

Kvasnytska Raisa Stepanivna, doctor of economic sciences, professor, professor of the department of finance, banking and insurance, Khmelnytskyi National University, 11, Instytuts'ka str., Khmelnytskyi, 29016, Ukraine, tel. +38-0677286172, e-mail: rstepanivna@gmail.com, <https://orcid.org/0000-0002-0443-9390>,

Forkun Iryna Valeriivna, candidate of technical sciences, associate professor of the department of finance, banking and insurance, Khmelnytskyi National University, 11, Instytuts'ka str., Khmelnytskyi, 29016, Ukraine, tel. +38-0503764018, e-mail: ivforkun@gmail.com, <https://orcid.org/0000-0002-4588-6349>,

Gordeeva Tetyana Anatolyivna, senior lecturer of the department of finance, banking and insurance, Khmelnytskyi National University, 11, Instytuts'ka str., Khmelnytskyi, 29016, Ukraine, tel. +38-0977757111, e-mail: gordeevat_2004@ukr.net, <https://orcid.org/0000-0003-3546-4238>

FINANCIAL ASPECTS OF STATE SUPPORT FOR AGRIBUSINESS: GLOBAL AND NATIONAL EXPERIENCE OF UKRAINE

Introduction. Currently, despite russia's military aggression and related difficulties for farmers, Ukraine, with its powerful agricultural potential, remains one of the world leaders in agricultural production and guarantors of global food security. However, now the whole world is watching how russia destroys the agricultural potential of Ukraine by temporarily occupying certain territories of our country; field mining; causing significant soil damage from ammunition explosions and the construction of defensive structures and so on; destruction due to missile and artillery shelling of granaries, agricultural machinery, livestock farms; blocking ports and disrupting logistics routes; creation of a shortage and increase in the price of fuel, fertilizers, crop protection products,

veterinary drugs, machinery, spare parts etcetera [1]. Therefore, considering the extremal conditions of martial law in our country, the problem of ensuring the sustainable development of the agricultural sector of Ukraine's economy is becoming more and more relevant, especially because of the significant number of modern challenges and threats. The development of agriculture largely depends on the effectiveness of the formation and implementation of the state agricultural policy, and the appropriate participation of the state in its realization in the context of state financial support for the development of both individual domestic agribusiness entities and the agricultural sphere of the country in general.

The issue of agricultural development and financial support for agribusiness is a priority both in the global space and in the space of individual countries. Thus, the world's leading financier of agriculture is the World Bank Group [2], which supports countries' efforts to transform food systems through a holistic analysis of government policies and spending on agriculture and food. Studies of the dynamics of support for agricultural producers (PSE) in individual countries conducted by the Organization for Economic Cooperation and Development (OECD) [3] are interesting. Considerable attention is also paid to the expansion of state support for agricultural producers in Ukraine, which is evidenced by the adoption of several legislative acts, including the Concept for the development of rural areas [4], and the introduction of agricultural financing programs in various directions. Despite the research conducted on this issue, today's realities call for further consideration regarding the study of the world experience of financial state support for agribusiness and the specifics of such support in Ukraine. Therefore, the purpose of the study is to analyse the condition and development of the world and national experience of financial support in the field of agribusiness, to substantiate the role of the State in the development of agricultural production, as well as to determine the prospects for

the formation and implementation of various support programs for agricultural producers in Ukraine.

Main material. Agricultural development is one of the most powerful tools for ending extreme poverty, increasing shared prosperity, and feeding the projected 9.7 billion people by 2050. Growth in the agricultural sector is two to four times more effective in raising the incomes of the poorest in comparison to other sectors [2]. However, today more than ever, food security is at risk due to multiple shocks from disruptions in agricultural production and supply caused by COVID-19, extreme weather, pests, and more. The Russian invasion of Ukraine has precipitated a global food crisis that has driven millions of people into extreme poverty, and some 205 million people in 45 countries have so little food that their lives are at risk [2]. Therefore, today agribusiness is a leader in ensuring food security not only at the local level but also at the global - world level. Attracting funds for agribusiness in Ukraine is one of the most important and difficult problems for agricultural producers of various types of agricultural products. Without sufficient sources of financing, it is difficult to develop production, improve product quality, expand sales markets, and increase competitiveness. The choice of the optimal type of financing depends on many factors: the purpose and strategy of the business, financial condition, risks, tax burden, etc. Therefore, it is not surprising that the research of existing and development of new approaches to the financing (financial support) of subjects of the agrarian sector and the assessment of its efficiency have intensified in the world. As an example, we may consider the common agricultural policy of the EU, which is set out in such regulatory documents as EU Regulation 2021/2115 establishing rules for supporting national strategic plans developed by EU member states within the framework of CAP Strategic Plans and financed by EAGF and EAFRD; EU Regulation 2021/2116 on financing, management and

monitoring of the CAP; EU Regulation 2021/2117 amending and supplementing the previous Regulations [5].

World experience convinces us that the creation and development of sustainable, economically balanced agricultural production in the country is made possible by the implementation of targeted state support (Table 1).

Table 1.

World experience of state support for agribusiness in the most successful countries

Country	Motto, special features of state support
Australia	“A ton of grain for every Australian”. Financial support in the form of grants and short-term loans with low rates is provided to farmers to compensate for losses caused by natural or man-made factors when such losses are suffered by a significant number of farms in the region. Tax benefits for farmers and differentiation of tax rates by agribusiness sectors
Canada	“Fast Internet for every farm” The special credit institution, Farm Credit Canada, was created for farmers. There is a "supply management" system: domestic production is controlled through government procurement and imports are limited by high tariffs. The State finances projects for modern technologies development.
China	“System of state regulation and support of the agro-industrial complex”. Since 2005, a course for dynamic support of agricultural producers has been established: direct subsidies for the purchase of seeds, modern equipment, etc.; improvement of infrastructure (wholesale agricultural markets, commodity exchanges), preferential lending, price support and regulation.
EU	“On the way to a fairer, greener and more performance-based Common Agrarian Policy”. Agriculture and rural areas are central to the European Green Deal and the CAP 2023-27 will be a key tool in achieving the ambitions of the “Farm to Fork” and “Biodiversity” strategies.
Israel	“Oasis in the middle of the desert”. Support for high-tech start-ups for developing modern agricultural machinery expansion has been introduced. The State pays the wages of agricultural consultants who train, advise, help get concessional loans and implement a business model for beginning farmers.
Japan	“The policy of “smart” agriculture”. Agriculture is subsidized to a great extent, and a course to develop robotics and information technologies in agriculture has been taken. Farmers united in the cooperatives are a strong agrarian lobby in politics.
Türkiye	“Agrarian all inclusive”. The Agricultural Bank of Türkiye provides specialized loans with a low-interest rate for processing enterprises and organic farms, the State repays the interest amounts. State programs to support producers who implement ecologically sustainable agricultural technology.
USA	“A long way from direct subsidies to insurance payments”. In 2014 direct budget support was replaced by another instrument - risk insurance: insurance against price collapse (PLC) and agricultural risk insurance (ARC). The government subsidizes insurance premiums.

Source: compiled based on [6,7,8,9]

As we might see from Table 1, historically, almost every state has actively intervened in the agricultural sector due to the need to ensure sufficient and affordable food for the population and an appropriate income level for agricultural producers (including farmers). Each country has its own characteristics regarding state support for farmers, which differ not only in the amount of funding but also in the specific goals that will be achieved with such support.

According to the OECD report *Monitoring and Evaluation of Agricultural Policy 2022*, the 54 countries monitored: all OECD and EU economies, as well as, 11 emerging economies, provided an average of 611 billion USD per year of positive support to individual agricultural producers during 2019-21. More than half, 317 billion USD per year was provided at the expense of higher market prices paid by consumers, and the remaining 293 billion USD per year was paid by taxpayers through budget transfers [10]. However, according to OECD Director for Trade and Agriculture Marion Jansen, although “state support for agriculture has reached a record level; the share of support aimed at stimulating sustainable productivity growth has decreased” [11]. A retrospective analysis of the dynamics of support for agricultural producers (PSE) in the section of individual countries is given in Table 2.

According to Table 2, Japan (37.5%) stands out among the countries with a significant share of state support (PSE) in 2021. EU countries (17.6%), China (16.2%), Türkiye (15.1%) and Israel (14.8%) also have a significant level of PSE. At the same time, the general dynamics of PSE over the past 20 years show a decrease in state support in the analysed countries (including Ukraine by 1.1%). The only exception is China, which is distinguished by an increase in the level of PSE from 3.5% in 2000 to 16.2% in 2021. It is worth noting that since 2005, India's PSE level has been negative (in 2021 it is -8.9%). This situation can be explained either by a significant amount of tax deductions or the

difference between world and national prices is not in favour of the latter, which signals indirect or hidden additional taxation of producers in the country.

Table 2.
The dynamics of agricultural support: producer support estimation (PSE)
in 2000 – 2021

Country	Units	Years							Δ (+/-) 2021/2000
		2000	2005	2010	2015	2019	2020	2021	
Australia	Million USD	686	1117	1303	782	1414	1600	1746	+1060
	%*	3.3	3.65	3.0	1.8	3.2	3.3	2.8	-0.5
Canada	Million USD	3962	5 823	6453	4296	4351	4331	7942	+3980
	%	17.7	19.39	15.0	7.8	8.7	8.2	11.7	-6
China	Million USD	9256	33758	112596	211258	199381	250736	289006	+279750
	%	3.5	8.02	12.7	16.1	13.3	14.8	16.2	+12.7
EU	Million USD	79864	116322	100291	94267	105116	103988	97980	+18116
	%	30.3	28.58	19.3	19.0	19.5	19.3	17.6	-12.7
India	Million USD	2 172	-21322	-51966	-14462	-23079	-41481	-41231	-43403
	%	1.79	-12.35	-14.77	-3.60	-4.71	-8.71	-8.09	-9.88
Israel	Million USD	768	469	890	1 013	1073	1410	1487	+719
	%	21.7	10.07	12.5	13.0	12.1	15.4	14.8	-6.9
Japan	Million USD	50482	40392	50102	30023	37245	40331	33634	-16848
	%	55.8	48.96	49.2	37.6	41.9	43.5	37.5	-18.3
Türkiye	Million USD	8760	14142	24824	17519	9795	15655	7466	-1294
	%	31.4	28.41	30.2	26.4	17.4	26.0	15.1	-16.3
USA	Million USD	48004	39028	28497	36098	50270	48863	53045	+5041
	%	21.4	14.65	8.0	8.9	12.7	11.6	10.5	-10.9
Ukraine	Million USD	203	1644	1 647	145	1 018	490	589	+386
	%	2.2	8.61	5.3	0.5	2.8	1.4	1.1	-1.1

* % of gross farm receipts

Source: compiled based on [3]

As for the positive dynamics of the volume of state support, the leading position was taken by China, whose state support for agribusiness increased from 9256 million USD to 289006 million USD. Significant growth is also observed in the EU (+18116 million USD), the USA (+5041 million USD),

Canada (+3980 million USD), Australia (+1,060 million USD), Israel (+719 million USD) and Ukraine (+386 million USD). Significantly reduced state financial support in Japan and Türkiye (-16848 and -1294 million USD).

Therefore, agriculture is crucial for economic growth, and according to the World Bank, it accounts for 4% of the world's gross domestic product (GDP) [2]. The Ukrainian economy is no exception because the agricultural sector is its major component; its share in the national GDP during 2018-2021 was 10-13% [12]. Thus, in accordance with the goals of sustainable development of Ukraine for the period up to 2030 [13], set considering the 17 global goals of sustainable development [14] adopted at the UN Summit on Sustainable Development, financial support is provided to recipients in specific areas: partial compensation of the cost of seeds of agricultural plants of domestic production, purchased from natural persons - entrepreneurs and legal entities that carry out production and/or its sale; partial compensation of costs related to the provided agricultural advisory services; financial support of agricultural cooperatives; partial compensation of the cost of purchased agricultural machinery and equipment of domestic production; budget subsidy per unit of cultivated land (1 hectare) - to newly created farms; budget subsidy per unit of cultivated land (1 hectare) for farms (except for newly established ones); cheaper loans; a special budget subsidy for keeping dairy productivity cows to a farm that owns five or more cows, identified and registered following the legislation; additional payment for the benefit of insured persons - members/chairmen of the agriculture enterprise without acquiring the status of a legal entity of the agriculture enterprise.

As a result of Russia's full-scale war against Ukraine, the Ukrainian economy shrank by more than 35%, which directly affected the amount of state support for the agricultural sector (Fig. 1).

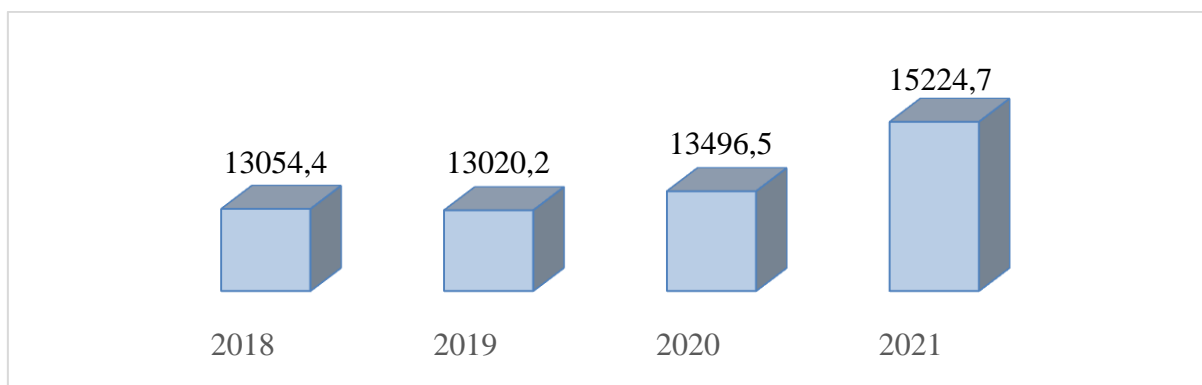


Fig.1. Dynamics of financial support for agribusiness in 2018-2021 (state expenditures), million UAH

Source: compiled based on [15]

It is worth noting that in Ukraine, state support programs for farmers have been adapted to the new conditions and needs of farmers, which made it possible to single out such areas as crop insurance, support for niche and organic production, and beekeeping. Thus, the livestock support program for 2021-2023 provides for the provision of special budget subsidies for the reconstruction of farms and complexes, changes in the structure of production, improvement of the qualitative composition of livestock, and support of biodiversity and biological safety. Support for the development of horticulture, viticulture and hops is provided by partial reimbursement of the cost of purchasing planting material for fruit and berry crops, grapes, and hops, carrying out works on the construction of trellises and installing drip irrigation systems and purchasing materials necessary for carrying out such works. Subsidies are also provided for new construction and reconstruction of refrigerators, primary processing shops, fruit and berry freezing facilities, purchase of commodity processing lines, and automated lines for their drying and processing.

In our opinion, in addition to state financial support, bank loans are a significant source of financial support for agricultural production. Currently, loans to farmers make up 14.8% of the loans issued in the amount of 21.5 billion USD [16]. The leaders in lending to farmers in terms of the number of loans

issued to farmers are JSC Raiffeisen Bank at the beginning of 2022, a loan was issued for 0.48 billion USD, at the beginning of 2023 0.62 billion USD; JSC Procredit Bank: 0.25 and 0.28 0.62 billion USD, respectively, in 2022-2023; Credit Agricole Bank JSC: 0.19 and 0.25 billion USD, respectively, in 2022-2023. The leading positions of these banks of foreign bank groups are easily explained by the specifics of their activities because initially they were created in their countries, namely France, and Germany, as cooperative banks for lending to small farmers and agricultural production.

Powerful providers of financial support for agribusiness in Ukraine are state banks and banks with private capital (45 banks for today) that lend to farmers under the state program “Affordable loans 5-7-9%”. This program was introduced at the initiative of the President of Ukraine and the Prime Minister of Ukraine to simplify the access of micro and small businesses, including agribusiness, to bank lending. The objectives of the program aimed to strengthen the competitiveness of Ukrainian micro and small businesses, create new jobs, and return migrant workers. According to preliminary calculations, the program will contribute to the creation of more than 90,000 new jobs. Within the program, there are three interest rates (depending on the date of establishment of the business and its size (annual turnover): 5% per annum - if the revenue is up to 25 million UAH and at least 2 jobs are created during the first quarter; 7% per annum – for businesses with revenue up to 25 million UAH, 9% per annum – for businesses with revenue of up to 50 million UAH [17]. Thus, since the beginning of 2023, under the state program “Affordable loans 5-7-9%”, banks have issued 13.8 thousand loans to businesses in the amount of 48.7 billion UAH. And, since the beginning of the implementation of this program (in February 2020), 66.9 thousand loans were issued in the amount of 215.7 billion UAH [18]. At the same time, farmers received 32.5 billion UAH in loan funds to

support their activities, and the share of agricultural enterprises receiving credit under the program is 53%.

Conclusions. State financial support of the agrarian sector of the economy is the main mechanism for the implementation of state policy in the agrarian sphere, which is accompanied by the creation of favourable economic, organizational, legal, and other conditions for the development of agrarian production, which is provided by financial and material resources. It covers budgetary financing of programs and measures aimed at the development of the industry, a preferential tax regime, partial compensation of interest rates for the use of loans from commercial banks, write-off of bad debt to the budget and related to the support of technologies and the expansion of the raw material base. An increase in the share of raw material exports can have an extremely negative impact on economic growth in the industry. At the same time, in many countries of the world, the main support is directed to the sustainable development of territories, supply chains, organic production of products and guaranteeing the safety of food products for consumers. This experience can also be useful in reforming and improving the system of state support for the agricultural sector of the economy in Ukraine. An important source of financing for rural households and small farms in Ukraine, which are the basis of the fight against unemployment and the guarantee of inclusive economic growth in rural areas, is direct state financial support and the state lending program “Affordable loans 5-7-9%”. However, it is worthy of attention to expand the experience of cooperation of Ukrainian farmers with international donor organizations. Programs of the FAO (Food and Agriculture Organization of the United Nations) and other donors, which are currently available only to large agricultural holdings with a land bank size of 250-1000 hectares. Such cooperation regarding the introduction and implementation of these programs

will allow for wider support of agribusiness in Ukraine during the war, as well as to ensure its development in the post-war period.

References:

1. Kurman T.V. Agrarian relations in the field of financial support of agribusiness: novelties and problems of legal support in the conditions of martial law. *Analytical and Comparative Jurisprudence*. No. 1, 2023, p. 283-287
2. Agriculture and Food. The World Bank, <https://www.worldbank.org/en/topic/agriculture>, last accessed 2023/07/25.
3. OECD Agricultural support (indicator), <https://cutt.ly/d6jLDbb>, last accessed 2023/07/25
4. On the approval of the Concept of the development of rural areas. Order of the Cabinet of Ministers of Ukraine of September 23, 2015 No. 995, <https://cutt.ly/6wdZ4Brn>, last accessed 2023/07/25
5. EUR-Lex, <https://eur-lex.europa.eu/homepage.html?locale=en>, last accessed 2023/07/25
6. World models of agricultural support, <https://cutt.ly/c78yJIT>, last accessed 2023/07/25.
7. Ideas for agribusiness: a series, <https://cutt.ly/j78um60>, last accessed 2023/07/25.
8. Mazur I. I., Fesun Yu. A. World experience of management and introduction of innovations in the agrarian sector of the economy. *Effective Economy*, No. 2, 2021
9. At the junction of traditions and innovations, or 5 notes on Japan's agricultural industry, <https://cutt.ly/G78iYjW>, last accessed 2023/07/25
10. OECD Agricultural policy monitoring and evaluation, <https://cutt.ly/15qDWG1>, last accessed 2023/07/25
11. OECD Agriculture and fisheries, <https://cutt.ly/M5qDxm1>, last accessed 2023/07/25

12. State Statistics Service of Ukraine, <https://www.ukrstat.gov.ua/>, last accessed 2023/07/25.
13. Presidential Decree No. 722/2019. On Sustainable Development Goals of Ukraine until 2030. <https://cutt.ly/OwdZ2E1A>, last accessed 2023/07/25
14. Transforming our world: the 2030 Agenda for Sustainable Development. <https://sdgs.un.org/2030agenda>, last accessed 2023/07/25
15. OpenBudget. State budget web portal for citizens <https://openbudget.gov.ua/>, last accessed 2023/07/25
16. Opendatabot, <https://opendatabot.ua/analytics/agrocredits-2022>, last accessed 2023/07/25
17. State program «Affordable loans 5-7-9%» <https://5-7-9.gov.ua>, last accessed 2023/07/25
18. Government portal. Official website. <https://www.kmu.gov.ua/en/>, last accessed 2023/07/25