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Problems of development of the agricultural sector of Ukraine in the context of defects financial and economic regulation

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PROBLEMS OF DEVELOPMENT OF THE AGRICULTURAL SECTOR OF UKRAINE IN THE CONTEXT OF DEFECTS FINANCIAL AND ECONOMIC REGULATION

Summary. The article is to study the causes of protracted crisis of the agrarian sector of Ukraine. Based on the coverage defects financial and economic regulation of agricultural production justified proposals on its improvement, which can become the basis of the agricultural sector towards balancing the crop and livestock sectors.

Key words: agricultural sector, crisis, development, financial and economic regulation.

1. INTRODUCTION

Because of the shortcomings of the financial and economic regulation of agrarian sector of Ukraine in the XXI century instead of lost, even those achievements which have had in the past and this applies especially livestock production. However, out of that research, which is the dominant issue of improvement levers of regulation of agricultural production is not lacking, not all authors out of the current realities on the possibilities of producers and the state to provide its solution. For it is clear that traditional methods based on the doctrine of increasing budget financing sector do not manage even that is directed to the agricultural sector such amount of investment in fixed capital, as it was in 1990, accounting for 10.9 billion in dollar terms¹, it is impossible because lack of mass accumulated in the state budget does not allow for such purpose allocate adequate amount.

It is also difficult to hope that a real perspective in a review, at least in the next 10–15 years, because now the acute problem of increasing budget financing not only in the agricultural sector, especially in the social sector, particularly as regards health, science and education, providing urgent environmental events and more.

¹ A. M. Tkachenko, A. A. Alekseev, V. V. Illarionov, V. V. Rybachuk, *Fenomen Ukrainy: reformy 1991–2004*, 2004, p. 414.

Therefore, although these works have important methodological significance to improve financial security of agricultural production is urgent search for concrete ways in this area, especially given the fact that the current practice of linking some measures not to others, and so on is sputtering on different directions even those meager financial resources that are available.

This applies particularly to budget allocations, because most authors emphasize only their failure², not focusing on the shortcomings of their use³. In particular, ignored is that there should be a decisive financial incentives to cooperation of small producers, given the fact that as a result of ownership reform in the agricultural sector, conducted in the last decade of the XX century, they began to play a dominant role in the production of gross output.

However, expect that this can last indefinitely, it would be another illusion, since the accelerated development of production in small farms to some extent was forced, because of the threatening situation with providing the population with food that originated in the late XX century. Now here there is a tendency to reduce production, but also in large farms significantly increase its volume also takes place. So at the time the problem unification of disparate small producers.

And current research issues of cooperation of small producers is currently limited to only topic of agricultural service cooperatives although the social basis of cooperation is now almost the same as in the days when it investigated the outstanding Ukrainian scientist M. Tugan-Baranowski⁴. The purpose of the paper is study ways to improve the financial security of agricultural production given the fact that the dynamics of reform processes in the agricultural sector of Ukraine, which is irreversible, has led to the emergence of a large number of small business entities (such as farms, there is more than 46 thousand units). Also increased the amount of land in private households to 14.9 mln. Ha or 40.3 percent of the area of all farmland. However, the average size of first (92.1 hectares), and especially the second, are insufficient to here alone could solve this problem.

2. OBJECTIVE AND METHOD OF ANALYSIS

The solution outlined problems based on dialectical combination system of general and specific analytical methods of understanding the phenomena and processes that occur in agricultural enterprises under the influence of the levers of financial and economic regulation of their development and use of methods such as empirical and inductive – for derive general laws of development of

² Yu. Ya. Luzan, *Rozvytok pidtrymky ahrarnoho sektoru Ukrainy v umovakh chlenstva v SOT*, „Oblik i finansy APK” 2008, vol. 3, p. 4–10.

³ I. V. Kobuta, *Ahrarna polityka pidtrymky silskoho gospodarstva – novi vyklyky u zviazku zi vstupom do SOT*, „Oblik i finansy APK” 2008, vol. 3, p. 11–18.

⁴ *Silskohospodarski obsluhovuiuchi kooperatyvy. Uporiadnyky Malik Mola*, Blok Remi, Urozhai 2001, s. 288; M. Tugan-Baranovskij, *Social'nye osnovy kooperacii*, Jekonomiks 1989, p. 173.

the agricultural sector in economic and mathematical basis of statistical indicators; logical abstraction – for penetration into the essence of financial events, identify, analyze and describe the macroeconomic and microeconomic processes in the agricultural sector during the financial and economic regulators; logical synthesis – for characterize and evaluate the dynamics of the processes that lead to qualitative changes in the agricultural sector of Ukraine; causal – for identify causal effects resulting from the use of financial and economic regulation of the agricultural sector; financial analysis – for analytical interpretation of factual material; graphical – for visualization of the results of empirical research; synthesis – for justify conclusions on improving financial and economic levers of regulation of the agricultural sector.

3. RESULTS

If we consider the statistical indicators of the agricultural sector in Ukraine, then immediately noticeable that the transformation of property relations, rather than to accelerate its development, has led to the opposite.

First illogical is that instead of concentration of production, we fold increase undertakings, most of whom are smallholder therefore can not apply intensive production technology: for example, 34.4 thousand Units have no more than 100 hectares of farmland. However, for the 1990–2015 biennium number of people employed in manufacturing decreased smears five times that can not be considered positive even against a more than twofold increase in productivity in the agricultural sector, as this significant number of farmers become unemployed.

In addition, insecurity is illogic demand for food of animal origin on the background growth of the gross crop production, especially of surplus feed grains, because it would be rational to lead to the development of animal husbandry in agricultural enterprises than export. And in spite of this, we are a state (table 1).

Table 1. The volume of gross product by category agrarian sector of Ukraine in 1990–2015 years, mln. USD

Indexes	1990	1995	2000	2005	2010	2015
Gross product, total	282774.2	183890.3	151022.2	179605.4	194886.5	239369.9
in. th.:						
■ agricultural farms	199161.3	99448.6	57997.7	72764.7	94089.0	131314.1
■ of households	83162.9	84441.7	93024.5	106841.1	100797.5	107555.8
With its gross livestock products:						
■ agricultural farms	81223.3	31899.5	12206.7	17087.7	27276.3	32371.2
■ of households	56048.9	45461.2	45976.6	48038.2	4 3056.1	38650.1

Source: *Gross agricultural output Ukraine (at constant prices in 2010 y.) for 2015*, Statistical Bulletin, State Statistics Service of Ukraine, Ukraine 2016, p. 5.

In particular, amid a sharp decline in livestock production farms during 1991–1995 years (minus 49.3238 billion UAH, or 60.7%) of households it was much smaller – 10.3877 billion USD, or 18.5%. And in the first this trend continued until year 2000, while both the households it was already overpowering stagnation during production. And most importantly, without any government support, which for years 2000–2015 was allocated mainly⁵ to agricultural enterprises. So it is not surprising that the potential households gradually dried up, although in 2015 years the production of animal products in them significantly – by almost 6.3 billion USD, or 19.4% of its volume in predominantly agricultural enterprises.

Therefore, the logic seems equal access to government appropriations intended for development of the agricultural sector, all entities that can provide the only way – refocus budget for preferential crediting of agricultural producers. This must be a priority if the activity has been created and the Land Bank, which has not assumed he defined functions. For if it further continues wrong, in our view, the policy of selective lending is currently only fluctuations in livestock production in farms can become a continuous process of reduction that does not override too sluggish its capacity agricultural enterprises which there are after 2005 years. In other ways this can not be achieved, confirming the long-standing practice, including the preferential taxation of agricultural producers in addition.

First of all that “reserve funds, which is formed by the easing of the tax burden is disproportionately lower than the investment needs of”⁶. And all the other areas involuntarily pushed subsidies to the allocation of budget allocations to large enterprises primarily for reasons of easier administration of development funds limited number of small compared to the amounts that would have had to allocate and peasant farmers currently almost “detached from the functioning of the agricultural sector, including’ market infrastructure, fair prices, facilities of state subsidies”⁷.

As for reducing the number of animals, it seems that The further negative dynamics in Ukraine only subject to the physical laws of inertia, which is stronger than any economic activities, for example, in the form of grants for increasing cow, because it still continues to decline or surcharges for heavy conditions of young cattle sold to processing enterprises and so on, because it no positive impact on the production of meat and milk are not made.

Of course you can join the point of view of those authors who believe the alleged “Agricultural whole course of reforms delivered” to its knees “and virtually no ability to” fend for themselves... Impoverished Ukraine can not afford to

⁵ Apart from a short period half of 2012 and 2013, when the villagers were given grants for the preservation of young cattle to a year and a half old and molokodoyilnyh subsidized purchase of vehicles.

⁶ Yu. V. Kindzerskyi, *Destruktyvyi promyslovoi polityky v Ukraini ta mozhyvosti yikh podolannia*, “*Ekonomika Ukrainy*” 2012, vol. 12, p. 8–15.

⁷ O. M. Borodina,, I. V. Prokopa, *Podolannia strukturnykh deformatsii v aharnomu sektori Ukrainy: instyualizatsiia i modernizatsiia malotovarnoho silskohospodarskoho vyrobnytstva*, “*Ekonomika Ukrainy*” 2015, vol. 4, p. 88–96.

farm in an intensive basis and nothing remains as a return to primitive methods of production through the use of manual labor that puts the country on the underdeveloped level of respect in the civilized tribes”⁸ that would be the easiest. But despite categorical this assessment, it is not confirmed by figures known so, stubborn thing, so prove: this explanation convincing. First is that the origins of inertia trend decline number of animals lost in the 80 years of the twentieth century. When the figure was “political” and strictly controlled by legislative bodies.

For example, during the 1985–1990 biennium cattle decreased by 1 717 thous. heads, in t. ch. cows – 358 thousand heads, pigs – to 1584 thousand heads, sheep – to 1172 thousand heads. Sown area also decreased by 250 thousand ha. Therefore failed to preserve and crop because overall imbalance Ukraine did not give any chance that the agricultural sector endlessly long could be artificially support such as outside market measures as dumping fuel prices when the domestic market of 1 ton of oil shipped at a price of 24.5 rubles. and on world markets cost \$ 120 per 1 ton⁹.

Especially since the performance indicators of large farms were not as high. A yield of crops twice lower than in France or Germany, the productivity of cows within 3 thousand liters of milk, when the world is considered the threshold after which they discarded because of the maintenance of livestock knowingly unprofitable, the domestic agricultural sector basically uncompetitive.

Thus, the reform of the agrarian sector of Ukraine inevitably th, as the depersonalization of ownership is one of the main reasons that counteracts its economic efficiency. It seems that it ought to be axiomatic, because none of the developed countries of Europe or the world can not find evidence to the contrary, though sometimes for those trying to give an example of Israel, where there are kibbutzim, arguing at the same time that they are analogous to the former Soviet collective farms, though and do not go deep into the specifics of property relations in the first. But something somewhere in the country set a world record performance of cows, which is several times not that average but never achieved in the most advanced collective and state farms of the Soviet era. And exceptions are exceptions because of that and limit ourselves because this is not an issue that is considered in the article.

A principal should be considered incomplete reform that has caused an unstable state of the agricultural sector in all major indicators, including those that exceed the pre-reform level, like, gross grain production, productivity of some crops, productivity of cows, laying hens, for and they are not even close to the European average. And above all, on this we can say that no reform as such is the case, in fact, the decline of the agricultural sector of Ukraine and sluggish implementation of the changes, which followed the sacramental “one step forward, two steps back” vivid anti example of which can serve as a long

⁸ A. M. Tkachenko, A. A. Alekseev, V. V. Illarionov, V. V. Rybachuk, *Fenomen Ukrainy: reformy 1991–2004*, 2004, p. 402.

⁹ Tamže, p. 376.

parallel the existence of the former collective and state farms next to the supposedly reformed, but the same collective, but rather draw the so-called “new agricultural enterprises”, which in many cases have two different stamps were in the same head. Actually, this “incubation” period spawned “ugly duckling”, which absorbed at that time created material base: tractors, combines, cars for nothing moved into the hands of anyone, just not farmers.

On top of these stupid managers than allowed under the lion’s share of livestock animals pidrubavshy t th same branch on which rested the crop, because instead of free organic fertilizer practically have to buy now if not “gold” at least “silver” Mineral.

It happened because of the lack of a clear program of reform of the agricultural sector, and not substitute its campaign for a long time limited only declarations. And instead of state support for the process of real reform, especially financial, huge budget under the old approach further directed random basis in most cases large farms without selecting them, effective or not, thus preserving the status quo of the agricultural sector and condemning newly farms only to survive, denying access to their development due to lack of financial resources for the expansion of agricultural production (table 2).

Table 2. The share of farms in Ukraine agricultural production %

Indexes	Years			
	2000	2005	2010	2015
Grains and legumes	5.1	10.7	12.0	12.7
Sugar beet	5.7	12.9	8.4	6.0
Sunflower	10.0	15.6	17.8	19.3
Potato	0.3	0.4	0.9	0.6
Vegetables	1.4	2.1	2.6	3.1
The meat in slaughter weight	0.5	0.9	0.4	0.2
Milk	0.5	0.7	1.0	1.7
Eggs	0.1	0.1	0.05	0.04
Wool	0.3	0.2	0.4	0.3
Honey	0.02	0.02	0.03	0.02

Source: *Agricultural Ukraine 2015*, State Service statistics, Ukraine 2016, p. 80, 115.

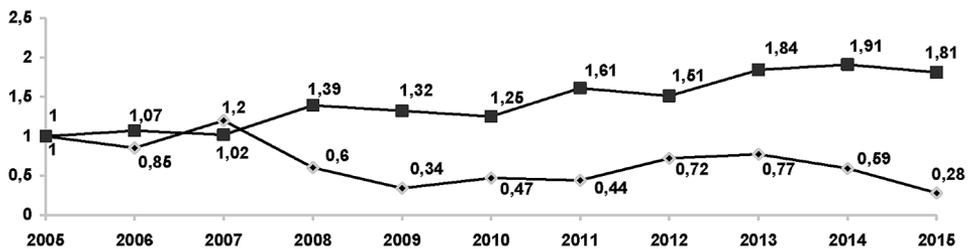
Almost except grains and crops that are more or less profitable, farmers can not currently create competition in the agricultural market of large and medium sized enterprises, even in the world own these kinds of production plants tion as potatoes and vegetables, and livestock – milk, wool, honey – that the share of small producers is crucial.

The reason for this lies on the surface. For the entire period of reforming Ukraine’s agricultural sector has not created equal economic conditions for farm-

ers and the lion's share of their budget avoided. No wonder that in cont recent years agricultural production almost stagnation for potential managers of large farms have been exhausted, and new, more energetic, which could and become farmers does not use any fully because of lack of adequate state support for farmers farms, not to mention the inability to attract new talented leaders because of the lack of competitive environment on alternative farms in the countryside.

At the same time, the current economic situation makes it impossible for such castling Ukraine regarding budget allocations, as even sustain that emerged before the global financial crisis was impossible. Moreover, the previous one was not sufficient to affect the volume of gross output of the agricultural sector, because no functional relationship between these parameters was observed (fig. 1).

Figure 1. Indices volume budget financing and gross output agricultural sector in Ukraine for 2005–2015 years



Source: *Gross agricultural output Ukraine (in constant prices of 2010 year) For the 2015 year*, Statistical Bulletin. State Statistics Service of Ukraine, Ukraine 2016, p. 5; *Main indicators of agricultural production 2005–2015 years*, State Service statistics, p. 10.

In particular, a sharp reduction of budget subsidies to the level of 2005–2007 was accompanied by the opposite dynamics of gross production, which in 2015 exceeded the level of 2007 at 1.77 times, while the first indicator was then maximized. And, as appears in the viewing period to count on strong support from the state, for example, for the purchase of agricultural producers of fuels and lubricants, technical production, etc. at dumping prices, or to order larger subsidies from the budget – as in "stagnant times" at least naive. Pragmatic focus is mainly on own resources. But it should be eliminated over seven times the price disparity for agricultural and industrial products, and budgetary appropriations allocated to state support for agricultural production, currently available only to certain entities should be built into a comprehensive system of their own financial resources.

The decisive when it should be the principle of equal access for recipients to budget subsidies especially considering the dominance of the gross production of products of small producers, despite the significant structural distortions in the agricultural sector of Ukraine due to move in late this twentieth century, the lion's share of gross output volume, primarily livestock in personal subsidiary farms, which will have a significant negative impact on overcoming the protracted crisis of the agricultural sector of Ukraine in the future.

And first of all, keep in mind that despite the significant increase in food prices, it does not have a significant impact on the development of agriculture, because the proceeds are not concentrated and sprayed among the many middlemen in the way “implementation ahrosyrovyny – consumers of food” reaching a very meager absolute amounts, not only in households but also farmers in order to meet the needs of expanded reproduction in their production. The same pattern in most farms, as the profitability of even profitable insufficient to accumulate funds that could be spent on updating the material and technical base.

As a result, a vicious circle: the effectiveness of rural *spodarskoho* production was and remains low, as is made of high costs, resulting from or almost complete lack of means – the household population, or the high level of their deterioration, combined with a lack of presence – in farms and farms.

Thus, taking into account the peculiarities of the current state of the agricultural sector of Ukraine, can not ignore the fact that even with drastic changes approach to funding, to solve this problem of financial security production is impossible, because everything is still a major part of this own resources must be producers. As they reach the required availability of labor resources production of its own, not to mention efficient use, even if available, tractors, combines, sophisticated agricultural machinery and so small producers can not, obviously, is the emergence of social and economic framework of cooperation, similar to the one at the beginning twentieth century grounded M. Tuhon-Baranowski¹⁰. At the same time, although the situation in Ukraine with the structure of land ownership in the third millennium has confirmed an axiom for the development of society by spiral: now as well as in case of the first cooperatives in the early twentieth century, dominated economy that have little land, yet now the conditions for cooperation in the agricultural sector (political and economic, especially psychological) more favorable than then.

However characteristic features of the current state of the agricultural sector is the lack of development of this process, therefore it is necessary to actively influence the cooperation in the agricultural sector, in view of both the domestic foreign experience, which proved the effectiveness of combining disparate efforts of small producers.

This is not to repeat past mistakes, when the state’s role in these processes was passive and stimulate the association as farms, so especially household population primarily in the service cooperatives. Because this form of integration is the most attractive, because the principles of cooperation are fair, and the combination of cooperative members in their efforts and resources aimed at improving the social and economic welfare of its members. By combining their efforts through cooperatives, small producers have been able to achieve an increase in output, and this will increase the availability of business means work – as the basis of productivity growth and increased profitability ing activities.

¹⁰ M. Tugan-Baranovskij, *Social’nye osnovy kooperacii*, Jekonomiks 1989, p. 26–28.

In order to establish economic and social equality of the cooperative, it is necessary to ensure proportionality between the equilibrium structure their participation in economic activities and mutual fund cooperative. And in this mikromomenti organization of agricultural service cooperative problem through existing significant disparity in prices for products in all spheres of agriculture of Ukraine, which leads to the inability to enforce in practice the fundamental principle of cooperation – economic justice to equality of members of the cooperative.

As a result, the contribution of the cooperative and mutual fund upon receipt of dividends in an amount proportional to the investment, agricultural producers will remain in the same disadvantage as compared with industrial and processing enterprises, the situation as it is now. What generally prevents the development of cooperation in the agricultural sector of Ukraine and can be resolved only by the state.

It should strengthen governmental support of cooperation, because now it is insufficient. For example, according to the “Comprehensive Program to support the development of the Ukrainian village for the period till 2015” for the development of cooperative units were planned to provide 2.1 billion UAH direct budgets grants¹¹ that would not resolve the problem, especially when at the same time it was with Rob Leno focus exclusively on newly wing Annieserving agricultural schimi cooperatives. For in this case per year could be around 500–550 to low-gatherers milk that stretched across the Ukraine to the process for decades.

But the harvesting of milk – albeit an important activity, but not decisive, which could significantly affect the development of the agricultural sector. The more that such small loggers have long managed to compete with powerful dairies that can flexibly maneuver prices, while harvesting cooperative resources for this are limited. So it is not surprising that this program was phased out soon, once again proving unreasonableness spraying budget allocations, which are directed to the development of the agricultural sector.

4. CONCLUSIONS

Analysis of the implementation of reforms in the agrarian sector of Ukraine leads to the conclusion that while there is no alternative other options to overcome its permanent crisis, it was not thought out, resulting in unreasonably delayed, becoming the main cause of low economic efficiency of agricultural production, since it can not move away from outdated model of economic relations, which in most large farms only slightly tinted and aimed at their conservation.

Created as farmers do not play a significant role in agricultural production, mostly because not enough mass of productive capital to fully use their

¹¹ *Proekt “Kompleksnoi prohramy pidtrymky rozvytku ukrainskoho sela na period do 2015 roku”*, „*Ekonomika APK*” 2007, vol. 1, p. 3–49.

potential. However, preservation of the status quo of the agricultural sector, and the return to more collective and state farm monopoly is an illusion not only because it was contrary to international practice, but also contemporary realities in Ukraine.

Therefore, it is necessary, in our view, fundamentally review the policy of budget financing of the agricultural sector and instead of spraying funds in different directions, to direct them to stimulate cooperation – proven international practice way of overcoming the backwardness of agricultural production. And under present conditions the real key to solve this problem can be a competitive selection of existing rural economic entities, especially farmers, such that a wish to contribute to the process of cooperation, including with regard to service residents of the respective settlements with the workpiece including milk.

After all, it is hoped that at the same time farmers there are not only material incentives, as they can increase their physical infrastructure through budgetary allocations that are directed to create service cooperatives, but also psychological, so they finally begin to engage in animal husbandry, including dairy and, of course, if it is to specify in the relevant legal acts as a mandatory condition of the right to harvest milk from the villagers.

At the same time more rationally used budget allocations, because do not have to create service cooperatives to “bare” place, and bringing an existing technique, warehouses, offices farmers, after all, will not have to breed new managers as managerial functions quite capable by farmers.

Now, note that stated in article views on the nature of the problem and ways of its solution can not be considered indisputable, so further research in this area is promising.

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PROBLEMY ROZWOJU SEKTORA ROLNEGO UKRAINY W KONTEKŚCIE WAD REGULACJI FINANSOWO-EKONOMICZNEJ

Streszczenie: Celem artykułu jest zbadanie przyczyn przedłużającego się kryzysu sektora rolnego na Ukrainie. Naświetlono wady regulacji finansowo-ekonomicznej, starano się także uzasadnić propozycje udoskonaleń, które to mogą stanowić podstawę dla równoważenia funkcjonowania sektora rolnego oraz jego gałęzi.

Słowa kluczowe: sektor rolny, stan kryzysu, rozwój, regulacja finansowa i ekonomiczna.

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