

## CURRENT POLICY APPROACHES TO PRICING IN AGRICULTURE UKRAINE

### СУЧАСНІ СТРАТЕГІЧНІ ПІДХОДИ ДО ЦІНОУТВОРЕННЯ В АГРОПРОМИСЛОВОМУ КОМПЛЕКСІ УКРАЇНИ

*The article is devoted to developing improvements in key directions of government regulation of the economic activity of agricultural enterprises. The author substantiates the necessity of including the price of land into the price of agricultural products, using the single method of determining the profit margins for all sectors of the economy. The main direction of improving pricing mechanism of the agro-industrial complex is an integrated approach to pricing at all the stages of reproductive cycle and using the single for the economy methodological framework, a gradual transition from adjustable to free prices with an active role of the state in providing equivalent exchange, restricting prices for a monopoly's products and gradual approaching domestic prices to international ones.*

**Key words:** agro-industrial complex, agricultural enterprises, price control, pricing mechanism, price parity, financial resources, government regulation.

*Статтю присвячено розробці удосконалення основних напрямів державного регулювання господарської діяльності аграрних підприємств. Обґрунтована необхідність включати вартість землі в ціну сільгосппродукції, використовуючи єдину методіку визначення норми прибутку для всіх галузей народного господарства; основним напрямом вдосконалення цінового механізму АПК є комплексний підхід до формування цін на всіх стадіях відтворювального циклу із застосуванням єдиної для всього народного господарства методологічної бази, поступовий перехід від ре-*

*гульованих до вільних цін при активній ролі держави у забезпеченні еквівалентного обміну, обмеження цін на продукцію монополій та поступове наближення внутрішніх цін до цін світового ринку.*

**Ключові слова:** агропромисловий комплекс, аграрні підприємства, регулювання цін, ціновий механізм, ціновий паритет, фінансові ресурси, державне регулювання.

*Статья посвящена разработке совершенствования основных направлений государственного регулирования хозяйственной деятельности аграрных предприятий. Обоснована необходимость включать стоимость земли в цену сельхозпродукции, используя единую методику определения нормы прибыли для всех отраслей народного хозяйства; основным направлением совершенствования ценового механизма АПК является комплексный подход к формированию цен на всех стадиях воспроизводственного цикла с применением единой для всего народного хозяйства методологической базы, постепенный переход от регулируемых к свободным ценам при активной роли государства в обеспечении эквивалентного обмена, ограничения цен на продукцию монополий и постепенное приближения внутренних цен к ценам мирового рынка.*

**Ключевые слова:** агропромышленный комплекс, аграрные предприятия, регулирование цен, ценовой механизм, ценовой паритет, финансовые ресурсы, государственное регулирование.

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**Introduction.** Price is the main source of their own financial resources, and therefore price parity plays a leading role in shaping key indicator of financial condition – profitability. Agricultural production is an area of significant risks, because the desire to stabilize the income of agricultural producers – an important direction of agricultural policy. Agriculture has significant shortcomings of the current pricing, which caused two key unresolved issues of agricultural price policy: providing an equivalent level of prices and its stability under conditions of constant and intense inflation.

Price production, which is a requirement of offers on the market is faced with the possibilities of demand, and the result is a market price equilibrium. In this model the local market price is valid for a particular region. National market determines prices are national, and the process of globalization creates value and price of the world market. Between the local, national and global markets is always a price difference. However, with the elimination of customs barriers, improve technology and delivery and storage of whole market infrastructure growing trend towards convergence of local and world prices. Today a grow-

ing cross-border freedom of movement of goods, the ability of modern technology to store and move food products at any distance form as a permanent pattern of convergence in prices of food markets. Therefore, to determine the extent of compliance with the equivalence of linkages in national agricultural domain should be comparing the proportions of domestic and world prices of purchase and sale.

Thus, if the dynamics of domestic and world prices is such that approaches, that is convergent trend should talk about strengthening pricing equivalence (parity). For the opposite dynamics of internal and external prices, that is, their divergent movement, there is an increase of the price disparity.

**Analysis of recent research and publications.** Background improvement of main directions of state regulation of economic activities of agricultural enterprises, pricing, providing self-financing in agriculture is determined by many domestic scholars. Among the scientific works of this subject should be noted P.T. Sabluk, I.I. Lukinova, M.A. Latynina, O. Oliynyk, J.O. Ulyanchenko, V.V. Yurchushun, O.M. Thorn and others.

**Setting objectives.** Prove regularity complement regulation mechanism of state agricultural enterprises tools through the price mechanism as the main policy lever to stimulate agrarian reform.

Identify the main ways of improving pricing in terms of reforming agriculture policy and regulations on capitalization value of land and include the cost of agricultural land in the capital to ensure the normal process of expanded reproduction in the agricultural sector.

The purpose of the article – to justify the directions of improvement of the financial mechanism of price regulation in the farming industry.

**The main material research.** The revival of the agricultural sector is not possible without state regulation of prices in the agricultural trade. Need the multi-state program aimed at weakening noticeable disparity in prices and control system for its implementation. The current price level and volatility of agricultural production do not provide favorable financial conditions for sustainable development. Further development of the strategic directions of financial support to the agricultural sector should be aimed at increasing the aid budget to agricultural and real increase in purchasing power to increase the capacity of the domestic food market.

If the prices of goods used for agricultural production, high, should be high and the prices of agricultural products. Since this relationship is not, there exists some unprofitable livestock and crop. By the laws of market economy unprofitable production self-destruct. Thus, the first objective should be to rebuild the economic mechanism, to adapt it to market requirements.

In such a pricing category as the rate of return is still theoretically and practically not processed. It is important to find a certain level of profitability, which could provide the expanded reproduction, and it is advisable to enter all areas of material production rate of return considering all advanced capital. Special attention should be paid to the price of production. In agriculture, as in other areas, it must recover costs and provide an adequate return on capital advanced, taking into account the period of its turnover.

The greatest wealth of Ukraine – the land – not actually involved in the formation rate of return. Adjust the rate of return should be the basis of state interests, individual industries, manufacturers and entrepreneurs, consumers. Land is the primary resource for agricultural production, so it is necessary to determine its value. At the national level, priority is given to rent land assessment, but, in our opinion, it does not meet the market economy of today.

Reproduction of natural resources in modern conditions can not be regarded as a purely natural process. Today, almost all types of natural resources became economically reproducible. Therefore existing division of natural resources in the reproducible

reproducible and not highly conditional. The basis of the valuation of the land should be based on the cost of its reproduction. Today plays all resources, other than natural. Natural resources, including land in agriculture – the only kind of resources that is taken into account in planning practice. Of course, land valuation should take into account supply and demand. But it is not necessary that raising household consumption may lead to increased demand for land and the price of it. In this case, if a deviation occurs, the state must intervene in the land market and regulate it.

We believe that this method of valuation of the land will take account of differential, absolute, monopoly rents. Assessment of natural resources will save labor or avert losses in the future. Knowing each term exhaustion of natural resources, can form a foundation of their compensation, including land fund playback.

Earth – the specific means of production, whose useful life is unlimited. Other means of production have a shelf life (physical and obsolescence). Earth has no obsolescence, but its effective use depends on the equipment and technologies used in it. Improper land use leads to physical deterioration, which indicates that the process of land use should be depreciation. The amount of depreciation of land costs should be defined for its preservation, maintenance and increase fertility. Inclusion of amortization of leased land will facilitate rational land use.

Accordingly, we conclude on the need to include the land value in the price of grain.

We must now determine the model price. According to well-known Ukrainian scientists P.T. Sabluk and A. Thorn progressive direction of improving the system of purchase prices in agriculture can be considered strengthening their focus on model prices when net income formation in price not carried out in proportion to the cost, and with all assets, including land. Progressiveness and prospects of this model lies in particular in that it provides a single methodological approach to pricing in all areas of agriculture, its advantage lies in the fact that it is more in line with the task of increasing economic independence of the company [2, p. 3-8].

Market mechanisms can not ensure equivalent exchange of goods between town and country, as evidenced by the practice of developed market countries. Only state intervention in the redistribution of national income through the budget system allows you to keep agriculture from bankruptcy. In the final price of goods and services not only increased the share of fuel and energy, transport monopolies, but also communications services, trade and finance. This led to a decline in the share of direct producers in the final price of products 2-3 times.

Of the range of measures for the withdrawal of Agriculture of the situation, to get financial support can not all. One of the measures can be to estab-

lish guaranteed prices. Guaranteed prices apply if the average market prices are lower than the guaranteed, as well as the realization of agricultural products directly to the state or during surcharges producers in the farming industry.

Guaranteed price should provide agricultural producers considering other forms of state aid, revenue sufficient to expanded reproduction. In fact, the prices set by the state often do not provide revenue sufficient even for simple reproduction, primarily due to lack of budget.

Guaranteed purchase prices must be approved each year by the administration of the region offers Agrarian Policy of Ukraine, taking into account price, consisting of the market and subsequent indexation for inflation. For the implementation of effective state regulation, identify its boundaries should first know the cost of agricultural products produced. She is regarded as the benchmark, which determines the importance of its justification in the formation of prices. Therefore, you should determine the methods of calculation. It makes no sense to focus on the costs established on the basis of any backward agricultural enterprises, and in general, any particular company, because the budget is not enough funds for compensation of losses. Cost per unit must be economically and technologically reasonable and depend on nature-climatic conditions of the region.

Economically feasible, in our opinion, is the definition of standardized production costs through process maps which costs are calculated for technically justified norms established based on technology that reflects the current level of technical support, production and labor. Should be a baseline cost, calculated based on flow charts provided the science-based cultivation technology on the basis of prices prevailing. To ensure the expanded reproduction is necessary to increase the price of the interest rate on credit resources.

The next line regulation of economic relations with other sectors should be combined with a system of indexation that is more responsible market economy. Cost-effective measures to regulate agricultural prices is the establishment of the procurement structures so-called intervention fund, which is a certain inventory acquired purchaser. In case of increased demand and the extraordinary increase market (stock) prices used to fund its maintenance by grain on the market. In case of emergency cheaper grain collectors buy it, thereby reducing supply.

Thus, the combination of elements considered rational market pricing of public means of influence on this process and economic regulation. That way you can stop the negative developments in the economy of agriculture, accelerate the development of the stabilization of AIC.

Economic relations at all stages of production and marketing should be based on the criterion of equal

partner benefits. Regulator implementation of this criterion is to become equal to the income that each participant should receive vertical integration on invested capital the same rate of return. If a known value of the land, guaranteed price and its value is determined based on the future harvest, will be the basis for lending, taxation and insurance. If the problem solve the village earns economy [4].

It is necessary to cover the positive difference between the cost price and the market price prevailing at the time of sales. Thus, we can provide at least a minimum level necessary for the development of agricultural producers. This will stop the growth of agricultural debts to other sectors of the economy and the budget. In addition, more efficient economy will be able to profit, provided the cost of production in them is lower than in technological maps. Earnings will also be in the event that market prices will be higher than the cost.

This method of supporting agricultural producers has several advantages: the relative simplicity of calculations; transparency of government support schemes; Prevention acquisitive attitude farms to their allocated funds; equal conditions for all producers; allocated a small amount of money (even if 30% reimbursement of the cost by using local resources to fund the purchase of food can contribute to the number of products, which is almost 3 times the volume of purchases in the fund) [1, p. 19-20].

The essence of government regulation on the regional level is to use price and non-price, direct and indirect methods, the executive and the legislature region contributed to the formation and development of market economy, its infrastructure, create the necessary conditions for the adaptation of producers to market conditions and therefore, ensure food security of the region.

Pricing policy should solve the main task – to bring agriculture to break-even basis – and should be directed to:

- Ensuring at least the simple reproduction of production in key sectors of agriculture through the introduction of price support (mortgage prices) of agricultural products for which the quota is set within food security;

- Stabilization and the creation of economic conditions for extended reproduction based on respect price parity by the introduction of free pricing and, if necessary equivalent prices (prices extended play);

- The implementation of a gradual shift from direct regulation of prices through a mechanism equivalent to the introduction of indirect impact on the incomes of agricultural producers through financial and credit instruments and insurance regulation [3, p. 398-400].

Support prices are determined on the basis of sectoral regulatory costs and minimal profit (at the level of simple reproduction of production) to implement in practice the basics of break-even in commercial pro-

duction. Support prices and incomes carried through redress commodity difference between the price support and the actual average market price (provided that it is below the price support) within the limits of quotas products. Equivalent prices are formed based on industry standard costs and average rates of return in industries serving agriculture to advances in the production of capital, including the cost of land under its entry in the market turnover.

State programs are annually determined by the type and scope of production quotas, price level and equivalent support price. The quotas for those products that are promoted through prices between producers allocated on a competitive basis. The rest of the products offered on the agricultural market through a system of trading or otherwise at market prices.

In order to support price controls and equivalent commodity prices and incomes should create a fund of government support prices and incomes in agriculture and to provide the funds to state and local budgets. In order to eliminate the price dictates of the monopolistic enterprises that supply agricultural inputs, processed agricultural products, measures should be taken for their monopolization, forming an extensive network of businesses to service agriculture and competitive, strengthen competition controls the formation of prices for resources.

If within a year of significant inflation should be performed monthly price index and equivalent support price based inflation growth of total production costs.

Actively protectionism should be made to protect potentially competitive agricultural and food produced domestically. We must oppose any administrative restriction of prices for agricultural products and eliminate barriers to free its implementation, including directly to state resources. The regulatory function to ensure market balance of supply and demand and stabilize food funds and selling prices are to perform operations Commodity Credit Corporation with the necessary supplies of agricultural products, food, material resources and money.

In raw processing areas or respective integrated units to comply with equivalence relations between agricultural and processing enterprises have established matching commission on prices and incomes. We consider it necessary and economically reasonable to implement in practice economic rate of return on capital as the estimated rate of efficiency. If market prices do not provide a set rate of return, the Government is considering the need for budget support and sector specific mechanism for its application.

The effective functioning of the proposed pricing policy on possible conditions for the implementation of measures to improve purchasing power and restructuring of agricultural producers caused by prolonged disparity of prices in agriculture.

The main directions of improvement of price mechanism in agriculture is a justification of the price that most adequately reflect the real economic relations, acts as a regulator of production and circulation of goods, actively influences the socially necessary costs and includes: a comprehensive approach to pricing at all stages of the reproductive cycle of a single application in the economy methodological framework; a gradual transition from regulated to free prices, with the active role of the state in providing effective and equivalent exchange demand for the products of agriculture, limitation product prices monopolies; gradual convergence of domestic prices to world market prices.

**Conclusions and prospects for further research.** During the formation of the price mechanism for agriculture should be considered a feature of agricultural production as low reversibility of working capital because in crop production are obtained once a year, and costs are incurred during the year, while the industry reversibility of working capital is very high, and when pricing is taken into account entire capital, which enables fully determine the costs and, therefore, generate profit margins. The calculations must take into account the turnover time of fixed and current assets to provide compensation for legal expenses and similar profit per unit of resources.

To ensure intersectoral level to enterprise level economic business conditions, setting prices equal exchange of goods between industry and agriculture, creating objective of distributive relations in agriculture to be included in the model for equity as part of the cost of agricultural land. Constituent prices – the rate of return should express the ratio of profit to average value of advanced capital, including the cost of land and material working capital.

The revival of the agricultural sector is not possible without state regulation of prices in the agricultural trade. Further development of the strategic directions of financial support for agricultural sectors of the economy should be aimed, firstly, to increase budgetary support to agricultural producers, and secondly, to increase the real purchasing power to increase the capacity of the domestic food market.

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