

CHAPTER 5

AGRO COMPLEX: INVESTMENT ACTIVITY

§ 5.1. MANAGEMENT OF AGRO-INDUSTRIAL COMPLEX

The agroindustrial complex arose up as a result of development of processes of agroindustrial integration. With development of public division labors were gradually distinguished from composition of agriculture nonfarm types of activity.

The historical process of separation of industry and agricultural production most development got at capitalism. Exactly a transition from simple connections of agriculture and industry to the managed connections is basis of origin of the simplest forms of agroindustrial integration.

On the joint of contiguous industries of agriculture, purveyance and processing industry, integration copulas quite often outgrow in organizational unity of enterprises. There are enterprises, firms, production amalgamations of agroindustrial type.

By pre-conditions of agroindustrial integration at capitalism and at socialism the same processes can come forward: scientific and technical progress, increase of socialization of production and other. Then it follows to examine as the phenomena which objectively exist in a public production. Yes for example, objective pre-condition of origin of agroindustrial complex is proof economic dependence between agriculture and attendant industries.

In economic literature a term "agroindustrial complex" appeared in 60th. In 70th there was forming of agroindustrial complex as the only diversified complex.

Economic and social pre-conditions for connection of industry and agriculture got ready gradually. It became possible, when industry attained the level of development, sufficient for providing agriculture capital goods realization in the large scales of processing, transporting and storage of agricultural raw material, gradual transformation of agricultural labor in the variety of industrial. Next to it a greater role at one time was played by enlargement of collective farms and state farms of country, creation in them of processing productions and building of industrial syllables and refrigerators.

On the modern stage one of basic economic and socio-political tasks there is the reliable providing of population of country by foodstuffs. Realization of them in a great deal depends on development of major component part of national economy - agroindustrial complex. For the increase of efficiency of all industries of AПК it is necessary to change the social infrastructure of village to create terms for intensification of production, trouble-free providing of population high-quality foodstuffs.

The large value gets to alteration of control system by the agroindustrial complex of country. Agroindustrial complex, his appearance and development related to the process of agroindustrial integration. An agroindustrial complex is unity of industries, organizationally technologically and economically interdependent, called to provide the decision of food problem.

Development of theoretical and methodological questions of organization of management, improvement of structure of agroindustrial complex is the protracted process which began with the patterns of ownership of agroindustrial complex and requires adjusting of organizational and economic mechanism on all levels of management.

The structure of agroindustrial complex continually changes and develops. Perfection of management mechanism is related to deepening of process of division of labor under act of scientific and technical revolution, which converts productive forces, perfects productive relations.

§ 5.2. INVESTMENT PROCESS IN AGRARIAN SPHERE

The system of forming investment attractiveness of the agricultural sector has its own characteristics regarding legal, financial and economic regulation. At a decision-making about investing it is necessary to define the most attractive objects for more advantageous direction of capital.

The investing in agriculture is inherent certain features of agrarian sphere of economy as industries of material production. It features the industry and the

traditions of the population, the role of industry in national economy, technological development, there are different types of organizational and legal structures, the level of reforms undertaken.

Long time the economy of country developed an extensive way, presently possibilities for extensive development of economy are outspent, efficiency of capital investments is subzero enough, that is characterized by reduction of production of goods volumes by the high not enough standard of living of population and subzero investment rating of country in a world concord.

For period of passing to the market relations a normative base was created in the sphere of investment activity that played a certain positive role. However, the regulations do not cover all aspects of investment, often changing regulatory framework and therefore imperfect. This is one of the reasons for the low inflow of foreign investments into the economy, because the regulatory framework is the foundation to manage the investment process.

On forming of investment attractiveness of agrarian sector, coming from the investment policy of country, next factors influence:

- a requirement is in resource deliveries of raw material for own processing powers;
- presence of own channels and market of agricultural production distribution;
- intellectual potential is in industry;
- a high level of profitability of separate productions is in agriculture;
- social questions;
- a return of money is for the resources given to the enterprise. As experience, insolvency of economies to pay shot for pushes slightly partners an own obligation to the search of new forms of collaboration, shows;
- competitiveness what influences on profitability of investments in agriculture;
- effectiveness of agricultural production;

- realization of the landed reform, including determination of cost of the landed resources taking into account their having a special purpose use;
- economic stability of regions.

The productivity of agricultural cultures, productivity of animals, structure of the landed fund, feed base, natural terms, influences on efficiency of agricultural production. Special influence on an investment attractiveness agrarian to the sector a social sphere as external (indirect) factor has.

Researches of questions of development of social processes in rural locality, which are conducted by the scientists of the National scientific center "Institute of agrarian economy", show that for the increase of profits of workers busy in agricultural enterprises different patterns of ownership, it is necessary increase of their profitability. In basis of increase of profits of rural workers there must be property on property, land, mine-out products.

The present standard of living of majority of population of Ukraine limits possibilities of such source of investing as own economies substantially. Forming of this source must be managed on a macro level, first of all on the basis of legislative base, on a micro level; by the personal interest of population in maintenance of the personal funds. An economic analysis of forming of market of investments would be insufficient without data about the demographic state of regions in connection with an ecological constituent.

There are disproportions in the structure of labor resources. Regions priority for investing feel the deficit of labor resources in agricultural industry, and in many cities and settlements where an industrial agricultural production is developed not enough - their surplus. One of indexes which characterize the investment attractiveness of regions is an estimation them demographic situation. Coming from that the modern state of recreation of population is only the stage in the process of his of long duration change, usually he is compared to the previous stages, the indexes of demographic prognosis use also what the consequences of maintenance of modern tendencies allow to estimate in those or other terms of development.

For research of investment process control the demographic state and labor resources of country were analyzed. As a result of reduction of quantity of capable of working population at the increase of part of children and persons of retirement age the social loading rises in a calculation on one working.

A production and unemployment volume has a negative influence on the level of qualification of labor shots; objectively stipulate the outflow of skilled specialists from the sphere of production in other spheres of activity, which do not require the special professional skills a decline of quality of administrative labor is in an agrarian sphere. It is necessary to take into account at the estimation of investment attractiveness, that efficiency of investments and production depends on the rightness of acceptance of administrative decisions.

On agricultural production absence of market infrastructure is influences negatively. At the insufficient level of development of market infrastructure the real investor executes, next to productive, specific functions in relation to establishment of price, sale to the search of suppliers and consumers of products. For the improvement of investment climate necessary development of all spheres and industries is with the aim of providing of internal market of Ukraine by products which requires the considerable volumes of investments. Forms of receipt of investments in an agroindustrial production can be different and depend on an object and subject of investing.

For an investor necessary estimation of investment attractiveness, which is determined as a result of analysis of economic position of region which includes the resource providing natural, power, labor resources; description of scientific and technical potential; infrastructure, regional market and his availability; political stability in a country; legal frameworks of investment activity; to the state of the tax system; degree of bringing in of population in an investment process, to influence of inflation on investing.

On the basis of investment attractiveness priority directions of investments are determined. Priority is such directions of investing: technical retooling of agriculture, processing and food industries; application of progressive resource-

saving and environmentally clean technologies; modernization, reconstruction, creation of new enterprises, is in industries of agroindustrial complex; organization of agroservices.

In an agroindustrial complex the developed not enough function of sale, which is related to marketing, which depends on the state of affairs of market as a result specialists make default the position requirements and have a low professional level of preparation for work in the conditions of passing to the market relations. In the process of structural reformation of agrarian sphere from the state budget, financing of the long-term national programs comes true on development of agriculture, stock-raising, fishing, especially plant-breeding-tribal work concentrations of capital investments are for retooling and proceeding in productive funds. An investment policy must be related to the scientific and technical policy.

The expense direction oriented to the increase of consumption of material and technical resources and resource-saving technologies are practically absent prevails in development of agriculture.

Changes in the structure of capital productive assets are related to reduction of areas of the long-term planting and population of basic herd of cattle (by a material and moral wear) of agricultural technique. There is a tendency to the decline of capital investments as effective index of the use of capital investments, which leads to the groundlessness of direction of planning of investments in development of material and technical base. The level of capital intensity and capital-labor ratio labors go down in agricultural enterprises, which conditioned by financial position of enterprises that does not allow actively to provide an input in an action of new production capacities of agro industrial complex.

Investment process control; it is indirect interference of public or regional organs of power with an investment process. In the conditions of market to manage an investment process is means to provide economic rules for all investors and also favorable terms for activation of investment activity and increase of efficiency of

investments. The state influences on an investment process by means of economic, administrative, legal and other instruments.

At market relations priority must be devoted to the economic instruments, as on the essence they answer a market economy. Administrative methods must be used only in case that for the achievement of certain goal what has an important economic and social value for the state, economic instruments insufficient or ineffective.

On the basis of perfection of the tax system, realization of financial and credit policy and action of other levers the state must provide stability of economy and subzero inflation which is an important condition for activation of investment activity rate. It is very important that investment activity in a country was regulated by certain legislative acts which have long-term character.

The improvement of territorial-branch structure of AG complex is determined by that in regions pre-conditions were formed for the increase of investment activity in a country, namely: necessary renewal of capital assets; the market of necessary labor force appeared up to a point skilled and cheap.

Development of investment process and management by him by means of sources of investing (money of the state, own, foreign investments) will assist perfection of technique and technologies, creation of additional workplaces more effective productive and social infrastructure in an agrarian sector.

Management of agroindustrial complex and it by an agrarian sector comes true by means of economic methods, by creation of economic and social priorities, first of all for the workers of agriculture, by demonopolization of property and results of labor. For the rational use of investments necessary realization of clear complex public investment policy which includes the question of investment process control, in the first turn planning, coordinating, control of this process to validity of directions of investments, determination of their correct use or efficiency of investments. For Ukraine are important realization of the having a special purpose complex programs of government control of development of agricultural production as strategic industry of economy.

The aim of realization of the government and regional programs of development of agriculture a fertility-improving of soils, stability and increase of production of goods of agriculture, is, from one side, at diminishing of resource use, and from other it is an increase of income of enterprises, stimulation of production for providing of food independence of country taking into account producing of necessary types of products. It requires determinations of functions, which will provide balanced complexity and having a special purpose orientation of investment process, directions of investing, in order that volumes and patterns of investments assisted the removal of disproportions in a productive process and material and technical base agrarian to the sector of economy.

Creation of favorable investment climate is examined as a major condition of bringing in of investments and next economy growing of country, as financial and political instability is reasons of deficit of home and foreign investments potential investors do not risk to participate in the long-term investment of money in agriculture.

The real investments come true by enterprises and organizations of AIIK as an investment of the personal funds, and also by non-state investors - banks, investment funds and private persons. Appearance is in a country instead of only investor of the state what carried out all administrative functions, stipulated the independent managing subjects of investment process of different patterns of ownership necessity of receipt for the sufficient volume of information on an investment climate in regions, to their attractiveness for investors. In the conditions of market, forming of investment attractiveness must come true both at national level and at the level of separate regions and enterprises.

The investment of money in the most reliable and perspective projects assists perspective program development, where the most attractive in an investment plan objects and distinguished priority questions which must be decided for stabilizing of economy of regions will be certain. The basic constituents of the investment program must determine: firstly, object, aims and terms of investment of money; secondly, ways of achievement of maximally

possible increase of norm of income in existent unfavorable for an enterprise terms; thirdly basic sourcing of project and list of sources which can be attracted in critical situations.

In the program must find a reflection financial mechanism, which assumes the presence of financial methods, financial leverages, legal, normative and informative providing. In a structural relation the financial mechanism of different enterprises and organizations is very similar, but he functions differently.

From position of decision of problems of investment attractiveness it is necessary to mark in an agrarian production, that in the investment program it follows to examine the question of this process control as a management investments is purposeful traffic of all types of the property and intellectual values inlaid in the objects of enterprise and other types of activity for the receipt of income (to the profit) or achievement of social effect regulation.

The basis of the management process, including investment management and investment attractiveness, is its functions. They contribute to the definition of the object and provide priorities for investment. At this time developed numerous classification management functions, but is considered a classic classification proposed by Henri Fayol. At the present stage of the economy, they can be specified as follows: technical - production, refining, processing, commercial - purchase, sale, exchange, financial - of receipt, disposition, insurance - insurance and protection of property, persons, accounting - accounting, costing, statistics, administration - planning, organizing, good management - order, coordination and control. Administrative functions to include accounting and analysis.

Functions form group in relation to the object of management investments: by the nature of activity; on the stages of investing of productive process; on the factors of influence on an investment process.

On Fig. 5.1 the presented functions which can be examined as the stages of investment process. For an effective management an economy corresponding activity is needed in the process of forming of investment attractiveness. Examining an investment processes this process control and of his adjusting, it is

possible to distinguish management functions which characterize him the separate stages are the stages of investment process.

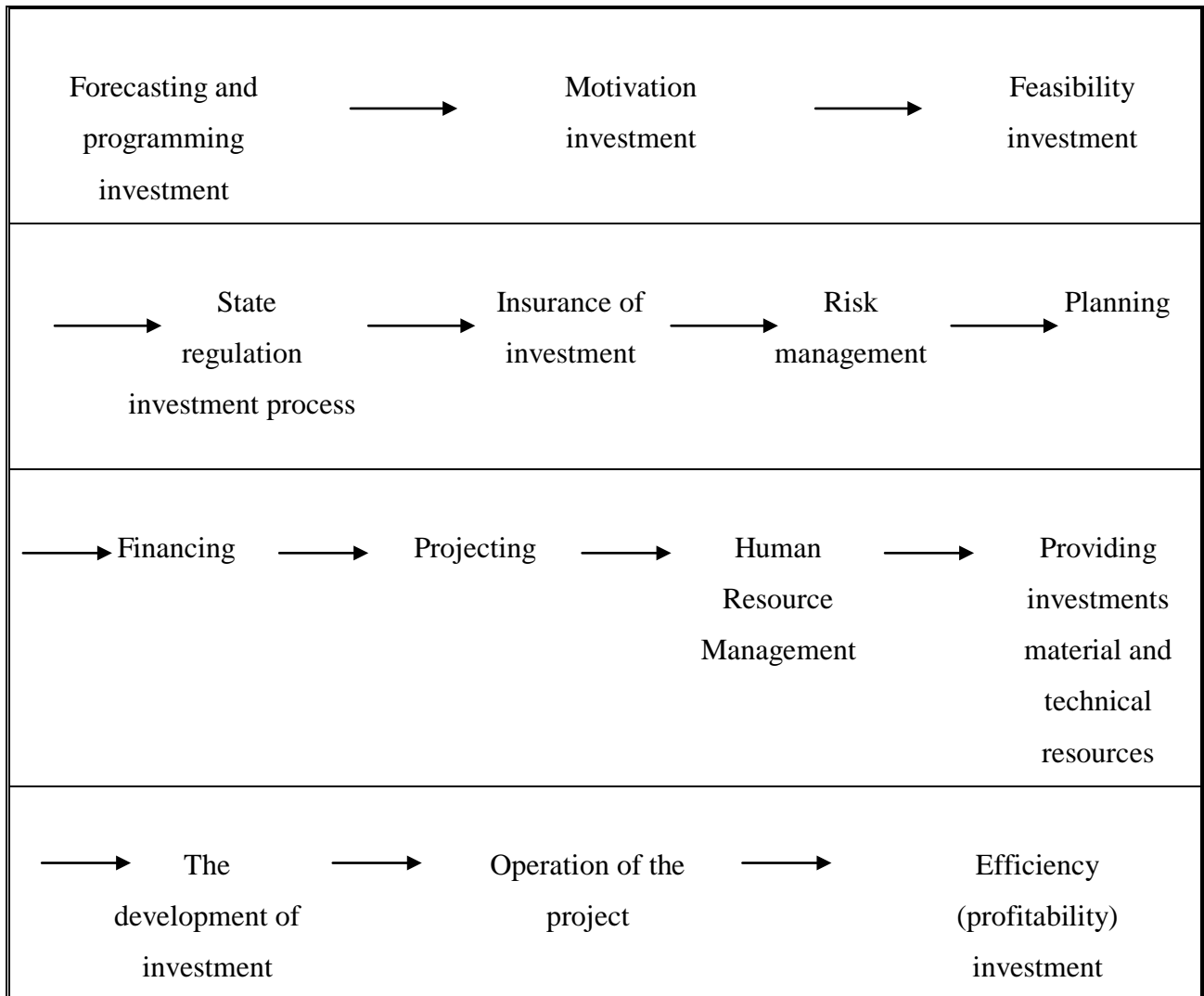


Fig. 5.1. Chart of the predictable stages - functions of investment process

Investment process requires a skilled and high-quality management, to the presence of highly skilled specialists able to execute next functions: planning and determination of requirement in investments; organization of informative service is for forming of the system of investing on the basis of the investment rating of regions; co-ordination of investment process; control of directions of investments and analysis of their efficiency.

It is necessary to manage an investment risk. The risk of investment process is examined taking into account the strategic aim of activity of object of investing,

external and internal factors which influence on him, basic from which: level of market development; scientific and technical innovative tendencies; demographic state; financial position of industry; competitiveness of enterprise.

Government an investment process base is determination of attractiveness of object of investing and forming of the investment rating. It is possible to consider an agrarian production the real directions of investments, financial (in securities, including innovations); in training of personals.

In a market economy investor as subject or object of investing the state plays role of. The direct participating of the state in investment activity comes true in form capital investments. Investors are commercial organizations, banks and private persons. Expedient is general investments of facilities all three participants of investment process. It is the real possibility which takes into account the priority whole investing for each of them.

For commercial organizations typical is: creation of possibilities of forming of investment activity of own investment funds subjects; proceeding in a present material and technical base; increase of volumes of productive activity; mastering of new types of productions products, services. For a private investor there are certain priorities in relation to investments (economic security and profitability of investments. On the sourcing of investments in the fixed assets the personal funds (prevail 65,8%) enterprises and organizations.

Primary purposes for each of participants of investment process do not eliminate each other. Their main direction is a receipt of income and achievement of social effect. A task of investors is development of variants of investment projects estimation of their efficiency and choice most priority in the possible achievement of aims.

§ 5.3. MANAGEMENT MECHANISM OF INNOVATIVE DEVELOPMENT

Achievement of effective implementation of innovations is possible only if the necessary innovative capacity at the level of individual businesses, industries,

and the state as a whole, that is the set of available tools and opportunities for application in the innovation sphere.

Studying the problems of innovative activity have shown that a significant part of innovative offers is still not realized because of the low level of solvency, not a favorable investment climate, as well as their weak investment attractiveness. Thus, the totality of these factors indicates the need to develop and implement special mechanisms of innovative development of enterprises, as well as methods of evaluating the results of their impact and influence on the investment climate of the economy.

In modern economic literature often uses the term "mechanism", for example, in phrases "economic mechanism", "market mechanism", "management mechanism" and many others. That defines a particular sequence of actions, special methods or means their implementation. Problems of innovation development of enterprises can not be solved without the application of scientifically sound economic management mechanism.

The mechanism (greek «mechane» - tool, tools, machine) means a system which is formed from interlocking parts, which includes a set of different elements and provides a process of interaction and function together as part of a general, an internal structure, the system interaction. In economics the concept of "mechanism" is used, of course, in a figurative sense, as the internal structure, system operation, vehicle impact on the managed system by administering organization, the algorithm work.

Innovation is seen as practical implementation of the new institutions of scientific and technical developments, new products, technologies, methods and management mechanisms.

Innovation development is the process of management that relies on the continuous search and use of new methods and spheres of potential enterprises in changing environmental conditions within the chosen mission and accepted motivation. Under the innovative mechanism should understand the functional model and a set of methods for regulation of innovation activities at all levels of

government. Thus, if we consider these economic categories in relation to the economic mechanism of management of innovation development of enterprise, it should be noted that they combine all the functions and methods of management in their dialectical unity and of development, depending on changes in factors external and internal environment.

Necessary follow the principle of differentiation mechanisms of horizontal and vertical national economy, given the specific companies that are business activities. Such mechanisms of management are effective to ensure maximum use and most complete disclosure of the innovation potential of enterprise (Table 5.1).

The essence of economic categories "mechanism management of innovative development of enterprises" indicates the presence of a mechanical process of certain administrative functions and operations. Management functions are realized by methods which in practice are constantly being improved. Pursuant to the requirements of the environment, their performance is well-defined sequence of mechanical components. Constituents are like a management tool. A set of tools and instruments that make up this method management of clearly established in the order determined by the influence of objective economic laws, is the mechanism of management.

In management theory are three groups of methods, which to some extent interdependent, interrelated and form management tools. Clearly worn tools of management become management mechanisms. The mechanisms of management are considered as "economic mechanism", which consists of three parts: the legal and economic mechanisms, as well as the aggregate of social and psychological methods.

Used and tested in practice methods of management transform in category management mechanisms that determine the innovative development of enterprises and branches of national economy. Effective use of clearly-established mechanisms for managers is their composition, the sequence of implementation and has some skill in managing them.

Managing the innovative development of enterprises into a mechanical introduction in the order of related mechanisms, methods and tools that constitute the economic mechanism of management of the condition and effectiveness of which depends on opportunities to use existing innovation potential.

Table 5.1. Economic mechanism of management of innovative development

	<i>Economic mechanism of management of innovative development</i>		
	<i>Tools of organizational and legal mechanism of innovative development</i>	<i>Tools of economic mechanism of innovative development</i>	<i>Tools of social and psychological methods of innovative development</i>
At the institutional level (state)	<ul style="list-style-type: none"> - Laws, decrees of the Verkhovna Rada of Ukraine, the President, government regulations, orders of Ministry; - Innovation policy; - Organization management structure (statics); - The operation of the system (dynamics); - The investment climate in the state 	<ul style="list-style-type: none"> - Economic policy with orientation controlled on the market - The concept of development economics - Tax policy - Depreciation policy - Monetary - Investment policy - Science and Technology Policy 	<ul style="list-style-type: none"> - Social policy in the state - "PR" technology in support of innovation - Motivational factors of innovation
At the management level (ministries)	<ul style="list-style-type: none"> - Founding documents, regulations and standards that define and regulating innovative change management structure - Organizational structure of the field - Organization of the operation field 	<ul style="list-style-type: none"> - Strategic planning innovative changes - Forms of organization and labor - Forms Pricing - The system of taxes - The system of financing - The system of credit - Cost accounting 	<ul style="list-style-type: none"> - Economic sociology and psychology of innovation - Motivation for innovative changes - Sociology and Psychology Sector Management - Organizational culture
On a technical level (individual enterprise of complex)	<ul style="list-style-type: none"> - Founding documents, articles of association, regulations, standards, directives - Organizational structure of innovative enterprise management - The operation of enterprise management - The independence of the company, its rights and responsibility 	<ul style="list-style-type: none"> - Innovative planning - - Forms of organization and labor - Forms Pricing - The system of taxes - The system of financing - The system of credit - Stimulation system of accounting, analysis and control - Relationships with suppliers and consumers - Logistics - Cost accounting 	<ul style="list-style-type: none"> - Economic sociology and psychology of innovative enterprise restructuring - Sociology and Psychology of Business Management - Motivation for innovation - The relationship of staff to the means of production and final performance - Culture of organization - The image of the organization

Economic mechanisms of management of innovation development of various socio-economic formations consist of the same parts but each part of different tools depending on the branch orientation, prevailing economic relations, market impact and the degree of state intervention. Economic mechanism at the macro level is institutional, which sets the direction of innovative changes for all the latest. On how quickly enterprises and even industries can apply science-based management mechanisms that meet the new environmental conditions, depends on their continued innovative development.

Every organization, product, technology or have their life cycle, ie the interval between their appearance and exit from the market. By analogy, the process of economic mechanism management of innovation development of enterprises has its life cycle phases:

I phase. Begin a log of innovation includes the rationale for innovative changes economic mechanism of management and developing alternative innovations.

II phase. The end of a log of innovation includes the formation innovative changes in the economic management of mechanism and the beginning of implementation of innovations.

III phase. Receipts are social and economic effect. This effect is most fully updated economic mechanism management of innovation development.

IV phase. Changing the internal and external circumstances, lack of economic mechanism of management, need for its correction.

Analysis of life cycle phases of economic mechanism of management indicates that its effectiveness depends on the degree of compliance with the dynamic internal and external environment, the impact on innovation and development of a planned socio-economic performance of enterprises.

The specially designed system of indicators of economic mechanism of management - is the basis of analysis of its validity and effectiveness of innovation development of enterprises. Primary indicators include analysis of strengths, weaknesses, opportunities and threats of innovative activity (SWOT-analysis),

assessment of susceptibility to of enterprise innovative changes and its innovation potential. In secondary indicators include the analysis of the results of economic activities on innovation in the last period: analysis of the effectiveness of existing economic mechanism and its components.

Regulators effectiveness of the mechanism of management is both market and state regulation (support for national climate of innovation) which must be balanced with each other according to their tasks. The main features of the economic mechanism of management: hierarchical, three-level structure, the continuity of development and improvement.

The formation mechanism of management of innovative development is closely related to innovation policy, which determines the national innovation climate. Defining areas of innovation development and appropriate mechanisms at different levels of management is seen as a process of optimization of management decisions, beginning with systems analysis and science-based definition of operating factors on which the respective proposed model of economic mechanism of management and sequence of stages of implementing it in action.

The main direction of improvement of management of development is a process of transformation and implementation of innovative economic mechanism innovation development at the institutional, managerial and technical levels.

State and branches of national economy gained enough great innovation potential, ie a set of resources, education, science and experts needed to implement the program of innovation development of enterprises. The directions should be realized by creating a favorable climate for innovation and increased investment and innovation potential of the economy by deepening the content of innovation in enterprises, implementation of investment and innovative development model, determine the sources of investment in innovative activity, formation of an effective economic mechanism of management.

Thus, indicators of the economic mechanism management of innovation development is compliance with the state innovation policy requirements of modern socio-economic development, favorable investment and innovative climate

in the state sector, the company, their innovation potential, the average length of a log of innovation in the design and implementation of innovations. Require further research and scientific study methods of assessment and ways to improve each of the indicators of the economic mechanism management of innovation development at various levels of management.

§ 5.4. ADJUSTING OF INVESTMENT PROCESS IN AGRARIAN SECTOR OF ECONOMY

Among the consequences of economic crisis there is a fall-off of investment activity in Ukraine, especially in the sector of AIIK which puts under a threat realization even of simple recreation in society.

On a macrolevel development agrarian to the sector provided by the state by a way: stabilizing of legislative and normative base with the aim of providing of favorable terms of development of enterprise in an agrarian sector; non-interference of executive public authorities is in economic activity of business entities; stimulation of development of private initiative as one of factors of effective production; providing to all subjects of manage defense of ownership rights on earth property, results of labor and intellectual property; support of measures for reformation of industries, to development of infrastructure of agrarian market realization of the programs on social defense of rural population and providing of production competitive to the agricultural produce and food safety of the state.

In the conditions of market an investment process in all spheres of domestic agroindustrial complex is regulated by the system of prices, through correlation of demand and supply of capital, crediting, interest rate of the National bank of Ukraine, bringing in of private and foreign capital. Reformation of enterprises of agroindustrial complex creates terms for becoming of market infrastructure. In a transitional to the market relations period it is necessary to give mind on the decision of problems which successful development of market economy depends

on namely: preparation for the economies of corresponding categories of specialists, providing of timely receipt of information in the mode «demand-suggestion» about that or other product at the market and prices, by reliable and complete economic information on forming of markets of food (their volumes, segmentation, structure) acquisition of skills of traffic of commodities control at the market of sale, mastering of forms and methods of advertising of the done products (auctions, fairs), providing of organization of her active sale, ability to choose consumers.

Activation of investment activity on the basis of search of attractive directions and objects of effective investment of present free money is an important question at the acceptance of investment decision by a potential investor. For investors priority are those industries and enterprises, which have high innovative potential and possibility of receipt of increase of income and increase of profitability of financial resources which function in the process of production. However in a present tense through subzero efficiency of most productions financial resources are directed in separate high-efficiency industries. So, an agroindustrial complex is most investment attractive on economic descriptions and food industry is investment attractive after the rates of recoupment.