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INCREASING THE COMPETITIVENESS OF AGRICULTURAL ENTERPRISES IN CONDITIONS OF ECONOMIC RISKS

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Abstract

The article investigates the theoretical foundations of agricultural enterprises competitiveness in today's conditions, based on statistical data, an analysis of their activities is carried out. The production intensification mechanism of competitive agricultural products is substantiated. The issue of introducing innovations to improve the quality of agricultural products as the main component of competitiveness is considered. It is the innovation infrastructure that will promote the development of agricultural enterprises, strengthen their competitive advantages and increase competitiveness. Strategic directions of the enterprises competitiveness increase on the basis of an information platform creation of providers' activity for the purpose of innovative maintenance of the agricultural enterprises are offered. The author's approach to the study of agricultural enterprises competitiveness problem in conditions of economic risks is presented in the article and the directions of its solution are stated.

Key words: *agricultural enterprises, competitiveness, production intensification, economic risks, innovation, information provider*

INTRODUCTION

Competitiveness is the foundation of a stable position in the market of agricultural entities, minimizes the impact of dynamism and instability of the environment, determines the optimal number of consumers and the best sales channels, reduces commercial risk, ensures efficient operation and high financial and economic performance. Due to competitiveness agricultural formations have the opportunity to increase production, to use all resources efficiently and rationally, especially land, as the main means of production in the industry and the priority of national wealth, to introduce modernized technologies, use modern agricultural machinery and equipment, even on lease, test new crops, which are resistant to diseases and pests, to improve the professional abilities of workers in the field on the basis of international experience and scientific developments of domestic agricultural scientists. The competitiveness of products has a positive effect on the competitive position of the enterprise, which, in turn, forms a good image of agriculture as an industry and determines its alternative position in the world market.

Many scientists dedicate their work to this issue [1, 7, 8, 9, 10, 15, 17].

From a theoretical point of view, to achieve a high level of products or enterprises competitiveness is quite easy while analyzing the strengths and weaknesses of the industry, as well as its opportunities and advantages.

However, the realities of agricultural enterprises in Ukraine show that such a process is quite complex, lengthy, costly, and sometimes unjustified.

Therefore, today's agricultural producers need new approaches to the formation of competitive positions, determining their advantages through the production of products that will best meet consumer needs, taking into account its quality characteristics, especially for organic products.

It is in the conditions of economic risks the increasing of agricultural enterprises competitiveness is very relevant, important and necessary. This determines the choice of research topic.

MATERIALS AND METHODS

The following methods were used in the article: induction to collect, systematize and summarize information, data and facts related to the activities of agricultural enterprises; deduction and abstract-logical for a theoretical explanation of agricultural enterprises competitiveness increasing importance in conditions of economic instability; synthesis for the presentation of the research problem as a holistic system, which is formed in a combination of components or constituent subsystems; statistical and economic research for processing of statistical data of agricultural enterprises, their analysis and comparison; graphic for economic entities performance indicators presentation in the dynamics and structural; monographic for the manifestation of causal links in the activities of enterprises that receive both high and low economic indicators that affect the formation of competitiveness of both products and the enterprise itself; calculation and design – for forecasting economic processes and production planning, which are associated with increasing of agricultural enterprises competitiveness.

Legislative acts of Ukraine, official data of the State Statistics Service of Ukraine, works of domestic and foreign scientists, personal observations of the authors became information resources for the research.

RESULTS AND DISCUSSIONS

The competitiveness of agricultural enterprises and the agro-industrial complex in general is formed under the influence of a huge number of factors that create the conditions for functioning, contribute or worsen them. For example, factors are divided by such features as: natural (land, plants, animals, fertility, natural resources, climate) and artificial (machinery, machinery, equipment, inventory), general (network of roads, railways, transport, advertising, exchanges) and specialized (production technology, strategy and image of the enterprise, agricultural techniques, seasonality and duration of production), basic (natural resources, capital, location of production facilities, simple labor) and developed (skilled labor, developed infrastructure, innovation, modernized technologies) [11]. However, alternative factors influencing the competitiveness of both products and enterprises are product quality, price and demand.

In addition, the formation of competition in agricultural production is significantly influenced by: state support of farmers, material and technical base, rational specialization and organization of production, staffing, quality of agricultural products, both finished and raw materials, marketability and low costs [12].

It can be added that the generation of competitive advantages by agricultural enterprises leads to a reduction in the cost of production and improve its quality according to European standards. After all, modern market conditions require agricultural producers to produce quality agricultural products, the basis of which is the rational use of production potential on the basis of organizational and economic improvements.

Table 1. Agricultural production value by agricultural products and Ukrainian farms at constant prices, 2016, UAH million

Indicator	Year			
	2018	2019	2020	2020 to 2018, %
Enterprises				
Agricultural products, total	437,999	449,806	395,718	90.3
crop products	367,689	376,789	323,199	87.9
livestock products	70,310	73,017	72,519	103.1
Households				
Agricultural products, total	233,295	231,176	216,404	92.8
crop products	161,659	161,916	150,179	92.9
livestock products	71,636	69,260	66,225	92.4
TOTAL				
Agricultural production value	671,294	680,983	612,121	91.2
Crop production value	529,348	538,706	473,377	89.4
Animal production value	141,946	142,277	138,744	97.7

Source: Statistical information of the State Statistics Service of Ukraine [13].

An enterprise that is intended to produce competitive agricultural products must have the ability to acclimatize to external change, using a special economic mechanism, which

can be described as a mechanism for intensifying production activities. Because competition takes place in conditions of economic risks which are associated with political and economic instability, effective demand decline, inflation, irrational production structure, unacceptable foreign economic policy, and so on. Such negative phenomena in the country's economy have led to the fact that many companies not only reduced their production, but became unprofitable, went bankrupt or closed down altogether.

Production of agricultural products in Ukraine decreased in 2020 compared to 2018 in all categories of farms by 8.8%, including crop production – by 10.6%, livestock – by 2.3% (Table 1).

Based on the data from Table 1, its was determined the structure of agricultural production value by farm type in the analyzed period (Table 2).

Table 2. Structure of agricultural production value by farm category and agricultural sectors (%)

Indicator	Year			
	2018	2019	2020	2020 - 2018, +, -
Enterprises				
Agricultural products, total	65.2	66.1	64.6	-0.6
crop products	54.8	55.3	52.8	-2.0
livestock products	10.4	10.7	11.9	+1.5
Households				
Agricultural products, total	34.8	33.9	35.4	+0.6
crop products	24.1	23.8	24.5	+0.4
livestock products	10.7	10.2	10.8	+0.1
TOTAL				
Agricultural production value	100	100	100	-
Crop production value	78.8	79.1	77.3	-1.5
Animal production value	21.2	20.9	22.7	+1.5

Source: Own calculation based on Statistical information of the State Statistics Service of Ukraine [13].

We see that crop production in all categories of farms amounted to 77.3%, and livestock – 22.7% of the total value of agricultural products, including the ratio in enterprises is 52.8% and 11.9%, and in households – 24.5% and 10.8% in 2020.

Also, the structure of production value by farm category in the year 2018-2020 is shown in Fig. 1.

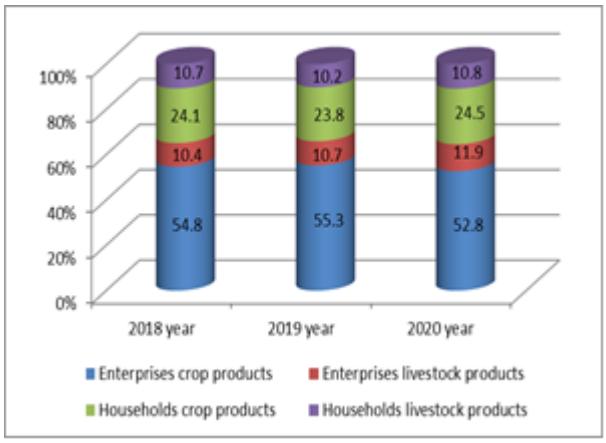

Fig. 1. The structure of agricultural production in terms of farms categories, Year 2018-2020 (%).
Source: Own calculation based on Statistical information of the State Statistics Service of Ukraine [13].

It is also worth noting that the level of performance indicators of enterprises, including competitiveness, is directly affected by the size of agricultural land (Table 3).

Table 3. Grouping of enterprises by area of agricultural land in use in 2020

Indicator	number of enterprises		land area	
	units	share, %	ha	share, %
Land area, total	40,754	100	21,250,626	100
Including area				
up to 5.0 ha	2,125	5.2	6,885	0.03
5.1 – 10.0 ha	2,013	5.0	15,747	0.07
10.1 – 20.0 ha	3,261	8.0	50,669	0.2
20.1 – 50.0 ha	10,023	24.6	375,606	1.8
50.1 – 100.0 ha	5,234	12.8	378,186	1.8
100.1 – 500.0 ha	9,296	22.8	2,277,598	10.7
500.1 – 1,000.0 ha	3,225	7.9	2,322,783	10.9
1,000.1 – 5,000.0 ha	4,950	12.2	10,413,239	49.0
more than 5,000.0 ha	627	1.5	5,409,913	25.5

Source: Own calculation based on Statistical information of the State Statistics Service of Ukraine [13].

The data in Table 3 show that enterprises with an area of up to 10 hectares account for 10.2% of their total number and occupy only 0.1% of the total area of all lands in the country. Enterprises with an area of more than 5,000 hectares occupy 1.5%, and the share of their total area is 25.5%. The largest share – 24.6% is occupied by enterprises with an area of 20 to 50 hectares, and the highest share of land – 49% have enterprises that own land from 1,000 to 5,000 hectares.

Also an important aspect in the production of agricultural products is its full implementation, meeting domestic needs, especially in crop production to preserve the seed fund. Equally important is taking into account of natural crop losses (unfavorable natural conditions – excessive rainfall, drought, technical reasons, risky situations), which farmers try to prevent or minimize. Unfortunately, it is almost impossible to get rid of them completely. But there is an option – to insure the future harvest. Undoubtedly, fluctuations in demand and competitiveness of agricultural products are affected by various risks, especially economic, so they must be competently avoided or minimized through appropriate ways, effective and acceptable methods. The occurrence of internal and external risks in the activities of agricultural enterprises have significant negative consequences, for example, production risks reduce the competitiveness of the enterprise and its products; market and economic risks reduce the financial and economic performance of enterprises and investment attractiveness; natural risks lead to failure to obtain the planned harvest; financial risks lead to debt, loss; ecological risks worsen the quality of land and products; social risks are associated with low productivity, unproductive costs, etc. [14].

Therefore, the introduction of an effective mechanism for intensifying the production of competitive agricultural products is a reliable and significant factor in the comprehensive improvement and increase of enterprises economic efficiency. Interpretation of the mechanism as a process is to take specific actions to achieve the goal. Let's remind that the overall goal of each business is minimization of costs and maximization of profit.

The mechanism of competitive agricultural products production intensification is interpreted as a set of appropriate methods, levers and tools for the implementation and expanded reproduction of the components of the agricultural enterprise potential, as well as achieving the strategic goal. The process of forming a mechanism to intensify the production of competitive products through principles, functions, forms and structural elements, taking into account the regulatory framework should ensure the process of functioning of this mechanism through methods, levers, tools and criteria and build a further strategy for agricultural development in general on this bases. It should be noted that such an approach to agricultural development should include innovative modernized technologies, modern agricultural techniques, foreign experience in agricultural production, high professionalism and environmental standards for the quality of products and food products made from it.

Of course, the competitiveness of agriculture as a specific industry has its axioms, namely:

a set of interdependent factors and the level of potential opportunities that affect long stay of an agricultural enterprise with strong competitive advantages in the market; the ability of the business entity to improve constantly its production, namely, to create new competitive advantages, even under the influence of external conditions and risky situations; a chance for the company to achieve the planned result through the implementation of properly constructed and selected strategies.

If we give a description of each of the above postulates, it is expedient to highlight the following: factors which are used in agricultural production are specific and limited, for example, land, soil, its fertility, is a renewable natural resource, but only if it is used rationally and carefully and the with minimum influence on the environment; plants have their own growing season, so accelerate the rate of cultivation and maturation is almost impossible even in very favorable climatic conditions, in addition, the use of growth stimulants is prohibited by law and impairs plant quality, harms the ecosystem and is dangerous to human health and life; improvement of the agricultural production process, its modernization, intensification will be carried out by agricultural enterprises only when clear legislation and state regulators will support the industry by financing, providing opportunities for tax holidays, expanding sources of investment in agricultural

development; thanks to the "iron" and also highly motivating state support, the agricultural producer will clearly build the strategy of its activities with the help of professional competencies of employees, enterprise management functions and organization of the production process, which, in turn, will provide production process based on high economic results such as profit and level of profitability.

By the way, agricultural products are characterized by specific features. They have limited storage period, require heat treatment, temperature and appropriate packaging. Therefore, it is important to add that the production process itself and its scale cannot ensure high competitiveness of the industry and its products. This can be realized comprehensively due to the logistics of product promotion, marketing mechanism, well-established communications with the market and market infrastructure.

It should be noted that today's consumer is very demanding and demanding of products, especially food, so quality standards, differentiation and diversification of products are important and influence consumer choice and demand. After all, from an economic point of view, the needs of customers are unlimited, and the resources and products offered by manufacturers are limited. As a result, the manufacturer chooses the alternative that, in terms of economic benefits, suits him best, but also takes into account consumer demand and competitive advantage and market position in the short or long term. Therefore, the competitiveness of agricultural products is also affected by the diversification of consumer needs and it is difficult to interest them by standard products.

Thus, the formation of the competitiveness of agricultural enterprises should take into account a set of components: providing agricultural producers with modern equipment; creation of the newest technologies in plant growing and animal husbandry; financing of agricultural production and providing financial support to producers of seed material, research institutions, variety testing stations; training of highly qualified personnel; taking into account the specifics of agricultural production in the regions; improving pricing policy; market segmentation and product differentiation; logistics of agricultural products promotion; marketing communications; networking, international experience and cooperation based on the exchange of information, technology, innovation; effective management system; investment and innovation support of the industry [3].

These components of the production process form the competitiveness not only of the industry but also of the enterprise as a whole. It is also appropriate to take into account the fact that the entity seeks to constantly increase its competitive advantage by using innovations and expanding investment attractiveness through the production of new or improvement of old products. Of course, the strategy of diversification of agricultural products has appropriate limitations related to area size, climatic conditions, use of machinery, tillage, etc., but improving the quality of agricultural raw materials and finished products, improving agricultural practices, production methods, modernization of machinery and Strengthening the environmental standards of agricultural production is within the power of every company that seeks to achieve high competitive positions in the market.

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Innovative processes in the modern market space are dominant not only for agricultural enterprises, but also for other economic entities. After all, innovations are the result of production and sales increasing, they lead to overall costs lowering, increase financial and economic indicators, including the level of profitability, capital adequacy, productivity, expanded reproduction of agricultural enterprises and improve socio-economic development of villages and the rural population well-being.

To increase the competitiveness of agricultural enterprises, we propose to apply the following measures in stages, namely: 1. development of innovative projects. 2. approbation, application and testing of innovations. 3. reproduction of innovative projects. 4. introduction of innovations in production processes. 5. comparing of performance with previous periods.

Innovations are primarily related to the introduction of new plant varieties that are resistant to pests, diseases and environmental conditions. But, taking into account European product quality standards, it is advisable for companies to implement a set of innovations gradually.

Based on the content analysis of the works of scientists, we propose the following innovations classification (Figure 2).

It should be noted that the introduction of innovations in the agricultural process of enterprises should take into account the characteristics of the industry, which are not inherent in other sectors of the economy. But, regardless of the activity, the essence of innovation is not to change the type of product, but only in its qualitative improvement and improvement of consumer characteristics. Thus, the fundamental goal of innovative implementations in agriculture is to ensure environmental friendliness and quality of products for consumers and efficiency – for businesses themselves.

This innovative infrastructure will promote the development of agricultural enterprises, strengthen their competitive advantages and increase the competitiveness of products not only in the domestic market but also abroad.

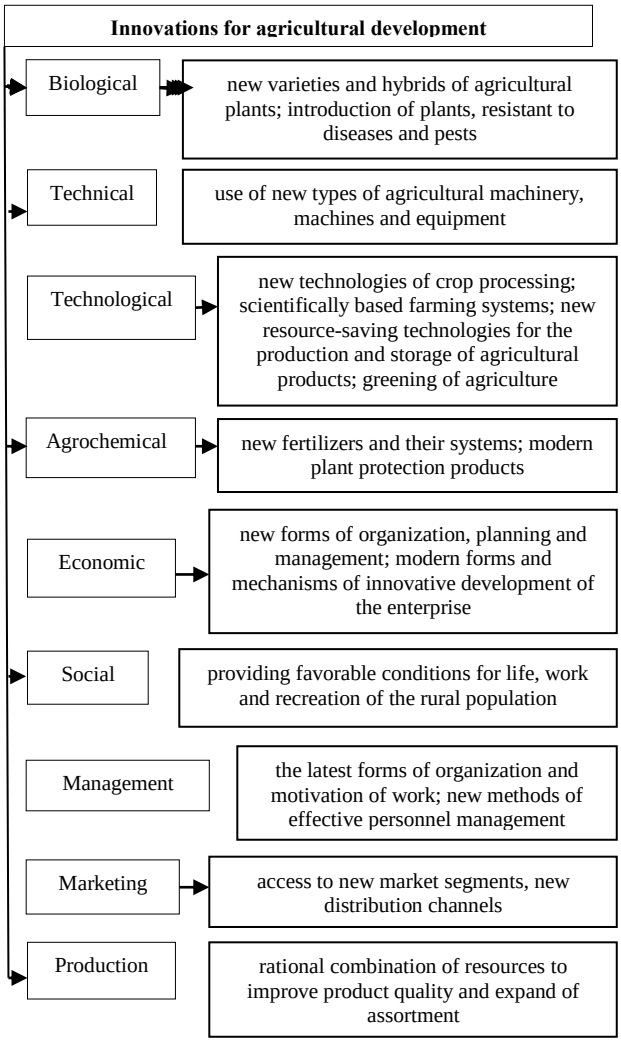

Fig. 2. Implementation of innovations to increase the competitiveness of agricultural enterprises.
Source: Compiled based on [2, 4, 6, 16].

Entire networks of research institutions and institutes, as well as the Ministry of Agrarian Policy and Food of Ukraine should develop innovations for agribusiness entities. Unfortunately, we have to state the fact that only 5-10% of agricultural entities use innovations [18]. Logically, the main reason for such a low share of innovation among enterprises is the lack of investment or lack of financial resources for such projects, as well as underdevelopment of systematic information about the market of innovative technologies, unfinished relationship between farmers and producers of innovation (research institutes, schools, integrated associations, specialized business structures) and credit and financial institutions (banks, credit unions, leasing companies).

At present, many agricultural enterprises find it difficult to organize such a connection, beneficial relations and effective interaction between innovators and financial institutions. Therefore, it is advisable to offer another component of the relationship – innovation service providers (advisory services), which should provide complete information and organize acceptable innovative products and technologies in the commercialized process of production of agricultural enterprises. Specialists of advisory services, who will act as intermediaries between the main participants in the innovation process – agricultural enterprise, financial institution and producer of innovations, must meet the relevant requirements, namely to have in-depth knowledge of agricultural techniques and practical skills to assess efficiency and risks and their minimization associated with innovation and investment projects. In addition to the requirements for providers, they must perform a number of functional responsibilities that are directly related to the innovation of agricultural enterprises, the main of which are: advising farmers on new technologies, providing recommendations for innovative improvement of their economic process; conducting a technological audit of an agricultural enterprise to determine the optimal portfolio of innovations; analysis of the financial condition of the agricultural enterprise, development of business plans and investment projects with economic justification of the effectiveness of innovation; search for sources of funding for the acquisition and development of each innovation; assessment of the effectiveness of innovation (economic, social and environmental), etc. In order for the mechanism of interaction of all components of innovation implementation processes to work fully, it is necessary to systematize the relevant information on all participants in the transfer of innovative technologies for agricultural enterprises. Such systematization of information requires the creation of regional information platform centers, which should be part of a single virtual national network for the transfer of innovative technologies [5]. This system should provide a broad information and innovation base not only for the formation but also for the maintenance of competitive advantages by agricultural enterprises.

CONCLUSIONS

Modern market conditions require agricultural producers to produce quality products based on the rational use of production potential on the basis of organizational and economic improvements. The introduction of an effective mechanism for intensifying the production of competitive products is a reliable and significant factor in the comprehensive improvement and increase of economic efficiency of enterprises. Further development of agriculture should include innovative modernized technologies, modern agricultural techniques, foreign experience in agricultural production, high professionalism and environmental standards for the quality of products and food products from it. We believe that the formation and functioning of the mechanism of production intensification should take place in stages with the implementation of tasks which belong to the relevant component of this mechanism. Innovations in agriculture are related to the introduction of new plant varieties that are resistant to pests, diseases and environmental conditions. But, taking into account European product quality standards, companies should use a range of innovations. At present, many agricultural enterprises find it difficult to organize beneficial relationships and effective interaction between innovators and financial institutions. Therefore, it is advisable to offer another component of the relationship – innovation service providers (advisory services), which should provide complete information and organize acceptable innovative products and technologies in the commercialized process of production of agricultural enterprises. Specialists of advisory services, who will act as an intermediary between the main participants in the innovation process – the agricultural enterprise, financial institution and producer of innovation, must meet the relevant

requirements and perform functional responsibilities.

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