TRENDS OF AGRICULTURAL ENTERPRISES' DEVELOPMENT IN THE CONDITIONS OF EUROPEAN INTEGRATION

Igor Kryvetskyi
Department of Enterprises Economics and information technology, Lviv University of Business and Law, Lviv, Ukraine

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Abstract. The article investigates the agrarian enterprises in the modern conditions of management. The importance of agriculture for the Ukrainian economy is characterized. The production of products by agrarian enterprises and trends in the formation of capital investment volumes are examined. The comparative advantages of domestic agricultural production on the main types with other EU countries are calculated. The features of adaptation of agrarian enterprises to the requirements of European integration are outlined.

Keywords: agricultural enterprises, agricultural products, agrarian policy, european integration, comparative advantages.

Introduction

The European vector of development, chosen by Ukraine, involves a number of structural changes in the economic system of the country, which, in turn, predetermines the need to create highly effective organizational and economic mechanisms for the functioning of strategic industries and economic complexes based on an innovative approach. At the same time, their institutional adaptation to the requirements of the EU is requisite, especially in the fields of social, ecological and energy processes. As the main source of society's physiological needs in nutrition, agriculture plays a special role in the socio-economic life of Ukraine, which has a high potential for natural resources.

Nowadays business conditions in the agrarian industry require enterprises to be ready to resist a rigid competitive environment, and be flexible and have potential for adaptation to a number of external factors that can with the driving force to ruin the established economic mechanisms, or in form of "underwater currents" to influence strongly on the results of their activities. This necessitates to define exact strategic directions and to make effective organizational and economic mechanisms for the development of the enterprise, provided with constant monitoring of agricultural development trends in Ukraine and abroad, namely changes in the regulatory, legal and institutional environment, as well as the availability of innovative technologies and products.

Research results

The agrarian sector of the economy plays a special role in the economic life of the country. The value of agriculture in the economic system of Ukraine is rather significant and includes: 17.7% of the total employed population (2860.7 thousand people in 2017); 8.8% of all hired people; 10.2% of GDP (excluding taxes on goods, 2017); 12.1% of GDP (UAH 305.2 billion in 2017); 14.1% of the total volume of capital investments (63401 million UAH in 2017); 3.2% of fixed assets (264.9 billion UAH in 2016); 1.6% of total direct investment (621.9 million USD in 2017). [1].

On the backdrop of a growing tendency in 2000, agricultural production by enterprises, including farms and households, shows a sharp decline in 2015 (from 139.1 billion UAH in 2014 to 131.9 billion UAH) and in 2017 (from 145,1 billion UAH in 2016 to 140,5 billion UAH), the volumes of plant growing production were declined, mainly due to the rising costs of production; decrease in demand of processing enterprises; the deterioration of...
livestock enterprises in the face of weakening or total loss of cooperative ties; the impossibility to carry out field work in the territories of the East of Ukraine (see table 1).

Table 1

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Source: formed according to [1; 2]

Rise of the capital investment volume in agriculture since 2015 (Fig. 1).

Fig. 1. Indicators of capital investments in agriculture, forestry and fisheries (% to the corresponding period of the previous year)Source: formed according to [1]
However, the share of investments in the total volume of capital investments within 2018 decreased by almost 1.5% (Fig. 2).

Fig. 2. Share of investments in agriculture, forestry and fisheries in the total volume of consumed capital investments (%).

Source: formed according to [1]

The opening of European borders and the implementation of a large-scale competitive environment, despite the appearance of the range of opportunities for domestic agricultural enterprises, led to the need to take into account the regulatory and legal framework and a number of specific factors that definitely effect on the functioning of the European agricultural business, and for many Ukrainian agricultural enterprises become a real threat.

To identify Ukraine’s competitive positions in the European agrarian market, we consider it appropriate to apply the methodological approach of the French Research Center for Forecasting and International Information used by the International Trade Center UNCTAD / WTO [3, p. 6]:

\[
RCA = \frac{100}{(E_a + I_a)} \times \left( \frac{(E_{ab} - I_{ab})}{(E_a - I_a) + \frac{(E_{ab} + I_{ab})}{(E_a + I_a)}} \right),
\]

where \(E_{ab}\) – export volume \(b\)-field (produits des entreprises agricoles) \(a\)-the group of analyzed countries; \(I_{ab}\) – export volume \(b\)-field (produits des entreprises agricoles) \(a\)-the group of analyzed countries; \(E_a\) – total exports \(a\)-to the group of analyzed countries; \(I_a\) – total imports \(a\)-of from the group of analyzed countries.

In other words, the country \((a)\) has advantages in the field \((b)\) over others in the case where the indicator of the identified comparative advantages \((RCA) > 1\). Therefore, an increase in the value of this indicator proves the strengthening of importance in the export structure of this country.

In the context of the study, the indicator of comparative advantages was calculated on the basis of various important types of agrarian products exported by Ukrainian agricultural enterprises in the EU and imported from there (Fig.3;4;5). To improve the display of RCA calculations results, three groups have been formed by product type: 1) meat and edible offal; fish and crustaceans; milk and dairy products, poultry eggs; natural honey; 2) vegetables; edible fruits and nuts; 3) cereals; flour milling industry products; seeds and crops of oilseeds; fats and oils of animal or vegetable origin; ready-to-eat food.

The results of the calculations essentially show the positive five-year dynamic of the comparative advantage indicator.
The production of fish and crustaceans, flour-mill products and ready-made food is characterized by the lack of advantages. Cereals have the most comparative advantages in relation to other EU countries; fats and oils of animal or vegetable origin; seeds and crops of oilseeds (Fig. 5).

Fig. 3. The indicator of comparative advantages for 1st group of products, within 2013-2017.
Source: calculated and formed according to [1]

Fig. 4. The indicator of comparative advantages for 2-nd group of products, within 2013-2017.
Source: calculated and formed according to [1]
The outlined results confirm the presence of significant potential in the agrarian sector of Ukraine, however, there are number of factors that must be taken into account by agricultural enterprises in their process of functioning. It is important to note that the main activities of the EU institutions in the agricultural sector are regulated by a common agrarian policy (or common agricultural policy), which goals are aimed at ensuring the fair living standards for farmers and producing of high-quality, safe, organic food at affordable prices for consumers. So, the system of state support for agriculture functions in two priority directions: 1) direct aid to farmers; 2) Balancing policy and maintaining internal market prices in the context of effective external protection.

The strategic objectives of the common agricultural policy are realized according to the principles of market unity, financial solidarity, priority of goods from the producers of the participating countries and directed to:
- to increase the agricultural productivity;
- to provide favorable to farmers social and economic levels;
- safe supply of agricultural products at moderate prices for end consumers;
- to stabilize the agrarian market.

An important feature of the common agricultural policy, which should be taken as a "road map" and a positive experience for all participants in the agricultural production life cycle, as well as state structures, is its key idea (approved in 2000) of the sustainable development of the agricultural sector of the EU against the backdrop of financial security, environmental friendliness and security of rural regions. In this case, two basic directions are detached: organization of common markets (market price support, adapted to the needs of customs duties and export subsidies); storage of agricultural products) and development of rural region (diversification of the rural economy, increasing the competitiveness of the participants in the agrarian sector and forestry, the development of the environment and the rural landscape, design and implementation of development strategies).

Therefore, the opening of new prospects for Ukrainian agrarian enterprises in foreign markets, caused by the signing of the economic part of the Association Agreement between Ukraine and the EU on June 27, 2014 (granting of certain preferences for national agricultural products), creates many opportunities for these companies and at the same time many threats and complications.
Conclusions

Thus, the necessary condition for increasing the competitiveness of Ukrainian agricultural enterprises in the domestic and foreign markets is to take into account the above-mentioned principles of functioning of the agrarian market in the EU and to follow the experience of doing business with counterparties under the “European rules”, which proved their effectiveness by testing into the practice of highly efficient agricultural production and fixed competitive positions for agrarian enterprises of various organizational forms and sizes, which requires a steady improvement in the face of globalization.

Reference Sources

2. The official Internet representation of the Ministry of Agrarian Policy and Food of Ukraine. URL: http://minagro.gov.ua.