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## PROSPECTS OF DEVELOPMENT OF SMALL AND MEDIUM-SIZED ENTERPRISES IN UKRAINIAN AGRICULTURE

*Main directions of development of small and medium-sized enterprises in Ukrainian agriculture are examined. It is determined that entrepreneurship in agrarian sector is a driving force behind the development of agriculture, as these activities contributes to the production of quality agricultural products that satisfies the needs of society, food security, independence and improves the living standards of rural population.*

*Potential customers of small parties of harvest in Ukrainian grain market are analyzed. The ways of mutually beneficial cooperation between Ukrainian farmers and entrepreneurs are proved.*

*The study of foreign experience has proven that strengthening the competitiveness of Ukrainian agricultural products in the context of globalization is possible on the basis of mutually beneficial cooperation of Ukrainian farmers and entrepreneurs, where recent purchase of output at market prices for the purpose of resale or creation of agricultural cooperatives, such form of economy in agrarian relations that combines a balanced economic, social and environmental components.*

*In particular in paper is shown that sustainable economic management provide only forms of economy that take into account the socioeconomic and geophysical specifics of agriculture, particularities of agricultural labor and methods of management. The most common among these forms are farmers.*

**Key words:** agriculture, entrepreneurship, trade, farmer, grain, customers.

**Introduction.** In modern conditions, when the economy of Ukraine is being in crisis, it goes declining of gross domestic product, unemployment is growing, national currency is constantly devaluating, it is important to concentrate the state attention on an important areas of national economy, among which is an agriculture. Agriculture called the locomotive of the Ukrainian economy. But if in early 2000s, agriculture has formed 16% and even 17-18% in 2012-2014 years of GDP in Ukraine, now is only 8%. The activity of small and medium enterprises in Ukrainian agribusiness should consider is one of the most effective direction of development of domestic agriculture, as its work is directly related to food security, incomes of farmers and improving of rural livelihoods.

**Literature background and overview of previous research.** We believe that entrepreneurship in agriculture is a complex of environmental and socio-economic relations between the subjects of the agricultural sector in the production, distribution, exchange and consumption of agricultural productions.

Theoretical and methodological issues of the nature and a role of enterprise, particularly in agrarian relations, are widely covered in the works of native and Western researchers like: S. Bulgakov, Tugan-Baranowski, A. Chayanov, J. Schumpeter, Alain de Janvry, Willard W. Cochrane and others. Theoretical and practical aspects of the business operation in agricultural sector were discussed in the works of Ukrainian scientists in particular: V. Bazilevich D. Bayura, A. Lyubovych, N. Morenova, L. Moldovan, I. Mazur, H. Fylyuk, P. Sabluk and others. However, in despite of the strength and solidity of scientific development, not illuminated remain priority aspects related to the study of small and medium enterprises in agriculture.

**Discussion.** In Ukrainian scientific literature in the study of entrepreneurship in agriculture the main focus is on big forms, that analyzes the economic efficiency and social and environmental damage from activities of agriholdings; ways of agricultural cooperation development,

that is a form of economy that takes into account not only economic, but also socio-ecologic specific of agriculture. These studies clearly highlighted in the works of G. Fylyuk, I. Mazur, L. Moldovan, P. Sabluk and others. At the same time, remain insufficiently studied aspects related to the analysis of small and medium-sized entrepreneurship and require in-depth study. The article summarizes the international experience of small and medium enterprises, including the results of studying of the experience of Romania.

**Methods of the study.** In the study are used general scientific and special methods. A methodological base of study as to determine rational and effective forms of economy are general scientific methods. The paper uses the techniques of abstract logical method, namely: analysis and synthesis, induction and deduction, analogy and comparison. To assess the effectiveness of forms of economy and agricultural competitiveness of Ukraine were used the methods of tabular data display and statistical.

**The aim of the study** is to examine a new direction of development of little and medium enterprises in the form of the organization of modern specialized companies for trading by various types of grains on the markets of different countries. These companies could sell not only grains of own production but also to purchase grains from the other grain's producers in Ukraine and deliver it to the sea ports or to the Ukrainian border, with the subsequent selling to different markets. According to statistics, there is a big unsatisfied demand for various types of grains in the various countries of the world markets. Access to these markets and the successful operation on these markets is the main objective of the study.

**Main text of the study.** World's Grains Production is projected at 2,003,497 thousand metric tons (thd. Mt) in 2015/2016 marketing years (MY) in the current USDA World Markets and Trade report. World's Grains Production forecast fell by -18,813 (-0.93%) thd. Mt in the season of 2015/2016 in comparison with the season of 2014/2015 (table 1).

**Table 1. Changes in main Production countries, 2015/2016 MY**

Country	Changes up/down by, thd. Mt	Changes up/down to, thd. Mt
USA	-8,385 (-1.93%)	423,996
China	+13,146 (+3.77%)	361,500
European Union	-19,076 (-5.83%)	308,093
India	-9,781 (-7.09%)	128,040
Russian Federation	+34 (+0.03%)	99,500
Ukraine	-4,270 (-6.66%)	59,825

Source: Compiled by the author according to: [12].

As we could see Ukraine makes 2,99% of world production of grains or 59 825 thd. Mt of grains in this season.

The world consumption to be expected to conform to the historic maximum of last year and to amount to 1 970 million

tons, the basis of which remains with population growth, which contributes to the further expansion of food demand.

Ukraine is one of the leading producer and exporter of grains, oilseeds, pulses, sunflower seed oil, soybean oil in the world (table 2).

**Table 2. Ukraine's grains and oil seeds production and export, THD. MT**

Marketing year	Production, thd. mt	Export, thd. mt
2009/2010	53,8	22,7
2010/2011	48,3	14,9
2011/2012	66,4	25,4
2012/2013	56,7	24,5
2013/2014	72,4	35,0
2014/2013	74,7	39,3
2015/2016	73,8	40,4

Source: Compiled by the author according to: [4].

As we could see from the table 2 the production of native grains and oilseeds is constantly growing from the last 3 years. Ministry of Agrarian Policy and Food of Ukraine gave the official information to Reuters – the largest international agency of news and financial information – on 5.01.2015 that only the grain harvest in

2015 is likely to total 61 million tons and that exports could reach a record 36 million tons in the 2015/2016 season.

Ukraine is among the world leaders in the production of sunflower seeds, corn, wheat, barley. Main competitors in production of sunflower seeds, corn and wheat are USA, Russia, Brazil and Argentina. There is the information about the production of grain crop in Ukraine in the table 3.

**Table 3. Production of grain crops in Ukraine, MMT**

Culture	2012/2013 year	2013/2014 year	2014/2015 year	2015/2016 year
Wheat	15,7	21,9	24,1	27,3
Corn	20,9	30,8	28,5	22,8
Barley	6,9	7,3	9,0	8,2
Total	43,5	60	61,6	57,9

Source: Compiled by the author according to: [4].

As we could see wheat production in Ukraine was raised in this season to 27.3 mln. tons, which is on 3.2 mln. tons production more than the fact of the previous season, grain export from the country, to be expected at 12.7 million tons, which is 0.7 mln. tons more than the previous forecast and 1.5 million tons more than the actual exports of the previous season.

The corn harvest in Ukraine reached 22.8 million tons, which is 5.7 million tons less than actual volume of the preceding season, and the forecast of corn export from Ukraine was left on unchanged level to 16.5 million tons, which is 2.4 mln. tons less than the actual export of previous year.

Forecast for exports of barley is raised to 4.0 million tons from 3.6 million.

Under the information of Ministry of Agrarian Policy and Food of Ukraine, which was reported by the press service, our country has already exported nearly 23 926 thousand tons of grains on 26.01.2016 [13].

The proportion of the rural population is about 31%. Although not all of them are engaged in agriculture (23%), Agriculture provides employment for the food industry, and together, these industries are the "golden goose" of Ukrainian exports, generating a quarter of foreign currency to Ukraine. We are talking not about income.

At present Ukrainian corn is a prime candidate to benefit from the drought in Africa and Asia. Only between Oct-Nov 2015 Ukraine sold 10,000 Mt to Senegal and 7,000 Mt to Cameroon. The country has the required quality, a freight advantage over North American origins and, above all, the volume needed to meet the requirements of gigantic tenders. There are estimates that there are still around 10 mln. Mt of Ukrainian corn left to be exported until September 2016.

Ukraine always fulfills quota's of EU for delivery of grains. Quality is 100% conforms to EU standards and requirements.

Based on the statistical and analytical research we can conclude that in Ukraine due to high quality of home soil, respective natural and climatic conditions are good possibilities for the successful development of entrepreneurship in agriculture in the forms of small and medium enterprises.

We believe that entrepreneurship in agricultural sector is the driving force behind the development of agriculture, as these activities contributes to the production of quality agricultural products, satisfying the needs of society, food security, independence, and promoting the level of life of rural livelihoods.

In modern agriculture prevalent organizational forms, economic activity of which is related to the concentration of agricultural land in large quantities oriented, usually for export, from which participants receive high profits. In Latin America, this type of agribusiness estates represented by latifundias, in Ukraine, Russia and other post-socialist countries by agriholdings, large industrial and agricultural retailers who own thousands of hectares of agricultural land where they grow highly profitable crops.

When investments are no longer profitable, capital moves to another area of economic, and depleted lands remain to farmers. Agriholdings generate major social and environmental problems. Focusing only on certain types of the most mechanized products, they get rid of a number of important human species laborious production – potatoes, livestock, vegetables, that is firstly, provokes imports and increases unemployment in rural areas, and secondly, exacerbating the problem of food security countries.

Unlike agriholdings, the purpose of small and medium enterprises is a close cooperation with Ukrainian farmers, which provides a more careful attitude to the nature and

the environment, aimed at growing healthy and quality products, oriented both domestic and foreign markets, which will give the owner returns [8]. Cooperating with Ukrainian farmers based on purchase of grains and deliver it to the sea ports or to the Ukrainian border, with the subsequent selling to different markets. Small and medium entrepreneurs could successfully develop their own business and provide income and investments to farmers, increasing export potential of Ukraine.

In order to determine the ways to improve dynamic, socio-ecological-economic development of entrepreneurship in agrarian sector of Ukraine, we turn to the world experience.

Let analyze the experience of Romania, where like in other post-socialist countries such as the Czech Republic, Slovakia, Romania, Bulgaria, Lithuania, Latvia, Estonia as a result of agrarian reform of early 90 years of XX century appeared a large number of landowners as former members of collective farms and cooperatives, and the descendants of the former Soviet authorities landlords. Most of the land has passed from the state to the private sector. For example, in Romania the share of private sector in the area of agricultural land increased more than 2 times.

The transition of the ground from state into the private sector took place through privatization and re-privatization (restitution) for the effective management on own land. In Romania in 1993 year there were 3, 4 mln. of individual farms with an average size of at least 3 hectares, including 43.1% of urban residents, 22.6% of workers, 17.2% of pensioners and only 17.1% were farmers. Around 57% of agricultural land belongs to population aged over 60 years and [7] as a result of it was an agrarian reform in '90 in Romania since the period observed the development of farming and agricultural cooperation. Thus, in 2003 in Romania in cooperation were employed nearly 23% of the population, and later, with the support of European Union program PHARE in Romania was established the Association of Farming Cooperatives, the functions of which were to improve the quality of products produced by the members of the cooperative, marketing, search sources of investment, lower production costs, exhibitions, fairs, seminars, training programs in management, cooperation with foreign cooperatives from the EU [16, p.52-53].

Today Romanian agriculture has formed more than 5% of GDP. The total yield of three main crops (wheat, corn and barley) in Romania in the 2015/2016 season was estimated on 16.3 million tons (20.9 million tons in 2014/15), or 22% lower. In comparison with the previous year decrease was observed in all major crops, wheat by 6.1%, barley, -5.9%, the most significant for corn- 34.4%.

Wheat crop in Romania, reduced, according to various estimates, up to 6-7 million tons compared to the record 7.4 million tons a year earlier. The main reason for the decline in cereal production is an excessive rainfall in the spring, followed by a prolonged drought.

Market operators are also expected to reduce the average level of protein content in the Romanian wheat in the current year to 11.5% against 12.5% last season.

However, according to market participants, Romania is still able to maintain its position as one of the key suppliers of grain to Egypt.

Romanian wheat was priced aggressively on last GASC's tender. Romanian wheat exports for 2015-2016 MY are pegged down at around 5 mln. Mt – export licenses to third countries at 1.097 mln. Mt as of Jan 12, 2016. An extra 15% should be added for intra-EU exports (mostly Italy and Spain), which means that Romanian exporters still have around 3.7 mln. Mt of wheat to export until June 30.

As you can see, the potential of Ukrainian agriculture is much higher than in Romania, but Romania, unlike Ukraine as a result of agrarian reform began to actively develop farms and agricultural cooperatives, the most rational socio-ecological-economic form of economy. One of the features of the agricultural cooperative is independent of its members as owners and customers. Independent economic gives to agricultural cooperative members the economic secure, they work for mutual benefit and get help agricultural producers. However, agricultural cooperative, unlike agriholdings performs the most important social function of agriculture: creates jobs in rural areas, provides guarantees jobs, improves the social protection and improves rural livelihoods etc [8].

Therefore, we believe that the dynamic development of Ukrainian agricultural sector could provide such socio-ecological-economic forms as:

- agricultural cooperatives;
- small and medium-sized entrepreneurs, who could collaborate with Ukrainian farmers on the base of purchase of their grains and deliver it to the sea ports of Kherson, Nikolaev, Odessa for example or to the Ukrainian-Polish border, Ukrainian – Belarus border, Ukrainian – Hungarian, Ukrainian – Slovakian borders with the subsequent selling to different markets.

The biggest problem of Ukrainian farmers is the little volume of production and big costs of credit money. Due to that they couldn't compete with big agro-enterprises – agriholdings. That is why in the article are examined the two ways of development of Ukrainian farming: associations in agricultural cooperatives or collaboration on mutually beneficial terms to small and medium enterprises, who purchases the grain for the purpose of resale and makes investments to the development of farms.

New created small and medium enterprises would occupy their niche on the market in the Ukrainian agribusiness. They could sell 2-3 KMT of grains monthly in the first years and then increase sales to 5-10 thousand tons of grains monthly in the following years. The entrepreneurs could trade with the following varieties of cereal: milling wheat, feed wheat, barley, corn, peas, rapeseeds, niche crops. These products will be sold under the terms of delivery Incoterms – CPT port, FOB, CFR, DAP border as well as on the terms of payments – letters of credit, CAD, prepayments.

Let analyze the main export destinations 2015/2016 crop (table 4, 5, 6, 7).

**Table 4. Corn export destinations, %**

Country	Corn export, %
Spain	24
Netherlands	12
Egypt	12
Italy	11
Portugal	6
Tunisia	6
Israel	5
Germany	5
Others	19

**Table 5. Milling wheat export destination, %**

Country	Milling wheat export, %
Egypt	27
Indonesia	16
Tunisia	7
Syria	6
Djibouti	5
Morocco	5
Others	34

Source: Compiled by the author according to: [12].

**Table 6. Milling wheat export destination, %**

Country	Feed wheat export, %
Thailand	27
Korea, Republic	13
Spain	12
Bangladesh	9
Philippines	7
Others	32

Source: Compiled by the author according to: [12].

**Table 7. Barley export destination, %**

Country	Barley export, %
Saudi Arabia	54
China, Peoples Republic	18
Libya	10
Others	18

Source: Compiled by the author according to: [12].

As we could see from the tables 4, 5, 6, 7 Ukrainian grains are covered all over the world. So, Ukraine has good prospects of development of small and medium-sized enterprises in national agribusiness.

Let analyze the main consumers and competitors. There are different possibilities of trading :

1. The main customers are legal entities which need small lots (from 500 Mt to 1,000-2,000 Mt) and can't invest their money for big lots of grains, which usually carriage by vessels type handy size (30 KMT) or Panamax. These customers mostly are situated far away from the ports.

On our mind, the entrepreneurs should use like advantage in their work the direct trading by trucks, railcars and containers. The goods to be delivered directly to the customers without additional handling of the goods which usually worsen the grains quality, especially corn. There are no losses in quantity which appeared during reloading the cargo from big vessel to the silo and loading again on the trucks or barges (500-1000 Mt). In this case they avoid a double handling of the goods which also costs money. During transporting of grain by containers, entrepreneurs could meet the highest quality standards. In addition, for the consumer is much easier to transport the grain in containers across the country, from the port to the warehouse. Advantage: grains trading by containers doesn't require for a big investments in the purchase of grain, because you can work at the expense of the rapid turnover of funds. Disadvantage: big risk in payment, extended turnover of money if destination is far away (Middle East, Far Ear East).

2. Small and medium enterprises sell the goods on the basis CPT port to the big Buyers. Disadvantage: vessels are loaded with grains from the several manufacturers/trading companies, there is a mix of grains from different manufactures and sometimes it is very difficult to keep a high quality standard of grains. Advantage: less risk in payment, rapid turnover of funds.

New small and medium enterprise could work with another market segment in comparing with the big traders. Their customers – are small companies, but end users, who could allow themselves to make a good business not using a big investments.

Among their competitors are the big grain traders like Cargill (USA), who has their daughter enterprises in Ukraine and al over the world, US group ADM which is also very active in Romania, Ukraine and other countries, Kernel, Nibulon, Bunge, Noble Resources, Ameropa, Agricovert, etc. Also, there are small companies who sell grains in containers for export,

There is possible to use cargo terminals for handling of containers which are located close to the port Odessa, Illichevsk, Ukraine. This region has a developed transport infrastructure, usually has a good access to railway, which is connected to the national rail network. Grains will be delivered to cargo terminals by railcars and trucks from all regions of Ukraine. Handling on such terminals is usually cheaper than handling at the ports.

For organizing of agribusiness the entrepreneurs should cover the following technological process, which includes the next steps:

- To purchase of grain according to the requirements of the contract;
- Laboratory analysis of grain;
- Certification of grain (SGS) in compliance with the requirements of customers;
- Loading into containers;
- Documents;
- Customs procedures;
- Transportation containers to the port of Odessa, Illichevsk.
- Loading on board of a vessel.

Having the needed documents and certificates the medium Ukrainian entrepreneur could sell, on our mind, about 3000 Mt monthly for 1<sup>st</sup> half a year and about 7000 Mt monthly for a 2<sup>nd</sup> half a year. Total volume ca 60 KMT.

They could cover such markets like Malaysia, Indonesia, India, Pakistan, Egypt, China, Poland and other countries EU by lots 1000 Mt with value ca \$220 000.

**Conclusions.** The analysis of Ukrainian agrarian market indicates that in Ukraine there are all the conditions for successful development of small and medium entrepreneurship. The study of foreign experience has proven that strengthening the competitiveness of domestic agricultural products in the context of globalization is possible on the basis of mutually beneficial cooperation between Ukrainian farmers and entrepreneurs, where the recent purchase of output at market prices for the purpose of resale, or association of farmers into an agricultural cooperative, this form of economy in agrarian relations which combines a balanced economic, social and environmental components. In particular, stipulates that sustainable economic provides only form of economy that takes into account the socio-economic and geophysical specifics of agriculture, particularities of agricultural labor and management methods. The most common of these forms are small and medium-sized farms.

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### ПЕРСПЕКТИВИ РОЗВИТКУ МАЛИХ ТА СЕРЕДНІХ ПІДПРИЄМСТВ В СІЛЬСЬКОМУ ГОСПОДАРСТВІ УКРАЇНИ

*Досліджено основні напрямки розвитку малих та середніх підприємств в сільському господарстві України. Визначено, що підприємство в аграрному секторі економіки є рушійною силою розвитку сільськогосподарської галузі, оскільки така діяльність сприяє виробництву якісної сільськогосподарської продукції, яка задовольняє потреби суспільства, продовольчу безпеку незалежності країни та сприяє підвищенню рівня життя сільського населення.*

*Проаналізовано потенційних клієнтів невеликих партій врожаю на внутрішньому ринку зерна. Обґрунтовано шляхи взаємовигідного співробітництва між підприємствами та українськими фермерами, господарювання яких передбачає бережливе ставлення до природи та навколишнього середовища, спрямоване на вирощування здорової та якісної продукції, зорієнтованої як внутрішній так і на зовнішні ринки, яка буде давати прибутки господарю.*

*Дослідження зарубіжного досвіду довело, що посилення конкурентоспроможності вітчизняної сільськогосподарської продукції в умовах глобалізації можливе на засадах взаємовигідного співробітництва українських фермерів та підприємств, коли останні закуповують вироблену продукцію за ринковими цінами з метою подальшого перепродажу або створення сільськогосподарської кооперації, такої форми господарювання в системі аграрних відносин, яка збалансовано поєднує економічну, соціальну та екологічну складові. Зокрема, визначено, що раціональне господарювання забезпечує лише ті форми господарювання, які враховують соціально-економічну та геофізичну специфіку сільського господарства, особливості сільськогосподарської праці та методів господарювання. Найбільш поширеними серед таких форм є фермерські господарства.*

**Ключові слова:** сільське господарство, підприємництво, торгівля, фермер, зерно, клієнти.

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### ПЕРСПЕКТИВЫ РАЗВИТИЯ МАЛЫХ И СРЕДНИХ ПРЕДПРИЯТИЙ В СЕЛЬСКОМ ХОЗЯЙСТВЕ УКРАИНЫ

*Определены основные направления развития малых и средних предприятий в сельском хозяйстве Украины. Проанализированы потенциальные клиенты небольших партий урожая на внутреннем рынке зерна. Обоснованы пути взаимовыгодного сотрудничества между украинскими фермерами и предприятиями.*

**Ключевые слова:** сельское хозяйство, предпринимательство, торговля, фермер, зерно, клиенты.

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## CAPABILITIES OF USING EXPERIENCE OF INDIVIDUAL COUNTRIES OF THE EUROPEAN UNION IN THE DEVELOPMENT OF NATIONAL INNOVATION SYSTEM IN KAZAKHSTAN

*The article describes the features of the development of the national innovation system of individual countries of the European Union to determine capabilities of using this experience in Kazakhstan. It identified the key features of the development of national innovation systems of EU member states, like Germany, France, Norway and Finland, through the establishment of the basic functions of government and institutional organization of the support system of science and innovation. The findings are discussed from the standpoint of their capability of using in the current development conditions of the national innovation system of Kazakhstan.*

**Key words:** national innovation system, European Union, innovative development of Kazakhstan, innovative infrastructure.

**The problem formulation.** In modern conditions the level of innovation development has a huge impact on the economic development of the country. Accordingly, in the global competitive fight benefit the countries, which provide favorable conditions for the development of innovation. Therefore, the question of increasing innovative activity is very important and one of the main tasks to ensure the country's competitiveness in the global economy.

The study of foreign experience shows that the system of incentive and support innovative activities will be effective only if in the country developed business and society, psychology of perception of innovation, which is generally referred to as the national innovation system. That the results of the national innovation system in the form of new knowledge, products, technology, services, management and organization methods of production are a major factor in ensuring competitiveness. In recent years, despite the increase in the level of innovation activity in Kazakhstan to 8.1%, it should be noted that in Germany, this figure reaches 80%, in the United States, Sweden, France – 50%, in Russia – more than 10%.

**Analysis of recent research and publications.** In the modern theory the national innovation system (NIS) is defined as "such a combination of different institutions which jointly and individually contribute to the creation and dissemination of new technologies, form the basis of serving governments for the development and implementation of policies that affect the innovation process. As such – this is a system of interconnected institutions, designed to create, store and transfer the knowledge, skills and artifacts which define new

technologies" [1]. Thus, the effectiveness of innovative development of economy depends not only on how effective the activities of independent economic agents (companies, research organizations, universities, etc.) in individually, but also on "how they interact with each other as elements of collective creation system and use of knowledge, as well as public institutions (such as values, norms, right)".

The transition from linear (the chain of "science – production – consumption") to the system description of the innovation process in practice marked the re-evaluation of the determinants of economic growth, focusing on institutions and relationships. Another fundamental characteristic of the NIS is the central role of enterprises in the innovation process. Science can produce knowledge and even stimulate demand for them, offering a new, previously unknown technology to master that provides amplification of the competitive position of enterprises, but the last carried out the practical implementation of innovation and their promotion to consumers and forming feedback [2].

Also there would like to acknowledge the research of Peshina E. and Avdeeva P. [3] in which the further development of the concept of "national innovation system" is considered from the perspective of the need for deeper theoretical understanding of today's highly complex modalities of innovative systems under the influence of a huge number of internal and external factors. Among such factors should be noted separately observed trends are creating a different kind of integration associations of the countries. In this context, issues of functioning of the national innovation system of Kazakhstan on standard models is complicated by problems of the country's