



NATIONAL UNIVERSITY OF LIFE
AND ENVIRONMENTAL SCIENCES
OF UKRAINE

Competitiveness and comparative advantages of Ukraine`s agriculture sector in trade with the European Union

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Ukraine`s physical agricultural potential



Ukraine has **1/3** of world`s black soil stocks. **68%** of Ukraine`s arable land is Chernozem*



Year-round ice-free ports and proximity to key markets



Boundless fields of grain, a European breadbasket.

*source: <http://www.worldbank.org/en/news/feature/2014/12/05/ukraine-soil>

The role of agriculture in the economy of Ukraine



10.25% of
GDP in
2014.



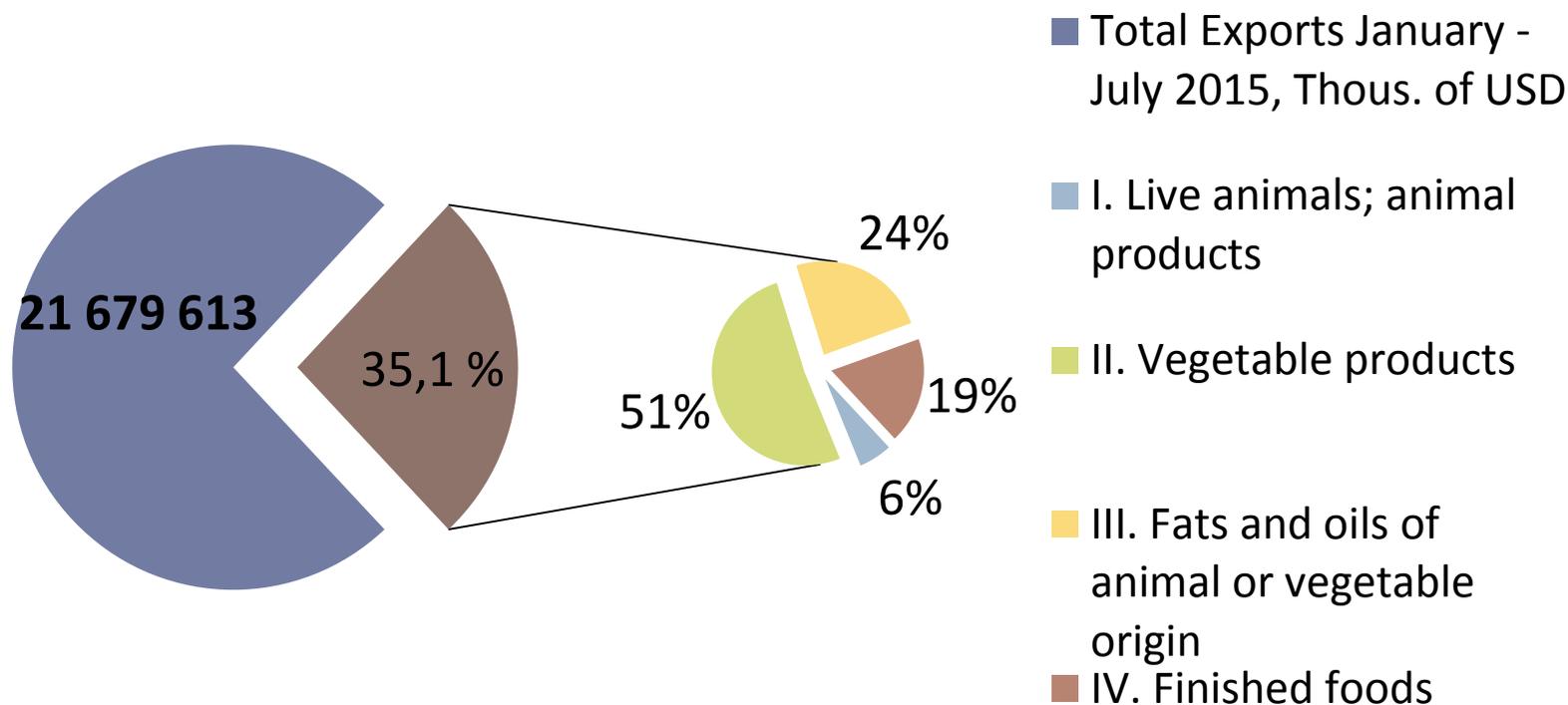
level of national
employment with
a share of
approximately
17%.



31% of the
total exports
in 2014

Data source: <http://www.ukrstat.gov.ua>

The share of the agricultural sector in Ukraine`s export potential from January till July, 2015.



competitiveness of the agricultural products to a wide extent will determine the competitiveness of Ukraine in the world market.

Source: developed by the author, data from the UKRSTAT

Theoretical introduction of competition



The word **“competition”** (from. lat. - Concurrentia) means **“contest”**, **“collision”**.

Adam Smith

Competition means the **“invisible hand”** of the market that automatically countervails the market.

Heyne Paul

“Competition” is understood as **“the desire to meet the criteria for access to rare goods in the best possible manner”**.

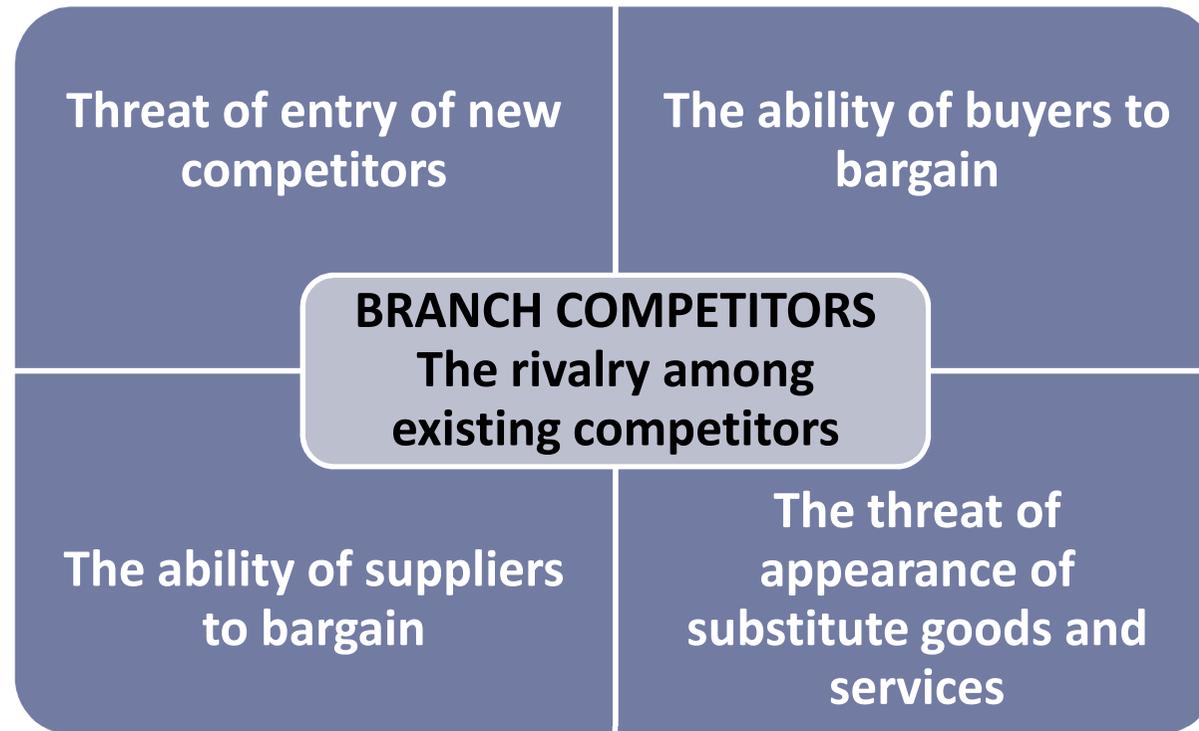
**McConnell C.
and Brue S.**

define competition as the presence of a large number of independent sellers and buyers in the market who are free to enter the market and to leave it.

**Friedrich
Hayek**

mentioned that competition is the process by which people receive and transmit knowledge. He holds the opinion that, only thanks to the competition hidden becomes clear on the market.

Porter M.



Carrying-out of the analysis of the main widespread definitions of the competition enable us to conclude that as a scientific concept the competition is multidimensional, therefore it is necessary to determine its content in each specific case depending on the purposes owing to which it was formed.

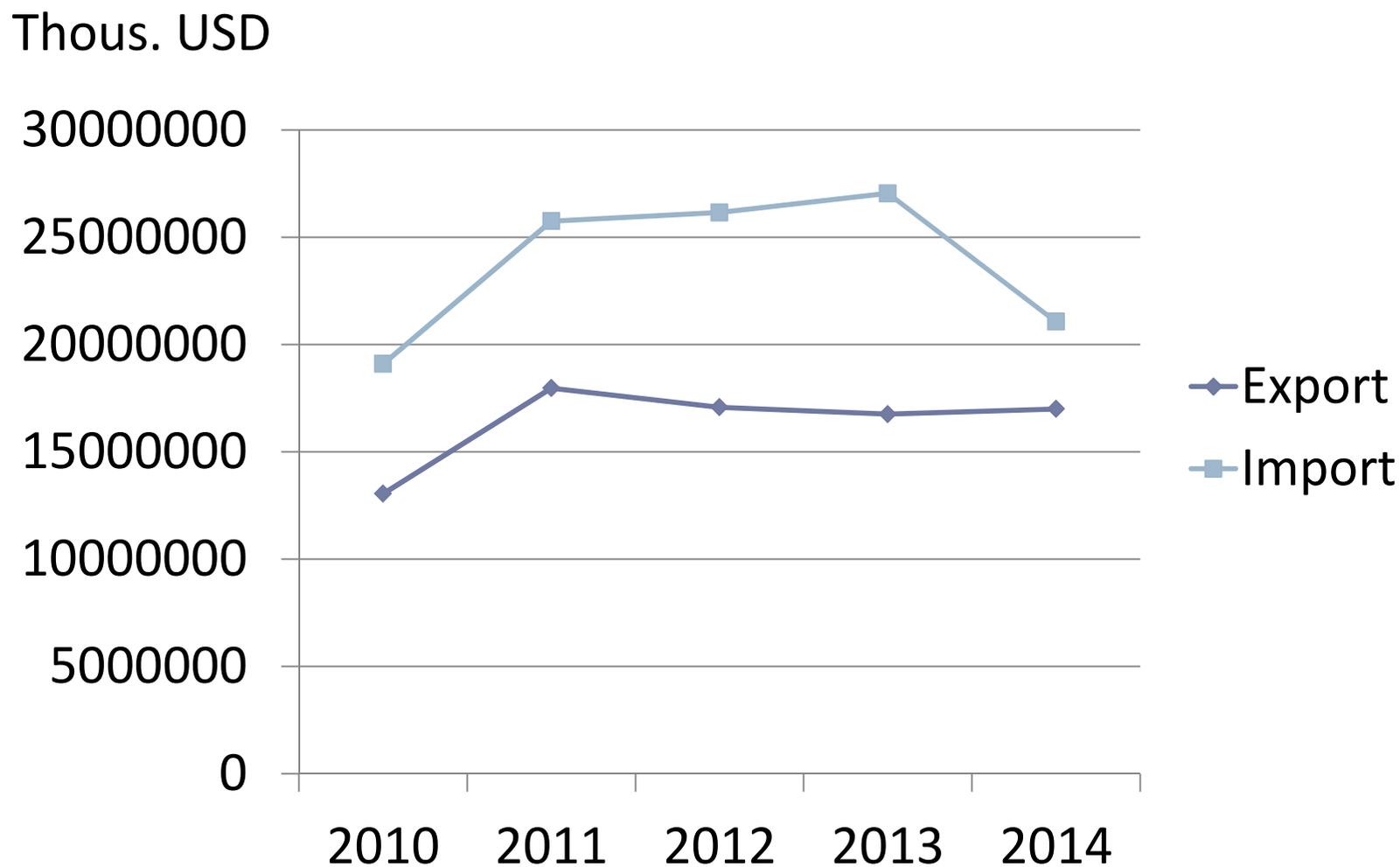
Concept of competitiveness - the basis for analysis.



"the ability of companies, industries, regions, countries and supranational regions to generate the higher factor of revenues and the factor of employment level on continuing basis, at the same time remaining open for international competition."

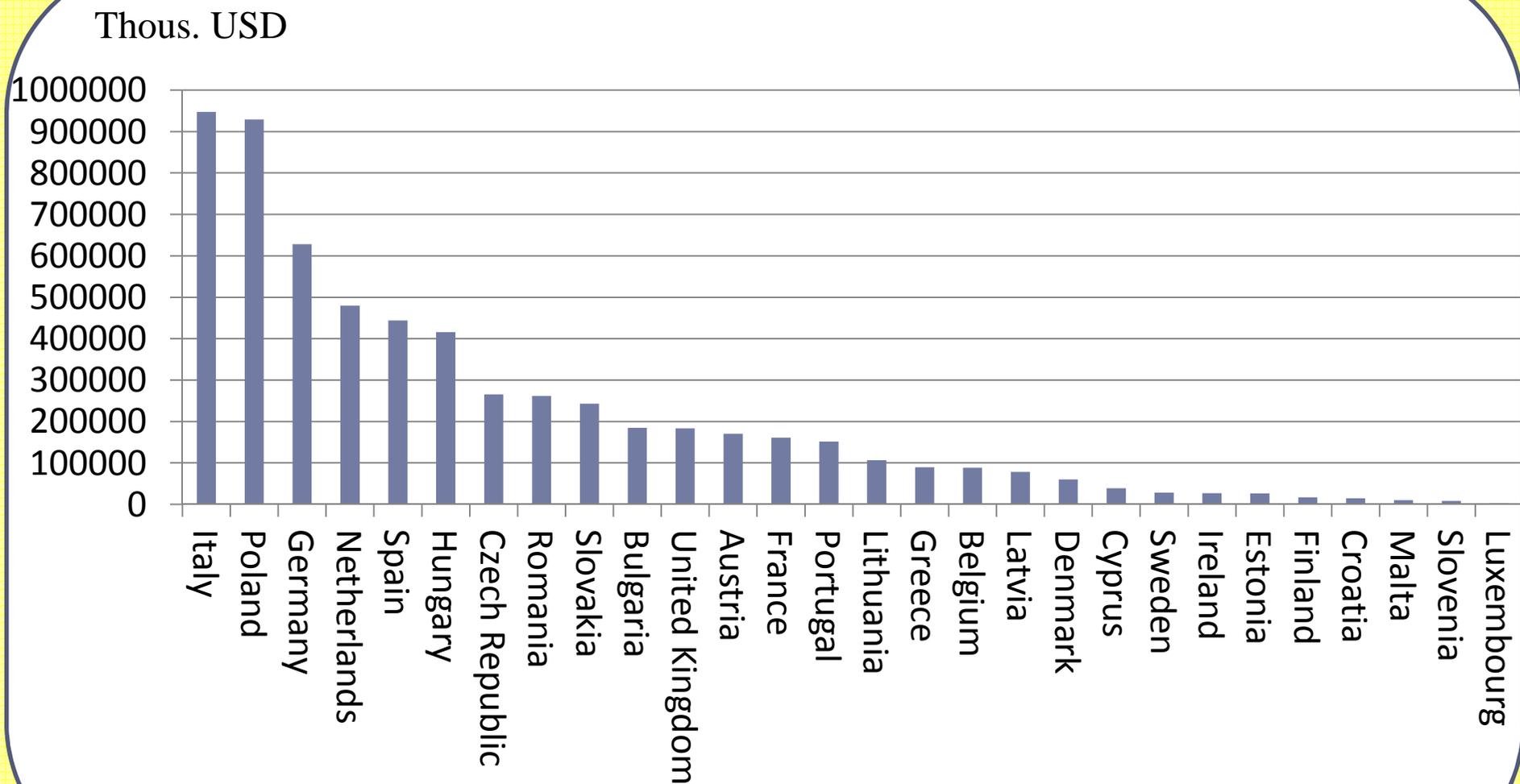
**Organisation for Economic Co-operation
and Development**

The development of trade flow between Ukraine and the European Union



Source: developed by the author, data from the UKRSTAT

The geographical structure of Ukraine`s foreign trade with the EU countries, the first half of 2015



Source: developed by the author, data from the UKRSTAT

Comparative Advantage Indexes defined by Balassa (1965)

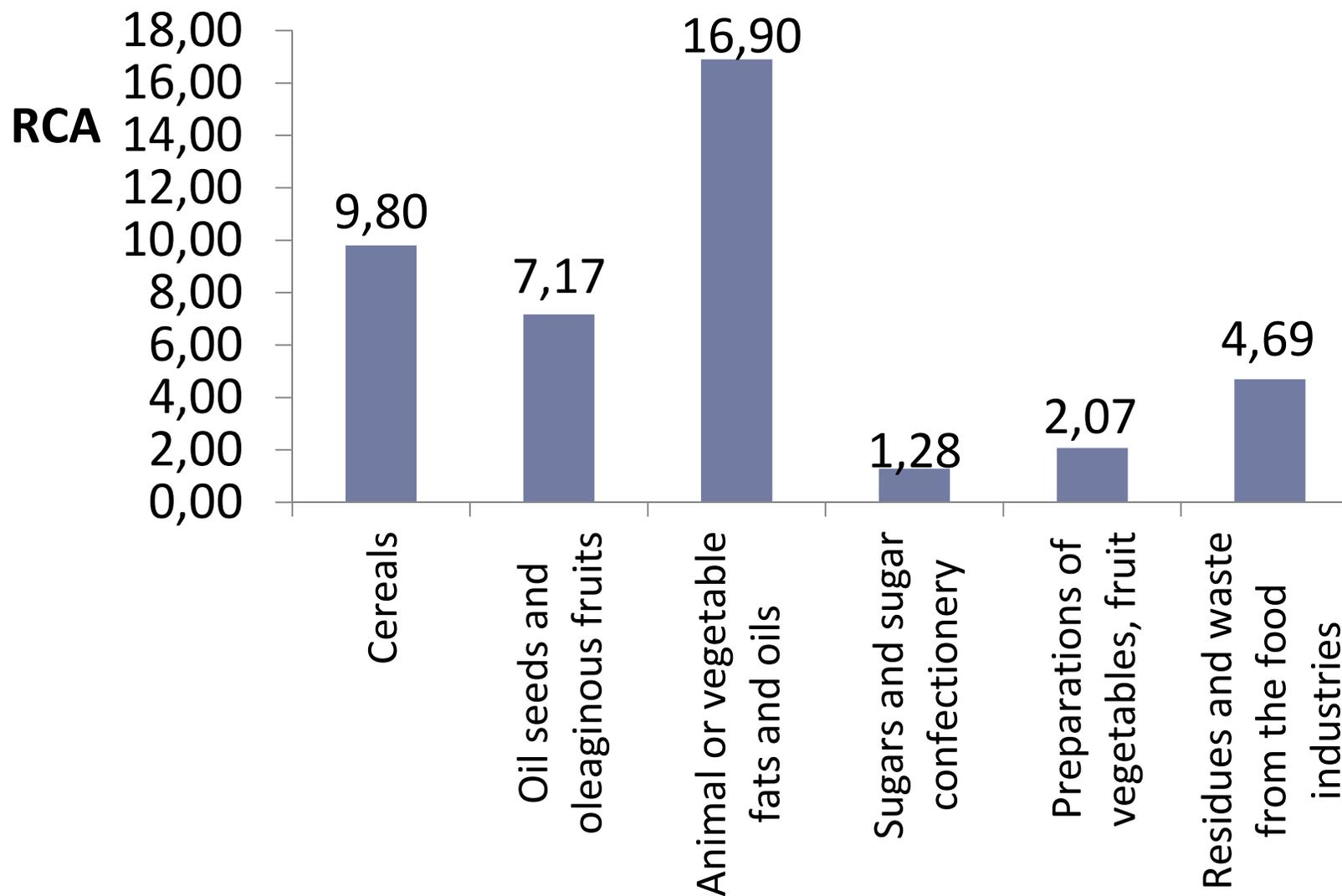
$$RCA_{ij} = (x_{ij} / X_j) / (x_{iw} / X_w)$$

$$RXA_{ij} = (X_{ij} / \sum_{I, I \neq j} X_{ij}) / (\sum_{k, k \neq j} X_{kj} / \sum_{k, k \neq 1} \sum_{I, I \neq j} X_{kI})$$

$$RMP_{ij} = (M_{ij} / \sum_{I, I \neq j} M_{iI}) / (\sum_{k, k \neq i} \sum_{I, I \neq j} M_{kI})$$

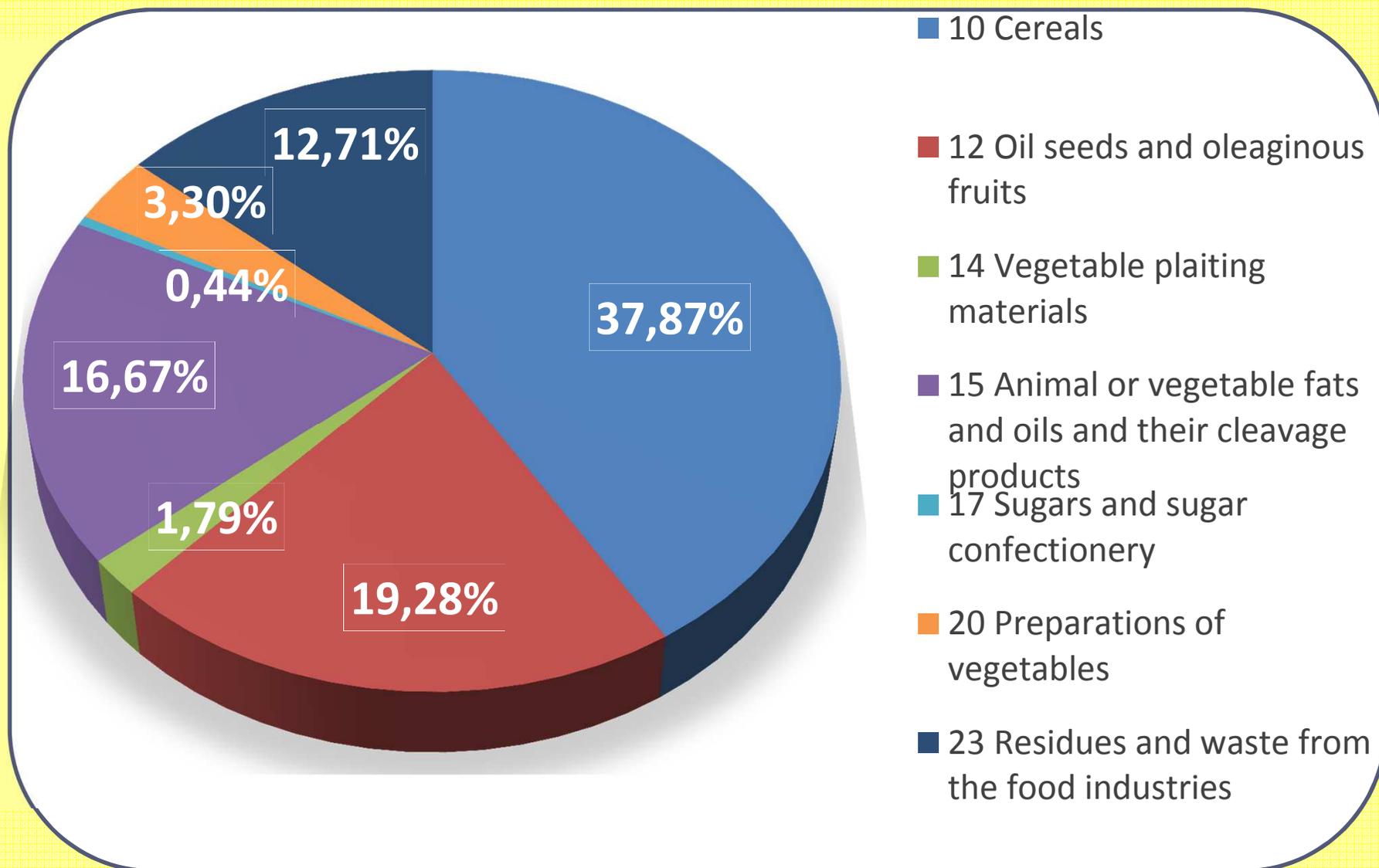
$$RTA_{ij} = RXA_{ij} - RMP_{ij}$$

The main commodity groups of Ukraine revealed comparative advantages in trade with EU in 2014



Source: developed by the author, data from the UNCTAD

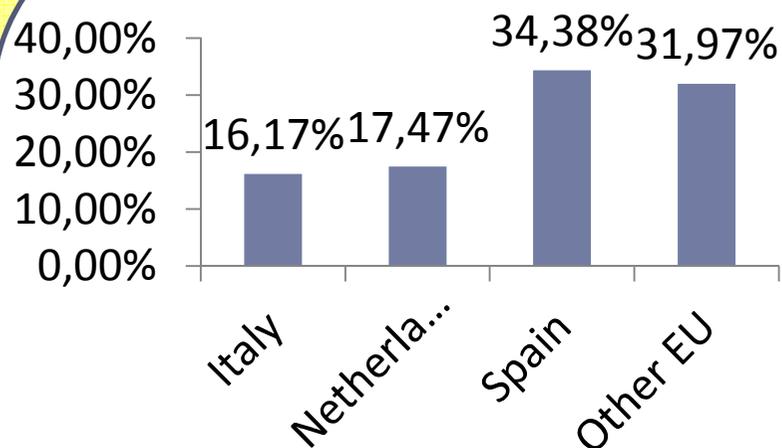
The share of RCA commodities in Ukraine's agro-food export to EU-28 in 2014, %



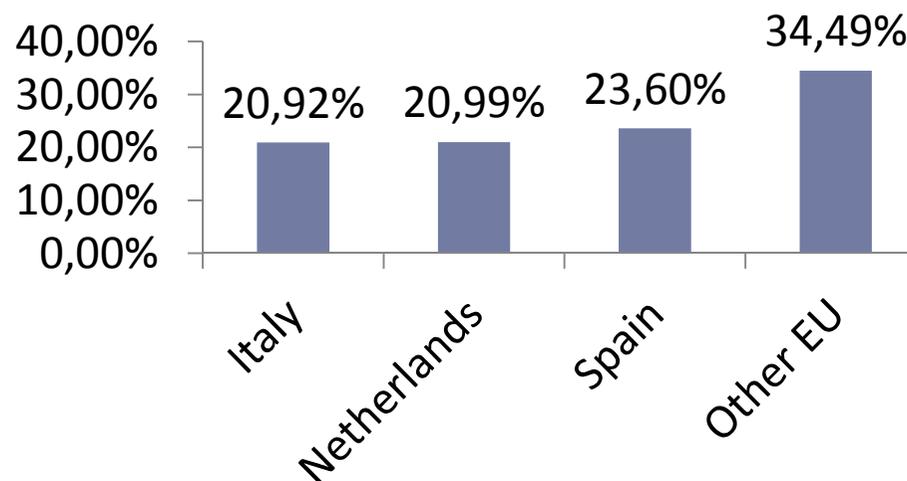
Source: developed by the author, data from the UNCTAD

The geographical structure in trade of Ukraine's RCA commodities with EU countries in 2014

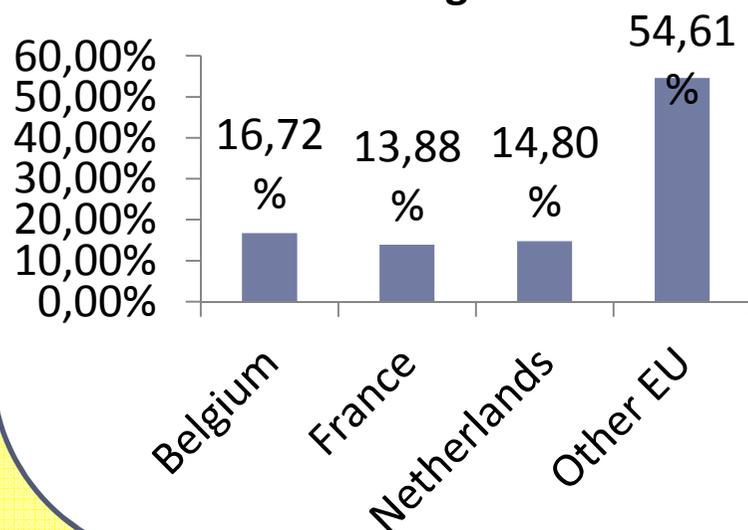
Cereals



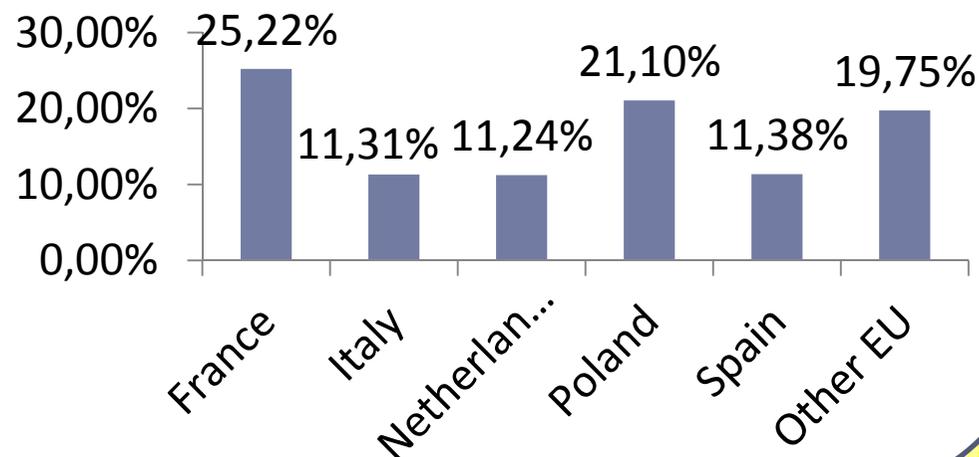
Animal or vegetable fats and oils



Oil seeds and oleaginous fruits



Residues and waste from the food industries





Thank you for your time