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MARKET RELATIONS AND STATE REGULATION IN AGRICULTURE

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***Summary.** Market relations are based on the freedom and independence of economic entities in the competitive struggle for sales markets. This includes the risk and responsibility of the economic entity for the final results and the exploitation of favorable opportunities for profit or income.*

***Аннотация.** Рыночные отношения базируются на свободе и самостоятельности хозяйствующих субъектов в конкурентной борьбе за рынки сбыта. риск и ответственность хозяйствующего субъекта за конечные результаты, использование благоприятных возможностей для получения прибыли или дохода.*

Key words: market, laws, regulation, consumer, producer, financing, credit.

Ключевые слова: рынок, законы, регулирование, потребитель, товаропроизводитель, финансирование, кредит.

Currently, effective operation in a market economy is only possible with a thorough knowledge and understanding of its essence, market structure, and fundamental market laws. The market is the economic sphere where the process of commodity-money exchange (the conversion of goods into money and the

reverse conversion of money into goods) occurs. It is a system of economic relations between producers (sellers) and consumers (buyers). The two main participants in the market are producers (sellers) and consumers (buyers). They are the ones who conduct the acts of purchase and sale and determine the terms of sale of products, while the market is the connecting link shaping socioeconomic relations in the sphere of exchange. Producers initially act as buyers, acquiring factors of production and paying the cost of production resources, wages, dividends, rent, lease fees, etc. They then become sellers of manufactured products, goods, works, and services. Thus, the market contains both subjects and objects of market relations. Effective demand and supply of an economic product (taking into account its quantity, quality, and assortment) at a set price determine the equivalence of exchange and the specific relationship between monetary and commodity flows. Therefore, the market has certain functions and properties.

Thus, the market, by its economic essence, is a self-regulating system of relationships between seller and buyer. It guides producers toward high-quality economic products and reduced production costs, on the one hand, and, on the other, motivates them with the opportunity to achieve greater profits through increased sales volumes. The market enables and facilitates the efficient functioning and development of agricultural enterprises.

The agricultural market has several distinctive features:

1. Supply is dependent on natural and climatic conditions. Therefore, producers must have at least three action plans: for favorable weather conditions (when there is a surplus of produce), for unfavorable weather conditions (when there is a shortage of produce), and for natural disasters (when there is a loss of produce). To reduce risk, agricultural producers must maintain safety stocks and rationally combine crop production with livestock farming and non-agricultural production.

2. The large volumes of agricultural products and the short shelf life of many types require well-organized marketing. Marketing crop and livestock products requires special conditions not only for delivery to points of sale (specific vehicles and good roads) but also for the actual sale (time and location of sale, storage location, etc.). Furthermore, at the site of agricultural production, it is necessary to organize primary or deeper processing and construct equipped storage facilities.

3. A variety of distribution channels are available for the sale of agricultural products: commercial trade and catering establishments, direct demand markets, processing plants, consumer cooperatives, government procurement organizations, branded retail, etc.

The negative aspects of a market economy include a lack of stability, which leads to inflation and rising prices; underemployment of the workforce, with its inevitable companion—unemployment. The market considers only the

individual commercial aspect and ignores so-called public goods (education, healthcare, public order, childcare, etc.). The market creates potential social stratification, harshness toward weaker players in competitive struggles, inevitably ruins some businesses, and does not guarantee complete social justice or solutions to a number of social problems (support for pensioners, the disabled, orphans, etc.). Finally, in a market economy, income may depend not only on invested labor and material and monetary costs, but also on chance, market conditions, and favorable circumstances.

The effective functioning of any economic system is determined by a number of fundamental laws that form independently and spontaneously at specific stages of socio-economic development and change independently of the desires and aspirations of individuals in conjunction with the organization, progress of society, and socio-economic relations.

They express typical, stable, recurring cause-and-effect relationships and dependencies, characteristic features of socio-economic organization. Knowledge and adherence to the objective economic laws of a market economy allow us to forecast expected production results and possible changes depending on the evolving economic situation in domestic and foreign markets.

The following are among the fundamental laws:

1. The law of value – a universal law, meaning that everything in the economy of industries and enterprises, the organization of production, and the management of labor processes has its own economic assessment and value. The law of value is the foundation of economics. Without its consideration, it is impossible to organize effective production. Nothing can exist without value. Even seemingly insignificant factors, often neglected in life and production, have a cost (random downtime, prolonged labor processes, missed production deadlines, irrational use of resources, etc.), since energy, labor, capital, and other resources are invested in their formation.

2. The law of demand determines the meaning of any production. Without it, any production is not only meaningless but also unsustainable.

3. The law of supply assumes a direct relationship between price and quantity supplied. The higher the supply price, the lower the consumption volume, and vice versa.

4. The law of diminishing marginal utility states that, after a certain period, producing additional units of output brings both the producer and the consumer ever-decreasing satisfaction (example: the first glass of water in the desert is priceless, the second is necessary, and the tenth is useless).

5. The law of the determining influence of the minimum resource is that a resource that does not correspond to the standard size for the production of a specific type of product has the greatest negative impact on the results of production.

Knowledge and consideration of general economic laws, such as the law of saving time, the law of labor productivity growth exceeding wage growth, and others, are required.

Market mechanisms and relations are not entirely perfect and require some adjustment. This necessitates government intervention in addressing a number of economic and social issues. The state must, first and foremost, guarantee the protection of the rights of producers and consumers, sellers and buyers, and also impose sanctions on producers and sellers of low-quality products, addressing social and other issues.

As domestic and international experience shows, a market-based agricultural economy cannot function successfully without government regulation of pricing and support for agricultural producers.

The forms of government regulation of agricultural market relations, agricultural products, and food markets are quite diverse. They can be roughly divided into two groups.

The first group of regulatory methods includes government participation in pricing, price regulation for individual socially significant food product groups, and intervention in agricultural market conditions. The state implements these functions through:

- creating state orders, purchasing agricultural products for the country's food funds at fixed purchase prices, and advance financing;
- maintaining a relatively stable agricultural market environment and facilitating the development of market infrastructure;
- developing and disseminating benchmark prices for individual agricultural products and food products to all interested market participants;
- implementing certain food pricing measures, such as establishing quotas, duties and tariffs, taxes on food exports and imports, etc.;
- regulating the purchasing power of the population through increases in wages, pensions, and benefits.

The second group includes measures of state support for agricultural producers. The main ones include the development and implementation of targeted programs, partially or fully financed from the national and local budgets.

To finance priority areas of agricultural development, state investments are provided for land reclamation and liming, seed production, and veterinary services. Preferential loans are provided for the reconstruction of livestock complexes and dairy farms, poultry farms and processing plants, for housing construction, and for the acquisition of agricultural machinery. Prices for agricultural products are subsidized proportionally to the growth of energy prices, as well as for grain and forage harvesters. Subsidies are provided for the development of basic agricultural enterprises.

The agro-industrial complex receives annual state support. These funds are used to purchase mineral fertilizers and plant protection products, to reduce

the cost of combines and high-powered tractors, and for other investment projects. Short-term loans are allocated for the sowing campaign, grain procurement under state orders, and for livestock complexes. Banks provide long-term, preferential loans for the reconstruction and technical re-equipment of agricultural enterprises and rural housing construction. The state significantly finances the training of specialists and workers in various agricultural specialties. The state scientific and technical program provides scientific support to the agro-industrial complex in various areas. The goal of state regulation of agricultural market relations is to create economic and other conditions that ensure the sustainable development of agriculture, a stable agricultural market, food security for the country, economic and financial support for agricultural producers, and social protection for the rural population.

In summary, it should be emphasized that state regulation of the agro-industrial complex is an objectively necessary element of economic policy. The specific nature of agriculture, expressed in the close interrelationship between production processes and natural, economic, political, and environmental conditions, necessitates adherence to a number of key principles that ensure sustainable agricultural development.

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