

Efficiency of Using Land Resources in The Agricultural Sector in The Context of Financial Instability

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Abstract

The article examines the areas of state support for the agricultural sector of Ukraine. The peculiarities of the system of state support of agricultural enterprises and measures to improve the mechanism of state support of domestic agricultural enterprises are considered. It is established that the state support of agricultural producers is an indispensable condition for sustainable development of the agricultural sector of the economy and ensuring food security of the state.

The essence of land resources of the agricultural sector of the economy in conditions of financial instability is considered. The dynamics and structure of land resources of agricultural enterprises are studied. The peculiarities of the agricultural sector are also highlighted. Factors influencing the financial support of agricultural enterprises, the main suppliers of borrowed sources of financial resources for agricultural enterprises, internal factors of enterprise efficiency are identified.

Possible sources of formation of own capital of agricultural enterprises are offered. As well as the most profitable sources of financial resources.

We also considered the pros and cons of bank loans and the dynamics of their growth for all enterprises in Ukraine and leading countries.

Keywords: Agriculture, Agricultural Sector, Land Resources, State Regulation, Financing, Financial Instability.

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Introduction

Formulation of the problem in general. Agriculture in modern conditions is one of the most important sectors of the domestic economy. Due to the increased sensitivity to the influence of various negative factors of instability, agriculture needs some state support. Thus, one of the factors of successful agricultural development is state support (its effective implementation helps to accelerate the growth of agricultural production and increase the competitiveness of the industry) [9]. Today funding most agricultural enterprises can be considered unsatisfactory. Many agricultural enterprises are not able to implement the principle of self-financing not only extended but also simple reproduction, which makes the industry investment unattractive. State support at the state and regional levels - one of the factors of successful agricultural development.

Analysis of basic research and publications.

Many scientists are engaged in the research of state support of agricultural production, in particular: V. Andriychuk, V. Boyko, P. Haidutsky, B. Kvasnyuk, Y. Luzan, V. Mesel-Veselyak, O. Mohylny, A. Stelmashchuk, P. Sabluk, G. Cherkovsky and others, who in their works justified the need for state support in the agricultural sector, as well as suggested ways to improve the system of budget financing Agriculture. Despite active research on this issue, it is advisable to justify the need for state support for agriculture, as well as proposals to improve the system of its budget financing. Theoretical and methodological aspects of the problem of forming the mechanism of state support for agriculture areas remain insufficiently researched and need further in-depth study.

Forming the goals of the article.

The purpose of the article is to consider the features of the system of state support of agricultural enterprises and measures to improve the mechanism of state support domestic agricultural enterprise.

Results

Agriculture, due to its natural, historical and economic characteristics, should become a priority industry. It is necessary to revise the agrarian policy of the state, expand and effectively implement comprehensive national projects for the development of agro-industrial production, aimed at ensuring expanded reproduction in all areas of the countryside and the development of rural areas. Ukraine has a significant land potential, which is 5.7% of the territory of Europe. With 60.3 million hectares, almost 70% is agricultural land with high fertility.

The condition for the normal functioning of the processes of expanded reproduction in the economy is the availability of financial resources. The lack of a base creates problems not only for simple, but also for extended reproduction. The search for sources of financing is the basis of the extended reproduction mechanism; the structure of the mechanism, the features of its functioning and efficiency largely depend on their properties.

The resource potential of domestic agriculture is at the level of developed Western countries (Table 1).

Agricultural resources of the leading countries of the world and Ukraine in 2020

Indicators	Countries				EU countries
	USA	Canada	Poland	Ukraine	
Agricultural grounds:					
- per inhabitant, ha	1,25	1,56	0,38	0,93	0,36
- of which arable land, ha	0,48	1,04	0,29	0,74	0,21
Production of grain per capita, kg	1444	1528	707	1688	617
Grain exports, million tons	90,1	26,0	1,0	60,0	98,6
Imports of grain, million tons	7,4	1,9	2,0	0,15	92,4

Consumption of grain for own production, %	7,4	1,9	2,0	0,15	92,4
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In terms of the area of agricultural land and arable land per capita, Ukraine is second only to Canada and the United States and has 2.5 times more than in the EU. Due to land fertility, grain production per capita in our country exceeds by 10-15 percent the US and Canada and almost three times - the EU. At the same time, since 2013, due to the annual uncontrolled increase in grain exports to EU countries, its costs for own production have decreased from 32 to 11.6 percent instead of 40-50 percent that EU countries have from their own and exported from Ukraine and other countries.

Based on this, Ukraine has lower indicators of production and economic activity compared to the world's leading countries (Table 2).

Gross domestic product per capita in Ukraine is six times less than in Poland and 12 times less than in the EU.

A significant decline in economic performance of the state and the solvency of the population affected the level of formation of the consumer basket.

The results of production and economic activities of the leading countries of the world and Ukraine in the 2019-2020 marketing year

Indicators	Countries				EU countries
	USA	Canada	Poland	Ukraine	
GDP per capita, thousand US dollars	64,3	46,3	15,4	2,6	33,0
Added value per 1 ha, USD USA	1072	684	1342	350	2433
Average salary of the population, USD USA	2942	2692	842	383	1761
Consumption per capita per year kg:					
-meat and meat products	90,7	84,0	71,9	45,6	69,8
-from pork	23,0	37,0	41,0	13,0	31,3
Milk consumption, kg	276	428	279	185	257

The value of the actual food basket in 2020 was 46% of the value of the basket of the rational number of products. Consumption per year of 45.6 kg of meat and 185 kg of dairy products at the WHO recommended rate of 80 and 380 kg, respectively, causes the transition of a significant part of the population to a predominantly carbohydrate diet. The average energy value of the daily food basket of Ukrainians decreased to 2077 kcal, which is only 74% of the rational norm.

For example, the grain potential is 88 kg per capita at a price of 220 dollars. per ton worth \$ 3.2 billion. and processing it into meat and dairy products, the country received \$ 9.9 billion for the export of 1.7 million tons of meat products, and another \$ 8.8 billion for the export of 1.2 million tons of dairy products. That is, the total amount of exports of the Netherlands -18.7 billion dollars ..- almost six times the value of purchased grain. For the process of processing grain for meat and milk, the state attracts unemployed labor from other countries, including Ukraine. Gross domestic income per capita in the Netherlands reaches \$ 48,754. against 2600 dollars. in Ukraine, is 18 times larger.

From the export of 60 million tons of grain at a price of 155 dollars. per ton of domestic producers receive \$ 9.3 billion. revenue, leaving the population without work and the necessary consumption of meat and dairy products [1.p.56].

The system of grain imports and processing into meat and dairy products is organized by German agricultural production, where with its own cultivation of 38 million tons of grain imports reached 9.9 million tons, GDP per capita

is 44,976 dollars. and meat consumption - 66 kg, milk - 236. More than 14 million tons of grain are imported by Italy and Spain, guaranteeing GDP per capita of 32747 and 28354 dollars, respectively, meat consumption of 80 and 100 kg, respectively, 228 kg of milk.

In total, EU countries have a population of 511 million and produce 274 million tons of grain, is 536 kg per capita, import 87 million tons of high-quality grain from Ukraine and other countries, and at the same time export 96 million tons of their own grain. They get one ton of grain from Ukraine for 155 dollars, and their export is 250-260 dollars. In this operation, EU countries have an additional \$ 1.3 billion.

In contrast to the EU countries, the GDP per capita in Ukraine in 2020 fell to 2600 dollars, which is less than in Kazakhstan - 8756 dollars, Mongolia - 3620 dollars, Armenia - 3937 dollars, who's natural and production resources do not correspond to Ukrainian [2.p.23].

The only way out today is to reduce grain exports to a total of 42 million tons. This will allow to accumulate 15 million tons of grain to resume national production of meat and dairy products.

Restoration of a full-fledged consumer basket of Ukrainians, in particular by increasing the number of meat products on the table, is achieved most quickly by increasing the production of pig products. Proof of the benefits of this industry is that there are 150 million pigs in Europe. Pork production exceeds 20 million tons per year. The price of 1 kg of pork is 1.6 euros (53 hryvnias), in Ukraine 130-150 hryvnias. Germany has 26 million pigs, with only 55 kg of pork per capita and 80 kg of meat.

If 4 million tons of domestic grain in the proportion of 38% wheat, 19% barley, 26% corn, 17% soybeans or peas are used for pork production, then even without mineral supplements for 180 days at an average daily gain of 500 grams you can get 1 million tons of live weight , or ready to eat 700 thousand tons of pork. This amount of this product will increase its consumption per person per year by 16 kg, and the total consumption of pork will reach 61.6 kg, which will increase the energy and protein value of the food basket of Ukrainians. The use of the next 4 million tons of grain will result in revenue from the export of pig products in the amount of 2.5 billion dollars, instead of revenue from the export of 4 million tons of grain to Europe in the amount of 620 million dollars. (at a price of 155 thousand dollars per ton) [3].

In addition, the production of 1 million tons of live weight of pork will employ 300 thousand people from the unemployed or economically inactive population of the country with a monthly income of 13.6 thousand hryvnias. Another 500,000 people with a monthly income of 10.8 thousand hryvnias will be involved in the processing of live pork into various ready-made food products. In addition, the regional and national budgets will receive 20160 million hryvnias in taxes from agricultural production and 26 646 million hryvnias in taxes from the processing and food industries of Ukraine.

The next 4 million tons of grain used under the same scheme will allow to receive income from the export of pig products in the amount of 2.5 billion dollars. instead of revenue from the sale of the same amount of grain to Europe in the amount of 620 million dollars. [4,5].

The experience of economically developed countries shows that due to the specifics of agriculture, enterprises cannot function properly without financial support and proper state protection. State support should be aimed at increasing the level of profitability of agricultural enterprises, meeting the needs of the population in quality products and increasing its exports.

The state budget for 2020 recorded an amount of UAH 4.2 billion to support the agro-industrial complex, of which UAH 1.2 billion was to be allocated for a program to reduce the cost of loans. In particular, the program included:

- compensation of interest on loans for agricultural enterprises with an annual turnover of up to UAH 20 million. This area will have no restrictions on the intended use of loans. The state will compensate up to 1.5 of the NBU discounts rates, the final cost of the loan for the farmer will not exceed 5%;
- compensation of interest on loans raised for the development of animal husbandry, including "niche" areas - sheep, goats, beekeeping, animal husbandry and others. It is assumed that the amount of loans should not exceed 10-15 million UAH;
- compensation of interest on loans raised for the purchase of agricultural land. The direction will apply to farmers of various forms of management. The amount of interest compensation will not exceed UAH 5 million per year [9].

Direct state financial support of economic entities of the agro-industrial complex of Ukraine is provided through the mechanism of cheaper loans and compensation of lease payments. Depreciation of loans is carried out in the mode of credit subsidy and consists in subsidizing part of the fee (interest) for the use of loans provided by banks in national and foreign currencies. Compensation of lease payments consists in partial reimbursement of lease payments paid by

business entities of the agro-industrial complex for purchased machinery and / or equipment on the terms of financial leasing. At the same time, it should be noted that state support for agricultural entrepreneurship in most countries is a priority of their agricultural policy. It is one of the external sources of formation of financial resources of agricultural enterprises [7].

The land market being introduced in the country has many shortcomings that will be reflected in the middle class. The legislation does not sufficiently reflect the issues of protection of the interests of farmers, which should become the basis not only of the agricultural sector, but also of a healthy and rational economy in general.

The Ministry of Agrarian Policy promises to provide through the state program of business support "Affordable loans 5-7-9" - financing for farmers with cheap credit resources. But in reality, something turns out wrong. The mentioned program "5-7-9" has not become a full-fledged tool to support business development, both agricultural and in the general sense. According to published data, only UAH 4.8 billion (15% of the loans issued under the program) were investment loans to entrepreneurs for whom the program was developed. The rest of the money was spent on debt refinancing and working capital loans[8].

Small and medium agrarians stayed away from this program, and in 2019 there were about 34,000 farms in Ukraine. However, according to some data, their number has dropped to 32 thousand.

By cultivating less than 40% of the total land area of Ukraine, farmers produce more than 60% of its gross agricultural product. It is farmers who create more than 100,000 jobs in the countryside (and taking into account the seasonality of work on farms in the summer and 200-230 thousand Ukrainians work here), pay a large share of taxes to local budgets. The problem of protecting their interests is in fact recognized by both practitioners and government officials [9].

The government plans to simplify the system of requirements for small farmers to be able to buy land at a soft loan rate. Within the framework of state support for 2021 UAH 1 billion provided for compensation of the loan rate for farmers. This program is detailed to allow a small farmer there. In parallel with the NBU, negotiations are underway to change approaches to the collateral index and credit claims[6].

Agriculture needs long-term financial resources. Today, almost no Ukrainian bank can provide such resources, because these are land loans for a period of 5-10 years. In a free market, this is the best time to get your land back. Such lending could be provided by a specialized land bank for a period of more than 5 years. Under irrigation projects - for 5-10 years. Only 5% of farmers are currently able to obtain loans from foreign banks. Therefore, the creation of a land bank is of strategic importance for Ukraine. It would be correct and effective to establish the now State Land Bank in cooperation with international financial institutions. Four years ago, at the World Economic Forum in Switzerland, at a round table on land, many large international financial institutions were ready to give Ukraine funds secured by state lands within such a bank. The transfer of 5 million hectares of state land as collateral to such a bank would bring the country \$ 10 billion at 1% per annum. So far, almost all of them have been distributed to communities, but there is still land, so it can be given to the charter fund of such a bank [10,11].

Conclusions

Thus, the main condition for conducting expanded agricultural production is to improve the process of state regulation of lending to farmers. Measures of state assistance to agriculture should be aimed at creating conditions under which the bulk of agricultural producers will be able to reproduce on an expanded basis at their own expense, as well as, if necessary, to attract and service borrowed funds to develop production. State support for farmers should be concentrated in the following areas:

- development of a strategy for the development of the agricultural sector for the long term and the adoption of appropriate regulations;
- organization of equal operating conditions for all economic entities of the industry by establishing uniform legislative rules for their operation and budget support; - highly efficient strict targeted use of budget and investment resources of the region;
- improvement of legislative, scientific, methodical, informational, personnel, material and financial support of agriculture;
- conducting a holistic technological policy through the establishment of common state industry standards in agriculture, as well as monitoring their compliance;
- implementation of a single lending policy of the industry, which will provide conditions for expanded reproduction with extensive use of soft loans and subsidies;

- increasing the investment attractiveness of agriculture by developing regional and local programs to attract private investment, providing special tax regimes and other benefits for the successful implementation of projects in agriculture.

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