

# State Policy Financial Support of Development of Agricultural Sector

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## Abstract.

**Research background:** The current state and main directions of state policy of financial security of agriculture production based on the evaluation of financial results of entities that are defined by a set of financial and economic indicators. The problems and prospects of the state policy on directions and volumes of budget support to the agricultural sector by analyzing the content and scope of government support. Despite some positive trends in the development of agriculture of Ukraine, one of its main problems is the lack of funding from the state.

**Purpose of the article:** The purpose of the study is to identify the according financial policy action for financial providing agricultural production for basic analysis of indicators of its financial and economic development, and identifying key targets for economic growth of the industry.

**Methods:** The methods of monitoring state regulation of financial support for the development of agricultural sector are: information-analytical, information-statistical, sociological, geo-information.

**Findings & Value added:** State financial policy should direct participants in financial relations to implement political, social and economic targets, defining goals and ways to achieve it. The state should play a key role in the innovation process and address its effects on the financial support of research and development and act big, and sometimes the main investor in the new knowledge and technology.

**Keywords:** *government funding; government support; financial policy; financial resources, world economic space*

**JEL Classification:** *A10; A11; A13*

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## 1 Introduction

In Ukraine, the agricultural sector (agriculture, food and processing industry) has a significant impact on the economy. It generates 17 percent of gross domestic product and about 60 percent of the population consumption fund. In addition, the agricultural sector is one of the main budget-forming sectors of the national economy, whose share in the consolidated budget of Ukraine is 8.9 percent and is the second largest economic sectors in the commodity export structure [1, 2].

Despite some positive trends in the development of agriculture of Ukraine, one of its main problems is the continuous decline in public funding. State support for agriculture should be aimed at the overall development of agricultural production based on socio-economic indicators: salary increase, employment in rural areas and investment attractiveness of the industry on the one hand with another increase revenues to local budgets to create favorable social conditions of rural residents and improve welfare.

## 2 Methods

The methods of monitoring state regulation of financial support for the development of agricultural sector are: information-analytical, information-statistical, sociological, geo-information.

## 3 Results

The effectiveness of the strategy of the state policy of financial support to the agricultural sector is characterized by a level of financial performance and financial condition of the company, defined by a set of financial and economic indicators (Table 1).

The main directions of the state policy of financial security of agriculture production by the Law of Ukraine "On State Support of Agriculture of Ukraine", the Law of Ukraine "On the State Budget of Ukraine for the current year," the state target program of development of Ukrainian village till 2015", State Target Program sustainable Rural Development for the period until 2020, the concept of comprehensive state reform program and agricultural development of Ukraine program "Agrarian reform in action" and others.

**Table 1.** General characteristics and results of agricultural enterprises in Ukraine in 2015-2019\*

Indexes	Years				
	2015	2016	2017	2018	2019
Number of companies	42229,0	42595,0	42307,0	45910,0	42949,0
The average number of workers employed in agrarian production entities	590198,0	582106,0	558566,0	552192,0	503387,0
- per 1 ha	28,0	27,6	26,3	25,5	24,0
Area agrarian lands - total, ha	21058,7	21107,4	21232,5	21631,9	21009,6
-including rented	19362,7	19372,2	19509,0	19928,0	19516,4
Net income (revenue) from sales agrarian products and services, mln.	81165,2	104082,8	132206,1	133427,9	183529,7
- per 1 ha UAH.	3854,2	4931,1	6226,6	6168,1	8735,5
- Including agrarian products, mln.	78596,9	100681,2	128452,6	128684,8	175828,6
- per 1 ha UAH.	3732,3	4769,9	6049,8	5948,8	8369,0

Gain on disposal of agrarian products and services, mln.	14177,6	21833,3	22683,3	14294,1	38289,1
- per 1 ha UAH.	673,2	1034,4	1068,3	660,8	1822,5
The level of profitability agrarian activity, %	21,2	26,5	20,7	12,0	26,4
Funds received state support - total, mln. UAH.	4608,1	4327,9	6974,1	7874,0	16078,2
- Including from budget subsidies	1316,0	729,3	742,0	381,9	228,7
- The VAT	3292,1	3598,6	6232,1	7096,1	15849,5
- To support crop production	1790,2	2780,5	4321,4	4519,2	13009,7
- For livestock development	1501,9	818,1	1910,7	2576,9	2839,8
The cost of agricultural production, mln. UAH., Incl.:	75009,6	99265,9	123739,3	127190,3	154313,5
- Labor costs, mln. UAH.	6806,8	9028,9	11610,4	9719,4	11044,1
- In % of total costs	9,1	9,1	9,4	7,6	7,2
- Deductions for soc. measures mln. UAH.	2434,5	3048,9	4253,9	3565,2	4149,4
- In % of total costs	3,2	3,1	3,4	2,8	2,7
- Depreciation, mln. UAH.	3963,1	4845,7	6523,0	6971,7	8308,7
- In % of total costs	5,3	4,9	5,3	5,5	5,4
- Rent for land shares, mln. UAH.	5259,5	6367,4	9758,5	11292,7	12784,5
- In % of total costs	7,0	6,4	7,9	8,9	8,3
- Rent for property shares, mln. UAH.	75,8	68,4	59,6	68,4	103,4
- In % of total costs	0,1	0,1	0,0	0,1	0,1
The rent for 1 ha UAH.	253,4	304,9	462,4	525,2	613,4
Wages per 1 hectare, USD.	323,2	427,8	546,8	449,3	525,7
Social contributions 1 hectare, USD.	115,6	144,4	200,3	164,8	197,5
Depreciation on 1 hectare, USD.	188,2	229,6	307,2	322,3	395,5
State support for 1 ha UAH.	218,8	205,0	328,5	364,0	765,3
- The VAT, UAH.	156,3	170,5	293,5	328,0	754,4

\* Table is calculated based on the statistical bulletin "Basic economic indicators of agricultural production in the agricultural enterprises for 2015-2019 year" [3,4]

Let us analyse the composition of government expenditure aimed at funding the development of agriculture of Ukraine during recent years (Table 2).

The total amount of expenditure over the period decreased by 352.8 million. UAH (or 6.13%). Regarding the structure of expenditures, the largest share in the total in 2018 with spending on training, retraining and workforce - 54.2%, the share of this area has increased by 14.66%, while - at 45.44%. For this area provides for funding training for agriculture universities I-II and III-IV accreditation level, institutions of postgraduate education and training of workers [9].

Another important component is government support for the livestock industry - 13,83% of the total expenditure in 2018. It should be noted that funding for the development of livestock in 2016 had the largest share in the structure of spending on

agriculture - 37.8%. Now there is a significant cost reduction in this area - at 36.27% (75.12 million UAH) compared to 2014, which may adversely affect the livestock industry.

**Table 2.** Dynamics of financing costs Ministry of Agriculture through the General Fund of the State Budget of Ukraine  
in 2016-2018, thousand. UAH [5,6]

Codes	Expenditures by program classification	2016	2017	2018
<b>2800000</b>	<b>Total</b>	<b>5571686,4</b>	<b>5865009,1</b>	<b>5218908,0</b>
	in support of agricultural enterprises, total	1792763,4	1128932,9	187992,0
	of them major support programs	1677616,5	966083,1	717779
<b>2801000</b>	<b>Apparatus Ministry of Agriculture, including</b>	<b>3477355,3</b>	<b>3157666,4</b>	<b>2314230,0</b>
2801010	General management and management of APC	35069,8	38535,6	39757,8
2801050	The research and applied scientific research and development, works for the state target programs and public order in the field of agriculture, training of scientific personnel	13011,7	136512,3	107122,8
2801080	Training for agriculture universities I-II levels of accreditation, methodological support of educational institutions	698943,0	811992,8	843101,8
2801100	Training for agriculture universities III-IV level of accreditation, methodological support of educational institutions	709840,7	1083200,8	779378,2
<b>2801180</b>	<b>Financial support measures in agriculture, including</b>	<b>327274,2</b>	<b>822376,6</b>	<b>71777,9</b>
2801200	Measures to combat pests and diseases SG plants, preventing the spread of infectious animal diseases	902,5	34000,0	25500
2801310	Organization regulation of institutions in the system of agriculture and support of the Agrarian Fund	10821,2	25972,0	24339,1
2801470	Financial support Ukrainian Laboratory of Quality Safety of Agricultural Products	-	10000,0	6054,5
<b>2802000</b>	<b>The State Veterinary and Phytosanitary Service of Ukraine, including</b>	<b>973223,8</b>	<b>1255349,4</b>	<b>1302236,5</b>
2802015	Leadership and Management in Veterinary Medicine and Phytosanitary Service of Ukraine	123738,0	287586,4	297058,5
2802020	Disease control measures and participation in OIE	102679,3	108769,8	103214,1
2802030	Organization regulation of institutions in the system of the State Veterinary and Phytosanitary Service	645624,1	858845,64	901813,9
<b>2803000</b>	<b>The State Agency of Land Resources of Ukraine, including</b>	<b>383639,3</b>	<b>898706,4</b>	<b>1105195,6</b>

2803010	Leadership and management in the field of land resources	368220,4	780242,9	606994,8
2803030	Land reform	12015,7	95932,0	476577,1
<b>2804000</b>	The State Agency of Ukraine fisheries, including	<b>189077,2</b>	<b>252831,1</b>	<b>213131,1</b>
2804010	Leadership and Management in Fisheries	7149,4	91644,4	104980,6
2804020	The organization and activities of fisheries and fish reproduction complexes	118375,4	58197,7	44972,1
2804030	Applied scientific and technical developments, works for the state target programs and state order in fisheries	3542,0	3556,2	2372,5
2804070	Selection fisheries and reproduction of aquatic biological resources in inland waters and the Black Sea	6600,0	54080,0	8800,0
<b>2807000</b>	State Agricultural Inspection of Ukraine, including	<b>221116,6</b>	<b>300455,8</b>	<b>185244,6</b>
2807010	Implementation of state control in the field of agriculture of Ukraine	4730,2	293148,0	180245,8

The current practice of direct public funding of agriculture of Ukraine did not ensure effective and efficient use of financial resources. Using these funds were in violation of certain requirements of the current legislation, no clear criteria for determining the allocation of funds, and most were not worked out a clear strategy for development of the agricultural sector [7-9].

Unfortunately, Ukraine is rapidly losing market of genetic resources (seeds-varietal crop and livestock breeds). By purely Ukrainian cultures such as corn, sunflower, sugar beet, potatoes, vegetables, and melons in Ukraine has already registered more than 50% of foreign species selection [10].

Cancelled funding a number of important programs to support the agricultural sector, including: scientific developments in standardization and certification of agricultural products, state support of agricultural service cooperatives, funding for protection, reproduction and improvement of soil fertility, budgetary livestock subsidies and state support of crop production State support for agricultural advisory services program of partial compensation of sophisticated agricultural machinery of domestic production and procurement of breeding heifers and cows, domestic equipment for agriculture, followed by the implementation of an agricultural enterprise under financial leasing. (tab.3) [11,12]

Not Effective proved and the State Program of development of domestic machinery for agriculture, which led to the fact that the domestic market for almost 80% of sales accounted for by technical means foreign production, while the existing machine-tractor fleet by nearly 70% needs to be changed [13].

**Table 3.** Dynamics of financing costs Ministry of Agriculture through a special fund of the State Budget of Ukraine in 2016-2018, thousand UAH [11,12]

Codes	Expenditures by program classification	2016	2017	2018
2801180	Financial support measures in agriculture	0,0	1 577,6	5 000,0

2801250	Agrarian Fund expenses associated with a set of measures for the storage, transportation, processing and export of objects of state price regulation of state intervention fund	413 454,9	284 820,3	500 000,0
2801350	State support of hop, laying young orchards, vineyards and berries and supervision of	655 000	746 777,5	100 000,0
2801460	Providing loans to farmers	28 000,0	27 800,0	27 900,0
2801490	Financial support measures in agriculture on financial leasing	85 000,0	25 000,0	8 842,5
2801540	State support for the livestock industry	621 288,9	564 568,7	650 000,0
2801560	The formation of public intervention fund Agrarian Fund, as well as procurement of material and technical resources for SH Manufacturers	5 888 098,4	5 974 559,9	7 200 000,0
2803600	Titling the right to private ownership of land in rural areas	0,0	0,0	106 005,6
	TOTAL	7 609 730,6	7 601 514,1	8 597 748,1
	including in support of agricultural enterprises	7 194 039,3	7 315 283,8	7 991 742,5

In 2015 the program was cancelled public funding laying on young orchards, vineyards and berries and supervising them.

## 4 Conclusion

The most effective today is a form of indirect state support of agricultural producers on the basis of a special VAT regime, which allows you to leave it at the disposal on productive activities. Experts estimate the total amount of the state support in 2019 exceeded 16 bln. UAH, which on average is 754 USD. 1 ha. However, with the decrease in the tax burden in agriculture, investment (public benefits) is not accompanied by the modernization of existing facilities and increased focus on exports [14-17].

The most influential negative factor in the current situation is the lack of state policy of agriculture and support domestic producers, without providing interaction of all participants in the state, scientific and industrial sectors of agriculture, which led to the adoption of inefficient management decisions and ineffectiveness of such support and not promoted as effective development of the industry, and solving social problems of rural areas.

State support of the village in Ukraine due not only common features of agricultural production, and the fact that the conducted reformation, change of ownership, the creation of new legal forms of enterprises transition to market principles of management, etc., caused a number of social and demographic reforms in agriculture that began after Ukraine gained independence implemented inconsistently, did not have the character of consistency and comprehensiveness [18-22].

State financial policy should direct participants in financial relations to implement political, social and economic targets, defining goals and ways to achieve it. The state should play a key role in the innovation process and address its effects on the financial support of research and development and act big, and sometimes the main investor in the new knowledge and technology.

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