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MECHANISM FOR ENSURING FINANCIAL SECURITY OF AGRO-FOOD MARKET ENTITIES

The modern development of the agro-food market is characterized by a high level of globalization, increased international competition, instability of world commodity markets and increased financial risks. Volatility of prices for agricultural products, currency fluctuations, changes in interest rates, geopolitical conflicts and logistical restrictions significantly affect the financial stability of agro-food market entities. In such conditions, ensuring the financial security of agricultural enterprises requires the implementation of modern risk management mechanisms, among which derivative financial instruments occupy an important place.

The formation of an effective mechanism for ensuring the financial security of agro-food market entities in the process of international trade in derivatives is of particular relevance. The use of futures, forwards, options and swap contracts allows agro-food market entities to minimize financial losses, stabilize income, ensure the predictability of cash flows and increase the level of competitiveness in international markets.

The modern mechanism for ensuring the financial security of agro-food market entities is being formed under the influence of global economic processes, international stock market integration, digitalization of financial markets and the growth of financial risks. In the system of international trade in agricultural products, derivative financial instruments (futures contracts, forward contracts, option agreements, currency swaps, interest rate derivatives, commodity derivatives, credit derivatives) acquire special importance, which act as important mechanisms for hedging risks and stabilizing financial flows of agro-food market entities [2; 3; 1].

For a comprehensive reflection of the relationship between agro-food market entities, international stock exchange platforms, derivative financial instruments and the results of their use in the financial risk management system, it is advisable to present the mechanism for ensuring financial security in the form of a structural and logical diagram. The proposed mechanism functions as an integrated system of interaction between agro-food market entities, international exchange platforms and financial risk management instruments. Its practical implementation is based on the use of international exchange platforms CME Group, Euronext, ICE Futures Europe and Eurex, through which agricultural enterprises gain access to the global derivatives market and can carry out transactions to protect their own financial interests.

The mechanism begins to operate at the stage of formation by the subjects of the agro-food market of forecasts regarding production volumes, export deliveries, price levels and currency fluctuations. Depending on the nature of the risks, the subjects of the agro-food market choose the appropriate derivative financial instruments. In particular, futures contracts are used to fix the future selling price of grains, oilseeds or other agricultural products, which allows stabilizing the expected level of income even in the event of a sharp drop in world prices. Forward contracts provide the possibility of individual agreement on the terms of future deliveries between counterparties and allow agricultural enterprises to forecast future financial revenues. This is especially important for Ukrainian exporters of agricultural products, whose activities largely depend on fluctuations in external markets and logistics costs.

Option agreements are used to insure financial risks while maintaining the possibility of obtaining additional profit in the event of favorable market conditions. Unlike futures, options provide a more flexible risk management mechanism, as they allow agricultural companies not to fulfill the transaction in the absence of economic feasibility. Currency swaps and currency derivatives provide protection of export revenues from devaluation fluctuations and instability of exchange rates. For Ukrainian agro-food market entities, this is of critical importance, since a significant part of revenues is generated in foreign currency, while production costs are incurred in the national currency.

The use of such instruments allows avoiding liquidity losses and maintaining the stability of cash flows.

Interest rate derivatives and swaps are used to manage the credit load and reduce the cost of debt servicing. As a result, agro-food market entities are able to optimize the structure of financial resources, increase the level of solvency and ensure long-term financial stability.

The processes of digitalization of international stock trading play an important role in the functioning of the mechanism. The use of electronic platforms, automated clearing systems and Blockchain technologies ensures the transparency of financial transactions accelerates exchange settlements and reduces operating costs for market participants. At the same time, it helps to minimize fraud risks, increase the level of information security and the effectiveness of financial control.

The result of the mechanism is the stabilization of financial flows of agro-food market entities, increased asset liquidity, predictability of income and expenses, and reduced credit, currency, and price risks. In a strategic dimension, this ensures increased competitiveness of agro-food market entities in international markets, strengthening their investment attractiveness, and creating conditions for sustainable development of the agro-food sector in the face of global economic challenges.

References

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