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Dolna 17, Warsaw, Poland 00-773
Tel: +48 226 0 227 03
Email: editorial_office@rsglobal.pl

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AUTHOR(S)	Yarmoliuk A. V., Nadiia P. Reznik
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USE OF INVESTMENT STRATEGIES OF RISK MANAGEMENT OF AGRICULTURAL PRODUCTS ON THE STOCK EXCHANGE MARKET

Yarmoliuk A. V.,
Postgraduate of Pavlo Tychyna Uman State Pedagogical University, Uman, Ukraine,
ORCID ID: https://orcid.org/0000-0003-1326-0779
Nadiia P. Reznik,
Doctor of economic sciences, professor, Head of Department of Management named after Professor Yosyp S. Zavadsky, National university of life and environmental science of Ukraine, Kyiv, Ukraine,
ORCID ID: https://orcid.org/0000-0001-9588-5929

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ABSTRACT

Modern fulfillment of foreign debt obligations and successful foreign trade policy should become decisive factors in raising Ukraine's rating to the investment level and developing interest in our country as an object of investment of foreign and domestic investors.

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Introduction. Investing in the stock market cannot but be accompanied by risk, by which everyone understands some uncertainty of financial results in the future. However, intuitive ideas about risk are not enough for successful operation in today's market. Certain mechanisms and tools for protection against financial risks are needed.

The need to find an investment strategy that ensure not only income generation, but also risk management when prices change, has led to the emergence and distribution of derivative securities.

Research purpose. To assess the investment potential of risk management strategies in agricultural products and to develop proposals on the need to involve the stock exchange as a tool to stimulate the development of the stock market.

Research materials and methods. In this research used the general scientific methods of analysis and synthesis of induction and deduction, ascent from abstract to concrete, as well as specific methods of analysis: grouping, comparison, systematic and others.

Results. The futures market allows you to insure against financial risks, which brings more stability and liquidity to the market. The futures market allows for producers and consumers to avoid or reduce the price risk of selling or purchasing goods, for exporters and importers - the risk of changes in exchange rates, for owners of financial assets - the risk of falling exchange rates, for borrowers and creditors - the risk of interest rates.

Consider what risks are inherent in different investment strategies, and mechanisms for hedging against these risks using futures contracts [4].

Investing in the stock market cannot but be accompanied by risk, by which everyone understands some uncertainty of financial results in the future. However, intuitive ideas about risk are not enough for successful operation in today's market. Certain mechanisms and tools for protection against financial risks are needed.

Each type of investment has its own level of risk. Its assessment and comparison with the level of probable income allows us to see that for different types of investments with the same level of risk, the amount of income is different. And at the same time the same level of income is possible at completely different levels of risk.

Risk is a complex economic category, and new risks are constantly emerging in the economy as a whole and in the financial market. In this regard, there is no universal classification of risks, but there are general approaches to their classification.

And the main factor is the scale of risk and the degree of its impact on the investment process, i.e. whether it relates to the financial market as a whole or only to its sector, such as the stock market, whether it is related to government regulation of the economy, it is due to political change etc.

The risk that exists in the financial market can be classified according to the level of assessment, causes and consequences (this classification is presented in Fig. 1.1.).

Risks according to the level of assessment are divided into:

- governmental risks;
- branch risk;
- risks associated with the activities of an individual operator.

For the investor, economic risks are primarily reflected in inflation risk at the macro level. When buying financial assets, the investor is affected by inflation, and as a result, income is depreciated in terms of real purchasing power, and the investor suffers losses.

Fiscal and monetary risks arise as a result of legislative changes in monetary, tax and other policies.

<table>
<tr><td rowspan="2">MACROLEVEL</td><td colspan="4">Government risks</td></tr>
<tr><td>economic risks</td><td colspan="2">fiscal and monetary risks</td><td>social and political risks</td></tr>
<tr><td rowspan="2">MESOLEVEL</td><td colspan="4">Branch risks</td></tr>
<tr><td>industrial</td><td colspan="2">agricultural</td><td>service sector</td></tr>
<tr><td rowspan="4">MICROLEVEL</td><td colspan="4">Risks associated with the activities of an individual operator (investment companies, brokerage offices)</td></tr>
<tr><td colspan="2">Financial risks</td><td colspan="2">Commercial risks
(enterprise risks)</td></tr>
<tr><td>commercial risks</td><td>credit risks</td><td rowspan="2">marketing risks</td><td rowspan="2">business risks</td></tr>
<tr><td>liquidity risks</td><td>operational risks</td></tr>
</table>

Fig. 1.1. Components of systemic risk
Source: the author's own research

It should be taken into consideration that in society there is always the possibility of a radical change of economic course, especially in the election of a new president, parliament, government, and consequently, there is a danger:

– refusals of the government to fulfill previously committed obligations under certain financial instruments or delays in their implementation;

– the need to re-register securities issues;

– changes in the investment climate with the introduction of new tax, trade and other rules.

The non-resident experiences risks of repatriation of profit, for him the tax climate and other economic conditions are of great importance. For example, political risks arise and are exacerbated by the "exploitation" of a strong political group by a weaker one [9].

Foreign investors face international political risk if assets are withdrawn from circulation and currency exchange is monitored at the same time, so foreign investors cannot withdraw their capital.

An example of social and -political risks is the risk of military conflicts. Military actions carried out in one or another territory lead to the disruption of the functioning of organized markets.

Branch risks. The analysis of branch risks consists of three parts.

Part I - determining the stage of the life cycle of the branch:

1. prone to cyclical fluctuations;
2. less prone to cyclical fluctuations;
3. stably working;
4. fast-growing young brunches.

Part II - establishing the position of the brunch in relation to the business cycle and macroeconomic conditions;

Part III - qualitative analysis and forecasting the prospects of the brunch.

Sales, incomes, dividends, data of sociological researches on innovations at the enterprises of this brunch are used as initial information.

For the investor, the most favorable is the investment in the financial assets of corporations of brunches that are in the expansion stage, during which stable and high dividends are combined with a relatively low level of risk [7].

Assessment of the cyclical development of the brunch is based on a comparison of the dynamics of its development with general economic trends. This analysis allows us to predict further events depending on the forecast of rising interest rates and the general economic situation. On the basis of these materials, conclusions are drawn about the prospects of investing in enterprises in this brunch and the risk borne by the investor by investing in corporations engaged in this activity.

Thus, industry risk is related to the specifics of the brunch.

The risks of a financial operator can be divided into financial and commercial.

Financial risks are the possibility of losses due to market uncertainty, changes in the actions of the counterparty or their own mistakes.

Commercial risks are uncertainty of the value of assets as a result of fluctuations in interest rates, exchange rates, stock prices, etc. Commercial risks are associated with the uncertainty of the market in which the operator operates, i.e. a possible decrease in the value of assets due to market factors:

- fluctuations in interest rates;
- falling prices for shares, bonds;
- change in exchange rates, etc.

Interest rate risk is the probability that asset values will decline as a result of changes in interest rates. Operating in the securities market, it is impossible not to feel the influence of credit, currency and other sectors of the financial market, which determine the total percentage of funds invested in financial assets.

Currency risks arise when there is a possibility of a negative change in the value of assets due to changes in the exchange rate of one foreign currency against another.

The occurrence of losses associated with changes in market trends is a component of market risk - the risk of losses from the decline in the value of the security due to the general fall of the market. Thus, commercial risk arises as a result of a possible decline in demand for this type of securities, which is the object of investment [2].

Credit risks are the risks of having issued securities will be unable to pay on them. Preliminary analysis of the client's creditworthiness significantly reduces credit risk.

Liquidity risks are associated with the possibility of losses on the sale of financial assets due to changes in the assessment of their quality, as well as due to the inability to sell the asset.

Operational risks include the possibility of losses as a result of the actions of the market operator. They are both technical and related to errors in the models and methods of risk assessment used.

Commercial risks (enterprise risks) arise in connection with the deviation from the expected results of the enterprise and, thus, associated with the use of the firm's potential [3].

Marketing risks of the enterprise**.** Risks associated with the choice of strategy of the enterprise in the market. This enterprise can be of conservative type, i. e. it does not pursue a strategy of expansion, universalization and benefits from. Maximum specialization of their work, the quality of products (services), work with a stable clientele. An aggressive type of enterprise (which has chosen a strategy of expansion and universalization, development of new types of technologies and products) is characterized by another type of risk. A moderate risk enterprise combines conservative and aggressive types of risk [1].

Business risks are determined by such factors as management efficiency, efficiency of production and investment activities. To conquer the market, the firm spends additional financial resources, which reduces the return on investment. If the sales sector expands, these costs will pay off, otherwise the transaction is a source of investment risk.

If we consider the risks from the point of view of investors, we can conclude that they will be manifested depending on market factors, so they should be called systematic.

In particular, important risk factors include the environmental situation in the region: the likelihood of accidents, environmental disasters.

Selective risks include portfolio investment risks and temporary risks.

Temporary risks - the risk of issuing, buying or selling a financial asset at a suboptimal time, which causes the likelihood of certain losses [5].

Technological risks are due to the trade and settlement system used, depend on the qualification of operators, reliability of technical support systems, etc. They include the following varieties:

• delivery risks - non-fulfillment of obligations to supply a commodity or financial asset delivery does not belong to the seller of the asset (for example, lack of re-registration of ownership rights in purchased securities);

• payment risks are the opposite side of the delivery risk. The current settlement system allows you not to pay for the acquisition of financial assets for a certain period of time;

• clearing risks - risks arising from errors in the calculation of the net position; errors in the transfer of money, etc., that is, the risks of the clearing system;

• operational risks in modern conditions are mainly related to the unprofessionalism of technical personnel who carry out orders with violations in the technology of operations with securities;

• transfer risks are determined by the buyer's ability to transfer funds to the seller in convertible currency [6].

Separately, there are variation risks, which are that an operating company can pay more or less income on its securities and, therefore, investors' expectations for future dividends and growth in exchange rate value can be met to a greater or lesser extent.

The need to find investment strategies that ensure not only income generation, but also risk management when prices change, have led to the emergence and distribution of derivative securities [8].

Conclusions. A number of methods are used to develop a price risk management strategy for the farmer. Also, we can say that all instruments give positive results in the optimal and optimistic scenarios of event modeling.

Investing in the stock market cannot but be accompanied by risk, by which everyone understands some uncertainty of financial results in the future. However, intuitive ideas about risk are not enough for successful operation in today's market. Certain mechanisms and tools for protection against financial risks are needed.

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