

OUTLOOK DIAGNOSIS FOR INSTITUTIONALIZATION OF FARMING HOUSEHOLDS

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In Ukraine there are almost 5 million farming households, which are outside the institutional environment of the agricultural sector. FAO announced the 2014 year as the International Year of Family Farming, increasing their responsibility for solving the food problem in the world and caring for the Earth. In Ukraine the efforts for the development of family farms led to the several legislative initiatives, including the registration of family farms as a private entrepreneur (FF-PE).

The main purpose of this investigation was to analyse these legislative initiatives considering their facilitation for the small businesses and to introduce some proposals for their improvements.

This investigation is based on the methodology of the assessment of the regulation impact on the activity of small and medium enterprises (SME) – so called “M-test”. It includes the evaluation of three types of costs: the main costs of MSE to satisfy the regulation rules; the administrative costs of MSE to satisfy the regulation procedures; and the administrative costs of the state bodies, provided regulations. To achieve the

purpose of the investigation there were used the methods of economic analysis, interviewing, optimization etc. We used official data of the National Statistical Office of Ukraine and also experts' evaluation.

Our results confirm that the proposed mechanism of the registration of the FF-PE is a complicated and very expensive for rural households. Besides, it increases the tax pressure for the FF-PE compare to the other agricultural enterprises. Considering these features, we proposed an alternative tax mechanism for FF, which is based on the land taxes mechanism. It does not provide additional costs for either FFs or for the regulation bodies.

The problem of the Ukrainian farming households is not unique. It is also actual for the Central and Eastern Europe countries – which are the EU members, especially for Romania, Poland, Bulgaria and Hungary. The governments of these countries introduced the different preferential mechanisms to stimulate the small farms for voluntary registration, including state support for farm modernization and development, tax credits etc.