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Socio - Economic Direction of Agricultural Sector Development in Ukraine

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Abstract

Agricultural sector in Ukraine largely determines its socio-economic development, living standards, its providing with food, and industry – with raw materials. Therefore, the main task of the government and scientific institutions is to create the organizational and economic conditions for the effective development of the agricultural sector on the basis of common economic, social and environmental interests of society. The first step in this direction is to identify the key issues that determine the socio-economic trends of agricultural enterprises activity, and to ground the methods of its solution. The aim of the article is to identify and analyze socio - economic direction of agricultural sector development in Ukraine, and to assess the level of social direction of agricultural enterprises activities. In the article the author analyzed some changes in agricultural production and transformation of target markets structure. The factors that hinder the development of agricultural economy have been revealed. Principles and requirements to be met by social activity of agricultural enterprises have been defined. The author found that despite of the legislatively declared necessity for active participation of agricultural enterprises in solving the problems of rural areas development, their level of social responsibility is extremely low. Summarizing the above data, we can state that profits from economic activity of agricultural enterprises are increasing every year, which is a positive aspect. However, despite of the legally declared necessity for active participation of agricultural enterprises in solving the problems of rural areas development, the level of their social responsibility is extremely low.

Keywords: agriculture, rural development, gross output, factors of agricultural production.

Introduction

Agricultural sector in Ukraine largely determines its socio-economic development, living standards, its providing with food, and industry – with raw materials. Therefore, the main task of the government and scientific institutions is to create the organizational and economic conditions for the effective development of the agricultural sector on the basis of common economic, social and environmental interests of society (Strategy of development of agrarian sector of Ukraine till 2020 (draft), 2018) [11]. The first step in this direction is to identify the key issues that determine the socio-economic trends of agricultural enterprises activity, and to ground the methods of its solution.

Brief Literature Review

Researchers from National Scientific Center «Institute of Agrarian Economy» devoted their works to socio-economic problems of the domestic agricultural sector. The following scientists are among them: V.N. Zhuk & Iu. S. Bezdushna & O.S. Vdovenko (2016) [2], G.G. Kireysev (2009) [5], M.F. Kropyvko (2016) [6], I.V. Lebedev (2014) [7], P.T. Sabluk (2011) [9].

Accounting and financial aspect of the mentioned issues have been revealed by P.A. Stetsyuk (2014) [10], A.G. Shpykulyak & L.I. Kuril (2013) [12], I.Iu. Gryshova & I.O. Kryukova (2015) [13] and others.

However, the uneven development of various forms (structures) of agricultural enterprises, lack of regulatory and legal framework, lack of motivation for cooperation and consolidation of small farms within rural communities, low marketability of production, weakening of economic foundation of rural communities development as well as incomplete land reform, necessitated the continuation of further researches in this area.

Purpose

The aim of the article is to identify and analyze socio - economic direction of agricultural sector development in Ukraine, and to assess the level of social direction of agricultural enterprises activities.

Result

The main macroeconomic indicator of the agricultural sector development is the volume of gross agricultural production. Gross agricultural production is the sum of separate branches of farming and livestock raising production in terms of money for a certain period, usually per a calendar year. It covers the total amount of agricultural output and represents the full cost of the manufactured product, which includes the previously created and transferred to the product cost, and newly created in a given year cost.

The economic situation of the last two years has made its adjustments to the work of agricultural enterprises. Due to the annexation of the Crimea and partial loss of specific districts of Donetsk and Lugansk regions, the sown areas of agricultural significance territory have been temporary reduced. The expansion of agricultural production is preserved. According to statistics, the volume of agricultural production increases annually (Table 1).

Table 1: Indices of gross agricultural output production(in per cents)

Years	All categories of farming			Including					
				Agricultural enterprises			Public farms		
	Gross output	Among them		Gross output	Among them		Gross output	Among them	
		Plant growing	Livestock raising		Plant growing	Livestock raising		Plant growing	Livestock raising
1990 = 100%									
2000	53,4	63,8	42,4	29,1	38,8	15,0	111,3	170,7	82,0
2001	58,9	71,7	45,3	34,9	47,5	16,6	115,8	175,0	86,8
2002	59,6	70,6	47,8	34,1	44,7	18,6	120,3	181,5	90,2
2003	53,0	60,7	44,9	25,4	31,4	16,6	118,8	185,7	86,0
2004	63,5	80,7	45,1	36,1	48,9	17,7	128,5	217,0	84,9
2005	63,5	78,7	47,4	36,5	47,2	21,0	127,8	213,3	85,7
2009	65,1	80,1	49,2	39,6	50,1	24,3	125,9	208,7	85,2
2010	60,9	72,8	48,2	37,4	45,0	26,3	116,8	191,9	79,9
2011	71,3	93,7	47,6	50,9	67,0	27,6	119,7	207,8	76,4
2012	70,0	89,3	49,6	48,3	60,4	30,8	121,6	212,7	76,8
2013	68,9	85,6	51,2	47,2	56,7	33,6	120,6	209,5	76,8
2014	82,6	111,6	51,9	60,8	78,1	35,6	134,7	255,0	75,5
2015	79,0	102,6	53,9	56,8	69,6	38,1	131,8	243,4	76,8
2016	89,4	120,9	56,1	68,6	87,4	41,2	139,1	264,0	77,6
2017	92,6	127,6	55,8	73,1	93,9	43,1	138,5	269,0	74,0

Source: (Indices of gross agricultural output, 2018) (From 2014 Excluding the temporarily occupied territory of the Autonomous Republic of Crimea, Sevastopol and part of antiterrorist operation zone [4]).

Redirection of target markets became a significant test for the export-oriented agricultural enterprises. In particular, from January to June 2016 the export of agricultural products from Ukraine to Russia fell by 31.3% and amounted to about 655 million USD. In 2017 compared to the same period in 2016, the rates declined by 299.5 million USD. The share of agricultural products exported to Russia is about 8.3%, while more than 33.5% of such products have been exported to EU countries (For three years the Ukrainian agribusiness is able to double production and export of agricultural products, 2018) [3].

Currently, Ukraine ranks the first place in the world on the export of sunflower oil, the sixth – on wheat export, and the seventh – on poultry export (For three years the Ukrainian agribusiness is able to double production and export of agricultural products, 2018).

Gradually the position of Ukrainian manufacturers on the international market becomes stronger. Although farms lost 31% in trade with Kazakhstan, Belarus and Russia – the main participants of the Customs Union. However, cooperation with African countries compensated this loss. According to the data of the Ministry of Agrarian Policy and Food of Ukraine, national farmers successfully collaborate with Egypt, Saudi Arabia and China (For three years the Ukrainian agribusiness is able to double production and export of agricultural products, 2018) [3].

One of the controversial and debatable issues is the assessment of socio-economic activities of agricultural enterprises. It is known, the most important general characteristic of the results of agricultural enterprises activity is production efficiency.

For example, to achieve productivity in a crop growth and to rise the quality of products the minimum cost for fertilizers, fuel, work and other should be determined. Ultimately, all partial criteria must meet the basic criterion of national economy. In this regard, the criterion of economic efficiency of

agricultural production is to increase production output at the lowest cost of living and materialized labor in its unit.

Thus, the effectiveness is an economic category, which reflects the relations of production on saving the living, materialized labor, and shows the final useful effect of the usage of production and living labor means.

Following the 2017, level of profitability of the basic agricultural enterprises activity amounted to 26.3% in Ukraine, which is in 2.3 times more than in 2016 – 11.4% (Ukraine has increased the profitability of agriculture, 2018) [1].

According to the published report “The economic results of agricultural production in 2017 (preliminary data)” financial result of the main agricultural enterprises activity (except of small ones) in 2017 amounted to 34.5 billion UAH of profit to 12.3 billion UAH in 2016. It also notes that income from agricultural production and services in plant growing and livestock raising were 81.5% of enterprises, total revenue was 5.8 mln. UAH per enterprise. In 2016 this figure was respectively 64.3% and 3.2 mln. UAH (Ukraine has increased the profitability of agriculture, 2018) [1].

In particular, in 2017 the average level of profitability in plant growing of agricultural enterprises was 29.2%, against 11.1% in 2016. Profitability of growing grain crops and leguminous plants was 25.8%, profitability of oilseed cultivation was 37.4% and this rate was the largest among other crops in plant growing.

The following agricultural enterprises were leaders in profitable cultivation of sunflower in 2017: Volyn region – 65.6%. Kirovograd region – 55% (the second place), in third place – Cherkasy region with the index of 49.1%. Agricultural enterprises of Dnipropetrovsk region with the rate of profitability of 45.7% are in the fourth place (Ukraine has increased the profitability of agriculture, 2018) [1].

Agricultural enterprises of Khmelnytsk region (40.8%), Sumy region (39%), and Ivano-Frankivsk region (36.4%) had the leading indicator of the profitability of growing grain crops and leguminous plants in 2017. Agricultural enterprises of Kirovograd region with the rate of profitability in 33.5% was in the fourth place, and Dnepropetrovsk region showed a higher level of profitability than the average in the country at 28.3% and took the fifth place (Ukraine has increased the profitability of agriculture, 2018) [1].

We should note that in 2016 the profitability of grain crops in particular, the profitability of agricultural production and services in generally declined almost in two times against 2015.

The income calculated in accounting and presented in the forms of statistical observations may not always be an adequate indicator of the efficient and rational production activities, especially in the agricultural sector. As Professor G. Kireytssev noted, we cannot consider as reasonably grounded the practice of solving the problems of process management of the agricultural land use, based on a business philosophy and oriented solely on criteria of profitability and exclusively on the interests of private ownership in agriculture. This approach eliminates the possibility of understanding the land as basic biological asset of agricultural and forestry production and a man whose ownership of the asset was given him by nature (G.G.Kireytssev, 2009) [5].

Thus, in our view, the assessment of effectiveness of the socio-economic development of the agricultural sector is only grounded. It takes into account not only the cost indexes of industrial activity, but also the state and the principles of the basic industry asset use – agricultural land.

Thus, as such project as Strategy of the agrarian sector development in Ukraine till 2020 defined, one of the strategic aims of the agrarian sector development is sustainable use of agricultural land and reduce of the anthropogenic impact on the environment of the agricultural sector (Strategy of development of agrarian sector of Ukraine till 2020 (draft), 2018) [11].

In the context of short-term prospects for economic activity of agricultural enterprises, we should mention that according to a survey conducted in the second quarter of 2018 by the State Statistics Service of Ukraine (Waiting agricultural enterprises in II quarter 2018 regarding the development of their business activity, 2018) [8], the current constraining forces of agricultural production are: insufficient demand, natural conditions, lack of labor force, lack of materials, and financial constraints (Fig. 1).

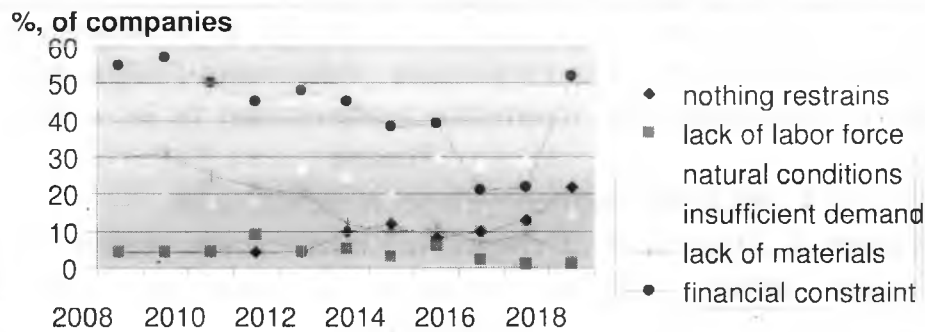


Fig. 1: The constraining forces of agricultural production

Source: (Waiting agricultural enterprises in II quarter 2018 regarding the development of their business activity, 2018)[8].

As we see the financial constraints caused by the worsening of socio-economic situation in the country are the main obstacles to the development of agricultural production in 2018.

Financial constraints have a significant impact on the activity of agricultural enterprises in the social sphere. Therefore, in line with our study we can not avoid the issue of social responsibility of agricultural enterprises, which level is extremely unsatisfactory.

As P. Sabluk stressed, social problems are most acute in rural areas (P.T.Sabluk, 2011) [9]. Crisis of agriculture and rural areas development became the result of the lack of motivation to work, migration, and unemployment. New type enterprises are not interested in the development and improvement of rural areas and welfare improvement. We should pay attention to the absorption of agricultural structures by holding companies, corporations, trusts that invest in agriculture with the purpose to profit today, without taking into account socio-economic problems of the rural population and rural areas and without view to the future.

Ukrainian situation with a social direction of agrarian institutions has certain specifics. The social direction of certain groups of agricultural initiatives is grounded by the state or society enshrined in the regulations. Other agricultural institutions, trying to divert attention of the local population from exhausting production activity for the regional environment, carry out one-time charitable activities (M.F.Kropyvko, 2016) [6].

Economic activity is socially directed activity of agrarian institutions, which is carried out to obtain social effect from its activities (rural areas development and human capital presentation) (V.M. Zhuk & Iu.S. Bezdushna & O.S.Vdovenko, 2016) [2].

Social sphere is a set of social processes, relationships of internal and external environment of agricultural enterprises. Social enterprise activity is a combination of events, relationships and interactions between economic activities in order to optimize social factors of production, promotion and strengthening their impact on socio-economic development and improvement of social environment (I.V. Lebedev, 2014) [7].

Agricultural sector enterprises are interested in the financing of social services only to the extent to which it is directly or indirectly responsible to their interests. That is the reason for support of social direction programs in the locations of agricultural enterprises' offices and business units, conducting the events to prepare the workforce for those professions that may be significant for such enterprises. This approach leads to a reduction in direct costs of enterprises for social purposes.

In view of the above, the State seeks to comply with the so-called social balance. To this end, it conducts the appropriate tax policies aimed at encouraging agricultural enterprises to give part of profits for social purposes, thereby effectively taking part in achieving them.

We agree with I. Lebedev that the social activity of the enterprise must meet certain principles and requirements. The following are among them:

- unity of social and economic objectives;
- the scientific validity of management decisions;
- compliance with legal regulations and standards;
- conscientious fulfillment of agreements concluded within the social partnership;
- rational and efficient use of resources;
- adoption and implementation of the additional social obligations provided by law;
- the variety of methods and forms of implementation;
- reporting and openness in the dialogue with stakeholder party (I.V. Lebedev, 2014) [7].

The implementation of social policy of agricultural enterprises is conducted using appropriate management mechanism, which includes object, subject and object of management, goals and objectives, principles, organs, functions and technology of management (P.A. Stetsyuk, 2014) [10].

Technologies of social activities management of agricultural enterprises are social technologies. Social technologies include a set of techniques, forms, methods, tools, procedures of development, grounding and implementation of social programs, administrative decisions, and introduction of social and technological innovation, improvement. These technologies also include restoration and renewal of the social environment of agricultural enterprises to optimize social factors of promoting and strengthening their effect on the economic efficiency of enterprises, creating favorable conditions, the development of human and social capital (A.G. Shpykulyak, & L.I. Kuril, 2013) [12].

The initial step and the most important instrument of social business is social planning. It is the system of methods of planned management of the enterprise's labor collective development, targeted regulation of social processes and the progressive development of social and industrial relations. The aim of social planning is to develop a set of scientifically grounded and financial provided activities, objectives, and indicators of the entire complex of social problems. Implementation of these measures and objectives contributes to the most effective functioning of the enterprise. It is reasonable to revive a reliable element of social experience as plans for social development of enterprises. The main goal of such plans is to identify and set of specific events to ensure progressive social development of working collective, and those indicators that should be achieved in the future. The success of social development plans implementation largely depends on the level of organizational activities (I.V. Lebedev, 2014) [7].

We should take into consideration that with scientifically grounded and carefully designed plans and social development programs it still may be unpredictable circumstances, that will be an obstacle in their implementation. Therefore, an important tool for successful achievement of goals is a constant monitoring of the situation by the state, identifying the trends and analysis of its development by the scientific community, which defines areas for further research.

Conclusions of this study

Summarizing the above data, we can state that profits from economic activity of agricultural enterprises are increasing every year, which is a positive aspect. However, despite of the legally declared necessity for active participation of agricultural enterprises in solving the problems of rural areas development,

the level of their social responsibility is extremely low (I.Iu. Gryshova & I.O. Kryukova, 2015) [13].

At the same time according to the principles of the state agrarian policy, one of the strategic aims of the domestic agricultural sector development is to promote rural areas development and to form the middle class in rural areas through the providing of rural employment and increasing of their revenues. Agricultural enterprises activity based on social responsibility increases the growth of labor productivity, competitiveness of the industry and can bring significant economic and social impact (Gryshova I., Mityay O., Kuzhel V., 2016) [14]. Today the common task of the government and science is to form the objective economic conditions for the planned objectives realization: the introduction of a developed system of social partnership, the establishment of a high level of moral, economic and social responsibility of economic activity subjects (Mityay O., 2016) [15].

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