

## SOCIO-ECONOMIC STRATEGY OF DEVELOPMENT OF ORGANIZATIONAL-LEGAL FORMS OF AGRIBUSINESS IN UKRAINE



*Tetyana Nebozhenko*  
*Lviv University of Business and Law,*  
*Lviv, Ukraine*

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**Abstract.** The article presents the results of the analysis of the preconditions for the development of organizational and legal forms of agribusiness in Ukraine. The strategic and macroeconomic aspects of this process are explored. Problems and trends of the agrarian sector of the country's economy are determined. Prospects of activation of the state in regulation of functioning of the agricultural sector of economy are investigated. Considered the paradox of the need for a combination of state and market regulation. The socio-economic principles of development of organizational-legal forms of entrepreneurial activity in the agrarian sphere of the country's economy are substantiated.

**Keywords:** *agriculture, agribusiness, organizational and legal forms, management of agricultural enterprises, food safety.*

### Introduction

Unlike most developed European countries, agriculture in Ukraine is the most brisk sector of the national economy for attracting foreign investment. This is facilitated by market benefits, namely favorable natural conditions and the advantageous location of Ukraine on the map of world agricultural business, low cost of local resources, historical inclination of the population for agriculture, the presence of developed agricultural infrastructure and machinery, neighborhood with the leading world markets for agricultural products consumers - the countries EU and Middle East countries.

The research of the strategy of agribusiness development in Ukraine is devoted to the works of such scholars as I. Zablodskaya, L. Filatov, I. Tysyachuk, M. Latynin, O. Skibitsky, L. Skibitskaya and others. At the same time, further research is required on the ways of developing organizational and legal forms of agribusiness in Ukraine, in particular, the development of appropriate socio-economic principles.

The *purpose of the article* is the substantiation of the socio-economic strategy for the development of organizational and legal forms of agribusiness in Ukraine.

### Research results

Based on foreign experience in eliminating the imperfections of the sectoral structure of the agrarian sector of the country's economy within the framework of the implementation of the state agrarian policy in Ukraine, six criteria can be distinguished for the development of priority sectors [1, p. 172-173]:

1. Export potential is the main criterion. The production of agricultural enterprises in this sector should be distinguished by the

possibility for a rapid expansion of agricultural exports, based on comparative advantages of the national economy. Then the prospects for strengthening the competitiveness of this sector of the agrarian sector of the country's economy in the foreign market of agricultural products are evaluated and evaluated. Typically, comparative advantages include low labor costs and the need for high employment. When assessing export potential, forecasts

of market conditions for one or another agricultural product on the world market are being formed, and long-term growth tendencies are determined.

2. Prospects for the demand for agricultural products in this sector of the agrarian sector of the country's economy in the domestic market. The dependence of the economy of the national economy on exports of agricultural products should be mitigated in some ways by the growth of domestic demand. Here are the traditional methods of determining the elasticity of one or another agricultural product by income: the higher the level of development of the national economy, the higher demand for agricultural products in this sector of the agricultural sector of the country's economy inside the country.
3. Development of the population of the country as a whole. The development of the sectoral structure of the agrarian sector of the country's economy should contribute to the growth of the scientific and intellectual potential in the country.
4. Minimization of the dependence of the national economy on the import of agricultural raw materials and energy, reducing the resource intensity of agricultural production in general.
5. Minimization of trade imbalances in agricultural products. For successful competition, the development of a priority sector of the agrarian sector of the country's economy must mitigate unfavorable conditions for competition in the national economy on the foreign market of agricultural products.
6. Favorable side effect. If the accelerated development of this sector of the agrarian sector of the country's economy contributes to increasing the efficiency of production in other sectors of the national economy, then such an industry can also be considered a priority.

It follows that such industries can become grain logistics, precision farming and organic production. So, the prospects of grain logistics are due to the fact that large and medium-sized enterprises of agricultural production in Ukraine intend to increase the production of a number of grain crops. Over the next five years, they plan to increase production from 60 thousand tons to 100 thousand tons. The infrastructure for storing and transporting grain is worn out and often does not meet the

requirements of international companies. According to the World Bank estimates, the subjects of agricultural production in Ukraine each year due to unsatisfactory condition of logistic objects do not receive 0.6-1.6 billion dollars. USA, or 20-50% of the current volume of bank loans borrowed from the agrarian sector of the Ukrainian economy. In turn, the capacity of the exact agricultural market in Ukraine, according to the company SmartFarming, is up to 50 million dollars. US per annum with an annual increase of 25%. Following large agricultural enterprises, the system of precision farming and land monitoring is actively implemented by medium-sized agricultural enterprises and small farms. According to the Ministry of Agrarian Policy and Food of Ukraine, agricultural producers export 80% of organic produce. Only in 2016, abroad, 165 thousand tons of organic products were sold to 46 million euros from its sale. The largest importers of Ukrainian organic products were Austria, Belgium, Great Britain, Italy, Netherlands, Germany, Poland, Hungary, France and Switzerland. Ukrainian agricultural producers also export organic products to Australia, Canada, the United States and some Asian countries [2].

It is obvious that in addressing the imperfections of the sectoral structure of the agrarian sector of the country's economy in the framework of the implementation of the state agricultural policy, Ukraine has serious competitive advantages in attracting foreign investment in the agricultural sector of the economy. At the same time, potential investors who are accustomed to working in a comfortable business environment are alarmed by the high level of bureaucracy and corruption, unstable legislation, high risks and common non-market methods of entrepreneurship in Ukraine.

As the agricultural sector is changing rapidly today, the development of technologies and new technical developments make its participants develop and compete with each other. Modified to unidentified conventional combines and seeders, the number of agricultural enterprises per hectare of agricultural land is reduced by a factor of. At the same time, experts from the Food and Agriculture Organization of the United Nations continue to assert the growing threat of food security. External factors affecting the productivity and saturation of agricultural

products market often reduce the supply of demand growth. The fall in prices for agricultural products in the form of record-breaking harvests, by default, is intended to stimulate agricultural production entities before processing and the creation of high value-added agricultural products. However, Ukrainian agricultural enterprises are not in a hurry to take an example from their foreign counterparts.

Thus, the world tendencies in the development of the agricultural sector of the economy have become processes of rejuvenation of the age group of entrepreneurs who run small farms. In the modern agricultural sector of the world economy, the most important role is played by the latest technologies in order to increase the competitiveness of agricultural producers. Chaotic and unregulated development of biotechnology in agriculture is under way, and agricultural enterprises are highly specialized in the simultaneous shortage of natural resources and climate change irreversible at the global level. In addition, changes in commodity market conditions and changes in the benefits of meat products consumption, promotion of a healthy lifestyle and environmentally friendly production have an ever-increasing influence on the economic interests of agricultural producers, compared with the state regulation of the functioning of the agricultural sector and its participants. It should be noted that most of the above-mentioned tendencies in the development of the agricultural sector of the economy are inherent in the agrarian sector of the Ukrainian economy.

Thus, some of the world's tendencies in the development of the agricultural sector of the economy prove the need for state regulation of the functioning of the agricultural sector and its participants. Thus, the state, in the person of the performers of economic interests, interferes in one way or another with the economic processes in the agricultural sector, pursuing purely subordinate state interests of the state, which determine a limited, somewhat passive role in the regulation of the agricultural sector of the economy.

Under these conditions, the market mechanism for regulating the functioning of the agricultural sector and its participants plays an active role. Thus, market competition of agricultural producers, influencing the

prices of agricultural products and incomes of agricultural producers, quickly adapts the differentiated actions of agricultural producers, regulates the balance between the demand for and supply of agricultural products, ensures the stability of the agricultural sector at the macro level. At the same time, the market mechanism for regulating the functioning of the agricultural sector of the economy, as the development and monopolization of the latter, as well as the complication of reproduction processes, is limited due to unemployment of the population, inflationary processes, disparity in prices for agricultural and industrial products, as well as a continuing imbalance between aggregate demand and supply of agricultural products .

In the above-mentioned conditions, activating the role of the state in regulating the functioning of the agricultural sector of the economy is an objective necessity. At the same time, let us note that state regulation of the economy will not eliminate the disadvantages of a market mechanism. The paradox of the need to combine state and market regulation of the functioning of the agricultural sector and its participants is in the forms and methods of state intervention in the activities of agricultural producers, their compliance with the market environment of a particular country. The world tendencies in the development of the agricultural sector of the economy prove that there are no common standards in the application of state regulation of a market economy, and the implementation of foreign experience can be detrimental without its adaptation to the realities of the agricultural sector of the economy.

Obviously, market regulation of the agrarian sector of the economy, as well as state interference in the processes of functioning of the agricultural sector of the economy in clearly defined boundaries, are necessary. We agree with the opinion of the majority of experts regarding the slight interference of the state in the activities of agricultural producers [3, p. 108]. That is, the ratio of state intervention and market self-regulation of the agrarian sector of the economy at the level of 30.0% and 70.0% respectively (Fig. 1).

Given the paradox of the need to combine state and market regulation of the functioning of the agricultural sector, attempts to design a mechanism for such regulation are

complicated by ambiguous requirements regarding the correlation of state intervention and market self-regulation of the agrarian sector of the economy, since the question of the efficiency of state and market mechanisms in certain areas of activity of agricultural

producers have no unambiguous answer [4]. Therefore, the problem of the optimal combination of regulation of the functioning of the agricultural sector of the economy still requires a thorough and comprehensive research.

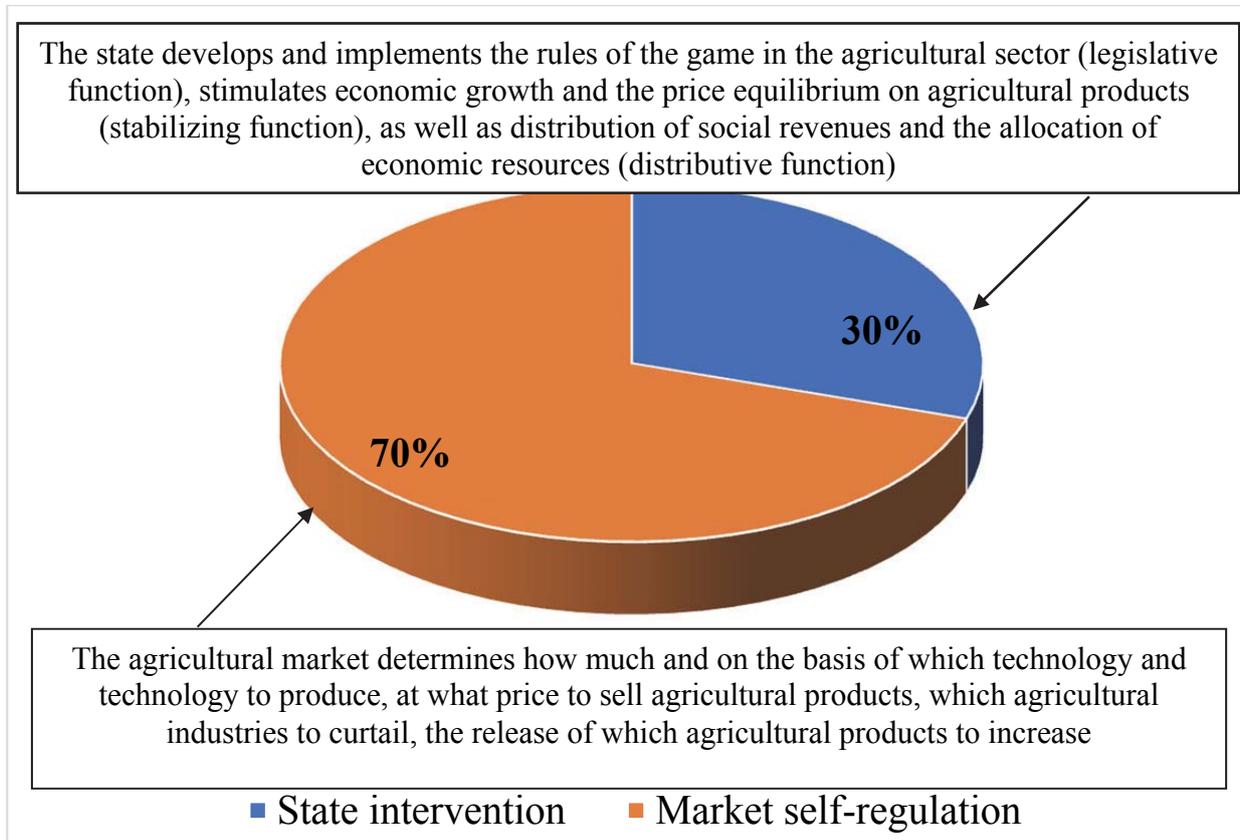


Fig. 1. The paradox is the need for a combination of state and market regulation of the functioning of the agricultural sector of the economy

Made by the author according to [3, 5]

At the same time, attempts to design a mechanism for such regulation allow formulating the following methodological principles of combining state and market regulation of the functioning of the agricultural sector of the economy:

1. Harmonization of the mechanisms of state intervention and mechanisms of market self-regulation of the agricultural sector will help to minimize the scope of state regulation of the activities of agricultural producers;
2. The combination of mechanisms of state intervention and market self-regulation mechanisms of the agricultural sector of the economy and its participants needs to take into account the peculiarities of the development of the Ukrainian economy, world experience and trends in the

development of the agricultural sector of the world economy;

3. Improving the mechanisms for regulating the activities of agricultural producers requires forecasting of the development of the national economy and the market of agricultural products for the long-term period.
4. Harmonization of the mechanisms of state intervention and mechanisms of market self-regulation of the agricultural sector will facilitate the application of a differentiated approach to the components of the state regulation of the activities of agricultural producers, as well as the definition of the priorities of state regulation of the development of agricultural production sectors, which will determine the competitiveness of the agricultural sector

of the national economy under conditions globalization.

In our opinion, the consequences of ignoring any of the above-mentioned methodological principles of combining state and market regulation of the functioning of the agricultural sector of the economy are the facts of the monopoly of agrohholdings and other associations of agricultural enterprises, the inflationary processes in the agricultural market, as well as the decline of business activity of agricultural entities production. Therefore, today the extremely important performance by the state in the person of the performers of the economic interests of agricultural producers is only those functions aimed at eliminating the negative phenomena of market relations in the agricultural sector of the economy.

It should be noted the expediency of the development of organizational and legal forms of entrepreneurial activity in the agrarian sector of the country's economy in the framework of the implementation of a comprehensive state agricultural policy in Ukraine, which should be based on the following socio-economic principles:

1. Achieve unity in the concept, strategy and program of structural changes in the agrarian sector of the country's economy by matching the interests of the state, local communities, agricultural enterprises and other interested parties in the process of ensuring sustainable development and utilizing the natural resources potential of the regions in the activities of agricultural producers .
2. Comprehensive modernization of agricultural production systems and related fields (educational, scientific, infrastructural, informational, agrarian-legal) at the regional, branch and production levels, taking into account strategic aspects of the evolution of organizational and legal forms of entrepreneurship in agriculture.
3. Creation of prerequisites for innovation and investment restructuring of the agrarian sector of the country's economy on the basis of programmatic financing and public-private, tripartite (state, local self-government, enterprises) co-financing of agricultural innovation projects; investing in the development of entrepreneurship in the priority organizational and legal forms; strengthening the protection of investors'

interests; preservation and development of human, human resource and scientific potential of the agrarian sphere.

4. Implementation of flexible state regulation of financial and credit relations in the agrarian sector of the economy through preferential taxation and lending to enterprises and their associations according to the priority organizational and legal forms for ensuring the necessary volume of agricultural production, achievement of economic, food security of the state, sustainable development of rural territories and improving the quality and standard of living of the population.
5. Improvement of the mechanisms of regulation of the labor market, social protection and material support of agricultural enterprises, introduction of programs of vocational guidance, information support, including on the choice of the organizational and legal form of entrepreneurial activity for those who want to start their own business in agribusiness.
6. Implementation of state programs for the support of socially responsible agribusiness, regardless of the size of the enterprise, stimulation of the creation of agricultural cooperatives on the basis of the introduction of small and non-waste technologies, the spread of the practice of using biological means of plant protection, increasing the efficiency of using the resources of environmentally safe agricultural production, integrated processing of agricultural raw materials , protection and improvement of the environment.

The evaluation of the effectiveness of the introduction of socio-economic principles for the development of organizational and legal forms of entrepreneurial activity in agriculture is proposed to be carried out according to the following criteria: simplicity and transparency of entrepreneurial activity in agribusiness; the dynamics of growth of export potential; the dynamics of expansion of domestic markets for agricultural products; minimization of import-dependent agribusiness; the dynamics of improvement of the level and quality of life of the population of rural areas; the dynamics of infrastructure development and regional agricultural clusters.

## Conclusions

According to the results of the research, the complex of socio-economic principles of the development of organizational and legal forms of entrepreneurial activity in agriculture related to the improvement of conceptual and strategic bases, modernization of production and related systems, innovation and investment restructuring of the agrarian sphere, flexible regulation of financial and credit relations, improvement of mechanisms is substantiated. regulation of the labor market, social protection and material security, as well as the social responsibility of agribusiness. A system of criteria for assessing the effectiveness of implementing the proposed principles has also been developed.

*A promising direction for further research* is the search for new mechanisms for the development of organizational and legal forms of agricultural entrepreneurship.

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