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Стаття надійшла до редакції 23.07.2013 р.

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UDS 65.011.46.022.2:658.589:338.516.4

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## Enterprising within the framework of production and formation of the market of biofuel

**Scientific problem.** Enterprising takes the lead in establishing the tendencies of the society development and institutional premises for satisfaction of the needs and demands of people. It influences all spheres of human life and activity, including management of biofuel security. Hence, the systemic scientific study of grounds and guidelines for the development of efficient enterprising for the production of biofuel is necessary. It entails such issues as the necessity of promulgating of this type of economic activity, consideration of institutionalization matters within the biofuel enterprising in the domestic market, application of image-

making for the biofuel enterprising, underlining that it is one of the key-points ensuring the country’s economic and social sustainable development.

**The objective** of this article is to define the peculiarities of enterprising within the domain of production and market formation of biofuel considering theoretical, methodological and practical aspects for enhancement of institutional conditions for enterprising.

**Analysis of recent researches and publications.** The problem of the development of biofuel enterprising is barely studied by the state agrarian scientific bodies though some aspects are considered in researches of such scientists as H.M. Kaletnik [6], V.Y. Mesel-Veseliak [11], Y.O. Lupenko [9], O.M. Shpychak [16], M.Y. Malik, L.V. Romanova [13], P.T. Sabluk,

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M.Y. Kodenska [7], O.O. Prutska [12], T.O. Ostashko, V.H. Andriichuk [1], S.T. Oliinichuk, O.V. Moroz, N.L. Pravdiuk, S.A. Stasinevych and others. Despite the fact that the range of profoundly studied issues of the problem and valuable results of the research work done on the essence and functional characteristics of enterprising, we underline that there is a vast field of unexplored aspects, and the economic complex of Ukraine has a string of unsolved economic problems. For instance, it lacks researches on complex solid scientific grounds for the development of biofuel production and biofuel enterprising as a special institutional system.

#### **Statement of the main results of the study.**

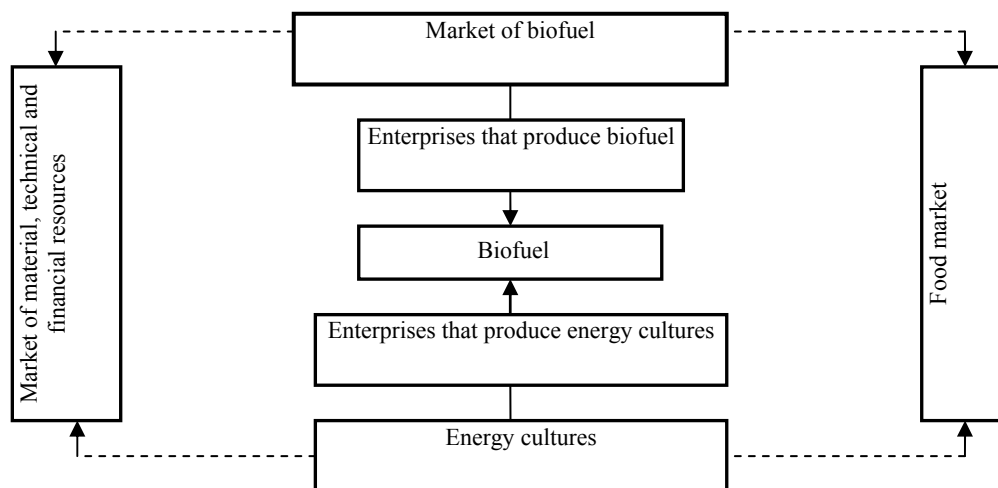
Enterprising as a specific type of activity functions differently due to certain institutional context on different stages of history of mankind. Alongside with personal qualities and skills of the entrepreneur among the key-issues for success there are such as social and economic environment, availability of economic relations, stable legal environment, as well as market and consumer demands, as a consumer is considered to be the key enterprising efficiency-assessment factor, as the consumer's demands and choices can prove or demolish the effectiveness and expediency of enterprising. H.M. Kaletnik [6, p. 21] came to a significant conclusion studying the role of the development of economic systems, as he states that social and historical phenomenon of enterprising is not an abstract notion, as it has been always bound to certain social and historical context. Thus, one of the obligatory foundations of enterprising is freedom of economic activity, the independence of choices that can lead to commercial success and profit or to the bankruptcy and all scope of its consequences. So, the development of enterprising is determined by certain institutional conditions, that are determined by the market, therefore market is an institutional system and/or a system of institutions. This system forms and develops institutional mechanisms of activation and functioning of enterprising on the general and branch levels of economy.

Evaluation of the enterprising within agriculture as a sphere that forms production potential includes the analyses of the influence of enterprising bodies and the study of performance factors of biofuel crops production by these enterprises, as the power engine for the development and management of biofuel production.

Agrarian sector, particularly, big producers that own thousands of acres of sowing lands in the majority of cases produce marketable crops in their chase for quick profits. The basic enterprising approach works in these cases, as they produce products that take least expenses and ensure the highest profits. The basis for this approach is the high export potential of these cultures as the solvent ability of domestic market is not that high. Extension of land under such crops as corn, soybeans, and sunflower can be connected to the current tendencies of the development of biofuel industry.

For instance, there are some cases of biofuel production by the Ukrainian agrarian producers for their own needs, but the prevailing tendency is raw materials production. We state that the scale of the created added value could be much higher if part of the raw materials that are produced over the state production security level was processed for biofuel. So, agriculture has powerful resources potential for creation of favorable conditions for further economic development of this branch.

Consideration of the market theory evokes a problem of definition of the essence of the notion of biofuel market, particularly, the market of biofuel produced from agrarian energy crops. Meanwhile, the biofuel market can be presented as a specific system that includes rotations of innovative commodity, that maintains characteristics and properties of patrol products. Thus, taking into account the origin of this commodity, the biofuel market is a segment of agro-industrial (agrarian) market, as the agrarian enterprises can be the producers of biofuel. This suggestion has considerable number of strong points. We provide a scheme reflecting the functional relations of the biofuel market, based on structuring institutional interrelations of agro-industrial branches of economy that proves the rightness of this suggestion (Fig.).



### Structuring of institutional interrelations of biofuel market

Source: Created by the author on the basis of the original research data.

Theoretical analysis and consideration of methodological foundations of marketing led to a set of conclusions. Therein, the functional characteristics of biofuel market prove it to be the market of pure competition, particularly within the segment of production and sale of agrarian products as raw materials for processing into biofuel. So, we provide an empiric proof for the theoretical statement that market is a system of competitive interactions of economic agents that compete for the customers in order to get profit.

Market is an institutional enterprising system, with three key players – the entrepreneur, the customer (consumer) and the state. It is a specific economic system of management, within which entrepreneurs produce goods and perform entrepreneurial and functions in sphere of supply and maintenance and get profits or in case of unfavourable conditions have losses. This is the exact reason to consider market as institutional grounds for the development of enterprising, in our research it is proved on the example of production of biofuel.

Enterprising structures that produce biofuel in Ukraine are on their early stages of development, hence there is an information gap on the peculiarities of their functioning that on the one hand complicate the process of research but on the other hand make the study topical. Due to the ultimate topicality of the research we use various approaches towards evaluation and study of subjects and phenomena of enterprising within the framework of biofuel production.

One of the pioneers of pellets production in Ukraine is agricultural group KSG Agro. In 2013 this company is going to start an enterprise producing pellets with production capacity 60 tones per year in Kryvyi Rih. The prospects of efficient performance of this enterprise are quite promising as it is going to use the most recent modern technologies of processing such raw materials as straw of crops, remains of corn, sunflower and energetic nonfood cultures.

Among the leaders of use of biomass, LLC ICK Group is also worth-mentioning. This company explores and implements technologies of transfer of gas boiler plants to use of biomass power. This matter is of particular topicality for sugar plants.

There is also production of other types of biofuel, for instance production of bioethanol based on alcohol and sugar plants.

One of the significant segments of production of biofuel is production of biogas. Despite the fact of quite slow progress in this sphere, biogas is mostly considered to be a decent and efficient alternative for traditional gas, particularly in the domain of agriculture. Taking this fact into consideration, business organizations and state institutions form favourable environment and define biofuel policy as crucial for the state governance.

Therefore, basic and optimal institutions are institutional foundations for biofuel market as a system of norms and rules. These institutions form and establish rules of interrelations of economic agents. Among the basic institutions there are such as labour, property, power, com-

petition, among the optimal institutions there are enterprising, infrastructure, management, regulation, cooperation etc. These institutions ensure market transactions in the respective economic environment. As these transactions presuppose redistribution and reallocation of value and satisfaction of demand for certain products, in our research such product is biofuel. The market of biofuel is developed on the foundations of enterprising and market as key institutions and determinants for food security. It is necessary to outline the crucial role of the legal regulation of the considered problem, establishment of legal rules and policies for biofuel enterprising.

**Conclusions.** Enterprising as type of economic activity contributes to augmentation of the level of welfare of agrarian enterprises and has considerable potential for further development and extension. This provides a range of opportunities for the development of enterprises that produce biofuel. Formation and development of biofuel market as the environment for the development of biofuel business is happening under challenging circumstances that greatly stimulates biofuel enterprising, as the permanent demand for renewable energy sources and raw materials for biofuel is currently formed in Ukraine and on the world markets.

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**The article has been received 17.09.2013**

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