

# THE ROLE OF AGRO-INDUSTRIAL ASSOCIATIONS IN INDUSTRIAL AGRICULTURE

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**Abstract.** The subject of the study is agroindustrial associations and their role in the industrial agriculture of Ukraine. During the study the following research methods were used: empirical, theoretical methods, as well as observation, analysis and synthesis. The purpose of the study is to analyze the state of the enterprises-participants of agro-industrial associations to identify positive or negative trends in the sustainable development of their activities and to provide suggestions for their further effective development. The relevance of the topic is confirmed by the need to ensure food security of Ukraine, which can be supported primarily by enterprises of agro-industrial complex. The study analyzed the volume of products produced by agricultural enterprises and compared the size of the costs of agricultural production and the amount of net profit of enterprises. It was concluded that the sustainable development of agro-industrial enterprises has declined. To improve these indicators, the authors proposed a number of measures that would help enterprises to get out of the pre-crisis state, namely, state support in various manifestations. The study "Support for Agrarian and Rural Development" within the framework of the project of the United States Agency for International Development (USAID) was also taken into account. The study examined in detail the external and internal negative factors affecting on the activities of agro-industrial associations.

**Key words:** agro-industrial associations, development of agro-industrial associations, government support, industrial agriculture, activity of agro-industrial enterprises.

**JEL Classification:** Q13, Q18, O13, P32

## 1. Introduction

Industrial agriculture is a system of national economy, which forms a significant part of the gross domestic product of Ukraine. In particular, the system of industrial agriculture includes production, processing of agricultural products and logistical support of production areas. The system of industrial agriculture on the territorial basis is formed of national, regional and local agro-industrial formations. In particular, regional agro-industrial formations are mainly represented by agro-industrial associations. The author believes that agro-industrial associations play an important role, because after the association of enterprises the production and economic relations between industrial agriculture enterprises and industries that are related to each other develop. This, in turn, has a positive effect on the sustainable development of the national economy, which is the main objective of the Law of Ukraine "On State Support of Agriculture in Ukraine", the Law of Ukraine "On the Priority of Social Development of the Village and Industrial Agriculture in the National Economy" and a number of orders of the Ministry of Agrarian Policy and Food of Ukraine.

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The purpose of the study is to analyze in detail the state of industrial agriculture and to determine the role of agro-industrial associations in industrial agriculture.

In accordance with the purpose of the study, the scientific and research objectives are:

1. A study of the essence of the concept of industrial agriculture.
2. Determination of the current state of agroindustrial associations and their role in industrial agriculture.
3. A detailed study of the problems and prospects for the future development of members of agro-industrial associations.

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## 2. The theoretical essence of the concept of industrial agriculture

A number of scientists, including Andriichuk V. (2002), Andriichuk V. (2013), Dakhno I. (2002), Kachan E. (2011), Derhalyuk M. O. (2018), Sivachenko I. Yu., Korovjakovskij D. Z. (1987), Atamas O. P. (2011) and others investigated the essence of the concept of industrial agriculture.

Andriichuk V. (2013) believes that industrial agriculture is the broadest concept and includes 5 spheres in the system, namely: the first sphere – products for agriculture, food industry enterprises, means of production; the second sphere – own agriculture; the third sphere – production and storage of agricultural raw materials, its processing, which is the main section of this sphere; the fourth sphere – market infrastructure (agricultural exchanges, wholesale markets, auctions, own trading network of agricultural producers and processing enterprises); the fifth sphere – production infrastructure.

Kachan E. (2011) believes that the industrial agriculture of Ukraine is "part of the national economy, which is the only holistic production and economic system that connects a number of agricultural, industrial, educational, scientific and production sectors aimed at obtaining, transporting, storing, processing and marketing of agricultural products."

Dakhno I. (2002) gives the following definition of this concept: "Industrial agriculture is a set of branches of the national economy associated with the production of food and consumer goods from agricultural raw materials and their supply to the population."

In turn, Derhalyuk M. O. (2018) believes that industrial agriculture should be considered as a complex holistic socio-economic system of interrelated industries for the production, distribution, exchange and consumption of agricultural products. The scientist believes that these interrelated branches have specific functional features that complete the reproduction of products and production relations.

Sivachenko I. Yu. and Korovjakovskij D. Z. (1987) note that "industrial agriculture is a system of production and economic relations of agriculture with the industries serving it and other sectors of the national economy, reaching the level of agro-industrial integration".

Atamas O. P. (2011) believes that industrial agriculture is an inter-sectoral territorial production unit, the level and balance of development of its constituent spheres depends on the provision of food and well-being of the population.

Scientists have different views on the definition of industrial agriculture, but if we connect all the above definitions, we can give the following definition of the concept. Industrial agriculture is a system of agriculture and interrelated branches of the national

economy, between which production relations are created to improve food security and reproduction of manufactured products.

## 3. The role of agro-industrial associations in industrial agriculture

Before examining in detail, the role of agro-industrial associations in industrial agriculture, it is necessary to define the concept of "agro-industrial associations". The widest definition is given by Andriichuk V. (2002): "Agro-industrial association – a voluntary association of enterprises on the basis of the main enterprise – meat processing and packing plant or dairy plant, which retain their economic independence and the right of a legal entity." The purpose of the association is to unite the interests of agrarian and processing enterprises and to achieve an increase in the production of meat and meat products, milk and dairy products and obtain greater profits.

Currently, there are almost 90 Ukrainian agro-industrial associations in Ukraine according to USAID (2017), among which the largest are: Association of Enterprises-Manufacturers of Machinery and Equipment for Agro-Industrial Complex "Ukragromash", Association "Ukrainian Club of Agrarian Business", Association of Farmers and Private Landowners of Ukraine, All-Ukrainian Public Organization "Ukrainian Agrarian Confederation", the Ukrainian Stockbreeders Association, Association of Milk Producers, the "Ukrainian Agrarian Council", National Association of Sugar Producers of Ukraine, the Ukrainian Pig breeders Association, Association "Union of Poultry Farmers of Ukraine", Ukrainian Grain Association, Ukroliyaprom Association, "Ukrsadprom" Association, Public Organization "Agrarian Union of Ukraine".

It should be noted that the main objectives of any association are:

1. *Protection of the rights and legitimate interests of its members.*
2. *Supporting conditions for their development.*
3. *Assistance in the reform and development of the relevant industry and market.*

With the decline in agricultural production in industrial agriculture, one possible support body for agricultural enterprises is their membership in agro-industrial associations, as there is mutual support among association members for the effective operation of the enterprise.

## 4. Study of problems and prospects for the development of members of agro-industrial associations

To study the problems of the members of the agro-industrial association it is necessary to analyze the volume of products produced, the cost of production,

the trend of increasing or decreasing net profit (loss) of agro-industrial enterprises and the level of profitability of operating activities of enterprises.

According to the Ukrstat (2020), the volume of production has been increasing over the past 6 years. According to Figure 1, it can be concluded that the crisis situation in Ukraine did not affect the activities of the enterprises in terms of production.

The next step is to compare the costs of agricultural production and net profit (loss) of enterprises, presented in Figure 2.

The increase in the cost of production and a decrease in net profit indicate the emergence of a pre-crisis state

at most enterprises, which negatively affects the industrial agriculture of Ukraine as a whole.

Negative trends in the development of agricultural enterprises are also described in a study on the assessment of institutional capacity and development of self-sufficiency of industry associations and public associations in the agricultural sector of Ukraine. This study was conducted within the framework of the U.S. Agency for International Development (USAID) project "Support for Agricultural and Rural Development". According to USAID (2017), one of the reasons for the negative impact on the effective activities of agricultural associations is the

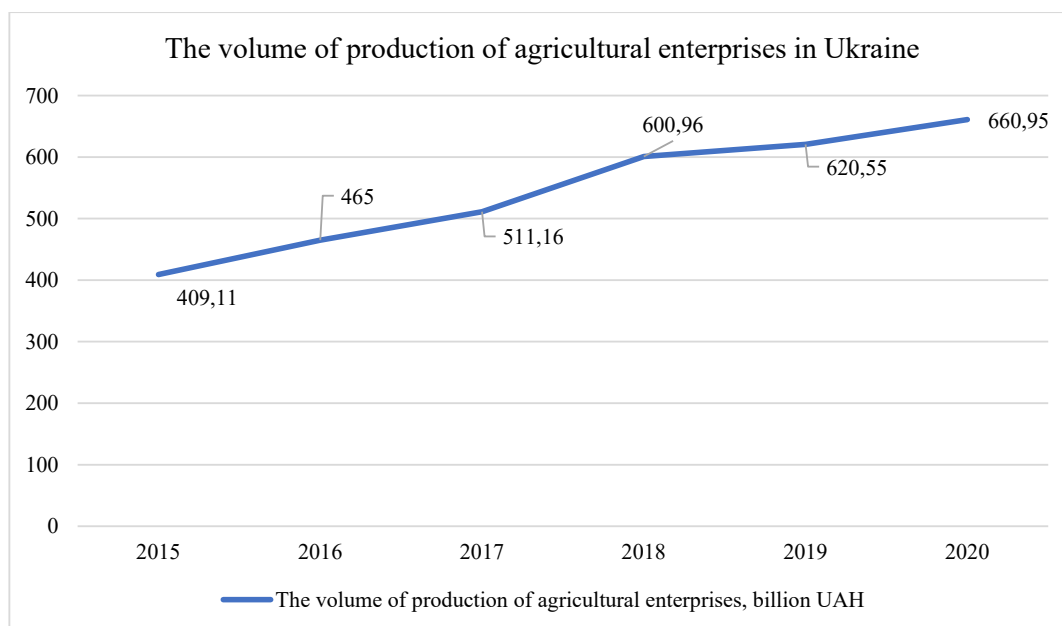


Figure 1. The volume of production of agricultural enterprises in Ukraine for 2015–2020, billion UAH

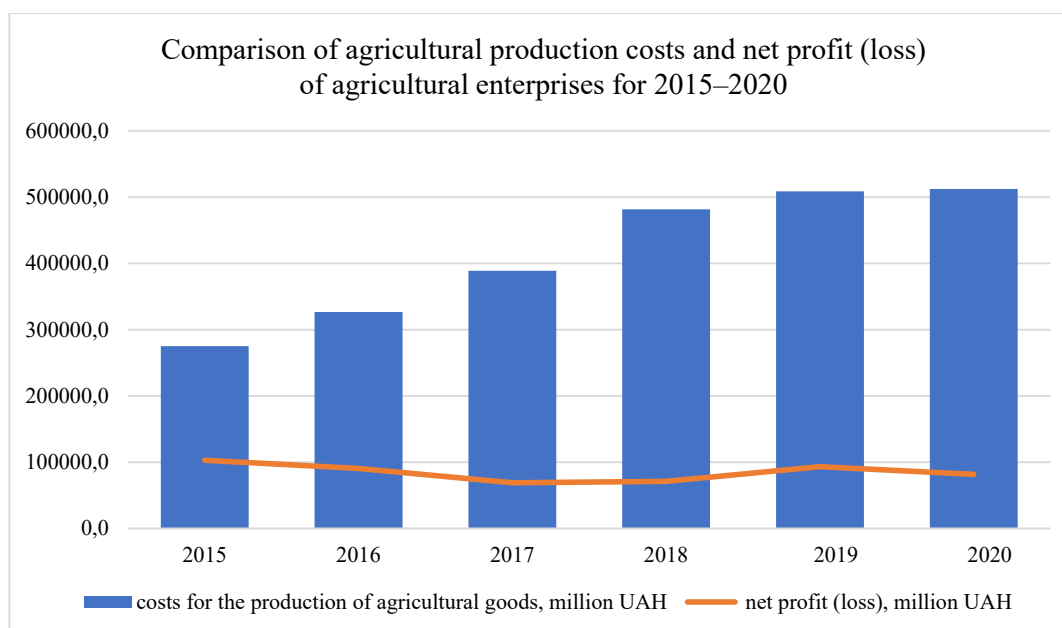


Figure 2. Comparison of agricultural production costs and net profit (loss) of agricultural enterprises for 2015–2020

lack of government funding for rural development, dependence on one source of funding, lack of qualified initiative personnel.

## 5. Conclusion

The study of the role of agro-industrial associations in industrial agriculture has shown the importance of effective activities of associations and the impact of membership in them on the activities of agricultural enterprises. The main advantages of joining an association are the constant receipt of legal and methodological assistance, the offer of modern scientific developments, access to information on the main trends in the development of the industry, etc.

The author believes that the analysis of the main performance indicators of agricultural enterprises (the cost of agricultural production, the volume of production and the amount of net profit) indicates a negative trend of reducing the effectiveness of the

participants of agroindustrial associations, which is caused by the following factors:

1. Lack of a systematic and targeted policy to support associations.

2. Unapproved Unified Comprehensive Strategy and Action Plan for Agricultural and Rural Development in Ukraine for 2015–2020.

3. Instability of the competitive position of agricultural products on the foreign market.

4. Delayed technological and technical production.

In turn, government support in the form of state support is necessary to improve the activities of the participants of agro-industrial associations:

1. Adoption of a unified strategy and action plan for the development of industrial agriculture for 2022–2028.

2. Guaranteed annual state support for the development of members of agro-industrial associations.

3. Tax cuts for small and medium-sized agricultural enterprises.

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