TOOLS OF DIRECT AND INDIRECT SUPPORT OF THE DOMESTIC LIVESTOCK PRODUCTS PRODUCTION AND OF ENHANCEMENT OF THEIR QUALITY

The article emphasizes that the strategic goals of organic livestock breeding development should be as follows: the support of small and medium enterprises in the field of organic farming, stimulation of the organic products market development, the formation of a full cycle of organic products processing, and ensuring the growth of the organic products exports. The tools of the direct state support should balance specific types of organic livestock products depending on their rate of profit or profitability. To increase the availability of organic products to the average consumer and to restrain the society’s social stratification, it is justified to reduce the rate of VAT from 20 to 7% for the main types of organic livestock products. There has been proposed a number of measures to stimulate domestic demand for high-quality livestock products and foodstuffs of animal origin.

Keywords: direct support, indirect support, value added tax, livestock production, organic livestock breeding, agricultural holding, quality, safety.

Introduction. The objective necessity to support the production of domestic livestock products and increase its quality is due to the key importance of the livestock industry in ensuring the country's food security and the formation of human capital. However, the current instruments in Ukraine's support industry are inadequate and ineffective, they do not stimulate commodity producers to improve product quality. There is no clear strategy for organizational and economic ensuring of the safety of domestic livestock products. As a result of the priority development of the crop production industry, there is a real threat of getting of domestic agriculture the status of raw material plots of developed countries.

Literature review. The problems of direct and indirect support to the development of the livestock sector and the improvement of the quality of livestock products are devoted to the work of well-known domestic researchers, in particular I. Balanyuk, P. Gaidutsky, M. Demyanenko, A. Dibrov, I. Kobuti, O. Kovalyova, O. Mazurenko, M. Malik, B. Paskhaver, P. Sabluk, I. Svinous, L. Tulush, O. Shpichak and others. The study of the effectiveness of state support for the production of livestock products is devoted to numerous analytical calculations by the specialists of the STC "Institute of Agrarian Economics", the Institute for the Development of Agricultural Markets, the
National Institute for Strategic Studies, etc. Separate tools for supporting the livestock sector and stimulating the processes of improving the quality of products in this industry are disclosed in our publications [1; 2; 3]. Despite the significant achievements of scientists in the disclosure of this issue, a number of issues of theoretical, methodological and practical nature, in particular, on the impact of state support instruments on the processes of raising the quality of livestock products, require more detailed coverage and further scientific research. After all, the negative effects of the instability of support mechanisms, volatility and inconsistency of government decisions have a significant impact on the measures of food supply in Ukraine.

The purpose of the article is to substantiate the effective mechanisms and tools of direct and indirect support for the production of domestic livestock products and improve its quality.

Results and discussion. Nowadays one of the important factors in ensuring the efficiency of production of livestock products and improving its quality are modern innovative technologies and a science-intensive management system, the introduction of which in Ukraine is limited by a shortage of properly trained personnel and available sources of information on such technologies. The peculiarity of raising the supply of high-quality livestock products is attempts to reduce the volume of directed investments at the expense of cheaper and less technological equipment, cheapening due to simplification of farm projects, less productive breeds of cattle, pigs lead to loss of economic efficiency. The development of modern livestock production is a complex, investment-intensive and long-term solution, as opposed to other industries. Without modern innovative solutions, appropriate technological support is a high risk of not getting quality products and expected economic returns.

Along with the return to non-corruption mechanisms of indirect support of producers of milk and meat (due to the special way of functioning of VAT in the form of special regimes for its administration in the field of agro-industrial production), the creation of a database of domestic and foreign technologies, product innovations of the new generation, it makes sense of getting compensation and reimbursement by the state of agricultural commodity producers of such expenses:

1) for realization of construction projects, technological re-equipment, reconstruction of dairy farms and complexes, financed either at the expense of bank loans, or at the own expense of the investor (for small and medium-sized agricultural enterprises and farms in the amount of 50% of the cost (maximum value of the object, in the framework of which the compensation or refund is made, is 100 million UAH); for large enterprises (agroholdings), it is 25% of the cost (the maximum value of the object in which compensation is paid or refund, is 250 million UAH)). The indicated support mechanism should be implemented according to the quota principle: 60% of budget funds should be directed towards support of small and medium-sized agricultural enterprises and farms, and the remaining 40% should be directed to support of large enterprises (agroholdings). This is due to the fact that most large enterprises (agroholdings), having access to export markets, already received one of the elements of state support in the form of reimbursement of the amount paid for exports of VAT. Besides, using the mechanism of transfer pricing, making business through offshore companies, agroholdings can minimize tax payments to the budget, which also increases their financial capacity;

2) the development and technological support of dairy projects and the holding of appropriate tenders exclusively for small and medium-sized agricultural enterprises and farms at a rate of 50% of the cost (to avoid the corruption component it is advisable to establish the maximum value of such projects). Funding for technological support should be provided through the allocation of funds for specific projects (with the involvement of foreign technologists). State support should be extended to construction and reconstruction projects (including project development and technological support) for all livestock farms and complexes for the maintenance of cattle, pigs, poultry, livestock products processing enterprises. Constructed livestock complexes must undergo a mandatory certification procedure that guarantees high quality products;

3) connected with creation of new capacities for the production and processing of organic livestock products, certification of organic agricultural production on the basis of small and medium-sized enterprises, farms (it is not about peoples’ farmstead, since it is difficult to organize organic
certification on their basis). It is the key role of small and medium-sized enterprises and farms in the development of organic livestock. In the world, the average organic land area per producer of organic products is 40.5 hectares [4]. Although, there are farms in Ukraine that operate with an area of more than 7,000 hectares of organic land (PC "Agroecologia" and PC "Galeks-Agro") [5].

On the market of organic products of developed countries, there are both small and large farms. However, small and medium-sized farms require the primary support in terms of creating new capacities and organic certification. Experience shows that they quite quickly adapt to a complete change in production technologies, which necessitates the complete transition from the use of artificial fertilizers in favor of organic matter. When planning organic production, it is necessary to take into account the need to balance the nutrients in the soil. Specialists emphasize that in order to restore the balance of humus in farms it is necessary to have at least 1 conditional head of livestock per 1 hectare of sown area (on which the forage base is formed) to provide this hectare with organic fertilizers. To provide these preconditions for the formation of a deficit-free humus balance by introducing organic fertilizers can, in most cases, only be based on small and medium-sized farms.

Thus, with the predominant state support of small and medium-sized agricultural enterprises, farms that can become drivers of the development of domestic organic livestock (in particular, in the areas of cattle breeding, milk production, table eggs, honey), it is guaranteed the direct support of state with provision of product quality.

The current mechanism of state support for investment processes in livestock breeding is slightly different from the one proposed by us. In the state budget under the program 2801540 "State support of the livestock sector" for 2018 year (totally 4 billion UAH), provision is made for 2.5 billion UAH to reduce the cost of attracting investments into the livestock sector. In particular, partial compensation of the cost of construction and reconstruction of livestock farms and complexes, milking rooms, etc., in terms of costs financed by bank loans, it provides for the allocation of 1.1 billion UAH; for a partial reimbursement of the cost of construction and reconstruction of livestock farms and complexes, milking rooms, etc., built at his own expense of the investor is 1.2 billion UAH. In the first direction compensation is provided for 25% of the value of the objects financed by bank loans (loan amount is up to 500 million UAH for one object); in the second direction the refund is of 30% of the cost of the objects (the size of the investment, part of which is subject to compensation is up to 500 million UAH per object) [6].

Thus, given relatively small amounts of state support for raising investment in livestock production in 2018 year (2.5 billion UAH or 93 million USD) and a fairly large maximum value of one object, part of which is subject to compensation or refund (500 million UAH), or in general, the lack of a limit to the maximum value, again traced last year's tendency to focus state support on the development of individual large agroholdings. They are mainly specialized in the production of poultry meat.

Indicative in this regard is the formulation of paragraph 4 of clause 11 of the Procedure for using funds provided for in the state budget to support the livestock sector (as amended by the Resolution of the Cabinet of Ministers of number 285 dated March 28, 2018): for objects that create 500 and more jobs, reimbursed 30 % of the cost of the object, no matter how much this cost can be. Such a mechanism gives impulses to the processes of further monopolization of the domestic market of livestock products (with all negative consequences) and increases the inequality of access of agricultural commodity producers to state support instruments.

This is confirmed by the actual data. In the program of compensation of the cost of construction and reconstruction of livestock farms and complexes, milking rooms, etc., built at its own expense, in 2018 year from the state budget was allocated 1.7 billion UAH (Cabinet of Ministers of Ukraine, October 31, 2018 redistributed the amount of subsidies, increasing funding for this program from 1.2 to 1.7 billion UAH). Of these, more than 800 million UAH, or 50% of all state support, were received by the holding company Mironivsky Hliboprodukt as compensation for the construction of the second line of the Vinnytsia poultry factory.

Other areas of livestock support in small and medium-sized agricultural enterprises and farms in 2018 (partial compensation of the interest rate on bank loans involved in sheep breeding,
beef cattle breeding, beekeeping, animal breeding, rabbit breeding, special budget subsidy for keeping cows, special budget subsidy for the growth of young cattle, which was born in households of individuals) are characterized either by their inefficiency or by small amounts of allocated funds. They do not allow to resolve most of the technical and technological problems in livestock production, which directly affect the safety and quality of products (the lack of safe automated processes for feed supply, feeding, milking cows, milk pipelines, refrigeration plants, effective sanitary and veterinary control, availability in products antibiotics, hormones, bacterial litter of milk, etc.).

For example, partial compensation of the interest rate on bank loans contributes to support not only producers of sheep breeders, goat breeding, beekeeping, etc., as the support of banking institutions that issue such loans (if the state covers interest at the rate of 1.5 discount rate of the National Bank (25, 5% as of August 1, 2018), it makes sense for the banking institution to make loans more expensive). In addition, a special budget subsidy for raising youngster of cattle which was born in private households, will not substantially contribute to an increase in the number of such young animals. Indeed, during the period of retention of young animals from 1 to 5 months, a payment of 300 UAH per head is foreseen. It is during the period of 1-2 months that young people in the households are cut out, and the payment of such a very small amount will not stop these processes.

So, the methods currently used in Ukraine to support livestock production and improve their quality are inadequate and ineffective, do not contribute to increase competition in the industry, do not provide equivalent inter-branch exchange, and do not stimulate the development of rural areas. Lobbying the interests of agroholdings together with the distortion of market mechanisms leads to discrimination of weak links, which are non-monopolists, which greatly reduce the possibilities of producing high-quality livestock products. This testifies the need to improve the mechanisms of state support for livestock production based on the algorithms proposed by us in the previous paragraphs. It is necessary to detailed working out of livestock development, harmonization of the development of the beef sector with milk production, which would be based on the analysis of the current situation and would create an economic interest in the production of high-quality livestock products.

As regards the promotion of environmentally friendly and organic livestock production, the author's model is based on such provisions. The strategic objectives of organic livestock development should be the support of small and medium-sized enterprises in the field of organic farming, stimulation the formation of the market for organic products, formation of a full cycle of processing organic products, and providing the growth of its exports. One of the top priorities is the introduction of a system for collecting and analyzing official statistical information on the development of organic production in Ukraine. At present, though such information is not absent, but is dispersed among certification companies (the vast majority of which are foreign ones), unions, associations, organic federations, consulting firms, which complicates its accumulation and an objective assessment of the situation in organic livestock production. The lack of official statistics creates prerequisites for data falsification, enabling the implementation of pseudo-organic products. The summary of the information received, on the one hand, from the subjects of retail trade in organic products and, on the other hand, from the bodies of organic certification often leads to a paradoxical conclusion: the volume of domestic organic products of livestock production is dominated by the volume grown.

An important tool for accelerating the development of the organic sector is the development of the infrastructure of the organic products market (in detail, this issue is disclosed below). Its absence causes uneven flows of traditional, organic and genetically modified products and forces organic livestock producers to use traditional channels of its sales, often without obtaining the necessary price supplements. Quite often, producers of organic products have to sell it to various intermediaries at lower prices. This situation leads to price discrimination of commodity producers, the outflow of financial resources from the organic sector.

It is necessary to introduce a system of economic incentives for the production of organic livestock products, which is based on the introduction of price, tax, credit, customs and other
privileges. At the same time, supporting the opinion of Y. Voskobiynik and E. Gavazi [7; 8], it is necessary to consider the use of harsh sanctions against violators of environmental norms in general and requirements for organic livestock production in particular (Fig. 1).

![Diagram of Incentive Tools and Penalties](image)

**Incentive Tools** *(motivation)*

- Financial assistance in the form of subsidies to commodity producers and subsidies to consumers
- Price for organic products, programs of organic consumption
- Stimulating the export of organic livestock products
- Special regime for insurance in the field of organic production, participation of the state in minimizing risks
- Attraction of investments into organic production, support of its innovative development
- Partial compensation from the state for the cost of organic certification procedures

**Penalties** *(sanctions)*

- The system of strict penalties for violation of environmental norms, requirements of organic products
- Annual unscheduled inspections, prohibition of the sale of products under the sign "organic product"
- Deprivation of a certificate for the right to produce organic products, withdrawal of products from circulation

**Fig. 1. Tools for direct and indirect state support for the production of organic livestock products**

*Source: [7; 8], own research.*

Direct state support tools should be balanced between individual types of organic livestock products depending on the rate of profit or profitability of one or another type of production. The important thing is the mechanism for subsidizing the transfer of preserved land, land that has not been cultivated in recent years, or has been withdrawn from intensive use, organic production (organic livestock products or organic feed), financial support of commodity producers during the transition period (24-36 months), producers of organic fertilizers, biological means of protection of plants and animals.

In order to increase the availability of organic products to the average consumer, the deterrence of social stratification of society, we consider it appropriate to reduce the VAT rate from 20 to 7% on the main types of organic livestock products. This will achieve a number of goals, in particular, firstly, to ensure a healthy share of the population, and secondly, to increase the efficiency of production of organic livestock products and the competitiveness of these products, which will strengthen the position of domestic producers of organic products in the domestic and foreign markets, accumulate added value within the country.

A prerequisite for the development of organic production is the formation of the ecological consciousness of the population. It is on the basis of ecologization of consciousness that the dissemination of ethics of sustainable development, as ecocentrism, the fundamental principle of which is the principle of self-healing of the environment. The above measures should ensure not only the accelerated development of organic livestock, the growth of the share of high-quality livestock products on the market, but also should ensure the improvement of the ecological status of the territories, increase of human capital. All this provides the foundation for the sustainable development of the agrarian sector and the economy of the country as a whole.
Along with the above-mentioned directions to stimulate the supply of high-quality food products and, accordingly, the demand for livestock products needed for their production, due attention should be paid to other aspects of increasing demand and promoting rational consumer behavior. In fact, given the low incomes of the majority of the population of the country, this behavior in the coordinate system "price-quality" due to low solvency tends in most cases to a lower price. As experts note, the majority of domestic consumers can not afford and are not ready to pay 1.5-3 times the higher price for products without transfat or for organic products. The segment of high-quality products (including organic ones) remains very narrow [9]. Production remains focused on exports. Such a model for the development of the market for high-quality livestock production cannot be considered sustainable, since it is not based on the domestic market and on the domestic consumer. Against this background, a number of measures are needed to stimulate domestic demand for high-quality livestock products and animal derived products.

At the same time, there is a need to introduce targeted food assistance programs to the population below the poverty line in Ukraine. Among such programs, based on the example of the United States, a preferential program for the purchase of high-quality products with chronic under-consumption (milk, meat, fish) should become the basis. In the United States, within such a program (Supplemental Nutrition Assistance Program (SNAP)), in 2016, such support received 44.2 million people (14% of the total population). The average monthly amount of this assistance per person was about 143 USD, and government spending on the program reached 66.5 billion USD [10].

In Ukraine, the criteria for the participation of individual households in this program should be the level of gross income of the family (per capita) below 115% of the poverty line or net income of the family below 100% of the poverty line (from 01/01/2018 - 1700 UAH per one person). Thus, the recipients of the program are up to 25% of the population of the country, which is considered poor (although according to the UN, now 36 million Ukrainians live below the poverty line). Financial resources within the program of preferential purchase of high-quality products that are subject to chronic under-consumption should be distributed using plastic cards, which are rotated in a special payment system for electronic transfer of subsidies. These cards will be used by recipients of the program to purchase high-quality native food products in authorized supermarkets. The list of food of the appropriate quality (with indication of their producers) and authorized supermarkets participating in the program, after a thorough check, will be determined by the State Committee for Consumer Goods and Consumer Protection. To include in this list livestock producers should implement the Hazard Analysis and Critical Control Point system and certify their production according to international environmental standards (ISO 14000 standards). Manufacturers will be motivated to improve product quality, as it can significantly expand its sales market.

As in any system of transfer payments to the population, the implementation of this program may be accompanied by the presence of certain problems. The main of them may be that the population participating in the program will begin to conceal its additional or "shadow" revenues to receive food aid. In Ukraine, the scale of such concealment can be quite significant because of the large share of the "shadow" economy, payroll "in envelopes". Therefore, considerable attention should be paid to checking the sources of income, expenses and the size of savings of households. In the United States, for example, when determining the right to participate in the program, information on the sources of household income is carefully checked. One of the ways to solve the problem may be the introduction of such a mandatory requirement for assistance, such as filling in a statement of income and expenses for the past two years, with the breakdown of items of expenses for essential goods, durable goods, various services and luxury goods (like the electronic declaration system). In case of detecting inconsistencies in the size of real costs, officially declared, recipients of the program must return the full amount of received payments with interest [11, p. 452].

The program of preferential purchase of high-quality products, which are subject to chronic under-consumption, should supplement (or replace) state aid in Ukraine for the poor (according to the Ministry of Social Policy, by the beginning of 2018 it received 306 thousand families, that is, about 1 million citizens). A significant portion of state aid for the poor, which is provided in cash, is
spent by recipient households improperly (for the purchase of alcoholic beverages, cigarettes, etc.). In addition, poor households, as a rule, tend to buy low-quality cheap food products of animal origin, including imported ones. It turns out that the state stimulates the demand for products of unscrupulous producers or for products of foreign production. Although, the specified assistance in 2017 was spent almost 12 billion UAH from the state budget, it does not bring systemic effect to domestic producers [12].

Replacing the current state aid for the poor for the program of preferential purchase of products will result in a significant increase in the capacity of the domestic market of high quality food products of animal origin (at least 12 billion UAH), as well as the emergence of a synergistic effect, which will be as follows:

firstly, will contribute to the growth of consumption of high-quality food products, which are not followed by rational standards of nutrition (milk, meat, fish), and the expansion of the capacity of the domestic market;

secondly, will ensure access of poor people to high-quality food products of animal origin, which has not been observed before. This will contribute to a significant increase in the overall welfare in the country, since 1 hryvnia spent by the poor citizen on quality food, as a rule, brings more usefulness than one hryvnia spent by the rich on luxury goods or various kinds of entertainment;

third, it will become an effective motivator for increasing the supply of high-quality food products of animal origin by domestic producers. The program represents one of the tools to support good-quality domestic agricultural producers through state stimulation of demand for their products, expansion of sales of domestic high-quality products on the domestic market and increase of capacity of the market of domestic food products;

fourthly, will become an effective tool for real increasing of living standards of the population of the country, solving the problem of food safety and increasing the intellectual potential of the nation.

From our point of view, the implementation of this program fits into the strategic vector of modern social policy in Ukraine, in which the transformation of various kinds of privileges affected (travel privileges, privileges in the provision of utilities, etc.) or ineffective programs into the effective ones of targeted social assistance to those, who really needs the most of such an assistance.

One of the disadvantages of implementing a program for the preferential purchase of high-quality products that is subject to chronic under-consumption, may be the desire of poor households to sell high-quality livestock products purchased in authorized supermarkets in discounted dominant markets (in order to get at least some cash for the purchase of goods). This in no way will offset the positive effects of the program for society, as it will promote the development of a secondary market for high-quality animal food products and increase its accessibility to ordinary citizens.

The primary support of the state of consumers of quality food with the lowest incomes should be a priority direction of the state economic policy not only in the conditions of a permanent economic crisis, but also in the post-crisis phases of the business cycle. As a result, the capacity of the domestic market of high-quality products is expanding, its production is stimulated, and food security is guaranteed. At the same time, the standard of living for the poor is increasing.

It is advisable to introduce other food programs in Ukraine, which, on the one hand, ensure the rational nutrition of the population and increase the intellectual potential of the nation, and on the other hand, stimulate the demand for high-quality domestic food products. In view of the need to increase the intellectual potential of children and adolescents, first of all, it is necessary to include programs of high school nutrition by livestock products (special milk program in general educational institutions on the example of the USA, the program of consumption of quail eggs in schools by the example of Japan).

In the absence of measures to stimulate healthy eating in pregnant women (as an indispensable condition for the birth of healthy children), as well as children themselves, the implementation of the program "Women, Infants, Children" (according to the USA) becomes very important. This is a supplemental diet for pregnant women, women in the pre-and post-natal period, infants and young children. According to it, women and children from low-income households are
needed to be provided by free food and advice in the field of healthy nutrition free of charge, and the help in improving the efficiency of breastfeeding. Its purpose is to increase the number of cases of successful pregnancy, to promote the physical and intellectual development of infants and young children of pre-school age, but mainly to affect their attitude to rational nutrition, which is a key factor in stimulating domestic demand for vital quality food products of animal origin [11, p. 453].

It is obvious that rational nutrition of children and adolescents in the conditions of post-industrial transformation is a prerequisite for the growth of the intellectual potential of the nation and the development of the knowledge in economy. Therefore, in today's conditions, it is absolutely desirable to implement a number of programs outlined in the previous paragraphs by us. We consider it expedient to develop and adopt the foundations of the state policy in the field of healthy nutrition of the population, taking into account changes in the socio-economic situation, demographic composition and the appearance of new scientific ideas about good nutrition by products of animal origin.

Conclusions. Organizational and economic assistance to the development of the livestock sector and the improvement of the quality of livestock products should be based on an effective combination of methods and tools for stimulating demand and supply, expansion of the capacity of the market for high-quality products, protection and development of competition, improvement of the functioning of infrastructure components, mechanisms of state regulation and stimulation of the supply of domestic organic livestock products with a high share of value added. Taking into consideration the criteria of wealth of nations (criterion of maximizing the value added within the country and the criterion of intellectual potential accumulation), one of the main priorities of the state policy in Ukraine should be recognition of the development of livestock industries, livestock processing and the formation of a market of high quality food products of animal origin in general. Stimulating the production and consumption of food products of animal origin creates a powerful synergistic effect for the economic system as a whole, as it contributes to the simultaneous accumulation of value added and the growth of the intellectual potential of the nation.

References

ІНСТРУМЕНТИ ПРАМОЇ ТА НЕПРАМОЇ ПІДТРИМКИ ВИРОБНИЦТВА ВІТЧИЗНАНОЇ ПРОДУКЦІЇ ТВАРИННИЦТВА ТА ПІДВИЩЕННЯ ЇЇ ЯКОСТІ

Проблема. Чинні інструменти підтримки виробництва продукції тваринництва в Україні є переважно неефективними, вони не стимулюють товариство збираться обсяги виробництва висококласної продукції. Поки що не розроблено чіткої стратегії організаційно-економічного забезпечення належного якості та безпечності продукції тваринництва. В результаті приоритетного розвитку галузі рослинництва існує реальна загроза перетворення вітчизняного сільського господарства на сировинний придаток розвинених країн.

Метою наукової статті є обґрунтування інструментів прямої та непрямої підтримки виробництва вітчизняної продукції тваринництва та поліпшення її якості.

Результати. В Україні приоритет повинен надаватися інструментам непрямої підтримки, щоб уникнути ризику поширення корупції та рентоорієнтованої поведінки чиновників. Доведено неефективність чинних механізмів прямої підтримки вітчизняного тваринництва, а також вказано на нерівномірній розподіл обсягів підтримки серед його одержувачів. Ці механізми не дозволяють вирішити значні проблеми у тваринництві – неприйнятна структура та суттєва диференціація товарів, що значно знижує потенціал розвитку висококласного тваринництва.

Наукова новизна. Обґрунтовано необхідність повернення до некорупційних механізмів непрямої підтримки виробників молока та м'яса, а також зміни норм прибутку підприємців. Заходи стимулювання внутрішнього попиту на висококласну продукцію тваринництва. Запропоновано заходи щодо стимулювання внутрішнього попиту на висококласну продукцію тваринництва.

Ключові слова: пряма підтримка, непряма підтримка, податок на додану вартість, тваринництво, органічне тваринництво, агрохолдинги, якість, безпечність.