

Pro and contra: Grain and people

Valeriy Asadchev, Deputy Chairman of the Budget Committee at the Verkhovna Rada,

“Crisis in Ukraine’s foodstuff market is a real fact. And disappointment of our government is a real fact as well. Today, all actions of the government derive from the lack of knowledge and experience of the Ukrainian Prime Minister. Personally, I view the situation on the grain market as consequences of normal functioning of sound market mechanism and guess talks about speculators ridiculous.

In contrast to the government, wholesale traders have supply of foodstuffs bought at old prices because they monitor the sales market. Monitoring results allowed them to anticipate 200% price rise as compared to 2002. What did they have to do to purchase new foodstuffs? Where did they have to take money? In what banking institutions? At what interest rate? So, they started accumulating cheap funds and increased prices.

As a matter of fact, the same is true about retail traders. What did the government have to do? Work out a body of measures and start their implementation as long ago as in early 2003, when the first signs of possible crisis emerged. The government had to estimate reserves, purchase grain and tell wholesale traders, “If your prices for new harvest are twice higher, come to us and buy grains at the last year’s or 5-10% higher prices.” Such a statement would allow avoiding considerable public excitement. Unfortunately, the government failed to do so.

There are several reasons. Firstly, governments are changing almost every year, whereas market monitoring represents a strategic policy providing for analysis of future prospects, weather forecast etc. If the government is constantly reshuffling, its officials will have no time for strategic planning.

Secondly, appointment of Victor Yanukovich also played an important role. Despite all my respect to Victor Fedorovich, I deem that a person, who never worked either as a minister or a Vice-Premier or a deputy, may not hold such office. Now we can see him frustrated and disappointed. Given the situation, all other officials cannot act in concert. Therefore, the system crisis may deteriorate.