

26. THE MAIN GOALS OF AGRARIAN REFORM

Ksenia Omelchenko, PhD

National University of Food Technologies

In recent years, agricultural production has declined drastically because of a decrease in the number of tractors and combine harvesters in working conditions and to the lack of fertilizers and pesticides. These shortfalls in agricultural inputs reflect the decline of investment in agriculture and decline of production.

All agricultural markets will be negatively affected by the poor macroeconomic fundamentals in Ukraine. There will be limited investment into the country over the coming quarters giving the instability, which will affect agricultural production over forecast period. Russia's ban on imports from Ukraine will impact production for dairy and livestock industries, because Russia is one of largest agricultural export markets. Furthermore, significant currency depreciation will limit imports, hitting input usage and domestic investment of Ukraine.

The main problems that we can identify in the sector are credit problems, problems of employment, drawbacks of state regulation mechanisms for agricultural sector development of Ukrainian economy, investment climate, property rights, corruption, obsolete machinery and inadequate on-farm storage, shrinking of livestock inventories, forming and effective use of physical capital at agricultural enterprises under changeable market conditions, lack of full implementation of agrarian reforms, complicated, ever-changing schedule of charges in the tax system of the country.

The efficiency of agrarian reform largely determines the overall course and results of market transformation, since the agrarian sector accounts for 32% of Ukraine's population, almost a quarter of production assets and about 14% of the annual output of goods and services. The documents that determine the strategy of reform in Ukraine point out that agricultural policy should be the "key element, stimulating factor" of accelerated market transformation of economy.

Theoretically speaking, sensible Ukraine land reform could cause an agricultural boom in a country commonly known as the "breadbasket of Europe."

The Government of Ukraine has set the goals of agrarian reform. Five directions have been defined:

- land reform and reform of property relations in the agro-industrial complex.
- establishment of new business entities on the basis of collective agricultural enterprises, employing private property and land ownership;

- formation of market infrastructure in the agro-industrial complex;
- modernization of production, establishment of competitive agricultural enterprises;
- improvement of the mechanisms of state regulation in the agricultural sector.

State support could be structured in four big blocks: VAT exemption for farming industry, direct subsidies, general services and fixed agricultural tax.

Progress toward improved efficiency in Ukrainian agriculture requires continued restructuring of farm enterprises into smaller autonomous units based on private ownership of land and assets, clear formulation of procedures that allow exit of individuals and small groups with shares of land and assets, development of land markets, and establishment of functioning market infrastructure for competitive input supply, marketing services, and financial services.