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## THEORETICAL CONCEPTUALISATION OF GRAIN MARKET

### Annotation

It is shown the historical aspect of market's knowledge in the meaning of economic phenomenon, the process of standing and developing of the grain market. It is introduced the characteristic as for the grain market from the points of different views of scientists from the classic school of politic economy. Also it is determined the range of factors in account of which might determine the effective functioning of market. It is described the most suitable characteristics as for as, and the of market sense grain in order of generalization thoughts of different scientists had been determined.

**Key words:** *Market relationships, market, development, functioning, and economy.*

### Introduction

Grain market is considered one of the oldest in the world. Grain products are vitally important and accessible food products for the population of the planet. Aggravation of food problem and striving of developed countries to hold leading positions at the international grain market testifies to the leading role of the grain industry. This branch in Ukraine has traditionally been considered strategic, as the provision of all main demands is realized on the account of its own industry.

The issue of further development of grain market as well as the issues of world and national grain industry attract attention of economic science and practice.

The state of consideration of the issue. The problems of science and practice of grain market formation and development were studied by B.I. Boiko, P.I. Gaidutsky, M.V. Gladiy, U.S. Kovalenko, M.G. Lobas, I.I. Lukinov, M.J. Malik, V.F. Saiko, Z.P. Nikolaeva, P.T. Sabluk, V.K. Savchuk, I.O. Solovyov, V.K. Tereschenko, L.M. Khudoliy, O.M. Shpichak and others. Some issues concerning development of foreign economy at the grain market, exporting and importing of grain produce were reflected in scientific works of V.I. Vlasov, V.I. Gubenko, S.M. Kvasha, V.V. Klochan, Y.V. Milovanov, A.A. Fesina and others.

Sorting out the practical problems as to improve the situation at the grain market is based on theoretical principles which are the key to defining scientific approaches to the solution of the problems of stabilization and improvement of the situation in grain industry.

Formation and development of grain market is coming about under the influence of the valid law of general economic societal development. It conforms to general market appropriateness and market relations. Therefore prior to study of the nature and essence of grain market we consider it advisable to scrutinize and critically analyze points of view of the founders and some specialists in economic science on the nature of market and market relations.

### **Standing of problem**

The research of the nature of the modern market enables deeper understanding of the mechanism of its realization on the basis of achievement coincidence of demand and supplies for resources, goods and services; creation of conditions for their equilibrium, stimulate economic development according to the chosen directions; support of the adaptation of the economic regulation with the changing economic reforms by means of activity diversification for various forms of proprietorship and management. The methodological basis of research are: dialectical method of cognition, scientific works of agricultural workers. Investigation based on systemic, structural and functional analysis.

The issue of economic societal development is based on the two axioms: the needs of a society are unlimited; societal resources necessary for the production of goods and services are limited and sparse. Thus, A. Smith thought that markets came about as a result of sparse economic resources and limited production abilities of a human and a society [7]. Production abilities of a human are sparse in comparison with his ever growing needs realized by production means. All this in general is aimed at purposeful human activity to satisfy his needs, where main factors of production: labor, land and assets interact.

The historic aspect of market cognition as of an economic concept has passed several stages of its development. At the initial period of disintegration of the primitive communal system market was formed as "goods exchange" held at the definite time and place (market or retail trade place). In the span of evolution a market starts to be considered on the whole as any place where relations of a salesman and a customer are realized". Nowadays in the economic theory the concept of a market is mostly defined as a way or a form of organization and functioning of economic relations between subjects of management, based on the principle of free sale and purchase, as a form of realization and movement of combining parts of a product.

In the western economic sources a market is considered as "a real or virtual place, where producers (supplies) and customers (demand) encounter and sale and purchase of goods is held", as «a mechanism uniting salesmen and customers of definite goods and services" or as "a group of people initiating close business relations and contracts concerning any goods are signed" [6].

In the works of representatives of classical school of political economy A. Smith

and D. Ricardo the concept of “market” has not gained some distinct political definition as it was referred to outer superficial phenomena of market economy, and therefore it is primarily used to characterize market demand.

In the modern neoclassical economic theory the most widely used is the definition of a market proposed by the French economist A.Curnoe « market is not a definite market place where goods are sold and bought, but any region on the whole where relations of salesmen and customers are so free, that prices for these goods tend to be measured easily and quickly [6]. Here as the criterion for market definition serves the freedom of exchange and price settings. The English economist A.Marshall stated, that “the more perfect the market, the stronger the tendency in all its points to pay the same price for the same product at the same time...».

The American scientists K. McConnell and S.Brue in the textbook “Economics” consider market as “an institution or a mechanism, gathering customers (demand representatives) and salesmen (suppliers) of definite goods and services” [5].

Modern political economics corresponding with the object of its science, defining the nature of market basing mainly on the system or some combination of economic relations, tries to connect it with some functions (formation of demand and supplies and prices for these goods). However these definitions do not take into account the principle of historicism, therefore they more correspond with the facts of past centuries rather than modern life. Consideration of this principle first of all suggests definition of all subjects of modern market. For complex definition of the market nature it is necessary to find out its main functions, such as:

- 1) final definition of value of goods and services, as well as their realization, turning a labour product into ware;
- 2) support of sustainability for the process of societal reproduction process (partially, connection between production and consuming), entity formation of the national economic system and its connection with other national economies within the world market;
- 3) motivation of producers of goods and services to reduce individual expenses lower than societal necessary, improvement of the social necessity of goods and services, their quality and consuming properties;
- 4) regulation of the influence on economy on the whole and on the proportion between different branches of economics, bringing to conformity of payable demand and supplies, storing and consuming and other offers;
- 5) promotion of consumers’ control over manufacture and leveling the prices;
- 6) strengthening of competition between producers of goods and services in separate countries and within national economy. Thus market is a definite combination of economic relations between firms of various types and individuals, states and other subjects concerning purchase and sale of goods and services, where their value and realization are finally defined, due to what competence between manufacturers for re-

ducing the production expenses and improvement of social use of goods, proportion of the development of national economy, sustainability of social reproduction and formation of entity of economic system as well as the indirect consumers' control over the manufacture are partially maintained.

Nowadays market is being considered from various points of view. From the point of view of purchase and sale market should be defined as the sphere of interaction of demand and supplies, i.e. relations between producers and consumers; from the point of view of economy organization market is a social form of its functioning; from the position of market members it is defined as a form of social connection (economic relations) between the subjects of management. Here one can define two fundamentally different market definitions as the sphere of movement on one hand, and the whole particular economic relations on the other. In fact to base on the double quality of market nature and market contents means sales performed in the sphere of exchange and the movement of goods; and at the same time market is a system of economic relations performed by means of sale-purchase in all chains of productions: in the sphere of production, division, exchange and consumption. Here the market plays the role of a complicated mechanism of economic functioning, based on various forms of proprietorship, goods and money ties and loan-and finance system. Thus, market is a complicated system of social and economic relations, that maintains interaction of geopolitical, organizational and technological, demographic and other factors, directed at stimulation of production sphere, exchange and consumption of material goods.

To make this market function effectively definite conditions are needed, and firstly, a real pluralism of forms of ownership and management. Experience of developed countries testifies that to support this pluralism, individual (private) ownership based on own or other labour, collective ownership (in the form of join-stock companies, cooperatives, ownership of labor collectives, etc.), state ownership, municipal ownership, mixed forms of ownership should exist as a result of combination of the above mentioned forms. Secondly, impossibility of influence of various subjects of entrepreneurship on the level of prices. The presence of this influence, which means functioning of monopolies (including oligopolies as collective monopolies) affects market functioning. Thirdly, we should mention the developed antimonopoly legislation, which considerably weakens monopolistic tendencies in economy and promotes effective functioning of the market. Fourthly, highly developed system of economic and administrative economic regulation (on the part of the state with prevailing economic methods) leads to regulated market. Fifthly, presence of accessible information on the market contributes to development of marketing. Sixthly, it is the competition between various subjects of entrepreneurship. Finally, a developed and branchy complex of ownership objects, that can be the objects of sale and purchase (production means, including land, labour forces), intellectual property in the form of patents, licences, know-how, valuable papers, money, real estate, commodities and others.

Market is an economic concept of commodity production that reflects economic relations between producers and consumers in the sphere of commodities exchange. It does not characterize the whole system of production relations, but only those peculiar to the definite kind of social production.

Alongside with this, it is impossible to neglect the connection of market with other spheres of production relations, which make at a sort of subsystem in the system of production relations at the market. The absence of exchange results in close circuit «production – distribution – exchange – consumption», as in the basis of the market there is a social need in the form of solvent demand and it is not only production that defines the market, but the market itself influences production.

According to V.R. Boyev the main functions of market relations are the following: accounting and finding out social needs; realization of commodities mass, acceleration of commodity turnover; support of solvent demand and supplies; sequence of interests of manufacturers and consumers; motivation to work; stimulation of labour activity; development of all market structures including consumption goods, services, production means, labour, valuable papers, know-how etc.[3].

Adam Smith compared the market to “invisible science”, that provides self regulation of economy. He explains his statement by personal interests of market members: a producer is striving to multiplication of his profit, a consumer is striving to satisfaction of his needs with the least expenses, but they all together by an “invisible hand” of market aim at strengthening of their welfare[7].

Market itself is goods and money, the sphere of goods exchange and the whole of sale-purchase actions. It can be also characterized as the whole of social and economic relations in the sphere of exchange. The common concept lies in the fact that market mechanisms are the way of coordination of demand and supplies horizontally. According to the polish scientist and the author of the shock therapy Baltserovich, only that economic system can be regarded as a market system, where market mechanism is the main way of coordination in the sphere of distribution of commodities, that belong to private persons.

Alongside with this market is the regulation mechanism for feedbacks. Market relations are regulated and there does not exist unregulated market in the world. The main regulators for market relations are financial-loan and price systems. No wonder the Chinese economists imaginary state: “market regulates activity of enterprises, the state regulates market”. In China they do not oppose market to planning. With the stable state of economy market mechanisms strengthen and with the symptoms of recession the role of planned regulation rises. This economic position is especially important on the stage of formation of market relations.

In modern conditions market can promote wide development of commodity production. Market serves a catalyst for commodity-money relations, choosing and improving forms of ownership, directing the structure of capital investments and forming

interindustrial connections. On the whole market is the process of improvement of commodity and money relations directed at consumers and satisfaction of his needs.

The defining elements of effective market functioning are demand and supplies. The market conjuncture is reflected in the correlation between demand and supplies. Demand is the form of reflection of paying capacity for social demand. Outside the market demand strips its money form and is realized in consumption as definite consuming value. The size of demand mainly depends on the level of money profits of the population and the sums, allotted by producers for purchase of production means. Supplies defines the results of production that gain commodity form. As supplies we understand the whole of goods which can be proposed at the market. Supplies forms demand via assortment of produced goods and their prices. On the other hand demand determines the volume and structure of supplies as only those things that are acknowledged by a consumer are produced. The correlation between demand and supplies serves as a guideline showing the direction and the sphere of the most profitable application of stock. Stock is invested in those spheres where the demand on their products is higher than supplies, and prices correspondingly are higher than the costs.

In the national economic literature several points of view on the nature of the grain market were formed. Some understand it only as the whole of exchange relations. Others consider the grain market as multifaceted concept that includes economic, financial and even moral state.

The Russian scientist L.S. Cheshinskiy writes that «grain market is the sphere of grain movement from the manufacturer to the consumer. In this sphere market economic relations act where the law of demand and supplies forms the level of price equilibrium and regulates the volume of commodity supplies» [9, P. 39].

J.V. Strelkov is assured that “grain market is the system of economic relations between grain producers and its buyers and processors (initial market) and producers and consumers of the products of its processing (secondary market)” [8,P.5].

According to A.D.Kudelya “grain market is the system of regulating finance and economic, commercial, loan and tax, social, moral and ethic as well as legal inducing motives, norms, actions and phenomena that contribute to satisfaction of population needs in bread products and high quality bread in wide range” [4, P. 65-67].

In our opinion the most profound definition of the concept “grain market” is given in the scientific works where it is considered as structural education, characterizing definite type of economic functioning and formation of industrial connections.

Suffice it to recall the statement of M.Z.Golovatyuk, who says that “grain market is relatively complicated structural education, characterized by multifaceted elements of market system” [2, P.86].

A.I. Altukhov and A.C. Vasyuti characterize grain market as such a type of economic functioning, where market relations are not limited by the sphere of exchange, but include all commodity and money relations, by means of which production, sales

and grain consumption are regulated and all forms of management connections are formed between all the subjects of grain market. This definition includes both all necessary structural elements of grain market and methods of regulation the economic connections between them. The origin says that “grain market is a complicated economic system consisting of the whole of economic relations between the subjects who can be rural producers, enterprises and organizations dealing with grain purveyance, storage, its industrial processing, and also various structures maintaining the mobility of grain and the products of its processing from producers to consumers”. A.I. Altukhov underlines that “grain market is the system of regulating finance and economic, commercial, moral and ethic, social and legal inducing motives, measures, norms, situations, actions and phenomena, that contribute to satisfaction of the population needs in high quality bread and confectionery as well as noodle products in wide range “ [1, P.44].

In spite of sufficient opening of this concept, we still consider that organizational and ecological sides of formation of grain market need strengthening. Alongside with it, in order to make the mentioned system really a market system, one should balance demand and supplies, production volume and consumption, freedom of prices at grain market in cases of economic purposefulness by the state control of their level.

## Conclusions

In our opinion market functioning, including grain market, is defined by a number of factors. They can be divided into controlling and non-controlling. The definition of factors as controlling and non-controlling is rather conventional. So, the general state of national economy must be controlled by the state, as the financial stability of the enterprise mainly depends on outer conditions. In another words inner and outer factors are interconnected and correlated.

Under the influence of these and other factors market relations in grain subdivision are made up. Through the control of grain products there come about economic relations in various spheres: between grain manufacturers and its processors, producers of bakery and final products of flour, producers and consumers, salesmen and buyers. Thus market projects as an object of correlation of interests in the production sphere and the sphere of consumption.

We consider it important, that this approach gives the significant role to grain production and agricultural producers, the service of which should be supplied by all other structural elements.

Grain market has its own peculiar features, such as:

- grain is the strategic product, on the presence of which determines political and economic stability in the society;
- not all volume of grain comes to the sphere of commodity turnover, the defi-

nite part of it is left in the grain growing sector for inner needs (seeds, forage, public nourishment);

- harvest of grain-crops depends on weather conditions which cause yearly fluctuation in grain production;
- instability and seasonality of supplies for grains with relatively even demand for bread products call for creation of its depots;
- discrepancy between the level of grain production and grain consumption per person on the territory of the country as well as zonal production character of some kinds of grain determine real necessity in transportation of grain or the products of its processing.

On our opinion the exact statements must lead direct in perspective the attention of scientists.

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