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## PROPERTY IN AGRICULTURAL SECTOR: INSTITUTIONAL TRANSFORMATION

**Galtsova O.L. Current policy approaches to pricing in agriculture Ukraine.** The article is devoted to developing improvements in key directions of government regulation of the economic activity of agricultural enterprises. The author substantiates the necessity of including the price of land into the price of agricultural products, using the single method of determining the profit margins for all sectors of the economy. The main direction of improving pricing mechanism of the agro-industrial complex is an integrated approach to pricing at all the stages of reproductive cycle and using the single for the economy methodological framework, a gradual transition from adjustable to free prices with an active role of the state in providing equivalent exchange, restricting prices for a monopoly's products and gradual approaching domestic prices to international ones.

**Keywords:** agro-industrial complex, agricultural enterprises, price control, pricing mechanism, price parity, financial resources, government regulation.

**Гальцова О.Л. Сучасні стратегічні підходи до ціноутворення в агропромисловому комплексі України.** Статтю присвячено розробці удосконалення основних напрямів державного регулювання господарської діяльності аграрних підприємств. Обґрунтована необхідність включати вартість землі в ціну сільгосппродукції, використовуючи єдину методику визначення норми прибутку для всіх галузей народного господарства; основним напрямом вдосконалення цінового механізму АПК є комплексний підхід до формування цін на всіх стадіях відтворювального циклу із застосуванням єдиної для всього народного господарства методологічної бази, поступовий перехід від регульованих до вільних цін при активній ролі держави у забезпеченні еквівалентного обміну, обмеження цін на продукцію монополій та поступове наближення внутрішніх цін до цін світового ринку.

**Ключові слова:** агропромисловий комплекс, аграрні підприємства, регулювання цін, ціновий механізм, ціновий паритет, фінансові ресурси, державне регулювання.

**Гальцова О.Л. Современные стратегические подходы к ценообразованию в агропромышленном комплексе Украины.** Статья посвящена разработке совершенствования основных направлений государственного регулирования хозяйственной деятельности аграрных предприятий. Обоснована необходимость включать стоимость земли в цену сельхозпродукции, используя единую методику определения нормы прибыли для всех отраслей народного хозяйства; основным направлением совершенствования ценового механизма АПК является комплексный подход к формированию цен на всех стадиях воспроизводственного цикла с применением единой для всего народного хозяйства методологической базы, постепенный переход от регулируемых к свободным ценам при активной роли государства в обеспечении эквивалентного обмена, ограничения цен на продукцию монополий и постепенное приближения внутренних цен к ценам мирового рынка.

**Ключевые слова:** агропромышленный комплекс, аграрные предприятия, регулирование цен, ценовой механизм, ценовой паритет, финансовые ресурсы, государственное регулирование.

**Introduction.** The reform of the agricultural sector Ukraine led to the development of new socio-economic processes and phenomena in agriculture, the essence of which is to restructure ownership relations, formation of farmer-owner, the formation of the private sector and others. Formation of the real owner of the land – a long complicated process of institutional reforms and improvements. Especially difficult are the areas of private ownership of land, creating conditions for the practical implementation of all private owner of office identified certain set of specified relevant rights.

Becoming institutional preconditions of market transformation of the agricultural sector of Ukraine's economy with a view to substantially increase its economic and social efficiency faces a number of obstacles and challenges of social, economic, legal and regulatory nature, it causes acute need for theoretical analysis and generalization of specific experiences the formation and functioning of the institution of property in agriculture Ukraine economy, determining the prospects for its further development and compliance with its state national economic interests.

**Analysis of recent research and publications.** Among the well-known foreign and Russian researchers of problems of institutional economic theory out A. Alchian, H. Demsets, R. Kouz, O. Vilyamson, R. Pozner, S. Peyovicha, E. Fyurobotn, R. Kapelyushnykov, A. Nesterenko, R. Nuryeyev, A. Oleynyk, V. Polterovych, A. Shastitko and others. National market transformation of the agricultural sector and its components dedicated work V. Heytsya, V. Demytyeva, Hrytsenko, Y. Zavads-koho, I. Kyrylenka, O. Krysalnoho, M. Malila, O. Onyschenka, P. Sabluka, V. Tarasevycha, M. Fedorova, V. Yurchyshyna, O. Yaremenka and others.

**Setting objectives.** The article is to study and justification of the modern transformation of institutional ownership in AIC.

**The main material research.** Transformation processes of transition related to the institutional features of formation of a new economic system. A special niche covers agriculture, the specifics of which significantly distinguishes him among the institutional features of other components of the economic system

of Ukraine. Among the elements of the institutional establishment of transitive economy in the first place are undoubtedly form of law and property relations. The basic structure of society in the same institution can be considered as property, which forms the institutional status of the other components of the system. Legally legal basis of reforming the underlying property AIC resource – land – fixed in adopted in November 2000, the Land Code of Ukraine. The adoption of the Land Code of Ukraine is a necessary and important institutional prerequisite institute radical changes to land ownership, but not sufficient to create real effective land owner.

By itself relatively abstract category of property, as supplemented by the categories of “relations” and “rights” of property. In general, the property is associated with things (real property), and it is clear that the property is not the same thing as object relations on the property (property of intellectual activity, etc.). As is settled law, relationship take the form of ownership. At the same time, property rights are fixed and determined not only by the state but by individual social mechanisms (moral norms, traditions and other “unwritten” rules). This suggests that if the objective nature of the property, the property relations, especially in the emerging institutional environment can be subjective.

In Ukraine, the forming institutional environment market model has not yet been completed. The situation is complicated by the fact that the feature of the mentality of Soviet society was almost complete denial of private property ownership and wealth that shaped attitudes to the institution of property. And in a transitive economy the impact of psychosocial factors increases significantly. This is the negative role played by some informal institutions. Of course, the situation is changing. And if in the national economy as a whole, private property is already largely positive assessment, the property in agriculture (including land) is perceived negatively if not, then at least suspicion that imposes additional subjective effect on property relations in the agricultural sector.

In institutional theory of property rights are seen as the last “game rules”, rules governing the relationship between people regarding wealth

(anything that brings a utility or satisfaction). For institutionalists statement E.Fyurobotna and S.Peyovicha, dominant in the society system of property rights is the sum of economic and social relations with over scarce resources, in which some members of society are opposed to each other [1]. Property relations are considered not at the level of “man – thing”, as well as relationships between people, which form the triad of “holder (s) – object property – not the owner (s).” Decisive is the limit for not the owner access to the object of another’s property. On the other hand, the owner is responsible for the decisions taken by him. This manifests outer “orientation” property rights that form the exogenous (relative to the subject property) institutional environment.

Equally important is endogenous configuration property rights, defined organizational structure and institutional structures of individual economic agents – entities owned. If the environment property rights common to all, the in-house property relations may differ. The basis of the economic system and the individual countries it is the interaction of endogenous and exogenous components of the mechanism which aims to ensure delineation and protection of property rights. This strengthening of the role of the legal regime should not underestimate the economic substance of ownership and limited only to the legal norms.

Institutional economic theory links the origin of ownership of property rarity, limited benefits and the possibility of alternative use. To resolve the conflict between the parties, trying to qualify for the use of limited resources, which can lead to over-consumption and depletion, established exclusive rights involving the implementation of a complete ban on certain legitimacy to the consent of the subject of property rights, which can take this decision. It is a subjective right to make this decision, according to the economic theory of property rights, is the basis of the allocation of private, municipal, state property. The economy of private property means the right to decide on the legality of the use of a separate entity belongs. Therefore, the legality of the beam can be concentrated in a single person. The system of state or collective ownership right to decide blurred, bunch of roses legality distributed between different branches of government,

as the exclusive rights regime can not be provided and supported by neither the state nor the municipal authorities, primarily because of the heterogeneity, the uncertainty of the subject of rights. That is difficult to determine which of the branches of bureaucracy decides on the legality of a provision of economic agents and who bears the economic responsibility for the consequences of its use in terms of subject property (society, community, state). Therefore, interpretation of the statement that the state can establish and maintain a regime of exclusive rights is unconvincing [2].

The most complete (but not limited) set of rights has private property. However, in institutionalism, in contrast to neoclassical economic theory and liberalism, private property is not idealized, but above all it indicates a competitive advantage in the characterization and comparison with other legal forms of ownership (state and municipal). Implicitly its higher efficiency, generally confirmed the interest of the owner in higher results obtained, which leads to activation of business functions, innovation and others. However, speaking about the implementation of the private interests of the owner, be aware that they are at different stages of the system of property relations may be different and not always coincide with the interests of society, despite the effect of “invisible hand” of market regulators. Nevertheless, private property plays an important social function, speaking a necessary condition for economic freedom.

On the other hand, the “Coase theorem” [3], the clear allocation of specified property rights of these rights (between different forms and business ownership) does not play a decisive role for unlocation resources (production structures) under zero transaction costs. That is, at first glance, not ownership is of paramount importance. But in the real world cases zero transaction costs exist, and that it necessitates ownership specification defines the benefits of some form of their implementation, as a function of any institution (including the institution of property) is to reduce transaction costs. Today private property in the national agriculture dominant, with state-owned land transferred to private about  $\frac{3}{4}$  of all agricultural land; the structure of the same agricultural state

agencies occupy 2.5% of all farms of various forms (excluding farming) [4].

The introduction of private property in national agriculture is a prerequisite and the main component of the formation of market principles of institutional formation of a new society. An important role here belongs to the state, which has implicitly guarantee and protect property rights. Thus, under Article 13 of the Constitution of Ukraine, the state protects the rights of all subjects of ownership and management, noting their equality before the law; under Article 41, the right to private property is inviolable [5].

That achievement opportunities to establish and maintain exclusive rights regime by entities owned by the state and by establishing and maintenance of social norms and rules, based on the principles of equality and competitiveness of different ownership, we believe the main achievement of the transition from a planned distribution to a market economy. On the one hand, deregulation, privatization and specification of property rights are the material basis (prerequisite) formation of market economy, on the other – creating an economic, political, legal, and psychological environment in which reigns respect for property rights in any form, and protection by society and government launch market-based economy.

However, the distribution and redistribution of property rights should be civilized market principles that will provide the highest efficiency, as carried out in accordance with the competitive advantages that have and can get business entities. In the end, this should increase the overall efficiency of the economy as a system which generates a rational mechanism for distribution of property.

In transitive economy specification property rights associated not only with their declaration, but with or without the economic mechanism of their implementation. The lack of certainty of property rights leads to broad access to the resources of the various economic agents, contributing to inefficient use of resources, and often – their loss. A role is played by informal institutions (such as asset habit of perception “draws” creates a known effect of “accessibility”). If the property, its forms and the right is

the main institution, the type of business can be considered a derivative of the Institute. With the consideration of the institutional environment important competitive assessment of the effectiveness of economic organizations in ensuring market transactions (transactions). In this context, the statement by R. Kapelyushnikov [6], the main advantage of the system is not private property that is formed on the basis of a uniform type of organization that superior performance all the others, but the fact that due to a combination of exchange and freedom rights Property it provides the widest field for creating and selecting different organizational forms, including those that are based on seemingly opposite her principles. Consequently, the wider the range of possible legal forms, the more choices for entrepreneurs entities.

As for the legal entity as a form of property rights, the neo-institutional theory of “economic organization” enterprise (company) is considered as a network of contracts, cooperative form of production factors, the system of processing and transmission of information, ensure the economic structure of power and control over the property. The most important component is the firm view it as a network of contracts between the owners of the factors of production – after all relations from the standpoint of institutionalism is an agreement (formal or informal, long-term or one-off, etc.)

In the study of the organization (legal entity) the principle of methodological individualism enterprise (company) is considered as the union of diverse actors pursuing their own interests, because the existence and operation of the business is a compromise between themselves and between them, on the one hand, and the environment – on the other. This economic agents behave as rational when making Maximizer as market and other decisions. According to diverse characteristics of the enterprises, organizations consider the interaction of a combination of property rights with a system of economic incentives that determine the interests and behavior of agents. Crucial to specify the types of business entity has a bunch of two main powers of ownership:

- The right to residual income, which is manifested in the right to the distribution and use of profit;

- The right to final decisions, defined by different forms of management and control of the operation of the enterprise.

Differences between different forms of management are in economic mechanism of distribution (association) beams powers, particularly in the financing of economic activity and division of profit, final decisions, management, control and so on. From this perspective, as you know, each organizational forms has certain advantages and disadvantages.

The essential signs of the times is the development of large enterprises – corporations in the functioning of which is owned demarcation and management. Leading role to ensure effective use of resources, production capacity begins to play not one who is the owner, but the one who manages the property. However, in Ukraine agricultural corporations (joint stock company) did not become the dominant form of management.

In the conditions of transitive economy of Ukraine is a change of undertakings agrarian sphere. Agricultural enterprises have gone from formal renaming farms and defining reform based on private property. Much of the hosts farmers themselves. According O.Onyschenko, “a new socio-economic and organizational structure of agricultural production, which entities are created on the basis of private ownership of land and other means of production. However, one should assume that just completed the initial stage of formation in agriculture market-oriented organizational structure“ [7].

According to the Department of Agriculture Ministry of Agricultural Policy reform Ukraine during the reform on the basis of collective agricultural enterprises in 2000-2001., Created a new type of agricultural farm, business partnerships – 46%, agricultural cooperatives – 25%, private (private-rental) enterprises – 21%, peasant (farmer) economy – 7%, other units – 1% of all households reformed. The most characteristic changes since then are reducing the role of cooperatives and the growing share of economic partnerships, as well as a slight increase in the number of private enterprises. Number of farms initially increased and then decreased slightly.

Despite ongoing reforms on the basis of private, local farms not yet taken their place in

the system of market relations. The transition period characterized by a significant decline in the proportion of agriculture in the structure of agricultural production: for example, if in 1990. they accounted for 72.5%, in 2000. – 38.0% in 2001. – 41.3%, in 2003 – only 34.0% in 2005. – 40.7% in 2006. 39,4% [8].

With the reorganization of the agrarian sector of Ukraine individualized, individual, family (while small) business is massive, much of the products produced in farms. The reform of the agricultural sector, sharing land and property was intended to combine in one person the owner, an employee and an entrepreneur. However, agricultural entities in the selected organizational forms of business has not reached the above mentioned objective, as owners of land plots (shares) granted the status of these forms of employees. Sophistication same lack of farming, and resources and efficiency of private farms – too limited. The limited growth of agricultural production in households is primarily concerned with the fact that their members are mostly owners only work, but not capital required for the expansion and development of production. Not to say that some currently existing organizational form optimal. A change suboptimal organizational forms associated both with time and with new transaction costs that may be greater than the cost of inefficient functioning form.

In today's economy there are not only clean separate ownership. In addition, the social character of business activity leads to a situation where someone else made the order property involved in the economic cycle, for example, through leasing, in the agricultural sector, first of all, should apply to the land. You also need to remember to raise funds and resources, machinery and equipment leasing, loans and other economic instruments interim management of another's property. So, along with ownership of the company (as an object of law) refers to the possession and use of the means of production as part of the materiel may be rent, borrowed and others.

The final uncertainty of ownership imposes a significant imprint on the relationship of reformed or newly created economic units of the agricultural environment. Thus, in the domestic agricultural sector the main organizational

and legal form of a business partnership, which constitute more than half of the total number of existing enterprises sector. Land (shares) and property leased by such enterprises, farmers could act as employees. Under these conditions, there is a beam dispersion of ownership, the gap ownership and control. Much of members of agricultural production is cut off from the right to the distribution of profits (of course, if any) and the right management decisions.

Features of the agricultural sector determined by the shape of the relationship “man-nature” that determines the structure of both ownership and management, and production. In agriculture, Ukraine has recently accelerated the process of changing the structure of production directly to one type, in particular due to fragmentation of producers and production. A production of one or more products increases the riskiness of activity and reduces its effectiveness. Significant risks and low yields contribute out of the agricultural sector of its subjects. In particular this will occur by households.

Note that some studies did not confirm the relationship between ownership structure and restructuring of enterprises, intensity of ongoing transformations [9] or exaggerate the importance of the size of farms, claiming that this or that ownership does not have a decisive impact on the level of economic efficiency of agricultural production [10]. This can be answered I. Buzdalova said that the benefits of large-scale production are determined not so much by its size as ownership [11], or as explained O. Onyschenko – social and economic nature of agricultural enterprises [12]. Questions regarding the size of farms is important, but not decisive.

A variety of institutional forms of management defines the different types of possible behavior of economic agents agricultural sector. Thus, the role of internal control mechanisms for the distribution of economic processes and, particularly, transactions and their results. However incompleteness of existing property rights, such as land ownership leads to hiding the actual content deals with such objects (which are still officially not possible) masking for other transactions. That official moratorium on the sale of the right to agricultural land is absolutely no guarantee that such agreements are not made now hidden in the “gray” forms.

This causes the presence of unresolved issues regarding ownership [13].

Remain controversial question of priority or effectiveness of a form of property management. Note that the spread of private property is not an end in itself but only a means of improving the efficiency of agricultural production, the interest holders in the results and implementation of suitable economic forms of their provision and receipt. The advantage of private ownership is manifested primarily in increased motivation of entrepreneurial activities based on this property – interest, initiative, freedom of economic choice. That is the rapid development of individualized business in domestic agriculture can be considered a milestone in the formation of various forms of management, the establishment of which is possible on the basis of independent and free choice of private owners.

Different forms of ownership and management in the agricultural sector are not mutually exclusive and not denied, and form a mixed system based on private ownership in which the person is given a choice: either individually or collectively to farm on their land to be an employee or entrepreneur.

**Conclusions and prospects for further research.** Formation in the agricultural sector of the market economic system selects the optimal combination of the different forms of property, but not everything depends on the diligence and initiative of farmers from the benefits of an ownership or management. The decisive role belongs to increase the degree of institutionalization of economic relations, including agricultural. This should apply as property relations and relations of distribution to ensure their transparency and at the same time results.

In these circumstances, the role of the state as an important institution regulation and enforcement – the third party in market transactions. However, the government itself produces formal institutions. Relations between the state and agricultural producers constitute a separate group of agrarian relations. In the formation of informal institutions is essential rooting positive public perception as private property, legal consciousness, legal state and fair and transparent distribution of economic benefits between different sectors of the national economy.

The system of agrarian relations need to organize and manage, a mechanism which should be the formation of a special type of internal agrarian relations on the basis of new economic thinking farmers. Providing a mechanism of state regulation must be complemented by the mechanism of realization of competitive advantages of the agricultural market agents based on their formal and informal associations.

In the agricultural sector are still not widely intellectual property, although the need for them is significant. For dynamic development of the industry need new inventions patented opening; introduction of modern genetics and breeding; effective physical, chemical, biological crop protection and so on. Intellectual Property as information today is the “driving force” of economic development.

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