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**ЕКОНОМІКА ТА УПРАВЛІННЯ НАЦІОНАЛЬНИМ ГОСПОДАРСТВОМ**

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**V. V. Boiko**, Candidate of Economic Sciences,  
Associate Professor**STRATEGIC DIRECTIONS TOWARDS ENHANCEMENT OF THE EFFICIENCY OF UKRAINE'S AGRO-INDUSTRIAL COMPLEX IN CONDITIONS OF MACROECONOMIC INSTABILITY THREATS**

**Abstract.** *The article identifies the key threats that hinder the effective performance of the Ukraine's agrarian and industrial complex in the conditions of macroeconomic instability. The authors define strategic directions of the state policy towards improvement of the economic management efficiency in the agricultural sector. The authors also develop a package of measures to overcome the destabilizing impact of threats of macroeconomic instability and increase the level of performance efficiency of the Ukraine's agro-industrial complex.*

**Keywords:** *efficiency; agro-industrial complex; agriculture; threat; macroeconomic instability.*

**В. В. Бойко**, к. е. н., доцент**СТРАТЕГІЧНІ НАПРЯМИ ПІДВИЩЕННЯ ЕФЕКТИВНОСТІ ФУНКЦІОНУВАННЯ АПК УКРАЇНИ В УМОВАХ ДІЇ ЗАГРОЗ МАКРОЕКОНОМІЧНОЇ НЕСТАБІЛЬНОСТІ**

**Анотація.** *У статті ідентифіковано основні загрози, що перешкоджають ефективному функціонуванню АПК України в умовах макроекономічної нестабільності. Визначено стратегічні напрями державної політики підвищення ефективності господарювання в аграрній сфері. Розроблено комплекс заходів щодо подолання дестабілізуючого впливу загроз макроекономічної нестабільності та підвищення рівня ефективності функціонування АПК України.*

**Ключові слова:** *ефективність; агропромисловий комплекс; сільське господарство; загроза; макроекономічна нестабільність.*

**В. В. Бойко**, к. э. н., доцент**СТРАТЕГИЧЕСКИЕ НАПРАВЛЕНИЯ ПОВЫШЕНИЯ ЭФФЕКТИВНОСТИ ФУНКЦИОНИРОВАНИЯ АПК УКРАИНЫ В УСЛОВИЯХ ДЕЙСТВИЯ УГРОЗ МАКРОЭКОНОМИЧЕСКОЙ НЕСТАБИЛЬНОСТИ**

**Аннотация.** *В статье идентифицированы основные угрозы, препятствующие эффективному функционированию АПК Украины в условиях макроэкономической нестабильности. Определены стратегические направления государственной политики повышения эффективности хозяйствования в аграрной сфере. Разработан комплекс мер по противодействию дестабилизирующего влияния угроз макроэкономической нестабильности и повышение уровня эффективности функционирования АПК Украины.*

**Ключевые слова:** *эффективность; агропромышленный комплекс; сельское хозяйство; угроза; макроэкономическая нестабильность.*

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**Urgency of the research.** Ukrainian agrarian complex is characterized by ineffective operation, considering the existing climate, a powerful resource and production potential and established traditions of managing the rural population. The situation is complicated in terms of increased macroeconomic instability threats that aggravate the transformation process and structural changes in agrarian sphere. Thus, the conditions of uncertainty operation of agrarian complex increase, and it complicates the prediction of the strategic options of the sector and limits the reserves of increasing economic effi-

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ciency in agrarian sphere. This leads to negative follows either economic (reduction of competitiveness, raw orientation of agrarian sector, reduction of investment attractiveness of the agricultural sector, deterioration of products safety, irrational environmental management) or social (loss of income and quality of life of the rural population, the destruction of infrastructure in rural areas, rising unemployment and worsening human capital in rural areas) consequences.

**Target setting.** It is reasonable identification of the key threats for macroeconomic instability that impede the effectiveness of the agrarian sector in Ukraine and determine the strategic direction to clear them.

**Analysis of recent research and publications.** To the study of theoretical and practical aspects of providing effective functioning of agrarian complex dedicated scientific works of scientists such as V. Halanets, M. Khomyak [1] Y. Lopatuynskyi [2] L. Marmul [3], P. Sabluk [4], O. Shabinskyi [5] and others. The authors worked out the problem of ensuring the effectiveness of regional agriculture, formation of institutional agrarian matrix, diagnosis of logistical support in agrarian sphere, improving profitability of agrarian production, development of practical principles of reforming domestic agribusiness and others.

**Non-researched aspects of the problem.** The study questions of strategic directions to enhance the functioning of agriculture of Ukraine in terms of threats to macroeconomic instability is not enough developed by the scientists.

**Target setting.** The purpose of the article is to develop a set of measures of public policy to improve the efficiency of domestic Agrarian complex in terms of destabilizing impact of macroeconomic instability threats.

**The statement of the basic material.** Today the effectiveness of agrarian complex of Ukraine is complicated by the destabilizing influence of macroeconomic instability threats, especially conducting of the warfare in Donbas. The armed conflict in Donetsk and Luhansk regions leads to disturbance of balance in inter-economic relations in agriculture and reduces its attractiveness. Thus, in January and December 2015 the amount of mastered capital investments in agriculture, forestry and fisheries in Ukraine at current prices amounted to 27.9 bn. UAH. (127.1% compared to the same period in 2014), which because of the annual inflation in 2015 - 43.3% significantly limits the options of the efficiency of agriculture and providing of expanded reproduction in this sector of economics [6].

Nearly 35% of Donbas is not occupied and controlled by Ukrainian authorities. Thus, in 2015 in the occupied territories planted only 50% of the projected area of spring crops. In Donetsk region it is 22.000,3 hectares of agricultural land require mine clearance and elimination of fighting. There are 10.6 thousand hectares in Luhansk region. 7 and 9.1 thousand hectares are unmined. The total mined areas and polluted areas is 34 thousand. Hectares. Meanwhile, the agricultural land in the occupied territories carried out the construction of fortifications. In general, agricultural land in Donetsk and Luhansk regions is 26.488 thousand hectares, in the structure of sown areas of Ukraine consists 8.8%, including in the area of agrarian complex 485 and 198 thousand hectares or 1.8 and 0.7%. All agricultural products that are produced by the line of demarcation can not physically get to the domestic food market of Ukraine. At the occupied territories farming is destroyed as a class of socio-economic relations. According to current information, over 30 thousand Ha from Novoazovsk to Artemivsk in Donetsk region are mined areas or are in the combat zone. Only about 6 thousand Ha are unmined [7].

Generated disparities of domestic agricultural market reduces the effectiveness of managing agrarian sector. The aggravation of regional disparities in agricultural production, neglected road transport infrastructure in rural areas, and unformed intersectional logistics linkages increase imbalance of domestic agricultural market, which is manifested in the shortage and glut in regions of certain agricultural products, the excessive number of distribution channels and intermediaries in the market, irrational pricing mechanism for products, industry-imperfect structure of regional agriculture and food stocks unbalanced funds. The situation getting complicated by increased migration within the country, the appearance of a particular social category of people- internal migrants, whose numbers in 2015 is about 1.7 million people [6].

According to the data from The Ministry of Agrarian Policy and Food of Ukraine in the third-quarter of 2015 in most regions of Ukraine there was a shortage of self produced products, such as sunflower

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oil, pork, chicken, buckwheat and sugar. Only Kiev and Vinnytsya region were provided enough. At the same time, Poltava, Rivne, Volyn and Khmelnytsky regions almost did not need products from other regions. However, the greatest imbalance was observed in Lugansk (pork deficit - 13.8%, sugar 86.3%, chicken 36.1%, 64.6% buckwheat) Transcarpathia (lack of sunflower oil - 95.6%, sugar 98.1 % buckwheat 85.5%), Odessa (shortage of domestic produced pork - 23.3%, sugar 88.4%, chicken 85.7%, buckwheat 86.3%) and Chernivtsi (deficit of pork 23.6%, sugar 85, 4%, chicken 15.8%, buckwheat 79.9%) regions. [8]

Imbalances of agricultural production are threatening. Thus, the amount of agricultural production still remains below the rates of 1990. In particular, the index of gross agricultural output in 2015 (in percentage before 1990) was 88.2% and husbandry products - 53.7%. Also, output reduces in short period: in 2015 at constant prices in 2010 produced 239.5 billion UAH of gross agricultural production (to 95.2% before 2014), including crop production - 168 4 bln. UAH (94.8% before 2014), husbandry production – 71.0 bln. UAH (96.3% before 2014). The efficiency of production is characterized by the negative trends. Thus, in 2015 compared to 2014, the amount of gross agricultural output per 100 hectares of agricultural land decreased to 674.2 thousand UAH (95.2%), including crop production - 474.2 th. UAH (94.7%), husbandry products - 200.0 thousand. UAH (96.3%). The amount of gross agricultural output in per person decreased for 5589 UAH (95.6% for 2014). Excessively high is the part of households in total agricultural production, which in 2015 was 44.9%, and the structure of husbandry production - 54.5%. Thus, the smallest part of agricultural enterprises in production by region was noticed in the Transcarpathian (7.6%), Chernivtsi (22.1%), Rivne (31.1%) and Lviv (33.7%) regions. [9] The concentration of significant amounts of production in farms reduces the competitiveness of domestic agrarian complex both in domestic and foreign markets, affects the quality and safety of agricultural products, makes it difficult to monitor the compliance with existing rules and standards for agricultural production. The situation is worsening in the conditions of Ukraine's full membership in the WTO and liberalization of free economic trade with the EU under which Ukraine undertook liability to refuse admission to processors of agricultural products, produced in farms.

Insufficient integration of agrarian sector compounding the impact of threats to macroeconomic instability in the agricultural market of the counties-members of the EU, considering the aggravation of interstate relations between Ukraine and the Russian Federation. Despite the fact that the domestic agrarian complex took the leading position in the export of agricultural products on the world market (based on 2015 1st place in terms of exports of sunflower oil (3.3 million tons). 4th place in terms of exports of corn (16.7 million tons). 5th place in terms of the export of barley (2.3 million tons).) [6] still the level of its integration into the system of market relations with the EU is not high enough, considering the available natural resource potential and favorable transportation and geographical location of Ukraine in central Europe. This situation negatively influence the effective organization of the process of production growth and resource capacity of agriculture, reduces the reserves of formation of GDP, limits sources of tax revenue to the state budget, impeding the new jobs appearing. The main reasons for the lack of development of agricultural markets in the EU are: low competitiveness of agricultural products, excessive bureaucratization export procedures, corruption in the customs authorities and the availability of smuggled flows of products, not enough developed warehouse infrastructure, opaque system of VAT refunds to exporters, undeveloped system of operative information about the state conjuncture market, discrepancies and contradictions in the approaches to certification and recognition of food safety with the EU, complicated access of small and medium producers to export trade instruments.

The ratification and entry into force in 2015 economic part "of the Association Agreement between Ukraine and the European Union" should promote strengthening of integration processes in the domestic agribusiness agricultural market of the EU. This document provides an opportunity for domestic manufacturers to import regulated amount of some products without paying import imposts. Besides, the implementation of the Agreement also provides for the gradual removal of export imposts on domestic agricultural products. In spite of the positive trends from the activation of the Agreement, the volumes of tariff quotas are limited. Regarding this, in May 2016 the quota for grape and apple juices, honey, barley and barley flour, sugar, processed tomatoes, corn, oats, wheat and malt and wheat glu-

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ten are fully used. Basic quota for poultry meat in the first and second quarter was used at 100% (4000 tones on per quarterly). Also, the basic quota for semi-finished products of poultry is fully used, and 67.2% are used for the basic quota for sugar. This year active use of additional quota for chicken carcasses (23% of total quota) has begun. January 11, 2016 has access the EU market for domestic dairy products. However, only 12 of the dairy processing industry have passed quality control and received permission to export products to the EU. At the same time, Ukrainian exporters using export opportunities within tariff quotas only 20 of the 40 available [10].

Considering the identified threats, strategic directions of state policy to enhance the functioning of agriculture of Ukraine in conditions of macroeconomic instability should be: 1) elaboration of the tools of restructuring of domestic agriculture, it's adaptation to the losses in the field of resource capacity and their monetary and financial compensation from the Russian Federation as a result of military intervention in Donbas; 2) getting into a balance the domestic agricultural market, building its infrastructure and logistic support, the formation of inter-industry production and marketing of regional clusters; 3) modernization of production capacities of agriculture, to balance its industrial structure, stimulating of transformation of households into farms;. 4) approximation of domestic agricultural legislation to the principles of the Common Agricultural Policy (CAP) EU, coordination of the national system for food safety monitoring with European norms and standards, to facilitate the access of economic entities of agrarian sector up to the tools of export trade.

**Conclusions.** In order to achieve these strategic objectives to enhance the functioning of agriculture of Ukraine in terms of macroeconomic instability threats is following measures should be taken:

- to activate the process of preparing lawsuits in international arbitration institutions on compensation of damages by Russian Federation, based on the agreement and coordination of the sequence of procedure and legal actions of state institutions, strengthen the system of lobbying of national interests in the international arena, to develop mechanisms of aimed direction of a part of funds, received donor supply to restore lost capacity of agrarian sector;
- to strengthen the work of demining of agricultural land in the liberated territory of Donbas, with simultaneous reintegration in inter-economic relations on the basis of agrarian complex with state financial support for housholding subject and realization of pilot projects on the basis of traditional regional specialization of agriculture and stimulation of the farming households recovery.
- to carry out a systematic program information campaign on popularization of strengths and competitive advantages of regional agriculture, which involves the development of attractive investment passports for a particular area industries to provide clarification to potential foreign investors on availability of safe business environment in the area, where hostilities are not conducted, diversified design mechanisms to attract investment resources on the basis of receiving grant assistance, access to financing from international funds, formation of motivational incentives for reinvestment of profits earned in other economic sectors in the field of agriculture and the formation of multisectoral association of vicious economic cycle in order to increase the chain of formation added value in agricultural production and reduce transaction costs;
- to provide institutional support to the process of adaptation of the domestic market to already formed disproportions and overcome existing imbalances by implementing structural policy of substitution of scarce food production and the optimization of the producing structure of agriculture, logistics systems and forming relationships according to potentials of existing infrastructure, agricultural and horizontal vertically integrated restructuring of inter-branches clusters of supply in accordance with the changing needs of customers, the attraction to the raw material bases and markets agricultural products;
- to develop software support of technical and technological re-equipment of agrarian household entities, especially small and medium farms in husbandry sector on the basis of innovation and the leased assets with the possibility of partial compensation of the value of husbandry enterprises, purchased equipment and facilities from the state and local budgets ensure the formation of economic incentives for the transformation of households into farms on the basis of increasing their marketability and facilitate of the access to wholesale markets;

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– to ensure the approach of national legislation in the field of agricultural development with the requirements and set of rules of the CAP of EU, first of all in terms of the functioning of the agricultural market, providing grants and payments of subsidies by switching from direct support of agricultural producers to finance joint large-scale infrastructure projects, improvement of certification safety food based on the creation of a national system of data management on risk food and feed, harmonization of regulations with the requirements of ISO (International Organization for Standardization), building a network of modern laboratories of control, unifying of the approaches to the identification of cattle; facilitate access of producers of agricultural products to enter the EU market by simplifying the procedure of certification, eliminate red tape and minimize human interfering in customs clearance of cargo, seeking opportunities for increasing exports of agricultural products in excess of the tariff quotas under the "Agreement on Association between Ukraine and the European Union".

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