Evolution of the EU Agrarian Model  
(Directions of Modelling for Ukraine)

INTRODUCTION

The issue of supporting and stimulating the development of the agrarian sector is important for both the country-leaders and the third world countries themselves, as it needs permanent grants, subsidies and the appeal for other mechanisms of regulation. The transition of the majority of post-industrial countries of the world to the neoliberal development model raised a dilemma for their governments: to intensify their support or to restructure the agrarian system in general, making it more efficient and thus reducing the share of employment in it, currently 1.5-3% of the combined labour force. The experience of the European Union in the area of harmonization of mechanisms and instruments of agrarian convergence is unsurpassed and in many respects demonstrative for the states intending to carry out extensive agrarian reforms in the economy.

The evolution of the Common Agricultural Policy (CAP) of the European Union is researched by both Ukrainian and foreign scientists. In particular, Musis N. and Serova Е.В. describe the process of reformation of the CAP beginning from the very first days of its establishment and to the end of the last century. Zinchuk T. examines the agrarian policy of Central and Eastern European countries in the context of their integration to the EU. Cherevko G.V. and Onegina V. research the CAP focusing on government regulation of the agrarian sphere in the developed countries of the world. Meyers V. and Dem’yanenko S. concentrate on the policy of rural development within the framework of the CAP. The separate aspects of the CAP were rather successfully studied in works of many Ukrainian and foreign researchers. Amongst them are Galami P., Almashi Sh., Kramon-Taubadel S., Plotnikov O.N., Gubeni Y., Ackrill R., Fennell M., Moyer W., Josling T., Grant Wyn, Ritson C., and Harvey D.R.

At the same time, the structural model of the CAP reformation as well as its evolution in the context of agrarian model transformation in the developed countries of the world remain unresearched. That is why the following article aims to research the reformation process of the Common Agricultural Policy of the EU in the context of transformation of its agrarian model caused by the transition of this group of countries to the neoliberal model of development.
THEORETICAL FUNDAMENTALS OF THE CAP MODELING

At the beginning of the 20th century German scientist Ernst Engel formulated a law, which was based on the fact that with the growth of income per capita, less of its share is spent on foodstuffs. The leading economists of the world named this phenomenon as reduction of income elasticity on demand for foodstuffs. Coming from the basic essence of this law and also taking into account the instability and disproportion of this industry of the economy, which was generated by a number of internal (naturally biological and low elasticity of agricultural on the market) and external factors (shocks which are provoked by the change of interest rates, inflation and change of exchange rates) in 70-80s of the last century a new agrarian model was formed in the majority of post-industrial countries, which was named “protectionist”. The governments of many state-leaders acknowledged agriculture as a problematic industry which is why the primary purpose of the government regulation was providing the stability to the functioning of this sector and increasing the farmers’ profits. For this purpose, a number of mechanisms and instruments were utilized, in particular price support of agricultural products; payments to farmers which stimulated production, and the sale of production surpluses to foreign countries using export subsidies and import limitations by establishment of high custom tariffs on agrarian products etc.

The European Community had its specifics in which the system of price support was implemented based on securing farmers’ incomes through setting minimum guaranteed prices on their products (See Graph 1).

Graph 1. The EU price support system
Source: [Svensen, 2003, P. 64].

In accordance with the interpretation of Danish economist Svensen (2003) the minimum price P1 is set higher then the market price P0. As a result farmers
produce the volume of Q2, while the consumers demand due to the increase of price goes down to the level of Q1. Thus the volume of over-producing makes Q2-Q1, and the state needs to purchase it at the minimum guaranteed price P1, which is higher than the market price and it is obliged to store or sell agrarian products to the oversea markets at dumping prices. Consequently, there is a re-distribution of income from taxpayers to agrarian producers, who consequently generate both a normal profits (sectors DE) and even excess profit (sectors of ABC). On the other side the consumers lose as a result of both the higher prices (sector A) and the decrease of consumption (sector B) whilst wining only in the sector CS. Thus, the system of minimum price support leads to the reduction of consumption and extra consumer expenditure on agrarian products reducing their welfare.

Quite opposite was the situation in the least developed countries of the world. Considering agriculture as a backward underproductive industry which is not attractive for external and internal investing, the governments of these countries restrained prices of agricultural products to guarantee cheap food stuffs for the urban population and for providing industrialization. As a result of such policies, redirection of investments from the agricultural sector to the industrial sector took place. Economist Cleaver (2003), considers such policies erroneous. Utilizing the neoclassical model of growth, developed by Robert Solow in 1956 year, he proves that the productivity in agriculture can increase considerably due to the use of new technologies (such as high-yield types of basic crops, irrigation and fertilizing) in combination with market prices set free from governmental interference. So growth of production in the model of Solow is a function of the capital investment and labour which in the long-term period have a tendency to deliver decreasing returns. However technological developments may allow to reverse this tendency.

In the second half of the 20th century the consequences of the protectionist model of the agricultural sector showed up sharply enough. Thus, price support resulted in rather high prices for foodstuffs in the developed countries of the world, which placed a considerable burden on customers. Payments to farmers which were linked to the production stimulated over-production and distribution of intensive agricultural technologies which contaminated the environment substantially. Selling the surpluses of agrarian products abroad through applying mechanisms of export subsidies were leading to the disruption of the world markets and brought considerable losses to developing countries and, as a result, lead to the acute discussions within the framework of the GATT/WTO. The differences in the incomes of farmers grew because most of the state payments were received by large farms. Such negative consequences forced the revision of the protectionist agricultural model. Starting from the end of 20th century, the transformation of protectionist agricultural model and gradual transition to the liberal model has begun in the majority of developed countries of the world. As
a result, the level of price support is being reduced, payments are given to farmers regardless of their production volume, the level of export subsidies is being reduced and import custom tariffs on agrarian products are being diminished. These measures are expected to turn the agrarian sector of the economy more competitive and market oriented.

MODERNIZATION OF THE EU AGRARIAN POLICY

Agriculture in the developed countries of the world is attributed to the class of the so-called «sensitive» industries. Despite the fact that the share of employment in the agrarian sector is low, state support usually is quite significant. Using state mechanisms, the production structure of the agricultural sector of the economy, income of agricultural producers and food markets are regulated; favourable conditions for rural development and satisfaction of the demand for food stuffs at affordable prices are being created.

The agrarian issue was rather important in Europe, since during and after the Second World War the population of the majority of the European countries was struck by the deficit of food supplies. For this reason the integration in the agricultural sector played a considerable role in the process of the European integration. It was carried out within the framework of the Common agricultural policy (CAP), which represented a common policy for all the member-states in the agricultural industry which was directed on the creation of necessary conditions for forming and development of a multifunctional, stable and competitive agrarian production within the borders of the integration grouping focusing on the needs of future generations. In Article 39 of the Rome agreement (1957), the primary objectives of the CAP were set, which were the following: to increase the productivity of the agrarian sector by providing technical support, to provide sustainable development of agricultural production and efficient use of production resources; to provide a fair level of life for those people employed in the agricultural sector, in particular by increasing their incomes; to stabilize the food markets, defend the producers and consumers from external factors; to provide the population of the member-states of the Community with high-quality food from internal production of agricultural products; to provide the population with food stuffs at affordable prices.

In July 1958 at the Stresa conference, the basic principles of CAP were set, which were the following:

− market unity which assumes free trade in agricultural commodities between the participating countries to the agreement, abolition of quantitative restrictions, duties and taxes and establishment of common prices on agrarian products;
− community preference meaning granting privileges to products made in the countries of the Community in comparison to imported ones, thus a common
market was protected from cheap imports and fluctuation of prices of agrarian products on the world markets. For this purpose high duties on imported products were introduced, which increased their costs to the level of internal prices;

- financial solidarity which assumed the common responsibility of all of the member-states for the financial consequences of the CAP. For this, in 1962 the Council of the Ministers agreed the establishment of the European Agricultural Guidance and Guarantee Fund (EAGGF) which, after long negotiations in relation to the share of participation of member-countries, started to operate in 1969. The Guidance section of fund was supposed to finance the structural measures of the CAP, and the Guarantee section was supposed to support the internal prices and export subsidies. Also the member-states did not receive the custom duties from imported agricultural commodities, because these funds were added to the budget of the Community directly.

The functioning of the CAP appeared to be very effective: the production of agricultural commodities in the countries of the Community grew very quickly, they managed to provide themselves completely with agrarian products and the problems of food deficits were solved. However, such considerable growth of production resulted in the fact that already at the end of 1960s surpluses existed for almost all of the products and the CAP expenses rose considerably, reaching more then 90% of all Community budget expenses (see: Table 1). This was the consequence of excessive price support, which exceeded average world price several times (for instance, 5 times for butter, 3.6 times for sugar and dry milk).

Table 1. The EAGGF expenses growth in years 1962-1969, mln. ECU

<table>
<thead>
<tr>
<th>Years</th>
<th>Agricultural expenses</th>
<th>Total expenses of the Community</th>
<th>The share of agricultural expenses in the total expenses, %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Guarantee</td>
<td>Guidance</td>
<td></td>
</tr>
<tr>
<td>1962-1963</td>
<td>24</td>
<td>7</td>
<td>31</td>
</tr>
<tr>
<td>1963-1964</td>
<td>42</td>
<td>14</td>
<td>57</td>
</tr>
<tr>
<td>1964-1965</td>
<td>136</td>
<td>45</td>
<td>181</td>
</tr>
<tr>
<td>1965-1966</td>
<td>200</td>
<td>67</td>
<td>267</td>
</tr>
<tr>
<td>1966-1967</td>
<td>308</td>
<td>103</td>
<td>412</td>
</tr>
<tr>
<td>1967-1968</td>
<td>1094</td>
<td>237</td>
<td>1505</td>
</tr>
<tr>
<td>1968-1969</td>
<td>1677</td>
<td>237</td>
<td>2031</td>
</tr>
</tbody>
</table>

Source: [Ritson, Harvey, 1997, p. 32].

The surpluses were eliminated through storage or destruction which caused dissatisfaction of both consumers and taxpayers. An additional problem was that the surpluses were sold abroad at low prices by using the mechanism of export subsidies, which made a considerable pressure on world prices, distorted the
world trade in agricultural commodities and thus caused protest of other countries. Consequently, it became clear that the CAP needed a reform.

The first attempt to reform the CAP was carried out in 1969 and its purpose was to decrease the production of milk by granting subsidies for slaughter of suckling cows. However, it didn’t bring considerable results. In 1972, the Mansholt Plan «Agriculture-80» was offered, which assumed the reduction during 1970-80s of employment in agriculture. It was also proposed to diminish the quantity of agricultural lands which lead to the increase of average farm size and an increase in the productivity by efficiently using production resources. The community offered financial stimulus to encourage this voluntary reduction. Complex measures such as early retirement, expansion of non-agricultural employment in rural territories etc were proposed. However, this plan caused protests from the side of the farmers and was considerably alleviated. The main measures realized in that period were:

− encouraging farmers to cease production by granting pensions in a sum not less than 500 ECU per annum to the farmers in age between 55-65;
− introduction of farm development schemes by granting favourable credits and credit guarantees for farms, acknowledged as perspective;
− development of information and consultation services for farmers;
− stimulation of activity of the production amalgamations and cooperatives for the improvement of marketing activity;
− restriction on bringing new lands into agricultural production.

However, price support remained the main instrument of the CAP. Moreover, to solve the problem of influence of exchange rate fluctuation of member-countries, a complicated system of Agrimoney was introduced, which included the system of the special «green rates» according to which the cost price of support was evaluated in national currencies. However, already in the middle of 1970s it became obvious, that the cost-price of support can not adequately reflect the real market situation and that instruments and mechanisms of structural policy are unable to increase the labour productivity and reduce regional inequalities in development.

With the entry of the large agrarian states like Greece, Spain and Portugal into the EU surplus production of agrarian products accelerated and this resulted in the increased budget expenses. For this reason, it was decided in 1984 to introduce quotas for milk production and in 1988, aiming to overcome the budgetary crisis, stabilizations were introduced which regulated the production growth by cutting the prices of support when certain guaranteed maximum production volumes were exceeded. A voluntary set-aside was proposed as well, compensations to farmers for not growing grain crops, encouragement of the extensive production systems, payments for transition to producing non-surplus products etc. However, these measures also turned out ineffective because producers con-
stantly exceeded the maximum guaranteed volumes and consequently expenses on conducting the CAP continued to grow (see: Table 2).

Table 2. The EAGGF expenses growth in 1973-1997

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>EAGGF, total bln ECU</td>
<td>4,7</td>
<td>16,5</td>
<td>28,8</td>
<td>35,8</td>
<td>60,3</td>
<td>87,7</td>
</tr>
<tr>
<td>% from the EU budget</td>
<td>77</td>
<td>68</td>
<td>68</td>
<td>62</td>
<td>52</td>
<td>46</td>
</tr>
</tbody>
</table>

Source: [Tracy, 1997, p. 11].

Another down side was that the core problem was not eliminated, which was to be found in setting too high prices of support; they exceeded twice the world prices for some commodity positions (like corn and milk). Also the goal to considerably increase the living standard of farmers was not achieved. Despite all efforts, disparity in the incomes of poorest and richest farmers grew, because about 80% of support was directed only to 20% farmers.

In 1992 was the next CAP reform took place which was named MacSharry reform. The main elements of this reform were:

- reduction of price support for basic agricultural commodities (grain crops, oil-bearing crops, leguminous plants, beef) on 15-30% during 3 years with the purpose to bring them to the level of world prices;
- introduction of compensation payments to the farmers whose incomes had diminished as a result of price decline;
- linkage of compensation payments to fulfillment of terms such as decrease of the processed lands and decline of the cattle breeding intensity;
- compulsory set-aside of 15% of land in substitute for compensation payments for farmers who produce more then 92 tones of grain crops per annum;
- diminution of milk quotas and reduction of guaranteed prices for butter;
- introduction of financial encouragement for farmers who decrease the livestock of suckling cows;
- introduction of the agro-ecological development schemes for farms, reforesting of territories, production extensification, creation of jobs in rural areas not connected with the conduct of agriculture and acceleration of farmers retirement.

At the same time duties on imports and export subsidies were not abolished which complicated the Uruguay round of negotiations in the GATT/WTO. The prices on agricultural products were not reduced considerably, that is why the problem of improving the competitiveness of agrarian sector in the EU remained urgent.

The next CAP reform was directly connected with the decision of the Community on the expansion of the EU and the entry of countries with a significant share of the agrarian sector in the GDP structure into it. The basic principles of
this reform were laid out in the document of the European Commission “Agenda 2000”. This program proposed to the EU to give up market price support in exchange for direct payments to the producers of agricultural products, which were supposed to compensate their loses caused by the decline of prices. Considerable attention in this document was paid to the guarantee of quality and safety of food stuffs. Within the framework of the rural development the following measures were proposed:

− to support the restructurization of the underdeveloped and problematic regions;
− to improve the structure of agrarian and processing farms;
− to support the alternative forms of employment in the countryside;
− to encourage the improvement of environment and introduction of strict punitive sanctions for violation of requirements for environment protection;
− to financially support the farms located in unfavourable natural conditions;
− to help young skilled farmers to commence farming;
− to improve the skills of farmers by offering professional studies;
− to lower the age of retirement.

«Agenda -2000» allowed to set the size of the CAP budget for 2000-2006 accurately, which should not have exceeded 40,5 billion Euro on average per annum (without expenses on the rural development, veterinary measures and environment protection). The primary objective of the agrarian policy was shifted towards the environment protection, reduction of prices on agricultural products and support of sustainable development of the rural territories.

The last CAP reform, the Fischler reform, started to be implemented in 2003 with the purpose to improve the market orientation of the farmers and to transfer the agrarian sector from subsidized operating conditions to the principles of free competition. Within its framework, it is proposed:

− to introduce the single direct payments to farmers not connected to the volumes of production;
− to expand the modulation program, which assumes the reduction of payments to large farms and shift of available funds to the development of rural territories;
− to stimulate the growing of energy crops;
− to introduce the principle of cross-compliance, which supposes that payments to farmers will be carried out in accordance with the level of implementation of ecological standards, norms of food safety, plants protection and maintenance of animals in the proper conditions etc;
− to offer farmers flexibility in their decisions which agricultural products they want to produce;
− to create the mechanism to guarantee the financial discipline with the purpose to avoid the exceeding of the CAP budget.
The measures within the framework of this reform are expected to stabilize the farmers' incomes and improve their competitiveness, and also to amend the position of rural territories and improve the EU position in the WTO negotiations in agrarian issues.

The CAP reforms from the beginning of 1990s influenced the structure of the EAGGF expenses considerably. As a result of MacSharry reforms, the expenses on export subsidies during 1993-2000 were reduced with a factor 5 and direct payments were increased by a factor 25 (see: Table 3).

Table 3. The EAGGF expenses, the Guarantee section, bln ECU

<table>
<thead>
<tr>
<th>Years</th>
<th>1993</th>
<th>1997</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Guarantee section, total</td>
<td>34,747</td>
<td>40,423</td>
<td>40,467</td>
</tr>
<tr>
<td>Export subsidies</td>
<td>10,159</td>
<td>5,884</td>
<td>5,646</td>
</tr>
<tr>
<td>Direct payments</td>
<td>1,042</td>
<td>17,953</td>
<td>25,529</td>
</tr>
</tbody>
</table>

Source: [Bureau, 2002].

Since 2000 according to the program “Agenda-2000” the gradual increase of expenses to rural development is taking place, which allowed to change their agrarian type partially (see: Table 4).

Table 4. The CAP expenses within the program “Agenda-2000” framework, bln Euro

<table>
<thead>
<tr>
<th>Years</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market support</td>
<td>36,62</td>
<td>38,48</td>
<td>39,57</td>
<td>39,43</td>
<td>38,41</td>
<td>37,57</td>
<td>37,29</td>
</tr>
<tr>
<td>Rural development</td>
<td>4,3</td>
<td>4,32</td>
<td>4,33</td>
<td>4,34</td>
<td>4,35</td>
<td>4,36</td>
<td>4,37</td>
</tr>
<tr>
<td>CAP, total</td>
<td>40,92</td>
<td>42,8</td>
<td>43,9</td>
<td>43,77</td>
<td>42,76</td>
<td>41,93</td>
<td>41,66</td>
</tr>
</tbody>
</table>

Source: [Bureau, 2002].

FEATURES OF THE MODERN AGRICULTURAL MODEL

Despite of the substantial success in the realization of the CAP during the period of 2000-2006, it was not deprived of certain defects:

1. The total share of the agrarian sector financing equaled its share in the GDP structure.
2. Using of some special purpose funds was acknowledged ineffective.
3. The intensity of the EU agriculture lagged behind that of the US, nevertheless the level of subsidizing in the EU was higher than in the US, which resulted in the mutual accusation of excessive «guardianship» of this industry.
4. The programs of a number of other funds, in particular of the Regional Development Fund (ERDF) and Social Fund (ESF), were acknowledged as the hidden “grants” for the agrarian sector.
5. There was a certain disproportion between the European Agricultural Guidance and Guarantee Fund (EAGGF) and the Financial Instrument for Fisheries Guidance (FIFG).

These and other circumstances required the most rapid reforms, especially as the EU expansion increased the share of the agrarian sector in the GDP structure of the Union substantially.

In the new financial perspective for 2007-2013 as outlined in the article «Preservation and management natural resources» it is assumed to set the EU expenses in volumes of no more than 418,125 bln Euro. Thus, in the budget for 2007, the EU expenses are set at a volume of no more than 56,25 bln Euro, about 42,71 bln of which is directed at market support measures and direct payments and 12,37 bln at rural development (see: Table 5).

Table 5. The EU budget expenses from the article “Preservation and management natural resources”, 2007

<table>
<thead>
<tr>
<th>Article</th>
<th>Bln, Euro</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenses for market support and direct payments</td>
<td>42,713</td>
<td>75,9</td>
</tr>
<tr>
<td>Rural development</td>
<td>12,371</td>
<td>22</td>
</tr>
<tr>
<td>Fisheries</td>
<td>0,887</td>
<td>1,6</td>
</tr>
<tr>
<td>Environment protection</td>
<td>0,24</td>
<td>0,4</td>
</tr>
<tr>
<td>Other measures and programs</td>
<td>0,36</td>
<td>0,1</td>
</tr>
<tr>
<td>Total</td>
<td>56,25</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: [General budget..., 2007].

Re-focusing the budgetary expenses on instruments, which are not directly connected with production, must positively influence the position of the markets for agricultural products in the EU and in the world. The introduction of direct payments to the farmers regardless of farm size and the products must considerably improve the position of small farms and make them more market oriented. The increase of expenses on rural development measures will enable farmers to increase their incomes as a result of employment in the non-agricultural sector.
FEATURES OF THE AGRARIAN POLICY REALIZATION IN UKRAINE (EUROPEAN CONTEXT)

The agrarian policy in Ukraine includes the support of producers by granting them budgetary subsidies and tax privileges, import protection, quotas on sugar production, pawning and minimum prices.

Budgetary subsidies are given by the state to encourage the production of certain types of agricultural products, to reduce the costs of commercial credits, mineral fertilizers and agricultural technique, so they refer to measures that increase production and distort trade. In addition, the problem is that expenses set in a budget on subsidies are financed incompletely and in inexpedient terms (thus, only 5% of subsidies are paid in the first quarter of the year and 50%- in the last quarter, whereas they are mostly needed in spring field works time), which undermines the trust farmers have in the government programs.

About 13% of the agrarian budget is spent to finance the public institutions supervising the quality and safety of food stuffs, however much of these establishments instead of supporting the businesses restrain their development by setting long and expensive procedures of testing and certification. So far it was not succeeded to overcome a corruption in the agrarian sector.

Tax privileges have the purpose to compensate the lack of budgetary funds for the agrarian sector. Thus, the producers of agricultural products are exempt from paying VAT on the sale of agrarian products; they pay a fixed agricultural tax from which the payments to the Pension and Social funds were eliminated in 2005. Privileges from paying the VAT discriminate imports; consequently they are discriminatory for foreign producers.

Import protection is carried out by charging high import duties and non-tariff barriers. This results in considerable overcharging of internal prices, causing a substantial problem for consumers who are overpaying for foodstuffs and for farmers having problems in selling their goods.

Since 2000, quota for sugar and sugar beet production were introduced in Ukraine, as well as minimum prices which are revised annually. The minimum price on sugar is higher than the average world price; consequently, it results in losses for consumers who are forced to buy sugar at too-high prices.

The pawning purchases and prices were introduced with the purpose to avoid the fluctuations of grain prices after harvesting in 2002. This instrument of support assumes the purchase of certain part of the harvest at fixed prices and state storage of grain with the possibility for a producer to buy it back in the future in case the market prices rise. The grain processing plants are being forced to buy grain at overcharged prices, or else they will be charged a fine in accordance with the law of Ukraine «On prices and pricing», which makes the end product more expensive for the customer.
In the draft budget of Ukraine for 2008 it is planned to spend about 24 bln hryvnya in support of the agro-industrial complex and rural development, which will make about 2.8% of Ukraine’s GDP. It is intended to spend 3,363 bln hryvnya in support of plant-growing, gardening, vine-growing and 1.9 bln – in support of live stock farming and poultry farming. 100 mln hryvnya has been earmarked for protection, renewal and fertility improvement of soils and 200 mln hryvnya- for insurance of agricultural products. The state will allocate 1 bln hryvnya with the purpose to lower the costs of credits taken by agro-industrial enterprises and to give credits to farms. Moreover, 20 mln hryvnya will be granted for support of the domestic mechanical engineering for the agro-industrial sector and 539.6 mln hryvnya – for support of technical re-equipment of the agricultural production. About 2 bln hryvnya is assigned for support of agrarian science and education and 1 bln hryvnya – for provision of workers in the educational, cultural and health protection spheres of the rural areas with accommodations. These expenses will help in improving the labour productivity, increase of production volumes and reduction of the cost price of products, as well as solve the problem of assigning specialists in the rural areas and application of scientific developments into production all with the goal to create a competitive agrarian sector in Ukraine.

The Ukrainian approach to regulating the agricultural sector differs from the modern strategy of the CAP, since, unlike the EU, the support is given mainly with the purpose to increase production of agricultural products. However, because of the absence of export subsidies, the likely products surpluses will not be exported to the world markets at artificially undercharged prices. With the entry of Ukraine to the WTO (which is planned for the end of 2007), Ukraine will need to cut down expenses that stimulate production and shift them to the «green box» measures. According to the national complex program of support and development of the rural areas which was elaborated in 2005, it is also planned to increase expenditure on the rural development, the share of which is expected to make up to 25% of the total expenses planned for agriculture in 2010.

Thus, we can draw the conclusion, that Ukrainian instruments and mechanisms of agrarian policy are not conforming to those applied in the EU. However, the EU experience in the field of the gradual transition to the liberal model of regulating the agrarian sector can be used in the transformation process of this industry in Ukraine and to improve the competitiveness of Ukrainian agrarian products on the European and world markets.

REFERENCES

Evolution of the EU Agrarian Model (Directions of Modelling…)


www.agroupa.net.


Summary

Authors take a view of the problem of the EU agrarian model evolution caused by the transition of the organization to the neoliberal model of development. The influence of the price support mechanism on the customers and producers of agrarian products is considered as well as the impact of agrarian policy instruments modernization on the CAP expenditure is analyzed. Realization of Ukrainian agrarian policy in the European context is examined.

Ewolucja modelu agrarnego UE (wnioski dla Ukrainy)

Streszczenie

Autorzy podejmują problem ewolucji modelu agrarnego UE wywołanego transformacją tej organizacji w kierunku neoliberalnego modelu rozwojowego. Rozważają wpływ na konsumentów i producentów interwencji w mechanizm kształtowania cen produktów rolnych, jak również analizują oddziaływanie modernizacji instrumentów polityki rolnej na wydatki WPR. Badaniom poddają także realizację ukraińskiej polityki rolnej w kontekście europejskim.