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ASPECTS OF ECONOMIC POLICY IN THE AGRICULTURAL SECTOR

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Blazheva V. Aspects of economic policy in the agricultural sector.

The Common Agricultural Policy consists of European legislative acts and practices intended to implement a common (uniform) policy in the sphere of agriculture. This paper aims to study the tools and mechanisms of the Common Agricultural Policy of the European Union – a policy with a 50-year-old history and its application in agriculture. The emphasis is on the ongoing reforms in the sector and the challenges for the implementation of the European agricultural policy after 2013. The "European model of sustainable agriculture" (a policy consistent with the agricultural expenditure in the EU financial framework until 2013 and aimed at improving the Common Agricultural Policy) is to achieve sustainable development, high quality health products and methods for sustainable environmentally-friendly manufacturing. The European Union membership leads to greater predictability and consistency of agricultural policy and, respectively, of prices. The Common Agricultural Policy is flexible and in tune with reality, in which it must function; the changes are not surprising or arbitrary, as it sometimes happens with national policies. After 2013, the Common Agricultural Policy of the European Union will be directed to sustaining the population, sustainable use of natural resources and economic development of Europe's rural areas.

Блажева В. Аспекты экономической политики в аграрном секторе.

Общая сельскохозяйственная политика состоит из европейских законодательных актов и практик, целью которой является проведение общей (единой) политики в области сельского хозяйства. Настоящая разработка преследует цель исследовать инструменты и механизмы Общей сельскохозяйственной политики Европейского союза – политики с 50-летней историей и ее применение в аграрном секторе. Внимание

акцентируется на проводимых реформах в секторе и вызовах о проведении европейской сельскохозяйственной политики после 2013 г. "Европейская модель устойчивого сельского хозяйства" (политика, учитывающая расходы на сельское хозяйство в финансовой рамке Союза до 2013 г. и направленная на усовершенствование Общей сельскохозяйственной политики) выражается в достижении устойчивого развития, здоровых высококачественных продуктах и методах устойчивого экологичного производства. Членство в Европейском союзе ведет к лучшей предвидимости и последовательности политики в сфере сельского хозяйства и, соответственно, цен. Общая сельскохозяйственная политика гибка и находится в синхроне с действительностью, в которой должна функционировать; перемены не являются неожиданными или произвольными, как иногда происходит с национальными политиками. После 2013 г. Общая сельскохозяйственная политика Европейского союза будет направлена на обеспечение населения продуктами питания, устойчивое использование природных ресурсов и экономическое развитие европейских сельских районов.

Блажева В. Аспекти економічної політики в аграрному секторі.

Загальна сільськогосподарська політика складається з європейських законодавчих актів і практик, метою якої є проведення загальної (єдиної) політики в області сільського господарства. Справжня розробка переслідує мету дослідити інструменти та механізми Спільної сільськогосподарської політики Європейського союзу - політики з 50-річною історією і її застосування в аграрному секторі. Увага акцентується на проведених реформах у секторі та викликах про проведення європейської сільськогосподарської політики після 2013 р. "Європейська модель сталого сільського господарства" (політика, що враховує витрати на сільське господарство у фінансовій рамці Союзу до 2013 р. і спрямована на удосконалення Спільної сільськогосподарської політики) виражається в досягненні сталого розвитку, здорових високоякісних продуктах і методи стійкого екологічного виробництва. Членство в Європейському союзі веде до кращої предвидимом і послідовності політики у сфері сільського господарства і, відповідно, цін. Загальна сільськогосподарська політика гнучка і знаходиться в синхроні з дійсністю, в якій повинна функціонувати; зміни не є несподіваними або довільними, як іноді відбувається з національними політиками. Після 2013 р. Загальна сільськогосподарська політика Європейського союзу буде спрямована на забезпечення населення продуктами харчування, стале використання природних ресурсів та економічний розвиток європейських сільських районів.

I. Introduction

The European agricultural policy plays a significant role in the Community. On the one hand, agricultural land and forests occupy approximately 91% of its area. On the other hand, the Common Agricultural Policy enables the European Union to cope with major challenges in several aspects, namely: ensuring safe and high-quality food for consumers; environment protection and adapting to the changing international trade rules. The Fundamental **principles** of the Common Agricultural Policy of the European Union are as follows:

Ø **Market Unity** – This principle means free trade within the Community based on common (uniform) prices. Such uniform prices are not market prices as they are not formed under the influence of the market mechanism. They are determined annually by the Council (on a proposal from the Commission).

Ø **Priority of Community (community preference)** – This principle is generally dictated by the importance of foreign trade in agricultural goods for the Community. According to this principle, European products are protected from imports from third countries by the fluctuations in world prices.

Ø **Total financial responsibility** – According to this principle all Member States jointly participate in the financing of the EU Common Agricultural Policy. A common budget is set up for this purpose. Initially this budget was funded by the European Agricultural Guidance and Guarantee Fund (EAGGF) and currently it consists of two separate Funds: the European Agricultural Guarantee Fund (EAGF) and European Agricultural Fund for Rural Development (EAFRD).

Ø **Setting up Common Market Organizations** – In its nature, the Common Market Organization is a set of measures which enable the European Union, on the one hand to regulate the marketing of agricultural products and, on the other hand to support farmers' incomes. Until recently there were 21 common market organizations functioning in the EU (covering about 90% of agricultural production), which at present are united into one [1].

The growing challenges facing agriculture in Europe require the ongoing reform of the Common Agricultural Policy in terms of its alignment with the higher requirements of society for healthy and quality foods, preservation of rural areas and ensuring a decent standard of living for farmers. From this position the objectives of the European agricultural policy can be combined into two main ones:

§ Supporting the competitiveness of European farmers at world level;

§ Encouraging the development of rural areas (mainly those in which GDP is below 75% of the average for the European Union).

The role of the Common Agricultural Policy is to replace the national systems of customs duties, import quotas and minimal prices by a harmonized system of free trade with agricultural products within the Community and to provide general protection from imports of agricultural goods from third countries.

Market rules are brought to three organizational principles: market rules for *maintaining prices*; market rules for total *external protection*; and market rules providing *direct additional aid*.

Intervention regarding the protection of commodity producers involves the use of several methods: *method of intervention purchases* or *puncture method*; *method of compensation payments* and *methods that restrict supply*.

II. Evolution of the EU Common Agricultural Policy

The Common Agricultural Policy in the European Union has practically existed since the early 1960s, due to the deficits in most markets for food products. This system soon showed its drawbacks in terms of accumulating surpluses of agricultural products. It has, however, various stages of evolution. The key moments in the fifty-year-old history of the Common Agricultural Policy are manifested in its reforms.

The policy of the early 1960s (Classical Period 1962-1972) can be traced in two aspects: on the one hand, it affected consumers who paid higher prices, and on the other hand, it overcame the production deficit very soon after the Second World War. The instruments that the Common Agricultural Policy used were reduced to a common mechanism involving the use of: guaranteed prices, import compensation charges and export subsidies.

- The adoption of the Green Paper (a consultation document), laid the major guidelines for the Common Agricultural Policy's future development (**the Stabilizers' Reform** 1985-1990). The mechanism of action of stabilizers is that when production exceeds the quantity predetermined by the European Commission, the level of funds to support the respective sector is automatically reduced. A key element of the European policy for the period 1988/89 is the restrictive prices.

The aim of the **McSharry reform** (1991-1997) is to adapt the mechanisms of the Common Agricultural Policy to the situation, which differs substantially from that in the 1960s. The inability of the system to maintain the prices of agricultural goods to support farmers' income and to lead to a better balance of the markets was reasonably recognized for the first time by using it. The positive results achieved by introducing a complex system of administrative control are expressed as: reduction in intervention stocks; limiting the areas sown with crops, reduction in guaranteed prices.

The reform of the Common Agricultural Policy is also associated with international trade in agricultural goods and the **GATT Uruguay Round negotiations** (General Agreement on Tariffs and Trade). The transition from a state of deficits to surpluses in many sectors of agriculture determined the increase in exports to third countries in order to achieve balance in the Member States markets.

The objectives of **Fischler reform** ("Agenda 2000") are aimed at: encouraging farmers (by increasing product quality, not their quantity), production of organic products and developing eco-friendly farming. The main priority of the reform is the transformation of farmers into entrepreneurs.

The Reform of the Common Agricultural Policy of 2003 is aimed at supporting the agricultural sector and rural development. The reform aims to strengthen the market orientation of farmers, in which consumer demand and requirements play a leading role. The proposed system integrates all existing direct payments, which a producer receives from various projects, in a single payment. Farmers' incomes are supported for caring for the farmland and meeting the environmental standards for humane attitude to animals and food safety.

The so-called "**Health Check**" of 2008 is aimed at modernizing, simplifying and streamlining of the Common Agricultural Policy in terms of the new challenges facing European agriculture: climate change, better water management and biodiversity protection.

After a public canvass in 2010 about the future Common Agricultural Policy, the participants united around three main objectives [2]: viable food production; sustainable management of natural resources and tackling climate, and maintaining the territorial balance and variedness of rural areas.

The **2011 proposal for a CAP reform** was aimed at strengthening competitiveness of the agricultural sector, promoting innovation, tackling climate change and supporting employment and growth in rural areas.

In terms of the objectives of the **New Common Agricultural Policy of the European Union** and the trends of development after 2013, the reformed Common Agricultural Policy ("**Europe 2020**") [3] aims at its restructuring in three aspects: ensuring food security; environmental protection and ensuring a sustainable rural development.

Thus farmers will increase their competitiveness in terms of ensuring optimal use of resources from one country. On the other hand, this is a prerequisite for obtaining high quality food at reasonable prices from European consumers. [4]

The focus of the EU agricultural policy has changed with regard to the resulting food surpluses. [5] Currently, the Common Agricultural Policy of the European Union is aimed at: reducing the greenhouse gas emissions; using environmentally-friendly cultivation techniques; compliance with standards for the protection of public health, the environment and animal welfare; producing and marketing food specialties of a certain region; more efficient use of forests and woodlands; development of alternative ways to use agricultural products in sectors such as cosmetics, medicine and crafts.

III. Application of the EU Common Agricultural Policy

European agriculture can be defined as a multifunctional activity:

- Modern and competitive agricultural sector, with leading positions in global markets – the main exporter and largest importer of food;

- Sustainable and efficient agricultural sector which uses safe, environmentally-friendly production methods, and provides quality products that meet users' needs;

- The agricultural sector serves rural communities, reflecting their rich traditions and diversity and ensures the survival of the countryside as a place to live, work and visit;

- The European Agricultural Policy includes support for farmers' incomes and encourages them to produce high quality products demanded by the market and helps them to develop additional ways to improve their businesses in harmony with the environment.

That is the basis for identifying the positive and negative aspects of the implementation of the EU Common Agricultural Policy.

The positive aspects are as follows: ensuring the sustainability of food supply; production of high quality products; providing healthy food to the public; ensuring farmers' incomes; encouraging the development and preservation of rural areas; free trade within the Community with uniform prices; protection against imports from third countries; implementing of subsidized exports to third countries; turning farmers into entrepreneurs, etc.

The negative points are: high costs of implementing the Common Agricultural Policy of the European Union; supporting the farmers discourages them; high costs for food; The EU agricultural policy did not provide incomes for small farmers; intensification of production; there are differences between the EU-12 and the EU-15 in implementing the Common Agricultural Policy of the European Union; need to modernize, simplify and streamline the European Agricultural Policy, etc.

The Common Agricultural Policy of the European Union provides opportunities for: effective and sustainable agriculture; market-oriented agricultural sector; improving the competitiveness of agricultural production; acceptable standard of living for farmers; protection from fluctuations in world prices; the elimination of imbalances in supply and demand; attracting young farmers, stimulating employment and entrepreneurship in rural areas, etc.

The implementation of the EU Common Agricultural Policy is also a prerequisite for: strong competitive pressure on the European market; ongoing reforms of the EU Common Agricultural Policy; adapting to the changing international trade rules; regulating the market of agricultural products; the difference in payments in the EU-12 and EU-15 is a prerequisite for non-competitiveness; difference in economic and agro-climatic conditions of the various regions and Member States, climate change, etc.

The challenges facing the Common Agricultural Policy of the European Union require that the reform be aimed at making European agriculture a more dynamic and competitive sector that contributes to achieving the objectives of the strategy "Europe 2020" – namely, promoting sustainable, smart and inclusive growth [6].

Satisfying of basic needs and above all ensuring food supplies and the European Union need to pay particular attention to the production, export, import, supply of the most important food supply to the population and the necessary products.

On the one hand, the agricultural sector is a strategic sector, requiring the intervention of the Community. On the other hand the use of economic instruments and mechanisms to support agriculture distort the market and have a negative impact on European consumers. This requires the application of sound economic measures in the agricultural sector.

The global economic crisis requires a review of proposals for conducting future European agricultural policy. From this position may require application of existing mechanisms and instruments of the Common Agricultural Policy of the European Union. This is reason for linking payments to farmers not only produced but also marketed agricultural products - as a guarantor of efficiency of production.

IV. Conclusion

The globalization of the food chain continually brings new challenges and risks to EU consumers' health and interests. The main goal of the European policy on food safety is to achieve the highest possible level of protection of human health and consumer interests in relation to food. The community ensures that food is safe and appropriately labeled, taking into account diversity, including the traditional products in an effectively functioning internal market. For this purpose, the European Union has developed legislation for food safety, which is constantly monitored and based on risk analysis.

The main challenges for the Common Agricultural Policy of the European Union after 2013 will mainly relate to:

Food supply for the population. In the Community there are 500 million consumers who need a reliable supply of healthy food at a reasonable price. Given the unpredictable economic environment (influenced by the economic and financial crises, climate change and rising prices of inputs, such as fuel and fertilizers, and some other factors), necessary priority is given to the Common Agricultural Policy of the European Union in terms of food security and providing the European consumers with the necessary food.

Conservation of natural resources, which must be used wisely and responsibly with a view to the future generations. Farmers manage rural areas and face two challenges: *to produce food* and *to protect nature and conserve biodiversity*. In this respect the Common Agricultural Policy of the European Union provides financial support for adapting the agricultural methods and production systems to cope with the impact of the changing climate, and preventing the occurrence of possible adverse effects.

Regional development – need for sustainable agricultural sector, manifested in the economic vitality of the economies of the European rural areas. Agriculture is the main economic activity in most rural areas of the Community. Beyond it, the opportunities to maintain the viability of rural economies are complemented by activities such as food processing and offering accommodation to tourists. This diversification of the rural economy has a potential, which the EU supports and encourages through its programs for rural development. About half of the European Union population lives in rural areas.

A key priority of the European agricultural policy is to support farmers (including young farmers commencing their activities), to ensure that they will continue to work the land and create additional jobs through projects for village renovation, landscape conservation and preservation of cultural heritage and to develop activities that are directly or indirectly related to agriculture and the rural economy. This will help prevent the depopulation of rural areas due to few opportunities for employment and high unemployment rates.

Despite the success achieved in the past 50 years, we should not underestimate the main challenge, namely that by 2050 the global food production is to double to sustain the 9 billion people on the planet. European support is expressed in more purposeful support to active farmers' incomes to increase the economic and ecological competitiveness of the agricultural sector. The agricultural sector provides social, cultural, economic and ecological balance in the development of the European regions.

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Ключовые слова: аграрный сектор, Европейский союз, общая сельскохозяйственная политическая реформа, Европа 2020.

Ключові слова: аграрний сектор, Європейський союз, загальна сільськогосподарча політична реформа, Європа 2020.

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GOODWILL AS ELEMENT OF INTELLECTUAL CAPITAL

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Barkauskas V., Jasinskas E, Barkauskiene K. Goodwill as element of intellectual capital.

The purpose of this paper is to examine the part of goodwill in the intellectual capital structure and a company's value. In Lithuania, it can be seen that a many of traded companies are not sufficiently valued by goodwill assets, ie, they are just included to the company's intangible assets, which are reflected in the balance sheet and somewhat simplifying the assessment. Based on the analysis, we can say that goodwill is an indicator describing activities of any company at any time independently of whether it is positive or negative. Therefore for company, it becomes important to manage the company's value of the goodwill, as it has already become the company's assets and allows you to acquire additional competitive advantage and occupy a better position in the market. Summarizing theoretical analysis we can distinguish basic elements that suit goodwill assessments for Lithuania.

Баркаускас В., Ясинскас Е., Баркаускене К. Деловая репутация как элемент интеллектуального капитала.

Целью научного исследования является изучение деловой репутации в структуре интеллектуального капитала и его влияние на стоимость предприятия. В Литве можно заметить, что многие из торгуемых компаний не достаточно оценены по активу деловой репутации, то есть, она просто включена в нематериальные активы компании, которые отражены в бухгалтерском балансе и отчасти упрощают оценку. На основе проведенного анализа, можно сказать, что деловая репутация показатель, характеризующий деятельность любой компании в любое время независимо от того, положительный он или отрицательный. Поэтому для компании, становится важным управлять стоимостью деловой репутации компании, так как она уже стала активом компании и позволяет приобрести дополнительные конкурентные преимущества и занять