Strengthening the Financial Components of State Regulation of Agricultural Production in Ukraine

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State regulation of agricultural production is an essential component of state financial and economic mechanisms, due to the importance of the agricultural sector as a basic source of food security. However, for the purposes of state regulation of this industry, Ukraine has followed the other way from developed countries, as direct government financial support was directed not to medium and small agricultural formations, but to large enterprises and agricultural holdings. As a result of such a regulatory policy, Ukraine is currently experiencing a deterioration in the quality of land, declining quality of agricultural products, misbalance in the development of agricultural production, rising unemployment and impoverishment in rural areas. As a result, Ukraine's agricultural sector is unattractive to investors, which hinders its harmonious and sustainable development.

The analysis of the functioning of the current system of state regulation of agricultural production testified to its inefficiency and the need to find areas for improvement. Therefore, attention was drawn to the need to activate the financial levers to stimulate the development of agricultural production, in particular its small forms: personal farms, farms and more. To increase interest and the level of efficiency of state regulation of agricultural production, a combined mechanism of state regulation of small agricultural producers, based on the use of products of financial components such as lending, insurance and taxation.

Key words: state regulation, agricultural production, microinsurance, microcredit.

Introduction

The economic development of countries with economies in transition largely depends on carefully selected instruments and mechanisms of regulation, especially in the financial sector. In this case, the selected mechanisms must meet the conditions of authenticity and efficiency, which must take into account the peculiarities of the national economy and a particular area of economic activity. And, of course, a prerequisite is their focus on a positive economic outcome. At the same

time, the financial mechanisms of state regulation, covering the areas of lending, taxation, financing, insurance are designed to provide a favorable environment not only for the development of the selected industry, but also for the formation of its investment attractiveness.

One of the priority areas of the national economy of Ukraine is agricultural production. Its development in the post-socialist period acquired an irrational direction practiced in foreign countries by stimulating the activities of large enterprises and ignoring the promotion of small-scale agricultural production. As a result, the country is currently experiencing the decline of some agricultural sectors, which leads to deteriorating soil quality, increased exports of agricultural products, destruction of rural areas and impoverishment of the rural population.

It is possible to improve the situation by introducing effective mechanisms of state regulation of agricultural production. In particular, in the field of farming - farms and personal farms.

Analysis of recent research and publications

The sphere of state regulation of agricultural production in developing countries raises a number of questions for scientists. In particular, Raian Divanbeigi and Federica Saliola (2016) note that the decline in quality and increasing heterogeneity in the development of agricultural production is observed in those countries that ignore state regulation [1].

The team of authors headed by Y. Nesterchuk (2019) emphasizes the need to focus the attention and state regulation on farms as active participants in the field of small agricultural production. According to scientists, such attention from the state will be an incentive to create fair competitive conditions in this field and will increase the economic efficiency of such enterprises [2].

O. Salamin and S. Poperechny (2018) emphasize the inadequate effectiveness of state regulation in the field of agricultural production in Ukraine, focusing on the predominance of large producers and violation of the architectonics of this area of activity, which, in fact, destroys the infrastructure of the market [3].

The problems of the theory of regulation and transformation under their influence in the field of agricultural production are covered in the works of Jean-Marc Toussaint and Pierre Labart (2016) [4].

The previous number of views and approaches shows that the chosen topic is quite relevant in the field of scientific research, which is due to the need to optimize agricultural production as a priority source of food security.

Research methods.

The study is based on the dialectical method of cognition. The method of analysis has become

essential in the process of elaboration of existing and identification of promising theoretical foundations of the mechanisms of state regulation of agricultural production.

The assessment of modern features of functioning of the sphere of agricultural production of Ukraine was carried out by means of an empirical method.

Correlation-regression analysis revealed a key factor influencing the performance indicator, which contributed to the identification of promising objects of state regulation of agricultural production.

Using the method of induction, the results of the study were generalized, and conclusions were formulated.

Results.

Theoretical bases of state regulation of agricultural production in Ukraine

The purpose of the reforms carried out in countries with economies in transition is to change its role in economic activity and create economic preconditions for the country's restructuring. That is why state regulation of the economy is the tool by which one can balance the spheres and branches of activity in order to achieve the desired efficiency of the national economy. Currently, among the many economic views and approaches, it is necessary to distinguish four main vectors of state regulation (Fig. 1).

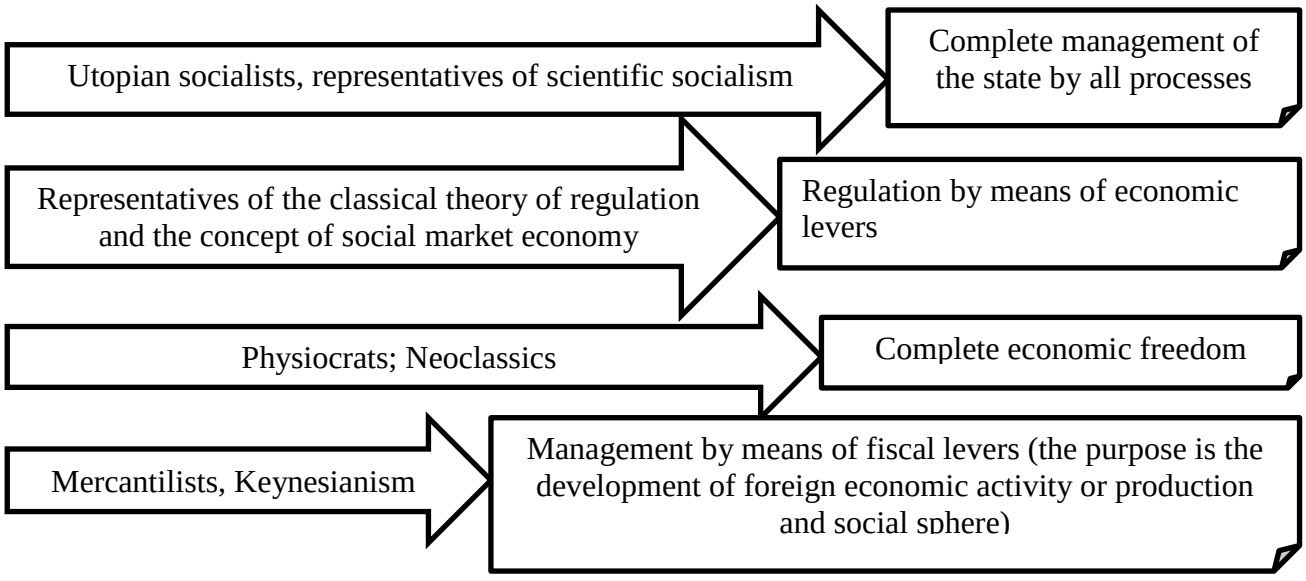

Fig. 1: Dialectics of views on the goals of state regulation among individual schools of economics [13, 14, 15, 17].

As we can see, the representatives of these classical schools are not marked by a unanimity of views on the objectives of state regulation. However, today we have fundamentally different business conditions, which also require a review of goals and approaches to the implementation of the last one. At the same time, special attention needs to be paid to outlining the mechanisms of

state regulation in key areas of the national economy that are import-forming, in particular, the agricultural production sector.

Summarizing the realities of state regulation of agricultural production in Ukraine at the present stage, we believe that currently it can be implemented in five areas (Fig. 2).

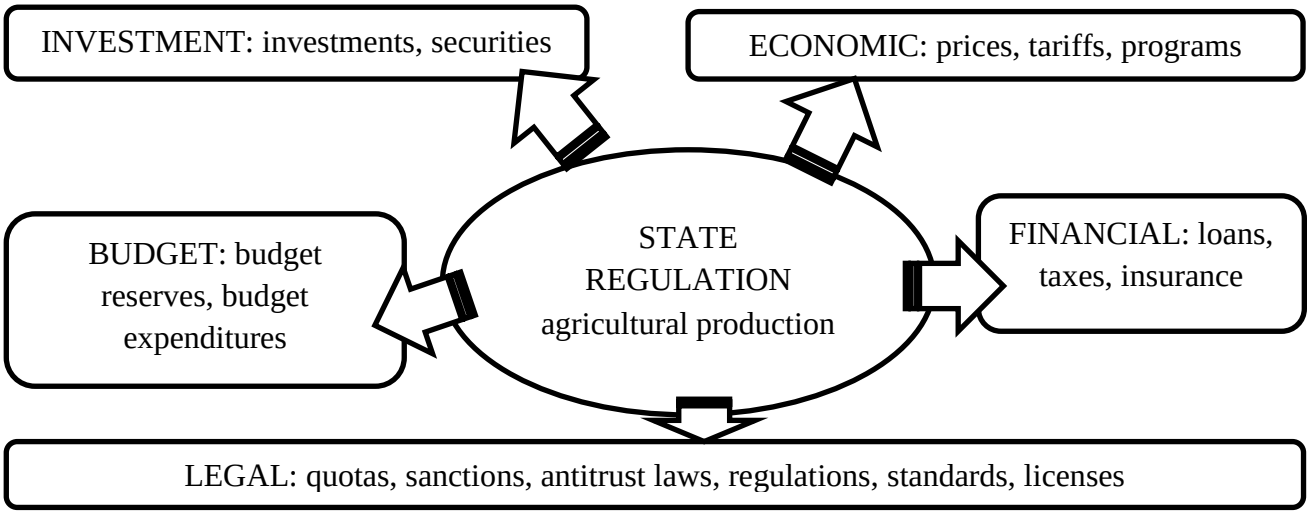

Fig. 2: Components of state regulation of agricultural production in Ukraine

Based on the highlighted positions in Fig. 2, it should be noted that state regulation of agricultural production in Ukraine is carried out through direct and indirect financing. The most active is the budget component, due to which certain categories of agricultural producers have the opportunity to receive financing and economic, especially its component such as special programs.

At the same time, the possibilities of such economic instruments as prices and tariffs are not used properly; needs to review and significantly improve the legal and financial components and active development – investment. It is due to the underestimation and significant limitations of these components that the current mechanisms of state regulation in Ukraine do not ensure the achievement of the expected positive effect.

The current state of state regulation of agricultural production in Ukraine

State regulation of agricultural production in Ukraine takes the form of mostly direct budget support. Contribute to the receipt of funds from the budget to producers a number of special programs (Fig. 3, 4, 5).

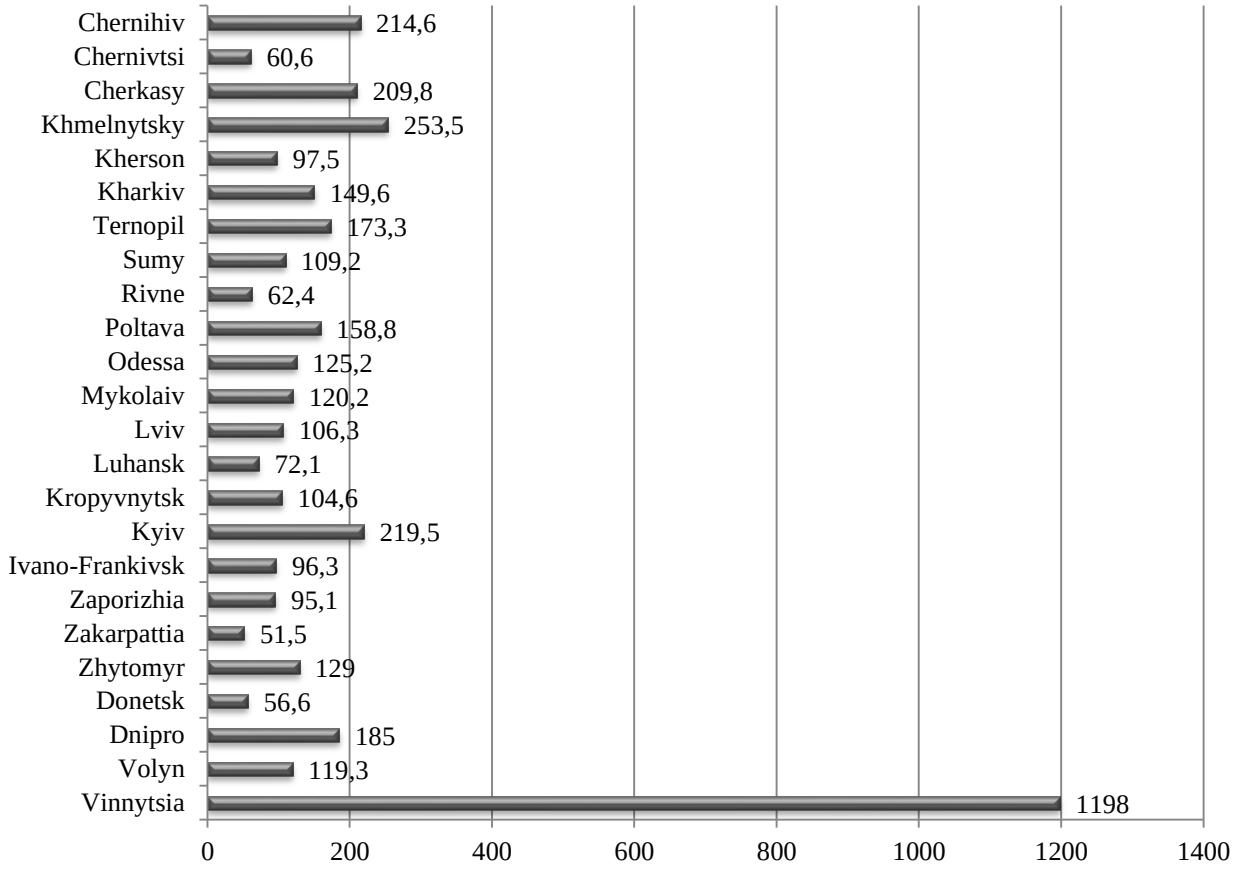

Fig. 3: Levels of direct state financial support provided to agricultural producers in 2018 by regions of Ukraine, UAH million [12]

The levels of direct state financial support in 2018 increased significantly compared to 2014. However, according to the data of Fig. 3, their distribution between the regions of Ukraine is uneven. Significant gaps in the receipt of funds are explained by the fact that the conditions imposed on the recipients of financial resources are quite difficult, and therefore can meet them mainly large, sometimes medium-sized agricultural enterprises.

The imbalances in the development of agricultural production should be mentioned separately. In particular, government programs are aimed at developing certain, popular and profitable areas of activity, while less interesting segments for producers remain out of the state's attention. Currently, in the field of crop production, the state pays the most attention to horticulture, for which in 2018 there was a budget support program 2801350 "Horticulture Development" (Fig. 4).

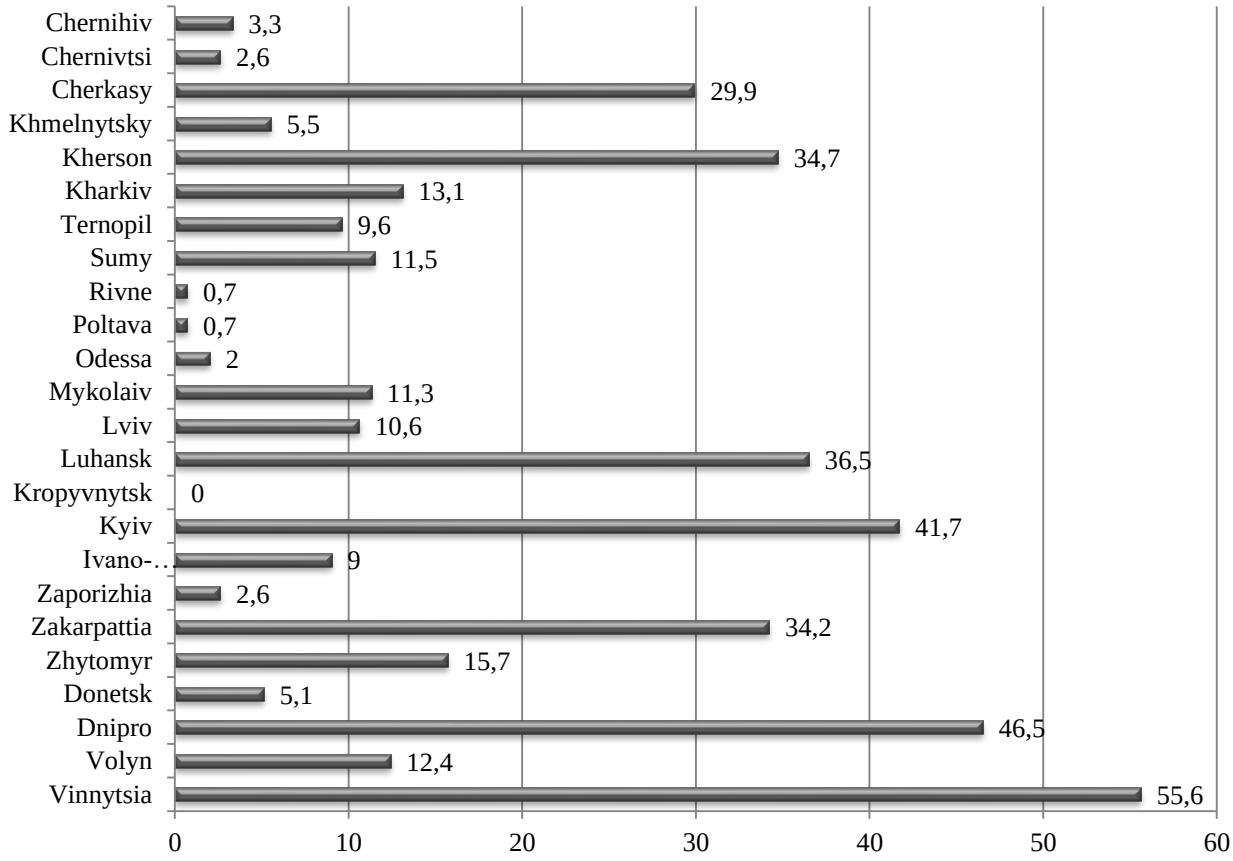

Fig. 4: Amounts of direct state funding for the development of horticulture in the regions of Ukraine in 2018, UAH million [12]

The distribution of funds under the program "Horticulture" (Fig. 4) is also characterized by uneven distribution of funds. However, in this segment, it is due to natural and climatic conditions that contribute to the more active development of this area of activity in some regions, as well as the popularity of this industry in some areas.

The livestock industry has experienced a special decline over the last 28 years. The evidence is a significant reduction in livestock and poultry, as shown in Fig. 5.

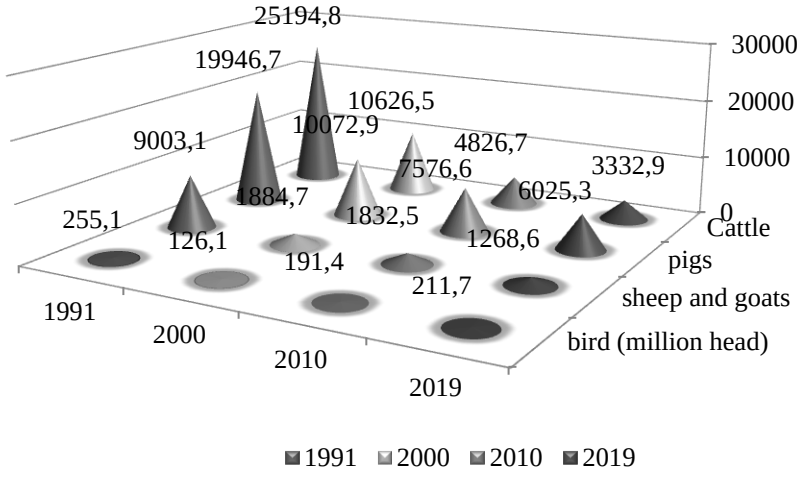

Fig. 5: Dynamics of the number of farm animals in Ukraine in 1991–2019, thousand heads [9]

As evidenced by the data of Fig. 5, in 2019, compared to 1991, there was a decrease in cattle by 7.5 times, pigs – by 3.3 times, sheep and goats – by more than 7 times. This phenomenon is explained by the fact that animal husbandry, in contrast to crop production, has a prolonged payback period, and therefore this industry is not popular with large agricultural enterprises and agricultural holdings. The exception is poultry farming, where the payback period of projects is much shorter, and therefore the reduction in livestock is insignificant. Nowadays, these areas of activity have become interesting for farmers and private farms. However, the state program 2801540 "Development of dairy and meat cattle breeding", which operated in 2018, focused on large producers (Fig. 6).

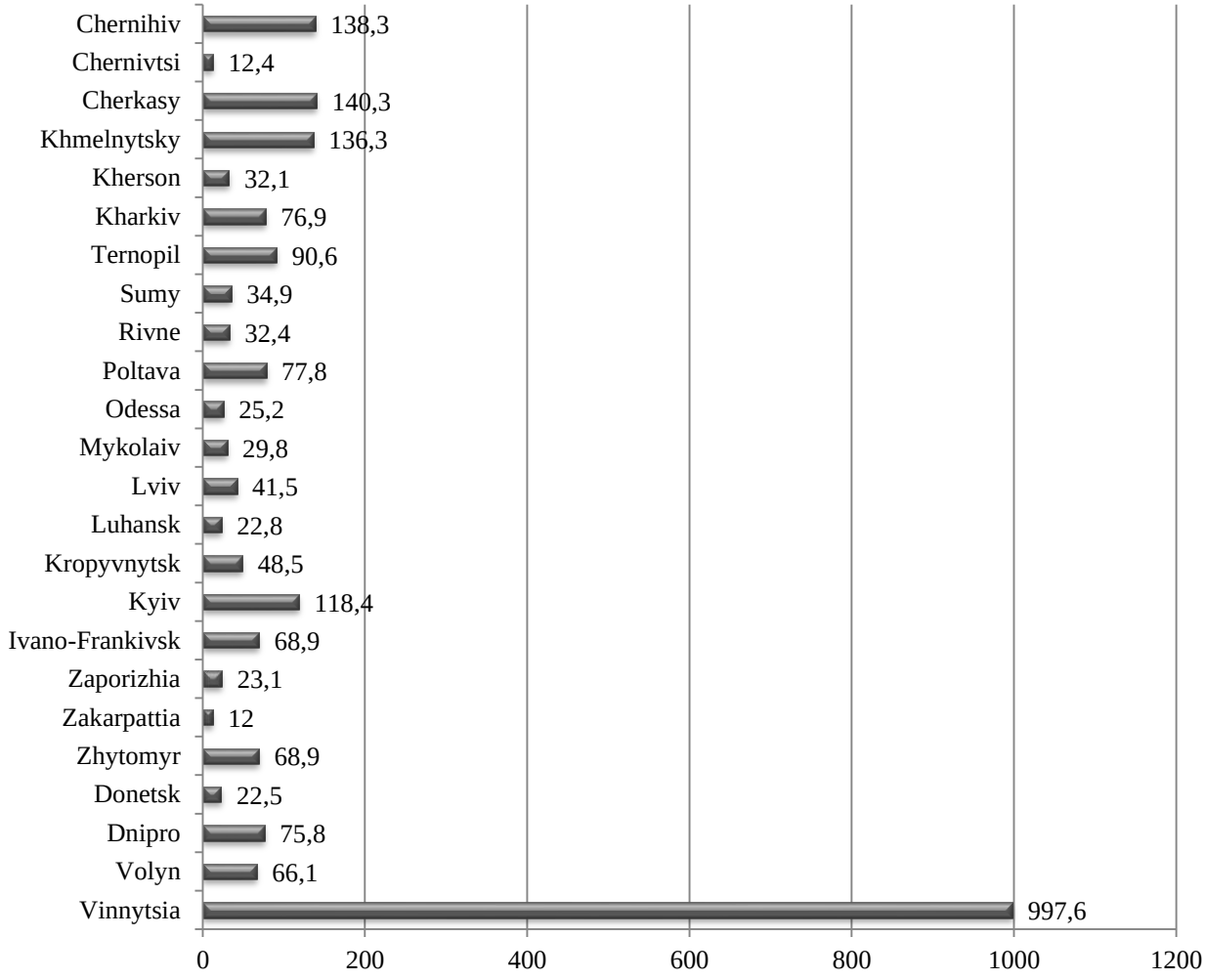

Fig. 6: Direct state financial support for the development of dairy and meat cattle breeding in the regions of Ukraine in 2018, UAH million [12]

According to the terms of the program, the amounts of budget funding were sent to legal entities that keep identified and registered dairy, dairy-meat and meat cows for each available cow on January 1 and stored on July 1 in the amount of UAH 1,500 per head cattle. The total amount of the program amounted to UAH 500 million [6].

In 2020, direct public funding in the field of animal husbandry is provided for a slightly expanded range of recipients in the following areas:

- subsidies for existing bee colonies – on a non-refundable basis will be provided to legal entities, natural persons-entrepreneurs and natural persons who are owners of bee colonies, for existing in the current year from 10 to 300 bee colonies in the amount of UAH 200 per bee colony;

- reimbursement of the cost of purchased breeding animals, bees, sperm and embryos – will be provided to legal entities and natural persons-entrepreneurs regardless of organizational and legal form and form of ownership for purchased by them domestic or imported breeding animals, bees, sperm and embryos up to 50% – costs, but not more than: for breeding heifers, cows – UAH 31,500 per head; for breeding pigs and boars – UAH 10,000 per head; for breeding ewes, rams – 11,000 UAH per head;

- for semen of bulls / boars – UAH 100 per dose (not more than 3 doses per head of cattle and 5 doses per head of pigs), sex – UAH 300 per dose not more than the 1st dose per head; bees – bee packages – UAH 500, queen bees – UAH 100; for cattle embryos - UAH 500 per piece;

- reimbursement of the cost of livestock facilities; compensation for the cost of facilities financed by bank loans – will be provided to legal entities regardless of organizational and legal form and form of ownership and natural persons –entrepreneurs, including family farms engaged in animal husbandry in the amount of up to 30% of the cost (excluding value added tax);

- compensation for the cost of facilities financed by bank loans – will be provided only to those entities that received such compensation in 2018 – 2019 in the amount of 25% of the amount of borrowed funds for a loan period of up to 5 years [10].

The selectivity of the segments of direct budget financing in agricultural production, giving preference to large agricultural producers has led to a deterioration of the environmental and quality component of economic conditions. In particular, large agricultural producers use intensive technologies that negatively affect the quality of land resources, destroying the fertile soil layer – chernozem. The quality of their products also does not meet European standards. However, if we change the economic conditions to ecological ones and provide balanced support, the potential of this sphere can increase many times over.

Given the shortcomings of the mechanisms of state regulation of agricultural production in Ukraine, we present some performance indicators that show generally negative economic trends.

The results of the functioning of state regulation of agricultural production in Ukraine at the present stage

One of the criteria for the effectiveness of state regulation of agricultural production in the country is the volume of agricultural production, as well as the volume of GDP produced by the relevant sector for a given year. These indicators guide the extent to which funds invested in the

development of activities contribute to its development and increase the pace of production, which characterizes the economic efficiency of the process (Fig. 7).

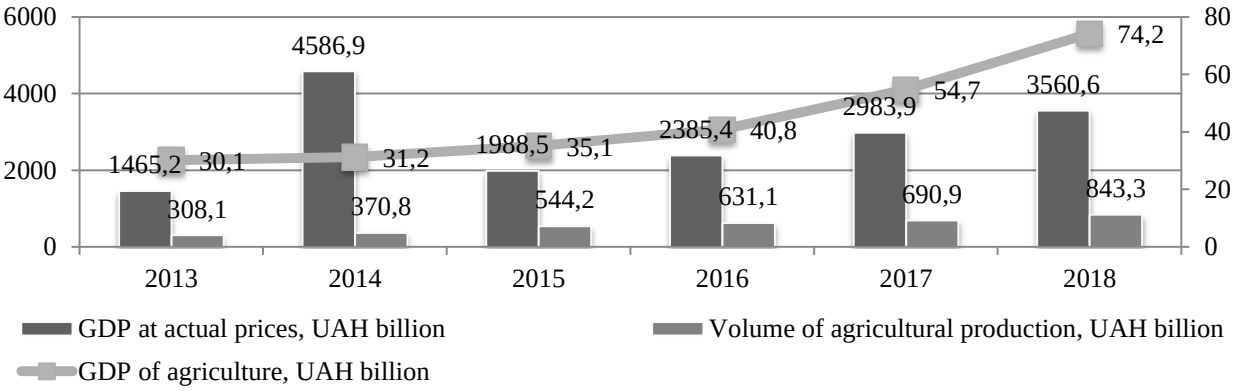

Fig. 7: Dynamics of performance indicators of agricultural production of Ukraine in 2013–2018 [8]

During the study period, there are growing trends both in terms of GDP (+20.95.4 billion UAH) and in terms of GDP of agriculture (+44.1 billion UAH), and relative to the volume of agricultural production (+532.5 billion UAH) (Fig. 7). However, the share of agricultural GDP in total GDP is quite low: if in 2013 it was 2.05%, in 2014 - 2.0% with a further decline to 1.8% in 2017. And only with the revision of direct budget funding programs for agricultural producers, when farms were added to the cohort of recipients, the figure rose to 2.08%. Proof of this fact is the volume of agricultural production, which in 2018 showed significant growth compared to previous periods.

Another indicator of economic efficiency of state regulation of agricultural production in the country is the level of inflation, recorded both in the country as a whole and in a particular industry in particular, which we can trace by changing the consumer price index (Fig. 8).

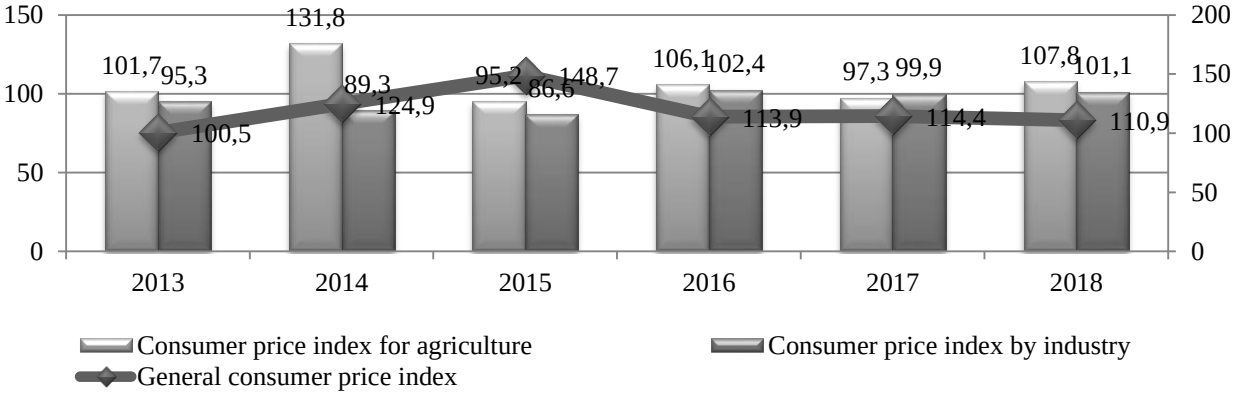

Fig. 8: Dynamics of the level of consumer price indices in 2013 – 2018, % [8]

During the study period, there were fluctuations in consumer price indices (Fig. 8) for all presented objects. However, it should be noted that the level of the consumer price index for industry is always lower than the same indicator for agriculture and the national. At the same time, the studied indicator for agriculture is always higher than industry, and in 2014 it even exceeded the

national one. This indicates a steady rise in prices for agricultural products, and therefore there is a high level of costs incurred by agricultural producers, which contributes to higher prices. That is, we can talk about the lack of effectiveness of measures of state regulation carried out in agriculture at this stage.

Currently, the low level of prices for agricultural products does not allow to provide both small forms of agriculture and their employees with an adequate level of income (Fig. 9). In addition, in rural areas, the share of the population with incomes below the minimum is higher than in Ukraine as a whole.

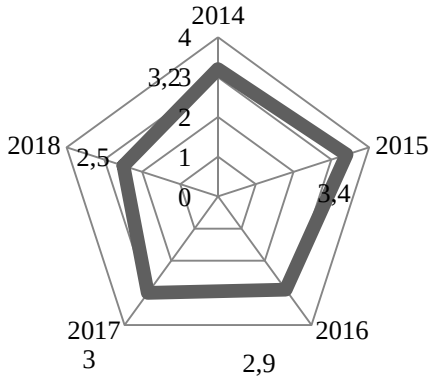

Fig. 9: Dynamics of the share of income from the sale of agricultural products in the structure of total household resources, % [16]

If in 2016 this figure in Ukraine was 3.8%, in rural areas – 3.9%; at the end of 2019, the situation worsened: the national rate was 1.1%, and rural – 1.3%. The lack of stimulation of agricultural production in small farms causes not only the impoverishment of the rural population, but also a decrease in the level of revenues of local government budgets, increasing their rotation and additional costs from higher budgets. Despite the improvement in the level of marketability of rural household products, its share in household incomes decreased in 2014 – 2018. However, small forms of agricultural management, in particular personal farms, should become the basis of a new state policy to stimulate entrepreneurial activity in agricultural production, improve the social situation in rural areas and the formation of food reserves.

Recalling the social component of assessing the effectiveness of state regulation of agricultural production, we focus on the unemployment rate of the rural population, which is not only evidence of poor state regulation, but also the cause of depression in rural areas (Fig. 10).

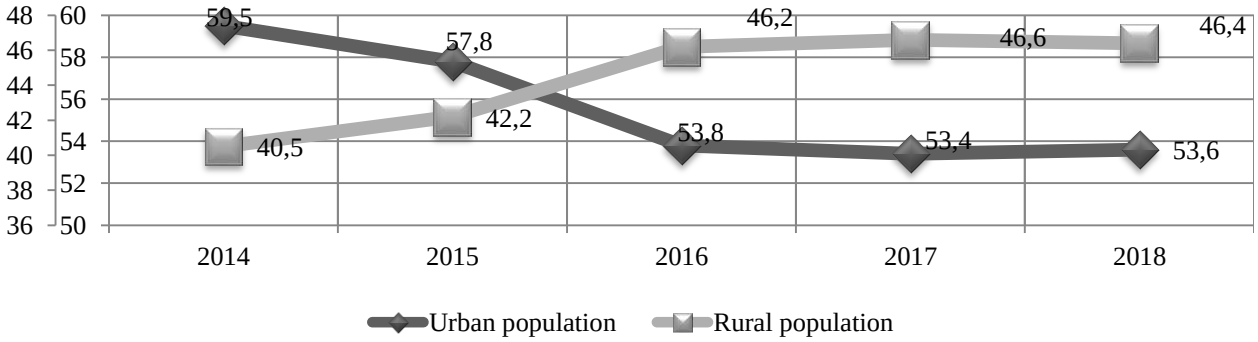

Fig. 10: The share of the unemployed population by place of residence in the total number of unemployed in 2014 – 2018, % [7]

During 2014–2018, the share of the unemployed rural population was over 40% (Fig. 10). At the same time, if the share of urban population decreased by 5.9 percentage points, then of rural population increased by the same percentage. If we take into account the share of unemployed in rural areas in the total unemployed population of Ukraine, it increased from 42.8 in 2013 to 48.0% in 2019. At the same time, according to statistics, it is in the countryside quite high level of informal employment: 39.6% in 2017 and 38.2% in 2018. That is, in fact, employment and hence income are in the shadows.

The unemployment rate is evidenced not only by the low level of social efficiency of ongoing state regulation measures. It demonstrates the lack of employment facilities. And employment in the agricultural sector is now recorded mainly in small and medium enterprises (Table 1).

Table 1: Dynamics of employment in agricultural production in 2013–2018, thousand people [5]

Indicator	2013	2014	2015	2016	2017	2018	Deviation (+ -) from 2018 to 2013
Number of people employed in agricultural production, total	3389,0	3091,4	2870,6	2866,5	2860,78	2937,6	-451,4
Including:							
- at large enterprises	38,8	46,6	48,3	38,1	27,5	32,8	-6,0
- at medium enterprises	410,8	390,0	374,7	359,3	336,5	324,8	-86,0
- at small enterprises	276,6	296,8	279,1	261,3	271,6	268,5	-8,1

The vast majority of the rural population, according to Table 1, employed in medium-sized enterprises. These include family farms. The second largest working rural population is small enterprises, which include personal farms. That is, it is a form of activity that can still be described as self-employment. The least numerous is employment in large agricultural enterprises, where there is a significant mechanization of production processes. That is, once again we are convinced that the sphere of state regulation of the development of agricultural production now bypasses the stimulation of a promising cohort of agricultural producers – medium and small enterprises. And

the current regulatory measures have shown a negative effect, which has led to a decrease in the employment rate of the rural population and, consequently, its income, as noted above.

Considering the effectiveness of state regulation of agricultural production at the present stage of economic development of the industry, it is necessary to investigate the investment efficiency of measures (Table 2).

Table 2: Dynamics of investment efficiency indicators of state regulation of agricultural production in 2013 – 2018

Indicator	2013	2014	2015	2016	2017	2018	Deviation (+, -) from 2018 to 2013
GDP at actual prices, UAH billion	1465,2	1586,9	1988,5	2385,4	2983,9	3560,6	+2095,4
GDP of agriculture, UAH billion	30,1	31,2	35,1	40,8	54,7	74,2	+44,1
Total investment, UAH billion	249,9	219,4	273,1	359,2	448,5	578,7	+328,8
Investments in agriculture, UAH billion	18,6	18,8	30,2	50,5	64,2	66,1	+47,5
GDP ratio:							
- to the total investment	5,9	7,2	7,3	6,6	6,7	6,2	+0,3
- to the volume of investments in agriculture	78,8	84,4	65,8	47,2	46,5	53,9	-24,9
The ratio of GDP to agriculture:							
- to the total investment	0,12	0,14	0,13	0,11	0,12	0,13	+0,01
- to the volume of investments in agriculture	1,6	1,7	1,2	0,8	0,9	1,1	-0,5
Share of total investments:							
- in GDP	0,2	0,1	0,1	0,2	0,2	0,2	-
- in the GDP of agriculture	8,3	7,0	7,8	8,8	8,2	7,8	-0,5
Share of agricultural investments:							
- in GDP	0,01	0,01	0,02	0,02	0,02	0,02	+0,01
- in the GDP of agriculture	0,6	0,6	0,9	1,2	1,2	0,9	+0,3

The calculation of investment efficiency indicators of state regulation of agricultural production in the modern conditions of Ukraine's economy (Table 2) showed a low share of investments in agriculture both in the GDP of the state and in the industry itself. Moreover, it is in agriculture that there are declining trends in all indicators. From this we can conclude that the measures of state regulation do not increase the level of investment attractiveness of the studied industry.

The results of state regulation of agricultural production in Ukraine at the present stage indicate the need for its revision and search for new areas of implementation.

Directions for optimizing state regulation of agricultural production in Ukraine

Currently, the trends in the functioning of the agricultural sector indicate an active need to move from stimulating the development of large-scale production to support medium and small agricultural production, including small and specialized. Among the most important advantages of small and medium-sized forms of agricultural activity are the ecological approach to business, rational use of resources, production of organic products.

Therefore, the study of world experience presupposes the search for an effective model for Ukraine of the mechanism of state regulation of agricultural production, which on the basis of scientific innovations will be able to stimulate the development and functioning of small and medium agricultural producers: private farms, peasant farms and more.

The state's focus on a defined circle of producers will not only ensure the employment of the rural population and increase its welfare, but also actively implement research into real production activities, improve soil quality and reduce their plowing.

In any case, the sphere of state regulation of agricultural production should be aimed at small forms of management. And the proof of this was the correlation-regression analysis of the impact of selected factors on the GDP of the state (Table 3).

Table 3: Initial data for correlation and regression analysis of the impact of factors on the level of GDP, over the years [11]

Indicator	2012	2013	2014	2015	2016	2017	2018	2019
GDP at actual prices, UAH billion (in)	1404,7	1465,2	1586,9	1988,5	2385,4	2983,9	3560,6	3974,6
Volume of agricultural products, billion UAH (x_1)	258,3	308,1	370,8	544,2	631,1	690,9	843,3	840,6
State financial support, UAH billion (x_2)	12,3	7,3	4,6	3,1	3,5	10,3	13,4	15,0
Sales of agricultural products by large businesses, UAH billion (x_3)	19,4	23,4	31,6	61,2	53,0	38,9	54,8	70,0
Volume of sales of	94,0	89,1	117,3	183,2	206,7	238,2	272,4	266,1

agricultural products by medium-sized businesses, UAH billion (x_4)								
Volume of sales of agricultural products by small businesses, UAH billion (x_5)	53,8	53,7	71,2	117,9	155,0	190,6	213,3	202,7
- of which – micro-entrepreneurs, UAH billion. (x_6)	19,3	18,9	24,2	34,1	56,0	66,3	74,8	64,8
Income from the sale of agricultural products to and household, thousand UAH (x_7)	2,8	2,8	3,2	3,4	2,9	3,0	2,5	2,4

As a result of calculations, the multiple regression equation was obtained: $Y = 24.7914 - 103.0378X_1 - 390.6284X_2 + 232.8398X_3 + 200.9443X_4 + 508.2055X_5 - 1269.4732X_6 + 2510.2371X_7$.

Possible economic interpretation of the model parameters showed the following results:

- an increase in X_1 by UAH 1 billion leads to a decrease in Y by an average of UAH 103.038 billion;

- an increase in X_2 by UAH 1 billion leads to a decrease in Y by an average of UAH 390.628 billion;

- an increase in X_3 by UAH 1 billion leads to an increase in Y by an average of UAH 232.84 billion;

- an increase in X_4 by UAH 1 billion leads to an increase in Y by an average of UAH 200.944 billion;

- an increase in X_5 by UAH 1 billion leads to an increase in Y by an average of UAH 508.206 billion;

- an increase in X_6 by UAH 1 billion leads to a decrease in Y by an average of UAH 1269.473 billion;

- an increase in X_7 by UAH 1 billion leads to an increase in Y by an average of UAH 2510.237 billion

According to the maximum coefficient of elasticity $E_5 = 14.683$, from which we conclude that the greatest influence on the result Y has a factor X_5 – the volume of sales of agricultural products by small businesses, billion UAH.

We can test the hypothesis of general significance - the simultaneous equality of zero of all regression coefficients for explanatory variables:

H0: $R2 = 0$; $\beta1 = \beta2 = ... = \beta m = 0$.

H1: $R2 \neq 0$.

This hypothesis is tested using Fisher's F-distribution statistics. If F <Fkp = Fα; n-m-1, then there is no reason to reject the hypothesis H0. Tabular value for degrees of freedom k1 = 7 i k2 = n-m-1 = 8 - 7 - 1 = 0, Fkp (7; 0) = 0. Therefore, since the actual value is F> Fkp, the coefficient of determination is statistically significant and the regression equation is statistically reliable (the coefficients bi are jointly significant).

It was also found that in the studied situation 100% of the total variability Y is explained by the change of factors Xj, which proves the hypothesis about the statistical significance of the model parameters.

That is why, according to the study, state regulation of agricultural production in Ukraine should be directed to the sphere of small and medium agricultural production. Thus, it is necessary to activate the indirect influence which is embodied by means of financial components: crediting, insurance, the taxation.

Indirect state support in the tax sphere for small agricultural productions should stimulate them to active agricultural production and realization of state interests in this sphere. Therefore, such support should be a prerequisite: as one of the options, private farms will be able to become members of territorial production clusters.

And from this point of view it is necessary to reconsider the conditions of taxation of income of personal farms in the plane of collection of personal income tax. First of all, this is possible due to the change in the tax base, from the individual income of each taxpayer to the level of family income, as well as from the personal collection of tax to the payment of income of the entire personal farm. Thus, the mechanism of taxation of individual agricultural producers who have become members of territorial production clusters will be as follows (Fig. 11):

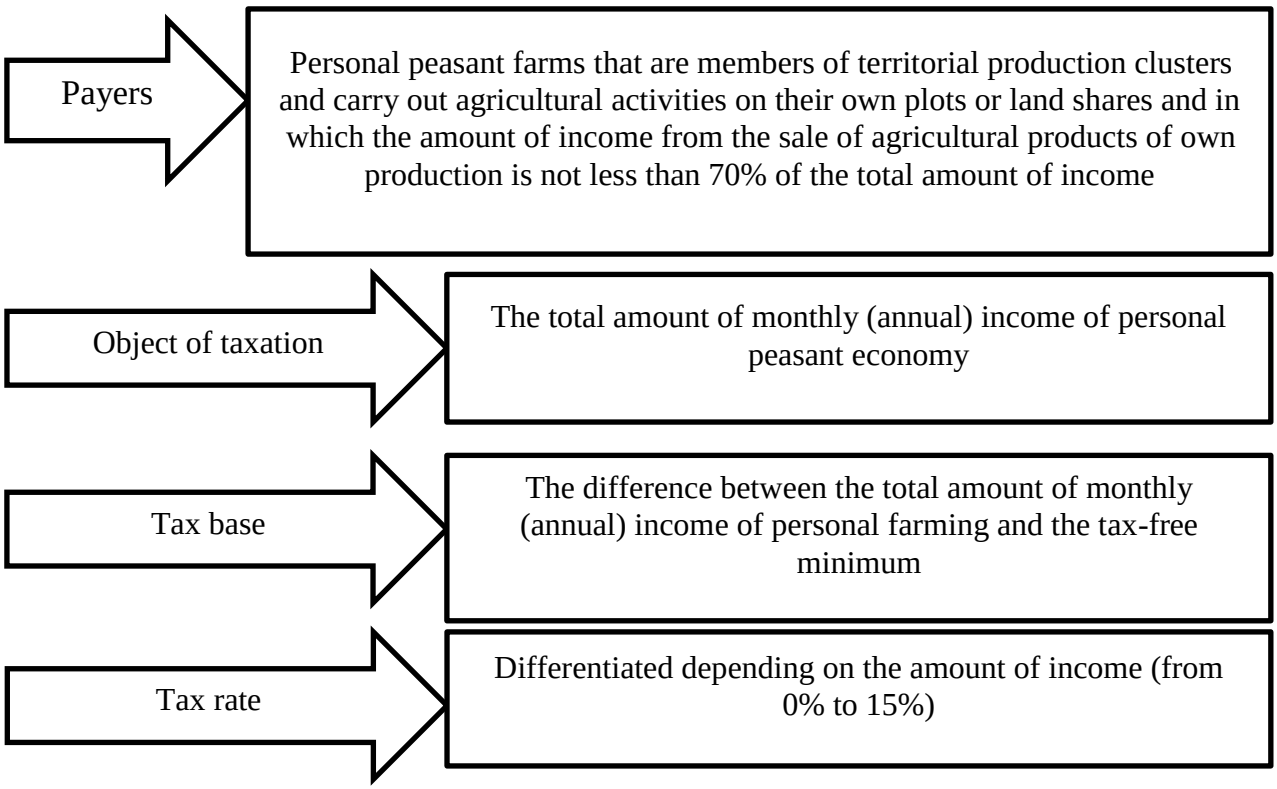

Fig. 11: The mechanism for collecting the tax on personal income under the state tax incentives for private farms that have become parties to regional industrial clusters

From the fig. 11 of the mechanism we see that the state can encourage personal farms to engage in agricultural production by replacing all currently paid by peasants taxes on personal income tax at differentiated rates, which will reduce the tax burden on such taxpayers.

In addition, a differentiated system of taxation of their incomes should be a significant stimulus for agricultural production by private farms (Table 4).

Table 4: Proposed scale of income taxation of small agricultural producers (private farms)

Tax base	Tax rate	Special conditions
Up to 2 tax-free minimums (TM)	0%	The non-taxable minimum is set at the level of the subsistence minimum determined by the law of Ukraine "On the State Budget of Ukraine" for the relevant year.
2 – 4 TM	5%	
4 – 6 TM	7,5%	
6 – 8 TM	10%	
8 – 10 TM	12,5%	
Over 10 TM	15%	

The proposed scale of personal income taxation takes into account the conditions and level of income of taxpayers, as well as allows to regulate the level of tax burden.

A separate condition should be the establishment of a non-taxable minimum at the level of the established subsistence level or, according to optimistic assumptions, at the level of the average wage in agriculture for the relevant period.

Also a prerequisite for the transition to the category of such payers is the registration of an individual agricultural activity, participation in the territorial production cluster and a high share (over 70%) of income from the sale of agricultural products produced on the farm or land share.

Such a mechanism of indirect state regulation stimulates the rural population to productive activities and at the same time will ensure the growth of employment in rural areas.

In addition to the above, the future effective model of state regulation of agricultural production in Ukraine should be based not only on the existing experience of foreign countries, but also take into account the peculiarities of the domestic economy in the studied area of production. After all, among the key factors in the functioning of the current model can be distinguished both positive and negative, which, in fact, go hand in hand, complementing each other (Fig. 12).

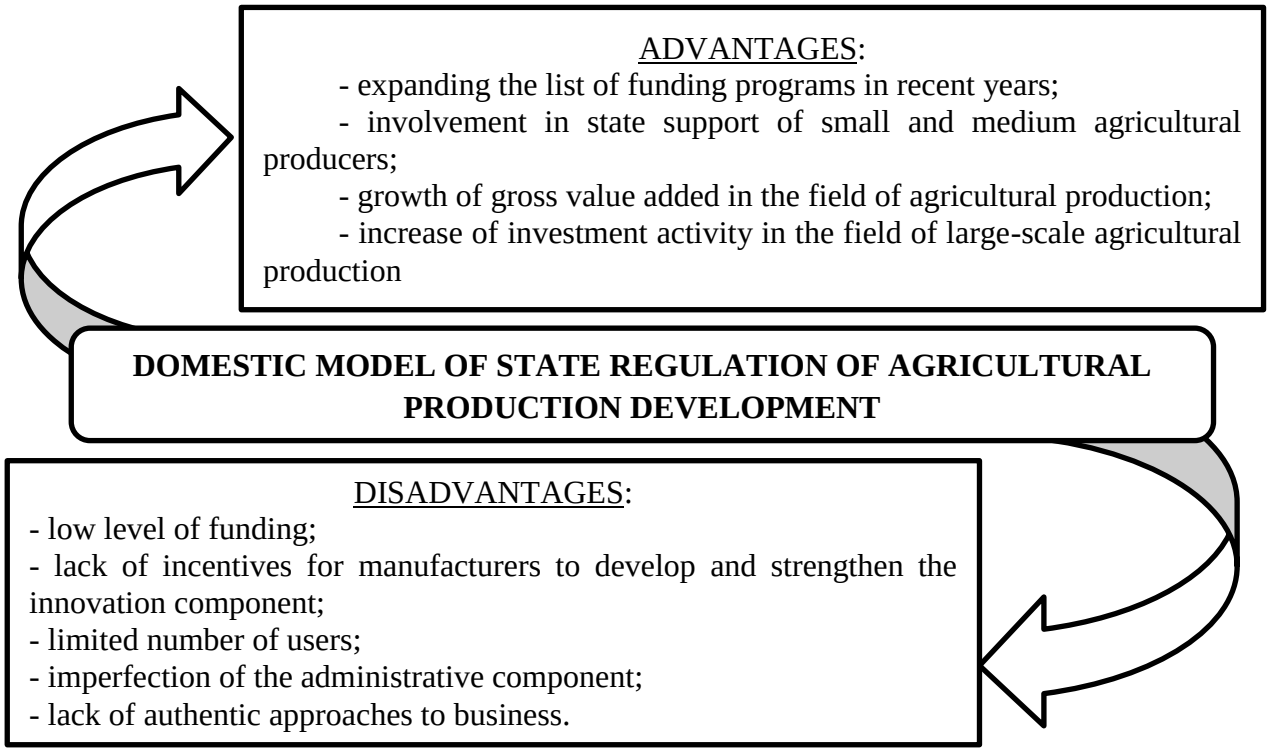

Fig. 12: Advantages and disadvantages of the domestic model of state support for agricultural production

Given the figures in Fig. 12 advantages and disadvantages of the current model of state regulation and based on the results of correlation analysis and own considerations on the need to change the priorities of agricultural production, we see the need to strengthen state regulation through financial instruments of indirect intervention.

Therefore, the developed and presented model of the combined mechanism of state regulation (Fig. 13) focuses on small agricultural producers (personal farms, farms, etc.), which operate both independently and within the envisaged territorial production clusters. The main levers of state influence on the activities of such agricultural producers are insurance companies that sell specialized insurance products, banks that provide concessional and microcredit, as well as local governments and the state – during taxation.

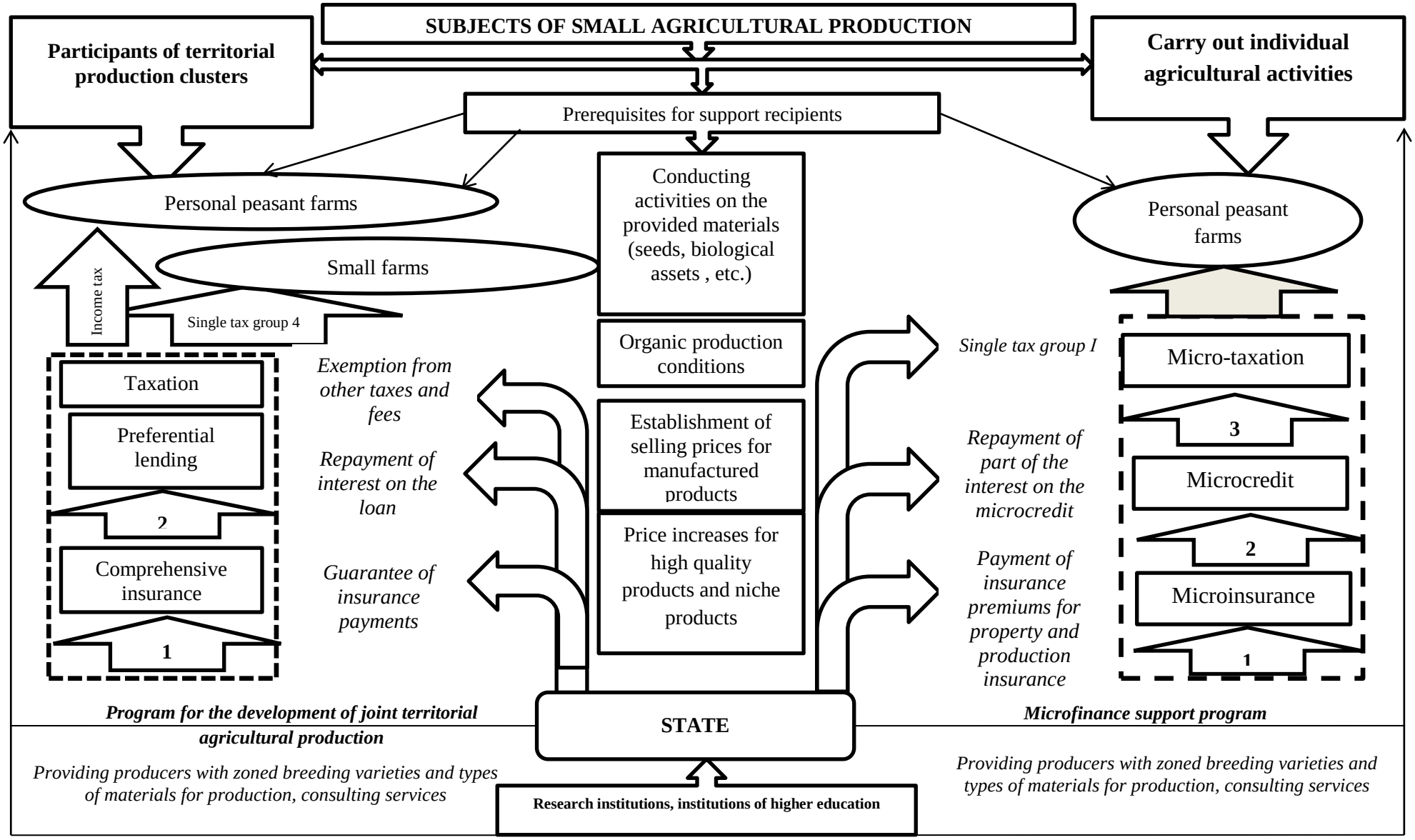

Fig. 13: Model of the combined mechanism of the state regulation of activity of small agricultural producers

Listed in fig. 13 model of the combined mechanism of state regulation of small agricultural producers is based on the fulfillment by recipients of funds of a number of conditions, including: agricultural activities on state-provided materials, planting material, biological assets and the use of exclusively organic technologies. At the same time, the state reserves the right to set prices for manufactured products and provide surcharges to the price for products of niche areas of production or high quality.

The categories of recipients of state support are divided into two groups: individual, which include personal farms that independently enter into agreements with the state and are registered by such business entities, and personal farms and small farms that are registered as business entities in within the established territorial production clusters.

For the former, there is a Microfinance Support Program, which unites donors of such support: banks that will provide microcredit services, insurance companies that will sell microinsurance products and the State Tax Service, which will control the taxation of such producers as payers of the single tax of group I. At the same time, it will be impossible to become a participant in the program without purchasing the necessary microinsurance products (1) from personal insurance, under which the insured is obliged to pay insurance premiums, and property and production insurance, where the state undertakes to pay insurance premiums. After the recipient has signed microinsurance agreements, he can apply for microloans on which the state repays part of the interest to the borrower.

Small-scale agricultural producers who have chosen the path of members of territorial associations of agricultural producers in order to become members of the Program of development of joint territorial agricultural production can also receive loans on favorable terms, when the state repays part of the interest to the bank. A mandatory condition for this is the conclusion of a comprehensive insurance contract with the insurance company.

Taxation in this case is carried out for personal farms in the form of personal income tax at progressive rates, and for small farms – in the form of a single tax (Group 4). In this case, such payers are exempt from all other types of taxes and fees.

In addition to the above, the peculiarity of the proposed model is that the above programs include research institutions that provide potential users of the program - small farmers with raw materials for activities: biological assets, zoned breeding varieties of crops and more. Higher education institutions also take part in the programs, which will provide consulting services to producers on participation in the programs, peculiarities of microfinance and microinsurance activities, etc.

Thus, the harmonious combination of the two proposed models of state support for small agricultural producers will not only fully ensure employment in rural areas, but also promote the development of all spheres of agricultural production and the economy as a whole.

Conclusions

The study revealed a number of problems caused by the current mechanism of state regulation of agricultural production. One of the main ones was ignoring the development of small and medium-sized farms, which led to the dominance of large-scale agricultural production, which focused on intensive production technologies, rather than indicators of organicity and product quality. As a result of these actions, the rural population is mostly uninterested in individual entrepreneurial agricultural activities, as it has no support from the state.

Among the negative consequences of the current mechanism of state regulation of agricultural production - a decrease in investment activity and, accordingly, the attractiveness of the industry, the impoverishment of the rural population and rising unemployment.

Improving the state of agricultural production in Ukraine is possible provided that the financial levers of state regulation are activated: lending, insurance, taxation. They became the basis for the development of a combined mechanism of state regulation of small agricultural producers.

Concentration of state regulation on small and medium-sized agricultural producers under the conditions determined by the combined mechanism will make it possible to reduce the negative phenomena in the financial and economic environment of the studied economic sphere and achieve its sustainable development.

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