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**Evolutary analysis of financial results of agriculture enterprises for  
defining state budget policy**

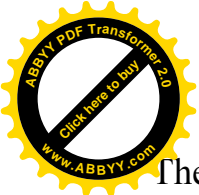
Prokopishyna O., Kopteva O. Evolutary analysis of financial results of agriculture enterprises for defining state budget policy / O. Prokopishyna, O. Kopteva / Grundprinzipien zur Reform des Wirtschaftssystems unter den Bedingungen der europaischenIntegration: Kollektive Monographie. / Pasichnyk Yu. V., Shpak L. O., Kholodzhaian A. O. u.a., Verlag SWG imex GmbH: Nürnberg, Deutschland, 2017. – 304- 320.

Experience of European countries argues that accelerating the development of agriculture, increasing its efficiency and competitiveness in modern conditions are achieved mainly though the intensification of innovation activities, namely, due to the successful functioning of the scientific and technical sector of the industry.

Taking into account the ever-growing dynamics of social and economic changes along with the growing pressure of the world economy, Ukraine should adapt as quickly as possible to the current changes in scientific and technological progress, move on to an innovative way of development in agriculture, and restore strategically important economic sector at a qualitatively different technical level that is conformed to modern trends.

Agriculture plays an important role in the economy of our country, because it has not only a significant share in GDP, in payment and in foreign trade balance, and in the labor market, but also it is an active consumer of goods and services of other industries, and indirectly creates jobs in them. Consequently, it can significantly influence on the development of other sectors and the macroeconomic stability of the state.

Thus, analysis of statistical indicators of agricultural enterprises and level of state support in agriculture and following grounding of prospects for innovative development of agrarian sector of the Ukrainian economy are of urgent necessity.



The main objectives of the research are to analyze main factors that restrain innovation and investments in agricultural business and to develop proposals for the implementation of innovation development of the agrarian sector in the priorities of European integration.

The problems of innovation development in the agrarian sector of Ukraine were studied by such well-known economists-agrarians as V. G. Andriychuk, O. M. Borodina, I. I. Vinichenko, K. B. Voloshchuk, M. K. Koretskiy, M. F. Kropyvko, Y. O. Lupenko, P. M. Makarenko, M. Y. Malik, P. M. Muzyka, O. V. Skydan, O. V. Ulyanchenko, L. I. Fedulova, O. G. Shpykulyak, O. V. Shubravska but still require further studies especially in course of applying European experience of state regulation and support in agricultural sphere.

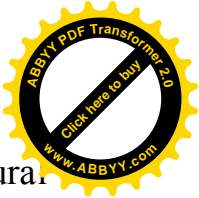
Today the country's agro-industrial complex is the only large industry that grows even in the current difficult economic and political environment. By 2016, the output of the agricultural complex (including hunting and forestry) in the country's GDP was about 12% and in the total employment it was about 17.6% of the employed population<sup>1</sup>.

Exports of agro-industrial products exceeded \$ 10 billion, which corresponds to one-third of all export earnings. The volume of agricultural production, according to the state statistics of Ukraine, for 2016, increased by 2.9% in compare with the same period last year. In 2016, Ukraine updated the record of grain yields once again: there were collecting 64.2 million tons, which is 4 million more than last year. The average yield was 44.8 centners per hectare against 41.1 centners per hectare in 2015. Agriculture consists of plant growing and animal husbandry. In Ukraine, crop production prevails over livestock production at the cost of production. In 2016, the value of produced crop production was 72.7%

Grain and leguminous crops play the leading role in the structure of growing crop production, which is 27.3% of the total agricultural output, the second place of crops belongs to technical crops (22.7%), the next is cultivation of potatoes, vegetable crops and melons (17, 6%). In the structure of animal husbandry, the leading industry is the cultivation of farm animals and milk production, which is

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<sup>1</sup> Report of State Statistic Service of Ukraine[Electronic resource]: - Access <http://www.ukrstat.gov.ua>.



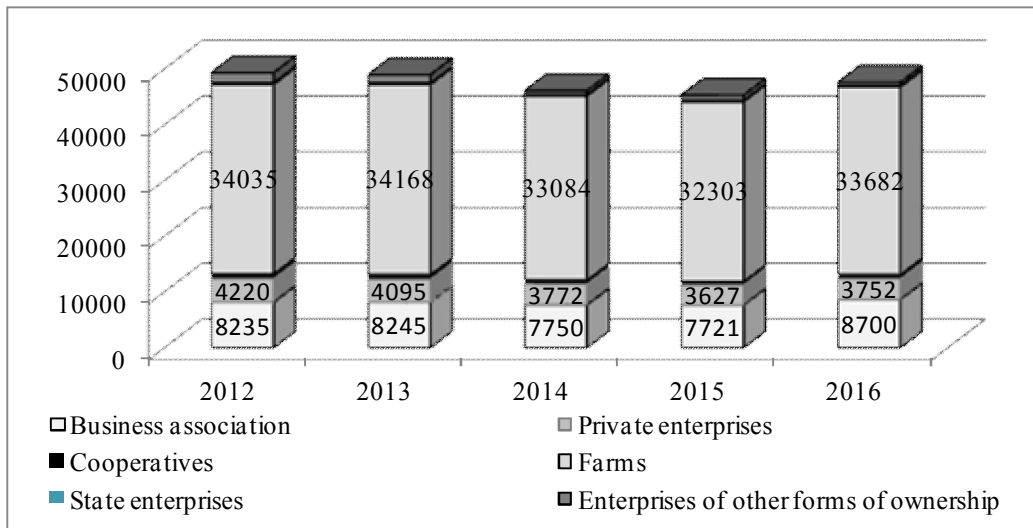
13.3% and 10.3% of the agricultural output respectively. The growth of agricultural production in 2016 is 6.3% in compare with the previous year (tabl.1)

**Table 1. Production of agricultural sector of national economy\***

Production of agricultural products (in constant prices for 2010), mln. UAH	2014 year	2015 year	2016 year
Agricultural products – total amount	251427,2	239467,3	254640,5
Agricultural enterprises	139058,4	131918,6	145119,0
Households	112368,8	107548,7	109521,5
Crop Production – total amount	177707,9	168439,0	185052,1
Agricultural enterprises	105529,5	99584,7	113392,6
Households	72178,4	68854,3	71659,5
Livestock products – total amount	73719,3	71028,3	69588,4
Agricultural enterprises	33528,9	32333,9	31726,4
Households	40190,4	38694,4	37862,0

\* Source: Compiled by the authors based on reports of State Statistic Service of Ukraine <http://www.ukrstat.gov.ua>.

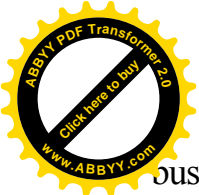
During past 5 years total population has not changed significantly and amounted in 2016 to 47697 business units decreased by 3,47% in comparison with 2012. The structure of a sector by organizational and legal forms of business entities remained relatively constant: economic partnership – 18,2%, private enterprises – 7,9%, cooperatives – 1,5%, farms – 70,6%, state enterprises – 0,5%, and other organizational forms – 1,3%, as for 2016 (fig. 1).



**Figure 1. Dynamic of business population in Ukraine agricultural sector\***

\* Source: Compiled by the authors based on reports of State Statistic Service of Ukraine <http://www.ukrstat.gov.ua>.

The agricultural complex is one of the largest sectors of the national economy. It is aimed not only at providing the population with high-quality and affordable food, but also to achieve the country's food security. The agrarian sector is most prone to the impact of various negative factors of instability, which requires its external regulation. Agricultural



business strongly depend on seasonality and climatic conditions and in comparison with other sectors of national economics demonstrate low profitability and slow turnover. So, even under favorable environmental conditions, its development requires state financial and organizational support. The matter of providing agricultural producers with financial resources undoubtedly deserves scientific attention. The financing of agricultural enterprises today cannot be considered as satisfactory. Many enterprises are not able to realize the principle of self-financing even simple reproduction, which makes the industry investment unattractive.

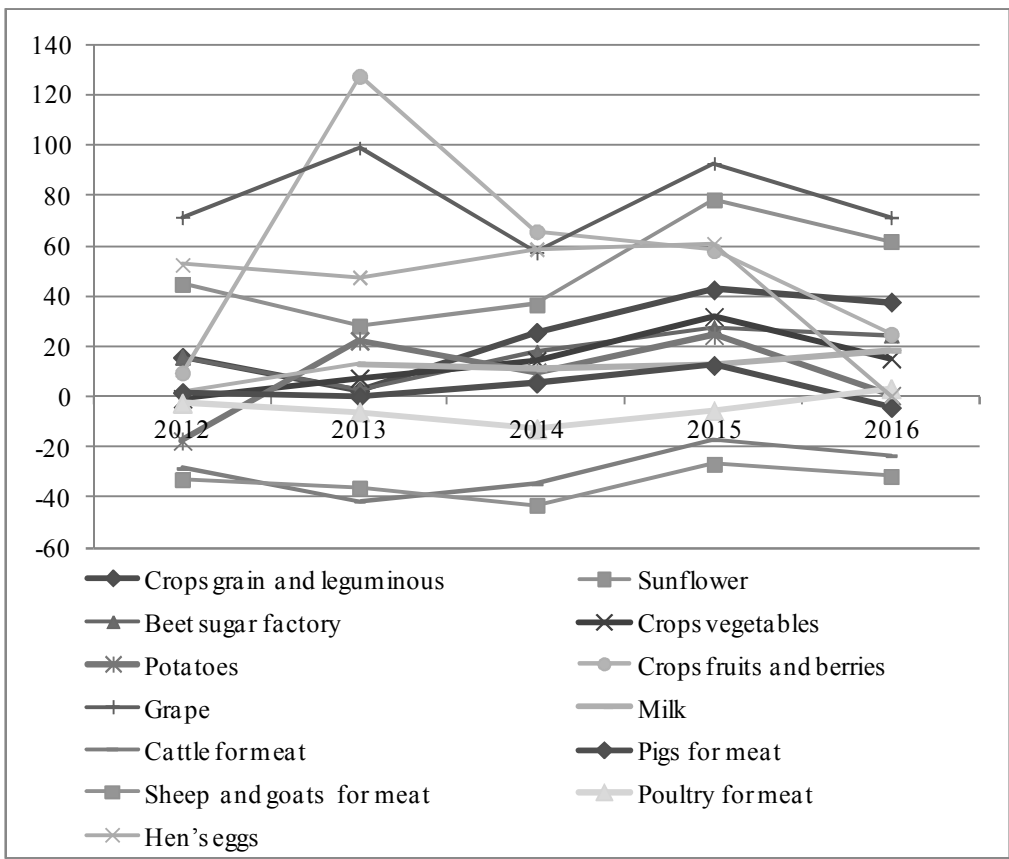
However analysis main indicators of activity of agricultural enterprises (tbl.3) reveals a positive trend in increased profits and reduced losses over the last three years.

**Table 3. Dynamics of income and losses in Ukraine agricultural business\***

Indicator	Years					
	2010	2012	2013	2014	2015	2016
The level of probability of operational activity, %	24,5	22,8	11,7	21,4	43,0	32,7
Net profit (loss), mln. UAH	17253,6	26728,4	14925,7	21413,4	101912,2	89330,8
Profit-making enterprises:						
- in percent due to total amount	69,6	78,6	80,3	84,7	88,9	88,3
- financial result, mln. UAH .	22094,9	33570,1	26186,6	51668,0	127525,5	102230,4
Enterprises that received a net loss:						
- in percent due to total amount	30,4	21,4	19,7	15,3	11,1	11,7
- financial result, mln. UAH .	4841,3	6841,7	11260,9	30254,6	25613,3	12899,6
Number of workers, th. persons	645,2	621,8	579,8	528,9	500,9	507,7

\* Source: Compiled by the authors based on reports of State Statistic Service of Ukraine <http://www.ukrstat.gov.ua>.

The most profitable for agricultural enterprises is production of sunflower, reached the level of profitability of 61,9% in 2016 (fig.2)



**Figure 2. Changes in profitability of agricultural production\***

\* Source: Compiled by the authors based on reports of State Statistic Service of Ukraine <http://www.ukrstat.gov.ua>.

Analyzing the structure of expenditures on agricultural production in agricultural enterprises (Table 4), the main item of expenditure is the material costs, which were included in the cost of production (72.1%), other operating expenses (including rent for land shares (units)) (16.4%), labor costs (5.4%). In 2016 the largest share of material expenses is payment for services and work performed by outside organizations, and other material expenses - 24.1%, mineral fertilizers - 20.5%, feed - 18.4%, as well as seeds and planting material (12, 5%).



**Table 4. Changes in structure of cost of agricultural products\***

№	Cost item	Years				
		2012	2013	2014	2015	2016
1	Salary expenses	9,2	7,6	7,1	5,4	5,4
2	Deductions for social events	3,4	2,8	2,7	1,9	1,2
3	Material costs, which are included in the cost of production, including:	<u>68,7</u> 100	<u>69,7</u> 100	<u>70,5</u> 100	<u>73,7</u> 100	<u>72,1</u> 100
3.1	seeds and planting material	13,9	13,5	13,3	12,5	12,5
3.2	feed	20,8	22,4	19,5	19,2	18,4
3.3	other agricultural production	3,5	1,8	1,7	1,8	1,6
3.4	mineral fertilizers	16,6	16,6	14,6	19,2	20,5
3.5	fuel and lubricants	14,5	13,9	16,1	13,7	11,9
3.6	electricity	2,0	2,1	1,8	1,5	1,6
3.7	fuel and energy	1,9	1,9	1,5	1,4	1,0
3.8	spare parts, repair and construction materials for repair	7,1	6,6	7,4	8,1	8,4
3.9	payment for services and work performed by outside organizations, and other material expenses	19,7	21,2	24,1	22,6	24,1
4	Depreciation	5,3	5,5	5,4	4,5	4,9
5	Other operating costs, including:	<u>13,4</u> 100	<u>14,4</u> 100	<u>14,3</u> 100	<u>14,5</u> 100	<u>16,4</u> 100
5.1	Rent for land parcels	59,2	61,1	58,4	60,3	61,7
5.2	Rent for property shares	0,4	0,4	0,5	0,7	0,4

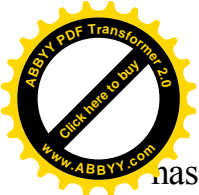
\* Source: Compiled by the authors based on reports of State Statistic Service of Ukraine <http://www.ukrstat.gov.ua>.

One of the factors of successful development of agriculture is state support at the state and regional levels. Its effective implementation helps to create the necessary conditions for sustainable development of rural territories, acceleration of growth of volumes of production and increase of its competitiveness.

Petro Putsenteilo argues that The main direction of state regulation of agriculture is state budget support <sup>2</sup>. It allows to significantly mitigate the consequences of non-equivalence in the commodity exchange of agriculture with other branches of the economy, to ensure the effective functioning of the agricultural production of Ukraine as a whole. Developed countries, where state authorities allocate considerable financial resources to support agriculture, stimulating the modernization of machinery and technology, have received high results in agricultural sphere.

According to valid Ukrainian legislation, the share of expenditures on agricultural financing should be at least 5% of the total expenditure part of the State Budget. The actual amount of funding does not reach the declared rates (Tab. 5). In recent years, there

<sup>2</sup> Putsenteilo P Directions of improvement of state support for agriculture in Ukraine // Accounting and analytical and organizational and legal support of activity of agrarian enterprises. – Ternopil. TNEU. – 2015. – P. 30-36



has been a negative tendency towards a decrease in the share of expenditures of the Ministry of Agrarian Policy and Food in the budgets of Ukraine. Thus, in 2016, the share amounted only to 0.25% of the total volume of expenditures of the State Budget, however, the expenditures of the general fund of the State Budget amounted to 642.3 billion UAH, what is 281.8 billion UAH. more than in 2012.

**Table 5. Dynamics of expenditures of the general fund of the State Budget of Ukraine, bln. UAH\***

Indicator	Years					Deviation (+;-) 2016/2012
	2012	2013	2014	2015	2016	
State Budget Expenditures (total)	360,5	363,6	384,6	554,6	642,3	281,8
Ministry of Agrarian Policy and Food	8,6	8,4	3,5	1,7	1,6	-7,0
Percentage due to total expenditures	2,39	2,3	0,9	0,3	0,25	2,14 B.П.

\* Source: Compiled by the authors based on reports of State Statistic Service of Ukraine <http://www.ukrstat.gov.ua>.

The funding of expenditures from the Ministry of Agrarian Policy is carried out in accordance with the monthly schedule of allocations of the state budget at the expense of the General Fund of the State Budget (Tab. 6).

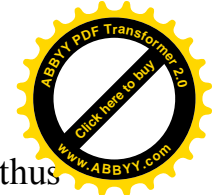
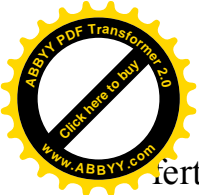
**Table 6. Funding of expenditures under the Ministry of Agrarian Policy of Ukraine at the expense of the General Fund of the State Budget, mln. UAH\***

Expenditures	2014 year	2015 year	2016 year	Deviation 2016/2014
Apparatus of the Ministry of Agrarian Policy and Food of Ukraine	1498,0	674,6	511,0	-987,0
General management and management in the field of agribusiness	45,1	45,7	85,5	40,4
Financial support of activities in the agro complex by reducing cost of loans	-	300,0	285,0	285,0
Research, applied scientific and technical developments, work on state target programs and government orders in the field of development of agro-industrial complex, research and experimental development in the field of agro complex	63,1	46,5	50,5	-12,6
Improvement of qualification of specialists of agro complex	12,9	8,0	7,8	-5,1
Organization and regulation of activity of institutions in the agro complex and provision of activities of the Agrarian Fund	16,4	15,9	49,3	32,9
State support to the livestock sector	250,0	-	300,0	50,0

\* Source: Compiled by the authors based on reports of State Statistic Service of Ukraine <http://www.ukrstat.gov.ua>.

The total amount of financing of the agro complex in total expenses of the General Fund of the state budget has decreased by 987.0 mln UAH for the last two years. Since 2015, financial support for activities in the agro complex has been started also as reducing the cost of bank loans. The state through the mechanism of cheapening short-term and long-term loans has the opportunity to support the enterprises of agro complex and partially compensates expenses for mineral





fertilizers and the cost of complex domestic production equipment, and thus subsidizes farms.

Funding of expenditures from the Ministry of Agrarian Policy is also carried out at the expense of the Special Fund of the State Budget (Tab. 7).

**Table 7. Financing of expenditures under the Ministry of Agrarian Policy of Ukraine at the expense of the State Budget Special Fund, mln. UAH\***

Expenditures	2014 year	2015 year	2016 year	Deviation 2016/2014
Apparatus of the Ministry of Agrarian Policy and Food of Ukraine	1 941,5	200,9	180,8	-1760,7
General management and management in the field of agribusiness	33,5	35,3	37,2	3,7
Financial support of activities in the agro complex by reducing cost of loans	6,7	6,6	6,6	-0,1
Research, applied scientific and technical developments, work on state target programs and government orders in the field of development of agro-industrial complex, research and experimental development in the field of agro complex	5,0	5,0	5,0	x
Improvement of qualification of specialists of agro complex	100,0	100,0	100,0	x
Organization and regulation of activity of institutions in the agro complex and provision of activities of the Agrarian Fund	-	-	32,0	32,0
State support to the livestock sector	888,0	-	-	-888,0

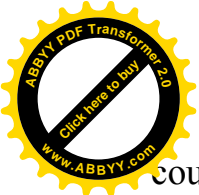
\* Source: Compiled by the authors based on reports of State Statistic Service of Ukraine <http://www.ukrstat.gov.ua>.

The total amount of financing of the agro complex at the expense of the State Budget Special Fund has decreased by 1760.7 mln. UAH for the last two years. Since 2015, the budget program for financial support to the livestock sector has been discontinued, but funds have been allocated for organizing and regulating the activities of institutions in the agro-industrial complex, and also for ensuring the activities of the Agrarian Fund.

However, funding is not the only viable direction of state support. Foreign scholars view state support in conjunction with state regulation and allocate the following mechanisms: tax, budget, monetary, price, foreign trade.

The tax policy for the agrarian sector cannot be considered in isolation from fiscal policy in general. Accordingly, speaking about the uniqueness of tax preferences granted to agricultural enterprises in Ukraine should take into account the effectiveness of the system of budget support for agricultural development in the EU countries and take into account the specifics of taxation of farmers abroad, which is to simplify tax relations, preventing administrative pressure on farmers. In European





countries<sup>3</sup>, the tax system for agriculture is differentiated according to the scale of production and the organizational form of doing business. For large and medium-sized businesses, including agricultural ones, traditional tax instruments are used - corporate income tax, universal excise, property and social taxes. For small businesses (mainly family-type farmers) alternative, simple tax mechanisms are foreseen, aimed at simplifying tax administration.

Taking into account the practice of the current system of taxation of agricultural producers it is expedient to allocate the main tasks of its reform, namely:

equalization of taxation conditions for various categories of commodity producers and types of agricultural activity;

minimization of negative influence on economic decisions of economic entities and their investment activity;

the formation of a sufficient and reliable source of financial resources to finance measures for social development of the respective territories;

preventing the spread of optimization tax schemes that lead to distortion of the economic mechanism in the field and financial abuse, which is especially relevant in the context of a deficit of public financial resources.

Some domestic researchers<sup>4</sup> argue that Ukraine has not created an effective mechanism for state regulation of the agro complex yet and, above all, its state support, therefore the current state of the agrarian sector is critical.

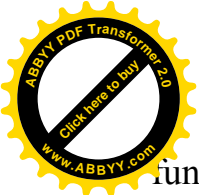
The lack of a single concept, a program adopted at the state level, and organizational measures to stabilize and develop the agrarian sector without the necessary state support had a small effect on its condition, did not solve the problems to achieve the objectives.

In most normative legal acts, state support is perceived as targeted financing from the budget, aimed at supporting priority areas for economic activity of economic entities for the state, targeted measures in the conditions of low efficiency of

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<sup>3</sup> *Agricultural Policy Monitoring and Evaluation 2017/ OECD countries [Electronic Resource]. – Mode of access : <http://www.oecd-ilibrary.org/agriculture-and-food/agricultural-policy-monitoring-and-evaluation>*

<sup>4</sup> *Abramova I.V. Theoretical and methodological aspects of state support of agriculture // Finance, accounting and analysis of economic activity. -2015. - No. 2 (51). 103-113*



functioning of these areas or the total absence of such efficiency. However, an effective lever of state regulation is the pricing system for products that stimulates production. According to O.O. Chernienko<sup>5</sup>, state support should be directed at stimulating the increase of the efficiency of crop production, while payments should be rhythmic and complete according to the budget purpose and provided to enterprises of all forms of ownership.

While developing the mechanism of state regulation, it should be taken into account that support for agricultural producers is instrument of supporting income as well as living standards of the population in rural areas and people involved to agricultural production. Almost all countries applies this instrument and carry out incurred expenses<sup>6</sup>, the world experience also convinces that targeted support for the rational and sustainable, economically balanced agricultural production is the objective of state support.

Today, in the field of state support of the agro complex of Ukraine, the following main directions are defined: development and implementation of various agricultural development programs; support of agricultural producers through subsidies, subsidies and subventions; providing loans to producers on preferential terms; insurance of agrarian sector; development of grain potential. Not only the volume of state support is important, but also the mechanisms of its provision are crucial.

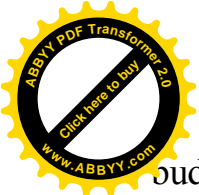
The mechanisms of state support can be differentiated as follows:

depending on the sources of funding: the budget support mechanism (at the expense of budgets of all levels, budget services are provided, as well as programs of regulation of the agricultural sector are developed and implemented; subsidies, subsidies, subventions, compensations are the main instruments), and the extra-

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<sup>5</sup> Cherniyenko, O.O. *Modern problems of the state adjusting of market of sugar // Economy of agroindustrial complex. – 2010. – № 2. – С. 61-65.*

<sup>6</sup> Onegina VM, Shibaeva N.V. *Institutional framework of agrarian policy: Ukrainian realities and experience of the USA and the EU // Economy of agroindustrial complex. – 2016. - №1. - P. 18 - 23*



budgetary mechanism (measures of economic policy that are not need to spend the state budget funds;

depending on the period of action: short-term (up to one year) and long-term (more than one year);

by levels: regional (measures of state support of agrarian business are distributed only within the separate region) and the national mechanism of state support.

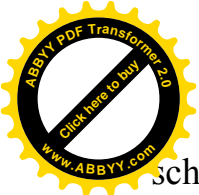
To achieve the goal in the field of agrarian policy, the state uses a variety of tools, in particular financial support for agricultural commodity producers. The state's position in the global market of agrarian products, the realization of export potential of the agrarian sector, the well-being of peasants and the sustainable development of rural territories depend to a large extent on budget transfers<sup>7</sup>.

One of the promising areas of state support is the creation of guarantees and benefits for banks lending to agricultural enterprises. Guarantee funds, which are guarantors within the allocated budget funds, would create favorable conditions for commercial banks to lend to agricultural enterprises.

Another important direction for improving the economic mechanism of state support is to increase the availability of loans aimed at increasing the financial sustainability of the industry. Adapted to the market, the financial and credit sector of the economy should facilitate the fullest realization of the economic interests of all economic entities - not only agricultural producers, but also market institutions. Agrarians should create the necessary conditions for expanded reproduction with the help of credit resources. At the same time, the scheme of issuing preferential loans should be modified. The control over the targeted use of preferential credit resources should be strengthened by combining the control of state authorities with the responsibility of the parties, which is connected with the obligatory observance of the terms of loan agreements. In case of violation of the terms of the contract by the borrower, the state should not assume responsibility for it. It is proposed to use a

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<sup>7</sup> Trusova N.V. *International analysis of the state financial support of agriculture producer* / N.V. Trusova // *Economy of agroindustrial complex.. – 2015. – №10. – P. 32–38.*



scheme of preferential lending, which provides partial guarantees to the borrower state after covering part of interest rates subject to the conclusion of credit agreements with commercial entities.

Seasonality and non-overlapping costs and income generation, resulting in accumulation of debts on agricultural enterprises by fines and penalties, deserve special attention. The introduction of legislation instruments that take into account the seasonality factor would significantly improve the financial situation of the agribusiness.

In general analysis of state support should take into account:

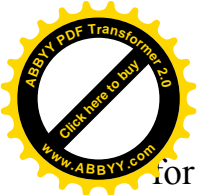
macroeconomic aspects of efficiency, the resulting indicators of which are increasing the competitiveness of domestic agricultural products, the level of protection of domestic producers in the agrarian market, the growth of investment by increasing the investment attractiveness of the industry.

the regional aspect of efficiency is aimed at intensifying the strengthening and use of regional competitive advantages, increasing the investment attractiveness of the regional agro complex.

the microeconomic aspect of efficiency reflects the level of state support for incomes of agricultural producers and stimulation of innovative activity of business entities.

Auxiliary criteria for a comprehensive assessment of the effectiveness of state support to agriculture at the level of economic entities may be: growth of gross value added in agricultural production; increase in investments in the agro complex; increase in labor productivity in agricultural production; increase of tax revenues to budgets of all levels; equalization of wages of workers employed in agricultural production and other branches of the economy; improvement of the social infrastructure of the village (construction of housing, health facilities, preservation of settlements in rural areas, increase of gasification and water supply of rural settlements) and others

At the state level, it is necessary to ensure: creation of a favorable investment climate; development of leasing activity; harmonization of price, tax and credit policy



for the creation of joint ventures with a shareholding of foreign capital; increasing the role of depreciation deductions as one of the main sources of funding; strengthening control by the state for the target budget expenditures in the field of budget financing, subsidization and taxation.

In order to equalize the tax conditions of the economy, preserve investment activity, as well as increase of employment level it is expedient to implement following measures in the field of taxation:

improvement of the tax mechanism by limiting its scope only to economic entities, for which the presence of agricultural land is a key condition for the activity, and crop production is the main (preferred) type of activity;

exemption from taxation of profits of agricultural enterprises specializing in the production of livestock products and indoor vegetable products in the event that they are directed at the development of production (in particular, for capital investments in the development of the material and technical base);

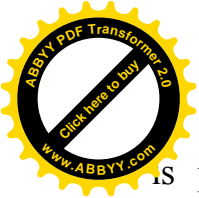
encouragement of agricultural enterprises to participate in rural development programs where they are located;

the introduction of control over transfer pricing of certain economic entities, primarily of economic entities that are not actively involved in the socio-economic development of rural communities at the location of agricultural land;

stimulating rational land use and preventing speculation in the field of agricultural land circulation due to the improvement of the mechanism for charging for land.

Regarding personal farms that are in charge of commodity production and systematically sell agricultural products beyond the established limits, it is expedient to introduce a mechanism for simplified taxation of their income, while providing privileges in the first years after registration, guaranteeing their participation in budget support programs, social protection of the population, promotion of sales products.

In order to ensure the structural adjustment of agro-industrial production and increase the efficiency of state financial support to the development of the industry, it



is possible to improve the special regime for VAT collection in the field of agriculture through its use only for agricultural enterprises, which carry out capital investments in priority areas of development of agriculture, first of all - livestock breeding.

The state should pay more attention to optimize the financing of agrarian science, because of the fact that it is a guarantee of the country's agricultural revival. Priority in increasing the amount of financing of scientific developments in the field of agro complex should be provided to those who ensure the growth of value added, namely, developments in the field of pedigree livestock and soil fertility. It is necessary to provide financing for fundamental research, development of the most important new technologies, and innovations.

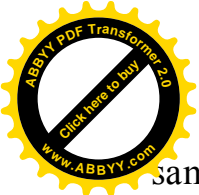
State support in the future should be reoriented from agricultural production in support of individual projects, which are determined by common, previously known criteria, which ensure their high efficiency. By supporting the development of agricultural enterprises, stimulating the creation of agroholdings, the state creates demand, which is the locomotive of the agrarian sector, while creating incentives for the formation of cooperation on the basis of small farms.

The state should not only promote an individual approach to state support for agricultural producers, but also help reduce interest rates on loans, ensure equal conditions of activity in all regions of Ukraine through more effective tax policies, revise transportation tariffs for agricultural producers and encourage the latter to develop their own sales infrastructure, which will help get rid of intermediaries in agriculture and get closer to world agrarian development models industrial complex.

According to the world practice<sup>8</sup>, it is also necessary to shift from stimulating production costs (subsidizing diesel fuel prices, chemical plant protection products) to encourage the final output of production. In the presence of active state support in the country, a full cycle of agricultural production should be created, from varieties of seeds, incubatory eggs, cattle and poultry through agricultural production, industrial processing, and logistic infrastructure to sales in wholesale and retail trade. At the

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<sup>8</sup> Shubravska O. *Innovative transformations of the agro-food sector of the economy: world trends and national realities* / O. Shubravska // *Economy and forecasting*. - 2010. - No. 3. - P. 90-102.



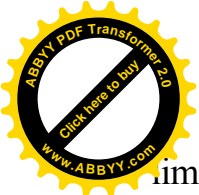
same time, the main efforts should focus on the following areas: to ensure the growth of agricultural production as an important condition for stabilizing the livestock feed stock and, accordingly, to increase export opportunities of the country; to stimulate the growth of meat and milk production; to reduce the dependence on imports of agricultural products.

Unfortunately, analyzing the innovative activity of Ukrainian agricultural enterprises, the successful development of innovation processes in the agrarian sector of the economy has not yet been observed. In the agrarian sector there is an unfavorable macroeconomic situation, such as in the scientific and technological sphere of the industry, remains intact, which in combination with the extremely low investment capacity of agricultural producers substantially limits the conditions for activating innovation activity in the agro-industrial complex.

Agricultural producers, in rather limited amount, use their own innovative developments, as O. Shubravska argues, and they are mostly users of specialized organizations or foreign innovations. There is a diverse orientation of innovative activity of plant and livestock enterprises by its types: in plant growing is dominated innovation of the product (seed material, biopesticides, biodiverse, specialized equipment), or resource innovations, and in animal husbandry are process innovations (foreign progressive technologies of milk production and fattening of livestock, domestic progressive systems of slaughter and poultry breeding).

The main reasons of the ineffectiveness of the innovation process in the agrarian sector are the imperfection of financial and credit support for innovation development, lack of state support, inconsistency of the elements of the mechanism of budget and extrabudgetary financing of innovations, significant monopolization of the innovation market, the necessity for continuous improvement of new technologies, depreciation of equipment and outdated material-technical base, lack of real possibilities to evaluate the results of implementation even on fulfilled orders (demanded by the market), agronomic innovations, low solvency of consumers of innovation, inadequate quality, lack of incentives for agricultural producers to innovate (from the point of view of the ratio of the necessary volume for this expenditure and the obtained results, and the





limited funding & lack of incentives), also there are uncertain prospects of sales of innovative products, insufficient information provision of innovative activities of enterprises and the lack of a clear methodology for the formation of accounting information [4, p. 92-95].

All these factors hinder the effective management of innovation processes. In order to solve the identified problems, first of all it is necessary to create an attractive investment climate, and to introduce effective mechanisms and incentives for increasing the interest in introducing innovations at the enterprise level by the way of:

- ensuring improvement of tax legislation in the framework of promoting innovative activity of economic entities;

- increasing the volume of state financial support of innovation activities, scientific developments according to certain priority directions;

- activating the motivational levers of innovation activity for a national and foreign investor;

- creating conditions for the development of infrastructure that provides financial, informational, consulting, marketing and other types of support for innovative processes.

These measures will enable the use of all necessary mechanisms and incentives to improve the state of innovation policy of enterprises, and solve the problems of its implementation at Ukrainian enterprises.