



## STATE SUPPORT OF THE AGRICULTURAL ENTERPRISES: PRESENT STATE AND PECULIARITIES

**K. Bondarevska**

PhD in Economics, Ukraine

Kseny-8888@mail.ru

**Abstract.** The importance of state support for the stable activity and increase of competitiveness of agricultural enterprises are considered in this article. The key directions of state regulation of the agricultural sector based on experience of the USA and leading countries of Western Europe are grounded, in particular the increase in budgetary subsidies to support appropriate income's level of agricultural enterprises with increasing control over the use of state funds; the introduction of regulated prices for main agricultural products; the creation of integrated agricultural enterprises with innovative technologies and management.

### Introduction

In modern conditions of economic development the strengthening of state role on the main aspects of agriculture remain relevant issues. Forming the effective competitive agricultural production that can ensure the food security of the country and increasing exports of certain agricultural products and foodstuffs are the primary task of the state in agriculture [8, p. 7].

Development of the agricultural sector in most countries is under related the state support. It relates to the countries of the European Union, the USA, Japan and others which have a long historical experience of the state support system, this extremely important part of the national economy [4, p.80]. In particular, the experience of the USA and leading European countries as to the financial support of farmers from state is a good example for Ukraine. Within the state regulation of the economy the problems that require the urgent solutions in Ukraine are: the improvement of the legislative instruments as to the development of socio-economic relations in the agrarian sector, the effective use of budget funds, provision of the parity economic relations between agriculture and other sectors of the economy, the development of lending and providing insurance service mechanisms, the introduction of innovations etc.

Key aspects of state support of agricultural enterprises development are investigated by many economists. Among foreign researchers the special attention should be paid to the scientific papers of J. Keynes and his followers J. Hicks, A. Hansen, where the necessity of a permanent state intervention to the production of material goods and services is grounded [3, 10, 11]. Our scientists A. Babenko, M. Dem'yanenko, T. Oleinik, P. Sabluk determine the state support of agricultural enterprises as a priority policy in agriculture [1, 2, 4, 8].

However, there are many disputable problems, including the problem of growth of the state policy effectiveness in agriculture, improvement of the price regulation for basic agricultural products, provision of innovations and international experience and so on. The relevance of the above mentioned problems stipulated the objectives of the scientific article.

The purpose of this research is to cover features of state support of agricultural enterprises at the stage of development of the agricultural sector and its impact on production efficiency.

### Method

Among the main methods that were used in the research, the most important are: a method of comparison (practical experience of state agricultural policy in Ukraine and EU countries); statistical (tracking of statistical indicators and its dynamics); abstract and logical (forming conclusions based on the results). The basis of the research were the scientific achievements of our and foreign scientists in the sphere of state regulation of economics; fundamental principles of economic theory; statistical data of the State Statistics Service of Ukraine; published data of Internet resources on practical developments of investigated enterprise.

## Results

The positive experience of leading countries of the European Union proves the use of price leverage (establish upper and lower thresholds, indicative prices, etc.) and budget instruments of state impact (income support of farmers through subsidies). In this case budget subsidies are the direct material payments. The payments for loss on disaster are provided too. The measures of state support of agricultural producers arise interest, among which: providing a minimum level of profit to small farmers; stimulating the production of so-called problem areas; improving the quality of manufactured products; introducing of scientific and technological progress; environmental protection [9, p.144]. Budget policy in agriculture of leading EU countries provides no overproduction of agricultural products through the implementation of its surplus, and takes into account the climatic conditions of a region.

According to the legislation of Ukraine (the Law “On State Support of Agriculture of Ukraine”), the budget subsidy is given to support the level of effective demand of Ukrainian consumers of agricultural products and to prevent losses of Ukrainian producers [7].

The budget financing of agriculture is based on the principle of targeting irreversibility of funds. Therefore the intensification of control over the use of state funds and compliance with the financial discipline of business entities are the actual for Ukraine.

There has been an increase in the amount of financial support to agricultural enterprises in recent years (Table 1).

Table 1

### Dynamics of state support of agricultural enterprises, mln.UAH \*

Indicators	2008	2009	2010	2011	2012	
					in all	in % до 2008 year
The amount of the funds of state support, overall	5306.7	2775.2	4608.1	4327.9	6974.1	131.4
including budgetary subsidies	3022.4	666.7	1316.0	729.3	742	24.6
on the development of planting	884.1	176.8	465.5	230.7	184.2	20.8
on the development of stockbreeding	1 172.6	196,6	269.5	101.1	437.0	37.3
other areas	964.9	293.2	581.0	397.5	120.8	12.5

based on materials from the State Statistics Service of Ukraine [5]

\* the rate of the National Bank of Ukraine on 01.10.2013: 1 USD = 7,99 UAH

During the analyzed period the amount of budget subsidies significantly reduced (by 75.4%), which was caused by objective economic factors, including the reduction of expenditures produced by the need of reducing budget deficit. The common increase of indicator of state support (on 31.4%) associated with the flow of funds through the value-added tax. The structure of receipts from the state for the period of 2008-2012 was repeatedly changed. The exceeding proportion of budgetary subsidies aimed at supporting the stockbreeding was observed in the period of 2008, 2009 and 2012 because of its extremely low profitability (Figure 1).

It should be noted, the important role not only of funding, but also the efficiency of the use of funds. An increase of profitability of agricultural activities in recent years is provided by the positive indicators of return of planting. However, the profitability of stockbreeding is characterized by low figures (only 14.3% in 2012).

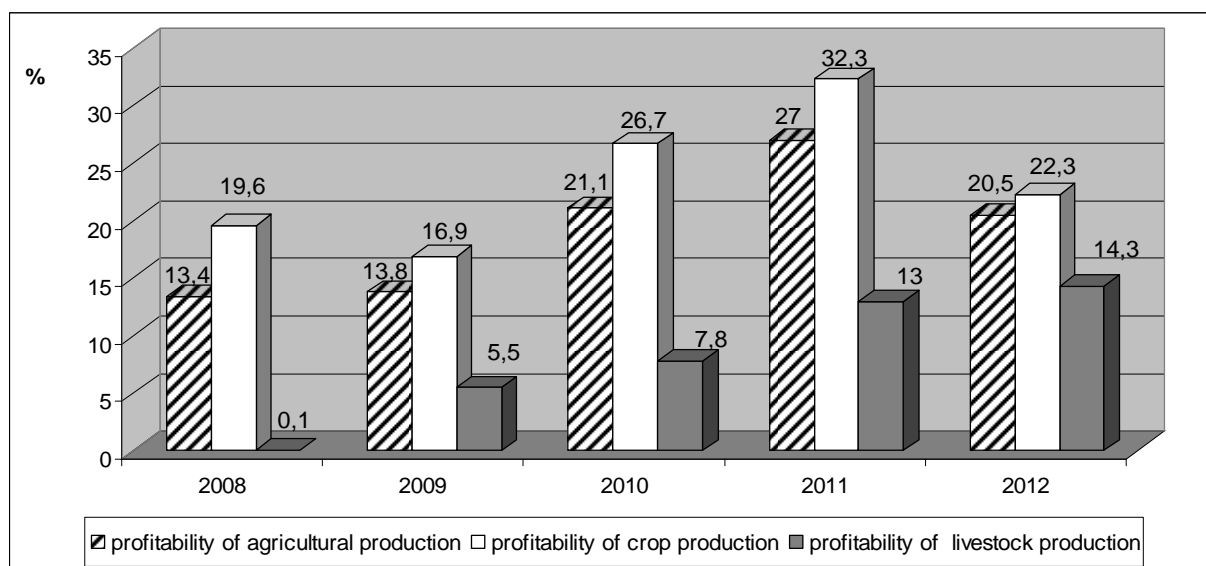


Figure. 1. The level of profitability of agricultural production in 2008-2012

\* based on materials from the State Statistics Service of Ukraine [5]

Based on the experience of the European Union, it is reasonable to note the state policy concerning the innovation and creation of large integrated agricultural complexes. Increase of labour productivity and rise of incomes of the integrated agricultural enterprises are possible “by creating of new and better products and new production methods of lower cost”. Herewith innovations are “novations in labour means and objects, labor itself, information, resources, and moreover - in the product itself, its quality, management, organization of production, working conditions, marketing” [6, p.199].

Besides above mentioned factors, the level of development of the agricultural sector depends on the pricing policy. The pricing policy in the EU is characterized by buying farm products at the intervention price, which guarantees a certain amount of compulsory purchases at the lowest prices, and the market flexibility provides an increase the intervention prices from 2% to 40% depending on the type of product [9, p. 143].

According to our scientists it is necessary to restruct the mechanism of management in agriculture by establishing of regulated prices on basic types of commodity products: corn, sunflower, sugar beets, milk and livestock cattle, pigs and poultry and all other products can be realized at market prices based on supply and demand [1, p. 43]. We believe that establishing of regulated prices will contribute to rising of control over agrarian sector by the state, and additional financial resources.

### Discussion

Thus, under modern conditions of development of the agricultural sector arises the objective need to combine efforts at all levels of management for the support of agricultural producers from the state, to improve the legislative and financial mechanism of state regulation of agrarian relations and to increase the control over relevant processes. To achieve this goal it should be reasonable to implement the methods of state regulation of the EU countries, considering the features and socio-economic situation of the agricultural sector of Ukraine. Therefore, among the priorities of state policy the following were defined:

- review of the task orientation of budget subsidies for agricultural enterprises;
- strengthening of the control over the use of budget funds by state authorities;
- creation of integrated agricultural enterprises, which will have great potential for agricultural production and creation of new jobs in rural areas in future;
- improving the mechanism of price regulation through the introduction of regulated prices for basic types of agricultural products.

A disputable issue is the choice of urgent tasks and priority directions of the state agrarian policy in Ukraine at present in view the experience of the USA and the European Union.

**Bibliography / Reference list**

1. Babenko A. State regulation is a priority direction of economic development of the agricultural sector / A. Babenko // Culture of the Black Sea people. - 2009. - № 162. - P.41 -44.
2. Dem'yanenko M. State support as a factor of competitiveness of agrarian production / M. Dem'yanenko, F. Ivanyna // Economy AIC. - 2009. - № 9. - P. 3-9.
3. Keynes J.M. General Theory of Employment, Interest and Money / J.M.Keyns. - M., 2002. - 352 p.
4. Oleinik T. State support of the agricultural sector in Ukraine / T. Oleinik // Economy AIC. - 2009. - № 7. - P. 80-85.
5. Main economic indicators of agricultural production in enterprises of agrarian sector by 2012: statistical bulletin. - Kyiv: State Statistics Service of Ukraine, 2013. - 88 p.
6. Pylypenko K. Innovation and investment activities of agricultural enterprises / K. Pylypenko // Research works of Poltava State Agrarian Academy. Series: Economics. - Issue 1. - Volume 1. – 2010 - P.197 -202.
7. About State Support of Agriculture in Ukraine: Law of Ukraine on 24.06.2004 № 1877 -IV (last edition 01.01.2013 based on 5518-17 ) [Internet resource] - Access mode: <http://zakon1.rada.gov.ua/laws/show/1877-15>
8. Sabluk P. State and prospects of the agricultural sector of Ukraine / P. Sabluk // Economy of Ukraine. - 2008. - № 12. - P.4 -18.
9. Schekovych O. The use of foreign experience in state regulation of the agriculture economy in Ukraine / O. Schekovych // Economy AIC. - 2009. - № 1. - P. 140-146.
10. Hansen E. Business Cycles and National Income / E . Hansen [Internet resource]. - Moscow: Economy (Series “Economic Heritage”, part I and part II collection "Classics of Keynesianism") , 1997 - Access mode: <http://ek-lit.narod.ru/neoksod2.htm>
11. Hicks J.R. Value and Capital: An Inquiry into some Fundamental Principles of Economic Theory / J. R. Hicks [Internet resource] - Access mode : <http://ek-lit.narod.ru/hikssod.htm>