Problem statement. Small-scale commodity production has a significant impact on the volume of agricultural production and food security in the state. Particularly, in Ukraine households produce almost half of the gross output of the industry, and supply food to local markets. In addition, during the transformation period the measures aimed at developing the institutional, economic and social environment of the operation of small farms and their technical and technological modernization were scarcely implemented in the state. This caused the slowdown of their development, the farmer’s attitude to their farms as subsidiary, as well as the loss of interest of the middle and younger generations of rural residents in family farming. The retention and escalation of these phenomena restrain development of agriculture and rural areas.

Small-scale commodity producers of the agrarian sector of the Ukrainian economy are mainly presented by family-type households. Thus, there is an objective need to create legal, economic and social preconditions for the transformation of personal peasant households to family farms, to ensure the conditions for their full participation in the agrarian market, to strengthen the social protection of members of such farms, to stimulate the creation of a viable system of agricultural servicing cooperation on their basis and further ensuring of the sustainable socio-economic development of small-scale farming in rural areas.

Analysis of recent research and publications. The result of modern scientific researches of both foreign and domestic scientists is the rethinking and recognition of the important and multifaceted role of small-scale commodity production in the agrarian sector. Thus, from the perspective of ensuring the development of rural socio-economic space as a component of the economic meta-space of the state [1] on the basis of resource efficiency and social orientation, the transition of agricultural production from the “economy of scale” to the “economy of range” [22], based on small- and medium-scale commodity producers of various organizational and legal types and forms of ownership, is of importance. In addition, awareness of the unity and...
complementarity of rural and urban areas requires the development and implementation of new mechanisms for their interaction [17], based on the re-spatialization of food supply chains [19]: the formation of “alternative” and “short” food supply chains [19; 20; 24], “local food system” [18] and even the network structures of food supply – “rural webs” [21]. These spatial economic entities are opposed to traditional large-scale industrial agricultural production as those which are more socially and economically efficient and form the conditions for ensuring the best food quality and the most complete satisfaction of consumer needs through the proximity and closer links in the “consumer-producer” system [19; 24]. The possibility of forming such economic structures is directly determined by the availability and level of the development of small-scale agricultural commodity production, as well as the complexity of the organizational and legal forms representing it. Thus, it is important and relevant to study the socio-economic problems of the development of farms, households, personal peasant households, family farms, as well as the peculiarities of the functioning of these organizational forms under the implementation of the agrarian, administrative, territorial, institutional and social reforms in Ukraine. A significant contribution to the study of these issues in the context of the national institutional, economic, legal and social conditions was made by S. Mochernyi [4], I. Demchak, D. Mykytiuk, I. Svynous [5], as well as T. Berkuta and I. Prokopa [3]. Despite the achieved results of the conducted studies, there is still the need to clarify the definition of certain entities of small-scale agricultural commodity production, their differences, and to determine the factors hindering the further development of family farms.

The goal of the study is to determine the preconditions for the development of family farms in Ukraine by the clarification of the concept of small-scale commodity production and conducting the analysis of their performance results, as well as determination of the factors influencing the creation and operation of family farms in Ukraine.

Research results. In the Ukrainian agriculture two categories of producers are distinguished, namely, agricultural enterprises and households. Agricultural enterprises include farms as well [14]. In turn, agricultural households are the households engaged in agricultural activity both for self-provision of food products and production of agricultural commodity products. This category of producers also includes individual entrepreneurs carrying out their activities in the field of agriculture [10]. Thus, agricultural enterprises refer to large- and medium-scale commodity producers while agricultural households refer to small-scale.

The confirmation of existence of such form of the organization of agricultural activity as households is reflected, in particular, in the publications of T. Berkuta and I. Prokopa, where it is stated that “households as one of the categories of agricultural producers... have deep historical roots. They can be considered as a modified form, contemporary interpretation of the family type of farming in agriculture, originated in ancient times (at least during the era of feudalism). This type of economic management gained momentum under early capitalism, survived from the period of collective farming, and remained a significant component of agriculture in the post-socialist system”[3, p. 15]. In the metaphysical context, households as the primary element of economic management in agricultural production can be regarded as a “rolled-up (in the traditional sense) form of economy, which, under certain conditions, comes unrolled and turns into a complex system of reproductive processes” [1]. This determines the importance of their support in terms of ensuring the state economic security as a whole.

In general, small-scale commodity production is understood as the production of goods and services at small enterprises that do not use hired labor, and where the revenue generated is almost entirely spent on individual consumption. Small-scale commodity producers include small farmers, owners of small businesses in the sphere of service rendering and retail sector etc. [4]. In agriculture, the category of small-scale commodity producers includes natural persons, individual entrepreneurs, farms engaged in the agricultural production (provided that such products are grown, reared, caught, produced or harvested (stored up) on the land owned and / or being in use), as well as in the processing of such products on their own or leased facilities [12]. Thus, depending on the scale and volume of agricultural production, farms
are classified as small-, medium- and large-scale commodity producers.

The scientists I. Demchak, D. Mykytiuk, I. Svynous have determined the criteria by which large and medium-scale enterprises include the enterprises, the size of which is equal to or exceeds the thresholds, at least, by one of the following indicators: the area of agricultural land is 200 hectares; cattle population includes 50 heads; pig population consists of 50 heads; sheep and goat population includes 50 heads; poultry stock – 500 birds; employment size in agriculture is 20 individuals; the amount of income (proceeds) from sales of agricultural products, works and services is UAH 150 thousand per year [5, p. 8].

According to the legislation of Ukraine, a separate category, entitled “Personal Peasant Household”, is distinguished among households. This is the economic activity carried out without creating a legal entity by a natural person, on an individual basis, or by any persons who are in family or kinship relationship and live together. Personal peasant households are created in order to meet personal needs by producing, processing and consuming agricultural products, selling their surpluses and providing services with the use of the personal peasant household property, including in the sphere of rural green tourism. The activities related to the personal peasant farm management do not belong to entrepreneurial activities [6].

As already mentioned, farms refer to small-scale agricultural producers as well. A farm is the form of entrepreneurial activity of persons who have shown their willingness to produce commodity agricultural products, to carry out their processing and sales in order to generate profit on the land plots transferred into ownership and (or) use of such persons, including lease, to run their farms, to produce the agricultural commodity products, to carry out the personal peasant farming. The farm without a legal entity status is organized on the basis of the activity of an individual entrepreneur and has the status of a family farm subject to using the labor of such farm members which are exceptionally the individual entrepreneur and his family members [7]. The comparative analysis of farms, family farms and personal peasant households as the small-scale agricultural commodity producers has been made in order to determine their common features and differences (Table 1).

Table 1 – Comparative analysis of entities of the small-scale agricultural production (authors’ development)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Farm</th>
<th>Family farm</th>
<th>Personal peasant household</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name of economic entity</td>
<td>Legal entity or individual entrepreneur</td>
<td>Individual- entrepreneur</td>
<td>Natural person (registration is not required)</td>
</tr>
<tr>
<td>State registration form</td>
<td>Profit generation</td>
<td>Revenue increase</td>
<td>Self-sufficiency and revenue increase</td>
</tr>
<tr>
<td>Economic purpose</td>
<td>100 ha / farm</td>
<td>100 ha / farm</td>
<td>2 ha / household member</td>
</tr>
<tr>
<td>Land area on the right of ownership (max), ha</td>
<td>Family members; employees</td>
<td>Family members; employees for seasonal activities</td>
<td>Family members</td>
</tr>
<tr>
<td>Workforce</td>
<td>Main</td>
<td>Main or secondary</td>
<td>Main or secondary</td>
</tr>
<tr>
<td>Type of member engagement (employment)</td>
<td>Production, processing</td>
<td>Production, processing</td>
<td>Production, processing</td>
</tr>
<tr>
<td>Level of innovation perception</td>
<td>Middle</td>
<td>Middle</td>
<td>Low</td>
</tr>
<tr>
<td>Prior directions of output use</td>
<td>1 - Sales; 2 – Own consumption</td>
<td>1 - Sales; 2 – Own consumption</td>
<td>1 - Own consumption; 2 – Sales</td>
</tr>
</tbody>
</table>

Farms are registered as legal entities or individual entrepreneurs. Farms own agricultural land of no more than 100 hectares, including 50 hectares of arable land. However, the leased area of agricultural land is not limited, and is regulated by local self-government authorities. The purpose of the farm business is to gain profit. Farms may be engaged in manufacturing plant and livestock commodity production, primary processing and processing of such production. The production that is partly produced remains for
the needs of farm members [7].

In contrast to farms with a legal entity status, family farms are smaller in size and scale of production, although they have the opportunity to use land resources at the same level. In Ukraine, this category of farms has been enshrined in law only since 2016. The farm members generate the main profit from the sales of agricultural products, but they may be engaged in other types of activities and receive salary or wage [7].

As of January 01, 2016, there were 32.3 thousand farms in Ukraine that used agricultural land with an area of 4.3 million hectares. At that time, farms had 93.7 thousand employees. According to the results of 2015, the farms manufactured agricultural products in the amount of UAH 18.9 billion (USD 865.6 million), that was 7.9% of its total production in Ukraine [14].

The activities of personal peasant households, unlike family farms, are aimed at satisfying their own needs in agricultural production and food. The management of such households is the activity based on the family member labor, and does not require the legal registration. However, about 20% of personal peasant households, which use land plots in Ukraine, are constantly engaged in manufacturing the agricultural commodity production and thereby could become family farms.

There are about 15 million households manufacturing the agricultural production in the country. Despite the fact that personal peasant households cultivate only 13% of agricultural land, according to the results of 2016, they have manufactured almost 60% of gross agricultural production [9, p.307]. But in the subsequent years, there was a reduction in the production volumes in such households resulted in their share in total agricultural production amounting to 43% in 2016 [11]. The main reasons for the reduction of the share of households in the total volume of agriculture gross output were the increase of production volumes by agricultural enterprises as well as the aging, the natural decrease of population and the migration of the work force to large cities and other countries.

Among the total number of the Ukrainian households only 55.6% of them have land plots in use, in particular 34.9% of households – in cities and towns, and almost all households in rural area. 31.5% of households are engaged in livestock, poultry farming and beekeeping, including 9.4% of households – in cities and towns and 76.9% – in rural area. Furthermore, a significant part of households have large land plots. Thus, more than half of households use land plots of up to 1 hectare, 26.8% – from 1 to 5 hectares, and 13.1% – from 5 to 10 hectares in rural areas. The area of over 10 hectares is used by 6.5% of rural households. Urban citizens use smaller land plots. In particular, 65.9% of urban households use land plots up to 0.1 ha and 23% - from 0.1 to 0.25 ha [15].

The availability of land plots enables households to produce significant amount of agricultural production. According to official statistics [13; 16], the households produce 74% of milk, 36% of meat, 98% of potatoes, 86% of vegetables and 82% of fruit and berries of the total production in the country. In addition, large volumes of grain and even technical crops are grown [13; 16] (Table 2).

**Table 2 – Production of certain types of agricultural products by personal peasant households**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2005</th>
<th>2010</th>
<th>2016</th>
<th>2016 +/- prior to 2005</th>
<th>2016 +/- prior to 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>thou. t</td>
<td>%</td>
<td>thou. t</td>
<td>%</td>
<td>thou. t</td>
</tr>
<tr>
<td>Grain</td>
<td>9225</td>
<td>24</td>
<td>9492</td>
<td>24</td>
<td>14066</td>
</tr>
<tr>
<td>Sunflower</td>
<td>996</td>
<td>21</td>
<td>1186</td>
<td>18</td>
<td>2644</td>
</tr>
<tr>
<td>Potatoes</td>
<td>1923</td>
<td>99</td>
<td>16222</td>
<td>97</td>
<td>21282</td>
</tr>
<tr>
<td>Vegetables</td>
<td>6514</td>
<td>89</td>
<td>7158</td>
<td>68</td>
<td>8892</td>
</tr>
<tr>
<td>Fruit and berries</td>
<td>1800</td>
<td>88</td>
<td>1460</td>
<td>84</td>
<td>1637</td>
</tr>
<tr>
<td>Meat (live weight)</td>
<td>1009</td>
<td>63</td>
<td>925</td>
<td>45</td>
<td>834</td>
</tr>
<tr>
<td>Milk</td>
<td>11132</td>
<td>81</td>
<td>9032</td>
<td>80</td>
<td>7676</td>
</tr>
</tbody>
</table>

Note: 1Production volume; 2 Share in the total production
Based on the data shown in Table 2, it should be noted that over the past ten years there has been a tendency towards a decrease in the share of the products manufactured by households in total production volume. However, as in the previous years, the households manufactured products mainly for their own needs. For example, in 2016 the needs of rural households in vegetables and potatoes were met by 97.5% through their own production, in fruit and berry products – by 40.4%, in eggs – by 89.7%, in milk and dairy products – by 54.8%, in meat and meat products – by 43.1%. In turn, urban households had a lower level of the satisfaction of their needs in food products through their own production. Thus, the correspondent level of self-sufficiency varied from 1.5% (for the needs in milk and dairy products) to 21.1% (vegetables and potatoes) [2].

At the same time, the main small-scale agricultural commodity production is concentrated in the households located on the territory of rural settlements (rural households). In 2016, the number of such households amounted to 4.6 million in Ukraine. In general, these farms cultivate about 5.4 million hectares of land, raise about 2.7 million heads of pigs and 2.2 million heads of cattle, including 1.5 million of cows. In 2016, the level of marketability of goods produced by rural households was as follows: grain – 38.4%, berries – 37.4%, milk – 47.3%, eggs – 6.4%. During that period, one hundred of such farms sold, on average, 13.03 heads of cattle, 12.29 heads of pigs, 2.21 poultry birds [11].

Most of households had a low level of technical provision of agricultural activities. In particular, 94% of households used manual work and 28% of them used horses and oxen. In most cases, households used organic fertilizers when growing crops. Thus, in 2016, 84% of households used organic fertilizers to improve the soil, and almost half of such farms did not apply mineral fertilizers at all. At the same time, 86% of households used plant protection agents. Primarily, they are the agents preventing plant diseases (fungicides) and pests (insecticides) [11].

The own products were mainly used in animal feeding at households. According to the results of 2016, the consumption of feed per 1 conditional head, on average, was as follows: 419.2 kg of grain products, 351.3 kg of grain, 278 kg of potatoes, 217.1 kg of feed root crops, 82.1 kg of vegetables and melons, 87.9 kg of milk and 21.9 kg of silage while only 95.4 kg of mixed fodder [11].

The households surpluses were sold on the peasant markets and through the procurement structures of processing enterprises.

The largest share in the volume of household sales has fallen to potatoes, fruit and berry products and milk. Consequently, households formed the main part of the domestic market offer in these types of products and that satisfied the needs of the vast majority of consumers.

Thus, the household manufacturing of agricultural commodity products results in the growth of per capita income and ensures the satisfaction of domestic market needs in food. Moreover, agricultural production is considered to be the only actual source of family budgets for many households in the context of increasing economic crisis and high unemployment in the countryside. The development of such forms of farm management is directly linked to the formation of a stable system of markets, in particular, local [25], aimed at protecting not only a consumer, but also a producer from the commodity flow, non-regulated in the national interests [1].

At the same time, the proper logistical channels of products, manufactured by households, have not been formed in Ukraine yet. Such products are sold in local peasant markets or delivered to commercial structures for their further processing or sale.

On the other hand, modern integration processes provide for new requirements for the quality and safety of agricultural products. Households should comply with the necessary safety requirements in order to sell their products officially in the future. This is possible only due to the technological upgrade of production processes (specialized slaughter points, the elimination of the contact of milk with air, rapid milk cooling etc.). The transition to the innovative technological level of production requires significant financial resources provided by households.

In addition, the provision of financial services to the rural population is associated with certain challenges, in
particular: the lack of collateral and high transaction costs [26]. Given the dependence of the welfare of the most Ukrainian households on the state of agricultural production, their main problems are the corresponding climatic covariant risks that could not be managed effectively due to the lack of available financial instruments. The ineffectiveness of state agricultural credit programs suggests the need to study the ways of improving the financial service support for the rural population. Nowadays, these financial services are generally provided to the population by the informal sector [9, p.298]. It should be pointed out that the low population density, the geographical dispersal of the production consumers and producers, the insufficient infrastructure, as peculiarities of rural areas make it impossible to provide administrative, production and financial services to the rural population in full by traditional agents (for-profit organizations), given the high level of their transaction costs. This necessitates the creation and development of organizations operating on the basis of self-sufficiency and self-government: associations, cooperatives, partnerships, etc. as the main providers of such services. In doing so, a special attention should be paid to the elimination of bureaucratic obstacles, as well as the development of social capital as a crucial factor in local cooperation [26].

At present, households produce natural products with the partial application of mineral fertilizers and pesticides. At the same time, such farms have a great potential to produce organic agricultural products, to harvest wild crops and to satisfy the domestic market needs in such products [8].

Taking into account that households are the most numerous representatives of the family type of farming in the agrarian sector of the Ukrainian economy and actually operate as family farms, there is an objective need to create legal, economic and social prerequisites for their transformation into family farms with the acquisition of the status of a legal entity or individual entrepreneur, and to strengthen the social protection of such farm members. In addition, the establishment of family farms will contribute to the development of the system of agricultural service cooperatives, and ensure the full participation of small-scale commodity producers in the agrarian market.

Summarizing the above, it is possible to specify the main problem areas where the efforts of the economic space participants (in particular, the institutional sector) should be concentrated, aimed at ensuring the further development of small-scale commodity production in Ukraine:

- the appliance of a cluster approach in the development and implementation of policies in the field of agriculture and rural development in order to create effective financial-economic structures on the basis of public-private partnership, capable to provide the development of needed social and engineering infrastructure of the countryside and investment inflows in production and service sectors of the rural economy;
- the improvement of the organizational and economic mechanism of material and technical support of the small-scale producers functioning, aimed at the implementation of innovations in the organization of production and service processes as well as the use of modern resource-saving techniques, equipment and materials;
- the formation of the organizational and economic mechanism of the technological modernization of households production activities to facilitate their use of modern agricultural technologies, the development of natural and organic production, the growing of niche crops as well as the complex production of high value added goods, focused on the end consumer;
- the rural tourism development with the use of the mechanisms of territorial marketing and promotion;
- the extension of the agricultural servicing cooperation in order to increase the efficiency of the processes and operations of small-scale producers related with the primary processing of agricultural products and formation of the commercial batches as well as the storage and marketing of finished goods;
- the further improvement of the infrastructure of agricultural market through the development of a network of local and regional agrifood markets with the provision of the full access to them of small-scale producers on parity basis.

**Conclusions.** Since the private farm household is associated with backwardness and inefficiency, it is often seen as a barrier to economic growth (due to which many countries have tried to get rid of this
form of agribusiness). However, the Ukrainian experience shows that lately private farm households have remained almost the only way to diversify income of the rural population. Thus, the production of commodity agricultural products by households is of great importance to the state as: firstly, it provides the employment and personal income growth and, secondly, it ensures the saturation of the domestic food market. At the same time, there are certain problems in the production of agricultural products in households. The most serious ones are the low production quality and the complexity of the formation of homogeneous, graded products.

Households have a low level of the machine and modern technology usage. The manual labor dominates in agricultural production processes. It will be necessary to further carry out technological re-equipment when creating family farms based on households. To do this, for the creation of a modern material and technical base of such farms, it is expedient to implement the appropriate state programs providing for the allocation of funds from the state and local budgets, on a repayable basis, with a term of return of not less than 5-10 years, as well as the programs of interest compensation for bank credit use.

At the same time, further development of family farms requires their integration into agricultural servicing cooperatives. This approach will contribute to the joint development of logistics infrastructure of small-scale commodity producers (warehousing, transport and information support, resource supply etc.). In this case, it is possible to create value added through the primary processing, packaging, processing and delivering of products to the end consumer. This is necessary in order to increase the competitiveness of family farms at the domestic market and to form the opportunities to enter external markets.

Further researches should be focused on the identification of ways to increase the degree of commercialization of personal peasant farms and to develop other types of entrepreneurship, as well as to evaluate the determinants of their development (especially the factors related to the labor market and financial infrastructure of rural areas).

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