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State regulation of investment in agriculture

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Abstract. An important task of state regulation of investment in the agricultural sector of the economy is to attract investors who are able to increase the efficiency of the functioning of agricultural enterprises. The success of the functioning of this enterprise depends on how quickly an agricultural enterprise is able to adapt to changes in the external environment. This is achievable under the condition of the most optimal use of the enterprise's resource potential. Small agricultural enterprises are usually deprived of the possibility of using highly productive innovative agricultural technologies in their activities due to their high cost. Farm enterprises are also experiencing difficulties with insurance and attracting bank loans. In the competition with large agricultural enterprises, small farms survive mainly thanks to state subsidies. Large agricultural holdings are more financially stable, their economic activities are more diversified compared to farms. At large agricultural enterprises, labor productivity is higher and the cost of production is lower. The main task of the state for ensuring food security is to facilitate the process of consolidation of agricultural enterprises. The liquidation of small farming enterprises is an objective process that results from free market competition. The consolidation of agricultural enterprises will allow more efficient use of agricultural land in agricultural production.

1. Introduction

Agriculture is an important sector of the economy on the functioning of which the welfare of the entire state largely depends. At the same time, there is a lag in the pace of development of agriculture from other sectors of the economy. The growth of prices for agricultural products and the growth of the income level of agricultural producers, as a rule, is lower than in other sectors of the economy.

This, in turn, requires continuous state regulation and state support of the agricultural sector.

According to [1] state support may consist in preferential taxation of agricultural products and economic activities of agricultural enterprises.

At the same time, tax cuts alone do not allow agriculture to get enough financial resources for successful functioning and development.

The successful development of agriculture requires the involvement of external financial resources. They are necessary to replenish the working capital of agricultural enterprises, improve the production and logistics infrastructure



According to [2] agricultural enterprises should make maximum use of profit and depreciation charges for their development.

According to [3] attracting investment in agriculture is an important condition for its successful development and the production of competitive agricultural products.

According to [4] It is necessary to attract investments primarily in the processing industry, agricultural engineering, agriculture and rural social and transport infrastructure.

According to [5] for the successful and sustainable development of the agricultural sector of the economy, it is necessary to improve the production base of agricultural enterprises, improve the fertility of the soil, reduce the level of negative impact of agricultural production on the external environment, and contribute to improving life in rural areas.

According to [6] innovative development of agriculture requires a large amount of financial resources.

According to [7] mortgage bank loans secured by agricultural land could be used as a source of additional financial resources. This would allow small agricultural enterprises to purchase expensive, high-performance agricultural machinery.

According to [8] to eliminate the price disparity for agricultural products and technical and material resources consumed by agricultural enterprises, it is advisable to allow free pricing of products produced by agricultural producers. This will allow to improve the financial condition of many agricultural enterprises.

According to [9] large agricultural holdings have the greatest internal opportunities for investing in production.

According to [10] foreign investments can be used as a source of investment in agriculture. Among the reasons preventing the attraction of such investments are (Figure 1):

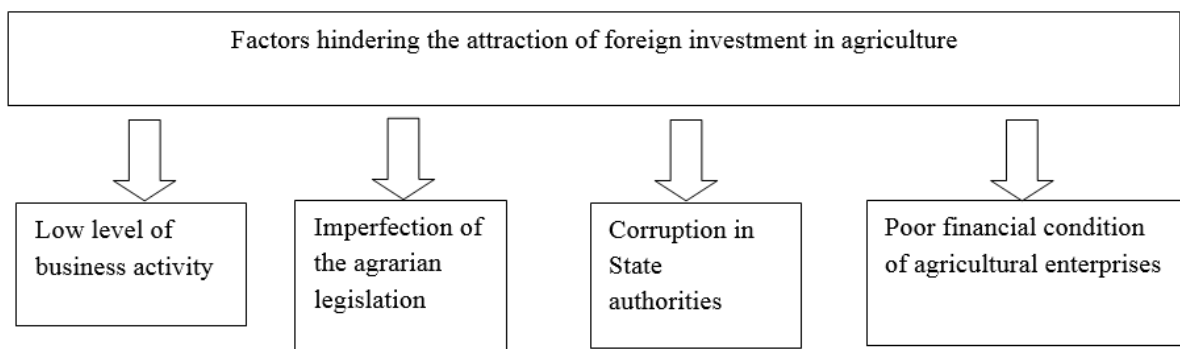


Figure 1. Factors hindering the attraction of foreign investment in agriculture.

The world's population is steadily increasing, which in turn leads to an increase in demand for food. The amount of land suitable for agricultural activity is limited, and therefore there is a constant growing demand for agricultural land.

Investors investing in agricultural land can be divided into two types: passive investors and active investors.

Passive investors invest in agricultural land for the purpose of further leasing land and obtaining passive income in the form of land rent, active investors invest in agricultural land for the purpose of their independent processing.

A kind of passive investment in agricultural land is the creation of agricultural enterprises by investors to lease them together with the land to farmers.

Mortgage lending secured by land allows passive investors to pay the cost of a land plot in a mortgage, at the same time, handing it over to farmers.

According to [11] the main forms of investment in agriculture are (Figure 2):

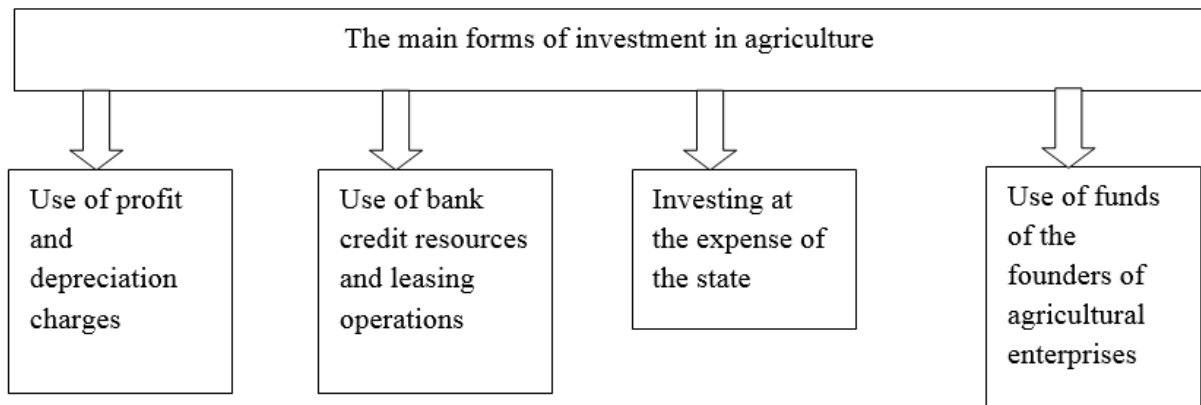


Figure 2. The main forms of investment in agriculture.

According to [12] to attract investors to the agricultural sector of the economy, it is necessary

- 1) Formation of a favorable investment climate and improvement of legislation protecting the rights of creditors and investors.
- 2) Providing an opportunity for agricultural enterprises to purchase fuel at preferential prices.
- 3) Promote the provision of bank loans to agricultural enterprises with a preferential interest rate.
- 4) To protect domestic agricultural producers with customs duties from unfair competition from foreign producers
- 5) Promote the solution of social problems in rural areas
- 6) Cancel customs duties on the import of high-performance agricultural machinery.
- 7) Develop and implement a state program for leasing high-performance agricultural machinery.

2. Methods

In the course of this study, the authors applied an analytical method, which allowed the authors to consider the problems studied in the article in their unity and development.

Taking into account the goals and objectives of this study, the authors used a structural and functional method of scientific cognition.

As a result of this research, we were able to study some problems with the state regulation of investment activities in agriculture.

3. Results

The effectiveness of the development of modern agriculture is largely due to the need to attract investment in this industry. The world's population is constantly increasing, the need for food production is growing, which in turn should contribute to the inflow of investment in the agricultural sector of the economy. The limiting factor for investors is the return on investment. Given that the amount of agricultural land is limited, the opportunity to invest in agricultural land is also limited. Agricultural production is a labor-intensive type of economic activity and success largely depends on the fertility of land plots. Small owners of agricultural land plots do not have the opportunity to effectively restore the fertility of the land. If a small owner of a land plot leases it to a farmer, then the farmer is not very interested in improving the fertility of this plot, and the small owner is primarily interested in the maximum rent for using such a plot. In this regard, the farmer will strive to grow crops on this site that bring maximum profit, which in the future often leads to the depletion of the land. If the land tax is not high, then the small owner will not be interested in selling his plot, and therefore the land plot will be inaccessible to potential investors who are able to use this agricultural plot as efficiently as possible. If there is a high level of unemployment in rural areas, then in this case

small land owners will consider their participants as one of the main or even the main source of their income. In this case, small owners will not be interested in selling their land as long as it will bring them income from renting.

This, in turn, in order to ensure food security, it is necessary to increase labor productivity in agriculture, improve the quality of manufactured products.

Without investment in agriculture, there is no way to improve the social, industrial and transport infrastructure in rural areas.

The solution of these problems is possible only if investments are attracted.

The sources of investment in agriculture are the funds of the state and local budgets, banks, insurance and investment companies, as well as non-state pension funds.

In order for the land plot to be used effectively, it must be transferred to the ownership of an agricultural enterprise.

In turn, the transfer of the land plot to the ownership of an agricultural enterprise allowed this enterprise to attract more investment from various sources.

In our opinion, the distribution of land plots to rural residents that occurred after the collapse of the Soviet Union significantly slowed down the innovative development of agriculture. We believe that instead of subsidizing agricultural enterprises, the state should buy land plots from small owners, and then sell them to agricultural enterprises with the possibility of obtaining a bank mortgage loan for these purposes.

Subsidizing agricultural production can lead to the fact that agricultural producers will not strive to obtain maximum profit, and their efforts will be directed to obtaining maximum subsidies.

Thus, to ensure food security, first of all, it is necessary to solve the issue of transferring land to effective owners. Without such a transfer, subsidizing agriculture and providing various benefits to agricultural producers will not have the necessary effect.

Attracting foreign investment in agriculture, in our opinion, should be carried out in the form of innovative technologies, while selling land to foreign investors, in our opinion, is not advisable.

4. Discussion

The effectiveness of the development of modern agriculture is largely due to the need to attract investment in this industry. The world's population is constantly increasing, the need for food production is growing, which in turn should contribute to the inflow of investment in the agricultural sector of the economy. The limiting factor for investors is the return on investment. Given that the amount of agricultural land is limited, the opportunity to invest in agricultural land is also limited. Agricultural production is a labor-intensive type of economic activity and success largely depends on the fertility of land plots. Small owners of agricultural land plots do not have the opportunity to effectively restore the fertility of the land. If a small owner of a land plot leases it to a farmer, then the farmer is not very interested in improving the fertility of this plot, and the small owner is primarily interested in the maximum rent for using such a plot. In this regard, the farmer will strive to grow crops on this site that bring maximum profit, which in the future often leads to the depletion of the land. If the land tax is not high, then the small owner will not be interested in selling his plot, and therefore the land plot will be inaccessible to potential investors who are able to use this agricultural plot as efficiently as possible. If there is a high level of unemployment in rural areas, then in this case small land owners will consider their participants as one of the main or even the main source of their income. In this case, small owners will not be interested in selling their land as long as it will bring them income from renting.

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5. Conclusions

Large agricultural holdings are more financially stable compared to small farms. Small farms, due to the lack of financial and material resources, effectively cultivate agricultural land. The provision of subsidies and tax benefits to small agricultural enterprises of tax benefits and subsidies slows down the natural market process of consolidation of agricultural production.

The state should facilitate the transition of agricultural land from small farms to large agricultural holdings.

This will increase the efficiency of the use of land resources and increase the volume of agricultural production.

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