



KAPITEL 4 / CHAPTER 4 ⁴

MODERN PARADIGM OF UKRAINIAN AGRIBUSINESS

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Introduction

Domestic agriculture is gradually returning to the development model of highly intensive industrial agricultural production. After the catastrophic decline of the 90s of the 20th century and a gradual recovery in the early 2000s, the agricultural sector of the economy has actually reached a new level of economic development thanks to innovations and modern industrial production technologies, the best evidence of which is the year 2021.

Currently, the agro-industrial complex is an important sector of the national economy, which combines various types of economic activity related to the production of agricultural products, food products, as well as their delivery to the final consumer. About 10.8% of the gross added value and almost 9.3% of the entire GDP is formed in this industry. Therefore, agro-industrial complex is one of the strategic budget-forming and export-oriented sectors of the national economy. Of course, there are also certain problematic aspects of assessing the effectiveness of the current model of agricultural production development, which are related to the formation of an unbalanced structure of industry specialization, when the gross production of crop production significantly exceeds livestock production.

4.1. The current state of development of the agricultural sector

In general, during 1991-2021, cardinal transformational changes took place in the agrarian sector of the economy, associated with the reform of the system of land relations and the formation of market relations and various forms of management. Positive processes are due to the results of economic activity of new organizational and legal structures of the market type as a result of the implementation of the scientific foundations of agrarian reform of agriculture, as well as due to significant capital investments and the introduction of new technologies. However, the climatic factor influencing the development of the agrarian sector of the economy cannot be ignored. According to our expert assessments, there is an assumption according to which, in general, every three years after a period of the year that is quite favourable in terms of

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agroclimatic conditions, its repetition is observed,

Currently, in the conditions of a rather changeable conjuncture of the global and domestic agricultural market, domestic producers have a number of sustainable competitive advantages. In particular, the significant agro-bioclimatic potential for increasing the production of agricultural products, its high quality and safety, which is confirmed by international recognition, as well as a convenient logistical transport location. At the same time, one of the disadvantages of the modern development of domestic agricultural production is the dominance of the raw material-oriented direction of its development, which causes the high dependence of this industry on the global food market and world prices.

It is also worth noting that the effective and permanent activity of agricultural agro-formations, which work on the basis of market relations and private ownership, must take into account new requirements for the producer and his strategy of competitive development in modern economic conditions of management. Without the use of modern technologies for growing agricultural crops, high-quality seeds and new varieties of plants and breeds of animals, it is quite difficult to withstand competition, therefore, only the comprehensive implementation of scientific developments in practice will allow to achieve high productivity indicators, which is the basis of intensification and profitable management of agricultural production.

4.2. Analysis of agribusiness development trends

Agribusiness is a branch of the economy related to the production, sale and processing of agricultural products. Modern agribusiness can be subject to numerous changes and trends, such as:

- *technological progress*(the introduction of new technologies in agriculture can improve production efficiency, increase yields and reduce costs).
- *establishment of environmental standards*(global attention to ecology may lead to increased demand for environmentally friendly products and production methods).
- *changes in consumer habits*(a change in dietetics and the demand for healthy products can affect the production and sale of agricultural products).
- *digital transformation*(the application of information technology, artificial intelligence and analytics can optimize the production and management processes of agribusiness).
- *globalization*(the development of international trade can stimulate an increase



in the export and import of agricultural products).

➤ *sustainability and social responsibility*(growing interest in sustainable development and social responsibility may affect agribusiness practices).

The European integration guidelines of Ukraine require domestic agribusiness to comply with a number of sanitary and phytosanitary measures in the context of ensuring the safety and quality of agricultural products. Regulation of such events in Ukraine is handled by the State Service of Ukraine for Food Safety and Consumer Protection (State Food and Consumer Protection Service), which also adapts the realities of the national agrarian economy to EU requirements and brings us closer to global food quality and safety standards. The State Food and Consumer Service is designed to control the entire food chain "from the farm to the table."

The priority of the development of the national agricultural sector is determined by the exceptional importance and irreplaceability of plant and animal products in the life of man and society, as well as the defining role of our state as one of the world leaders - producers of agricultural products and the guarantor of global food security. As can be seen, in the modern conditions of waging a full-scale war on the territory of Ukraine, the state agrarian policy needs a significant transformation, a certain change of vectors, priorities and directions, the development of effective means of achieving the declared strategic goals in the conditions of martial law, including taking into account the need to create conditions for post-war revival of the potential of the agrarian sector and the agrosphere as a whole.

4.3. Agribusiness in wartime

Waging a full-scale war on the territory of Ukraine leads to the emergence of real threats in the areas of food, agro-ecological, and energy security, both at the national and global levels. The war caused huge losses to farmers and the agricultural sector as a whole. Today, the agricultural sector is a direct victim of the war. Only direct losses of agricultural assets as of January 1, 2023 reached 7.8 billion dollars. [1].

They include:

a) damage caused to assets used in agriculture: agricultural machinery, granaries and other objects of agricultural infrastructure, livestock of agricultural animals, perennial plantations, production facilities, manufactured products, etc.;

b) damage caused to soils. Most of the territories where active hostilities are taking place are occupied by agricultural land - fields, hayfields and pastures.

The state's modern agrarian policy should be implemented, first of all, in such



areas as:

- a) safety (guaranteeing food safety, ensuring agro-production, agro-energy and agro-ecological safety);
- b) the direction of stimulating agribusiness in extremely difficult conditions of waging a full-scale war (financial, grant, tax support, etc.),
- c) the direction of compensation for the damage caused by the military aggression of the Russian Federation to the agricultural sector and agricultural producers;
- d) the direction of digital transformation of relations in the field of agribusiness;
- e) the direction of post-war recovery and ensuring the sustainable development of the agricultural sector. [5]

Certain steps have already been taken towards the realization of some of the stated goals. Thus, with the aim of introducing new instruments of financial support for agribusiness entities under martial law, the Resolution of the Cabinet of Ministers of Ukraine dated June 21, 2022 "Some issues of granting business grants".

The Food and Agricultural Organization of the United Nations (FAO) within the framework of the project "Complex, competitive and economically rational creation of value-added chains in agriculture, fisheries and forestry" introduced the program "Grant support for micro and small producers of agricultural products" [5]. The priorities of this grant support program are:

- 1) gender equality and justice (support for farms headed by women);
- 2) promoting the participation of young people (up to 35 years old) and other vulnerable groups in agriculture;
- 3) promoting the implementation of climate-oriented methods of agriculture;
- 4) promoting the development of geographical indications or the production of organic products.

4.4. Directions for increasing the efficiency of agribusiness

Among the modern directions of agrarian policy, the defining one is "Agrarian policy in the era of technological revolution 4.0" - a direction that has been on the agenda for the last 10 years [8]. The implementation of tasks and the achievement of sustainable development goals in the European space is subject to an increase in the amount of financial support for agriculture and rural areas. Within the framework of the EU CAP, support for the goals is provided by the European Agricultural Fund for Rural Development (EAFRD). The EAFRD budget for 2022-2027 amounts to more than 95.5 billion euros and provides for a gradual transition to the new common



agricultural policy of the European Union in the period 2023-2027, which is focused on the key goals of sustainable development and the accepted concept of the further development of the Green Deal atmosphere.

The new unified agrarian policy of the EU countries envisages the achievement of ten goals of sustainable development of rural areas:

- 1) ensuring a fair income for farmers;
- 2) increasing the level of competitiveness of farms and products;
- 3) increasing the share of agrarian participation in the food value chain;
- 4) prevention of negative climate changes;
- 5) preservation of the environment;
- 6) preservation of landscapes and biodiversity;
- 7) support for the change of generations;
- 8) revitalization and development of rural areas;
- 9) improving the quality of food products and protecting the health of the population;
- 10) stimulation of knowledge and innovation.

In addition to joint budget financing from the EAFRD within the framework of the new agrarian policy, each region undertakes to provide institutional financial support for the sustainable development of rural areas: 1

- ✓ 0% of all expenditures of the country's budgets should be directed to the redistribution of income in favour of small and medium-sized farms;
- ✓ at least 3% of payments must be directed to investment support for young farmers;
- ✓ 10% of the funds of the country's budgets are directed to the support of biodiversity;
- ✓ 15% of all operating costs should be directed to environmental protection [7].

The financial component of the mechanism of institutional support for the sustainable development of agriculture in the EU is supplemented by funds from the Horizon Europe funds in the amount of an additional 10 billion euros. [6]

In the near future, the key guidelines for intra-corporate institutional support for the implementation of the concepts of sustainable development of domestic agricultural business entities should be:

- 1) a change in the paradigm of thinking and perception of the concept of sustainable development by business, personnel, and consumers of the agricultural company's products;
- 2) formation of a system of common goals, priorities and tasks for the development of agribusiness, rural areas and society;



- 3) creation and increase of value and its parts in the sectoral agro-product chain;
- 4) satisfying the economic interests of owners and investors, taking into account the interests of society, personnel, the population of rural areas, current and future generations;
- 5) activation of processes of implementation of programs of social responsibility to society and the company's personnel;
- 6) transparency, a high level of trust, responsibility and the social nature of conducting agribusiness;
- 7) acquisition of long-term competitive advantages based on fundamentally new values of sustainable development of agribusiness and rural areas;
- 8) corporate social reporting.

The sustainable development of agriculture is part of the general global concept of sustainable development until 2030, which was adopted at the UN summit in 2015. The main emphasis of the concept of sustainable development of agriculture is the orientation towards meeting the needs of humanity (under the conditions of improving the quality of life of the population) under the conditions of preservation and restoration of bio- and ecosystems. FAO defines the following principles of sustainable development of agriculture: increasing the efficiency of resource use; preservation, protection and improvement of biological resources; protection of rural areas and improvement of the quality of life of the rural population; increasing the resilience of people, communities and ecosystems; responsible and effective management mechanism, as a condition for ensuring the sustainable development of agriculture and rural areas [4].

The strategic plan of the European Union SAP, which will come into effect in 2023, envisages a significant impact of the "green" course on the sustainable development of agriculture and rural areas [8].

Key principles and strategies for achieving sustainable development of agribusiness:

Conservation and responsible use of natural resources: Implementation of practices that protect soil fertility, conserve water resources and promote biodiversity.

Climate-adapted agriculture: Using technologies and practices that help reduce the impact of climate change, as well as increase the resilience of agribusiness to climate change.

Effective resource management: Use of efficient agricultural practices to reduce losses and optimize resource use.

Social responsibility and fair labor practices: Ensuring fair pay, safe working conditions and equal treatment of workers throughout the agribusiness supply chain.



Technologies and innovations: Implementation of modern technologies and innovations to increase productivity and reduce negative impact on the environment.

Diversification and added value: Supporting agribusinesses in expanding their product range and value chains, which will help reduce dependence on a single type of crop or market and improve economic sustainability.

Responsible provision and management of supply chains: Ensuring ethical and sustainable sourcing and sourcing of ingredients and products, and maintaining transparency throughout the supply chain.

Personnel development and education: Investing in training and education for rural people and stakeholders to increase understanding and promote implementation of sustainable development.

Policy support and incentives: Governments and institutions can play a key role in promoting the sustainable development of agribusiness by providing enabling policies, regulations and financial incentives for the adoption of sustainable practices.

Cooperation and partnerships: Fostering collaboration between different stakeholders, including governments, the private sector, NGOs and local communities, to jointly address the challenges of sustainable development.

Conclusions.

Successful development of agrarian business in Ukraine under modern conditions is impossible without taking into account key trends related to solving the most important environmental, social, and economic issues for society. The totality of these areas of activity of companies, the development of industries and national economies in world practice was systematized within the framework of the concept of sustainable development, which today is becoming the basis for all developed countries and is becoming the economic foundation for the existence of future generations.

Ukraine strives to increase the level of competitiveness of the national economy on the European and world markets, to join the leading economic communities of the world, and tries to ensure a high level of the quality of life of the population and food security. Solving current and strategic issues of ensuring a decent level of well-being of current and future generations requires the implementation of sustainable development concepts in the economic activity of Ukrainian agribusiness subjects already today.