

# Directions of Enhancement of the Competitiveness of National Economy Agricultural Sector



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**Abstract:** *The article provides in-depth theoretical and methodological fundamentals, methodological approaches and develops practical guidelines how to increase competitive ability of the agricultural sector of the Ukrainian economy. It also provides economic essence of the competitive ability of the agricultural sector, defines methodological approach as to diagnosing a general level of competitive ability of the agricultural sector, aimed at analyzing intersectoral and intrasectoral competitiveness of the economic sector. The article analyzes current state of the competitiveness determinants of the agricultural sector of Ukraine, analyzes its general competitive ability in inter- and intrasectoral dimensions. It provides recommendations as to improving system for the state regulation of developing competitiveness of the agricultural market. Suggested sectoral and structural matrix of the state regulation of developing agricultural sector competitiveness of the domestic economy allows us to segregate priority directions of the state regulation so to contribute to competitiveness increase based on sectoral and segment approaches. The article justifies perspective transformations of organizational and legal forms of management of agrarian products manufacturers, which contribute to establishment of competitive structure of the agricultural sector of the Ukrainian economy and increase of its competitiveness level in general.*

**Keywords:** *Competition; Competitiveness; Agricultural sector; Agricultural enterprises; Agricultural households.*

## I. INTRODUCTION

Transformation of a command-and-control regime,

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establishment of a market system of management created preconditions for developing competitive relations in the economy of Ukraine, including its exceptionally important component – agricultural sector. Besides, competitiveness of the agricultural sector defines to a considerable extent

competitiveness of the state economy, socioeconomic condition of the society, establishes food security and within defined limits – economic, ecologic, and energetic security - creates preconditions for operation of common sectors of the national economy and builds socioeconomic fundamentals for rural territories development. Agrarian transformational shifts and improper state of certain basic determinants of the agricultural sector competitiveness caused limitations for its perspective development in the Ukrainian economy. Research of the process of establishing, ensuring and increasing competitiveness of the agricultural sector of the national economy acquires strategic importance under the established conditions.

## II. ANALYSIS OF RECENT RESEARCH AND PUBLICATIONS

Competitive ability analysis results on various competitive levels are highlighted in scientific works of such scientists like D. Bain (1956), O. Bilorus (2002) [1], C. Cohen (1987) [2], M. Porter (1980) [3], O. Soskin (2010) [4], F. Hayek (1980) [5] etc. A considerable contribution to developing issues of competitive economic growth of the agricultural sector of the national economy and its structural elements is made by O. Borodina (2012) [6], Yu. Kyrilov (2015) [7], M. Malik (2007) [8], I. Prokopa (2012) [6], A. Wint (2003) [9] and others. However, not all aspects of this multi-scale problem are developed in a theoretical dimension, not all directions are elaborated to the full extent as to the practical implementation of fundamentals how to increase sectoral competitive ability. Author (s) can send paper in the given email address of the journal. There are two email address. It is compulsory to send paper in both email address.

## III. PURPOSE

The purpose of the research is to deepen theoretical and methodological fundamentals, methodological approaches and to develop practical recommendations how to increase competitive ability of the agricultural sector of the national economy.

## IV. RESULTS

Ability to establish, maintain and develop competitive advantages of the entities of competitive struggle is characterized by the meaning of competitive ability, which emerges and manifests only in competition as its performance. Competition is the most effective mechanism for controlling market processes, which is ensured by economic freedom of the economic entities and stimulates them to raise their competitiveness. Development and growth of economy, importance of innovative processes, social standards of living, country's importance at the global markets, level of its economic security – all these depends on the level of competitiveness of products, enterprise, sector, region, and country.

A sectoral aspect of competitive ability holds much significance, as in terms of structure a sector covers a total of economic entities, which manufacture homogeneous products, apply similar technologies, and are characterized by similar features of production and economic activity. Respectively, competitive ability of the sector is considered as a component of general competitiveness of the country. Agricultural sector occupies a specific place within the structure of the national economy of Ukraine.

According to our interpretation, competitiveness of the agricultural sector of economy is the ability of the agricultural producers to adjust in the process of competition to variable conditions of economic management, to conduct their activity effectively within the conditions of risk and uncertainty, to use resources efficiently, and to produce quality agricultural goods. This brings maximum benefits to its consumers, while creating both general and partial competitiveness of the elements of the higher hierarchic level of the economic system operation. Taking into consideration structure of the agrarian production system, we can select competitiveness of the agricultural enterprises (entities of the subsector of enterprises) and competitiveness of agricultural households (representatives of the individual subsector), which collectively establish, ensure and increase general level of competitiveness of the agricultural sector of the national economy.

According to the hierarchy of the competitive ability, competitiveness of the agricultural products defines competitiveness of the agricultural producers, which, respectively, affects competitiveness of the agricultural sector of the economy. Based on this, ensuring competitiveness of the agricultural sector of economy occurs hierarchically at various competitive levels, where factors of establishing and increasing competitive ability are accumulated, starting from

the bottom nanolevel – competitive ability of the agricultural products.

Depending on the type of competitive struggle we can separate internal (intrasectoral) and external (intersectoral) competitive ability of the agricultural sector of economy (Table 1).

Intrasectoral competitive ability is manifested in the competitive struggle within the sector, and defined, firstly, by competitive ability of a subsector of the enterprises, as well as individual subsector (householders), and respective entities of conducting economic activity. Intersectoral competitive ability is manifested in the competitive struggle between goods producers of various sectors, industries of the national economy or economy sectors of various states for beneficial capital investment and greater profit generation.

According to the analyzed methodological approaches we suggest the following stages of diagnosing level of competitive ability of the agricultural sector of economy:

1. Diagnostics of the basic determinants of competitiveness of the agricultural sector of economy, which shape national environment, where economic entities of the enterprise and individual subsector act.

2. Diagnostics of the intersectoral competitiveness of the agricultural sector of economy by means of the method of inter-branch balance and suggested methodology of determining integral indices of economy sectors.

3. Diagnostics of the intrasectoral competitiveness of the agricultural sector of economy: analyzing level of sectoral competition based on the methodology of the model of five strengths; analyzing competitiveness of the agricultural sector of economy based on the models of assortment; assessing level of intrasectoral competitiveness of the agricultural sector of economy, which is based on its subsectoral and segment components.

Competitiveness of the agricultural sector of the Ukrainian economy is defined by a range of determinants, which are competitive advantages or competitive shortfalls. Determinants are generally based on the following groups: sectoral group of the national economy and competition of its economic entities, characteristics of agricultural production factors, interaction among similar and related sectors, characteristics of demand for agricultural products, and level of government regulation. Research of interindustry balance of Ukraine proves that agricultural sector is one of the most important industries in the national economy. It is connected to the highest extent with industrial sectors, which can be seen in the correlation between resources supply and consumption for each sector.

**Table- I: Comparative analysis of intrasectoral and intersectoral competitiveness**

Characteristic	Intrasectoral competitive ability	Intersectoral competitive ability
Entity	Entities within one sector	Entities of different sectors
Object	Better production and distribution conditions	Areas of the most profitable capital investment
Preconditions	Differences in manufacturing expenses, quality, distribution of goods of different entities	Differences in the scope of profit rate in different sectors
Result	Formation of required expenses and market price for the homogeneous products	Formation of average profit rate and transformation of the goods value into the price of production

Source: Compiled by the authors.

Competitiveness of the agricultural sector greatly depends on the following determinants: 1) interaction with supporting sectors of economy; 2) demand of other sectors of the national economy for agricultural products, which points at perceptiveness of their competitive cooperation and interdependency.

As we have calculated, size of the added value generation by sectors (as correlation between gross value added (GVA) and volume of expenses per each sector of the Ukrainian economy) based on statistical data (per 2018) shows that the most effective sectors of economy are: mining industry – 1.12 UAH, agricultural sector – 0.72 UAH, processing industry – 0.23 UAH, and construction – 0.28 UAH. Meaning that 1 UAH invested into the agricultural sector of economy creates 0.72 UAH of added value, which allows saying about its competitive development in the national economy.

Diagnostics of intersectoral competitiveness was conducted in terms of sectors of the Ukrainian economy, which deal with production (according to the Ukrainian Industry Classification System). Calculated based on the methodology that we have suggested, integrated index of the intersectoral competitiveness level of the economic sectors gets high values at high levels of characteristics-incentives and low levels of characteristics-disincentives. Based on the obtained values of the integrated index of the intersectoral competitiveness it was determined that its highest level in 2012-2015 belongs to the agricultural sector. This sector is one of the leading factors for creating competitive economy of Ukraine in general and belongs to the economic sectors with a high level of competitiveness, which grow quickly.

Intersectoral competitiveness of the agricultural sector of Ukraine is created, supported and developed by its intrasectoral competitiveness, which includes a range of elements of internal environment. Conducted research of sectoral competition based on the adaptation of the five strengths model of sectoral competition to specific conditions of the agricultural sector of economy of Ukraine allows segregating main acting specific competitive forces. Research results show low level of competitive interaction between the elements of the model, which constraints increase of the sectoral competitiveness. However, in theoretical terms, competitiveness directly among agricultural producers can be characterized as a perfect one.

Competitiveness integral indices of enterprise subsector and individual subsector were calculated owing to the suggested methodology of determining competitiveness of the agricultural sector subsectors, considering all criterial characteristics. Calculations show that intrasectoral competitiveness of the agricultural sector of the Ukrainian economy based on the subsector approach to the large extent depends on competitiveness of the individual subsector. It prevails level of subsector of enterprises in 2015-2018, which points at its importance in the agricultural sector of the Ukrainian economy on the current stage of social development. This is caused by the fact that agricultural households compared to agricultural enterprises are more dynamic, flexible, and better adjustable to changes. Broken down by segments of plant growing and livestock breeding intrasectoral competitiveness of the agricultural sector in 2015-2016 depended more on the level of competitiveness of

the livestock breeding sector, and in 2017-2018 – mainly on the level of competitiveness of plant growing.

Considering the importance and value of the agricultural sector of the national economy in general, complexity of relationship with the similar sectors, venturousness of the agricultural production, competitiveness increase of the agricultural sector of the Ukrainian economy can be possible owing to the efficient government regulation. It should be logically divided through the vertical between all its components of general state and local levels. Competitiveness of the agricultural sector of the region, area, district, and territorial community is being established and ensured at these levels. Local level of the government regulation of competitiveness development is outlined as a grassroots level in the system of the government regulation, which considerably affects competitiveness of the enterprise subsector and individual subsector of the agricultural sector of the regional economy. Entities of the government regulation at the general state level will mainly create strategic fundamentals of competitive development of the agricultural sector, and at the local level they will implement tactical measures aiming at strategic targets and peculiarities of the region, which will ensure vertical chain of the strategy implementation.

Under the current conditions, regulation should be carried out not only on the general state, regional and district levels, but also on rural, settlement, city levels, which is related to authority decentralization processes and establishment of associated territorial communities. This will positively affect establishment of a dialogue between agricultural producers and state regulation authorities in general.

Transformation of the government policy into competitive advantage of the agricultural sector of the Ukrainian economy is possible through the complex regulation of competitiveness of its subsectors (enterprises and individual) and segments (plant growing and livestock breeding), meaning by structural directions of the government regulation (Figure 1).

Segment \ Subsector		Subsectoral state policy	
		Subsector of enterprises (E)	Individual subsector (I)
Segmental state policy	Segment of plant growing (P)	EP	IP
	Segment of livestock breeding (L)	EL	IL

**Fig. 1. Sectoral and structural matrix of the government regulation of competitive ability of the agricultural sector of the economy of Ukraine**

Notes:

1. Legend: P – segment of plant growing, L – segment of livestock breeding, E – subsector of enterprises, I – individual subsector, EP – subsector of enterprises in plant growing, EL – subsector of enterprises in livestock breeding, IP – individual subsector in plant growing, IL – individual subsector in livestock breeding.

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2. Compiled by the authors.

Considering that operation of the individual subsector (agricultural households) is paid small attention to and government regulation is almost absent, entities of the government regulation at the general state and local levels should intensify their activity according to the suggested sectoral and structural directions of the levels of “I”, “IP”, “IL” with priority of livestock breeding.

Competitiveness of the agricultural sector of Ukraine depends directly on the development of its intra- and intersectoral relationships, which are partially implemented through the transformation of the agricultural producers into more evolutionary and progressive and integrated forms of economic activity. They will create strategic opportunities for agricultural producers, founded on the increasing competitive advantages. Progressive transformations of organizational and legal forms of economic activity should be realized by the change of the form of economic activity into more evolutionary and progressive, by participation in horizontal integration, vertical integration, cooperation, clustering, and combined transformations.

Besides, progressive transformations of the organizational and legal forms of performing economic activity can happen both in the subsector of the enterprises and in the individual subsector of the agricultural sector of the Ukrainian economy. Development of the given direction is recommended to stimulate exactly in the individual subsector. This will contribute to the increase of the entrepreneurial environment, competitiveness level of the agricultural sector and establishment of the competitive structure of the agricultural sector of the Ukrainian economy, the fundamental of which would be subsector of enterprises. And, instead, individual subsector would be represented by agricultural households, which would deal with the production of unmarketable agricultural goods for own consumption with the ability of further perspective association on cooperative fundamentals.

Development of cooperation process is perceived as one of the prospective ways for increasing competitiveness of the agricultural sector of the Ukrainian economy, which to the greatest extent would consider interests of small agricultural producers. Cooperation as a direction of organizational and legal forms of economic activity transformation can include elements of horizontal and vertical integration. This means that agricultural producers can cooperate in the direction of horizontal integration – in terms of certain types of technological processes of producing agricultural goods, and in the direction of the vertical integration – for further processing, storage, distribution, and sales of the goods, as well as supply of capital goods and material and technical resources.

In the long run, vertical integration from the “bottom-up” to the largest extent would define competitiveness of the agricultural sector of the economy of Ukraine. It envisages association of the economic entities of primary and secondary production on the evolutionary and progressive basis. This means that driving forces of the vertical integration are agricultural producers, willing to increase their competitive advantages by means of expanding value chain.

Within the context of competitiveness increase of the agricultural sector of the Ukrainian economy, a specific role

belongs to the self-organized associations – clusters. These clusters would create competitive potential of the agricultural sector competitiveness of the national economy on a mezolevel. Under the current conditions of authorities’ decentralization and local self-government reformation, it is clusterization that acts as an efficient tool for increasing competitiveness of the Ukrainian regions and regional components of the agricultural sector of economy, in particular.

Competitive development of the agricultural sector of the Ukrainian economy in perspective would significantly depend on the development of corporate administration among entities of a corporate type. A qualitative system of corporate administration acts as a condition for establishing, supporting and developing competitiveness of the corporate type entities. It opens access for them to the global markets of capital, and, in terms of ethics, establishes social liabilities to society, i.e., gives a possibility to create social corporate responsibility of domestic corporate associations. Moreover, operation of the enterprises of a corporate type (like agroholdings) requires differentiated government regulation.

Sequential development and improvement of organizational and legal fundamentals of executing agricultural activity act as one of key conditions of quality changes in the agricultural sector of the Ukrainian economy, aimed at increase of its competitiveness in the long-term perspective.

## V. CONCLUSIONS

Competitiveness is an integral peculiarity of a certain system (subsystem) in the process of competitive struggle to achieve the aim or to get desired result along with the other competitors. In addition, competitiveness of a sector, subsector, and agricultural producers significantly depends on a type of competitive struggle, which they enter, and as a result, intrasectoral and intersectoral competitiveness of the agricultural sector of economy become distinguished.

Transformation of the Ukrainian economy into the market fundamentals of economic activity ensured only conditions for establishing and developing assembly of competitive relationship, including in the agricultural sector of economy. And this is essential for the efficient influence of market mechanisms on the guaranteed economic development, economic competitiveness in general and its elements, food security, and resolution of social problems.

We believe that complex application of the measures suggested in the research would contribute to increasing competitiveness level of the agricultural sector of the Ukrainian economy.

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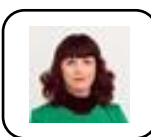
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