

**STATE REGULATION OF ENSURING LONG-TERM ECONOMIC  
SUSTAINABILITY OF AGRICULTURAL ENTERPRISES**

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Economic reforms in recent years, the formation of the shadow market, the development of various forms of land ownership and organizational and legal forms of doing business determine the list of complex tasks that require managers of agricultural enterprises business activity and entrepreneurship. An important role in the development of commercial principles and entrepreneurship in the countryside through purchase and sale is given to farming - a new socio-economic phenomenon that contributes to the transition to diversified management.

The current state of development of the agro-industrial complex creates many difficulties for sustainable development of agricultural enterprises, which are associated with imperfect logistics, lack of quality service and consulting services, state guarantees of minimum prices for basic agricultural products, financial imperfections and more. In addition, the weak development of farming is associated with the following main difficulties:

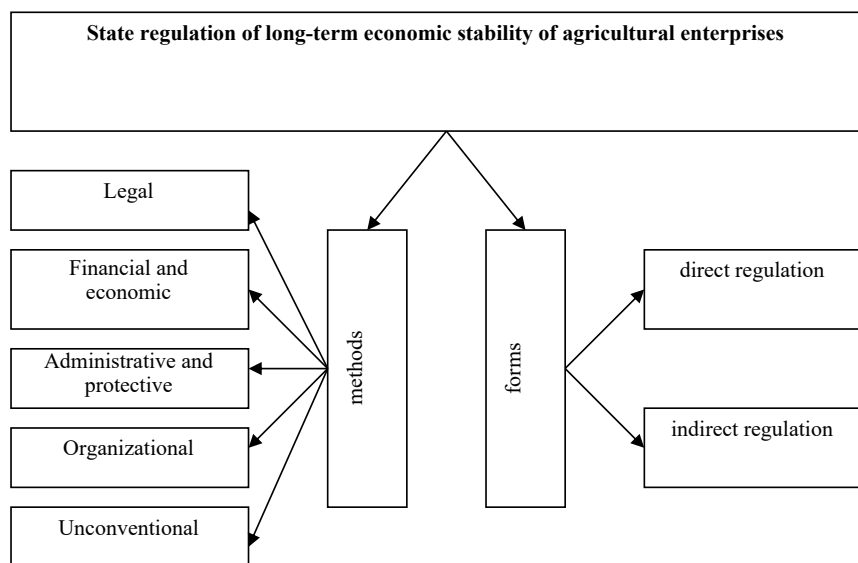
- weak material and technical base;
- disparity in prices for industrial and agricultural products, crop and livestock products;
- imperfection of the system of taxation with a fixed agricultural tax and unpredictability and non-transparency of the mechanism of value added tax collection;
- lack of historically formed psychology of private entrepreneurship in rural areas;
- low level of cooperative movement;
- imperfection of legal protection of farmers from the bureaucracy of the state and large holdings.

With the mass organization of farms (peasant) farms, the agricultural economy will become more competitive. Farms are able to increase production and replenish food trade and thus make a significant contribution to solving the national food problem. Of course, highly marketable, competitive farms will be formed under favorable conditions over time, but it is in our time to lay the economic, legislative, regulatory, organizational foundations of agribusiness [1].

The experience of developed countries, whose agribusiness system has long been formed under the influence of the state, convincingly shows that in a market economy, the viability of agricultural enterprises, efficiency of agricultural production and relative stability of the social sphere in rural areas are largely due to government regulation [2].

The need and features of the application of forms and methods of state support for long-term sustainability of agricultural enterprises are determined by:

- dependence of the agricultural sector on natural and climatic conditions and the need to insure their activities;
- constant fluctuations in prices for agricultural products, which depends on both subjective and objective factors;
- development of agricultural holdings and monopolization of the processing industry;
- low investment attractiveness of agricultural production and unavailability of long-term bank financing;
- weak development of social infrastructure in rural areas; the relevance of the production of environmentally friendly products and the lack of effective demand for it, etc.



*Fig. 1. Forms and methods of state regulation to ensure long-term economic stability of agricultural enterprises*

*\* source: summarized by the author*

The scale of state regulation to ensure long-term economic stability of agricultural enterprises depends on the level of socio-economic development of agricultural enterprises, the disparity in prices for agricultural and industrial products, adequacy of consumption of basic products by the population of Ukraine and balanced supply and demand in agricultural markets.

Foreign experience shows that the regulation of the agricultural sector of the highly developed economy is carried out in the following main areas: preferential taxation; budget financial support per 1 ha of area; regulation of minimum purchase

prices for basic types of agricultural products; stimulating credit security of agricultural producers. It should be noted that in all developed countries, public authorities pursue a policy of protectionism in relation to imports and exports of agricultural products.

In the current conditions in Ukraine, in order to develop the agro-industrial complex and the country as a whole, in addition to the above areas, the state must support the development of farming; to assist in the sale of products within the quotas and guaranteed prices imposed by public authorities; subsidize the production of certain products; to support the development of agricultural entrepreneurship; pursue antitrust policy; to provide training, support the development of agricultural science, social infrastructure [3, 4, 5].

Depending on the objectives, the programs are divided into the following: intersectoral, which regulate important macroeconomic proportions; sectoral, focused on solving problems of industries and spheres of agriculture; commodity, which determine the market mechanisms for a product; functional, aimed at implementing the key functions of state regulation of agriculture (investment, socio-economic, scientific and technical, innovation, environmental); regional, containing a set of measures of state influence on the state of agro-industrial complex of certain regions and regions. Expenditures for financing national development programs of agricultural enterprises are shown in Table 1.

It should be noted that according to Annex 2 to the Agreement on Agriculture, all measures for state support of agriculture are conditionally divided into three groups, or broken down into multi-colored boxes: "green", "blue" and "yellow" (or "amber") [6].

The "green box" of Annex 2 to the Agreement on Agriculture within the framework of a signed association in the World Trade Organization includes measures not aimed at maintaining production volumes and producer prices, and therefore do not violate the principles of fair competition [6].

Public spending within the "green box" can be carried out in the following areas [3]:

- research, training and retraining, information and consulting services;
- veterinary and phytosanitary measures, food safety control;
- promoting the sale of agricultural products, including the collection, processing and dissemination of market information;
- improvement of infrastructure (construction of roads, power grids, reclamation facilities) except for operating costs for its maintenance;
- improvement of infrastructure (construction of roads, power grids, reclamation facilities) except for operating costs for its maintenance;
- maintenance of strategic food stocks, domestic food aid;
- providing guaranteed income to agricultural producers, improving land use, etc;
- support for producers' incomes not related to the type and volume of production;
- promoting the restructuring of agricultural production;

- environmental protection;
- regional development programs [2].

A country that is a member of the World Trade Organization has the right to finance the activities of the "green box" in any amount, depending on the capabilities of its budget.

There are also no objections to the budget funding of the "blue box" measures in Annex 2 to the Agreement on Agriculture, as they are aimed at limiting overproduction (reduction of livestock, sown areas, etc.).

The most controversial issue in Ukraine's accession to the WTO is the measures of the "yellow box" of Annex 2 to the Agreement on Agriculture. These include domestic support measures that have a distorting effect on trade and production:

- subsidies for livestock and crop products;
- subsidies for breeding livestock;
- subsidies for elite seed production;
- subsidies for compound feeds;
- compensation of part of the costs for mineral fertilizers and plant protection products;
- compensation of part of energy costs;
- price support: compensation of the difference between the purchase and market price of agricultural products;
- providing the producer of goods and services at prices below market;
- purchase of goods (services) from the manufacturer at prices exceeding the market;
- preferential lending to farmers at the expense of the budget, debt write-off;
- benefits for transportation of agricultural products;
- costs of the leasing fund and some others [4].

Specific programs reflect the main levers of state regulation - legislative activity, direct state support (subsidies, grants), sanctions mechanism, customs regulation, credit system, taxation and price regulation [6].

At the state level, the State Target Program for the Development of Ukrainian Villages until 2025 has been developed. The main goal of the Program is to ensure the viability of agriculture, its competitiveness in the domestic and foreign markets, ensuring food security of the country, preserving the peasantry as a carrier of Ukrainian identity, culture and spirituality. [7].

## Sustainable Development Policy: EU Countries Experience

Table 1 - Distribution of expenditures from the state budget to finance agriculture as a whole in Ukraine for 2018-2021, UAH million

№	Name of the program	Years				2021 / 2018,+, -
		2018	2019	2020	2021	
1	Partial reimbursement to economic entities of the cost of construction and reconstruction of livestock farms and complexes and enterprises for the production of feed	-	-	500,0	600	500,0
2	Rehabilitation and rest of children of agro-industrial complex workers	6,0	10,0	9,0	12,6	3,0
3	Training, retraining and advanced training of agro-industrial complex personnel	8,8	10,7	10,5	14,7	1,7
4	Breeding in animal husbandry and poultry farming at agro-industrial enterprises	30,0	80,0	75,2	105,28	45,2
5	State support of agricultural service cooperatives	-	-	5,0	-	5,0
6	Financing measures to protect, reproduce and increase soil fertility	-	-	5,0	-	5,0
7	Budget livestock subsidy and state support for crop production	500,0	-	100,0	140	-400,0
8	Breeding in crop production	30,0	40,0	30,0	42	0,0
9	Implementation of financial support for agro-industrial enterprises through the mechanism of cheaper loans	300,0	600,0	531,4	743,96	231,4

## Sustainable Development Policy: EU Countries Experience

10	Measures to protect and safeguard the rational use of forests provided for permanent use to agro-industrial enterprises	17,0	20,0	17,8	24,92	0,8
11	State support of the agricultural advisory service	1,0	2,0	2,0	-	1,0
12	Organization and regulation of institutions in the agro-industrial complex	412,8	471,5	11,7	16,38	-401,1
13	Laying and supervision of young gardens, vineyards and berries	453,6	476,0	556,8	779,52	103,2
14	Partial compensation of the cost of complex agricultural machinery of domestic production	-	-	10,0	14	10,0
15	State support for the development of hop growing	50,4	84,0	98,3	137,62	47,9
<b>total</b>		1809,6	1794,2	1962,6	2054,3	153,0

\* source: systematized by the author on the basis of information [www.minapk.gov.ua](http://www.minapk.gov.ua)

As a result of the Program implementation it is envisaged:

1. preserve rural settlements and provide them with social infrastructure facilities in accordance with certain social standards and regulations;

2. to increase the level of effective employment of the rural population, the level of income of the rural population and the average monthly wage of agricultural workers to a level not lower than the average in the sectors of the national economy;

3. to ensure the formation of the capacity of the agricultural market through the production of domestic agricultural products to the extent that guarantees the food independence of the country;

4. create the infrastructure of the domestic agricultural market, increase the volume of exchange trade, form a national network of wholesale agricultural markets, information and communication networks and intensify the development of transport;

5. to form transparent and effective channels of production from the producer to the consumer;

6. annually update the technical base of agriculture by 15%;

*increase the volume:*

7. production of gross agricultural output in 2021 compared to 2015 1.6 times;

8. exports of agricultural products and foodstuffs (mostly with high added value) twice;
9. investments in the agricultural sector twice;
10. receipts of taxes and fees to the consolidated budget of Ukraine 2.5 times;
11. bring the volume of the share of organic products in the total gross output of agriculture to 10%;
12. increase the load of processing enterprises, ensure the further development of agricultural engineering, save jobs in industries - partners of agriculture;
13. implement basic agri-environmental requirements and standards in accordance with EU regulations;
14. to bring the volume of consumption of basic foodstuffs by the population in 2025 to rational norms.

At the regional level, the program of development of the agro-industrial complex of Sumy region for the period up to 2025 has been approved [8].

The purpose of the program is to develop tasks and ways to develop the agricultural sector of the region, aimed at improving the efficiency of agricultural enterprises of various forms of ownership and management, processing enterprises to provide food and industry - raw materials by introducing new approaches to innovation, investment, organizational, staffing branches of agro-industrial complex and formation of export potential. However, if we analyze its financial support (regional budget funds within 140 million UAH annually in the areas provided by the program with the annual determination of the volume and use of funds by the regional state administration; funds of agricultural, processing enterprises and investment resources about 2 billion hryvnias) it is clear that achieving such goals is unrealistic.

It should be noted that according to the Department of Agricultural Development of Sumy region, the annual funding from the state budget of targeted programs for the development of agro-industrial complex is about 15 million hryvnias. These funds can be classified as direct financial support. However, in our opinion, it is also necessary to take into account indirect financial support in the form of a preferential mechanism for value added tax. Thus, according to the current legislation, agricultural enterprises, the share of own products in sales revenue of which is more than 75% pay value added tax on a separate bank account and then use these funds for production activities. According to our estimates, only on the benefits of value added tax, agricultural enterprises received an additional about 350 million UAH. financial resources in 2019-2021. In addition, it is necessary to take into account the lack of income tax, which is part of the fixed agricultural tax, which, according to our estimates, allowed to save at least 80 million UAH. in 2021. Thus, indirect financial support from the state through the mechanism of preferential taxation has a significant and, most importantly, positive effect on the final financial performance of agricultural enterprises in Sumy region.

An integral part of ensuring the long-term economic stability of agricultural enterprises is the optimization of their production structure. Taking into account

foreign experience, we consider it expedient to continue the implementation of the system of contractual agreements under one of two schemes:

- concluding contracts on limiting the sown areas of unprofitable and uncharacteristic of the area crops and withdrawal from circulation of unusable land;
- introduction of direct quotas on the production of export-oriented agricultural products, as well as products with a deficit of consumption [9].

The first type of planning began to be used after World War II in the United States, and later in Western Europe. In particular, in the European Union in the context of overproduction of grain and sugar beets, subsidies were introduced to reduce their area. In some countries, by contrast, use per hectare surcharges for oilseeds, which helps reduce oil imports. Direct production quotas are common in dairy farming and, in part, in poultry farming [8].

Producing gross output of UAH 112 billion in 2021, the agricultural sector received only UAH 2.1 billion in state support (Table 2), including funding for measures to protect, restore and increase soil fertility, and financial support for agro-industrial enterprises through mechanism for reducing the cost of credit, training and state support for agricultural service cooperatives, and retraining and retraining of agro-industrial complex, etc. it is clear that these funds are not enough to ensure the food security of the state.

Table 2 - The amount of state support in the value of agricultural products by country as of 2021

Countries	State support, billion dollars USA	Share in the value of agricultural products, %
USA	118,9	20
Canada	4,7	25
Sweden	1,8	50
Finland	3,1	65
Norway	2,6	75
Japan	49,3	80
Ukraine	<b>0,26</b>	<b>2,1</b>

\* source: systematized and calculated by the author on the basis [3, 4]

The variety of functions of the state involves significant costs not only from the budget but also through the price mechanism. In general, according to the OECD (25 most developed countries in the West), the funds received in agriculture from the budget are nine times higher than the revenues from the budget, and if you add price subsidies, eighteen times. Almost half of the resources provided to agriculture are budget funds, and half - price subsidies [6, 5, 9].

Differentiation of funds per 1 hectare of agricultural land is due to the intensity of agriculture, the area of agricultural land used and the absolute amount of allocated amounts. The level of state support for agriculture in Japan, the European Union and the United States is high. Minimum amounts are supported in Australia and New Zealand.



In Ukraine, in order to implement the strategic course of changing the entire system of relations in the agro-industrial complex, it is advisable to create special bodies of state regulation of agriculture and market transformations in it.

In Eastern European countries, which have embarked on agrarian reforms much earlier than Ukraine, such institutions already operate, in particular, in Poland - the Agricultural Market Agency, in the Czech Republic and Slovakia - Market Incentive Funds, in Hungary - the Coordinating Committee for Agricultural Market Regulation [4].

Despite some differences, the following main tasks of their activities can be identified:

- intervention purchase of agricultural products;
- intervention sale of agricultural products and products of its processing on domestic and foreign markets;
- export subsidies;
- servicing accounts payable;
- analysis of the agricultural market, collection of information and development of estimates and proposals for the government on the current situation [4].

State measures to influence the economy of the agro-industrial complex are usually contradictory. Contradictions are due to the action of both objective and subjective factors. Objectives include a weak policy of state regulation of the agricultural sector and its contradiction with the laws of a market economy, as well as violations of the interests of certain groups of producers, consumers, processors and suppliers. In our opinion, differences in the understanding of the real effectiveness of the implementation of regulatory measures at both the state and regional levels should be considered subjective.

In general, the experience of state intervention shows that the scale and possibility of regulation are proportional to the ability of public authorities to carry out reforms. In turn, the effectiveness of the tools and mechanisms used to ensure long-term economic sustainability of agricultural enterprises depends on the potential ability of governments at the regional and national levels to control and forecast the situation in agro-industrial production.

Thus, the state financial support of long-term economic stability is carried out in the following areas:

- *Price regulation.* After the adoption of the Law of Ukraine "On State Support of Agriculture of Ukraine" in 2004, price regulation of the market of the most important types of agricultural products was introduced through the introduction of minimum purchase prices (grain, sunflower seeds, livestock products). The Agrarian Fund was established in 2005 to implement an effective pricing policy. According to the current legislation, the Agrarian Fund is a state specialized institution authorized by the Cabinet of Ministers to pursue a pricing policy in the agricultural sector of Ukraine's economy by carrying out financial or commodity interventions in the agricultural market. It forms the state intervention fund by the objects of state price regulation and procures services related to a set of

measures for storage, transportation, processing and insurance of objects of state price regulation.

- *Subsidies and subsidies for the production and acquisition of resources.*

- *Financial and credit support.* On July 1, 2012, the Law of Ukraine "On Peculiarities of Insurance of Agricultural Products with State Support" came into force. This law will promote the development of the insurance market in agricultural production and will allow producers to reduce the cost of insurance of agricultural products.

- *Tax incentives* in the form of a fixed agricultural tax (FAT), as well as a special mechanism for paying value added tax (VAT). FAT - a tax paid by agricultural producers in which the share of agricultural goods produced in the previous tax (reporting) year is equal to or exceeds 75% of total production. According to the provisions of the Tax Code of Ukraine, the object of taxation of the FAT is the area of agricultural land (arable land, hayfields, pastures and perennials) and / or water fund lands (inland waters, lakes, ponds, reservoirs) owned by agricultural producers or producers. it for use, including on lease terms, and the tax base - the normative monetary value of 1 hectare of relevant agricultural land or water fund lands as of July 1, 1995, taking into account the indexation [10]. FAT payers do not pay: corporate income tax; land tax (except for land tax for land plots that are not used for agricultural production); fee for special use of water; fee for certain types of business activities (in terms of commercial activities) [10]. A special mechanism for paying VAT provides compensation to agricultural producers for the milk and meat they sell in live weight to processing enterprises.

- *Specialized support* in certain areas and programs (development of farming, credit cooperation, crop production, animal husbandry, increasing soil fertility, agriculture in contaminated areas, etc.). The Ministry of Agrarian Policy and Food together with the National Academy of Agrarian Sciences of Ukraine has developed a National Project "Revived Livestock", which provides ways and mechanisms to increase cattle, its productivity, livestock production with appropriate organizational and economic, technological, technical and regulatory -legal support.

Unfortunately, it should be noted that the vast majority of government programs do not specify the amount of budget funding, in addition, there are outstanding accounts payable for 2019-2021 in the amount of more than UAH 14 million, the vast majority of which falls on the mechanism of cheaper loans and lease payments. The total amount of budget funding for agricultural development programs in Sumy region does not exceed UAH 4 million.

Table 3 - Evaluation of the effectiveness of indirect state financial support of individual agricultural enterprises of Sumy region in 2021

Indicators	Agricultural enterprises Sumy region			
1. Payment of a fixed agricultural tax in accordance with the special tax regime	26922,0	47586,0	9187,5	83842,5
2. Savings of financial resources due to the special regime of taxation of the fixed agricultural tax (payments which the agricultural enterprises would make, being on the general system of the taxation):				
2.1. at the expense of income tax, UAH	259140,0	491729,1	57750,0	2619775,8
2.2. due to land tax, UAH	51280,0	90640,0	17500,0	159700,0
3. Savings of financial resources due to the special regime of value added tax, UAH	1098623,4	1123487,3	197652,1	4123400,0
4. Net savings of financial resources (minus the payment of a fixed agricultural tax), UAH	1382121,4	1658270,4	263714,6	6819033,3
5. There are net saved financial resources per 1 ha of agricultural land	539,0	365,9	301,4	854,0
6. There are net saved financial resources per 1 UAH of sales revenue	0,13	0,15	0,13	0,17
7. There are net saved financial resources per 1 UAH of enterprise assets	0,16	0,21	0,09	0,17

\* source: the author's own calculations

With regard to the fixed agricultural tax, as noted earlier, agricultural enterprises, paying a fixed agricultural tax, are not payers of income tax and land tax. In this case, saving financial resources is possible through income tax, which in the face of ever-increasing profitability of agricultural enterprises is extremely important. In addition, the payment of income tax from a methodological point of view is extremely difficult for agricultural enterprises, as there are quarterly differences between costs incurred and direct income, given the specifics of agricultural production, especially in crop production.

Summing up the calculations, it should be noted that due to indirect state financial support, efficiently operating agricultural enterprises save an average of 13-15 kopecks per 1 hryvnia of sales revenue, which is quite high. If we take in

general agricultural enterprises, this figure is on average in the Sumy region is 4-7 kopecks per 1 hryvnia revenue from sales.

Thus, the system of state regulation of long-term economic stability of agricultural enterprises in Ukraine must also characterize the pervasive impact on various aspects of the process of agricultural production and a high level of support for domestic producers. The purpose of regulation is to stimulate production, agricultural entrepreneurship and social support of the village (Table 3)

Conclusions: it is proved that the system of state regulation of long-term economic stability of agricultural enterprises in Ukraine should be characterized by pervasive influence on various aspects of the process of agricultural production and a high level of support for domestic producers.

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