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STRATEGIC DIRECTIONS OF DEVELOPMENT OF UKRAINIAN AGRICULTURAL SECTOR AND ITS FINANCIAL SUPPORT

У статті проаналізовано стратегічні програми розвитку аграрного сектору як системоутворювальної галузі економіки країни. Обґрунтовано потребу напрацювання стратегічних напрямів розвитку аграрного сектору на засадах сталого розвитку з визначенням пріоритетів та напрямків, формулюванням цілей, інструментів та очікуваних результатів. Виявлено основні зовнішні та внутрішні чинники зниження фінансового забезпечення аграрного сектора. Визначено підходи до формування фінансового забезпечення сталого розвитку аграрного сектору країни з урахуванням змін у оподаткуванні та державній підтримці сільськогосподарських товаровиробників.

Ключові слова: *стратегія, розвиток, сталий розвиток, аграрний сектор, фінансове забезпечення, державна підтримка*

Problem. In consequence of numerous attempts to reform, the agricultural sector has become a kind of reliance for Ukraine's economy in difficult crisis years (its production volumes increased by 44.8% over the period of 2007 to 2015, while GDP fell by 19.6%) and demonstrates the increase of the agricultural products' profitability – from 15.6% in 2007 to 45.9% in 2015.

Despite the existing positive dynamics, there is an urgent need to overcome a number of systemic barriers to the development of agricultural sector: incompleteness of land reform; industry-specific imbalance of agriculture, significant dominance of certain agricultural products or certain categories of producers in the agricultural production; inefficient use of resource potential; lack of financial resources to support the sustainability of agricultural producers; development lag of agricultural logistics from needs of the market; discrepancy of domestic agricultural and food products to European standards; insufficient level of development of social infrastructure in rural areas. A prerequisite for solving these problems is working out a reasonable strategy for development of agricultural sector with the creation of appropriate financial security of its implementation.

Analysis of recent research and publications. The works of such scientists like Borodina O. [1], Y. Lupenko [2], T. Ostashko [3], B. Paskhaver [4], O. Popova [5], P. Sabluk, N. Sirenko [6], B. Tregobchuk, A. Shubravska [7] and others are devoted to the study of strategic directions of Ukrainian agricultural sector's development. The questions of financial support of the agricultural sector covered in the works of O. Hudz, M. Demyanenko, O. Oliynyk, V. Onegina, L. Tulush [8] and others.

The aim of the paper. The aim of this paper is to substantiate the strategic directions of development of Ukrainian agricultural sector and define approaches to the development of financial support for their implementation.

Results. Focused efforts of the government on the formation of market-oriented agricultural sector have provided increasing of agricultural production (due to crop production) even during a financial crisis and political instability. Government interventions of the agricultural sector and its state support mainly by indirect methods (eg, by the action of VAT special scheme) contributed to increase of production of highly profitable, export-oriented products - crops and sunflower (Table. 1).

1. Production and profitability of the main types of agricultural products in the agricultural enterprises of Ukraine in 2007-2015

Показники	Output of products, thousands of tons			Profitability, %	
	2007	2015	y %	2007	2015
Crops and pulse crops	29295	60125,8	y 2,1 p.	28,7	42,6
Sugar beet	4174	10330,8	y 2,5 p.	-11,1	27,7
Sunflower	4174	11181,1	y 2,7 p.	75,9	78,4
Potato	19102	20839,3	109,1	24,7	24,6
Vegetables	6835	9214,0	134,8	14,1	32,0
Fruits and berries	1470	2142,6	145,8	8,5	58,3
Meat (slaughtering weight), thousands of tons	1912	2322,6	121,5	x	x
beef and veal	546	384	70,3	-41,0	-16,9
pigmeat	635	760	119,7	-27,6	12,6
poultry meat	689	1144	166,0	-19,0	-5,4
Milk, mln of tons	12,3	10,6	86,2	13,8	12,7
Eggs, mln	14063	16783	119,3	9,1	60,9

Source: calculated according to the data of State Statistics Service of Ukraine

At that, the negative effect on soil fertility was amplified due to excessive tillage, irrational structure of sown areas, lack of organic and mineral fertilizers;

indicators of food security and social indicators were deteriorated. Thus, level of consumption of meat and meat products (calculated by us as a ratio of the actual annual consumption to rational standards) changed from 57.1% in 2007 to 63.6% in 2015; milk - from 59.1% to 55.2%; fruits and berries - from 46.8% to 56.6% respectively.

The daily calorie diet of Ukrainian citizens had decreased by 4.8% over this period. Only 29.2% of the average daily diet is provided by products of animal origin, while minimum set at 55% [9].

The rural population had decreased by 1.6 mln during this period or 202 thousand people during average year; the share of wage and deductions in the cost structure of agricultural production decreased from 13.3% in 2007 to 8.3% in 2015.

However, a fairly high level of profitability of the main types of crop production is largely due to the specifics of the industry and the influence of a number of internal and external factors. L. Tulush notes the following causes of a significant increase in profitability: outstrip the rate of increase in prices of agricultural products on the growth of the total cost; lengthy operating cycle in agriculture; devaluation of the currency; significant acceleration of inflation; lowering of the level of components of costs (wages with deductions, depreciation, etc.). According to his calculations, adjusted profit margins in the years 2014-2015 are 20-25 percentage points lower than the figures released by the State Statistics Service of Ukraine [8], which greatly reduces opportunities for agricultural producers on forming their own financial resources and financial support to the process of reproduction.

In this, so many questions need to be addressed for sustainable development of the agricultural sector as a “coordinated development of economic and social processes, as well as the environment” [3].

Given the importance and complex nature of these issues, a number of strategic programs of the agricultural sector, as a systematically important and one of the most important sectors of the economy, had been developed at the national level for the last three years. In particular, the Agricultural Sector Development Strategy up to 2020 (October 2013) were identified the main objectives: guaranteeing food security; ensure predictability and long-term sustainability of the agricultural sector through the development of various business patterns; promote the development of rural areas, providing employment and increasing incomes of the rural population; improvement of investment attractiveness of the agricultural sector and the competitiveness of domestic agricultural production capacity; to ensure the stability of markets.

The objectives of the Single and Comprehensive Strategy and Action Plan for Agriculture and Rural development in Ukraine for 2015-2020 (February 2015)

determined: completion of land reform; streamlining taxation and facilitating access to finance; improving the business climate; public administration reform and control of markets and production; innovation promotion and reasonable and sustainable rural development policy to address the needs of small and medium enterprises, and the rural population in general. However, the prospects for implementing the strategic objectives far removed as a result of significant changes in the formation and deterioration of financial support of agricultural sector.

In 2016, the state increased the tax burden on agricultural producers by increasing a fixed tax (additional tax burden estimated amount to 2.1 billion USD); introduced transitional conditions in the application of the special regime for VAT (saving available to producers 15% for operations with grain and industrial crops, 80% – for the operations of animal products, 50% – for other agricultural operations); significantly reduced the volume of direct budget support (support for the livestock industry in the current year provided 50 mln UAH, the financial support through easing of credit – 300 mln UAH).

At the end of this year, The Ministry of Agrarian Policy and Food of Ukraine initiated the development of a new policy document – Agricultural Sector Development Strategy “3 + 5”, which includes three main priorities (reform of state support with a focus on small farmers; completion of land reform; reform of public enterprises) and the five major areas (marketing development; organic produce and niche cultures in agriculture; rural development; irrigation; safety and quality of food products) (Fig. 1).

In our view, this document contains provisions that logically develop the main components of the Single and Comprehensive Strategy for Development. This document assigns priority in financial and credit relations to the state support of agricultural producers. At that, the milestones are direct state support of small and medium farmers; support of smallholders, who can create products with added value and new jobs; clear focus on target groups (recipients of support are manufacturers in livestock, horticulture and viticulture, processing industry); stability of support results.

The main tools of implementation of this support had been defined as compensation of interest rates; development of insurance; use of public infrastructure; a supporting fund for small farmers; subsidies to small farmers.

It is expected that the results of the reform will be: stimulation of organic production; competitiveness and economic success of small farmers; transparent disposition of support funds. As to the evaluation of quantitative parameters of direct state preferences, to support small and medium producers were allocated 1% of agricultural products – it could reach 5.5 billion UAH in 2017 according to expert estimates.

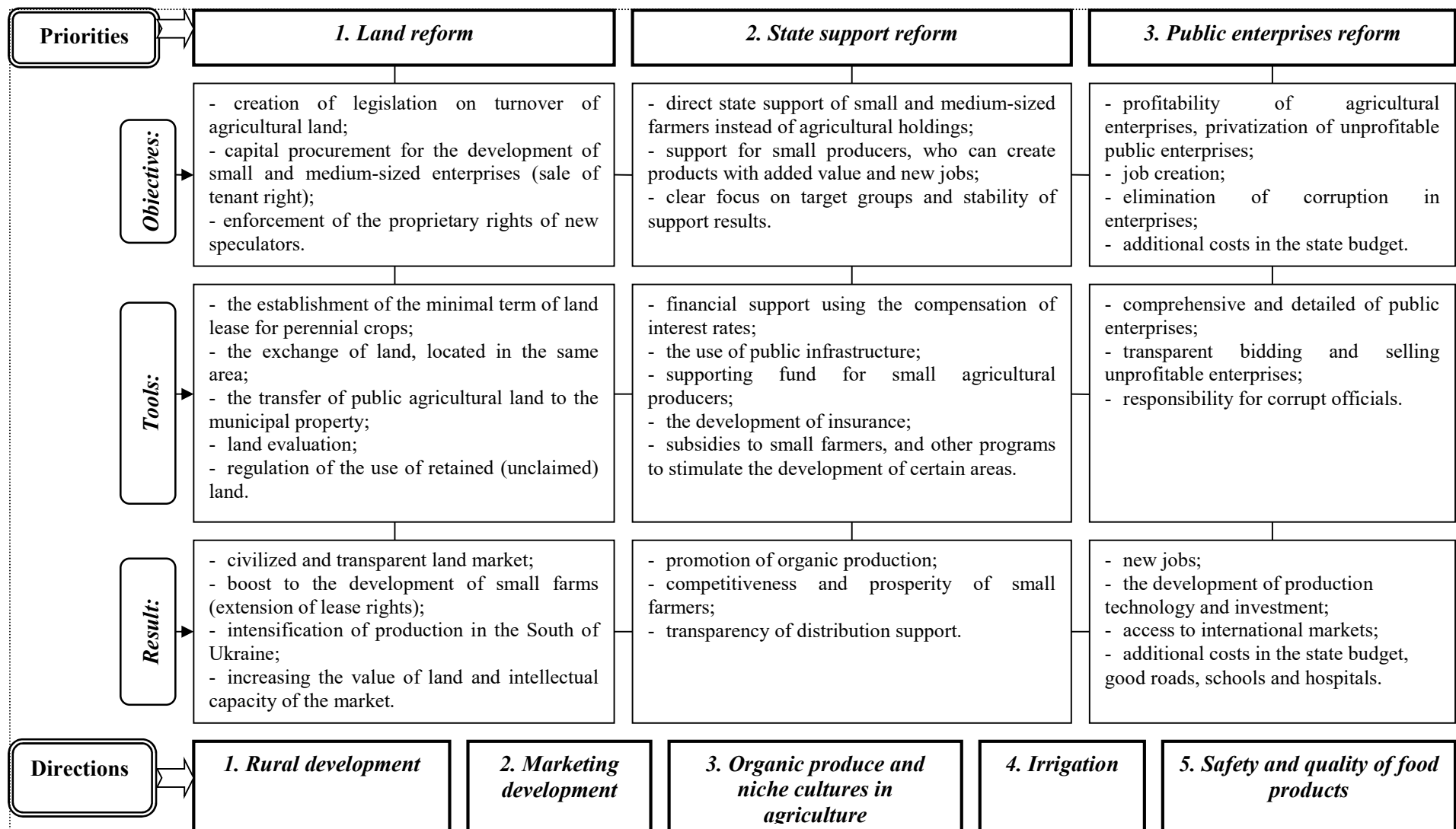


Fig. 1. The components of Agricultural Sector Development Strategy “3 + 5”, developed by The Ministry of Agrarian Policy and Food of Ukraine in 2016

Source: summarized by the author

Supporting generally declared strategic directions of development of the Ukrainian agricultural sector (the validity of some of them confirmed by the results of our studies), however, we consider it appropriate to define our own position on the formation of financial support for their implementation. Given the fact, that indirect state support through special VAT regime of accumulation was 19.8 billion UAH in 2014, 28 billion UAH in 2015, according to experts, the introduction of transitional conditions in its application in 2016 lead to: withdrawal of working capital of enterprises in the amount of 27 billion UAH, which were used for production purposes; decline in production by 4.3 - 4.5%; decrease in foreign exchange earnings from exports of agricultural products in the amount of 1 billion USD.

We believe that in case of cancellation of state support in 2017 at the expense of a special regime of accumulation of VAT and the transition to direct budget support to the target group producers – even with the full implementation of expenditure, the funding in the amount of 5.5 billion UAH is few times less than funds, formed through the indirect support. However, additional factors of reducing the financial security of industry can be the decrease of financial performance through the deterioration of pricing environment on certain products in the agro-food market; increasing the tax burden due to higher rates of fixed tax; devaluation of the currency; difficult access to bank credits; lack of investment funds and others.

Meanwhile, we should realistically assess the financial capacity of Ukraine: the underfunding of budget programs for agricultural development took place even with the positive dynamics of the GDP (funding level was 70.8% in 2011, 70.5% - in 2012). At a time when the state budget deficit set for 2017 in amount of 77.5 billion UAH (10% of expenditure), we believe it is unreasonable to give up public support through tax concessions and move to fully support from the budget, reducing the volume of financial support of agricultural producers in the medium term.

Conclusion. The transition from state support through tax concessions to budgetary financing of agricultural sector and offset payments towards payments unrelated to production (under the “green basket”) must be gradual, phased, based on real terms of budget revenue base and consider the formation options of financial support of the agricultural sector, sufficient to achieve the strategic goals of development.

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Калашникова Т.В., Калашников О.Н. Обоснование и финансовое обеспечение стратегических направлений развития аграрного сектора Украины. В статье проанализированы стратегические программы развития аграрного сектора как системообразующей отрасли экономики страны. Обоснована потребность разработки стратегических направлений развития аграрного сектора на принципах устойчивого развития с определением приоритетов и направлений, формулированием целей, инструментов и намеченных результатов. Выявлены основные внешние и внутренние факторы снижения финансового обеспечения аграрного сектора. Определены подходы к формированию финансового обеспечения устойчивого развития аграрного сектора страны с учетом изменений в налогообложении и государственной поддержке сельскохозяйственных товаропроизводителей.

Ключевые слова: стратегия, развитие, устойчивое развитие, аграрный сектор, финансовое обеспечение, государственная піддержка.