

3.3 Research of conditions of sugar market functioning and factors, which influence on his forming

The transition of the agricultural sector of the economy to market relations requires radical changes in the basic principles of the system of state regulation of production and economic processes. Their essence is, on the one hand, to reduce the all-encompassing influence of the state economic mechanism for regulating economic activities of industries, significantly reduce government intervention in economic processes, and on the other - to replace existing in administrative-planned economy forms and methods of market economy. [97]

Our state is a traditionally successful agrarian country. For the effective development of agricultural production, it has all the necessary prerequisites: strong production and resource potential, strong labor resources, the availability of favorable natural and climatic conditions for effective agribusiness. In recent years, there have been negative trends in the development of both the sugar industry and beet growing - the leading branch of agriculture in our country. In particular, there are problems in supplying domestic sugar factories with raw materials, as a result - reducing sugar production, increasing wholesale and retail prices, creating artificial demand for sugar and others. [99]

Issues of the state of the beet-sugar subcomplex, its efficiency, regulation and improvement of economic relations have been studied by many agricultural economists and covered in the publications of O.M. Varchenko, O.S. Zayts, M.Y. Kodenska, V.I. Pirkin, M.V. Roik, P.T. Sabluk, V.D. Slyusar, O.M. Shpychak and others.

Such leading economists as O.S. Bagatarenko, M. Barabash, A.F. Buryk, S.M. Valyavsky, V.V. Laznya, O.M. Onishchenko, V. G. Poplavsky and others, as well as practitioners – E.V. Imas, M.M. Yarchuk and others. However, a number of problems remain unexplored and require further in-depth development of the conditions of the sugar market and the factors influencing its formation.

The reasons for the decline of the beet-sugar subcomplex and its crisis state include the fact that the transition period to market relations in the country has been too long. As a result, there has been a transition to an unregulated sugar market, where

dumping prices, unfair competition and natural exchange are easily applied. A civilized sugar market should provide internal and external (export needs) in it, the absence of large residues in the warehouses of producers and commercial structures. Its regulatory function should ensure a rational concentration of the sugar beet subcomplex in areas with the best natural and climatic conditions for it and a reduction in those where its development is unfavorable.

The peculiarity of the beet-sugar subcomplex is that all raw materials produced in agriculture (sugar beet roots) are completely processed. Of the sugar produced, 65–70% goes to the personal consumption of the population through retail trade, 25–30% is consumed by other branches of the processing and food industries, and part of the sugar is exported.

Sugar beets are a universal crop. They give as the main product - the roots, which can be fed fresh, crushed and dried and, mainly, processed. Beet tops can be fed fresh, ensiled or granulated and dried. As a result of root processing, sugar-crystalline syrup, pulp, molasses, and filtered lime are obtained. Pulp is used for fresh feeding, ensiling and drying. From molasses produce citric acid, alcohol, yeast, feed additives and for ensiling green roots.

Other features of the beet-sugar subcomplex include:

- a clear seasonality of production, and hence the need to process the roots in one production cycle, in addition in a short time (premature processing of roots, as well as delays in their processing inevitably lead to significant losses of sugar);
- low transportability of raw materials (roots contain 75-80% of water) necessitates the concentration of crops near sugar factories and minimizing the radius of transportation;
- sugar beet production is quite a material-intensive sphere - in agriculture there are significant costs for seeds, fertilizers, means of protection of beets from weeds and pests, fuels and lubricants, operation of machinery, and in sugar factories - for root preparation and processing, sugar production (water, heat, energy consumption);
- in contrast to other product verticals, the sugar beet subcomplex, along with an extensive system of intersectoral links, goes beyond narrow-scale sugar production;

- it can simultaneously produce citric, lactic and glutamic acids, yeast, ethyl alcohol, fattening cattle.

The sugar beet vertical essentially solves a wide range of socio-economic problems. The functioning of important branches of the food industry depends on its development. The very functioning of the vertical requires appropriate machines, machinery, equipment of industrial origin, as well as a well-established system of production and maintenance and staffing.

The main factors influencing the sugar market are presented in Fig. 1.

In a market economy, there is a well-known principle - to produce what is beneficial to the producer and what can be sold at a good profit, rather than selling what is produced. And profitability is dictated in agriculture by the conditions which allow to provide high quality, effective implementation of supply and marketing operations.

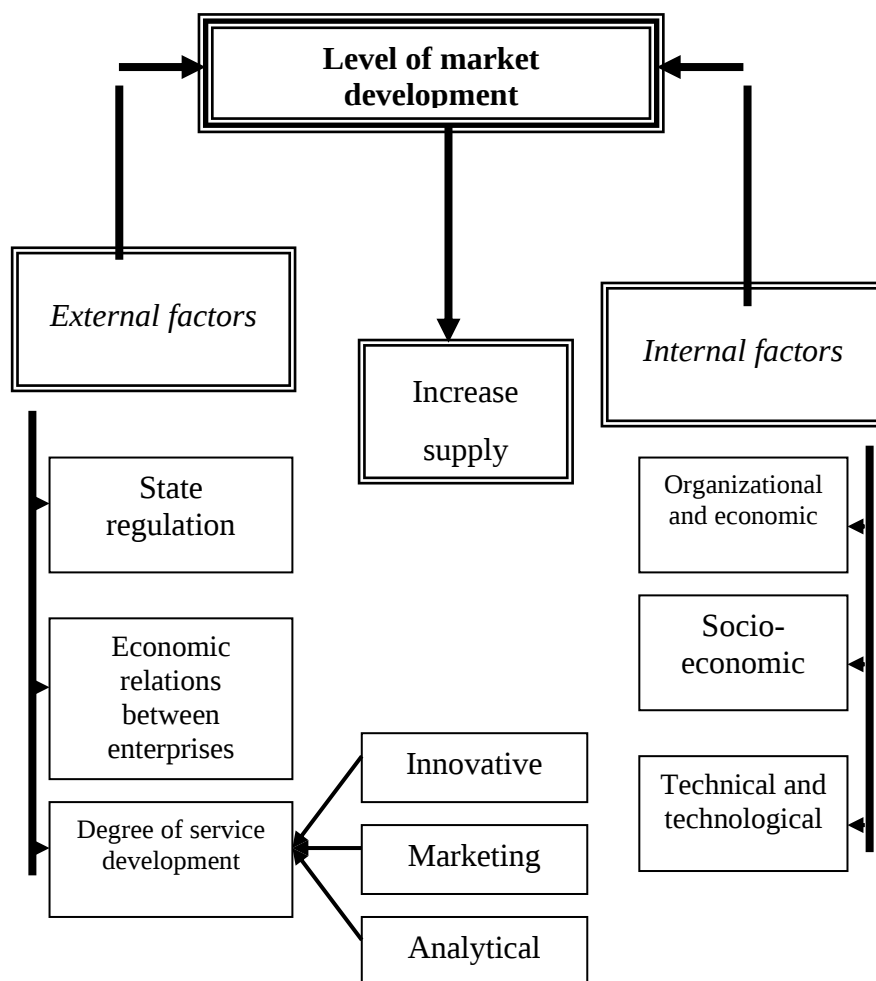


Fig. 1. Factors influencing the formation of the sugar market *.

* Source: : developed by the authors.

Thus, the sugar market should become an independent single product within the food market, which would include a set of exchange relations both within the sugar beet subcomplex and between it and consumers of its products within the country and abroad.

At the same time, exchange relations will be in the form of exchange of experience, and intermediate products, and final products, and with consumers - through the sale of sugar in the markets at prices to be determined by the parties.

These are wholesale and retail trade, domestic and foreign markets, sale of their products and purchase of means of production and labor of industrial origin.

Based on these considerations, we can agree with the proposal [108] that the regulated sugar market is a permanent mechanism for ensuring, balance and dynamic balance of production capacity of all spheres of the sugar beet subcomplex and sugar demand based on the optimal ratio of state regulation and self-regulation. With this in mind, it is possible to develop a scheme for the formation of the sugar market (Fig. 2).

Ensuring the functioning of each of the areas requires extensive practical work of managers and specialists, scientists in terms of content, market theory and practice.

The statistics show an unsatisfactory situation with the cultivation of sugar beets, where the harvested area versus sown is 95-96%.

Crops perish, productive area remains unharvested and goes under snow or fodder for livestock. Yields decrease in dynamics. Another part of the beet-sugar subcomplex - sugar - suffers primarily from the first, as due to the lack of raw materials by almost 19,3%, decreased sugar production from sugar beets. The situation remains difficult.

Acting in the form of a specific area of trade, the market depends on the natural and economic conditions of its location, the state and direction and level of development of agro-industrial production, the degree of market infrastructure. The latter acts as a set of industries and services that ensure the formation of rational market conditions at the micro and macro levels in order to ensure communication between producers and consumers.

An important factor here is the purchasing power of people, which is formed based on the level of wages, the differentiation of income from other sources by population groups. In turn, the purchasing power of the population largely depends on the prices of sugar.

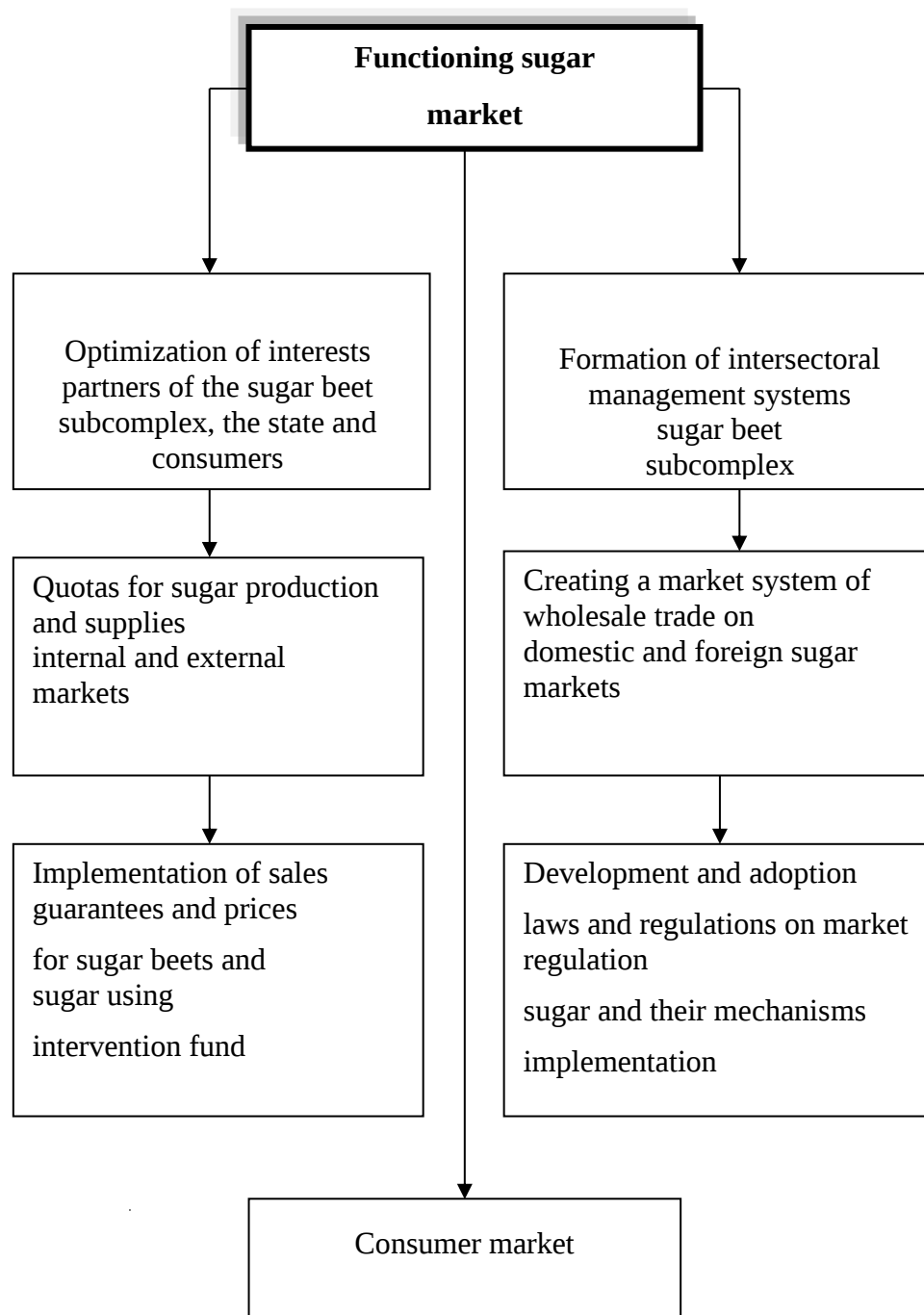


Fig. 2. The main directions of operation and regulatory actions of the state in the sugar market *.

* Source: developed by the authors.

Obviously, the pricing process should be associated as much as possible with the level of material well-being, the wealth of the population, which practically finances the development of the beet-sugar subcomplex in the domestic market. It invests in the national sphere of production, consuming 77,2% of sugar, and this cannot be ignored. Moreover, any increase in sugar prices in retail trade must be closely correlated with the growth of people's earnings and pensions. Calculations according to official statistical publications [103] show that these proportions are not maintained at all, on the contrary - they are periodically violated (Table 1).

Table 1

**The ratio of growth indices of sugar prices and wages
population in Ukraine, % ***

Index	2019	2020	2021	2021/ 2019, (±)
Sugar price index	98,6	109,3	116,4	+17,8
Nominal index salary	120,1	114,3	124,5	+4,4
The index is real salary	111,1	110,8	113,6	+2,5

* Source: [100].

These data show that the proportions of rising sugar prices and wages, even nominal, are not always maintained. Therefore, the population is forced to buy and consume less sugar, as a result of which the beet-sugar subcomplex is less and less financed.

Another important article of the sugar market is the proposal, which is formed under the influence of the level of development of the beet-sugar subcomplex on a certain date, namely: the volume of cultivation of raw materials - sugar beets - and its supply to factories; quality of raw materials; efficiency of processing enterprises;

bringing sugar to marketable form and through market structures to the consumer.
[106]

Thus, the line operates according to the scheme «field - products - plant - sugar - market – consumer» (Fig. 3).

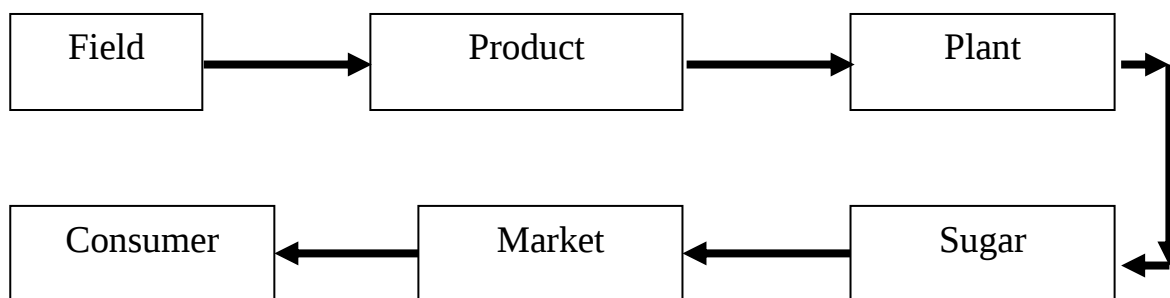


Fig. 3. The line of bringing sugar to the marketable form through market structures to the consumer *.

* Source: developed by the authors.

Each of the links in this line has its own specific factors that affect the efficiency of its operation. However, none of the links can be ignored or replaced or excluded.

Thus, the sugar market should become an independent single product within the food market, which would include a set of exchange relations both within the sugar beet subcomplex and between it and consumers of its products within the country and abroad. At the same time, exchange relations will be in the form of exchange of experience, and intermediate products, and final products, and with consumers - through the sale of sugar in the markets at prices to be determined by the parties. These are wholesale and retail trade, domestic and foreign markets, sale of its products and purchase of means of production and objects of labor of industrial origin.