Competitiveness of agriculture enterprises as the main factor of sustainable development in agricultural sphere

Abstract. Introduction. The problem of economic mechanisms formation for the sustainable development of the agricultural sector in the context of rational use and restoration of natural resources takes an important place in agricultural economic studies. Purpose. To define the essence of sustainable development in the agricultural sector and justify its interim mechanisms. Results. The agrarian enterprises’ sustainable development has been grounded through the mobilization of their internal resources to create a rational structure of production. The mentioned structure would mitigate adverse impacts and obtain minimal deviations from the current trends of development. The interrelation between the sustainable development of the agricultural sector and the competitiveness of enterprises has been set. The basic criteria and a structural model of the agricultural sector sustainable development have been formed. It includes such an innovation as corporate social responsibility of agricultural enterprises aimed at safe operation and competitiveness. Conclusions. The interrelation between the sustainable development of the agricultural sector and the competitiveness of agricultural enterprises is the main factor of sustainable development which may improve sustainability of the environment. It provides a system of food quality standards creation. Thus, enterprises producing uncompetitive products by using outdated processes will not succeed in the long run perspective.

Keywords: Agrarian Sphere; Agricultural Enterprises; Sustainable Development; Corporate Social Responsibility; Competitiveness JEL Classification: F14; O33

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1. Introduction. The problem of economic mechanisms formation for the sustainable development of the agricultural sector of the economy, the level of health, and the rational use and conservation of natural resources in agricultural sector takes an important place in agricultural economic science. The elements of such mechanisms enable a deeper understanding of its nature. The period of systemic social transformation of the agricultural sector in Ukraine should lay the foundation for sustainable development of businesses, institutions and the state as a whole. The problem of agricultural enterprises’ sustainable development and the mechanisms of its provision plays an important role in this process. The main tools to achieve this goal are the interim mechanisms of social and economic growth and environmental development.

The defined negative tendencies and problems of agricultural enterprises’ development, which exacerbated in the transformation period including the deepening of economic, social, demographic and ecological imbalances, require a comprehensive study and a solution to ensure balanced development based on long-term growth when negotiating national and business interests.

In modern conditions, the prior quality characteristics of production is the level of interdependence of economic dynamics, social and environmental progress, which reflects the policy of sustainable enterprise development. Systematic formation of long-term growth principles of agricultural enterprises and a new quality of life in Ukraine requires in-depth theoretical developmental concept approach: approaches and mechanisms. These tools will enable the realisation of sustainable development as part of the national economic strategy.

Thus, the formation of agricultural enterprises’ competitiveness based on sustainable development determines the urgency and importance of the researched problem.


Approaches to increase competitiveness based at sustainable development in agriculture researched members of the European Association of Agricultural Economists, for example, Osoyla Toth (2012) [15] and European Regional Science Association, as well as Russian researchers, namely M. N. Dudin, N. V. Lyasnikov, V. N. Skidorenko, L. S. Leont’va and K. J. Jurewicz in the works: on the formation and development management concept application for agro-enterprises [16] and Romanian ones A. Turek Rahoveanu and M. M. Turek Rahoveanu (2013) in the case study on production structures’ performance evaluation in agricultural holdings [17].

However, overcoming the consequences of the global financial crisis and in the context of sustainable development and the improvement of the mechanism of natural resources rational use in agriculture of Ukraine in particular require a further study.

3. Purpose of the article is to define the gist of the agricultural sector sustainable development as the basis for the competitiveness of agricultural enterprises and justify its mechanisms.

4. Results. The concept of sustainable development, which has been generalisation of its aim of the sustainable development, first appeared in 1987 in the Bruntland Report of the UN International Commission on Environment and Development. Sustainable development is the development, when addressing the vital needs of modern humanity and future generations is achieved (The outcome document of the UN Conference on Sustainable Development, Rio 1992, 18–23 June 2012) [4].

The concept of sustainable development implies certain limitations in the exploitation of natural resources, but these limits are not absolute; they are relative and related to the current level of technology and social organization, and the ability of the biosphere to cope with the effects of human activity. It should be emphasised that the choice of the term «development» rather than «growth» constitutes the main concern of the concept of economic growth, which comes to a total increase of national income per capita, while the term «development» covers such elements as the quality of the environment, the level of health, the rational use and conservation of natural resources, stability, etc. (Burkinsky, Stepanov, Kharchikov, 2007) [2].

The sustainable development of the agrarian sphere is the process related to optimisation of the level of agricultural production, preservation and restoration of the quality parameters of the agricultural environment and improvement of social stability indicators of the rural population in conditions of strengthening the state’s food and environmental security. There is a relationship between the sustainable development of the agricultural sector and the competitiveness of agricultural enterprises. In the agricultural sector, any new products, technologies, methods and mechanisms that are necessary to the industry and its entities are real means of increasing the ecological sustainability of the environment (Willer, 2009) [14].

Therefore, the sustainable development of the agricultural sector is an ability of the agricultural sector and its economic entities to create such a rational structure of production which could mitigate the adverse impacts and obtain minimal deviations from the established trends of development.

The main question in the system of sustainable development of the agricultural sector and economic entities to create such a rational structure of production which could mitigate the adverse impacts and obtain minimal deviations from the established trends of development.

3. Purpose of the article is to define the gist of the agricultu-
Effectiveness of the mechanisms of natural resources functioning is determined by a system of criteria and indicators for each target subsystem. Functional subsystems, or the mechanism elements implement economic methods of management, the use of which contributes to the achievement of goals. Planning, forecasting, regulation, pricing, investment, financing, taxation, insurance, and accounting analysis are their components. These elements were presented in the system of economic management under conditions of a planned economy, but now the nature of their mechanisms should be rethought. It is necessary to use a system of evaluating indicators, as well as legal, regulatory and information services criteria in the structure of interim subsystem mechanisms (Mikula, Shakhraiuk-Onofrei, 2015) [5].

In order to use security mechanisms for sustainable development it is necessary to assess the impact of environmental factors. It is also necessary to consider environmental factors at an early stage of economic decision-making with the aim of minimising its harmful impacts on environment components. In modern conditions, such an assessment is a form of environmental protection and environmental management and the procedure is a tool to prevent possible negative impacts on environmental components at the planning stage of activity, which is used not only for production activities, but also for new substances, materials, etc. which can be used in production and be environmentally hazardous. The essence of the term «influence» means «any effects of the proposed activity on the environment, including health and safety, flora, fauna, soil, air, water, climate, landscape» (Burskinisky, Stepanov, Kharchko, 2007) [2].

We formed structural model of sustainable development of the agricultural sector and its interim mechanisms (Figure 1).

As it is shown in Figure 1, the sustainable development of the agricultural sector based on economic, environmental and social development is provided by appropriate mechanisms. The main components of economic development mechanisms are: following economic laws of development; balanced development of productive capacity; optimisation of production and distribution relationships. Mechanisms of environmental development include: compliance with the laws of nature, the use of resource-saving technologies, provision of waste-free production. Mechanisms of social development include: the full development of human capital, the full employment and solidarity, a high level of well-being and quality of life (Ajupov, Kurilova, Anisimova, 2015) [9].

Thus, to ensure sustainable development of the agricultural sector based on three components (economic, environmental and social), we need to achieve a balance between social and environmental costs in economically profitable activity. In particular, social expenditures are aimed at achieving certain tangible and intangible benefits. Environmental costs are intended to prevent pollution and promote the transition from non-renewable to renewable resources, implementing processes that would have minimal environmental impact (Anisimova, 2015) [10].

Realisation of deep transformations of agrarian sphere was caused by the necessity of expansion of production and improvement of branch balance. At the same time, the modern practice of functioning of the agrarian sphere of Ukraine is perceived and estimated ambiguously enough (Mitjaj, Gryshova, Kryukova, 2015) [11]. That confirms the complexity of transformations in the agrarian sphere and various vectors of their development. On the one hand, in the conditions of crisis agriculture came forward as the only segment of the economy (the volumes of production in 2014 showed 104 billion UAH, which is 0.1 percent more than in 2013), that supported the development of the national economy in the period of 2013 – 2014. The positive dynamics of agriculture in 2014 was observed mainly due to the increase in the production of meat. The volumes of stock-raising for that year grew by 4.2%, mainly due to the increase of pig stock and poultry. Thus, there is a decreasing trend in livestock, in particular cows. Plant-growers restrained the dynamics of development of industry (the volumes of production for that year, however, the volumes of crediting of agricultural enterprises in 2014 were reduced if compared with the year 2013. In 2014, the volume of credits for the agricultural enterprises was only 5.8 billion of UAH, which is almost 3.5 times less than it was in 2013. At the same time, it has not been possible to solve the problems of steady development of the agrarian sphere and rural territories were not able in the agricultural sector in the last few years. For the past 18 years, the commissions of hospitals reduced by almost 16 times, the commissions of the outpatient facilities reduced by 23 times, and the commissions of educational institutions dropped by 12 times. All the above entailed a high level of migration of the rural population to big cities. The production of basic agricultural goods of both vegetable and animal origin has decreased for today homesteads produce about 90% of fruits, vegetables and potatoes, 43% of eggs, 49% of meat, 79% of wool and 82% of milk. In connection with the out-of-control application of organic and mineral fertilisers and chemicals to protect plants, the overload of territories by domestic animals and poultry, the failure to observe of sanitary and hygienic requirements of rural settlements, the failure to control the ecological state of rural territories, the absence of knowledge and lack of awareness of the rural population of the ecological problems, drinking water and agricultural produce grown on such territories do not answer the standards of quality. Also there is a contamination of soils by pathogenic microorganisms and helminths, which in combination with chemical pollutants, undoubtedly strengthens the negative influence on the state of health of rural population.

It is set that the quality of the agricultural produce grown in homesteads does not answer the sanitary and hygienic require-
The basic negative consequences lead to an extensive loss of land in Ukraine, which is conditioned by the reduction of croplands; erosion of soils (54.2% of croplands is contaminated, and 32.8% are wind-eroded); degradation of basic components of the agricultural domain; impoverishment of the landscape and biological variety of agrolandscapes; deflation of soils, their physical and chemical degradation (41.9% of the landscape is contaminated with alkaline (saline) soils) and decreased fertility; contamination of agricultural lands; exhaustion of the landed resources, etc. Key factor of agricultural lands productivity decline is degradation of agrolandscapes, which is violation of the natural (rational) balance worsening the ecology.

3. Conclusions. The essence of the sustainable development of the agricultural sector, as well as its capacity to create a regional structure and the production through the mobilisation of the internal resources has been grounded. The mentioned structure would be the manifestation of random external influences which contribute to mitigation of adverse impacts and obtaining minimal deviations from the current trends.

The interrelation between the sustainable development of the agricultural sector and the competitiveness of agricultural enterprises has been defined. The latter is the main factor of sustainable development which may improve the ecological environment of the region. It provides the creation of a system of standards of food quality. Enterprises producing uncompetitive products by using outdated processes will not succeed in the long run perspective.

We have defined the basic criteria of sustainable development such as: safe food production, provision of economic efficiency of production, improvement of the level and quality of life of the rural population, stabilisation of demographic and migration processes.

Sustainable development of the agricultural sector is based on economic, environmental and social development and provides appropriate mechanisms. The main elements of the mechanisms of economic development are: the respect for economic laws of development, the balanced development of productive capacity, the optimisation of production and distribution. The mechanisms of environmental development include: compliance with the law of nature, rational use of resource-saving technologies, provision of waste-free production. The mechanisms of social development solve the following problems: the full development of human capital, the full employment and solidarity, a high level of well-being and quality of life.

References