

9. Institutional environment in reproduction of production potential of farms

The development of the farming system in a competitive environment should take place under institutional influence. Farms are recognized as full-fledged institutions and the main elements of the institutional environment, which allows them to provide a mechanism for the reproduction of production potential in conjunction with other institutions (Fig. 1).

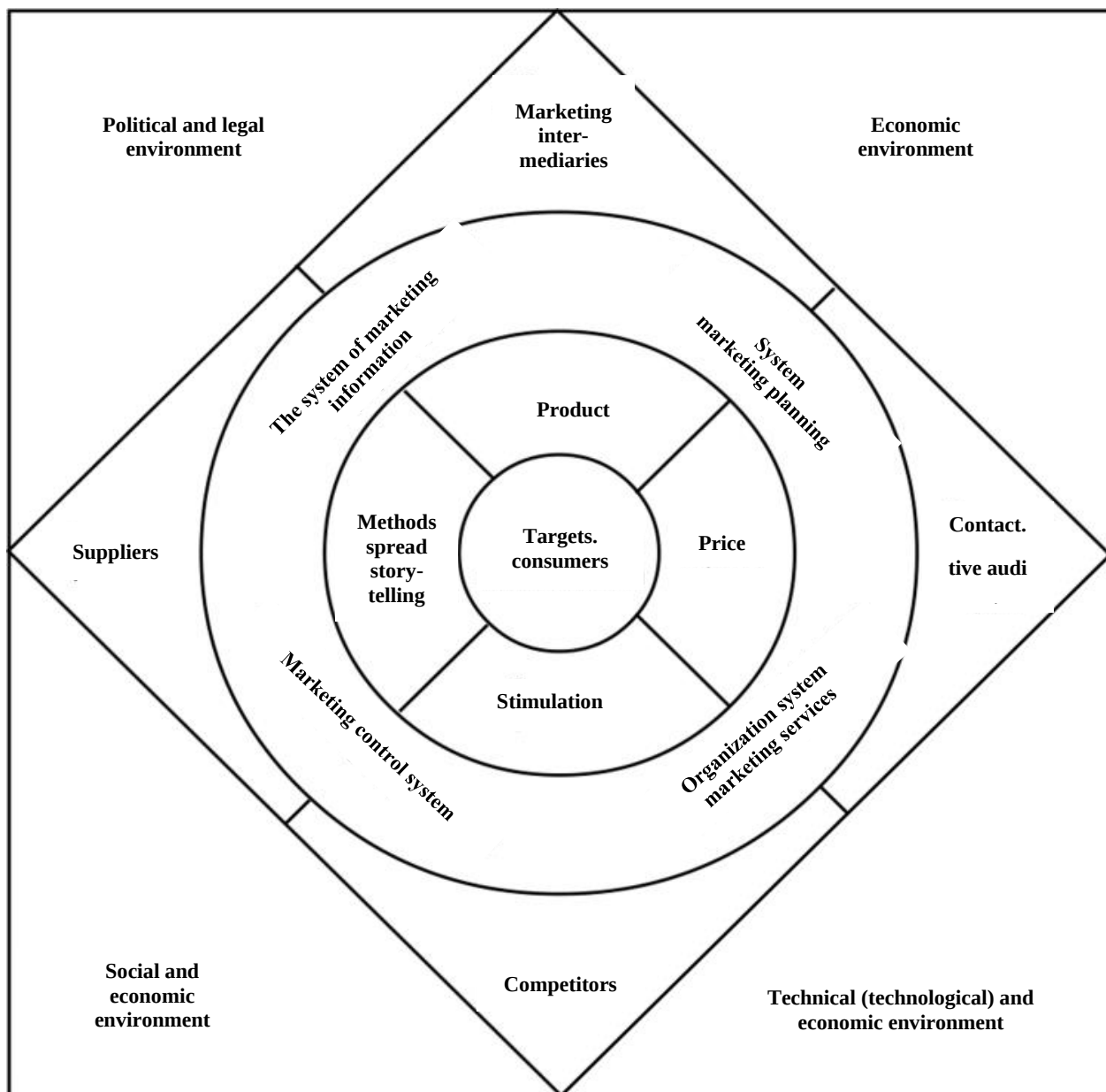


Figure 1. Factors that determine the institutional environment and strategy of a marketing firm

MARKETING ACTIVITIES OF ENTERPRISES OF THE AGRO-INDUSTRIAL SECTOR IN THE CONDITIONS OF WAR

Figure 1 shows the influence of institutions on the functioning of farms, taking into account elements of both state and market regulation. The institutional development of farms is directly related to changes in the economic mechanisms of reforming relations in the agricultural sector.

The processes of globalization, increased financial instability and international competition are driving the search for new forms of production organization, reproduction of production potential and a paradigm shift in competitiveness management at the micro and macro levels of socio-economic systems. To build an effective market economy, the formal creation of markets and major market agents is not enough, but rather the construction of a new institutional socially oriented economic system based on trust and responsibility, legislative support, and defined transparent and fair "rules of the game." The experience of reforms in other countries shows that it is necessary to change the institutional environment rather than "catching by the hand" everyone who has a reason to suspect something. After all, if violations in a market are widespread, repressive measures will not be effective. Thus, the essence of institutionalism is to reflect the effectiveness of the formation of new rules of the game for the development of the agricultural market environment, in which farms are participants.

Many scholars believe that the main reason for the emergence of institutionalism is the process of capitalism's transition to a monopolistic stage, which was accompanied by significant centralization of production and capital, leading to social contradictions in society. In other words, they assume that institutionalism originated as a protest form against the postulates of classical and neoclassical market economy theory that prevailed at the turn of the twentieth and twenty-first centuries. However, most scholars consider economic and political instability, the presence of social conflicts and contradictions to be the preconditions for the emergence of institutionalism. Quite symbolically, it is during this period that interest in another area of research is growing, which examines the processes of interaction and relationships between different institutions: the state and law, property and self-government, business and its infrastructure, education and science, finance and management, etc.

MARKETING ACTIVITIES OF ENTERPRISES OF THE AGRO-INDUSTRIAL SECTOR IN THE CONDITIONS OF WAR

All this is studied in the context of the cluster theory and practice of the formation and functioning of these institutions at the level of the regional economy [122, p. 12].

Quite often, institutionalism (Latin: *institutio* - custom, instruction) is seen as a trend in economic thought that emerged in the 20s and 30s of the twentieth century to study the totality of socio-economic factors (institutions) over time, as well as to ensure social control over the economy. In this sense, the institutional concept had a twofold purpose: 1) the creation of political economy or socio-economic theory as opposed to the spread of economic theory called "economics"; 2) the formation of an evolutionary theory that was to replace the theory of "equilibrium" [123, p. 28].

Thus, the analysis of the literature [122, p. 16; 124, p. 7; 125, p. 61; 126, p. 44; 127, p. 190; 128, p. 11; 129, p. 24; 130, p. 584; 131, p. 123] on identifying differences and harmonizing the definitions of "institution" and "institution", made it possible to distinguish the vision that the basis for the progressive development of the agrarian market should be considered its structured and consolidated system of institutions and institutions as a constructor of the formation of the institutional environment for the interaction of market agents [132, p. 94]. In our case, we consider institutions as mechanisms of regulation and self-regulation of the agricultural market and market relations between farms and other market participants. We are convinced that the increasing role of social factors of economic development, the growing importance of the position of the agricultural market as an institutional structure in ensuring stable economic growth and food security is directly related to the reproduction of the production potential of farms. Therefore, it is undeniable that the reproduction of the production potential of farms requires effective regulatory institutions.

The scientifically based classification of agrarian institutions [124, p. 7; 133, p. 293] and the allocation of normative-restrictive, regulatory and production institutions among them gives grounds to state that institutionalism is a direction in economic theory based not only on the analysis of economic problems, but also on their consideration and coordination with social, political, ethical and legal issues. Therefore, farms can be considered full-fledged institutions and the main elements of institutional formations, which allows them to provide an institutional mechanism for

MARKETING ACTIVITIES OF ENTERPRISES OF THE AGRO-INDUSTRIAL SECTOR IN THE CONDITIONS OF WAR

the reproduction of productive potential in conjunction with other institutions. Thus, we can state that the mechanism of state regulation of the reproduction of the productive potential of farms is based on institutions and institutions that are formal and informal regulators of this process (Fig. 2).

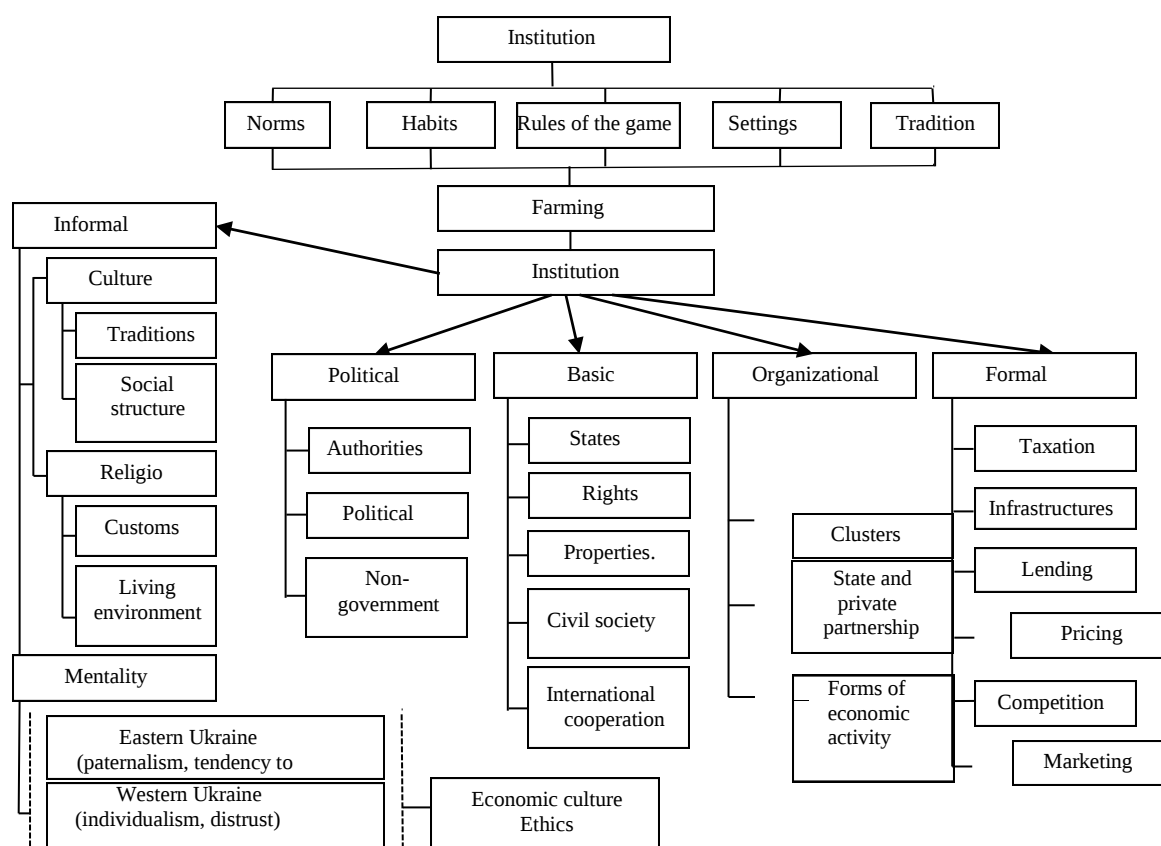


Fig. 2. Structural architecture of the institutional environment for reproduction of the production potential of farms [135, p. 36].

The formation of an institutional environment suitable for the reproduction of the production potential of farms requires taking into account the importance of informal institutions. This is especially true for the Carpathian region, where individualism is a manifestation of the farming mentality. In fact, informal institutions are one of the obstacles for farmers to join service cooperatives. The data in Fig. 2 show that education and religion are the informal institutions that contribute to the manifestation of economic culture on the way to farming development. In this regard, O. Shpykuliak notes that "where there are equalizing tendencies and the envy of someone else's success caused

by them, where all hope is not on oneself but on the state when solving problems, there is no solid basis for the establishment of entrepreneurship, and basing economic culture on initiative, freedom and responsibility is a crucial condition for the development of entrepreneurship" [134, p. 108]. Such individualistic features of the Ukrainian peasantry were largely formed historically under the influence of Ukraine's being part of other states and empires.

Agrarian institutions, in our opinion, should be viewed as relatively stable combinations of factors that regulate the economic behavior of farms and result from a compromise of interests of both parties, taking into account the influence of the external environment.

Accordingly, the institutional mechanism is a social system that has its own specific patterns, relations and characteristic behavioral form of existence. One of the main functions of the institutional mechanism is to establish and maintain a certain order of economic functioning [124, p. 5]. That is, the institutional mechanism of reproduction of productive potential is an open, multilevel, dynamic social system that ensures the interaction of basic and derivative institutions, is the basis for organizing market processes and ensuring the strategic direction of farming development.

The institutional mechanism of reproduction of the production potential of farms forms effective formal and informal norms, rules and values [132, p. 96], it is a system of instruments of influence of institutions on the environment of reproduction of the production potential of farms, taking into account elements of both state and market regulation. The functioning of the institutional mechanism leads to the institutionalization of the environment through institutional changes. The establishment of an effective institutional mechanism should lead to the leveling of spontaneous changes and increase the share of targeted market-oriented transformations. The instruments of the institutional mechanism that will contribute to the reproduction of the production potential of farms should be: regulation of the reproduction process by all levels of government, market (market) regulation, infrastructure provision, self-development and self-regulation of the reproduction process of the production potential by farms, promotion of the reproduction of

production potential by public organizations.

As society moves to a phase of stabilization, governments are increasingly turning to institutional forms of states with similar but more advanced institutional systems. In particular, the experience of the United States in maintaining competitiveness through constitutional methods indicates their high efficiency. After all, the United States retains advantages due to a number of fundamental factors of long-term effect, namely: the use of the principles of economic liberalism, according to which regulatory policy and state stimulation of the economy are carried out; maintaining dominant positions in the main areas of basic science; the availability of unique military and space research programs, which provides the country with long-term technological advantages [122, p. 34]. In Ukraine, in particular, in relation to farms, they use mainly short-term tools and means within the framework of annual state budgets, which significantly limits their regulatory potential. An objective reflection of the underdevelopment of the institutional environment in Ukraine is a significant share of shadow economic activity, which has a destructive impact on the reproduction of the production potential of farms.

The key institution for the development of farms is the legal and economic relations of land ownership. The institutional environment for the development of farms was assessed using the SWOT analysis in terms of institutions and institutions that have a direct impact on the performance of farming. The results of the SWOT analysis give grounds to state that the elimination of gaps in the institutional environment for the development of farms is possible only through a radical transformation of land ownership as part of the change in agrarian relations in general. Today, there is an urgent need to integrate the efforts of institutions and farmers to achieve farm growth.

The institutional development of farms is directly related to changes in the economic mechanisms of reforming relations in the agricultural sector, which require effective and rapid resolution, among other things:

- labor relations are a basic institution, but in the farming environment this axiom is difficult to reflect in economic indicators: first, in some cases it is difficult to

identify the amount of the farmer's own salary, especially when the production process is serviced only by the farmer's family, and second, the level of wages in the agricultural sector is significantly lower than the average in the Ukrainian economy, both nominally and in terms of growth;

- the principle of fairness is violated in agricultural pricing, in particular in the distribution of income in the logistics chain, where the farmer's share is the lowest in the retail price;

- institutional support for the development of legal and economic relations of land ownership is a complex problem that requires, first of all, scientific substantiation, in particular, analysis of the processes of transformation of land ownership and economic forms of its use in the context of economic reforms;

- incomplete formation of the institutional mechanism in the agricultural sector in general and, as a result, inconsistency of contracting procedures for the interaction of participants in agricultural relations due to the traditionally low culture of formalization of economic relations, social apathy and farmers' disbelief in the fairness of the institution of law [134].

In Table 1, the institutional environment for the development of farms is assessed using SWOT analysis in terms of institutions and institutions that directly affect the performance of farms.

The main obstacle to the formation of an institutional model for the development of farms is the so-called merger of political and economic institutions, which has led to the emergence of transformational rents and the prevalence of large agricultural business. If agricultural enterprises of different organizational and legal forms operate in unequal socio-economic or legal conditions, this leads to the subordination of the economic interest of one entity to another.

In such a situation, farms, as structures that have a lower production potential in physical terms than large agricultural enterprises, have a reduced desire to achieve significant economic results, which leads to a delay in the process of reproduction and, accordingly, the development of farming. The targeted formation of the institutional environment for farms will help to achieve a compromise between the interests of large

MARKETING ACTIVITIES OF ENTERPRISES OF THE AGRO-INDUSTRIAL SECTOR IN THE CONDITIONS OF WAR

agricultural businesses and farms, creating competitive advantages for the latter in promoting the production of niche products.

Table 1

SWOT-matrix for assessing the institutional environment for farm development

	Strengths	Weaknesses
Internal environment	Mental attachment of farmers to land cultivation, which ensures the continuity of agricultural production	Poor investment attractiveness (interest) in farming activities
	Liquidity of elements of production potential (including land), which is ensured by private land ownership	Institutional traps caused by imperfect state regulation of farms
	Rapid diversification of farming activities and rationalization of reproduction production potential of farms	Low level of social responsibility of farmers for their impact on the social and environmental environment
	Readiness to generate innovative changes in the reproduction of the production potential of farms	Uncompetitiveness of small batches of agricultural products
	Opportunities.	Threats
External environment	Intensification of farming development as strategic form of management in the agricultural sector	Growth of the financial crisis
	Interest of public organizations in the process of reproduction of the production potential of farms	Inefficient financing of state programs for the development and support of farms
	Focusing agricultural policy on global integration processes, which promotes the export of farm products	Focusing market infrastructure on large agricultural producers
	Environmental protection through greening of production	High level of transaction costs in the agricultural sector and conservative way of thinking of some institutions

Source: author's own development

Therefore, the tools of the institutional component of the development of family commodity production in rural areas should include: regulation of the reproduction process by all levels of government, market regulation, infrastructure provision, self-development and self-regulation of the reproduction process of production potential by

farms, and promotion of the reproduction of production potential by public organizations.

Without a significant improvement in the condition of production factors, i.e. the components of production potential, it is impossible to maintain stable growth rates of farm production over a long period of time. The main reason for the deterioration of production factors in Ukraine's agricultural economy is the weakness of the regulatory influence of state institutions on the formation of financial flows and funds necessary for the reproduction of production resources. The experience of market transformations shows that economic development and improvement of welfare cannot be ensured without active and consistent state intervention in the processes of forming the financial basis for the renewal of personal and real factors of production [134].

According to the State Statistics Service of Ukraine, as of July 1, 2021, 48438 farms were registered in the agricultural sector. However, according to the authors of the draft law No. **4046** "On State Support for Farmers...", only 28788 active farms out of 32452 operating today cultivate 4.7 million hectares of land. As of the beginning of 2022, there were 3.9 million private peasant farms (but they are not business entities (Fig. 7, Table 7)) and sell surplus products outside the organized agricultural market and are potential family farms (Table 2).

Bill 4046 on state support for farmers is proposed:

- normalize the composition of land plots of farms;
- determine the range of recipients of state support through the Ukrainian State Farm Support Fund;
- clarify some concepts regarding the definitions of the type of farm;
- introduce state support for farms whose head is under 35 years of age (inclusive), which will enable rural youth to realize their entrepreneurial initiatives and help stop the migration of young people from rural areas.

It is proposed to update the classification of farms in Ukraine. Today, it is difficult to call a farmer someone who cultivates up to 2 hectares of land (personal households), up to 500 hectares (microfarming) and farms (from 500 to 10 thousand hectares). Such a division is relevant when it comes to increasing state support for

MARKETING ACTIVITIES OF ENTERPRISES OF THE AGRO-INDUSTRIAL SECTOR IN THE CONDITIONS OF WAR

farming and transparent distribution of these funds. This gradation can be introduced by amending the law "On Farming" or the current law 985-IX on state support and the agrarian register.

Table 2

Dynamics of development of Ukrainian farms, 1990-2022

Year	The number of FAs, units.	The area of agricultural.		Gross output in prices 2010 p.	
		thousand hectares	per 1 FA, ha	total.mln UAH	per 100 hectares of agricultural land, UAH thousand
1990	82	1,9	23.2	...	...
1991	2098	39,7	18.9	...	...
1992	14681	292,3	19.9	410,4	140.4
1993	27739	558,2	20.1	1228,7	220.1
1994	31983	699,7	21.9	1177,0	168.2
1995	34778	786,4	22.6	1392,4	177.1
1996	35353	835,0	23.6	1119,4	134.1
1997	35927	932,2	25.9	1552,6	166.6
1998	35485	1029,2	29.0	1341,6	130.4
1999	35884	1162,3	32.4	1637,9	140.9
2000	38428	2157,6	56.1	3125,2	144.8
2001	41599	2585,8	62.2	5594,0	195.7
2002	43042	2822,7	65.6	6360,5	225.3
2003	43016	3094,6	71.9	4306,2	139.2
2004	42533	3420,6	80.4	7523,0	219.9
2005	42445	3661,2	86.3	8177,5	223.3
2006	43150	3972,8	92.1	9780,5	246.2
2007	43410	4198,9	96.7	8303,6	197.8
2008	42446	4327,8	102.0	14141,3	326.8
2009	41906	4298,6	102.6	12119,1	281.9
2010	41524	4290,8	103.3	11965,8	278.9
2011	40965	4345,9	106.1	16192,5	372.6
2012	40676	4389,4	107.9	14111,1	321.5
2013	40752	4451,7	109.2	19091,4	428.9
2014	39428	4621,7	117.2	19188,8	415.2
2015	39169	4391,9	112.1	18909,3	430.5
2016	33682	4437,9	131.8	22101,4	498.0
2017	34137	4580,1	134.2	21743,1	474.7

MARKETING ACTIVITIES OF ENTERPRISES OF THE AGRO-INDUSTRIAL SECTOR IN THE CONDITIONS OF WAR

Continuation of table 2

2018	33164	4707,2	141.9	25118,9	533.6
2019	34543	4879.4	141.3	27166.0	556.7
2020	27667	4712.3	170.3	22602.4	479.6
2021	26629	4709.1	176.8	31017.2	658.7

To allocate a certain percentage of state support to farmers - for example, 0.5% of the total amount of the state budget per year. The figure can be debated, but there should be a specific figure and approved programs for farming development (e.g., purchase of agricultural machinery, compensation of interest rates on bank loans, per 1 hectare of cultivated agricultural land, etc.)

The Young Farmer Program (includes a number of measures, such as tax holidays for 4-5 years for farms that cultivate up to 500 hectares of land within their family, or have up to 3 employees and pay them at least 4 minimum wages.

Adopt a law on local producers (local retail chains should purchase a certain percentage of products from regional producers, as is the case in some European countries).

Establish a system of state food procurement for the current needs of the army or to form a state reserve from farmers.

Create a database of investment projects on the basis of the Investors Council or the Ministry of Agrarian Policy, where each farmer can submit his or her business plan and where he or she can look at requests from potential investors for the implementation of certain industries. This database should be filled out in two clicks by farmers (it should be very accessible), and it should be promoted by Ukraine's trade attaches abroad and embassies. You can even link the performance of ambassadors to this database.

In fact, these proposals are reflected in the Law "On Amendments to Certain Legislative Acts of Ukraine on Stimulating the Activities of Farms" **No. 1788-IX** (4046), which was adopted by the Verkhovna Rada on September 24, 2021.

In September 2022, a forum dedicated to the decade of family farming was held at the UN headquarters. Its goal was to draw attention to the problems of smallholder

MARKETING ACTIVITIES OF ENTERPRISES OF THE AGRO-INDUSTRIAL SECTOR IN THE CONDITIONS OF WAR

farmers and their role in eradicating hunger and shaping a secure food future.

If this legislative initiative is the lobby of large agricultural holdings, they must be stopped immediately from doing so in time of war.

The unfavorable trends in the development and functioning of farms are largely due to the unformed market institutional environment, so the importance of such components as property rights and the degree of their protection, the system of values and traditions, and the level of human capital development is constantly growing. The elimination of these unfavorable trends is largely influenced by the full-scale war with the Russian Federation, the total amount of losses from which amounted to USD 4.29 billion as of June 15 (Table 3).

The second type of unfavorable conditions for farmers is physical damage to the fertile soil layer. Occupation, hostilities and mine contamination limit farmers' access to fields and harvesting opportunities. About 2.4 million hectares of winter crops worth \$1.435 billion will remain unharvested.

Table 3

Amount of damage by category

Category	Total cost (mln. USD)
Agricultural land and unharvested winter crops	2135,0
Machine equipment	926,1
Storage facilities	272,4
Animal husbandry	136,4
Perennial crops	89,1
Inputs (e.g., fuel)	119,6
Stored products	613,0
Total	4292,3

Agricultural machinery and equipment are also damaged as a result of shelling, air strikes and hostilities. The estimated cost of replacing and repairing the equipment is \$926.1 million.

In addition, losses due to damage or destruction of grain storage facilities are estimated at \$272 million.

MARKETING ACTIVITIES OF ENTERPRISES OF THE AGRO-INDUSTRIAL SECTOR IN THE CONDITIONS OF WAR

The estimated cost of the dead animals is over \$136 million. According to estimates, 42,000 sheep and goats, 92,000 cattle, 258,000 pigs, and more than 5,700 poultry were killed as a result of Russian aggression.

In modern conditions, the state regulates the economic interests of business structures, forcing them to build certain relations with it. The implementation of the economic mechanism of interaction between farms and the state is based on the ideas of bringing government agencies closer to the real conditions of farms and the formation of farmers' awareness of the need to solve social problems. The algorithm of interaction between the authorities and farms determines the strategic goals of the economic system at all levels, taking into account the inverse interaction of the results of the process on its content (Fig. 3).

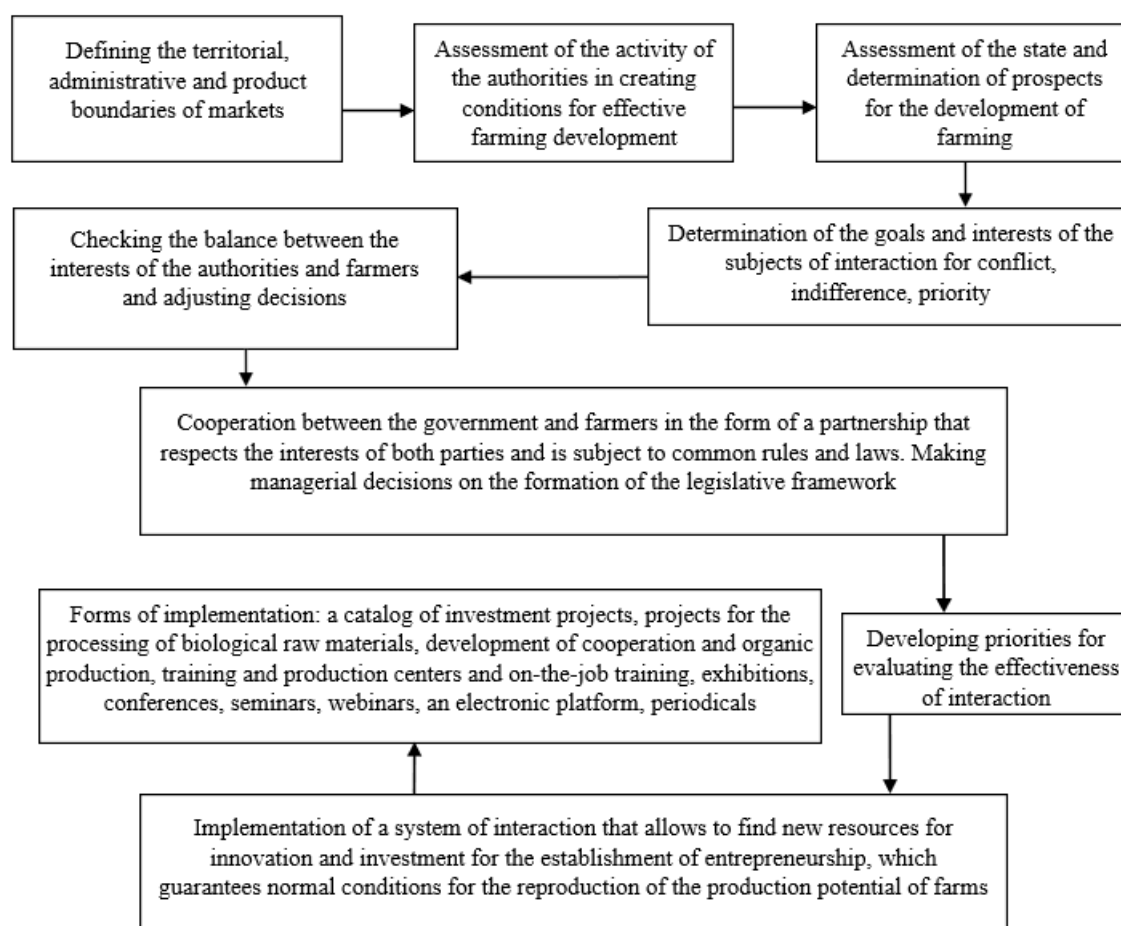


Fig. 3. Algorithm of interaction between authorities and farmers Source: based on [122, p. 100].

MARKETING ACTIVITIES OF ENTERPRISES OF THE AGRO-INDUSTRIAL SECTOR IN THE CONDITIONS OF WAR

The system of interaction between the state and farmers should be open and able to adapt to changes in the external environment and market conditions. At the same time, the effectiveness of interaction depends on the extent to which the state and farmers are prepared to integrate joint efforts to achieve reproduction and economic growth, and are interested in establishing relationships and an atmosphere of trust.

Therefore, in the context of institutionalization, state support measures for farms should ensure that the majority of farmers are able to expand their production potential through their own and borrowed sources of financing.

Today, farms can be partially perceived as a guarantor of food self-sufficiency of the country, an instrument of rural employment policy and the economic basis for rural development. Therefore, regulation of their activities should be carried out in a special regime without reference to any type of entrepreneurship. In particular, to build up production capacity at the state level, a program to support small businesses should be developed. For example, in Poland.

The Rural Development Program provides assistance for farmers to start off-farm activities, but this is practically impossible in Ukraine due to the imperfect tax policy (Table 4, Figure 4).

Table 4

State support for farms in Ukraine

Name of expenditures by program classification	Years					
	2014	2015	2016	2017	2018	2019
Total support for the agro-industrial complex	2424,7	2038,4	1754,6	5448,1	4283,9	5963,3
including: farmers under all programs	27,9	25,6	15,8	65,0	253,1	1044,5
as a percentage of the total amount of agro-industrial complex	1,15	1,26	0,9	1,19	5,91	17,5

MARKETING ACTIVITIES OF ENTERPRISES OF THE AGRO-INDUSTRIAL SECTOR IN THE CONDITIONS OF WAR



Figure 4. Dynamics of the volume of state support for agriculture and its growth rate in 2014-2019

In the context of the financial crisis, long-term financing for most farms is becoming impossible due to their high cost and requirements for borrowers. Therefore, it is important to develop a well-thought-out mechanism of state support for farming in terms of solving credit problems. In particular, state support for farms is provided through the Ukrainian State Farm Support Fund. It is a state budgetary institution that implements the state policy of providing financial support for the establishment and development of farms. Each year, the Fund provides financial support to Ukrainian farmers on a repayable and non-repayable basis.

Today, the government's main focus in terms of financial assistance is on the construction of new and reconstruction of livestock complexes, particularly for cattle. Other areas of support include cheaper credit resources, support for the development of cattle breeding, and improving the genetic potential of farm animals. Funds are also planned for a program to partially compensate for the cost of Ukrainian-made agricultural machinery and equipment and to support the horticulture, viticulture and hop industry.

In 2019, the State Budget of Ukraine allocated UAH 1,044.5 million to support farms, including UAH 40 million from the special fund and UAH 25 million from the

MARKETING ACTIVITIES OF ENTERPRISES OF THE AGRO-INDUSTRIAL SECTOR IN THE CONDITIONS OF WAR

general fund. These funds are distributed among the regions in proportion to the volume of agricultural products produced by farms. To stimulate the development of the agricultural sector in 2020 and 2021, the government plans to increase financial support to farms through the Ukrainian State Farm Support Fund to UAH 1 billion annually. However, targeted allocation of funds in the form of state support is not always able to solve the problems of farming development. After all, the factors that negatively affect the activities of farms are systemic (structural) and require not only increased state support, but also the establishment of a mechanism of institutional influence on the reproduction of the production potential of farming. For example, in the Lviv region, state support for farms is provided through the state program and in the form of a comprehensive regional program in three areas (Table 5).

Since 2017, the state program in the region has covered a small number of farms - only five units. In particular, in 2016, farms that were involved in financing under this area of assistance received an average of 170 thousand UAH of loans, and in 2017 - an average of 390 thousand UAH. It is clear that the amounts of such assistance are smaller - from UAH 31 to 430 thousand in different years in different areas.

Table 5

State financial support for farms in Lviv region

Type of state support	2016	2017
State program "Provision of loans to farms"		
number of recipient farms	3	5
support, units		
amount, UAH thousand	509,4	1950,0
Regional comprehensive program for support and development of agricultural production in Lviv region for 2016-2020		
First direction. Financial support for agricultural entities and individuals by compensation interest on loans taken from banking institutions and credit unions in national currency		

MARKETING ACTIVITIES OF ENTERPRISES OF THE AGRO-INDUSTRIAL SECTOR IN THE CONDITIONS OF WAR

Continuation of table 5

number of recipient farms support, units	13	17
amount, UAH thousand	1329,1	1222,6
Second direction. Financial support to agricultural entities on a repayable basis in the form of concessional loans for the implementation of business plans		
number of recipient farms support, units	15	15
amount, UAH thousand	6404,1	6455,3
Third direction. Financial support for business entities in the field of agriculture in the form of subsidies for the area of land where measures to preserve and restore soil fertility will be taken		
number of recipient farms support, units	15	17
amount, UAH thousand	472,4	678,6

Source: calculated according to the Department of Agricultural Development of the Lviv Regional State Administration

Under the first area of the regional comprehensive program, support is provided to farms that have attracted loans for agricultural activities in the amount of up to 1.5 times the NBU discount rate, but not more than UAH 200 thousand.

The second area provides for the provision of loans at 5 percent per annum for up to three years in the amount determined by the business plan, but not more than UAH 500 thousand. UAH, with a deferred repayment of the principal amount of the obligation for up to one year for the following purposes: purchase of agricultural machinery and technological equipment, breeding animals, cows and heifers; development of small-scale livestock (sheep, goat, rabbit, poultry, etc.), as well as beekeeping and fish farming; construction, reconstruction of livestock premises, modernization of their equipment and arrangement of milking parlors, milk pipelines, slaughterhouses, pastures, etc. But while in 2017, farms were able to receive an average of about UAH 430 thousand in this area, this is not enough to buy a tractor. Therefore,

MARKETING ACTIVITIES OF ENTERPRISES OF THE AGRO-INDUSTRIAL SECTOR IN THE CONDITIONS OF WAR

to ensure that at least one farm has the opportunity to purchase a tractor, the distribution of financial assistance should be differentiated.

Under the third area, the subsidy is provided for: development of land for horticulture and berry growing after agrochemical survey of land plots in the amount of up to UAH 400 per hectare; soil deoxidation (liming) by applying limestone ameliorants - up to UAH 500 per hectare; enrichment of soils with biological nitrogen by inoculants of nitrogen-fixing microorganisms - up to UAH 160 per hectare; and green manure - up to UAH 350 per hectare.

In addition, the state program for reimbursement of agricultural machinery continues to operate in Lviv region. Partial compensation for the cost of such machinery and equipment of domestic production is provided to farmers in the amount of 20% to 25% of the cost of machinery and equipment (excluding value added tax). In addition, as part of the state support, farmers are provided with additional preferences for the purchase of machinery. In addition to the standard 25% compensation under the program to reduce the cost of agricultural machinery, farmers will receive an additional 15% compensation, for a total of 40%.

It is worth noting that the State Budget for 2021 includes the following among the general

Of the UAH 4 billion planned for livestock in the agricultural sector, UAH 1 billion has been allocated for a program to support small farms and agricultural cooperatives. The rest, i.e. UAH 3 billion, will be allocated to large agricultural producers whose interests are defended by vested interests.

Given the imperfection of the mechanism of state support for farming, the Ministry of Agrarian Policy and Food has repeatedly planned to reform the Ukrainian State Farm Support Fund by creating an alternative Agency for Support of Farmers and Rural Communities. In doing so, it wanted to guarantee state support for small farms and family farms by law, and to launch the implementation of the Unified Comprehensive Strategy for the Development of Agriculture and Rural Areas for 2015-2020, which includes an action plan to support family farming. However, the indicators of export achievements proved to be more indicative than the increase in the share of

MARKETING ACTIVITIES OF ENTERPRISES OF THE AGRO-INDUSTRIAL SECTOR IN THE CONDITIONS OF WAR

agricultural products produced by farms. Therefore, in 2015, the Ministry of Agrarian Policy and Food once again stated that Ukraine was among the top three global grain exporters after the US and the EU, and also leads the world's exporters of sunflower oil, corn, barley, wheat, soybeans, chicken, etc. It is worth remembering that in the 2014/2015 marketing year, our country managed to achieve a record volume of grain exports - almost 35 million tons - since independence. It is clear that by 2023, the agricultural sector of Ukraine plans to maintain its position as an export-oriented industry with the exports of grain reaching 40-70 mln tons and gross grain harvest of 80-100 mln tons. Such volumes of grain exports will ensure foreign exchange earnings of over USD 20 billion. We understand that the contribution of farms to such achievements is minimal, and family farms are practically absent from these figures. In addition, grain exports are not only the prerogative of agricultural holdings to generate foreign exchange earnings, but also VAT benefits that farms are deprived of.

It is worth noting that starting from March 1, 2018, Ukraine abolished VAT refunds for exports of oilseeds: soybeans, rapeseed and sunflower seeds. From an economic standpoint, this is a restrictive measure for large oilseed producers aimed at stimulating domestic processing into oil for further export. However, in 2016-2021, farms also produced an average of 19.4% of sunflower seeds, although not all of them had direct access to foreign markets - most of the products produced by farmers go abroad through intermediaries. Therefore, limiting export VAT could also be an additional incentive for farmers to organize into cooperatives to process raw materials.

A study of the experience of developed countries shows that the forms of public administration are changing along with the development of market relations. They are moving from purely administrative functions to social management, which is focused on meeting the needs of direct producers in services for the dissemination of advanced technologies, professional training and information and consulting services.

All countries of the world actively provide state support for the national agricultural sector. This is because the state of the agricultural sector affects the food security of the state, the stability of the food industry, and the quality of life of every citizen (Table 6).

Table 6

Dynamics of changes in the Total support estimate (TSE), mln USD

Years	Ukraine	EU	USA	India	Canada	Australia
2013	648	135435	86539	-71043	7189	2441
2014	-213	117690	92547	-19674	6259	2343
2015	260	105874	91504	23359	5348	1807
2016	-281	107339	91258	2117	5978	2055
2017	-95	111032	89163	17325	5347	2807
2018	889	122195	98904	-807	5350	2574
2019	1246	117101	103083	9581	5865	2452
2020	708	117450	96855	38516	6349	2439

*Agricultural support URL: <https://data.oecd.org/agrpolicy/agricultural-support.htm>
(accessed: 10/15/2021).

Based on the analysis of Table 6, it can be concluded that among the world's major agricultural producers, the largest state support in absolute terms in 2020 was received by the agriculture of the EU and the US, respectively, in the amount of almost USD 118 and 97 billion. USD.

In the context of the European integration course of development, the reproduction of the production potential of farms should also be based on a solid institutional framework, which in its own way has already been formed in the countries of the European community. As part of the implementation of the EU-Ukraine Association Agreement, the creation of a new national system of agricultural rural development management should be reoriented to achieve strategic goals with clearly defined effective priorities and mechanisms for its financing and implementation. This is a rather ambiguous and complex process, as Ukraine's current agricultural policy is not in line with the tactics of peasants' survival.

Thus, the speedy completion of administrative-territorial and land reforms should also have a positive impact on the reproduction of the production potential of farms and the overall development of the domestic agricultural economy. And this is where the standards and priorities of the European community should be maintained, in particular in terms of decentralization of power with the transfer of some financial

resources to the local level. The permanent process of reforming public administration in Ukraine should rely exclusively on the farmer who is ready to work and live in a decentralized environment. In our opinion, it is important that family farms "...become the framework for the formation of a territorial community and generators of comprehensive rural development". In this regard, state support for family farms should become a priority area of agricultural development, the efficiency of which will depend on the concept of their development. To do this, it is necessary to limit the monopoly on land ownership and land use with the parallel introduction of a real market, not symbolic, generated by the dictates of monopolies, payment for land (Fig. 5).

This will strengthen the position of farming and promote partnership and cooperation. At the same time, it should be noted that the legal framework in which farms operate is so imperfect that the amendments to the Law of Ukraine "On Farming" do not ensure the implementation of private family farms in a solid legal framework and do not provide economic and social prerequisites for their transformation into family farms. But, as our research shows, the primary goal of the updated Law of Ukraine "On Farming" is to bring all small agricultural producers out of the shadows by increasing their tax burden. That is why we believe that legislative changes should first of all strengthen the social and economic protection of family farmers, increase the willingness and ability of farmers (especially young and middle generations) to manage their own family farms, create a more viable system of agricultural service cooperatives on the basis of family farms, and contribute to the growth of rural producers' incomes by creating a favorable price for their own products.

MARKETING ACTIVITIES OF ENTERPRISES OF THE AGRO-INDUSTRIAL SECTOR IN THE CONDITIONS OF WAR

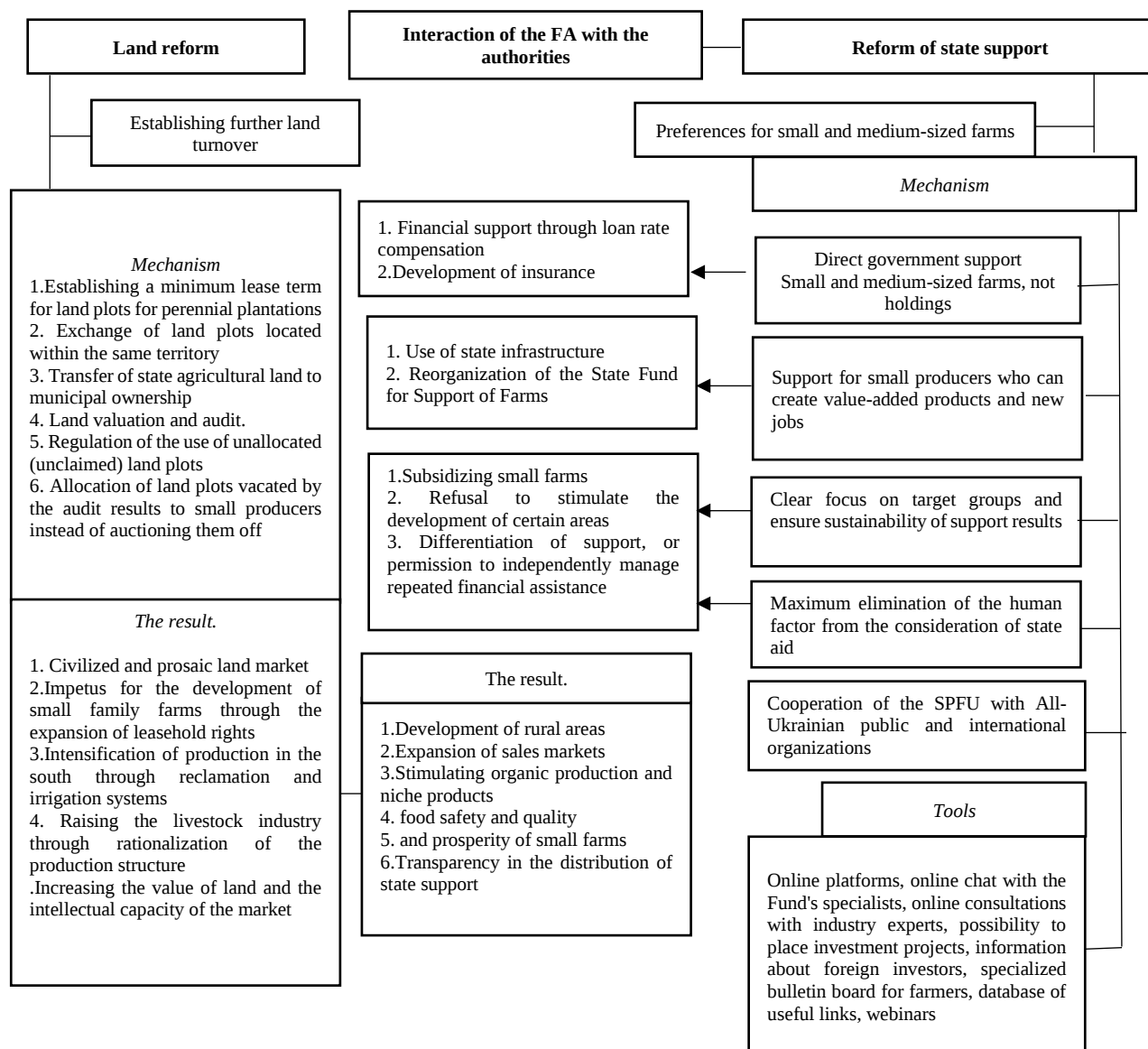


Figure 5. Attributes of the institutional environment of farms

An orderly institutional environment is a prerequisite for the reproduction of the production potential of farms:

- organizational diversity of ownership, farming systems, landscapes, culture and traditions;
- improving the sectoral structure of agricultural production;
- environmental social benefits in terms of responsible management of natural resources;

MARKETING ACTIVITIES OF ENTERPRISES OF THE AGRO-INDUSTRIAL SECTOR IN THE CONDITIONS OF WAR

- social and personal responsibility of farmers for themselves, their families, and communities, and building social capital;
- fostering a system of values and preserving traditions, passing on knowledge and experience of farming from generation to generation;
- personalized interaction of consumers with the food system, when consumers unite with farmers and get direct access to food flows (solidarity agriculture);
- an economic basis for the production of certain types of food, including ecological and niche crops, in accordance with consumer priorities.

To elaborate on the problem in more detail, we note that the defining organizational and economic potential of farming in Ukraine belongs to private peasant farms, which, given a favorable institutional environment, can be transformed by their owners into family farms. This potential is evidenced by the development and management effects of private farms (Table 2) [135].

Table 7

Private peasant farms as a potential economic form in family-type agriculture

Indicator	Unit measurement	2010 p.	2015 p.	2021 p.	2021/ 2010, +/-
Number of farms in rural areas	thousand units.	4915,3	4948,7	4924,0	100,1
Number of farms with employees	thousand units.	2642,1	2676,8	2621,5	99,2
Number of households	thousand units.	4540,4	4 108,4	3921,5	86,4
Area of land owned by the households	thousand hectares	6655,4	6307,2	6120,0	92,0
The average size of the area of the farm	ha	1,47	1,54	1,56	106,1

Source: Statistical collection "Agriculture of Ukraine".

MARKETING ACTIVITIES OF ENTERPRISES OF THE AGRO-INDUSTRIAL SECTOR IN THE CONDITIONS OF WAR

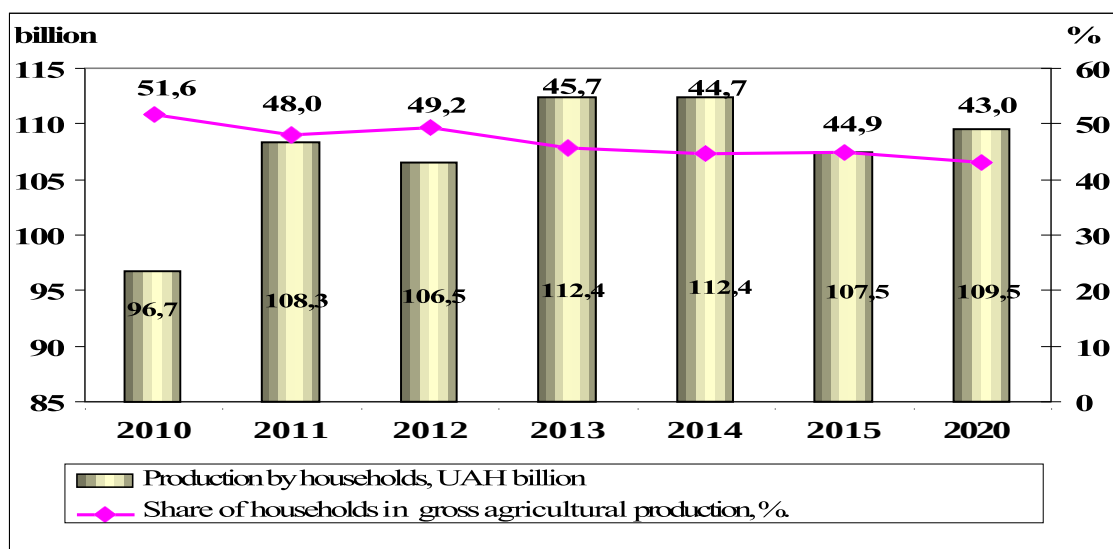


Figure 7. Dynamics of gross agricultural production by households

Source: Statistical collection "Agriculture of Ukraine" 2016.

Legally, these farms are deprived of the opportunity to legalize themselves in the market environment by choosing a family farm as the basic organizational and legal form of management, as they do not meet one of the identification criteria, namely, a minimum land size of 2 hectares.

The same opportunity is also denied to some farms - almost 22% of rural households that currently use land plots with an area of more than 1 hectare, of which 3.6%, or more than 170 thousand farms, use plots with an area of more than 5 hectares (in 2005, there were only 1.9% of such farms). In 2016, the share of such farms in the total land fund used by households was almost 73% (in 2005 - only 66%) (Fig. 8).

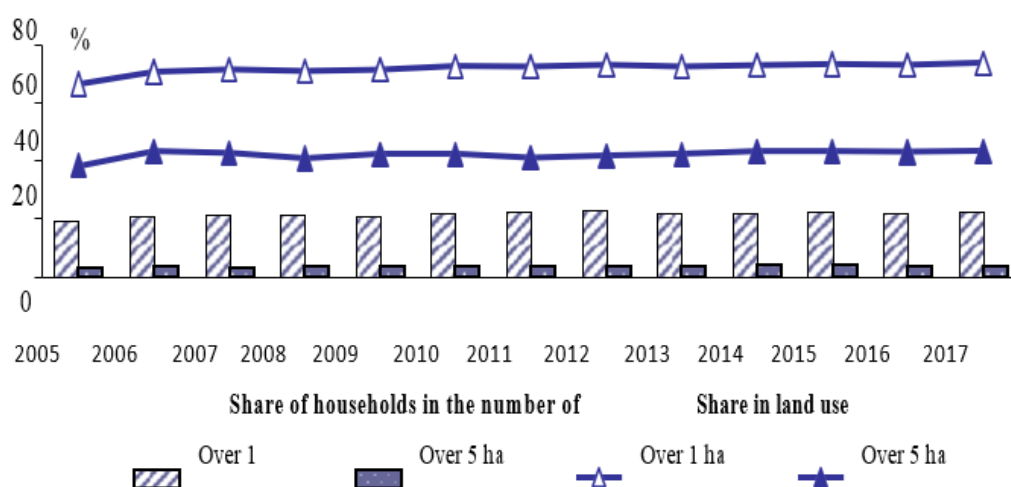


Figure 8. Share of households using more than 1 ha / 2 ha of agricultural land in their total number and the area of land they use

The calculations confirm the conclusion that private households provide a significant amount of gross agricultural output. However, they have probably already reached the limit of productive growth and are a category of forced entrepreneurship whose main priority is food self-sufficiency in the context of peasant poverty.

Conclusions. Thus, farms can be considered full-fledged institutions and the main elements of the institutional environment, which allows them to provide a mechanism for the reproduction of productive potential in conjunction with other institutions.

Hence, the institutional environment for the development of farms is an open, multi-level, dynamic socio-economic system that ensures the interaction of basic and derivative institutions, is the basis for organizing market processes and ensuring the strategic direction of farming development. It is a system of tools for institutions to influence the environment of farms, taking into account elements of both state and market regulation.

The institutional component of farming forms effective formal and informal norms, rules and values. Formal norms and rules (institutions) are represented, firstly, by a set of regulatory documents of different levels of influence on the agricultural market as an integral institutional structure; secondly, by a set of relevant institutions and institutions that directly function and ensure the reproduction of the production potential of farms.

The institutional development of farms is directly related to changes in the economic mechanisms of reforming relations in the agricultural sector, which require effective and rapid changes. In particular:

- labor relations are a basic institution, but in the farming environment this axiom is difficult to reflect in economic indicators: first, in some cases it is difficult to identify the amount of the farmer's own salary, especially when the production process is serviced only by the farmer's family; second, the level of wages in the agricultural sector is significantly lower than the average in the Ukrainian economy, both nominally and in terms of growth;

MARKETING ACTIVITIES OF ENTERPRISES OF THE AGRO-INDUSTRIAL SECTOR IN THE CONDITIONS OF WAR

- there is a violation of the principle of fairness in agricultural pricing, in particular in the distribution of income in the logistics chain, where the farmer's share is the lowest in the retail price;
- institutional support for the development of legal and economic relations of land ownership is a complex problem that requires, first of all, scientific substantiation, including analysis of the processes of transformation of land ownership and economic forms of its use in the context of economic reforms. Incomplete formation of the institutional mechanism in the agricultural sector, in general, and, as a result, inconsistency of contractual procedures for interaction of participants in agricultural relations due to the traditionally low culture of formalization of economic relations causes.

Farms grow institutionally if new resources, including land, are attracted, staff qualifications are improved, etc. Institutionalization, on the one hand, stimulates the entrepreneurial activity of farms, their economic growth on the basis of structural and innovative reproduction of production potential, the establishment and functioning of farming as a socio-economic system, and on the other hand, it helps to overcome contradictions between the economy and agricultural producers. The lack of the necessary institutions in Ukraine significantly limits the main market mechanism - competition, significantly hinders the reproduction of the production potential of farms, the modernization of economic culture, etc.

The institution of farming is the social, economic, and demographic basis for the development of Ukrainian rural areas. The problems of farming as an institution still exist outside the theory and methodology of research on the development of farms in Ukraine. Therefore, the institutional environment should ensure the formation of new rules of the game for the development of market relations in which farms are participants. The system of interaction between institutions, one of which is farming, should be open and able to adapt to changing environmental conditions and market conditions.