

Chapter 1

SCIENTIFIC FOUNDATIONS AND MODELS OF ECONOMIC SYSTEMS MANAGEMENT

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THE SYSTEM OF ECOLOGICAL- ECONOMICAL MANAGEMENT IN AGRARIAN PRODUCTION AND MAIN DIRECTIONS OF ITS IMPLEMENTATION IN UKRAINE

The ecological situation in Ukraine in recent years has deteriorated so much that now both the economic status of business entities and food security of the country depend on it. One of the most important components of the economic security in the agrarian sector is the provision of its ecological and economic components in the agro-food market. In its turn, provision of the economic security of agrarian production cannot be separated from the environmental basics of the production sector.

The output of domestic agricultural products on the European market today acquires a new socio-economic content, and it is necessary to change the priorities in the system of agrarian relations. That is why today there is a process of reconsidering the role of economic and environmental priorities and the obvious advantage is given to the environmentally safe development of the agrarian production. The priority place in the agrarian system should be taken by the environmental quality criterion at the national level, and the need for greening the agrarian production. It is beyond any doubt and requires an immediate search for radical ways for its global implementation.

Nowadays political, economic and social conditions have already

been created for the development of environmentally-directed innovations in agricultural production. In order to benefit from these prerequisites and as a consequence from the results of the introducing this type of innovation, an ecological and economic management system should be implemented. The system is considered by scientists as an integral part of managerial science that takes into account and implements the objectives of environmental protection and rational use of natural resources in the planning, implementation and control of economic actions to ensure the balanced functioning of the ecosystem, as well as its innovative development.

The main way to overcome the environmental crisis that has developed in the agrarian sector of the country is to integrate the interests of the environment and economy in agricultural production. At the same time it is necessary to take into account on the one hand the close correlation of the natural use of agro-systems, the state of the environment and the resource potential of the country, and on the other hand the prospects for the development of the national economy (Volyk N.H., 2006).

Optimizing the use of the environment in agricultural production and minimizing the negative impact on it can be achieved by improving the organizational and economic mechanisms of natural management.

The development of an ecological and economic mechanism for the organization and development of agriculture will provide the formation of human social-ecological and economic values in the agricultural system.

For today agrarian enterprises require sustainably-focused reconstructions in their producing activity, the latter includes:

- rational use of land which is accompanied by conserving and increasing the fertility of the soil;
- provision of the optimal level of land plowing, which makes impossible to appearance water and air erosion of the soil;
- abiding by the regulations on limitation of exceeds in acceptable norms of contamination for produce, provision of environmental friendliness;
- compliance with the set regulations towards transportation, storing and application of mineral fertilizers, means of protecting plants and animals,
- avoidance of environmental and food contamination by chemical substances;
- abiding by ecological norms during projecting, building,

reconstruction and commissioning new structures and buildings, ameliorative systems and so on.

The first ones include preferential crediting of agricultural producers; price stimulation of environmentally friendly products; subsidies (centralized or local); interest-free loans; exemption from taxes, a part of the profit (income) (Danylyshyn B. & Lubchenko O., 2008).

Authors Dubodielova A.V., Yurinetz O.V., Fedorov M.M. in addition to these two types of economic mechanisms distinguish the third one – marketing, which includes the following directions, such as creation and provision of development of the market of natural resources and environmentally-friendly goods; expansion of the “marketing chain” structure with the inclusion of the environmental expertise; trade of quotas on harmful emissions; ecological excise tax, environmental insurance and promotion, etc. (Dubodielova A.V., Yurinetz O.V. & Fedoriv M.M., 2011).

When there are changes in the relationship between the society and the natural environment, there are changes in the human consciousness, psychology, system of values and behavior toward the environment. The main stimulus for the initiation of this process is the appearance of new needs of the society, which would combine economic, environmental and social components (Vasyutkina N.V., 2014). That is, the transition to the economy which is focused on the principles of ecologically balanced development requires, first of all, the change of human attitude to the environment.

Modern condition of the market transformation in Ukrainian economy should foresee the transition from the extensive economic development to the intensive but ecologically safe, steady economic growth and innovations on the energy and resource-saving base (Vitkov M.S., 2008).

Due to that fact, there has appeared the need for transition of enterprises in agrarian area to new management systems which could provide ecologic-economic balance for the agrarian business. It is worth noting that the transition to the new management system is a complex and time-consuming process, which could be implemented by developing a new innovative model for developing of agrarian enterprises.

The modern economic direction in the business activity of agrarian enterprises in our opinion can be determined through the combination of economic and social problems of the rational use, recovery and protection of natural resources of agri-sphere and on the innovative

base. We consider that ecologization of the production at agrarian enterprises is tightly connected with the innovative activity and should be considered as an integral part of its development with the creation at the government level of the system of ecological-economic management. Therefore the organization of the production relations in agriculture should take place based on the rational application of the natural resources – on the one hand and formation of the system of managing them on the other hand. To achieve this it is necessary to apply innovative technologies – economic models which based on the usage of organic farming and optimization of the production processes will make possible to achieve a high level of management, predictability and efficiency. Unlike traditional technologies they are based on the use of energy- and resource-preserving systems of agricultural production (Sirtseva S.V. 2008).

The innovative model of agricultural development sets a goal to increase competitiveness of agrarian companies in production and distribution-marketing spheres by means of implementing modern technologies, types of products and methods of management.

All economic and environmental tools of this model are interconnected, and its important component is a system of government environmental management, which includes: general management and special management. At that the public authorities of general competence carry out their activities by adopting resolutions and orders on key issues in the agrarian sector; the public authorities of special competence ensure the implementation of the state policy in various areas.

In our opinion, to provide the main principles for the sustainable agricultural development in the region it is necessary to green the agricultural activity; enhance the efficacy of utilization of the resource potential in the field and formation of ecologically-focused system of managing agrarian production.

Understanding the ecological insecurity makes population reconsider their attitude towards foods. More and more attention from consumers is paid to the condition of health however they realize that ratio between the selection of food and the condition of the environment which are the main factors of influencing people's health.

Ecologization is the current direction in the activity of agrarian enterprises and it is based on mastering ecological-economic methods of management, with the purpose of providing extended recovery of natural resources at the expense of forming sustainable ecological-

economic systems, increase in amounts of production of competitive ecologically safe products, creation of agrarian systems using ecological methods of management.

Environmental management tools imply the certification and labeling of environmental products, which proves that the correspondence of the certain object to the specific regulatory document is kept. The process of certification and standardization should be carried out in accordance with the international standards adapted to the conditions of Ukraine.

Ecological and economic tools, in our opinion, are an integral part of environmental marketing, which is to meet the needs of consumers and preserve the environment and they include:

- production of ecologically safe agricultural food products and their ecological positioning;
- price formation taking into account environmental costs;
- formation of a market with environmentally safe products, based on international standards of ecological agricultural production;
- distribution of environmentally safe agricultural products;
- formation of the information and communication system for the promotion of agricultural food products.

Economic stimulation of environmentally-focused agricultural production is directly related to the protection and use of land, conservation, reproduction and increase in soil fertility, as well as the protection of the environment as a whole.

Economic incentive methods should be fixed at the legislative level and included:

- a) provision of tax and credit privileges to citizens and legal entities that carry out at their own expense the measures of use and protection of land which are included in the national and regional programs;
- b) allocation of funds from the state or local budgets to citizens and legal entities for the restoration of the previous condition of land, caused not by their fault;
- c) exemption from payment for land plots in the stage of agricultural development or improvement of their state according to the state and regional programs;
- d) compensation from the budget funds to reduce the income loss of land owners and land users as a result of the temporary preservation of the degraded and unfertile land that was caused not by their exploitation.

The principles of the economic stimulation mechanism include: the principle of combining economic stimuli and penalties; the principle of stimulating the final results of the carried out measures; the principle of

independence doing business.

The main directions of organizational and economic management in agrarian production are:

- formation at the state level of measures that can change the format of relations between production and the environment in the direction of the rational use, reproduction of agricultural systems;

- implementation of environmental policy measures at the state and regional levels, the basis of which is the process of implementation and development of environmentally friendly production, the rational use of the possibilities of the state's economy, especially its financial resources, production, scientific, and technical potential;

- determination of social priorities considering the specific ecological situation in the regions, according to which it is planned to eliminate the negative phenomena of nature management and transition to environmentally friendly production;

- combination of state influence with the market forms of management, stimulation of qualitative changes through priority financing, lending, material and technical, information support, introduction and development of environmentally friendly production;

- carrying out economic-ecological monitoring over the process of transition to environmentally friendly production in the analysis of internal strengths and weaknesses of agricultural producers;

- account of changes in the factors of macro- and microenvironment and their impact on the competitiveness of products and enterprises in the agrarian sector of the economy, namely, to detail their actions, to clearly distinguish market opportunities and threats

A promising direction for establishing economic relations between certified agricultural and processing enterprises of the organic sector is the creation of market-based formations based on horizontal and vertical integration and co-operation. Cooperation combines commodity producers into their market activities on the basis of their voluntary involvement in the processes of integration with mutual assistance and economic cooperation. Such unions give them the opportunity to earn profits not only directly from the agricultural production, but also from the subsequent stages of the movement of their products, participate in large-scale business, use professional managers, allocate risks, control the marketing channels of product distribution and material and technical supply, influence prices through the formation of large batches of products and the application of modern marketing methods and technologies, to be equal partners in the competitor market environment.

We are certain that the functionality of agrarian enterprises must take place according to the concept of safe development but it requires the creation of completely new conditions for entrepreneurial activity, the base of whom is the greening of agricultural enterprise, increase in the efficiency of application of the resource potential of the agro-industrial complex, formation of the ecologically focused management system at the global and regional levels and mainly the provision of population with high-quality food products developed in the agrarian sector with the purpose of rejuvenating the nation. Therefore we believe it is necessary to develop the qualitatively new innovative model of the managing business activity by agrarian enterprises which will be different from the traditional system of management by ecologically safe conductance of agrarian business, its greenings, which is an integral part of the safe development strategy.

Functioning of agrarian enterprises according to the concept of steady development requires creation of fundamentally new conditions for entrepreneurial activity, the base of which is ecologization of the agricultural production and increase in efficiency of applying the resource potential of the agro-industrial complex and formation of the ecologically focused system of management.

Nowadays the transition to new agribusiness systems is a complex process and for its implementation it is necessary to change the principles of functioning of agribusiness entities, accelerate their innovative development and provide the possibility for their organizational transformations. Therefore the modern conditions of the management of agrarian enterprises require the formation of a whole scientifically grounded management system that considers the interests of the consumer aimed at balancing the demand and the supply with minimal losses, provides profitability of sales activities and makes possible to respond adequately to changes factors of macro- and microenvironment.

Provision of the efficiency of agrarian enterprises under market conditions is possible by increasing the productivity of crops and livestock, restoring the specialized production, reducing the costs of production and sales of products, improving the system of sales, and, as a result, the level of merchantability and profitability of organic products. Also, for agricultural enterprises, it is important to address such issues as expanding the range and increasing the volume of organic production along with the demand for this type of product on the market, improving the quality and competitiveness of products,

especially in the domestic market, improving the economic relations between processing and marketing enterprises.

For the effective functioning of the mechanism of ecological and economic management, the strategic approach must be combined with the environmental management system. At the same time, it is important to note that the traditional system of environmental management is sufficient for the generally accepted system of economic activity. Whereas it is necessary to rebuild the existing system in accordance with the requirements of international standards to achieve competitive advantages in the world market. Thus, for the transition of agricultural enterprises to an ecologically oriented type of management, it is essential to take into account ecological and economic methods of management. Furthermore the organization of industrial relations in agriculture should be based on the rational use of natural resources and the formation of an ecological and economic management system.

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