

DEVELOPMENT OF AGRICULTURAL PRODUCTION IN UKRAINE IN THE CONTEXT OF ITS INVESTMENT PROBLEMS

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The article deals with the development of agricultural production in Ukraine in the context of its investment problems and reasonably specific ways to improve state regulation of investment in agricultural production and ways to increase the attractiveness of the investment climate are outlined.

Nowadays agricultural production is not considered to be an attractive destination for investment. Therefore, the problem of investment remains critical, its solution can be a major contributor to the withdrawal of agricultural production from a critical condition and provision of competitiveness of its products. Capital investments will provide system upgrades and development of material and technical means of agro-industrial enterprises, improve social infrastructure. Therefore, an urgent topic for today is the investment in the development of agricultural production, which helps to solve a number of problems concerning the production of infrastructure, expanding food production, job creation for rural residents.

A fairly large array of scientific developments has been recently devoted to the settlement of investment problems of agricultural production. Important scientific results in this field were achieved by scientists: P.T. Sabluk, O.Y. Hudz', M.I. Kysil', S.K. Marchenko, A.A. Peresada, P.A. Stetsyuk, G.V. Cherevko, and others. But still there are some aspects, not enough developed, of stimulation of investment in agricultural production from domestic sources of economic subjects of agro-industry, establishment of infrastructure of investment market, developing integrated programs to improve the investment climate and establishment on this ground effectively constant motivation of agricultural production in the circuit of the current regulatory sphere.

The aim of the article is to examine the issues of agricultural production in Ukraine in the context of its investment problems and justification of some ways to improve state regulation of investment in agricultural production and outline ways to increase the attractiveness of the investment climate.

Research Methodology. During the research, such research methods as dialectical and systematic, abstract and logical, statistical and other approaches were used to identify economic phenomena.

Results of research. For a long period economic situation in the agricultural production is difficult. Tight fiscal policy, and as a consequence a significant tax burden, the annual deepening disparity in prices adversely affected the development of agricultural production. The majority of agro-industrial enterprises is on the brink of financial exhaustion, while others experience annual parameters contraction of

agricultural production. Even some of the successes of recent years make it hard to forecast stable sustainable development of agricultural production in the future. The main task of the state in the sphere of agricultural production is to complete structural changes of agro-industrial enterprises, stabilize agricultural production, strengthen the material and technical base of agro-industrial enterprises in rural areas and create adequate market environment.

Investment activity is a one of vital factors of the whole agricultural policy, the effectiveness of which depends on the state of agricultural production, the level of technical equipment of agro-industrial enterprises, the possibility of restructuring agricultural economy, solving social and environmental problems in rural areas, because the investment is the foundation of agricultural production, and its individual sectors and agro-sphere in general. Modern development of agricultural production is impossible without investment, which is widely used in economically powerful countries and in transition economies [1].

State regulation of agricultural production is focused on its efficient functioning of market economy and the countryside. A characteristic feature in the agricultural production of Ukraine is to reduce the absolute amount of savings [2].

The constant increase in budget funding was observed until 2008 when Ukraine became a member of the World Trade Organization. This year the government through various channels has allocated 11.2 billion hryvnas for the agricultural complex. The amount of state support of agricultural enterprises in 2009 and 2010 was reduced to 8.2 billion hrn. Ukraine is far behind in terms of public support compared to neighboring countries: the European Union - more than in 21 times, the Czech Republic - 20.0, Latvia - 7.7, Russia - 2.4 times. A significant shortcoming of the current system of budget financing is uneven allocation of funds on separate time periods – its biggest part is released in the last months of the year, and the use is available with some time lag. [2]

However, narrowing the budget allocation as the main source of financing of investment accompanied by a decrease in direction of part of earnings of expanded reproduction in agricultural production. Attracting investments in agricultural production, their size and the efficiency remains very insufficient due to a number of factors: the low solvency of consumers (population), the unstable political situation, contradictory of legal framework, low investment attractiveness of agricultural production and so on.

In 2009 – 2011 62.2% of farms had revenues from sales of products and services in amounts not exceeding 5 million hrn. Thus the profitability of agricultural production for the group of companies is ranging from -5.9% to +16.9%, and its average value is about 8%. They accounted for only 13.9% of total sales. This indicates low financial and investment potential of the agricultural sector of most companies and their unattractiveness to lenders and institutional investors.

Investors estimate the risk of investment in agro-industry as too high, primarily because of the political and legal instability in the country. The law does not have an impartial approach to foreign trade and investment, there is no clear position of the state in support of foreign investors. There are no large-scale program of investment in the agricultural sector.

The main factors that affect the investment climate and cause high risk of agricultural production investing in Ukraine is too long and inconsistent market with its reforming, legal, economic and political instability, imperfect financial and tax credit systems, the low level of development of market infrastructure, lack of the land market.

However, Ukraine has a number of factors that attract investors, including foreign ones – a large market, low labor costs, favorable geographical position, favorable climatic conditions. Now in our country it is important for agricultural production to improve its competitiveness and investment increase on this basis [3].

An investor's decision to cooperate with agro-industrial enterprises the following factors affect:

- 1) high profitability of individual enterprises;
- 2) availability of funds;
- 3) the presence of large land and cheap labor in rural areas;
- 4) the possibility of refund for any farm resources and services;
- 5) the ability to initiate a bankruptcy case to investors as there are few liquid assets in the economy and they are in a bad state, in accordance with the priority of claims of creditors, assets may not be enough to satisfy their claims;
- 6) desire to preserve market (fuel, spare parts, fertilizers, electricity);
- 7) having own marketing channels and the ability to generate large quantities of products;
- 8) the need for regular supplies of high-quality environmentally friendly agricultural production for their own processing facilities.

In fact, the investor has a vertical diversification of his activities. Having strong resource supply and marketing of agricultural products, he begins the engagement in direct agricultural production. Preferably, the most profitable industry in agriculture is the production of cereals, sunflower or pork. Therefore, further development of agricultural production should be carried out with the participation of the investor.

However, the effectiveness of cooperation with investors depends on the effectiveness of forms and patterns of investment. For instance, in the first stage, as the practice shows, the investment was profitable in agriculture production processing. Subsequently, the foreground was presented the need for establishing direct linkages integration of agricultural and processing enterprises. Now it is important to complete the cycle of integration relations: Production - recycling - storage - implementation when the process is already involved in rural agro-industrial enterprises of a small business.

Of course, the question may arise – what for build new processing plants in the country, if large processing plants that operate in cities do not function at full capacity. On the one hand, this is due to the low purchasing power of the population, on the other hand, if we take into account the reasonable rates of consumption of specific foods, the capacity of existing processing plants is not enough for human consumption norms of related products. And we support the opinion of scientists who believe that network processors need to expand in rural areas that directly produce agricultural raw materials [4].

Investing in agro-industry will help to solve the problem of rural unemployment, which arose as a result of the economic crisis distortions and deformations. Attracting investment in agro-industry is possible through the provision of loans for the purchase of new equipment, new production lines and the acquisition of fixed assets as particularly challenging area of procurement of agricultural production. To attract foreign investment in agro-industry the most important are bilateral relationships and agreements with foreign investors, based on mutually beneficial relations between the parties made without intermediaries.

Studies of individual researchers found that the investment process in the agricultural production of Ukraine in recent years has a complex dynamics of investment. Due to long-term economic crisis, material resource potential of agricultural production in Ukraine is greatly decreased, the number of tractors, combine harvesters and other agricultural machinery and equipment decreased, which led to a sharp decline in production of agricultural products, drop in its performance. Under these conditions the reasonable determination of the priority directions of intensification of the leading sectors of agricultural production is important. The primary means of implementation is to increase investment in fixed assets [5].

A significant reduction in investment in fixed assets of agricultural production led to a negative balance of write-off and supplying the machine park with tractors, combine harvesters and other agricultural machines and equipment of agro-industrial enterprises. Over the past 17 years, since 1995, as a result of physical deterioration farms of Ukraine wrote-off 250 thousand of tractors, nearly 55 thousand of combine harvesters, tens of thousands of other agricultural machinery. However, due to a sharp decline in the solvency of the agro-industrial enterprises, the acquisition of new technology virtually stopped. Over the last five years they have managed to acquire only 25 thousand of tractors and 6 thousand of combine harvesters. During the same period, production of tractors and other technical equipment reduced in ten times. In 1990, Ukraine has produced 106 thousand tractors, in 2000 only 4 thousand, in 2001 - 3.6 thousand, in 2002 - 3 thousand, in 2003 - 4.5 thousand, and in 2008 – 5.8 thousand units [6].

Traditionally happened that to agricultural production, a passive, supporting role in the economic development of the country is given. Considerable attention was paid to the growth of industrial grade production, and agro-industry played the role of supplier of cheap raw materials and labor. Analysis of industrial structure of foreign investment in the economy shows that in almost all countries, regardless of their level of economic development, the share of investment in agricultural production is very low. Growth of foreign capital in 2009 amounted to 199.1 million US dollars which is in 2.6 times less than in the same period last year. Herewith this investments in food processing is \$ 150 million US dollars, which is almost in three times more than the amount of foreign investment in agriculture [6].

State regulation of investment in agricultural production consists in manage of public investment, regulation and monitoring of investment conditions for investment activities. Investments in agricultural production significantly depend on the tax system, and therefore it is appropriate to introduce a flexible mechanism of taxation of investment by differentiating the interest rates of taxes. Tax incentives should be

provided especially to those agents of investment activity who master new types of agricultural production, production lines located in mountainous and foothill areas, small and distant from the villages.

To ensure expanded reproduction at the minimum acceptable level, investments in agricultural production must reach 150-240 billion hrn in the next 5 years. Three-quarters of them don't have real financial platform [2].

Since the economic crisis in agricultural production is mainly due to causes on macroeconomic level, this means that it cannot be overcome without government support. The action of the state is to regulate the food market, which will improve its functioning, and therefore the efficiency of agricultural production. Under conditions of market relations in agricultural production, harmonious regional agricultural policy is required to address regional agricultural problems that arise under the influence of several factors: national, territorial, demographic, etc.

State regulation of investment activity of agricultural production is carried out in order to implement such priorities of investment policy as the development of industrial infrastructure, stimulation of food production, replacing imports, creation of jobs for rural residents.

The process of improving state regulation of investment activities primarily has to touch those types of production which provide high cost-effectiveness, and are designed for food production, which is needed (milk, meat, etc.).

At the same time, during the development of measures to attract foreign investment, it is necessary on the one hand, to create favorable conditions for investment, to encourage foreign capital, maximize the available benefits. On the other hand, they should ensure the coordination of the economic interests of potential investors and various interests in the region. In addition to stimulation of foreign capital, they should create the conditions of the securities market infrastructure in the economy. Now emission of the securities as a means of attracting additional investment resources for agricultural production is more efficient compared with the involvement of bank loans with very high interest rate. With funding agro-industrial investment projects, emissions may create serious competition for credit financing of agricultural production. Agro-industrial enterprises should enter the stock market, which manages financial flows, directing them to priority agro-industrial production or withdrawing resources from industries that are inefficient.

It is advisable at the state level to take measures to stimulate credit institutions in the implementation of long-term financing of investment programs of agricultural production under these conditions. That requires a new financial mechanism that would provide a guarantee in respect of loans allocated to agro-industrial enterprises, and it is important to preserve dedicated funding investment programs and other needs of agricultural production. An important criterion for the stabilization of agricultural production is law abidance and strict order in the customs and tax services. The central figure in agricultural production must be the manufacturer with his problems, inquiries, prospects, because material production is able to provide the financial health of the economy [7].

Conclusions. The restructuring of agricultural production and its adaptation to market conditions are impossible without substantial investments that serve as the mainstream in the introduction of modern technologies, improving the competitiveness of agricultural production under market conditions. To speed up the

process and consequences of the economic crisis, they should improve state regulation of investment processes by attracting foreign investment in agricultural production through the provision of loans for the purchase of new equipment, new production lines and the acquisition of fixed assets, primarily in the area of logistics [8]. Certain directions of state regulation of investment in agricultural production are to improve management of public investment, regulation of investment conditions, gain control of investment activities, as well as flexible system of taxation of investment interest by differentiating the tax rates and tax incentives that will improve the investment climate in the industry.

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Развитие агропромышленного производства Украины в срезе проблем его инвестирования.

Актуальной темой сегодня является привлечение инвестиций в развитие агропромышленного производства, поможет решить ряд проблем по производственной инфраструктуре, расширения производства продовольствия, создания новых рабочих мест для сельских жителей.

Решению инвестиционных проблем развития агропромышленного производства в последнее время посвящается достаточно большой массив научных разработок. Но недостаточно разработанными остаются отдельные аспекты активизации инвестиционной деятельности в агропромышленное производство, раскрытие которых является целью данной статьи.

Задачами статьи является обоснование отдельных путей совершенствования государственного регулирования инвестиционной деятельности в агропромышленном производстве и определение способов повышения привлекательности инвестиционного климата.

Инвестиционная деятельность — один из решающих факторов всей аграрной политики государства, от эффективности которой зависит состояние агропромышленного производства, уровень технического оснащения предприятий АПП, возможности структурной перестройки аграрной экономики, решение социальных и экологических проблем сельских территорий, ведь инвестиции являются фундаментом развития агропромышленного производства, и его отдельных отраслей и агросферы в целом.

Поэтому структурная перестройка агропромышленного производства и его приспособления к условиям рынка невозможно без осуществления значительных инвестиций, которые выступают основным направлением внедрения современных технологий, повышения конкурентоспособности агропромышленного производства в рыночных условиях.

Ключевые слова: развитие агропромышленного производства, инвестирование, государственное регулирование и стимулирование инвестиционной деятельности.

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An urgent topic for today is the investment in the development of agricultural production, which helps to solve a number of problems concerning the production of infrastructure, expanding food production, job creation for rural residents.

A fairly large array of scientific developments has been recently devoted to the settlement of investment problems of agricultural production. But still not enough developed some aspects to stimulate investment in agricultural production, the disclosure of which is the purpose of this article.

The objectives of the paper are to study some ways of improving state regulation of investment in agriculture production and outline ways to increase the attractiveness of the investment climate.

Investing activity is one of vital factors of the whole agricultural policy, the effectiveness of which depends on the state of agricultural production, the level of technical equipment of factory-farm enterprises, the possibility of restructuring of agricultural economy, solving social and environmental problems in rural areas, because the investment is the foundation of agricultural production, and its individual sectors and agro-sphere in general.

The restructuring of agricultural production and its adaptation to market conditions are impossible without substantial investments that serve as the focus in the introduction of modern technologies, improving the competitiveness of agricultural production in market conditions.

Key words: *development of agricultural production, investment, state regulation and stimulation of investment activity.*