

REGIONAL FEATURES OF INVESTMENT IN AGRICULTURE

A.V. BALIAN , PhD, academician NAAS ,
vice president of the National Academy of Agrarian Sciences of Ukraine

The state of agricultural investment in Ukraine and its regional characteristics are investigated, significant differences on levels of capital insuring industry and their significant impact on the production activity of agricultural business are found. The need to ensure the convergence of agricultural regions capital investment and economic development is well-grounded.

Keywords : *investment, capital insuring, investment activity, capital equipment, investment performance, investment attractiveness .*

The dynamic development of agriculture and its modernization to ensure competitiveness in domestic and foreign markets need to stimulate investment in the sector, creating a favorable investment climate for agribusiness in all regions of Ukraine. Differentiation of development levels of agricultural material and technical base in regions leads to negative economic, social and other consequences. Investment is the most important factor in reducing regional disparities. Agriculture and other branches of agricultural production has a critical role in the growing demand for food products, increasing export potential and strengthening of the financial condition of Ukraine's real economy.

Problems of investment ensuring development of agriculture in Ukraine are dedicated to scientific papers of M.J. Demyanenko , A.I. Hutorova, M.I. Kisil , M. J. Kozhemyakina , M.N. Kropyvko, P.T. Sabluk and other researchers. However, many aspects of this problem require further investigation and resolution, particularly on the regional level.

Regional features of investment activity in agriculture are influenced by climatic conditions, the level of regional economic development zone of agricultural production specialization and other factors. Analysis of volume , dynamics , structure of investment in agricultural development of regions in Ukraine for a long period of time, suggests that the activity of investment processes are generally higher in areas with favorable climatic conditions, higher soil fertility, development of industrial and social infrastructure, close cooperation of investors with local governments.

Thanks to strengthening of companies' financial conditions in recent years, the investment climate in Ukraine's agriculture and most regions were greatly improved. The volume of capital investments in the agricultural sector over the previous year in 2010 increased by 12% in 2011 by 31 % and in 2012 by 11% and in the end of the year amounted to 19.1 billion USD, accounting for 6, 5% of investment

in Ukraine. The growth of capital investment rate in Ukraine's agriculture in 2010-2012 exceeded the figure for the whole country, as well as industry, commerce, transport, indicating the investment attractiveness of the agrarian business.

The growth of investment in agriculture in 2012 was observed in 16 regions of Ukraine and the highest rates are increased in Ivano -Frankivsk - 37%, Poltava - 26 % and Ternopil region - 36%. However, a significant decline in investment activity in 2012 took place in Nikolayev, Odessa and Kherson regions (25 - 30%).

The level of investment activity of agricultural enterprises, characterized by the volume of investment per area unit in regions of Ukraine differs significantly. If in Ivano -Frankivsk region in 2012 it was invested 2436 hrv. of investment per 1 hectare of agricultural land, in Odessa region it was only 388 hrv. , and in Mykolayiv region - 440 hrv., i.e. in 5 - 6 times less. More than one thousand hrivnas of investment per area unit are in 13 regions of Ukraine, less than 600 hrv. in 5 regions (Fig.).

A significant difference in levels of investment support of agricultural enterprises in Ukraine is primarily the result of differences in levels of their economic development. Following the results of 2012 , the gross output of crops and livestock per 1 hectare of agricultural land in terms of the Ukraine's regions differ more than in 5 times, and livestock in 25- 30 times. In previous years, there was also a significant difference in levels of development of Ukraine's regions agricultural sector, although values of these parameters were less significant.

A detailed analysis of factors that ensured the growth of investment activity in certain regions of Ukraine demonstrates the significant impact of the financial situation of enterprises and opportunities to use their own resources for investment purposes. In particular, high levels of farms' investment equipment in Ivano-Frankivsk region was achieved through good financial state and the highest volume of farm proceeds per 1 hectare of land in Ukraine. In 2012, these earnings amounted to 3.7 thousand of UAH / hectare and exceeded the average rate in 3.5 times. A similar relationship between profitability and the level of investment business equipment in agricultural sector is also observed in other regions, particularly in Kiev, Khmelnytsky and Cherkasy regions. However, such Ukraine's regions as Odessa, Zaporizhzhya and Kherson with low capital insuring per area unit obtained in 1,5 - 2 times less income than the average rate in Ukraine.

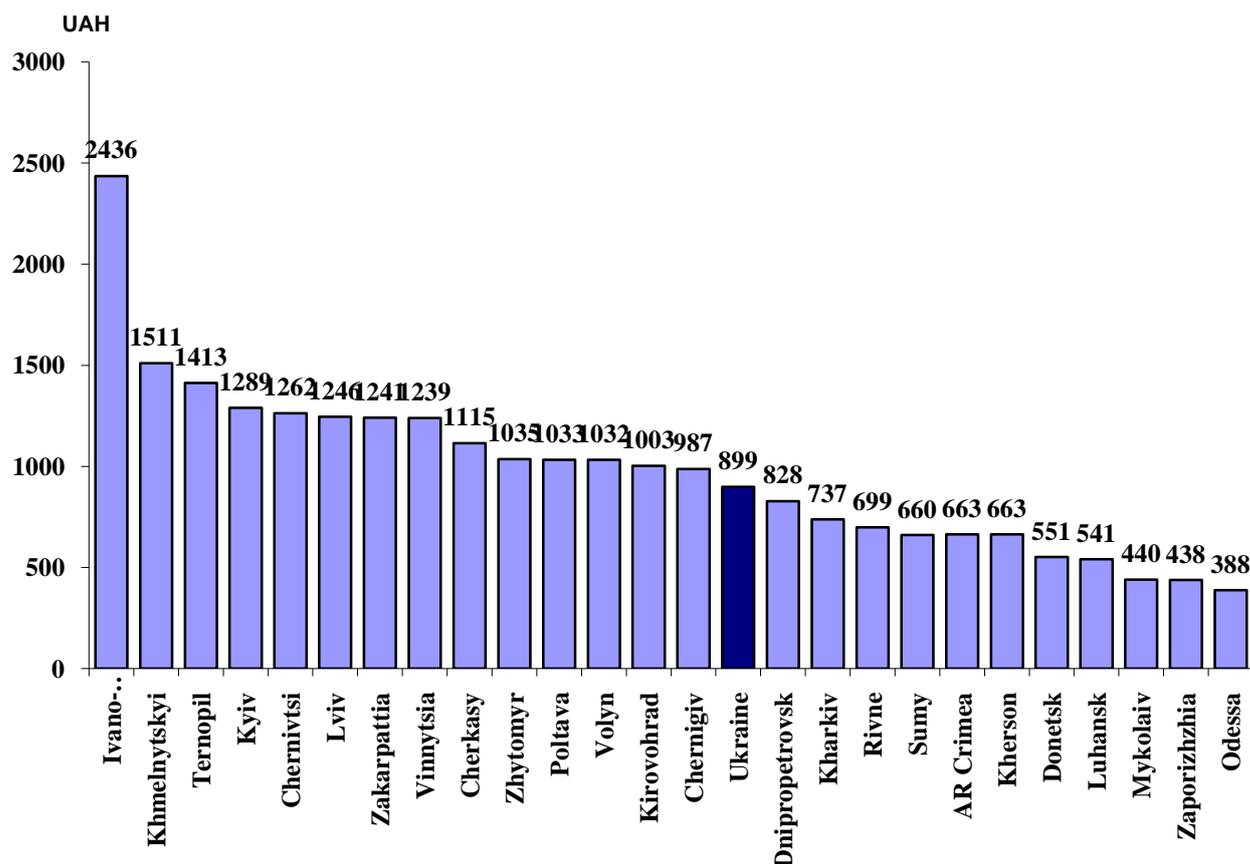


Fig. Ranking of regions in Ukraine in terms of investment support of agriculture in 2012 (accounting for capital investments per 1 hectare of agricultural land, UAH) *

* Calculated according to the State Statistics Committee of Ukraine reports "Capital expenditure by kinds of economic activity in 2012"

To determine the relationship between the level of investment support of agricultural enterprises, the volume of gross output and profit earned during the study was conducted grouping of regions in terms of their capital insuring (Table).

From data of Table it is clear that with increased capital insuring of farms, production volume grows, profits increase and their financial position strengthens. Therefore, the alignment of Ukraine's regions in terms of capital insuring is a prerequisite for improving the economic situation of the agricultural sector.

Features of the investment activity of Ukraine's agricultural enterprises in regions are especially noticeable in process of industrial structure research in particular characterized by ratio between the gross output of crops and livestock.

The grouping of Ukraine's regions in terms of capital investment per 1 ha of agricultural land in 2012

Index	Group of regions in terms of investment per 1 hectare of agricultural land			
	up 600 UAH	601–1000 UAH	More than 1000 UAH	average
Number of regions	5	11	9	25
Per 1 hectare of agricultural land, UAH investment , total:				
	461,4	835,1	1317,6	898,8
including animal husbandry	56,7	223,5	435,0	227,9
gross output , total	3317	4886	8544	5326
including animal husbandry	830	1183	2742	1458
net income , total	750,5	966,0	1644,0	1068,3

Thus, the development of livestock industry is neglected, as in many regions the volume of investment in this area does not provide increase output and improve its efficiency and growth of livestock. In 2012 in Ukraine's livestock husbandry, accounting of 1 hectare of agricultural land, there were utilized 228 hrivnas of investment, while in some areas the figure advanced more than 1000 hrivnas and in such outsiders as Mykolaiv region - 43 hrv., and in Luhansk Region - 73 hrv. Similarly, in these regions there are also differences in livestock production.

The livestock share in the structure of gross output in most regions of Ukraine has increased in recent years, but between different regions a significant differentiation values of this parameter still remains. Analytical estimates indicate a clear relationship between the sectoral investment structure and specialization of agricultural production. The higher volume of investments in livestock and their share in total investment, the greater the index value of volumes' production of the industry per unit of land. Thus, the highest share of investments in livestock in 2012 took place in Ivano- Frankivsk (80%), Kiev (52%) and Khmel'nitsky (55%) regions. In these regions the volume of production per area unit and the share of livestock in gross output is much higher than the average for Ukraine which is 25%. However, in some regions of Ukraine aimed on the development of livestock, less than 15 % of total investment in agriculture is directed, and in the Mykolaiv region it is only 10%, in the Crimea - 13,8% and this greatly affects industry activity. This leads to the poor state of regional shortage of milk, meat and other animal products, therefore

requires the adoption of measures to ensure fundamental industry changes through the mobilization of internal reserves and increasing government support.

Regional features of agricultural investment are clearly observed in process of state of foreign direct investment study. For a long period of time, foreign capital, primarily acted in regions where favorable conditions for the development of agribusiness are created and where large agricultural investment projects are implemented.

It should be noted that due to unfavorable investment climate in some years the outflow of foreign capital from agriculture is performed, in particular, it happened in 2011, when their volumes decreased by 38 million USD. According to the State Statistics Service of Ukraine volumes of foreign investment in agriculture in 2012 increased to 108 million USD and in the end of the year amounted to 801 million dollars of the USA. Almost half of the growth in the agricultural structure was registered in Kiev. The concentration of foreign capital in agriculture of Ukraine is characterized by its size per 1 hectare of land in 2012 and is 39 dollars of the USA. The highest ratios were achieved in Ivano -Frankivsk region through investments of Denmark, which amounted 784 USD per hectare, in Lviv – 198 and in Kiev region - 139 dollars per 1 hectare. Higher levels of investment attractiveness of the agrarian business in these areas help to attract significant amounts of foreign capital.

In farming regions such as Zaporizhzhya , Luhansk, Mykolaiv, Odesa and Kherson it is involved not only much less foreign investment but also capital of domestic investors, which hinders the effective development of the agricultural sector in these regions.

Main investors in the agricultural sector of Ukraine are private agricultural enterprises, especially economic partnerships and private enterprises, which account for almost 90 % of the agricultural land and who in 2012 received 94 % of the total income from sales of crops and livestock.

The structure of financing investment share sources of own funds of domestic producers in 2012 accounted for almost 70% of long-term loans to 18% of credits and to 5% for money of foreign investors. In recent years volumes the proportion of the state budget funds which are allocated for investment and agriculture, this share was only 0.4%.

Feature of investment in the agricultural sector in general and in particular regions of Ukraine is the direction of funds bulk or the purchase of technical equipment and machinery. Annually for this purpose it is used for more than 70 % of total investment in recent years, the growth rate of costs for technical equipment of farms accelerated and their share in Ukraine's regions in some years ranges from 46 to 93%. On farms in Dnipropetrovsk , Zaporizhzhya, Kirovohrad, Luhansk, Kharkiv regions for the purchase of vehicles it is annually used 85 - 90 % of the total

investment. This improves technical equipment level of production, increases productivity but inhibits the development of other sectors of agriculture.

So, summarizing current trends, proportions and priorities in investing activities in the agricultural sector of Ukraine's regions indicates significant differences in levels and structure of capital insuring and presence of significant domestic reserves of investment stimulation in agricultural production, which significantly affects industry activity. In connection with volume production increasing, there is a necessity in acceleration of investment rate in agriculture, both by domestic and foreign investors, the convergence of regions' farm equipment with investment resources, acceleration of production modernization and foundation of an enabling environment for the effective development of the agricultural sector.

REFERENCES

1. Agricultural sector of Ukraine (State and Prospects for Development) / [Prysiazhnyuk M.V., Zubets M.V., Sabluk P.T and oth.], Ed. M.V. Prisyazhnyuk , M.V. Zubets, PT Sabluk , V.J. Mesel - Veselyak , M. M. Fedorov. - K. NSC " IAE " , 2011. - 1008 p.
2. Kisil M.I. Theoretical base of the investment strategy of agrarian sphere // Investment Agricultural Development of Kyiv region / [Lupenko J.O. , Kisil M.I. Kozhemyakina M. and others.], ed. M.I. Kisil . - K. NSC " IAE " , 2012. - P. 5 - 19.
3. Kisil M.I. Recruitment and provision of agriculture / M.I. Kisil , M.J. Kozhemyakina // Strategic directions of development of Ukraine's agriculture till 2020 [Ed. Lupenko J.O., Mesel - Veselyak V.J.]. - K. NSC " IAE " , 2012. - P. 76 - 80.
4. Demyanenko M.J. Assessment of creditworthiness of agricultural enterprises (theory and practice) : monograph / M.J. Demyanenko , O.J. Gudz, P.A. Stetsyuk . - K. NSC " IAE " , 2008. - 302 p.

SUMMARY

The state of Ukraine agriculture investment and its regional features is investigated, considerable distinctions in levels of capital insuring industry and their substantial influence are certain on the production indexes of agrarian business. The necessity of rapprochement of agriculture provision levels in regions is founded by capital investment and its economic development.