial support: agricultural development through investment, education, advisory and consulting programs; modern methods of processing and storage products; services and information. Support may take the form of grants, preferential loans, guarantees on loans or financing of special projects.

It should be noted that ARMA promotes the development of rural areas, especially in the finance business initiatives and development of rural infrastructure construction. As this occurs against the background of successful administrative reform that expanded the rights and strengthened the responsibility of local communities and government agencies – social development of the agrarian sector had obtained a significant boost.

Positive impact on agricultural activities in Poland provides also the Agency of Agricultural Market (AAM), aimed at stabilizing the market by stabilizing prices and ensuring a certain level of profitability of agricultural production. Price regulation is through the intervention procurement, export-import operations and installation from minimum prices for certain products. Market regulation only applies to certain specified government products.

At the same time the Agency takes measures to build wholesale market. This may be a step worth almost complete copy. Only the wholesale market can provide the effect of market mechanism in multistructure and diversification of manufacturers.

It is encouraging to note that in Poland there is and growing relatively effective system of agricultural extension. At present, the system organically combines a consulting and advisory organizations and institutions of the State Advisory Service, industrial associations and business advisory organizations.

## CONCLUSIONS

Economic transformation in agriculture taking place in all countries without exception. The study of foreign experience has a specific meaning for its generalization, identify trends and regularities, making the principles and steps of the national agrarian reform and agricultural policy.



Agrarian reforms in the countries based on: the introduction of market principles for the organization and functioning; uncollectivization and privatization, institutional development of the infrastructure with a compromise to preserve of state intervention in the economy. Best performance in conducting of agrarian reform have achieved the countries, who made radical reforms quickly, comprehensively and decisively. Experience abroad shows that it is justified the limiting of state intervention in the economy, or its implementation using tools and market-type institutions in order to eliminate limitation for competition and economic democracy.

Most EU countries succeeded find their own solutions and solving problems related to market transformation. However, it is evident that while they were taken into account elaborations and the experience of other countries. Therefore, national agrarian reform must also take into account this experience and based on its adaptive use.

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### *Summary*

The purpose of the article is the study of foreign experience of agricultural economics in the EU and its possible use in Ukraine.

Study of foreign experience as in the plan of exposure of general lines, so in the plan of selection of features, dictated by national or regional features, has the defined value for generalization of experience, exposure of tendencies and conformities to law, making of principles and steps of domestic agrarian reform and agrarian policy.

## **Transformacje rolnictwa w krajach UE. Doświadczenia dla Ukrainy**

### *Streszczenie*

Celem artykułu jest analiza doświadczeń krajów Unii Europejskiej w zakresie transformacji rolnictwa i możliwości ich wykorzystania na Ukrainie. Badanie tych doświadczeń zagranicznych, zarówno w zakresie określenia cech wspólnych, jak i odmiennych, ma pewną wartość dla opracowywania wzorców i trendów, zasad dla narodowej reformy agrarnej i polityki rolnej.