

<https://doi.org/10.52326/csd2022.32>

ECULIARITIES OF CAPITAL FORMATION PROCESS IN AGRICULTURE

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Abstract. An indicator of balanced and proportional agriculture development is the efficient functioning of capital at the sectoral level. It is established that, unlike other branches of the economy, agricultural production deals with living organisms of the plant and animal world, which encourages the continuity of biological reproduction processes of the fixed capital; the determining factor of production and the main means of production is land, therefore the economic process of capital reproduction is organically interconnected with natural. It is proven that to ensure an effective process of capital formation in agriculture, there is a need for production capital and reliable sources of financing the industry; it is emphasized that long-term sources of financing should be the basis for the development of capital investment policies aimed at solving promising strategic tasks. It is determined that lending as a component of the financial and credit mechanism should be adequate to the specific conditions of agricultural production; the timely involvement of capital in the production process in agriculture eliminates the danger of its suspension and makes it possible to cover the temporary lack of financial resources for the purchase of fixed and circulating assets. A number of factors are established to optimize the process of capital formation in agriculture: the formation of a comprehensive system of state support for agricultural producers, taking into account the experience of leading European countries; to increase the level of capital liquidity, it is necessary to ensure equivalent market pricing for agricultural products; to ensure the effective functioning of capital in agriculture, it is necessary to use scientifically based financial and economic methods that take into account the specific sectoral features of the agricultural sector.

Keywords: *capital formation; agriculture; production activity; specific features; efficiency of functioning.*

JEL classification: *E22; Q14*

Effective capital functioning in agriculture is a kind of indicator of balanced and proportional industry development and the entire social production. The functioning of capital in the agriculture of the leading countries of the world, and in the agriculture of Ukraine, in particular, has a number of significant specific features.

The first group of features of agriculture will influence the formation of capital. As a rule, production capital, which is the main condition for ensuring the production activity of enterprises, is formed through the sphere of commodity circulation. Agriculture is not an exception, and therefore the leading part of production capital, namely, a certain part of its production funds - buildings, structures, transmission devices, machines, equipment, vehicles, tools, devices, inventory, is also formed through the sphere of commodity circulation. But, unlike industry, agricultural production deals with living organisms of the plant and animal world, which encourages the continuity of the processes of biological reproduction of resources.

The main object of capital creation in agriculture, the factor of production and the main means of production is land, and the economic process of reproduction in agriculture is always closely intertwined with the natural one. That is why a significant part of the means of production, which is intended for consumption, is created directly in the field of agriculture, and according to the economic laws of the functioning and turnover of capital, it is included in the production turnover, bypassing the sphere of commodity circulation.

Thus, the process of restoration of biological assets, animals, perennial plantations, etc. (formation of the herd by own young, growing gardens, production of seeds, fodder) takes place directly in natural form and, as a consequence, the process of reproduction of a significant part of the produced agricultural products does not take the form of a final product. Taking into account the above, in order to ensure the normal process of reproduction and further functioning of agriculture, there is a need for both production capital (material and monetary resources) and reliable sources of financing the industry. At the same time, long-term sources of financing should be the basis for the development of capital investment policy, because, as a rule, they are aimed at solving promising strategic tasks. In this aspect, when there is a need for additional capital raising, it is necessary to follow the rule - additional capital raising should be used only if they create an additional positive effect (the rule for determining the effectiveness of capital investments) [1, p. 349].

In general, lending as a component of the financial and credit mechanism should be adequate to the specific conditions of agricultural production, and the timely involvement of capital in the agriculture production process can eliminate the danger of its suspension and cover the temporary lack of financial resources for the purchase of fixed and working capital [2, p. 76]. It becomes especially important when taking into account such industry differences as the limitation of the production process by natural factors, namely, pronounced seasonality (there is a need for additional seasonal lending), climatic conditions, extremely shaky and unpredictable for relatively significant periods of time, the change in cyclonic and anti-cyclonic weather, other natural and climatic factors. It is necessary to emphasize that these agriculture features are its organic specifics, variable only by the level of intensity and time of onset.

All of the above, as well as such organizational and economic features as a significant gap between the working period, the period of production and the period of sale of products, lead to significant fluctuations in prices for agricultural products, to the unevenness and unpredictability of income formation. These incomes are comprehensively tied to the process of selling agricultural products, which disrupts the stability of the financial resources inflow.

In addition, it is the specific features of agricultural production that lead to the urgent solution of many urgent tasks. Capital turnover in agricultural production is also affected by the seasonality of production, which is the cause of the so-called negative seasonal gap, that is, a significant period of time between the investment of working capital and its return and receipt of income. The agricultural enterprises own capital of should be the main source of ensuring their normal functioning (in general, to ensure the production process to achieve the level of production self-sufficiency), and additional involvement should be aimed at further development of production.

According to scientifically based provisions of scientists [3; 4] it is believed that the capital involved, namely short-term lending, must be directed, first of all, to the creation of seasonal reserves and expenses, which are able to reduce the negative consequences between the seasonal gap in investment and receipt of funds and ensure the optimal means structure of the production sphere and the sphere of circulation; the advance of own capital in this process should be minimal. This structuring of the capital functioning in agriculture will contribute to increasing the production efficiency.

It must be noted that determining the capital structure optimality in agriculture is complicated by the fact that using only quantitative methods it is not possible to determine the priority of own capital, short-term or long-term capital investments in a particular production process. The qualitative characteristic is related to the fact that, under the condition of the existence of agricultural production as a direct integral component of the natural environment, production processes cannot endanger the ecological safety of each locality and the state in general. Therefore, additional capital investments in environmental safety of agricultural production should become a priority at the state level and be economically profitable and expedient.

The next qualitative factor is as follows: the high labor intensity of production processes in agriculture, compared to other industries, despite technical progress in the agricultural sector, encourages the use of a live labor's significant part [5]. But as a result of the devastation of the countryside, the decrease in the number of its population, the violation of the labor potential and the

social image of the village, it simply becomes a significant part of the main production potential, the balance and efficiency of additional capital investment is impossible. In addition, the aforementioned negative qualitative changes inherent in rural areas encourage the transfer of priority (to quickly ensure the fulfillment of urgent production needs) in attracting capital from long-term capital investments to short-term loans.

Accordingly, the following group of specific conditions specific to agriculture will affect capital turnover. The priority of the sources of capital formation and its turnover, in relation to the functioning of agriculture, has its own characteristics: the turnover of capital in the agrarian sphere is slowed down, the attachment to the moment of sale of agricultural products and the significant fluctuation of prices for them lead to the unevenness of the income formation processes, profit and sources of own capital replenishment. The market economy with its strict competitive rules, using the price factor as a lever of influence, makes self-financing impossible as the main source of agricultural enterprises' existence. In addition, the specifics of agriculture is that the agricultural sector, unlike others, largely depends on the market of imported goods both to ensure crop production and to ensure livestock production (in the structure of costs for these industries, a significant part falls on imported goods). Therefore fluctuations in the exchange rate of the hryvnia against the currency and fluctuations in the world exchange rate market increase the price disparity in agriculture [6, p. 128].

A particularly negative role is played by intermediary market structures that buy agricultural products at low prices and sell fuel, lubricants, plant protection products, mineral fertilizers, etc. at inflated prices. Also, with regard to the market infrastructure, it is necessary to point out the unavailability of full information provision regarding the situation on the domestic and foreign markets of agricultural products, mainly due to the significant cost of such information. All of the above significantly complicates the strategic direction of capital investments in agriculture.

To optimize the process of capital formation in agriculture, first of all, it is necessary to form a system of state support for agricultural producers, taking into account the experience of leading European countries; secondly, to increase the level of capital liquidity, it is necessary to ensure equivalent market pricing for agricultural products; third, to ensure the effective functioning of capital in agriculture, it is necessary to use scientifically based financial and economic methods that take into account the specific sectoral features of the agricultural sector.

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