# ВІСНИК СНТ ННІ БІЗНЕСУ І МЕНЕДЖМЕНТУ ХНТУСГ (ВИП. 1/2020)



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### FEATURES OF RISK MANAGEMENT IN THE AGRICULTURAL SPHERE

# СОБЛИВОСТІ УПРАВЛІННЯ РИЗИКАМИ В АГРАРНІЙ СФЕРІ

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The article analyzes the feasibility of risk management in agricultural activities. The essence and generalized main types of agrarian risks and tools of their management are formulated. The issues of development and implementation of strategic methods of risk management, which are based on market mechanisms, are investigated.

**Key words:** agricultural production, risk management, production diversification, strategic planning, strategic management tools

У статті проаналізовано доцільність управління ризиками при здійсненні сільськогосподарської діяльності. Сформульовано сутність і узагальнено основні види аграрних ризиків та інструменти управління ними. Досліджено питання розробки та впровадження стратегічних методів управління ризиками., які базуються на ринкових механізмах.

**Ключові слова:** аграрне виробництво, управління ризиками, диверсифікація виробництва, стратегічне планування, інструменти стратегічного менеджменту.

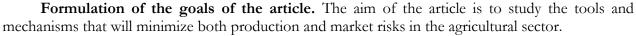
Formulation of the problem in general. Agriculture is one of the most risky industries. Aggressive use of agricultural lands, non-compliance with scientifically sound recommendations regarding crop rotations, rapid development of the crop industry and almost no development of the livestock industry, as well as a significant reduction in the volume of environmental activities have created a real threat to resource and environmental security of the agricultural sector of the economy and the state as a whole. Therefore, in the process of finding ways to overcome the risks that exist in agribusiness, the producer of agricultural products, first, must identify the risks that significantly affect the effectiveness of its activities, and the tools with which to minimize this impact.

Analysis of recent research and publications. Problems of theory and practice of agricultural risk management were studied by O. Kipreeva, O. Kobylyanska, G. Kolomiets, M. Koroteev, M.S. Navrotsky, T. Yu. Teofilova and many other famous scientists.

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**Presentation of the main research material.** The variety of forms of management significantly increases the degree of uncertainty of socio-economic processes in agriculture and, accordingly, increase the impact of risks on agricultural business. The influence of macroeconomic decisions on the activities of each agricultural producer is growing. Agrarian reform itself is a risk factor. We believe that the use of risk allows to significantly improving the efficiency of management, especially when the methods of administrative-command management are replaced by a system of predominantly market relations in the economy, when there is a sharp decentralization of management of economic and social processes in society. To determine the range of challenges, risks and threats in the agricultural sector, it is first necessary to clarify the nature of these categories and their relationship.

Risk is a conscious possibility of danger, the possibility of loss or failure in any case, the possibility of loss of assets, loss or non-profit because of adverse factors during business activities [3, p.141]. Risk, like challenge, is not necessarily a danger; it is only a potential opportunity.

Danger is the possibility of some kind of disaster, misfortune, catastrophe, damage, etc. It can also be defined as an objectively existing, but not fatal possibility of harm, property (material), physical or moral damage to the individual, society, state.

Threat - the central concept of the theory of national security, which means the immediate possibility of harm. The threat can be potential or real. The threat is a consequence of the danger.

The negative impact on the industry is determined by risks and threats that are probabilistic in nature and differ in the degree of probability of damage. For the economic security of agriculture can be identified such risks as political, industrial, market, legal, agri-environmental, social, demographic.

Production risks are expressed in changes in the characteristics of the means of production, the interaction of factors of production, the resulting products, and are considered in connection with the results of the production process [5, p.18]. These risks are most characteristic of agriculture, because the results of the industry directly depend on natural and climatic conditions.

Market risks caused by market conditions, competition, price fluctuations, inflation, development and efficiency of sales channels, marketing activities of enterprises, inherent in agricultural enterprises. In particular, price risks are characterized by a high probability of non-reimbursement of full production costs. To some extent, these risks determine the level of unwillingness of potential investors to invest in the development of the industry.

Financial and economic risks allow assessing the access of all economic entities in the agricultural sector to credit resources, the possibility of obtaining regional allocations, the implementation of innovation and investment activities with the help of regional authorities, obtaining tax benefits.

Innovation risk is defined as the probability of losses that occur when an enterprise invests in the production of new goods (services) that may not find the expected demand in the market. Risk assessment of this type usually involves assessing the attractiveness of one of the innovative activities of agricultural enterprises and choosing the least risky in terms of maximizing the final financial result and the possibility of producing quality and competitive products.

Information risk involves the formation of management decisions in conditions of information uncertainty or distortion of information. Agriculture is characterized by poor awareness of producers about market conditions, low quality of information support of enterprises in the industry, underdeveloped information infrastructure in rural areas. Lack of information worsens the conditions of management and trade, increases risks and reduces trust between market participants in agricultural products, reduces the efficiency and effectiveness of its implementation.

The risk of termination of activity or imposition of penalties on an economic entity for non-compliance with the law or violation of concluded agreements is considered legal. According to lawyers, today up to 30% of agricultural holdings are registered with significant violations.

Personnel risk implies the presence of threats from agricultural professionals that can lead to danger. These risks arise during the selection and / or dismissal of personnel associated with the presence of so-called risk groups in agricultural formations, and may arise because of ineffective staff motivation.

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One of the most dangerous risks in the agricultural sector is agri-environmental. Therefore, in order to encourage small farmers to engage in agricultural business, state insurance is needed. To protect against crop risks, innovative technologies are needed to manage crop treatment with plant protection products, mineral fertilizers, harvesting and storage.

In order to avoid the risk of crop loss, investment in modern agricultural machinery is required. Small and medium-sized farms should unite in cooperatives. Otherwise, the effect of scale in agribusiness will lead to the formation of only large agricultural holdings, and this poses a great social threat to the village. Protection against the risk of falling prices involves the use of financial instruments (futures, put options). International insurance companies with western founders provide protection against political risks.

Conclusions. The activity of enterprises in the field of agriculture is always associated with risks. As domestic and foreign experience shows, the most effective risk management mechanism in agricultural enterprises, which would allow eliminating the influence of risk factors on the harvest, should be based on insurance. It is able to ensure the financial stability of the enterprise and the continuity of agricultural reproduction, as well as the attractiveness of the agricultural sector for investment. Measures to reduce risk and are carried out directly by the agricultural enterprise include: diversification of production, formation of adequate pricing and revenue policies, improvement of operating systems, forecasting financial results, reserve funds to cover contingencies. In addition, the decision-making process and the implementation of criteria for the effectiveness of decision-making should be based on the choice of risk assessment tool that will provide management that is more flexible.

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