

Formation of competitive agricultural producers in terms of international
integration

Dr. Inna Lozynska (SNAU, Ukraine),

T.J. Anderson (privat consultant, farmer, USA)

**FAMILY FARMING CAN TURN INTO A FAMILY BUSINESS:
AMERICAN EXPERIENCE IN FAVOR OF UKRAINE**

To date, according to the United Nations, of the 570 million farmers in the world, 500 million are family-owned.

Farm-households of the family type produce at least 56% of the total agricultural output, making a significant contribution to national and global food security. Speaking about food production, family farms are the predominant form of agriculture in the world.

And in Ukraine? Oddly, we do not have family farms at all. Of course, they exist, but at the legislative level their status is not defined. And this entails a number of problems and negatively affects the development of rural areas.

But there is also a good news: soon in Ukraine, farms of a family type can earn officially. To give them such status has an improved law "On Farmers".

This need has arisen for many reasons. The first and most important is that the bulk of labor-intensive agricultural products - vegetables, fruits, eggs, milk - are produced by non-farmers. They produce it in the range of 4-5%. And the main volume is produced by private peasant farms.

At the same time, private peasant farms are not full members of the agrarian market. They are individuals. This leads to problems with value added tax, with the tax on personal income. Also, private peasant farms have problems with entering the market, because nobody wants to do business with them, and they have no opportunity to enter into full contracts. I mean the company, the traders. At last, they can not document these contracts, because the Tax Code provides that they

can purchase products only in case of official registration farmers like individual entrepreneurs.

Today we say that private peasant farms, without being full members of the agrarian market, without the status of agricultural producers, have a harder and more tax burden, remain without social protection. They live at their discretion. And in general, all limits are because they were beyond the borders of our state agricultural policy.

Many foreign experts title it's "a Ukrainian phenomenon", since 4-5 million private peasant farms are still unstructured, do not have their own professional associations.

Another important thing is that family farmers should have family members exclusively. There are no restrictions on hiring a worker in the current farmer's law. That is, they created a farm, hired 200-300 people, leased 5-30 thousand hectares of land and farmed. This is, in essence, an agricultural enterprise. And we mark that family farming has the right to involve hired workers exclusively for seasonal and specific work. There are even restrictions in the world regarding their number. It can be 3-5 people.

We are still debating whether to limit the number of seasonal workers. Because a family farm can deal with, for example, berry meadows. And there is an urgent need to pick strawberries. It will not cope with this work independently. It is obvious. Therefore, there is a need for a week or two to hire seasonal workers.

And the most important issue: can family farms rent land? American expert insists, that family farms are created and operate on the basis of land plots allocated for the conduct of a private peasant farm, but land lease is not excluded. On the contrary, it is even anticipated. Without it, successful family-type farms will not succeed.

Another thing is how much land they can rent? Different countries have different approaches to this. In some there is a limit on the area. Today, we are debating on this issue - to introduce or not to impose such restrictions.

The land issue is rather difficult, because a family farm, for example, in the steppe zone may have 500 hectares, grow crops or technical crops. In another region, the same farm may have 2 hectares under a greenhouse or berries.

The European Union has a lower limit. There, a household must register a farmer when he has, for example, more than 1 hectare of land, more than 3 cows, 5 pigs or exceeds a certain amount of turnover in the total. We do not see upper limitations on land.

Now we are talking about the fact that family farms, first of all, will be based on personal peasant farms. As some of them (according to various estimates, this is somewhere up to 20%) are already potentially family-owned farms and they are ready to be transformed if a favorable legislative environment is formed. It is possible that some basic farms will want to re-register as family farmers. But this will happen, provided that more favorable legislative and economic conditions are created for family-type farms.

Another hot issue - will family farms benefit from state support and in what form will it be provided to them? Now the answer to this question is rather difficult, but all participants in this process agree that in the farmer's law, which is now being drafted, special mechanisms of state support for the development of family farms should be envisaged. But this will happen in the event that state support is maintained at all.

We believe that in all circumstances, family-owned farms should be tax exemptions. Because family farms are the lowest part of business in the countryside, where there are a lot of working hands and a lot of workplaces.