

FUNDING OPPORTUNITIES FOR FARMERS IN UKRAINE

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Abstract

The goal of the article is to analyze development of the state support for farming enterprises in Ukraine. Scientific solution of the set tasks required use of the following methods, particularly the method of comparative analysis was used to estimate expenditures of the state budget and programs of support for farming enterprises; abstract-logical method – to define the main problems of the state support for farmers in Ukraine; statistical-economic method – to evaluate current conditions and tendencies of development of the system of the state support for farmers. The work analyzes principal directions and problems of the state support for farming enterprises in Ukraine. It is confirmed that the State support for a farmer should be focused not only on support of the volume of production and producers' prices, but on implementation of innovative projects by farmers concerning sustainable land management.

Key words: state support, farming enterprises, budget program

INTRODUCTION

In Ukraine, efficiency of agricultural production of farming enterprises is at a lower level, comparing to the medium-size and large enterprises.

Nowadays, at most farming enterprises, yield capacity of the products of crop production is much lower than at medium-size and large enterprises. It is mainly forced by worse conditions of material and technical resources of the farming enterprises, complicated access to advanced technologies, insufficient use of crop protection agents, fertilizers, as well as high productive varieties of seeds that is first caused by a continuous lack of personal current assets and limited access to credit resources. Thus, the farming enterprises need considerable state support [5].

The conditions of farming enterprises are complicated by the fact that they cannot cancel earlier obtained credits of commercial banks. High loan interest rates and lack of property, which can be pledged, as well as unwillingness of commercial banks to credit agricultural producers are the reasons why farming enterprises cannot obtain new credits. Most of farming enterprises, which employ large area of land, need the state financial support.

MATERIALS AND METHODS

The aim of the article is to analyze development of the state support for farming enterprises in Ukraine. Scientific solution of the set tasks required use of the following methods, particularly the method of comparative analysis was used to estimate expenditures of the state budget and programs of support for farming enterprises; abstract-logical method – to define the main problems of the state support for farmers in Ukraine; statistical-economic method – to evaluate current conditions and tendencies of development of the system of the state support for farmers. The work analyzes principal directions and problems of the state support for farming enterprises in Ukraine.

RESULTS AND DISCUSSIONS

Economic changes in Ukraine of the recent years considerably influence the structure, character and tendencies of land use [7]. Among the total number of business subjects, farming enterprises constitute a principal organizational and legal form of economic activity in a village. Their activity is established on the work of the members of one family and is directly connected with the

land ownership right for and its use as the key assets for production and source of income. The number of acting farming enterprises constituted 34,137 units, that was almost 75% of the total number of economically active

agricultural enterprises. The largest number of the enterprises was in Zaporizhzhia, Kherson, Kirovohrad regions, and the least one – in Rivne, Ivano-Frankivsk, Chernivtsi and Volyn regions (Fig. 1).

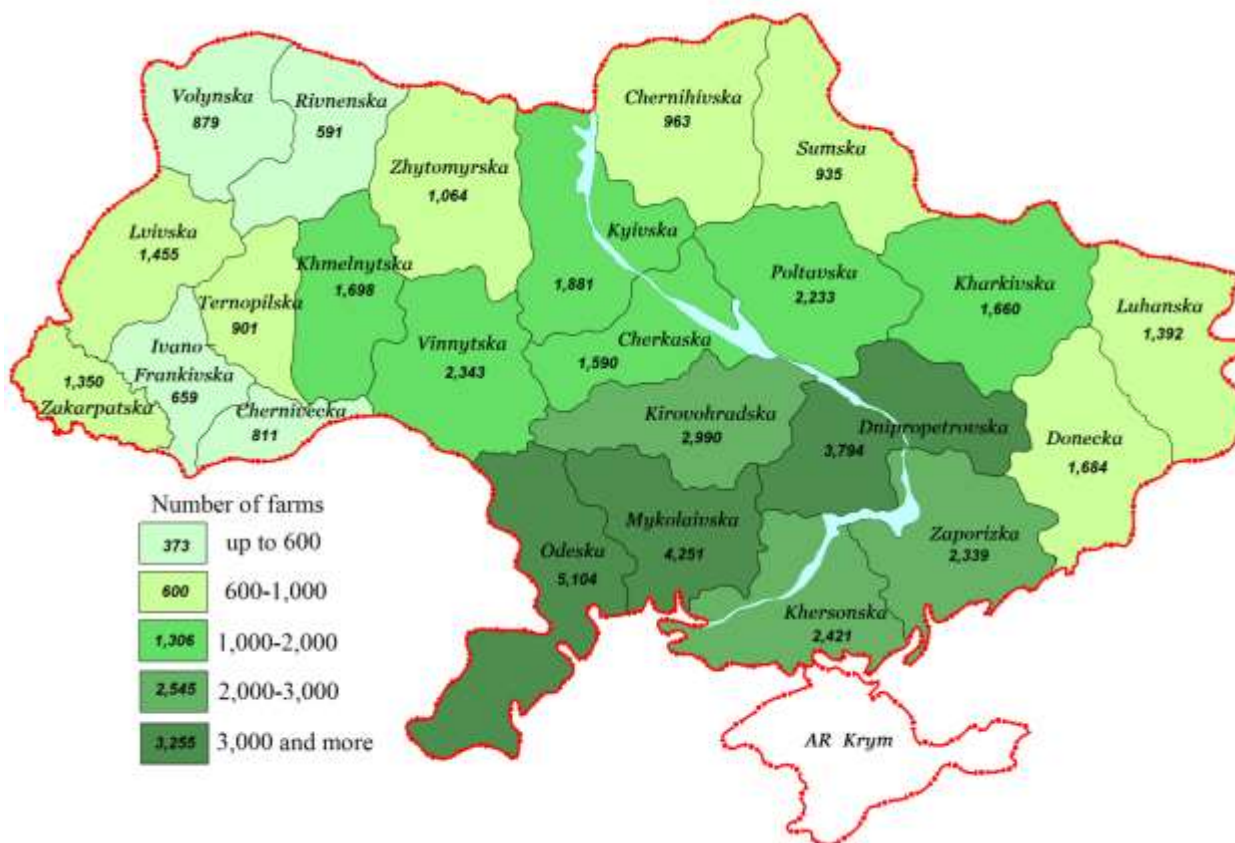


Fig. 1. Number of farming enterprises in Ukraine
 Source: Completed by the authors according to the data [8], [12]

The farming enterprises employ 4.6 million ha or 22.9% of the total land use by agricultural enterprises, with the average area of 134.2 ha of lands per one enterprise. Among the total number of acting farming enterprises, 28,664 units employ land parcels with the area of up to 500 ha, that is almost 84 % of the total number of farming enterprises in Ukraine (Fig. 2). The average area of agricultural lands, which are employed by a farming enterprise, constitutes 78 ha [8]. The Principal Law, which defines legal, economic and social fundamentals of establishment and performance of farming enterprises as a progressive form of business activity in the field of agriculture of Ukraine, is the Law of Ukraine “About farming enterprises” of June 19, 2003 № 973 [1].

Articles 9 and 10 of the Law of Ukraine “About farming enterprises” determine assistance by means of the state and local budgets, including Ukrainian state fund of support for farming enterprises, which is a state budget institution and performs functions of implementation of the state policy concerning financial support of establishment and development of farming enterprises [1]. Ukrainian state fund of support for farming enterprises provides financial support for farming enterprises on an irretrievable base and on competition fundamentals of repayable base up to five years with pledged assets according to the Order of utilization of the funds, expected in the state budget and intended to support farming enterprises. It is approved by the Resolution of the Cabinet of Ministers of Ukraine of August 25, 2004 № 1102 (with amendments) [9].

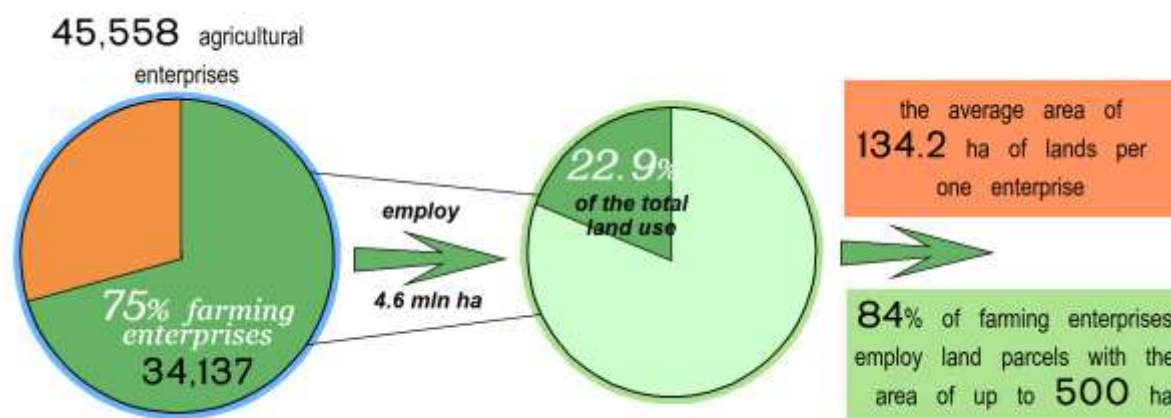


Fig. 2. Characteristics of farming enterprises of Ukraine.
 Source: Completed by the authors according to the data [8].

In 2015-2017, budget support for development of farming enterprises was performed by the special program 2801460 “Supply of credits for farming enterprises”. According to the mentioned program, credit funds were supplied to the farmers mainly for such goals as purchase of equipment, machinery; refilling of current assets; production and processing of agricultural products; planting of perennials; credit and servicing cooperation development.

The Law of Ukraine “About the State budget of Ukraine for 2015” [2] expected costs in the amount of 25,600 thousand UAH. Actually, 158 farming enterprises obtained the support with the average amount of 162 thousand UAH per one farming enterprise.

The Law of Ukraine “About the State budget of Ukraine for 2016” [3] and the budget program 2801460 “Supply of credits for farming enterprises” expected budget appropriations only by means of costs of a special state fund in the amount of 15,819.2 thousand UAH, that was less than the claimed amount by 42,280.8 thousand UAH.

The Law of Ukraine “About the State budget of Ukraine for 2017” [4] expected costs in the amount of 65 million UAH, including 25 million UAH – from the general fund, 40 million UAH – from the special fund. In fact, 211 farming enterprises took the support with the average amount of 305 thousand UAH per one farming enterprise.

Along with the budget program 2801460 “Supply of credits for farming

enterprises”, farmers had the right to get support from the budget program 2801030 “Financial support for the measures in agro-industrial complex by easing of credits”.

In 2015, 177 farming enterprises got 27.9 million UAH. In 2015, the budget program 2801030 “Financial support for the measures in agro-industrial complex by easing of credits” expected 300 million UAH, which were used to reimburse the attracted credits of farming subjects, particularly 290.6 million UAH. Amount of the reimbursement to farming enterprises for the attracted privileged credits constituted 27.9 million UAH, or 9.6 % of the total amount of funds, focused on partial reimbursement of the interest rate of credits use. 177 borrowers got partial reimbursement of the credits interest rate. It constituted 28.1% of the total number of loan debtors, who took such support [6].

In 2016, 187 farming enterprises got 61.3 million UAH according to that budget program. It expected 285 million UAH, which were used for reimbursement of the attracted privileged credits for farming enterprises, i.e. 279.8 million UAH. Amount of the reimbursement, provided for farming enterprises for attracted privileged credits, constituted 59.1 million UAH or 21.1 % of the total amount of the costs, intended for partial reimbursement of the interest rate for credits use. 174 loan debtors or 26.2 % of the total number of borrowers, who used the support, got partial reimbursement for credits interest rates.

In 2017, the same budget program supplied 113.8 million UAH for 944 farming enterprises. Particularly, 300 million UAH were claimed to supply reimbursement for farming subjects for the attracted privileged credits, namely it constituted 297.8 million UAH. Amount of the reimbursement, supplied for farming enterprises for attracted privileged credits constituted 34.4 million UAH or 11.7 % of the total amount of the costs, focused on partial reimbursement of the interest rate for use of the credits. 178 loan debtors or 28.4 % of the total number of borrowers, who took such support, got partial reimbursement of credits interest rates.

Tendencies of the amounts of used state financial support for farming enterprises in the regions of Ukraine for 2015-2017 are presented in the table (Table 1).

The Table 1 demonstrates that for 2017, the largest amount of the used financial support, supplied to farming enterprises according to the national program 2801030 “Financial support for the measures in agro-industrial complex by easing of credits” is obtained by enterprises in Vinnytsia region (5877 thousand UAH or 8.9 %), and the least one – by the enterprises in Transcarpathian region (149 thousand UAH or 0.2 %). In contrast, the special budget program 2801460 “Supply of credits for farming enterprises” supplied support for the enterprises in Kirovohrad region (6,500 thousand UAH or 10 %) and Transcarpathian region (260 thousand UAH or 0.4 %) respectively.

Limited budget costs and impact of the economic crisis in 2017, caused 4.5 times reduction of the amount of the state support for farming enterprises according to the budget program 2801030, as compared to 2015.

To improve the situation concerning the state support for farming enterprises, in the second half of 2017, the Government approved the Concept of development of farming enterprises and agricultural cooperation for 2018-2020. The goal of the Concept is to create the necessary organizational, legal and financial preconditions for development of farming enterprises and agricultural cooperation, to improve their material and financial environment [11].

Table 1. The amount of state financial support for farming enterprises, thousand UAH

Budget Program	2801030 "Financial support for the measures in agro-industrial complex by easing of credits"			2801460 "Supply of credits for farming enterprises"		
	2015	2016	2017	2015	2016	2017
Region	2015	2016	2017	2015	2016	2017
AR Krym	..**	..**	..**	..**	..**	..**
Vinnytska	33,695	32,930	5,877	1,792	1,159	4,550
Volynska	16,763	8,064	1,166	394	265	1,040
Dnipropetrovska	11,199	11,187	4,232	2,261	1,301	5,850
Donecka	406	183	2,118	988	558	2,015
Zhytomyrska	5,514	6,607	1,871	407	261	975
Zakarpatska	993	46	149	120	74	260
Zaporizka	12,446	12,965	2,462	1,329	755	3,445
Ivano-Frankivska	5,088	4,623	890	225	149	585
Kyivska	18,974	30,079	4,837	1,132	721	2,730
Kirovohradska	9,717	10,428	3,369	2,532	1,568	6,500
Luhanska	1,396	3,361	1,297	1,288	744	2,665
Lvivska	15,339	8,471	1,518	909	539	1,950
Mykolaiivska	7,877	7,925	2,481	1,521	910	3,965
Odeska	8,383	10,983	2,940	1,838	1,240	5,395
Rivnenska	23,512	17,736	5,069	1,559	908	3,900
Poltavska	5,919	7,921	1,017	254	165	650
Sumska	9,110	6,449	3,206	704	478	2,080
Ternopil'ska	10,657	18,226	2,124	630	399	1,495
Kharkivska	22,090	18,337	4,073	1,454	949	3,965
Khersonska	10,549	6,863	2,633	1,247	709	3,185
Khmelnyska	24,982	19,607	3,638	1,004	674	2,600
Cherkaska	27,295	19,068	5,308	1,160	717	2,860
Chernivecka	5,993	9,628	497	233	155	585
Chernihivska	12,103	13,313	3,228	622	421	1,755
Ukraine	300,000	285,000	66,000	25,600	15,819	65,000

Source: Completed by the authors according to the data [13];

** Statistical data are absent.

Implementation of the Concept was approved by the Order of utilization of the funds, expected in the State budget to finance the support for farming enterprises development [10]. According to the Order, the State support for development of farming enterprises was intended in 5 directions (Table 2). However, as one can see in the Table 2, such direction of the state support as reimbursement for the share of bought domestic machinery was financed with the excess of almost 9 million UAH.

Table 2. State support for farming enterprises by the directions of financing in 2018, thousand UAH*

Directions of financing	Mechanism of implementation	Claimed financing, thousand UAH*	Actual financing, thousand UAH**
Partial reimbursement of the costs of purchased seed of agricultural crops, selected by the national subjects of seed study	Reimbursement of the costs is supplied for certified seed of agricultural crops of domestic selection in the amount of 80 % of the seed price without consideration of the amount of value added tax, but not more than 30 thousand UAH per one enterprise.	240,000.0	6,425.2
Partial reimbursement of the expenditures, connected with supplied agricultural advisory services.	Agricultural advisory services are reimbursed by partial expenditures, connected with supply of advisory services in the following directions: agronomy, veterinary, zooculture, accounting, marketing, juridical advices in the amount of 90 % of the costs, but not more than 10 thousand UAH.	5,000.0	203.5
Financial support for agricultural servicing cooperatives (ASC)	Financial support is supplied for dairy and fruit-berry directions to purchase equipment for storage and processing of agricultural products. Size of the financial support can take 70 % of the costs of bought equipment without consideration of VAT, but not more than 3 million UAH per one ASC.	155,000.0	8,575.5
Partial reimbursement of the costs of bought agricultural machinery and equipment of domestic production	Partial reimbursement is supplied for farming enterprises in the size of 40 % of the costs of bought machinery and equipment without consideration of VAT.	100,000.0	108,937.6
Easing of credits	Reimbursement is supplied for farming enterprises according to the charged and paid interests in the current year in the amount of 1,5 of a reference rate of the National Bank, but not more than the size, approved by the credit agreement, and reduced by 1 interest point.	500,000.0	8,457.1

*According to budget program 2801230 "Financial support for farming enterprises development" for 2018

**According to the data of the Ministry of Agrarian Policy and Food of Ukraine

Speaking about other points, particularly easing of credits and levels of financing, their level appeared to be very low. Such unsatisfactory implementation of the state program is explained by a low level of farmers' trust to any state initiative, as well as a slow tempo of decision-making by the banks concerning reimbursement of interest rates for farming enterprises.

The authors of the article consider that the procedure of obtaining of financial support on an irrevocable base is very complicated. To participate in competition for obtaining of financial support it is required from a farming enterprise to submit more than ten different documents and certificates to the competition board. Number of copies of the documents, confirming the right of property or use of a land parcel, can be calculated by dozens.

There are other drawbacks in the mechanism of the program implementation, in particular:

- the state support can be taken only once in a year. It does not concern the peculiarities of agricultural production, connected with performance of seeding twice a year (in spring and in autumn);
- after submitting of the required documents, agricultural producers are enlisted in the register of obtainers of partial reimbursement of the seed cost. However, the resolution does not consider sequence of payments according to the register, that can cause manual control for payment of grants and corruption;
- precise periods of the grants payment are not determined, but it is noted that payment of the reimbursement are made monthly.

CONCLUSIONS

Thus, main problems of the state support for farming enterprises in Ukraine include a low level of farming enterprises' informing concerning opportunities to obtain the state support, as well as a complex procedure mechanism and obscure terms of the support obtaining, manual mechanism of the costs management, as well as insufficient amounts of financing from the state programs.

In the authors' opinion, efficiency of the state support for domestic farming enterprise can be secured not only by increase of the amount of budget financing, but also by organization of a clear procedure of the costs utilization. Attempts to improve financial discipline while utilizing budget costs, by means of a complicated procedure of financial support supply, cause a loss of farming enterprises' interest concerning obtaining of the support. The state support for farmers should be focused both on support of production output and producers' prices, as well as on support for implementation of innovative projects concerning sustainable land management by farmers.

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