

STATE REGULATION OF AGRICULTURAL SECTOR OF UKRAINE

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Formation of the desired level and conditions for the development of agriculture in Ukraine is implemented by state economic policy. The latter is considered as a system of specially designed and implemented interventions in the economic processes taking place in the national economy, to provide them with a certain direction of development. Economic policy is implemented through appropriate tools, which are aimed at achieving certain objectives by the economic system of society, and also at providing the required mode of functioning of the economic system.

Analysis of the main research and publications. State regulation of the agricultural sector under high risks was studied in the works of such foreign scholars as U. Beck, Y. Brigham, J. Galbraith, P. Drucker, N. Luhmann, N. Meskon, H. Mintzberg, F.Knight, M . Porter, H. Simon, S. Young. Many domestic scholars, including N.I. Berezanska, R.R. Gumerova, A.D. Dibrova, A.B. Kamenskyi, M.J. Malik, K.L. Polozhentseva, P.T. Sabluk, M.A Latynin, V.V. Yurchyshyn, O.G. Shpykulyak and others devoted their research to the issue of state regulation of risks in agricultural enterprises. However, the issue of strengthening of antirisk focus of government regulation of agricultural business still has not been studied enough.

Development of innovative scientific principles of state regulation under high risks is required to substantiate further directions of development of agriculture in Ukraine. That would enable management and regulation in the sphere of state support of agricultural production in the future, since current support of agriculture is not perfect.

The purpose of this study is to summarize the theoretical aspects of state regulation of the agricultural sector in terms of high risks.

The main part. Ukraine is developing through the radical market reforms. Therefore, all state measures to reform the agricultural sector should be implemented in accordance with the basic principles of a market economy: "The market is one of the greatest achievements of human civilization. He passed the test of time and proved to be of an enormous vitality, this is confirmed by the international experience. There is reason to believe that recent history does not know any examples of highly developed, flexible, well-functioning economy without a market" [4, p. 237–238]. It should be noted that the market in its pure form has never functioned in any country. In this case, it is necessary to consider the necessity of state intervention in economic processes. During the process of regulation of socio-economic processes, the state uses the system of methods, forms and tools that vary according to economic objectives, financial capabilities of the state and accumulated experience of regulation. Historical experience shows that the range of the applied instruments and methods of state regulation of the economy is constantly expanding [6].

The mission of agriculture since ancient times is satisfying the most important of the human needs – the need of food. Elimination of the food risks is historically recognized by the states as their first function [5, p. 20]. Agriculture was a sector from where the scientific and technological progress had begun. Therefore, an official recognition in Ukraine of significance and indispensability of agricultural products in the life of society, and priority of the social development of rural areas and agricultural sector, is quite objective.

Critical situation with food supply to the population occupies an important place in the current list of threats to national interests and national security in the economic sector. Therefore, the Government has identified food security as its strategic priority. According to the market economy status of Ukraine, the Government declares a leading role of business in the implementation of its policy in general and agricultural policy in particular. Such attention to business is objectively caused by its potential to attract investment resources and innovations. However, it is ignored in many cases, that agricultural entrepreneurship is burdened with a double risk, which consists of the risky nature of both agricultural production and business (activities at own risk). Historical experience and current practice of the developed countries have shown that overcoming this double risk of agricultural business is virtually impossible without comprehensive measures of state regulation.

Managing economic systems under uncertainty and risk is an integral part of the economic mechanism. A common approach to the management of the system under these conditions is [7]: 1) detection of possible consequences of the business activity in the risk situation; 2) developing measures that help to avoid, prevent or reduce the damage from exposure to risk factors and contingencies; 3) the development of such economic system through which accumulation of profits is possible.

Accidents, independent of the will of man, increase or decrease the risk. They are determined by weather and climatic conditions, socio-demographic situation in the region, socio-political factors and others.

Therewith, the economic risk associated with the possibility of losses due to accidental display of objective reasons and subjective decisions and actions.

Important theoretical principle of state regulation is a method of learning objects of future regulation, studying of their inner nature, relationships and internal contradictions.

To directions of state regulation of agriculture should be included the use and application of the concept of state regulation of agriculture based on methods of institutional and legal framework regarding its further processing. Otherwise it is impossible to work out approaches to the organization of agricultural markets and develop effective pricing, taxation, credit, investment and other policies. And as known, food security and functioning of the domestic food market, provision of rural jobs and social stability in society depend on the development of the agricultural sector [3, p. 123].

The principles of state regulation are manifested in implementation mechanisms of various state functions.

Summarizing the main functions of the state regulation of agricultural sector, we have proposed this scheme (Fig.):

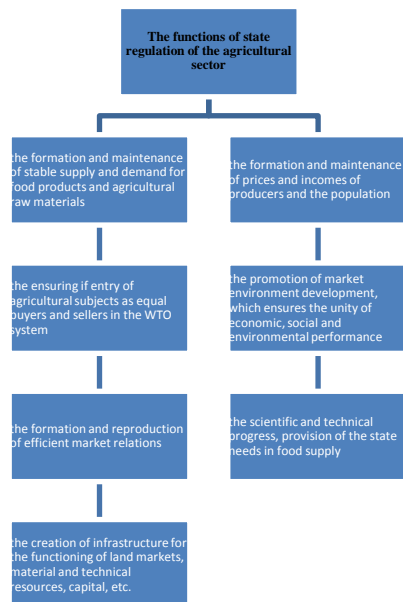


Figure – The main functions of government regulation and support of the agricultural sector

Developed by the author and based on: 1) Гумеров Р. Р. Продовольственная безопасность страны: к развитию правовых основ и экономических механизмов обеспечения / Р.Р.Гумеров // Российский экономический журнал. – 2006. – №11–12. – С. 41–56. 2) Діброва А. Д. Державне регулювання сільськогосподарського виробництва: теорія, методологія, практика. – К.: ВПД " Формат ", 2008. – С. 48–49.

An important role in the system of state regulation of the economy play instruments by means of which the subjects of economic relations are influenced.

The main instruments of state regulation of the agricultural sector include:

- 1) establishment of special tax regimes for agricultural producers;
- 2) procurement, storage, processing and selling of agricultural products, raw materials and food for public use;
- 3) establishment the minimum and maximum prices for certain agricultural products, raw materials and food;
- 4) tariff and non-tariff import and export regulation of agricultural products, raw materials and food, support of agricultural products, raw materials and food export;
- 5) provision of subsidies, subventions, guarantees and compensations to agricultural producers and other subjects of agrifood sector ;other forms of funding, including subsidies to the budgets of subjects of the Russian Federation on the state of regulatory harmonization of rural roads, followed by handover them to the network of public roads;
- 6) state investment;
- 7) technical regulations, licenses and other restrictions;
- 8) antitrust regulation agrifood sector, measures to eliminate administrative and technical barriers in the agrifood sector;
- 9)programs of sustainable rural development and conservation of natural resources;
- 10) direct budget financing, co-financing, subsidizing human, scientific and information services and business consulting services of agrifood sector;
- 11) promotion of scientific and technological progress and innovation in the agrifood sector;
- 12) other instruments of state regulation stipulated by the current legislation of Ukraine.

The need for government regulation of the agricultural sector is also conditioned by the constant risk increase. In this area entrepreneurship is facing a double risk – agricultural, due to climatic factors and entrepreneurial, due to the uncertainty of the socio-economic and other circumstances. To minimize these double risks, the system of state regulation should include the creation of anti-risk measures.

Conclusions and recommendations for further scientific research. We have conducted a research and concluded, that the basis of state regulation mechanism of the agricultural sector of Ukraine in the current economic conditions should be the basic principles and functions as well as the forms, methods and means of regulation mentioned earlier.

The current state of functioning of state regulation mechanism of the agricultural sector shows that it is based on many different layers perspective. The Law of Ukraine "On State Support of Agriculture of Ukraine", which was adopted June 24, 2004, No 1877–IV, has determined the basis of public policy in the budget, credit, price, insurance, regulatory and other areas of government to stimulate agricultural production and agricultural market development and food security of the population.

Further studies of the forms and methods of state regulation of the Ukrainian agricultural sector development will be used to identify different areas of improvement of state influence mechanisms and increase their effectiveness to stabilize further industry development. The system of state regulation of agricultural entrepreneurship should gradually increase its anti-risk potential through appropriate policies, programs and standards.

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