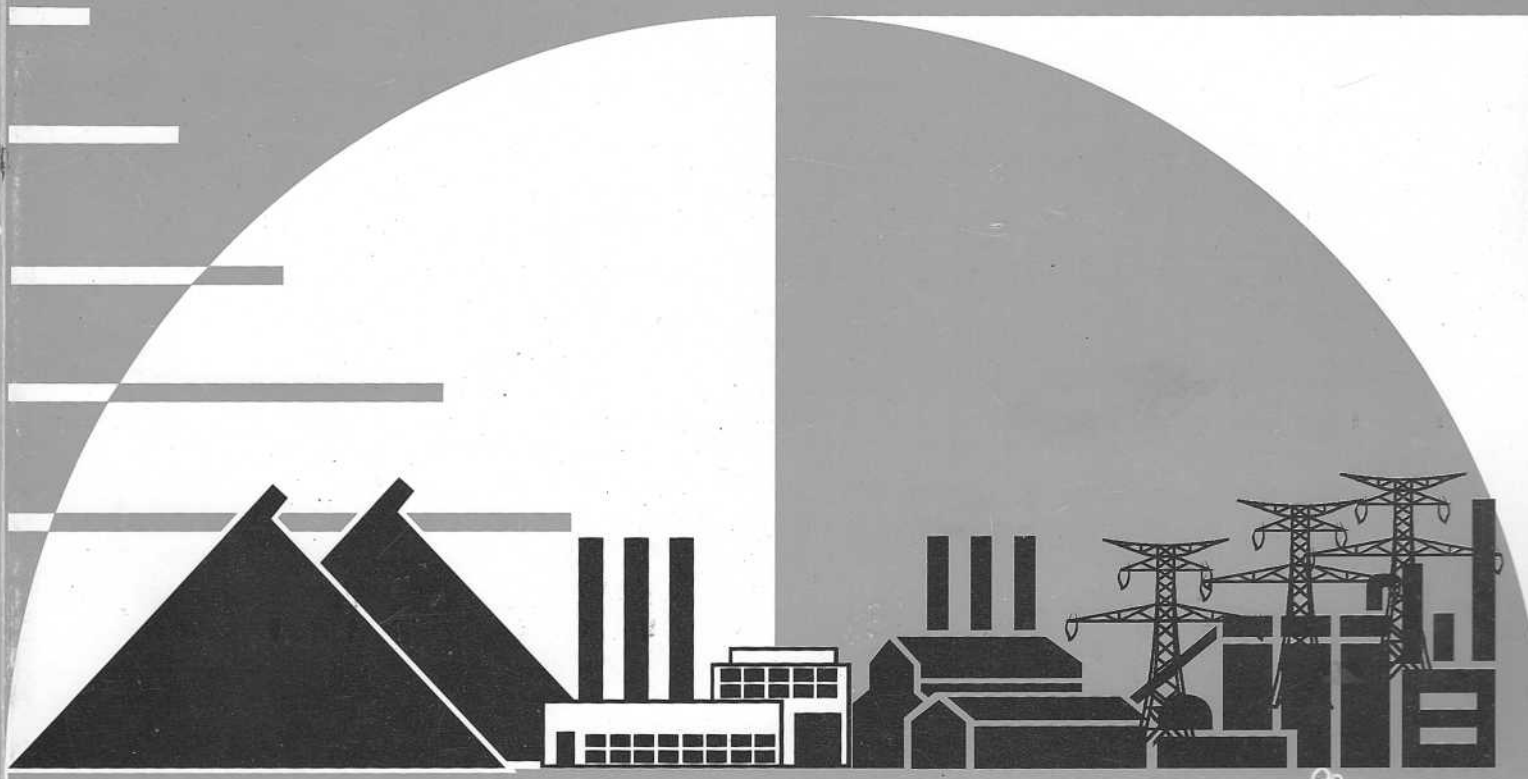


ISSN 1817-3772



# ЕКОНОМІЧНИЙ ВІСНИК ДОНБАСУ

— науковий журнал —

2010

№4(22)

O.M. Gaydamaka, V.M. Lebid, N.V. Lebed

## INFLUENCE OF AGRARIAN POLICY ON DEVELOPMENT OF FARMING BUSINESSES IN UKRAINE

Analyzed and investigated major factors affecting development of farming businesses. Bibl.8.

Key words: agricultural politics, farming businesses, a purchase - sale of the lands, economical strategy, efficient use of land resources.

**Rising of problem.** Creating a successful farmer as a completed landowner is an important direction of socio-economic policy of the country and efficient use of land resources.

Farming businesses in Ukraine are important links in providing land reforms in the country. Its setting and development are important tasks of modern agricultural politics in Ukraine [1].

Direct dependence on commodity-money relations, from demand and supply, ability to react on any market changes and flexibility make farming businesses an important links in new economical strategy. However, these days farming businesses are facing serious difficulties. They are caused by very high costs of purchasing and supporting equipment and assets, lack of social infrastructure and support from the Government's side.

**Analysis of the last researches and publications.** Such scientists as M.M. Kropivko, M.V. Kalinchik, P.T. Sabluk, N.I. Titova, V.V. Yurchishin [4,5,6,7,8] have devoted their researches to the problem of forming and successful development of farming businesses in Ukraine.

They have emphasized the importance of material and technical support of farming businesses. However, these days the problem of farming businesses development requires further researches.

**Rising of task.** To analyze and investigate major factors affecting development of farming businesses.

**Presentation of main material.** Important part in solving the problems of farmers in Ukraine could be the Law Act from September the 8<sup>th</sup> by Verchovna Rada "About the changes in the Law "About farming". This Act will increase the number of farming businesses which could be entitled to financial support from the Government and local organizations supporting farmers [2].

The problem of world food crisis is getting more and more importance these days. It causes particular interest in Ukrainian lands and soils. In fact the fifth part of the most fertile lands in the world belongs to Ukrainian territory. Last economic forum in Davos, its participants and problems discussed also came to the same conclusion.

Ukraine can become the decision factor of worldwide politics, above all things, in behalf of Ukrainian people. It would be unwise to give such prospect in stranger hands in order to satisfy somebody's private and corporate interests.

Main principle of the land legislation is: providing of the rational use of the land and saving and preserving it [3].

The number of farming businesses in Ukraine is 41906, which occupy 4298,6 thousands of hectare of agricultural lands [4]. There is an increase of 2 % comparing to the last year. In the Lugansk area the number of farming businesses has dropped from 1479 to 1426 for same period, but there is an increase in land-owning: from a 178 hectare to 252,9 hectares on one farm or 42%, which is a positive moment.

Agricultural complex in Ukraine suffer from the informational vacuum a lot. A lack of information is about latest scientific achievements, progressive standards and norms, about and rational use of capital, are restrictive factors. These days there are serious concerns among the farmers of Ukraine about land relations. The analysis of tendency testifies that principal reasons of such concerns are beginning of the "wild" land market of Ukraine, its imperfection and lack of transparency creates a serious corruption problem.

Arguments that land needs an owner, that, that land will become the subject of sale anyway, that investments in agricultural complex will go only when land will become a commodity are all false.

All these speculations are very far from reality. It is a well-known fact that reliable and responsible owner of any asset is an important factor. Does anybody see, how the land is being unlawfully expropriated, especially in suburban areas? Illegal speculations with the land are widespread not only in suburban areas or on resort or forest territory, but on agricultural lands as well.

Pointless to repeat epistolary truths about unique right of Ukrainian people to own their land and their right of land rent (which is normally lost in the process of sale) , that deception of people with voucher privatization of national economy already «enriched» people with profits, prices, tariffs, very low pensions and other blessings of «open market». The sale of lands will make current situation a lot worse and not just take away any possible opportunities will ruin all hopes to have some. It will result in a social-demographic catastrophe through migration of people from the lands.

How is it possible to talk about a purchase - sale of the lands, if certain parts of the lands are not marked in local cadastre? First of all, we must decide how the available lands could be used, only after that the decision about sale of the land could be considered. Is it really possible to begin a building, if there is no building project? At first some serious investment in development of social-economic structure of the rural area e should be made, to help farmers to stand on both feet, approve and provide necessary Law Acts, provide rural people with legal and economic help, and already then, gradually, to consider the transmission of agricultural lands in civilized form , for a money, from one proprietor to other. But it should be mentioned that future owners of agricultural lands can be only those citizens who live and work on Ukrainian lands, but not “money-bags”, foreign and local.

Except for that, an economic situation in agriculture is such that through disparity of the prices actually over 70% enterprises regardless of pattern of ownership are unprofitable. As a result - every third Ukrainian worker gets extremely low wages. Therefore to talk about a strong potential buyer in rural area on such conditions is unrealistic. Who will purchase lands on such conditions? Clearly, not the farmer.

Clearly, some questions demand answers already today. What will the Ukrainian village be like in a few years after introduction of land market? It is necessary to guarantee stability, the workplaces, that the social sphere of village will not cease to exist, that the will be definitely new economic possibilities and potentials as a result of introduction of lands sale in the country. The clear system of registration of every part of the land should be provided, divide the lands according to the form of the ownership: private, communal etc. Clear classifications of the lands should be provided and maintained: which land in the most fertile at the moment, or which one is already degraded.

These days we have a situation, when practically in every district there is a dominant landowner which has a 20-100 thousands hectares of the lands. Is it rational to allow concentration of such high amount of land in one hand?

If not try to change or control this situation, a tragedy of a large scale could happen. Present situation in leasing policy, when in one hands concentrated for the 20-100 thousand hectare of lands, is destroying rural area. As a rule, such forming covers up to ten and even more settlements. And, to manage such large areas with modern technologies, it is enough to hire 20-30 people. Other people in the rural areas become unnecessary and spare material. Therefore such system needs to be changed, in particular and through a Law about the land market.

But how such businesses are function? Normally, the individuals who own such companies have other business, not connected with agriculture. In the rural areas they are actually „hiding “due to the fixed agricultural tax and „launder “finances through a rural production.

Except for that, all such companies work on a chart: from the production of raw material to the sale of the prepared products at the outside market. And then money returns in the form of investments. 80% from the money entitled on supporting farming businesses were spend on supporting such large companies. The rest were spend on the medium and small businesses which make two third of gross agricultural product.

It is necessary to revive a production in the rural area. And at the same time - to provide selling of agricultural products so, that the simple and reliable refunding was maintained. No revival of agricultural production will be possible, if there are no decent roads in the rural areas, if there is no school or decent medical help, and every year 25 - 27 villages disappear from the map of Ukraine.

According with the Law «About farming business » was created the organ which is supposed to provide financial help and support to farming businesses in Ukraine, it is called Ukraine State fund [2]. It is the unique institution which already support farmers for over 19 years time during uneasy time of rural development.

A task of Ukraine State fund is creation favorable conditions for farming businesses to attract additional financial resources, but this year in Budget of Ukraine, despite the law, there were no article entitled for this purpose. The Government does not provide finances to provide long-term credits to farmers with low interest rates. Credit resources in banks are dear and farmers do not have material and technical facilities for registration as property mortgage.

Development of co-operation could be an answer at the terms of high poverty at the rural area. Co-operation today is mostly required by a small producer which is engaged in producing basic products: 98% potato, 86%vegetables, 84% milk, 75% fruit and 80% meat. There are 7-8 millions of citizens who are engaged in production of these types of products and receive their main family income from this production. Considerable reserve could be covered both for filling of food market in the special crisis terms and for creation of workplaces and overcoming of poverty on a rural area at the terms of minimum Government support.

Surely, a difficult situation in rural area testifies that 2012 is extremely important year. What would happen to Ukrainian village and would it still exist? Without an overstatement, this year it has to be decided who will own Ukrainian fertile lands; what a tax policy will be like for farmers; what a fiscal policy will be like. It is a decision period not just for Ukrainian rural area but also for the whole country.

**Conclusions and suggestions** Our suggestions consist in the following:

- To introduce the practical mechanisms of Government support of the farmers in annual budgets, both for development of rural social infrastructure and productions of rural enterprises;
- Social infrastructure of the rural areas should be controlled by the Government during 2012-2020, Government must provide conditions to overcome social lag of rural territories from city;
- To initiate the package of near-term measures in industry of the land policy, in which principle „land to the farmers" must have a realistic context, Ukrainian fertile lands should have real price, and farmer has to have a status of the real owner;
- A farmer should take part both in an internal market and external one;
- Professionalism is basis of competitiveness of Agricultural complex in Ukraine in a 21century. Science, new e technologies, innovations should become decisive factors of development of Ukrainian agriculture.

Agriculture is 21 century is not only food, it is also energy. Herein Ukraine with its natural climate and natural conditions has large potential.

Here basic constituents which must underlie modern doctrine of agrarian policy in Ukraine, which will provide conditions for Ukraine to become a successful, economically strong, democratic country or to climb on the side of a road of civilization, giving national treasures to dishonest and unlawful merchants, sacrificing its own people. There will be land for a farmer - there will be a rich rural area, and there will be a rich farmer - there will be the country.

## **Bibliography**

- 1.Закон України «Про пріоритетність соціального розвитку села та агропромислового комплексу в народному господарстві»// Відомості Верховної Ради (ВВР). – 1992.- № 32.- Ст. 453.
- 2.Закон України «Про селянське (фермерське) господарство» //Відомості Верховної Ради (ВВР). – 1993.- № 45.- Ст. 363.
- 3.Земельний Кодекс України // Відомості Верховної Ради (ВВР). – 2002.- № 2-3.- Ст. 27.

4. Агропромисловий комплекс України: стан, тенденції та перспективи розвитку: Інформ.-аналіт. жур.. / За ред. П.Т.Саблука та ін. - К.: ІАЕ, 2011. -Вип. 1.-601с.
5. Кропивко М.Ф. Інформаційне забезпечення агропромислового виробництва України в ринкових умовах. - К., 2006. - 159 с.
6. Розвиток матеріально-технічної бази селянських (фермерських господарств)/ М.М. Кропивко//Економіка АПК.- 2003. - №1. – С.69-75.
7. Аграрне право України //За ред. Янчука В.З. - К.: Юрінком, 1996.- 326 с.
8. Титова Н.І. Фермерство в Україні. Основні правові засади. Питання та відповіді// Н.І. Титова.-Львів.-1998.- 157 с.

# Contents

## SCIENTIFIC ARTICLES\*

### Economic theory

1. Vishnevsky V. P., Dementiev V. V. Problems of innovation in the light of evolutionary theory ..... 5
2. Chumachenko M. G., Amosha O. I., Lyashenko V. I. Neoindustrial ways of national Ukrainian and Donbas regional economical development ..... 18
3. Volchik V., Maslov A. Neutral markets, non-neutral institutions and economic evolution ..... 26
4. Rozmainsky I. V. Initial dynamics of financial markets in the transition economies in the 1990s and new critique of the big bang policy: Heterodox Approach ..... 34
5. Chornodon V. I. Conceptualization economic development paradigm of the modern economic system ..... 43
6. Zhykhareva Y. I. Application of number theory methods for task solution of intertemporal balance in economy ..... 49

### International and regional economy

7. Kotlyarov N. N. The major direction of China's foreign trade development ..... 55
8. Konishcheva N. I. Staff training and professional skills improvement for ensuring tourism development in the Donetsk region ..... 63
9. Dochev M., Dochev H. Constitutional control as a factor of market economy maintenance ..... 71
10. Tulku Y. I., Kapturenko N. G. Ukrainian medium sized business in terms of global competitive environment: national specifics, tendencies and main problems of development ..... 78
11. Kuzmenko L. M., Soldak M. O. Monofunctional cities: problems, support provision and development ..... 83
12. Žaneta Simanavičienė, Rokas Šliupas. The effect of real estate speculation on the growth of economics in Lithuania ..... 89
13. Nikolova M. The biological production of grain crops — a perspective form of sustainable agriculture in Bulgaria ..... 97
14. Ryabchyn O. Impact of environmental catastrophes and energy crises on international economic development ..... 102
15. Makogon Yu. V., Orekhova T. V. The investment attractiveness increasing of black sea postsocialists countries: synergetic approach ..... 111
16. Myedvyedyev D. M. Depopulation processes in large cities of east macroregion of Ukraine: dynamics and socio-economic reasons ..... 119

### Finances

17. Lyashenko S. V. Modeling the interaction among the ukrainian and foreign stock markets ..... 122
18. Nykytiuk T. O. Influence of uncertainty level on dynamics of capital structure of industrial entities in Ukraine ..... 129
19. Kleshcheeva M. V. Offshore territories: basic concepts of functioning ..... 134
20. Ismail Ozsoy. Islamic banking: conceptual fundamentals and basic features ..... 140
21. Gipiene G., Matuseviciene L. Requirements for balance setting-up and report improvement possibilities ..... 149
22. Freitakas E., Rimšienė V. Peculiarities of credit risk management in credit unions ..... 157
23. Malyshko A. V. Attracting the european investments to concession agreements in Ukraine ..... 164

### Marketing

24. Volvak S. O. Analysis of production and consumption foods in Luhansk region ..... 171
25. Shulayeva Y. Effectiveness analysis of electronic waste collection models ..... 175
26. Zyuzgina A. S. The current state of providing the ethical standards in the Ukrainian business in the context of global competitiveness ..... 179
27. Chernyavskaya T. A. Negative factors that impede the development of transport in Ukraine ..... 185

### Strategic management

28. Voronkov D., Grynyov A. Strategic integration of the enterprises: conceptual model based on knowledge of the personnel ..... 188
29. Snitko E. A., Lobachov V. K. Peculiarities of strategic planning in crisis conditions ..... 191
30. Khadzhynov I. Investment promotion agencies are effective in attracting foreign direct investments ..... 195
31. Chernova H. Theoretical basis for evaluation of national economic competitiveness ..... 199
32. Omelchenko O. Y. Structural changes of agro-industrial production in Ukraine: The impact of external effects ..... 205

### Management of innovations

33. Marinova N. Decision support systems development and benefits of business intelligence systems usage ..... 214
34. Maltseva S. V., Pidubna O. A., Khomenko Ya. V. Technological parks as a mechanism for the implementation of innovation policy of the state ..... 219
35. Gaydamaka O. M., Lebid V. M. Problems of innovative activity development in the real sector of Ukrainian economy ..... 222

## SCIENTIFIC REPORTS

1. Dochev M. Some aspects regarding the quality of the accounting infirmation and its users ..... 226

\* all articles are published in author's wording

