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THE STATE SUPPORT AND REGULATION OF AGRICULTURAL COOPERATIVE DEVELOPMENT AS A PRIORITY OF AGRICULTURAL POLICY

Abstract

The theoretical and practical aspects of the state support and regulation of agricultural cooperative development are studied in the article. The directions of regulatory policy are determined. The causes that hinder its development have been revealed and the ways of these problems solving have been considered. The necessity to support their development and activity at the national level through the adoption of relevant laws and regulations, programs and ideological propaganda ensuring is considered.

Key words: agricultural cooperative, market research, intermediators, sales channels, competitiveness, economic efficiency, marketing

Introduction

The cooperation in the agricultural sector of Ukraine has always been one of the most important areas of organizational productivity, payback fixed and floating assets, employment, reduction of production. The development of agricultural cooperation promotes free enterprise, stable efficiency; protection of producers from market pressures of monopoly intermediary structures that must be achieved by joint efforts through the foundation of agricultural service cooperatives.

Under market conditions cooperation becomes an ideology of farmers' survival, social and productive need and economic feasibility of management. Under these conditions, servicing cooperatives can become strong competitors to private agencies in the market of agricultural products.

Problems of cooperatives development and functioning in agriculture under modern conditions are discussed in publications of V.V. Zinovchuk, V.K. Zbarskyi, M.I. Malik, V.J. Mesel - Veselyak, L.V. Moldovan, A.O. Panteleymonenko, P.T. Sabluk, O.G. Shpykuliak, and other authors.

A characteristic feature of the present state development of economy's agricultural sector is the inadequate development of service cooperatives. Serving co-operatives worldwide have proven effectiveness in solving problems, namely: to sell products on favorable terms and at affordable prices, to preserve and recycle products together, to provide material and technical facilities at affordable prices and the possibility of buying on credit, to use modern equipment and obtain services at cost in the best way. In the EU farmers through service cooperatives sell at domestic and foreign markets more than 60% of commodity output in agricultural sector; in the Nordic countries this figure is 80%, in Japan and China – 90%. In most countries the scope of cooperative activities covered almost the whole production, processing and marketing of dairy products.

The grain market in Ukraine is developing unsystematically in modern conditions, and it gives reasons to consider grain production to be risky in terms of finance and economy. The most unstable sphere is grain production which is influenced by a number of factors and it produces from 20 to 50 million tons per year. The researches also show the lack of organization and regulation of this market, insufficient coordination of legislation of Ukraine, absence of developed logistic system, poor diversification and monopolization of grain distribution channels etc. All these features exist despite the fact that grain is a strategic product which forms both food security of the country and balance on the world grain market.

Therefore, the efficiency and predictability of the state regulation of grain market is the objective prerequisite of its efficient operation. The strategic approach to the state regulation of grain market and the improvement of legislation can improve the effectiveness of the performance of all agents of this market.

Research methods

The theoretical and methodological bases of the study are scientific works of national and international researchers on the development of grain market export relations.

In the process of research general scientific and economic methods were used: monographic (the study of theoretical problems and generalization of conclusions); accounting and constructive (the justification of exports and imports), selective surveys - the collection of primary data. Data base of research are legislative acts of Ukraine, official data of the Ministry of Agrarian Policy and Food of Ukraine, State Statistics Service of Ukraine, the author's personal observations on the functioning of the grain market and cooperation.

Results

It is a well-known fact that there is no uncontrolled market in the world at the present stage of the development of the society. Every country directs their efforts at elaborating measures to correct the market mechanism which could help to minimize destructive forces at the same time keeping its positive features. State regulation of the economy is the efficient compensation of negative influence of the market mechanism and prevention of negative social and economic consequences. The experience of countries with advanced economies proves that state regulation is an integral part of modern market: a country influences the process of supply and demand self-regulation in the interests of farm producers and the country as a whole.

There are such directions of state support of agricultural production as:

- pricing policy,
- taxation,
- budget support,
- credit backing,
- customs tariff regulation,
- promotion of insurance,
- government's guarantees concerning investment by foreign organizations,

- ensuring profitability of national farm producers,
- formation of equal conditions of competition with foreign producers.

Today price regulation is made mainly by administrative actions such as export restrictions for corn (embargos, quota, and licenses), profitability restriction of flour production, bread and bakery products.

In its turn, the use of administrative regulation misrepresents the situation on the corn market as it leads to the income decrease and losses of the market participants, deepening of the misbalance in income distribution, causing market failures, which again need administrative regulation. Besides, discrepant actions and unexpected for the market participants measures do harm to the country's reputation on the world grain market. In the long-run the Ukrainian exporters will have to restore the lost positions on the world market and the state will need to renew the trust of the market participants.

The state regulation of grain market is the system of economic, financial, legal, organizational and social measures which are undertaken by the country to provide the efficient and the stable development of the market and to provide people with high-quality grain products at reasonable prices.

The state grain market policy is regulated by the Law of Ukraine "About Grain and the Grain Market of Ukraine". This Law is directed at creating the legal, economic and organizational conditions for competitive production and forming grain market to meet the country's needs in food, seed and feed, to increase its export potential.

The state regulation of the economy should be balanced, without replacing the market mechanism, but complementing it only within actions of the economic market laws via checked by the world practice economic and legal levers such as prices, interest rates, tariffs, taxes, credits, securities, depreciation policy, benefits, state order and contract, reserves, subsidies, state duties.

The positive world and domestic experience of the grain selling cooperatives prove the need for creation of such cooperative in every region of Ukraine. On the basis of commitments made to the cooperative the members of cooperative deliver the grain to the district cooperative grain elevators immediately after the harvest of the type of "field-elevator." At the cooperative grain elevator all grain coming from farms is assessed by the qualitative and quantitative characteristics. At the regional cooperative elevator the formation of homogeneous quality of grain parties for further processing or for export is done because the quality of grain depends on its price.

Thus, marketing cooperative society, representing farms will export grain of suitable quality and quantity to another part or sell it to grain processing enterprises which conduct payment for the appropriate amount and quality in time. This relationship between grain processing enterprises and other clients of the cooperative society should be based on the performance of contractual obligations by its parts. It will be appropriate in the cooperative society to have its own transport as it gives more chances for the best grain realization at competitive prices.

Conclusions

Thus, the combination of the principles of free price formation with the economic regulation by the country that is supposed to provide the price equality among grain manufacturers, inputs providers, processors, traders, sellers is an important direction of the state regulation. In the present situation grain manufacturers are in the worst condition as the production costs are growing irresistibly, the prices are low; the efficiency is reducing, so the economic interest in grain production is being lost. This means that the present regulation leads to reducing consumer prices without taking into account the needs of grain producers. The experience of the developed countries proves that the developed pricing mechanisms, should not only protect customers' interests, but ensure certain level of profitability for producers.

State support for the creation of cooperative societies and other non-profit agencies must be the basic component of state agricultural policy. This will create a system of agricultural service cooperative societies, enter the foreign market of agricultural products and make a profit through the joint action of all participants in the process of marketing.

Taking into consideration the indisputable role of grain production in food security of the country, it is necessary to harmoniously combine free market mechanism with the state regulation which is based on economic, financial, legal, organizational and social measures.

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