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Review Paper

Foreign Experience in the Legal Regulation of Agricultural Commodity Exchange and its Possible Practice in Ukraine

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ABSTRACT

Since Ukraine is at the initial stage of legal regulation of the exchange market, the study of foreign experience in the field of agricultural commodity exchange becomes crucial. The article aims to determine ways and directions for improving the legal regulation of agricultural commodity exchange in Ukraine with consideration of foreign experience in this field. The authors of this article analyzed the world models of legal regulation of exchange trade, identified their strengths and weaknesses, and established the features of the organization of such trade and trends in the exchange market development, which can be of avail for the development of measures aimed at improving domestic legislation in this field. The authors conclude that a legislative framework for the functioning of the agricultural exchange market in Ukraine needs to consider many global trends, including state control for preventing price imbalances in the field of commodity turnover, the financing of exchange contracts as a source of investment for the agricultural sector, stimulation of agricultural production in the country, and elimination of corruption while forming state reserves. The analysis of foreign experience in the field of agricultural commodity exchange indicates the need to unify the rules and legal regulation of the organization and activities of the stock and commodity exchanges in terms of their legal status, requirements for members, and the method of organizing and conducting trades.

HIGHLIGHTS

- Foreign experience in the legal regulation of agricultural commodity exchange was examined.
- Financialization of exchange contracts was substantiated to be the priority direction in the exchange trading development.
- Promising areas for legislative support of agribusiness in Ukraine are agricultural market transparency and mandatory crop failure insurance.

Keywords: Exchange activities, economic law, world trends, agricultural commodities, futures exchange

The study of legal regulation of exchange trade in some foreign countries indicates that their growth rates in the world agricultural market differ significantly. Moreover, such a phenomenon is already taking on features of a trend. According to O. Kovinko (2016), the number of countries characterized by belonging to the group of emerging markets is insignificant in the world. If we take the production share of the agricultural sector, it will account for 0-1% of the country's GDP in only 19% of the world market. The opposite situation is observed with countries that belong to a group characterized by the stable growth of markets. This group includes Australia, Belarus, Brazil, Bulgaria, Canada, China, France, Greece, Japan, Mexico,

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Germany, New Zealand, and the United States of America. The presence of these countries is constantly growing in international markets, while it has already reached 51% in the world market, which is the largest share. A characteristic feature of this market group is a regular increase (from 1% to 10%) in the share of agricultural commodities in GDP (Kovinko, 2016). However, the share of agricultural exports decreased significantly in the following countries in 2017-2018: Belarus (from 18.0% to 15.5%), Georgia (from 32.8% to 28.7%), the Republic of Moldova (from 46.6% to 43.4%), Turkmenistan (from 9.4% to 6.3%), Uzbekistan (from 26.1% to 16.2%).

The growing share of agricultural production is a factor that contributes to the globalization of trade processes, including exchange trading in this type of commodities. However, the legal regulation of agricultural commodity exchange differs in particular regulatory mechanisms depending on the purpose of state intervention in the field of exchange activity. These purposes are as follows: the need to stimulate the turnover of agricultural commodities; the introduction of market prices for agricultural and related commodities; the elimination of shadow factors in pricing policy; the establishment of favorable conditions for lending in the commodity market; the creation of conditions for filling state reserves and the reliability of food supplies. For example, one of the goals of the Agrarian Commodity Exchange in Ukraine is to comply with the decisions of the Agrarian Fund on the administrative system of price regulation for a separate object of state price regulation in cases stipulated by law. In this context, the issue of the social orientation of economic policy arises (Petrunenko *et al.* 2019). Poland, as a member state of the European Union, introduced restrictions in the trade of commodity exchanges based on the Common Agricultural Policy and the Common Energy Policy, which has led to the "restriction of competition" (Król, 2014). Different approaches to legal regulation, in turn, determine the formation and functioning of various types of commodity exchanges and conditions of exchange activity in this field.

Thus, researchers note that two types of legal regulation of activities of commodity exchanges were developed according to the degree of state intervention. 1) The first type is characterized by the absence or limited regulation of commodity exchanges, including trade in agricultural commodities. This type of regulation existed in Holland and France. Under such a model of legal regulation, the exchange acted as a self-regulatory organization that independently determined the rules of its activity. The second type implies strict regulation of exchange trading and the activities of commodity exchanges by the state. According to this model, the exchange activities were regulated by law and controlled by the executive power. There was no unification of exchange participants and visitors into a single corporation because it represented an open meeting where the relevant state agency appointed members of the Stock Exchange Committee (most German exchanges) (Liubezna, 2015).

However, the subject under research is insufficiently studied in the context of agricultural trade. There are few comprehensive works aimed at studying and analyzing foreign experience in this field, which confirms the relevance of this research. Thus, the purpose of this article is to determine ways and directions for improving the legal regulation of agricultural commodity exchange in Ukraine with consideration of foreign experience in this field.

Literature review

In modern legal doctrine, these models of legal regulation of exchange trading are reflected in the so-called liberal and administrative approaches. The first model is inherent in the legislation of European states, and the second is typical for the legal system of the United States. At the same time, these issues depend on the research assessment. For example, Zacharzewski (2019) notes that exchange law is interconnected with public and private law. Therefore, the dominant element can be hardly distinguished here, which determines the understanding of the relevant sphere as complex.

The issue of harmonization of exchange activity in the global context was subject to the research of such scientists as A.I. Berlach (2007), K.S. Brenzovych and O.I. Dubliak (2016), Yu.Ia. Hula (2011), Yu.A. Ishchuk (2017), L.L. Nosach (2014), M.O. Solodkyi (2010a), O.R. Tsykhanov and S.M. Povnyi (2004), and others. Yu.Ia. Hula (2011) has examined the international experience in regulating exchange activity and concludes that representatives of the Ukrainian parliament and government officials prefer the British (liberal) regulation model, considering it the most adaptable to domestic realities. The researcher notes that this model is also typical for the sphere of social relations governed by EU laws. Even though the EU legislation is harmonized, each country establishes its model of regulatory impact on exchange activities. In such a way, the authorities influence their actors more effectively and coordinate society (Hula, 2011).

The model of public administration in the field of exchange activity requires stability and unanimity in methods of state regulation of economic blocks of social relations. Numerous factors affect this situation, but the legal support of the regulatory mechanism, the form of the state structure, and the form of government are the most decisive. The researcher points out that the American exchange model represents an independent association of professional intermediaries whose activities are regulated within the exchange itself. At the same time, the Commodity Futures Trading Commission of the United States is an appropriate public authority that performs the functions of supervision and regulation, acts as a coordinator of exchange markets, and conducts legal expertise of documents for the development of positive competition (Hula, 2011).

Some scholars also distinguish a mixed type of legal regulation of exchange activity, and its dominant features are as follows: improper delineation of powers of public authorities in the field of regulation of exchange activity; incomplete legislative norms and requirements for exchange participants; weak legislative framework; the uncontrollable number of self-regulated associations that do not perform their functions; ineffective exercise of supervision and control functions by regulatory bodies and a high level of bureaucracy in these bodies (Odarchenko *et al.* 2017). The approaches to understanding the model of legal regulation of agricultural commodity exchange are quite diverse. Yu.Ia. Hula (2011) qualifies this model as liberal, while A.H. Bobkova and Yu.O. Moiseiev (2005) define it as mixed.

In terms of the legal status of commodity exchange, foreign countries apply, as a rule, the classical approach. On the one hand, it defines commodity exchange as a continuously functioning market where raw materials, food, and mass consumer goods are purchased and sold. Such a market has common generic features, qualitative homogeneity, and interchangeability. On the other hand, a commodity exchange is a market mechanism aimed at stabilizing the economy through liquidity and optimal distribution of essential commodities (Nosach, 2014). Notably, the legislation on the stock market includes provisions that deserve to be qualified in various traditionally separate fields of law, including labor law and family law. Stock market regulators ensure stock market integrity, which is a higher value than individual interests (Zacharzewski, 2016).

Thus, there are various approaches to the legal regulation of commodity exchanges in the world practice, which can be divided into several models (liberal, administrative, mixed). In this regard, it is necessary to dwell on the features of legal regulation of exchange trading in the EU, the USA, and some Asian countries.

Features of the legal regulation of agricultural commodity exchange in European countries

The active efforts of European countries in stimulating the agricultural sector of the economy determine the features of the relation of agricultural commodity exchange. M.O. Solodkyi (2017) studied the legal regulation of exchange trading in EU countries. The researcher notes that the legislation on exchange regulation differs by country but is generally common for the commodity and stock markets. Each country has a single state regulatory body represented mainly by the Ministry of Finance and puts forward liberal requirements for market participants. However, the similarity of the legal regulation of exchange trading in the EU countries does not mean that each state is devoid of certain specific features in this field.

In France, the regulation of commodity futures exchanges falls within the competence of the Commodity Futures Trading Commission. Moreover, the Commission tends to establish more stringent requirements for regulation of the said field (Berlach, 2007). In particular, the Commission imposed on the exchange members the obligation to provide customers with more data on markets and price dynamics and increased the minimum capital for registered exchange members. In comparison, a similar commission operates under the Commodity Futures Act (1990) in Canada, where the relevant regulation falls within the competence of the provincial governments.

The Law on Commodity Exchanges No. 229/1992 is the principal act of the legal regulation of the organization and activity of commodity exchanges in the Czech Republic. This act defines a commodity exchange as a legal entity founded to organize centralized trade in commodities and derivatives related to goods traded through an exchange. Under the legislation of the Czech Republic, exchange trading is governed by private and public law. In the Czech Republic, commodity exchanges can be founded in the form of a Deed of Association by entrepreneurs registered in the commercial register or by exchange members, which indicates the private nature of Czech commodity exchanges. Commodity exchanges established in the Czech Republic do not have the legal form of a joint-stock company. These are legal entities established on the principle of membership. Czech commodity exchanges do not strive to make a profit but organize trade in commodities; however, they do not participate in this trade (Rejnus, 2002).

Notably, a similar organizational and legal form (a membership organization without the purpose of making a profit) is typical for commodity exchanges formed in other European countries. Furthermore, a significant feature of the legal regulation of exchange trading in these countries lies in the same rules for operating commodity and stock exchanges. As a rule, the state control over their activities is entrusted to the same body, which controls stock markets. The above is due to the standardization of exchange contracts and their digitalization and dissemination in the global space in close connection with financial instruments. According to a similar principle, the Ukrainian legislation stipulates that the National Securities and Stock Market Commission is the public authority that regulates the activities of commodity exchanges in accordance with the Law of Ukraine "On the creation of an agricultural exchange" (Cabinet of Ministers of Ukraine, 2005). It is no coincidence that European countries began to talk about the phenomenon of "financialization of commodities" caused by the instability of prices for raw materials, in particular agricultural products, provoked by the activity of financial players and the spread of derivatives in commodity markets.

Thus, Europe has launched a process of regulating commodity markets in order to increase transparency and reduce systemic risks. To this end, two resolutions have already been adopted (EMIR and REMIT) (European Parliament & Council of Europe, 2011, 2012), and the current revision of Directive 2014/65/EU on markets in financial instruments (MIF2) (European Parliament & Council of Europe, 2014) should strengthen the regulatory framework. After all, the primary risk is the correlation between commodity and financial markets. For example, if financiers massively intervene in the purchase of agricultural futures contracts to diversify their securities strategy, they may create a link between these two asset classes. In this case, the stock market will affect the price of raw materials, and the price will not reflect the reality of the market. Therefore, governments in developed countries did not confine to purely financial markets but tightened their controls on commodity markets after the 2008 crisis.

In addition, the legislation of European countries pays considerable attention to the regulation of quality requirements for agricultural commodities. In Germany, the importance of market transparency is emphasized at the legislative level, manifested in constant assessment and improvement of standards in the agricultural commodity market and regulation of food and feed safety. The Federal Government and the governments of the federal lands (Bundesländer) apply the EU Common Agricultural Policy (CAP) to German agricultural commodities. The current policy is aimed at encouraging domestic and industrial farming (Gregor & Rechtsanwalt, 2015).

The Ukrainian researcher A.M. Stativka (2015) examined the features of regulation of agricultural activity in the legal space of some European countries. The conducted analysis formed the basis for a reasoned conclusion on the legislative regulation of requirements for agricultural production in the EU countries. According to the researcher, the classification of these requirements is as follows: (1) the content of prohibited substances and pollutants; (2) compliance with sanitary standards in the production of agricultural commodities; (3) mandatory identification and registration of crops and domestic animals; (4) certification of agricultural commodities; (5) environmentally friendly production; (6) labeling and packaging; (7) norms that genetically modified products must meet; (8) requirements for pet food and fertilizers, etc. (Stativka, 2015).

K.S. Brenzovych and O.I. Dubliak (2016) studied the development of global organized trade in agricultural commodities and established two dominant qualitative trends in today's world market. The essence of the first trend is revealed through the prism of such an acute problem as famine. Its aggravation was the reason for the increase in the number of genetically modified agricultural products consumed on the national market of particular countries and sold internationally. The second trend is a gradual shift of countries' positions toward genetically modified products from categorical denial of their production and consumption to the legalization of cultivation (within the established limits) and actualization of scientific research in this direction (Brenzovych & Dubliak, 2016). Thus, agricultural commodities as a subject of exchange trade in European countries come under strict state control regarding quality and standardization of cultivation conditions, including minimum permissible standards for the cultivation of genetically modified products. This standardization naturally corresponds to exchange instruments.

According to foreign scientific literature, the increased liquidity of exchange trading, including in agricultural commodities, was facilitated by the participation of institutions established by the state to regulate the market and create and protect material reserves. Such a situation made it possible to buy certain commodities directly on exchange and at market prices into public funds. This, in turn, significantly increased market liquidity and created conditions for these organizations to participate in forward agreements, especially futures (Rejnus, 2002). In the context of legal regulation of agricultural commodity exchange in European countries, it is appropriate to note that its members (intermediaries, brokers) are in charge of trading on a commodity exchange in most states. Other entities (only through an exchange broker) may participate in trading provided they have the right to produce, process, or sell traded commodities or provide related services. The characteristic feature of the organization of agricultural commodity exchange in European countries is the absence of commodity exchanges specialized in one type of goods. Exceptions are commodity exchanges established in some European countries (for example, the Czech Republic). These exchanges are not specialized by the type of transactions sold but by the type of commodities that can be sold there (this is called subject specialization) (Rejnus, 2002).

Furthermore, the government in European countries interferes in the interventional procurement of particular agricultural commodities, which often strongly affects the functioning of the agricultural commodity market. Thus, Articles 21 and 23 of the Law of the Czech Republic stipulate legal entities are entitled to conduct direct commercial transactions on commodity exchanges on their behalf, at their expense, and not through an intermediary in order to regulate the commodity market or create and protect material reserves. Some scholars insist that a more extensive application of such measures is required (Rejnus, 2002). Appropriate mandatory insurance programs are offered when business entities do not fully consider the financial consequences of their actions (e.g., liability insurance). This argument is true for all types of risks of natural disasters. Many developed and developing countries, including France, Romania, and Turkey, have introduced mandatory property catastrophe insurance programs (Mahul & Stutley, 2019).

Particular interest is presented by the legislative approach to the regulation of liability insurance on the agricultural commodity exchange market. In particular, mandatory insurance for crops is provided in some countries. However, since some countries do not have a mandatory insurance system in this area, trade in certain types of derivatives is limited on the commodity exchanges of these countries. England is one of the European countries that does not have a crop or agricultural quality insurance program. At the same time, this country resorts to the insurance of the risk caused by the actions of the counterparty (improper performance of the duties), which leads to the reimbursement of considerable costs by the other party. Even though the probability that the counterparty will not comply with the terms of the agreement is low, insurance against such a risk is essential for an agricultural producer. Such a risk can become an obstacle to the forward sale of agricultural commodities even when the set price is optimal. Furthermore, an optimal price will not prevent the manufacturer from reducing the volume of sales, or the manufacturer will be forced to sell such products only to reliable state trade companies.

Therefore, this risk drives the decision-making process towards short-term forward sales, which gives it features of trading with cash and immediate supply, i.e., on a "spot" basis. This risk also increases the principal one, which makes it safer to trade with the largest buyers rather than with more of them because such an option is possible only if the risk associated with the second party to the agreement is reduced (Kohl, 2013).

American and Asian models of legal regulation of agricultural commodity exchanges

The particular interest represents the US experience in the legal regulation of exchange trading. In this country, the largest commodity exchange (which is simultaneously the largest commodity exchange in the world) is the CME Group based in Chicago. It was formed in 2007 by merging two of the oldest and most advanced commodity exchanges in the United States – the Chicago Board of Trade (CBOT) and the Chicago Mercantile Exchange (CME). The integration of these two changes made it possible to diversify the range of instruments for their exchange activity and multiply the liquidity of the American commodity exchange market. The CME Group is presently authorized to trade derivatives on sawn timber, precious metals (gold, silver), cereals (wheat, corn, oats), soybean, cattle, foreign exchange, municipal bonds, equity and bond indices, US treasury bills and bonds, etc. The improved digital technology for trading and clearing of 2009 was the determinant factor in the exchange development, which provided for processing more than one hundred and fifty-five million transactions per day. The trading system on this exchange is considered one of the most liquid and safe for exchange traders in the world (Solodkyi & Hnyliak, 2010).

It is worth noting that the public administration model in the United States, taking into account the federal structure of the country, has a decentralized nature. In this regard, O.R. Tsyhanov and S.M. Povnyi (2004) hold that the reason for this phenomenon is the country's federalization. It provides a separate legislative provision and an individual system of executive bodies for each state that establish a mechanism for regulating exchange activities. In other words, the activities of the US exchange market entities, on the one hand, are governed by a single national law. On the other hand, they must meet the requirements of the authorities of the individual state, which often differ, in particular with regard to taxation, exchange activity standards, stock exchange reporting, etc. (Tsyhanov & Povnyi, 2004). At the same time, the experience of legal regulation of agricultural commodity exchange in the United States proves that an effective fight against the shadowing and monopolization of the commodity market requires the use of exchange-traded instruments. They should encourage the formation of specific fair prices, which, in turn, will contribute to reducing price risks (Ishchuk, 2017).

In the USA, state control over the activities of the stock and commodity markets is entrusted to the Commodity Futures Trading Commission. There are two forms of the Commission's governance under the legislation on exchanges. The first form implies direct regulation by the Commission through rules, orders, and subsidiary bodies. The second represents a direct supervision and system of industry self-regulation carried out within the framework of the Commission's supervision (Sychko, 2017). CFTC regulations have been adopted to control the activities of commodity exchanges in the United States. Thus, part 32 of the CFTC regulations governs the sale of commodity options in the cash market. In accordance with these regulations, trading options, i.e., options in the cash market concluded by commercial organizations for business purposes, are exempt from the Commission's supervision, except for agricultural commodities. Options on soft commodities (coffee, sugar, and cocoa), dairy products, and lumber are eligible for exemption from Commission supervision. At the same time, agricultural trade can be carried out over the counter with the help of price risk management instruments. They are called trading options and differ from stock options bought and sold in a particular contract market. Trading options for agricultural commodities are bought and sold over the counter between participants in the commercial market for business purposes (Commodity Features Trading Commission, 2022).

Thus, it is possible to distinguish three characteristic features in the legal regulation of agricultural commodity exchange in the United States. First, the state control in this field is entrusted to an individual state body, the Commodity Features Trading Commission, which differs from that regulating the activities of stock exchanges. Second, agricultural commodity exchange is characterized by softer regulation conditions, and some types of trading options for agricultural commodities are exempt from the state control of the Commission; however, mandatory insurance against the risk of loss is established. Thirdly, exchange trading in agricultural commodities is conducted through an expansive system of exchange instruments, such as options or futures.

Particular attention should be paid to the features of the legal regulation of exchange trading in some Asian countries, such as Japan. Thus, the activities of commodity exchanges in Japan are controlled by the ministries of finance, foreign trade and industry, and agriculture. In 1983, a series of scandals erupted there, caused by the unfair conduct of individual exchange traders. In response, the government introduced legislation on countering fraud in the stock exchange and futures (contract) trade, specifically. The legislation limits the number of contracts that can be concluded by exchange members and non-members (this number varies significantly on different exchanges). Singapore has had a law since 1986 that entitles the Ministry of Finance to control the stock exchange, approve the establishment of the stock exchange, and cease its trading activities. The Ministry of Finance obliges all exchange users (from consultants to traders) to obtain an appropriate license. In case of non-fulfillment of this obligation, the law carries a punishment of up to three years of imprisonment and a fine of up to SGD 30,000 (Berlach, 2007).

According to scientific literature, the development of the exchange market in Asia has a centuries-old history. The activities of Japanese exchanges have been leading at Asian and world levels for a long time. Ten exchanges of local significance are presently active in Japan. The dominant feature of these exchanges is their long-term compliance with the principle of trade in exclusively agricultural commodities. Arbitrage is carried out in relation to commodities that are the objects of international trade, such as soybean seeds, wool, or sugar. These exchanges hold futures agreements for beans, varietal cotton, raw and artificial silk, cotton yarn, sugar, paprika, rubber, and starch (Solodkyi, 2010b).

World trends in the development of agricultural commodity exchanges

The authors of this article have examined the issue of foreign experience in the legal regulation of agricultural commodity exchange and noted that the consolidation of world markets was the trend of the last few years. In particular, M.O. Solodkyi (2010a) highlights a tendency to consolidate exchanges established in countries with market economies or to co-create sites with less developed exchanges. In addition, the researcher makes the following conclusions on the promising directions of development of world exchanges:

1. consolidation makes it possible to attract over-the-counter instruments to exchanges, thereby expanding investment mechanisms and increasing their level of guarantee by clearing. In other words, the consolidation of exchanges is an opportunity to expand the financial engineering of exchange-traded instruments at the world level;
2. globalization and digitalization have affected the global exchange market and increased the number of electronic exchanges significantly. Up to 90% of exchange transactions already pass through a digital platform, which leaves the old technology of trading through an open auction in the past (Solodkyi, 2010a).

Based on the Futures Industry Association (2019) report, A.S. Blahodatnyi and A.S. Muzychenko (2019) analyzed the transformational processes that occurred in world exchange trading in 2019 and highlighted their features. Thus, the volumes of futures and options have shot upward to record levels on the world market. According to the statistics of the Futures Industry Association (2019), exchange activity in the world derivatives markets increased by 13.7% in 2019. It constituted 34.47 billion contracts, which was a record number. The growth in the trading activity of three futures exchanges established in China contributed to an increase in futures and options trading by 18.8%, which was about 1.77 billion contracts. Open interest in agricultural commodities grew even faster and increased by 30.9% to 22.4 million contracts (Blahodatnyi & Muzychenko, 2019).

Notably, the integrity of the market (or the formation of a consolidated exchange market) is the state of the market when it functions and is perceived as fair and orderly and where regulators implement effective rules to ensure trust and stimulate participation in the exchange trade. At the same time, market efficiency refers to the ability of market participants to conduct trading transactions easily and at a price that reflects all available market information (Hula, 2011).

The consolidation of world exchange markets, where agricultural commodities are traded, necessitates the introduction of such principles as economic utility and openness (or transparency) of the exchange functioning. It is crucial to observe these principles in the agricultural exchange market. Thus, economic utility means the state where concluded exchange agreements (contracts) meet the needs of consumers and contribute to the identification of the fair price of the basic commodities. In addition, the management of potential risks of traders should be ensured. The regulator should be informed about the type of commodities allowed to be traded on the exchange or in the trading system. The achievement of such utility also implies reviewing and (or) approving the rules governing trade in such commodities (Hula, 2011). In other words, the principle of economic utility is closely related to those of openness (transparency) of exchange trade.

However, it is expedient to consider the transparency of the exchange market as a means that improves the understanding of the market functioning. Moreover, market transparency contributes to the confidence and interest of exchange traders. This remark is true for the openness of information on commodity derivatives and the fundamentals of exchange trading. If the information about exchange trading is open, the trading process and the mechanism for price formation for agricultural commodities become more understandable (Hula, 2011).

In summary, the authors emphasize that the priority direction in the exchange trading development is the consolidation of trading systems. It involves further unification of the principles and rules for trading activities and standards and requirements for commodities that constitute the subject of trade or the asset base of derivatives. In some ways, the consolidation can be perceived as a further trend towards the balance between commodity and financial instruments of the economy. Given all the above, the development of the agricultural exchange market in Ukraine requires bringing the norms and standards for the implementation of such trade into line with European ones since the European market is the nearest prospect for consolidation with the domestic agricultural exchange market. In particular, the authors mean the implementation of the provisions of Directive 2014/65/EU (European Parliament & Council of Europe, 2014).

However, the experience of the developed countries in the legal regulation of agricultural commodity exchanges shows that their development requires particular legislative prerequisites to be established. Thus, the foreign scientific literature determines the following five conditions that contribute to commodity exchange development:

1. There should be a well-functioning spot market with a large number of buyers, sellers, and trading volumes sufficient to prevent potential market manipulation by major players. This prerequisite is crucial since sufficiently developed spot markets make it possible to reduce the costs and risks on commodity exchanges among the largest market actors, such as wholesalers, manufacturers, and food agencies. If the market is sufficiently competitive, it indirectly reduces the costs of farmers' marketing research.
2. The market should have sufficient trading volume to cover the fixed costs of a commodity exchange. Given the relatively small volumes of trade in many national markets, regional trade facilitation policies are likely to be a critical condition for Ukraine.
3. Commodity exchanges require numerous marketing support services, such as warehouse certification, bail management, and bank settlement services. If banks and marketing entities already provide these services, the trading costs will be reduced significantly.
4. Commodity exchanges need a clear internal

management structure, which helps to build trust on the part of bidders and demonstrate good faith in the exchange management or the possibility of resolving conflicts between trading partners. Management teams entrusted to build new trading systems should have sufficient flexibility and authority; when appropriate, they should take decisive action and invest in new services. If necessary, they should borrow money to realize their competitive advantage. All this requires management personnel to have adequate training.

5. Predictable and stable public policies in the field of marketing and trade are crucial. Commodity exchanges can function within such a policy where the government influences food prices through transparent threshold prices based on rules that trigger predetermined market actions (Jayne *et al.* 2014).

It is equally important to consider the principal risks and features of the development of state economic policy aimed at eliminating global imbalances, increasing the effectiveness of quarantine measures, and overcoming the economic crisis (Petrunenko & Podtserkovnyi, 2020). It is about solving the problem of exchange activity that considers the general economic situation and the need for creating tools understandable to global business players, which will not be used as speculative means but as commercial tools.

CONCLUSION

Legislative support for the functioning of the agricultural exchange market in Ukraine requires considering many global trends, including state control to prevent price imbalances in food circulation, the financialization of exchange contracts as an element of saturation of the agricultural sector with investment, stimulation of agricultural production in the country, and elimination of corruption in the formation of state reserves.

Based on the analysis of foreign experience in the field of regulation of agricultural commodity exchange, the authors determine the following opportunities for its use to improve the economic legislation of Ukraine:

1. to unify the rules and legal regulation of the organization and activities of the stock and commodity exchanges in terms of their legal status, requirements for members, the method of organizing and conducting trades and settlements, the circulation of financial instruments, and the prevention of the use of futures contracts for price instability (following the example of France, the Czech Republic, and some other European countries);
2. to increase the transparency of the agricultural market, join the European standards for the quality of agricultural products and standards for their cultivation, fertilizer, and animal feed and develop clear rules for the certification of agricultural products (following the example of Germany, France, etc.);
3. to introduce a mechanism that will make it possible to purchase agricultural commodities exclusively through commodity exchanges into state reserve funds for state needs; the results will be a standardized tool for market pricing and prevention of corruption in this area (following the example of the Czech Republic);
4. to introduce mandatory insurance for crop failure (following the example of the USA, France, Turkey), etc.

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