

UDC 330.322.2:631.164.23

DOI <https://doi.org/10.26661/2414-0287-2021-2-50-20>**INVESTMENT IN AGRICULTURE OF UKRAINE****Kushnir S.O., Karmazina V.S.***Zaporizhzhya National University**Ukraine, 69600, Zaporizhzhya, Zhukovsky str., 66**SvetlanaAK@ukr.net, viktorija240401@gmail.com**ORCID: 0000-0002-1410-1887, 0000-0002-2176-4080***Key words:**agro-industrial complex,
agriculture, agribusiness,
investing, investment project,
export.

The development of agriculture and its investment support is one of the strategic tasks for Ukraine. The article considers the efficiency of agribusiness in recent years. Statistical data on the dynamics of the share of agriculture in the structure of Ukrainian GDP in actual prices, the amount of direct investment in agriculture and the dynamics of the share of agro-industry in the overall structure of direct investment are studied. World rankings for the production and export of agricultural products are analyzed. Statistics on changes in the amount of financing of the agro-industrial complex within the framework of state support programs, as well as foreign investors are summarized. Particular attention is paid to a detailed acquaintance with the investment projects of 2020–2021, and the research of investment attractiveness for foreign countries. Problems and prospects of improving the investment climate in Ukraine are highlighted.

ІНВЕСТИВАННЯ В СІЛЬСЬКЕ ГОСПОДАРСТВО УКРАЇНИ**Кушнір С.О., Кармазіна В.С.***Запорізький національний університет**Україна, 69600, м. Запоріжжя, вул. Жуковського, 66***Ключові слова:**агропромисловий комплекс,
сільське господарство,
агробізнес, інвестування,
інвестиційний проект, експорт.

Розвиток сільського господарства та його інвестиційна підтримка є одним з стратегічних завдань для України. У статті розглянуто ефективність діяльності агробізнесу за останні роки. Досліджено статистичні дані щодо динаміки частки сільського господарства у структурі українського ВВП у фактичних цінах, суми прямих інвестицій у сільське господарство та динаміку частки агропромисловості у загальній структурі прямих інвестицій. Проаналізовано світові рейтинги щодо виробництва та експорту сільськогосподарської продукції. Узагальнено статистичні дані щодо зміни сум фінансування АПК у рамках державних програм підтримки, а також іноземних інвесторів. Особливу увагу приділено детальному ознайомленню з інвестиційними проектами 2020-2021 рр., і дослідженню інвестиційної привабливості для іноземних держав. Виокремлено проблеми й перспективи покращення інвестиційного клімату в Україні.

Statement of the problem

Nowadays, agricultural production can be considered one of the most powerful engines of the economy. Ukraine has favorable natural conditions for active agriculture, and 25% of the world's chernozem soils are located in our country. This helps to take a leading position in the world in terms of production, as well as the number of foreign trade operations in this area.

With the start of hostilities in the East and the signing of the Association Agreement with the EU, the number of foreign trade operations and investment projects by the post-Soviet countries and Russia has decreased, and new opportunities have opened up on the part of the West. Farmers are trying to adapt to modern conditions, to adjust their work effectively, as evidenced by the positive

dynamics of the agro-industrial complex of Ukraine. However, the lack of financial resources emphasizes the importance of investment support from both the state and foreigners.

Analysis of recent studies and publications

An important contribution to the study of the development of the agro-industrial complex of Ukraine was made by such scientists as T. Matsyhora, who covered the approaches to agricultural reform through state funding and constant monitoring of the current state of agro-industrial complex development. Analysis of the current state of agricultural development and investment are actively engaged analysts and economists as Chkan I. Hovorostyanyy V., Sofiyenko N. etc.

Objectives of the article

And, given the difficult conditions of functioning, including those associated with the coronavirus pandemic, it is worth exploring the state of the industry and future prospects.

The purpose of the study is to analyze the state of development of agriculture in Ukraine in modern conditions and the importance of attracting investment.

The main material of the research

The question of the attractiveness of agribusiness investment depends entirely on the real state of development of the industry.

Since the article considers the development of agriculture, it is necessary to understand who can be considered an agricultural producer. According to Article 2.15 of the Law of Ukraine № 1877-IV of 24.06.2004 “On state support of agriculture of Ukraine”, agricultural producer – a legal entity or a natural person – entrepreneur, whose main activity is the production of agricultural products and/or breeding, cultivation, fishing in inland waters and its processing at its own or leased capacity, as well as the implementation of operations for its supply, and the share of the value of agricultural goods/services is not less than 75 percent of the value of all goods/services, delivered during the previous 12 consecutive reporting tax periods [1].

Ukraine occupies a leading position among countries exporting agricultural products. The share of agricultural exports in total exports of Ukraine was 45,1% at the end of 2020, and only 39,7% in January-February 2021.

Our country has 1st place in the international arena for the export of sunflower oil, 2nd place for the export of barley, 4th place for the export of corn, as well as leadership in the export of wheat, butter, oilseeds, 7th place for poultry. In general, according to the results of 2020, Ukraine exported agricultural products worth

22200 million US dollars, which is 100,3% more than in the same period of 2019. Most bought in countries such as China (16%), India (6,7%), the Netherlands (6,4%), Egypt (6,2%), Turkey (4,8%), Spain (4,4%) [2].

It should be noted that Ukraine is considered the largest exporter of honey in the world in the last two years. Honey exports for 11 months of 2020 broke the record and amounted to 69839 tons with a total value of 1117,5 million dollars. The greatest demand was observed from the EU. Active buyers of Ukrainian products were Poland (25%), Germany (20%), Belgium (11%), USA (10%) [3].

Analytical Index Mundi agency predicted that Ukraine for 2020 belongs to world leadership in terms of growth of poultry meat production, this figure increased by almost 9% per year [2].

Ukraine was also included in the TOP-5 international walnut producers for the first time. In 2020, 126000 tons were harvested [4].

The share of agribusiness in Ukraine’s GDP is quite significant. Thus, in the overall structure, agriculture accounted for 9,27% in 2020, compared to 2019, when the agro-industrial complex accounted for 8,97%. This indicates a positive result of the industry, although compared to 2018 (the share of agriculture was 10,14%), there is a slight decrease in the share by 0,88% (Fig. 1).

Particularly notable for agribusiness are constant fluctuations in the amount of direct investment. The analysis shows a gradual increase in investment in agriculture, but at the same time there is a decrease in 2019 by 126,7 million dollars USA. However, the situation is improving according to the results at the end of 2019, which indicates an augmentation in direct investment. It should be noted that a similar situation is observed in the dynamics of the share of investment in agriculture in total direct investment. At the beginning of 2020, the share was approximately 1,51% (Table 1, Fig. 2).

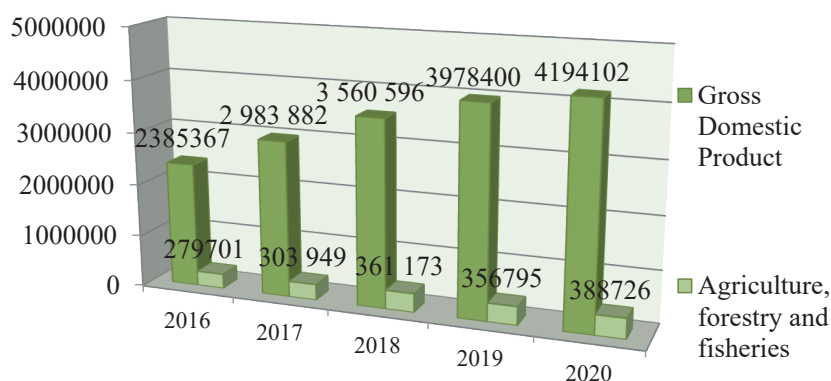


Figure 1 – Dynamics of the share of agriculture in the structure of GDP in actual prices, UAH million

Source: compiled by the author on the basis [5]

Table 1 – Direct investments (share capital) in the economy of Ukraine for 2016-2019, UAH million

| | 2016 | 2017 | 2018 | 2019 | As of December 31, 2019 |
|-------------------------------------|----------|----------|----------|----------|-------------------------|
| Total | 32 122,5 | 31 230,3 | 31 606,4 | 32 905,1 | 35 809,6 |
| Agriculture, forestry and fisheries | 502,2 | 586,2 | 578,6 | 451,9 | 542,1 |

Source: compiled by the author on the basis [5]

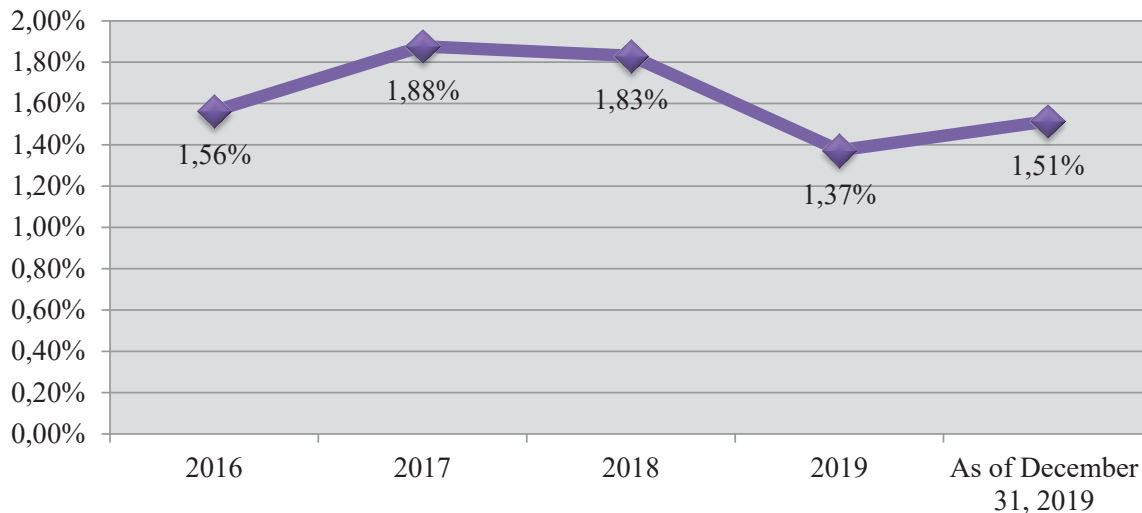


Figure 2 – Dynamics of the share of agriculture in the amount of direct investment in Ukraine

Source: compiled by the author on the basis [5]

Thus, considering the statistics, it becomes clear that the agro-industrial complex of Ukraine is developing unstable. And the coordinated active work of the authorities, together with the state regulation of investment attractiveness is a priority step to strengthen the leading positions of agricultural enterprises in the world market.

At the beginning of 2020, agricultural producers used UAH 4,34 billion of state support. In total, 1667 business entities and 230025 individuals, about 10000 farmers and 2 agricultural cooperatives benefited from investment assistance [6].

The Ministry of Economic Development, Trade and Agriculture of Ukraine has developed a program to support AIC 2020, therefore, in accordance with the “Procedure for the use of funds provided in the state budget for financial support of measures in the agro-industrial complex by reducing the cost of loans”, approved by the Cabinet of Ministers of Ukraine dated November 15, 2019 № 954, where it was stipulated that in the framework of land reform an effective tool should be created in the form of the Partial Credit Guarantee Fund to facilitate access of small and medium enterprises (up to 500 hectares) to bank loans [2].

In total, UAH 4,24 billion was allocated from the budget for the AIC 2020 support program, of which UAH 240 million was allocated for the formation of the authorized capital of the Guarantee Fund, and UAH 4 billion was allocated in various areas, including livestock, farming and horticulture, viticulture, hop growing was allocated a total of 1,8 billion UAH [6].

Domestic investment projects related to direct assistance from the state are also planned for 2021. Comparing the amount of financial resources in 2021 with last year, allocated to the program investigated there is a clear increase in most directions (Fig. 3).

In addition, the program “Affordable loans 5-7-9%” is effective today. The state is most interested in preferential lending to crop production. The first discoverer of the program was a farmer A. Vecheruk from Vinnytsia region, who grows grain, legumes, oilseeds [6].

According to the latest information provided by the agro-industrial development departments of regional state administrations, as of July 1, 2019, 444 investment projects worth over UAH 40,6 billion have been prepared and implemented in all regions of Ukraine (Fig. 4).

The largest actual number of investment projects consistently covers Cherkasy, Vinnytsia, Poltava, Kherson, Lviv, Mykolaiv, Zhytomyr and Kyiv regions. The most expensive project in our country in recent years is the project to build a brigade complex “Vinnytsia Broiler” with a capacity of 700 thousand tons of meat per year, which costs 9,6 billion UAH. The state of project implementation is estimated at 76% at the beginning of 2020 [2].

According to the Department of Information and Public Relations, Ukraine raised its investment rating in Doing Business 2020 by 7 positions at once, improved 6 indicators out of 10 indicators that are taken into account by World Bank experts in compiling the rating. Doing Business Ease of Doing Business Index is an important marker for investors when deciding to invest in a country. The rise in world rankings increases the confidence of foreign investors in making investment decisions [8].

It should be noted that according to the law “On Amendments to Certain Legislative Acts of Ukraine Concerning the Conditions of Circulation of Agricultural Lands” dated 31.03.2020 № 552-IX, the land reform comes into force. According to paragraph 1 of this law, amendments are made to the Land Code of Ukraine under Articles 130 and 131, from July 1, 2021 to January 1, 2025 ownership of agricultural land up to 100 hectares can be purchased only by citizens of Ukraine. And already from January 1, 2024 the opportunity to buy plots up to 10 thousand hectares will be given to domestic legal entities. According to the signed law, the question of whether to give foreigners the right to buy Ukrainian land will be decided after the all-Ukrainian referendum [9].

In general, the budget for 2021 includes the possibility of attracting 1 billion 176 million UAH of foreign

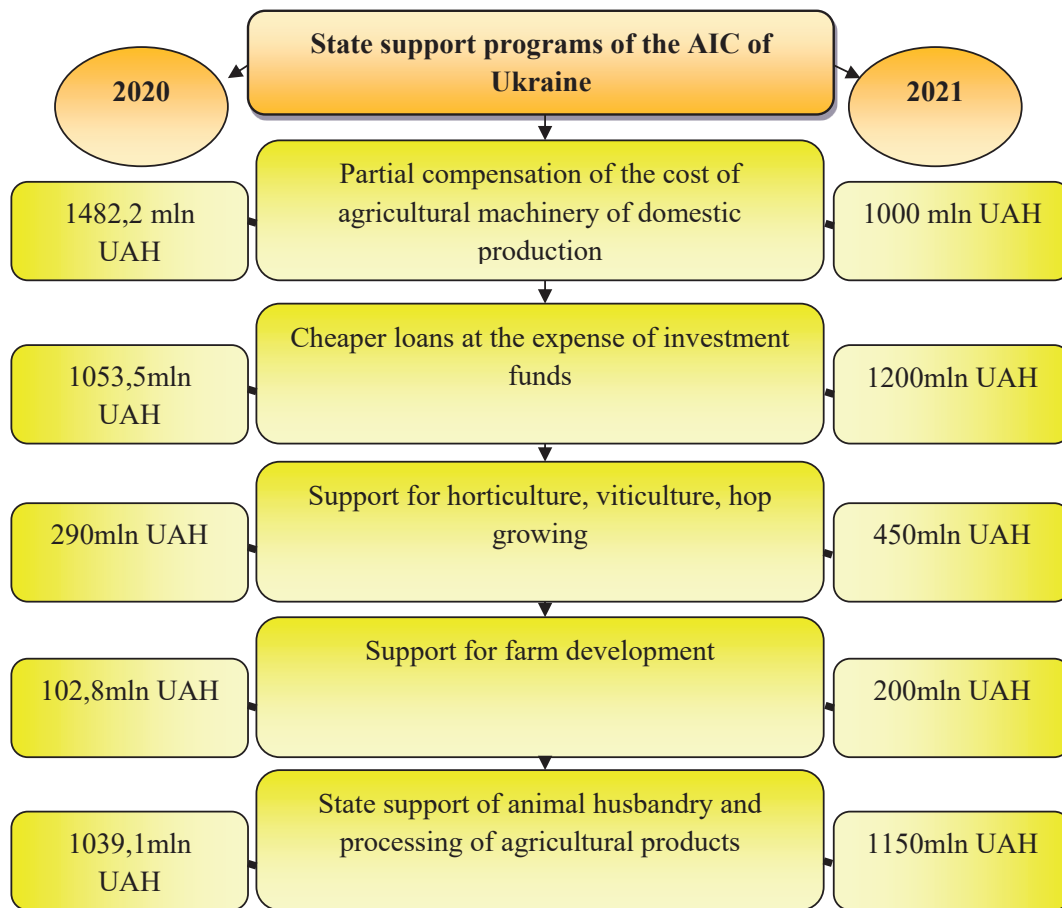


Figure 3 – State support programs of the agro-industrial complex of Ukraine

Source: compiled by the author on the basis [7]

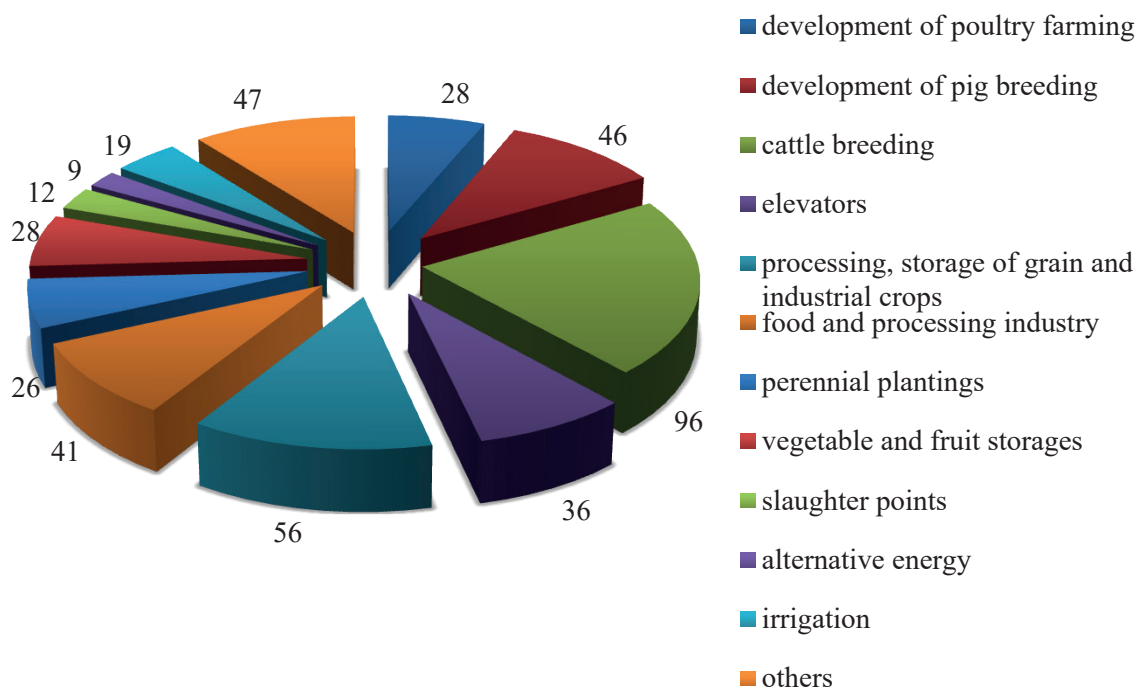


Figure 4 – Distribution of the number of investment projects in the agro-industrial complex of Ukraine at the beginning of 2020, units

Source: compiled by the author on the basis [2]

investment in agriculture. According to the draft law № 4000 of 14.09.2020, Ukraine seeks to attract funds from the European Investment Bank and the Government of the French Republic and send them to the modernization of the agricultural sector of rail transport and drinking water supply project [2].

In February 2021, a memorandum was signed with the world's largest international investment fund, the United Arab Emirates's Mubadala Investment Company, which has assets of more than 850 billion dollars. The UAE plans to increase the trade turnover of agro-industrial products with Ukraine 10 times and bring this figure to 2 billion dollars for a year.

This agreement provides for:

1. Allocation of funds and exchange of experience in the use and protection of agricultural land.
2. Increasing soil fertility through the use of innovations.

3. Introduction and improvement of electronic services in the field of land management.

4. Monitoring of the ecological condition of lands due to the impact of climate change and negative processes [6; 10].

It should be noted that in order to create favorable conditions for investors and further development of agriculture, the government has developed a "Strategy to promote private investment in agriculture until 2023". The main goals are to increase exports of agricultural products, food security and environmentally balanced growth of agriculture [8].

The ecological aspect of agricultural development is problematic in Ukraine. An example of the lack of attention was the mass death of Red Book birds (more than 2,000 animals) in the Kherson region near the Askania-Nova Biosphere Reserve. The reason was poisoned grain, which farmers scatter in the fields to kill rodents. And the result is losses of more than UAH 9 million [11].

References

1. Pro derzhavnu pidtrymku silskoho hospodarstva Ukraini: Zakon Ukrainy vid 24.06.2004 № 1877-IV [On state support of agriculture in Ukraine: Law of Ukraine of 24.06.2004 771877-IV]. URL: <https://zakon.rada.gov.ua/laws/show/1877-15>
2. Informatsiino-analitychnyi portal APK Ukrainy [Information and analytical portal of the AIC of Ukraine]. URL: <https://agro.me.gov.ua/ua>
3. Sofienko N. (2020). Novyi rekord. Ukraina eksportovala maizhe 70000 ton medu [New record. Ukraine exported almost 70,000 tons of honey] Retrieved from <https://biz.liga.net/all/prodovolstvie/novosti/ukraina-eksportirovala-pochti-70-tys-tonn-meda-eto-rekord> [in Ukrainian]
4. Sofienko N. (2020). Ukraina potrapyla v top-5 svitovykh vyrobnykiv horikhu [Ukraine is in the top 5 world producers of nuts] Retrieved from <https://biz.liga.net/all/prodovolstvie/novosti/ukraina-vorvalas-v-top-5-mirovyh-proizvoditeley-orehov> [in Ukrainian]
5. Derzhavna sluzhba statystyky [State Statistics Service]. URL: <http://www.ukrstat.gov.ua>
6. Ministerstvo rozvytku ekonomiky, torhivli ta silskoho hospodarstva Ukrainy [Ministry of Economic Development, Trade and Agriculture of Ukraine]. URL: <https://www.me.gov.ua/?lang=uk-UA>
7. Derzhpidtrymka APK – prohramy na 2021 rik: tvarynnytstvo, kompensatsiia prydbannia s/h tekhniki, kredyty, fermery, kooperatyvy, posukha, zroshennia, orhanichna produktsiia, kartopliarstvo [State support of agro-industrial complex – programs for 2021: animal husbandry, compensation for the purchase of agricultural machinery, loans, farmers, cooperatives, drought, irrigation, organic products, potato growing]. Retrieved from <https://agropolit.com/spetsproekty/854-derjpidtrimka-apk--programi-na-2021-rik-tvarinnitstvo-kompensatsiya-pridbannya-s-g-tehniki-krediti-fermeri-kooperativi-posuha-zroshennya-organichna-produktsiya-kartoplyarstvo> [in Ukrainian]
8. Chkan I.O. (2020). Inozemni investytsii v ahraryi sektor Ukrainy: stan ta aspekty rozvytku [Foreign investment in the agricultural sector of Ukraine: status and aspects of development]. Retrieved from <http://elar.tsatu.edu.ua/bitstream/123456789/10780/1/6.pdf> [in Ukrainian]
9. Khvorostiany V. (2021). Vartist 1 ha silskohospodarskoi zemli pislia vidkryttia rynku – prohnozy [The cost of 1 hectare of agricultural land after the opening of the market – forecasts]. Retrieved from <https://agropolit.com/spetsproekty/867-vartist-1-ga-silskogospodarskoyi-zemli-pislya-vidkryttia-rynku--prognozi> [in Ukrainian]
10. Odyn z naibilshykh investfondiv svitu zatsikavyvsia ahrosektorom Ukrainy (2021) [One of the largest investment funds in the world is interested in the agricultural sector of Ukraine]. Retrieved from <https://agroportal.ua/ua/news/ukraina/odin-iz-krupneishikh-investfondov-mira-zainteresovalsya-agrosektorom-ukrainy/> [in Ukrainian]
11. Pitsan S., Liashenko O. (2021). Na Khersonshchyny i dali hynut ptakhy. Yak mozhna vyrishyty problem [Birds continue to die in the Kherson region. How to solve the problem]. Retrieved from <https://suspilne.media/120178-nahersonsini-i-dali-ginut-ptahi-ci-mozna-svidko-virysiti-problemu/> [in Ukrainian]
12. Torik v ahropromyslovykh sektorakh vidbulasia investytsiina kryza, spivstavna iz 2009 rokom – ekspert [Last year, there was an investment crisis in the agro-industrial sectors, comparable to 2009 – expert]. Retrieved from <https://agropolit.com/news/20045-torik-v-agrosektori-vidbulasya-investitsiyna-kriza-spivstavna-iz-2009-rokom--ekspert> [in Ukrainian]