

## THE FORMATION OF EFFECTIVE DEMAND IN THE FOOD MARKET OF UKRAINE

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### Abstract

The food market is recognized as aggregate because it consists of many interconnected markets for crop, livestock and industrial products. Problems of development of the food market of Ukraine, in particular features of formation of demand at low purchasing power of the population are investigated. The aim of the study is to reveal the features of the formation of effective demand for food products and determine the optimal level of wages of Ukrainians to achieve the consumption of the basic set of food products at the level of established rational norms.

The research used the information database of the Ministry of Agrarian Policy and Food of Ukraine, the State Statistics Service of Ukraine, the Food and Agriculture Organization of the United Nations and information and analytical material on retail prices of the Ukrainian Research Institute of Agricultural Productivity. The conducted studies are based on the Guidelines for expanding the capacity of the domestic market of agricultural products and food, developed at the National Research Center "Institute of Agrarian Economics". The methodology of the study is structured as follows: 1. Determination of indicators of price and physical affordability of food (absolute and relative indicators comparison, price index formula) 2. Calculation of actual and total food costs (constructive-calculation method) 3. Calculation of regulatory (potential) and total (actual) capacity of the food market of Ukraine (potential and actual calculation) 4. Calculation of the amount of necessary wages of Ukrainians to ensure food consumption at the level of rational norms (methods of determining the amount of wages to ensure food consumption at the level of rational norms). The normative and actual capacity of the domestic food market at the minimum and rational norms of consumption is established. Calculations have shown that the actual capacity of the domestic food market is almost 30% lower than calculated on the basis of rational norms, which indicates additional opportunities to replenish the income of the agricultural sector. It was found that even with increasing effective demand of the population, the improvement in consumption is offset by rising food prices. Consumption of the population group with almost three times higher total incomes compared to the group with the lowest material security is much better in terms of quantity and quality of food. The level of consumption is elastic relative to effective demand only for lower income groups. The level of wages of Ukrainians under the conditions, at which the level of consumption of basic foodstuffs corresponds to rational norms, is determined. It is determined that in 2021 the salary level should be at least 1,132 euros per person per month, it is three times more than the actual average value in 2020 - 362 euros.

It is proved that the destructive impact of price dynamics on the food market of Ukraine contributes to a decrease in the level of consumption. Given the increase in inflation for most food products and a slight government increase in the minimum wage, in the near future changes in the structure of the "consumer basket" of the population of Ukraine are not expected.

**Key words:** Market, Food, Effective demand, Availability and sufficiency of consumption, Supply, Price.