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#### **CURRENT SITUATION OF AGRICULTURAL ENTERPRISES FINANCING IN UKRAINE: ECONOMIC AND LEGAL ANALYSIS**

**Abstract.** Modern agriculture is developed in the direction of increasing the efficiency of agricultural production. This requires a stable combination of financial and economic, legal and organizational factors with the mandatory introduction of the innovative component.

Scientific research is based on the current information and scientific base which contains a methodology for assessing the effectiveness of raising funds, the use of which allows systematizing a number of phenomena in the process of agricultural development, unifying the procedure for determining the nominal volumes and effectiveness of welfare payment using direct methods.

The paper deals with some problematic legal issues of legal regulation of financial relations with the participation of agricultural enterprises; it is determined and justified the necessity of allocation of agricultural enterprises financial support, providing the administrative assistance and control over the target use of the given funds. The main articles of agricultural enterprises support in Ukraine were identified and the main generators of these enterprises financing were determined from the position of financial and credit institutions.

The conceptual models of state support for the development of rural areas in Canada, Australia, Italy and the United States of America are analyzed. The main reasons for the unsatisfactory state of agricultural enterprises development, in particular, economic, social, infrastructural, administrative, problems that restrain the development of the agrarian sector as a whole are outlined. The necessary conditions for the development of agricultural enterprises in Ukraine are determined. On the basis of the analysis of world experience of rural development policy, a list of directions of agrarian sector enterprises support necessary for activation of rural areas development in Ukraine has been formed.

The actuality and necessity of activation and harmonization using qualitatively new methodological dimensions of agricultural enterprises financing of various forms of ownership outlined the purpose of scientific search, its contour, tasks and architectonics.

**Keywords:** financial relations, agricultural enterprises, legal institute.

**JEL Classification** G 30, Q14

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## **СУЧАСНИЙ СТАН ФІНАНСУВАННЯ СІЛЬСЬКОГОСПОДАРСЬКИХ ПІДПРИЄМСТВ В УКРАЇНІ: ЕКОНОМІКО-ПРАВОВИЙ АНАЛІЗ**

**Анотація.** Сучасне сільське господарство розвивається в напрямі підвищення ефективності виробництва аграрної продукції. Для цього необхідне стійке поєднання фінансово-економічних, правових та організаційних чинників з обов'язковим упровадженням інноваційної складової.

Наукові дослідження спирається на чинну інформаційну і наукову базу, що містить методіку оцінювання ефективності залучення коштів, використання якої дозволяє систематизувати низку явищ у процесі розвитку сільського господарства, уніфікувати процедуру визначення номінальних обсягів та ефективності державної допомоги за прямими методами.

Досліджуються окремі проблемні правові питання правового регулювання фінансових відносин за участі сільськогосподарських підприємств; визначено й обґрунтовано необхідність виділення коштів фінансової підтримки сільськогосподарських підприємств, забезпечення адміністративного сприяння і контролю за цільовим використанням наданих коштів. Виявлено основні статті підтримки сільськогосподарських підприємств в Україні та визначено головних генераторів фінансування таких підприємств із позиції фінансово-кредитних установ.

Проаналізовано концептуальні моделі державної підтримки розвитку сільських територій у Канаді, Австралії, Італії та Сполучених Штатах Америки. Виокремлено основні причини незадовільного стану розвитку сільськогосподарських підприємств, зокрема економічні, соціальні, інфраструктурні, управлінські, та розкрито проблеми, що стримують розвиток аграрного сектору в цілому. Визначено необхідні умови розвитку сільськогосподарських підприємств в Україні. На основі аналізу світового досвіду політики сільського розвитку сформовано перелік напрямів підтримки підприємств аграрного сектору, потрібних для активізації розвитку сільських територій в Україні.

Актуальність і необхідність активізації й гармонізації у якісно нових методологічних вимірах фінансування сільськогосподарських підприємств різних форм власності окреслили

мету наукового пошуку, його контур, завдання та архітектоніку.

**Ключові слова:** фінансові відносини, сільськогосподарські підприємства, правовий інститут.

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## **СОВРЕМЕННОЕ СОСТОЯНИЕ ФИНАНСИРОВАНИЕ СЕЛЬСКОХОЗЯЙСТВЕННЫХ ПРЕДПРИЯТИЙ В УКРАИНЕ: ЭКОНОМИКО-ПРАВОВОЙ АНАЛИЗ**

**Аннотация.** Современное сельское хозяйство развивается в первую очередь в направлении повышения эффективности производства аграрной продукции. Для этого необходимо устойчивое сочетание финансово-экономических, правовых и организационных факторов с обязательным внедрением инновационной составляющей.

Научные исследования опираются на действующую информационную и научную базу, содержащую методику оценки эффективности привлечения средств, использование которой позволяет систематизировать ряд явлений в процессе развития сельского хозяйства, унифицировать процедуру определения номинальных объемов и эффективности государственной помощи прямыми методами.

Исследуются отдельные проблемные правовые вопросы правового регулирования финансовых отношений с участием сельскохозяйственных предприятий; определены и обоснованы необходимость выделения средств финансовой поддержки сельскохозяйственных предприятий, обеспечение административного содействия и контроля над целевым использованием предоставленных средств. Выявлены основные статьи поддержки сельскохозяйственных предприятий в Украине и определены главные генераторы финансирования данных предприятий с позиции финансово-кредитных учреждений.

Проанализированы концептуальные модели государственной поддержки развития сельских территорий в Канаде, Австралии, Италии и Соединенных Штатах Америки. Выделены основные причины неудовлетворительного состояния развития сельскохозяйственных предприятий, в частности экономические, социальные, инфраструктурные, управленческие, и раскрыты проблемы, сдерживающие развитие

аграрного сектора в целом. Определены необходимые условия развития сельскохозяйственных предприятий в Украине. На основе анализа мирового опыта политики сельского развития сформирован перечень направлений поддержки предприятий аграрного сектора, необходимых для активизации развития сельских территорий в Украине.

Актуальность и необходимость активизации и гармонизации в качественно новых методологических измерениях финансирования сельскохозяйственных предприятий различных форм собственности определили цель научного поиска, его контур, задачи и архитектуру.

**Ключевые слова:** финансовые отношения, сельскохозяйственные предприятия, правовой институт.

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**Topicality.** Modern trends of the development of a mixed agrarian economy change in a competitive environment leading to the search of new approaches, principles, methods and forms of governance at all levels of the regional system for increasing competitiveness and sustainable development of agrarian production. Research on the problems of development, reformation and effective activity of agricultural enterprises in the present conditions becomes a key issue. Ukraine's economy undergoes significant structural changes, therefore, quantitative and qualitative assessment of the relationship between agriculture and national economy with proper legal regulation is necessary to determine the direction of further movement.

The works of the Ukrainian economists S. Demyanenko, I. Lukinova, O. Mogylny, O. Onishchenko, B. Paskhaver, P. Sabluk, V. Tochilina, V. Tregobchuk, O. Shpichak, A. Yuzefovich, V. Yurchyshynare devoted to the research of the development of rural enterprises of Ukraine and the problems of their financing situation. Such scientists as P. Sabluk, J. Zavadsky, O. Gudzinsky, V. Andriychuk and others have made a significant contribution to the development of the law regulation of enterprises strategic development in the agrarian sector.

**The aim of the paper** is to carry out the comprehensive study of the current situation of agricultural enterprises financing in Ukraine, to develop the substantiated proposals, to analyze the legal nature of the regulation sphere of internal and external economic relations, their types, legal basis of their formation, activities and liquidation.

**Presenting the main material.** The legal status of agricultural partnerships is determined by the norms of the Civil and Commercial Codes of Ukraine, as well as by the relevant laws.

In accordance with Art. 80 of the Commercial Code of Ukraine (hereinafter - CC) business associations include: joint-stock companies, limited liability companies, partnerships with additional liability, full partnerships, limited partnerships [1].

Joint-stock company is an economic company with a share capital which is divided into a certain number of shares of equal nominal value. The joint stock company is liable for its obligations only by the property of the company. The shareholders, in turn, bear the risk of losses that are related to the activities of the company within the value of shares they own.

In the limited liability company legislator determines the business partnership, the authorized capital of which is divided into shares established by the constituent documents and it is responsible for its obligations only by its own property. Members of the partnership bear the risk of losses only within the limits of their deposits.

Participants of the company with additional liability also bear property liability concerning the obligations, however, in case of property lack they are obliged to carry additional joint and several liabilities which is a multiple amount of the deposit.

A full partnership is an economic partnership all participants of which are registered as entities of entrepreneurship and, in accordance with the closed contract, carry out economic activities on behalf of the partnership, incur additional joint and several liabilities according to the obligations of the partnership with all property. Special partnership differs from the full one, because one or several participants operate business on behalf of the partnership and bear additional

joint and several liabilities for all their property which may be levied by law (full participants), while other participants are present in the company's activities by their deposits (depositors) [2].

In order to ensure scientific and technological progress in agriculture and serve agricultural producers state agricultural enterprises having their own legal characteristics of economic and production activities are formed.

The legal status of state-owned agricultural enterprises is determined in accordance with the norms of the Commercial Code of Ukraine. State-owned agricultural enterprises depending on the foundation and formation of a statutory fund are divided into unitary (commercial and state) and corporate ones [1].

A unitary enterprise is created by one founder (Article 63 of the Civil Code), which allocates the necessary property, forms an authorized capital, unallocated on shares, approves the charter, distributes revenues, manages the enterprise and forms the staff on the basis of labor lease, resolves other organizational and economic and production issues. A corporate enterprise is formed by two or more founders according to their joint decision. It acts on the basis of property association, labor and business activities of the participants and their joint management of business affairs.

A state unitary agricultural enterprise is formed by the appropriate state authority in an orderly manner on the basis of a separate part of state ownership. As a rule, it is not divided into shares entering the scope of its management (Article 73 of the Civil Code) [1].

The property of a state unitary agricultural enterprise belongs to the state ownership and is attached to the enterprise on the law of economic or operational management. Moreover, the state unitary enterprise is not obliged to bear responsibility by the obligations of the owner or authority whose sphere of management it enters. The head of the enterprise is appointed by the authority whose sphere of management includes the enterprise and he is accountable to this authority [1].

A large part of agricultural enterprises is open and closed joint-stock companies, as well as limited liability companies formed on the basis of state and collective agricultural enterprises [3; 88].

As it is mentioned in national legal scholarly works, agricultural business partnerships have certain specific characteristics [4; 60].

These characteristics, in the first place, are determined by the legal feature of the movement of the authorized capital. The increase or decrease of the authorized capital is directly dependent on the objective factors such as yield, natural and climatic conditions, epizootics, epiphytotics and other force majeure circumstances.

Secondly, workers of agricultural partnerships have double legal status. They act as their shareholders, on the one hand, and on the other hand, as individuals who have labor relations with the company. Therefore, such legal relationships are also regulated by labor legislation.

In accordance with the Law of Ukraine "On Individual Agricultural Farming", a private peasant farm is a business activity which is carried out without the creation of a legal entity by the natural person individually or by persons who have family or relatives relationships and live together in order to meet their personal needs by the way of production, processing and consumption of agricultural products, the sale of its surpluses and the provision of services using the property of a private peasant farm, including the sphere of rural green tourism [5].

It should be noted that members of the private peasant farms carry out their activities at their own discretion and risk following the established legal economic order. A characteristic feature of this activity is the fact that it does not belong to an entrepreneurial activity. In spite of this, personal peasant farms are subject to obligatory accounting which is carried out by the local government according to the location of the land plot.

Members of the private peasant farm have sufficiently wide rights including: self-management, making agreements, sale of surplus production, obtaining loans, getting legal work pensions, social state benefits and subsidies. In addition, the legislator regulated state support for private farms. Thus, the Cabinet of Ministers of Ukraine, in accordance with national programs, annually, when drafting the State Budget of Ukraine, authorities of the executive power and local self-government authorities, in accordance with regional programs, provide adequate funds for

support of private peasant farms. Obviously, the legislator also provides other measures to support this type of agricultural activity [5, p.10].

The Law of Ukraine "On Agricultural Farming" defines the farm as a form of entrepreneurial activity of citizens expressing the desire to produce, process and sell agricultural products for profit using their land plots [6].

This law grants the right to form a farm by one or several citizens of Ukraine who are the relatives or family members. This type of agricultural enterprise is subject to the state registration as a legal entity or an individual, an entrepreneur having its own name and seals.

A characteristic feature of the farm is that it is registered as a legal entity and may have the status of a family farm if its members are exclusively members of the same family as defined in Art. 3 of the Family Code of Ukraine [7].

State support to members of this type of farms foresees that for newly established farms during the first three years after their creation, in labor-intensive settlements during five years, farms with separated farmsteads, farms operating in mountainous settlements, in Polissya territories, assistance is provided at the expense of state and local budgets. With this aim, the State Farmers Support Fund of Ukraine [6] operates. Farmers who have the status of family are provided with additional state support in accordance with the procedure provided by "The Law on State Support for Agriculture in Ukraine" [9].

Another type of agrarian enterprise is an agricultural cooperative formed by the association of individual producers of agricultural products for the purpose of carrying out joint economic and production activities on the basis of obligatory labor participation and obtaining profit. Agricultural cooperative is a legal entity whose members act on the basis of self-government.

The main tasks of the state policy of supporting agricultural cooperatives include making favorable conditions for their creation, formation and development using investment, tax, financial and credit policy regarding the activities of agricultural service cooperatives and their members.

The activities of agricultural service cooperatives and their state support are carried out in accordance with the state and regional programs at the expense of state and local budgets, as well as it is regulated by the Laws of Ukraine "On Cooperatives" and "On Agricultural Cooperatives" [9, 10].

Agriculture in Ukraine is one of the leading sectors of the economy and a significant source of foreign exchange revenues. This very industry guarantees the food security of the state which is an integral part of Ukraine's economic security. Agriculture concentrates more than 19 percent of labor force, 71.2 percent of land fund, 92 percent of agricultural land and 5.6 percent offixed assets.

Nowadays the agro and industrial complex (hereinafter — AIC) have significant changes, in particular, integration into the world economy and adaptation to the requirements of international organizations. The state has clear requirements for the conducting business in agriculture by the World Trade Organization and the International Monetary Fund. In recent years, state support to the agro and industrial complex has undergone significant changes. Previously, there were small amounts of direct state support and a special VAT regime. Thus, during 2015—2016, nearly 14,000 of business entities in agriculture took advantage of the right and received a privilege of 47.1 billion UAH in VAT. Since 01.01.2017 the special VAT regime has been abolished.

Today, the mechanism of state support for the agrarian sector is regulated by the laws of Ukraine "On the State Budget of Ukraine" and "On State Support for Agriculture of Ukraine". The procedure of budget funds spending is determined annually by separate resolutions of the Cabinet of Ministers of Ukraine. The distribution of expenditures of the state budget of Ukraine for 2017—2019 is characterized by significant reduction in individual programs.

Budget of 2019 did not become a pleasant surprise for farmers. Instead of the promised 6.9 billion UAH it was given 5.9 billion UAH, that is, by one billion less. 1 billion USD was withdrawn equally from two programs — "State support for livestock farming, storage and processing of agricultural products, aquaculture (minus 500 million USD)" and "Financial support for agricultural producers" (also minus 500 million UAH). So the first program will allocate 3.5 billion UAH, and the second one — almost 0.9 billion UAH. Besides, the declared program 2801580 "Financial

support for agricultural producers" has neither a clear direction nor a mechanism for allocating funds which in conditions of instability attracts significant risks of non-fulfillment.

Table 1

Distribution of expenditures of the state budget of Ukraine for 2017—2019 (UAH million)

Name in accordance with departmental and program classification of expenditures and lending to the state budget	2017	2018	2019 plan	changes 2019/2017
Financial support of measures by cheapening loans	294,9	265,9	127,2	-167,7
State support for the development of hop growing, planting of young gardens, vineyards, berry plantations and caring for them	115,6	394,9	400,0	+284,4
State support for livestock sector	11,6	2 393,2	3500,0	+3 488,4
Financial support for agricultural producers	3 191,5	912,9	881,8	-2 309,7
Financial support for farms	25,0	204,3	800,0	+775,0

The budget of 2019 provides the allocation of 800.0 million UAH for the development of farms. For the first time in a recent history farming has been assigned by the Government as a priority area of agrarian support and farms have been defined as a basis for rural development. A number of different support programs will be retained for farmers: additional discount on the purchase of domestic agricultural machinery, discount on the domestic selection seeds, advisory services, as well as cheaper loans and granting interest-free loans. According to calculations, thanks to the comprehensive support program in two years in Ukraine the number of farms will double, the volume of agricultural products manufactured by them will amount to 12% of agricultural GDP. But the most important thing is that the farmer will become the dominant player in the agriculture of Ukraine.

To support livestock development for the next year 3.5 billion UAH is put into the budget. Unlike cultivating grains, where the production cycle is limited to one year, livestock farming involves long-term projects. Agricultural producers will receive their first results and profits only in three years. Therefore, support programs in this area have been prolonged for a minimum period of three years, and in the long term for five. Agrarian farms will be able to receive a subsidy for each dairy cow, citizens who have calves born in their farms will receive 2500 UAH each year if they feed them. The first effects of these support programs have already been recorded: the dynamics of the stock has been stabilized while the average yield for a cow has increased by 2.4%.

Besides the quantity the quality of livestock products will be stimulated. A separate program provides for discounts on purchased breeding stock, biomaterial, etc. In the segment of construction of livestock complexes the Government takes up a quarter of all costs of investors. In 2018, thanks to such partnership, 25 new livestock farms appeared.

Thus, in the context of economic instability, rising inflation, uncertainty in the vector of economic and agricultural development the declared by the State Budget Law support of the agrarian sector is formal and will insignificantly influence on the support of its development.

One of the options for the efficient financing of agricultural production is its lending. The world practice proves it. In Ukraine the situation is exceptional. Agriculture now accounts for only 7% of the banking system loan portfolio. And only 5-6% of the capital investment in the agro and industrial complex was formed at the expense of bank loans as well as borrowed funds. Enterprises mostly invested their own funds — 74% according to the official statistics.

Table 2

State financial support for business entities AIC in 2018 in the context of banks (thousand UAH)

Support programs of the development of agro and industrial complex	"Privatbank"	"Oschadbank"	"Ukreximbank"	"Ukrasbank"	other banks	Total
<b>2801230 "Financial support for the farms development" — total</b>	<b>78 095,65</b>	<b>33 107,46</b>	<b>5 250,03</b>	<b>7 570,31</b>	<b>0,00</b>	<b>124 023,45</b>
<i>incl. according to the directions:</i>						
partial compensation of the cost of seeds of agricultural plants purchased in the farms of domestic selection	4 901,85	1 089,72	60,00	373,63	0,00	6 425,20
partial compensation of expenses related to the provision of agricultural advisory services	154,93	48,60	0,00	0,00	0,00	203,53
partial compensation of the cost of purchased agricultural machinery and equipment of domestic production	69 113,32	28 646,74	4 477,72	6 699,79	0,00	108 937,57
partial compensation of the interest rate on borrowed loans provided by the state banks in national currency	3 925,55	3 322,40	712,31	496,89	0,00	8 457,15
<b>2801540 "State support for animal husbandry" —total</b>	<b>0,00</b>	<b>0,00</b>	<b>178,54</b>	<b>3 398,96</b>	<b>63 096,32</b>	<b>66 673,82</b>
<i>incl. according to the directions:</i>						
partial compensation of the interest rate on bank loans	0,00	0,00	178,54	3 398,96	170,21	3 747,71
provision of partial compensation of the cost of construction and reconstruction of sites financed by bank loans	0,00	0,00	0,00	0,00	62 926,11	62 926,11
<b>2801580 "Financial support for agricultural producers" (technique)</b>	<b>380 252,10</b>	<b>351 306,03</b>	<b>103 421,20</b>	<b>76 933,03</b>	<b>1 027,83</b>	<b>912 940,19</b>
<b>Total</b>	<b>458 347,75</b>	<b>384 413,49</b>	<b>108 849,77</b>	<b>87 902,30</b>	<b>64 124,15</b>	<b>1 103 637,46</b>

The barrier to satisfy the demand of agricultural enterprises for bank loans in Ukraine is a high interest rate, a limited range of supply of bank credit services for agrarians, disregard of the industrial and resource potential specifics of the industry, low level of capitalization, loss of the banking system liquidity, operational risks of banks in the process of cooperation with agricultural producers. The imposed moratorium on the alienation of agricultural land does not permit to register land mortgages. On the one hand, domestic farmers face the problem of secure credit (banks require at least twice the size of the loan), on the other hand - removal of a significant part of income to cover the high cost of loans. This impedes the introduction of innovations, leads to irrational use of land reducing its productivity.

In 2019, Ukraine plans to allocate 5.9 billion UAH for the development of the agrarian sector. Taking into account the total revenues of the new state budget (more than 1 trillion UAH), the conclusion is rather sad: support for agricultural producers is less than 1% of all public expenditures.

On the one hand, almost 6 billion UAH looks rather good (although in the budget-2018 state support was 7 billion UAH). It considers private enterprises operating in a free market.



But on the other hand, the world leading economies have powerful state programs to support agricultural production, and to a large extent, global agriculture belongs to subsidized industries. This includes direct subsidies, compensation programs of price losses, cheaper loans, etc.

At the level of the Ukrainian farmer insufficient support means reducing competitiveness on the world market.

Taking into account the foreign experience of supporting the agrarian sector, we can suggest the most effective measures for state caring of their own agrarian production.

In the US, subsidies account for about 25% of the cost of agricultural products. Due to the purposeful state policy aimed at creating a comfortable climate for farmers, the productivity of farm labor has increased by almost half during the last 30 years. According to various estimates, the annual level of agricultural support in the United States is about \$ 20 billion (it reached \$ 50 billion before joining the World Trade Organization (WTO)). Budget subsidies include a number of direct forms: compensatory payments under the programs of reducing stock and changing the structure of crops; payments to agricultural commodity producers (per area unit or one cattle); reimbursement of expenses for water supply, irrigation, gasification, etc.

There are also indirect forms: through the payment of research costs, insurance for crops (products), road and bridge construction in the countryside. Other subsidies are expressed in the deferral of credit payments, writing off state debts, preferential or interest-free loans.

Within the WTO farmers in the United States receive significant subsidies from the state and use an additional set of indirect support measures. In general, subsidies account for about 25% of the value of agricultural production in the United States. State policy involves stimulating the development of agricultural production taking market conditions into account.

Government support for farmers in Canada is provided through the variety of programs: the Net Income Stabilization Account (NISA), the program of price unification through the Wheat Chamber, the advance payment program and the program of maintaining a consistent level of production.

National program of the stabilization of net income is a kind of saving mechanism: it guarantees that even an unfavorable year the farmer's income level will not fall below the average comparing the last three years. There is a special account of NISA which is filled with two funds. The farmer transfers money to the first fund (the minimum contribution is 3% of the volume of his net sales of products for the current fiscal year). The second fund gets money from the federal government and the provincial government (in the amount corresponding to the farmer's contribution).

The funds on the account of NISA are kept at 6% per annum. If the income is below the average indicator, then the difference is reimbursed. The farmer's contributions are not considered to be his expenses and therefore they are not levy to taxes.

To support farmers there is also an advance payment program: the government provides cash for the grain that is on the farm. This program is called AMPA (Act on program of agricultural product marketing). It operates in autumn, in spring another program — SCAP (Spring Advance Payment Program) is launched. The farmer gets up to 250,000 Canadian dollars to sow. The first \$ 50,000 is not taxable until the 31st of August or until the final repayment of the loan. For an advance amount of more than \$ 50,000 interest is paid at a fixed rate. Interest is charged on a daily and monthly basis.

Another Canadian know-how is the support of the agreed level of production. We mean quotas on the manufacture of agricultural products sold domestically. Manufacturers have guaranteed sales at a price set by the demand.

The Spaniards have rich practice in protecting the interests of farmers. It considers primarily policies that can be bought by individual producers and groups (cooperatives) of farmers. The insurance system is based on the close relationship between the private sector and the state. There are three forms of such programs: CAT (catastrophic protection), GRP (insurance coverage getting) and NAP (non-insurance aid).

Under the policy of CAT minimal insurance is received. Acquisition of this policy is a condition of participation in all other programs subsidized by the state. The program covers half of the harvest at a price of 55% of the expected market value. Thus, in case of damage, the farmer will receive compensation which is almost a third of the expected income. The most resource-limited entrepreneurs whose income does not exceed \$ 20,000 per month may be dismissed from the payment of administrative expenses for two years.

The essence of the GRP program is that the insurance coverage is based on the average crop yield in the district, not on a specific farm. That is, if the yield falls below the insured level the manufacturer automatically receives compensation. This happens even if the crop of a particular farm was the highest comparing the average one in the district.

The aim of NAP program is protecting crop producers excluded from the standard programs: pears, citrus fruits, plums, peppers and flax. To start repayment it is necessary to have at least 35% losses (that is, to have several affected farms). The insurance contract is concluded by a private company that is a member of the program.

The insurance company may offer new ideas but they must be approved by the appropriate agency where one should submit plans for final approval. The plan reflects all the necessary information: the company's ability to pay potential losses in accordance with the obligations, the classification of certain categories of accepted risks (in order to make further reinsurance through the agency).

Ukraine, taking leading positions among other exporters of agricultural products on the global market, loses them in support of their own farmers. The policy of healthy protectionism towards farmers is an integral part of the domestic policies of many countries of the world. Ukraine should take this into account if the country intends to continue taking a worthy place in the world agrarian arena.

**Conclusions.** The legal regime of agricultural enterprises property includes a sufficiently full amount of rights which their members are assigned to secure their property, internal and external legal relations. The state has taken enough care of the creation of both legislative norms and sub legislative acts of the central and regional levels which establish the legal relations of the agrarian sector enterprises with the authorities and local self-government on the issues of state assistance to their production and economic activity. However, in order to ensure equal opportunities to agricultural enterprises concerning the state aid, legislation should regulate intergovernmental fiscal relations between different levels of government and local self-government regarding the allocation of financial support, administrative assistance and control over the target use of the funds provided.

The main guidelines of modernization of the system of financial support for agricultural enterprises should include the use of tools, techniques and methods that will enable local financial mechanisms to be effectively used: self-sustainability; financial responsibility; self-financing; mixed funding; state financial support, the purpose of which is to create conditions for the availability and timely provision of agricultural enterprises needs for credit resources; creation of funds for agricultural lending; elaboration of lax crediting mechanisms, development of mortgage lending under the pledge of agricultural land, development of credit unions, financial leasing, preferential taxation; pricing, risk management, insurance. It is necessary to revise a number of programs to support agricultural enterprises and choose economically proved ones to satisfy each individual agricultural enterprise. This will be a guarantee of the growth of financial resources in agriculture in the coming years.

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