

## DEZVOLTAREA SECTORULUI AGRICOL ÎN CONTEXTUL GLOBALIZĂRII ECONOMICE

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*Articolul dezvăluie starea actuală și problemele agriculturii ucrainene în contextul globalizării mondiale. De aceste probleme se confruntă producătorii și prioritățile politicii agrare din punct de vedere al integrării în sectorul agricol al Ucrainei în lumea economică a relațiilor socio-economice.*

**Cuvinte cheie:** *agro-globalizare, integrare, sectorul agricol, producție agricolă, dezvoltare.*

## DEVELOPMENT OF THE AGRICULTURAL SECTOR IN THE CONTEXT OF ECONOMIC GLOBALIZATION

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*The article reveals the current state and problems of Ukrainian agriculture in the context of world globalization. These problems are faced by agricultural producers and priorities of agrarian policy from the standpoint of integration of the agricultural sector of Ukraine in world economic socio-economic relations.*

**Key words:** *agro-globalization, integration, agricultural sector, agricultural production, development.*

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**Introduction.** The relevance of scientific research of the development of the agricultural sector in the context of economic globalization is determined by a combination of objective and subjective factors. The main ones include the need to integrate agriculture into the global economy, the indispensability of agricultural products in providing the food security of the country, the reliability of agricultural sector as a source of currency earnings in the national economic complex, the importance of solving the complex social and economic problems of adaptation of the rural population to new economic living conditions. These factors of increasingly complicated conditions of management in the world require new approaches and, therefore, the direct involvement of agricultural economics to solve the systemic nature of the socio-economic problem.

Development of modern agriculture follows the evolutionary path of liberalization and globalization of the economy: it is an objective and irreversible process. Modern world agriculture is the combination of interconnected national agricultural economies. Agriculture of Ukraine in this combination is unique, because it adjoins the European Union and the former Soviet republics. There is a current problem of distinctness for Ukraine's agricultural sector: the economic complex of the country will integrate to the EU, Russia or remain independent in all associations of the country [1].

Agricultural sector in the economy of Ukraine occupies a leading position. It is the competitiveness of the agricultural sector of Ukraine that will determine whether agricultural enterprises are able further to supply high quality agricultural products to the domestic and foreign markets, to be a supplier of raw materials for industry and an exporter of natural foods. An important role in this process is played by public policy and support for domestic agricultural producers.

The processes of globalization of economy, due to the large quantitative and qualitative changes, allow to strengthen (to gain ancillary benefits) or to loosen (to increase risks) the competitive positions of agricultural producers.

The advantage is that globalization reduces the cost of agricultural production by means of better use of resources and technology and easy movement of production resources. Academician I. Lukinov noted, 'global scientific-technical and socio-economic transformations... necessarily influence the internal structural and institutional changes in each country. They concern the economic and legal relations, the forms of ownership, possession and management of the entire system of state and market regulation and control' [2]. Therefore, now is the time to review the model of development of agriculture, taking into account all potential changes under conditions of globalization. These changes should consider the risks and future prospects of development, so it will allow to maximize benefit from globalization and to reduce economic risks and social tension associated with the transition of the economy to a qualitatively new level of development.

The processes of integration and globalization of the agricultural sector and the economy as a whole are given a lot of attention in the works of Ukrainian and foreign scientists, in particular, V. M. Geits, I. I. Lukinov, A. A. Erankin, Z. M. Ilina, E. N. Borodina, I. V. Prokop, A. O. Gutorov, P. I. Gaidutsky, V. V. Yurchishin, V. Y. Mesel-Veselyak, E. Holt-Himenss and others.

The aim of the article is to determine the main directions of development of agricultural sector of Ukraine on the scientific basis in the context of economic integration and globalization.

Globalization of the economy is an irreversible process, the features of which are consolidation of productive forces of the world agriculture, deepening of interdependence of agricultural sectors of national economies, increased commercialization of agricultural production and strengthening of the role of transnational companies in the agricultural sector. Sometimes the latter have a much greater impact on agricultural producers than their own governments. Positive factors of economic integration and globalization of agricultural production are improvement and appearance of new high technologies, increase of mechanization and productivity.

Along with the positive processes, there are a number of negative factors of economic globalization which destabilize the agricultural sector.

The latest recession showed that when the market functions in the most tense situation, companies are forced to review their business models, creating the foundation for successful growth. According to some studies, unstable economic conditions contribute to provide the process of development during the recession and to reveal the potential [1, 2]. Taking into account the nature of the economic situation during the crisis, businesses have the maximum opportunity to acquire the assets of other agricultural producers at very low prices, allowing them to create long-term competitive advantage in future. Today, most companies also faced the following negative phenomena: a delay of return of debtor liabilities and restricted access to financial resources [3]. Therefore, the first measure is to improve working capital management. The second priority anti-crisis measure is to reduce operational costs by optimizing them. There is another trend, namely, the majority of manufacturers are reconsidering the assortment of the goods produced because of the shift in consumer demand towards cheaper products.

The main strategy, directed to adaptation to new economic conditions, can be considered as restructuring [4]. Its main areas of focus are the purchase of assets in core segments, the realization of non-core assets. In the current market environment, enterprises need to identify the main areas of their specialization and focus on them. Additional functions, that are not within the scope of strategic priorities, may be considered as potential targets for cooperation, and secondary activities can be derived from the assets.

One of the opportunities, provided by the crisis, is to increase a market share due to geographic expansion and acquisitions of small producers who left the market.

All the foregoing shows that transformation processes, that are observed today, would eventually lead to the emergence of new leaders in the market and the redistribution of markets. The crisis has intensified the trend of structural reforms, as the enterprises have realized the need to adapt to new economic conditions: integration will keep the strategic sustainability, maintain and even increase a market share, generate new opportunities for growth after the recession.

The need is being currently actualized for modern methods of enterprises integration management in agricultural production and created as a result of integration of cluster production and corporate structures (CPCS) to their effective functioning [2, 5]. Focusing on production and economic feasibility of adopting a particular organizational and administrative decision at every stage of the project clustering will save the resources and achieve the objectives.

As a rule, business clustering occurs while maintaining economic and legal independence of the entity and is carried out by the following criteria [5]:

1) processing chain. In excessive disintegration of economic ties, enterprises seek to restore or establish a new technological structure of production. They are keenly interested in the sustainable supply and guaranteed sales, that provides each member of the cluster with high viability and economic sustainability;

2) regional affiliation. Coherent, orderly conduct of business in the region saves the resources, uses most effectively the funds for maintenance and development of infrastructure;

3) intra-industry feature to restrict competition, develop jointly high technologies and develop large investment projects;

4) the principle of diversification of capital. Capital investments may be made in new, the most effective areas of activity to ensure sustainable operation of the main activity;

5) access to new markets.

The analysis of the processes of organization, operation and improvement of cluster production and corporate structures shows that there are certain patterns of their integration [5]:

1. Cluster production and corporate structure as an organizational and economic structure has all the features of a complex dynamic system. External influences, affecting the economic system, are random, as a rule. At the same time to achieve the goals, 'outgoing' system parameters must have pre-agreed targets. To respond to changes in the external environment, the cluster of organizational and economic system must timely adapt its organizational structure. The processes of differentiation and integration, occurring in structure reorganization, create a certain time lag between external impact and reaction of the system. Time lag occurs at all stages: in obtaining external information, its processing, transferring, making management decisions, attracting additional resources. In a clustered production and corporate structure, complication of adoption and implementation of management decisions is also related to a large number of managed objects, their heterogeneity and relative independence.

2. The driving force of cluster association of economic entities is the possibility of obtaining additional benefits from production and economic unification by each participant. Additional benefits can be expressed in stabilizing the financial and economic situation, increasing the volume of production and sales revenue, profitability, reducing the costs of research and development, staff training, solving social and environmental problems, improving the use of natural, informational, financial resources, etc.

3. As a result of creation or expansion of cluster corporate structures, organizational elements usually arise that perform duplicate functions. It is sometimes useful to provide greater maneuverability and stability of the whole industrial and economic system. Eventually, the elements with the duplicating functions are replaced by one effective element or perform the functions entrusted to the third element.

4. Changing the environment or improving the corporate structure of the cluster, its composition and functions change; the interaction between the structure elements change, the remained functions are redistributed among them. New functions are distributed among the existing elements or imposed on the structures that are established and operated for outsourcing. Some components may be unnecessary, and they stand alone or are eliminated from the system, the need in others may arise according to new functions. In any case, the core of the cluster structure remains.

In the developing countries, like Ukraine, the increase in income from agricultural production does not mean their next reinvestment in further development of agricultural production. As practice shows, the revenues go to the repayment of loans, taken by agricultural producers.

Globalization of trade increases the isolation of consumers from environmental impact of their lifestyles. The kinds of agricultural production, that have the most adverse impact on the environment, are drawn to the less developed countries, where environmental impacts are absorbed by the population of the state.

Trade liberalization led to the fact that due to inadequate governmental support for agricultural enterprises, the latter could not compete with foreign agribusiness and were forced to reduce or contract their production. It led to the fact that some sectors of agriculture almost ceased to exist, and the country is gradually increasing its imports of agricultural products.

Nowadays, economic globalization imposes such model of international division of labor that fixes monoculture of agriculture of the dependent countries, it contributes to their transformation into a backward raw and auxiliary serving units of the world agrosystem. The increasing concentration of production, increasing vertical integration in the agricultural complex and other signs of commercialization of agriculture led to the actual destruction of small agricultural producers.

Under such conditions of the development of agricultural production, a problem of labor migration from the village occurs. The most educated and competent workers migrate who tend to have better working and living conditions.

In the coming years, Ukraine will hardly be able to take full advantage of agroglobalization, like the rich and powerful countries of the modern world do, but it is likely to be influenced by its negative consequences and remain a raw materials appendage.

Ukraine is among the top ten world leaders in the production of sunflower oil, sunflower seeds, honey, barley, potatoes, sugar, eggs, wheat, soy.

The signs of the negative scenario of development of domestic agricultural producers in the context of economic integration and globalization are already visible. E. Zelenskaya notes the following processes:

- 1) holdingization, i.e. large-scale enterprises appear that possess hundreds of thousands of land hectares, and small forms of management are displaced;
- 2) upgrading of the equipment is absent;
- 3) degradation of human capital;
- 4) increased differentiation in incomes of various layers of the villagers;
- 5) price disparity of industry and agriculture;
- 6) decline of the village as the base for agricultural production, etc. [6].

Thus, for further development of the domestic producer of agricultural products in the context of globalization of the economy, it is necessary to develop vigorously the following areas, which, according to Yu. S. Kirilov, integrate the agricultural sector into the world economy:

1. 'Reform from below'. The main disadvantage of the reforms was that they were imposed 'from above'.
2. Real government support of the agricultural sector in the transformation of the economy.
3. Development of land market.
4. Creation of favorable conditions for the development of large agroindustrial formations without forgetting about the support of small forms of management.
5. Operation of agroservice enterprises network.
6. Formation of competitive environment in procurement and processing agricultural products.
7. Infrastructure development.
8. Construction of a new system of control over the agricultural sector, where the interests of the peasant should be centered in the basis of the administrative hierarchy [7].

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