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PECULIARITIES OF INVESTMENT SUPPORT OF DEVELOPMENT OF CROP SECTOR IN AGRICULTURAL ENTERPRISES

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ОСОБЛИВОСТІ ІНВЕСТИЦІЙНОГО ЗАБЕЗПЕЧЕННЯ РОЗВИТКУ РОСЛИННИЦТВА В СІЛЬСЬКОГОСПОДАРСЬКИХ ПІДПРИЄМСТВАХ

Purpose of the article is to study of theoretical bases and development of basic measures to improve the investment process in agricultural enterprises. During the research used methods: dialectical, synergistic, systems analysis and comparison method, tabular visualization techniques of statistical data. As a novelty items proposed measures to improve the investment process in agricultural enterprises that produce crop production, taking into account current economic conditions. The necessity to manage the process of investment activity in agrarian formations that produce crop production was theoretically explained. The reasons that hampering the development investment in agricultural enterprises were identified. Measures of investment activities in the fields of crop sector of agricultural enterprises were offered. According to results of research substantiated the conclusion that attracting of investment in agricultural production ensures its sustainability and improve its effectiveness. Therefore, increasing the volume and improving the structure of investment in fixed assets has become a crucial task both micro and macro level.

Стаття присвячена дослідженню теоретичних основ і розробці системи основних заходів щодо поліпшення інвестиційного процесу в сільськогосподарських підприємствах. У процесі дослідження використані методи: діалектичний, синергетичний, системного аналізу також метод порівняння, табличні прийоми візуалізації статистичних даних. Як елементи новизни запропоновано заходи щодо покращення інвестиційного процесу в сільськогосподарських підприємствах, які займаються виробництвом рослинницької продукції, що враховують сучасні умови господарювання. Теоретично обґрунтовано необхідність управління процесом інвестиційної діяльності в аграрних формуваннях, які займаються виробництвом рослинницької продукції. Визначено причини, які гальмують розвиток інвестиційної діяльності в сільськогосподарських підприємствах. Запропоновано заходи щодо розвитку інвестиційної діяльності в рослинницьких галузях аграрних формувань. За результатами дослідження обґрунтовано висновок, що залучення інвестицій в сільськогосподарське виробництво забезпечує його сталий розвиток та сприяє підвищенню його ефективності. Тому підвищення обсягів і покращення структури інвестицій в основний капітал має стати вирішальним завданням як на мікро- так і на макрорівні.

Keywords: *investment, real investment, capital investment, innovation, development, agricultural enterprise.*

Ключові слова: *інвестиції, реальні інвестиції, інвестиції в основний капітал, інновації, розвиток, сільськогосподарське підприємство.*

Introduction. Agriculture is undoubtedly a priority economy industry of Ukraine, which provides population with qualitative production, improves its material welfare, increases food and economic security of the state as well as its export potential. In addition, many investors put up their money in agribusiness in connection with insufficient amount of food. Domestic agriculture has considerable agrifood potential and is attractive for financial resources investment. It is noticed that due to a number of objective reasons, foreign investors are in increasing frequency interested namely in the crop production industry. First of all, the reason for this is a large part of the world's chernozem (black soil) that is located on the territory of Ukraine (more than 20% of arable land of Europe). A favourable geographical location of Ukraine also allows to minimize agricultural production transport costs, and a favorable climate contributes to obtaining high yields from most of the crops. That is why theoretical and practical aspects of the investment support of the crop production are extremely topical in the current economic conditions.

Analysis of the recent research and publications. The problem of the investment support of agricultural enterprises development has always been in the centre of attraction of the leading domestic and foreign experts, in particular, such as I. Blank (2001), L.Chernenko (2011), M. Kisił (2015), L. Kucher (2014), Vatska M. (2010), N. Voitovych (2014), O. Shpykulyak (2011). However, a number of questions regarding investment support of the crop production in agrarian enterprises sophisticate an in-depth research.

The objective of the article is the analysis of investment support of the crop production development at agricultural enterprises and identification of the main proper directions of its efficiency use.

Statement of the main results of the research. In modern conditions of management a major factor of the agricultural production growth is its investment support. Now, unfortunately, agricultural production is characterized by a still insufficient amount of investment resources through deep economic and political crises that lead to the crop production reduction, the cessation of the material and technical base renewal of agrarian formations, the reduction of the innovative technology use. The given factors slow down the development both of agricultural enterprises in general and the agrarian formations that specialize in the crop production, as far as this process must occur primarily through accelerated application of new technologies into the production and food processing (Savina, 2014; Shpykulyak, 2011). Researches have also shown that the efficiency of investment resources attraction in the agricultural sector of Ukraine's economy is very low. The value of government costs associated with the implementation and use of various mechanism tools, reaches more than 10 billion UAH annually, and the volume of investment resources involved in agricultural production, does not meet even their minimum needs. So, in 2014, business entities invested 18,9 billion UAH of investments in fixed capital, that is 44.4% less than in 2011 at the expense of all financing sources into agriculture, hunting, and forestry (Table 1). The share of investment in these indicated types of economic activity is 8% of the national investment volume into fixed assets.

Table 1.
The volume of capital investments in agriculture, million UAN

Показники	Years					2014 to 2010, %
	2010	2011	2012	2013	2014	
Total	180575,5	241286,0	273256	249873,4	219419,9	in 5,1 times
Agriculture	11062,6	16466,0	18883,7	18587,4	18795,7	in 2,7 times
The share of agriculture, %	6,0	6,4	6,5	7,0	8,6	x
Production of food products beverages and tobacco	8665	12255	13558	15275	15347	in 2,4 times
The share of food industry, %	4,6	4,7	4,6	5,7	7,0	x

Source: State Statistics Committee of Ukraine

In particular, the most attractive investment implementation direction remains crop production, which spent more than 5,3% of the total capital investment that is 4671,9 million UAH in current prices. The modernization of the industry significantly lacks given costs. Because, according to the scientific researches, the modernization of the agricultural sector requires investments of about 7-10 thousand UAN/ha. Taking into account the amount of agricultural soil in Ukraine, that is about 18 million hectares, we receive investment capacity only in crop production of about 150 billion UAH.

In 2014, grain and oilseeds production remained one of the most investment attractive directions of the activity, which was due to a number of factors. Firstly, it is relatively acceptable level of profitability that is on average, more than 25% depending on the culture, weather conditions, technological level of the enterprises. Secondly, it is the low level of investment. At the beginning of the activity, it is enough to invest into the industry on average from 1 to 2 thousand dollars USA per 1 ha. An average investment payback period is 2-4 years. Thirdly, a lower level of price volatility compared with other types of agricultural production and food. It depends on a stable demand for grain and oilseeds on the external and internal markets.

At the same time, farmers allocate risks that discourage investment into the cultivation of crops. The most common risks faced by investors are production related to the quality and quantity of production due to bad weather conditions (drought, frost, floods); susceptibility of plants to disease, a significant gap between the investment term investment resources and income. In addition, the location of many agricultural units within a few villages limits the possibility of attracting highly skilled workers, limiting the expansion of the production or development of certain sectors of crop. Important when deciding on investment is the investment price fluctuations in material resources, which in turn increases the production cost of crop production and reduce the yield investors.

Taking into account the existing risks of investment into the industry, technical condition of agricultural enterprises does not meet the needs of production. Machinery and tractor fleet are morally and technically obsolete and is provided only at the level of 60-65% to the technological needs. Operation of a worn-out equipment leads to frequent idle standing on account of repairs and setups. Consequently, seasonal field work time of performance is delayed, the technological requirements of crop cultivation are violated, which negatively affects on yield quality and increases its losses.

According to the information of the Engineering and Technical Support and Agricultural Engineering Department of Ministry of Agrarian Policy of Ukraine, minimum science-based annual updating of machinery and tractor fleet to technological needs are estimated at 35 billion UAH, including about 40 thousand tractors (15 billion UAH) and almost 7 thousand combine harvesters (10,5 billion UAH).

Under the consideration of possible options of investment farmers pay attention to a large company that will be able to increase henceforth the capacity of their own enterprises. In addition, an important factor is the availability of own facilities for product storage and processing. This significantly reduces the risks that may arise from price fluctuations, and increases the profitability of a such performance.

The essential components of a mechanism of attracting investment resources in the agricultural sector of the economy are financial and credit, fiscal and special methods and tools, regulatory and legal as well as organizational information provision.

The choice of methods and tools of the mechanism is predetermined by the direct or indirect regulation of macro - and microenvironment of functioning of the agribusiness participants and, in particular, agricultural commodity producers. They have a stimulatory or protective character and aimed at the investment attractiveness of the agrosphere improvement, that must eventually provide the income of the necessary investment resources volume and structure for the industry. Achieving this goal is provided by an effective management of investment resources attraction mechanism (figure 1).

Compensation and mortgage lending takes a special place among financial and credit methods of investment resources attraction. In particular, it relates to such a tool as a partial compensation of bank loans rates granted to farmers. As a result of its action access to short term credit resources has significantly improved and new positive tendencies have appeared in this sphere. At the same time, such important problems as the high cost of loans and a miserable share of long-term loans, remained unsolved. This situation is primarily due to the high degree of risk and lack of adequate collateral the farmers experience.

Other important mechanism tools for attracting investment resources that require priority are forwards, futures, options and leasing. The practice of using these tools in Ukraine is insignificant and, as conducted researches by us show, has more disadvantages than advantages. Regulatory and legislative support is a common obstacle to their successful implementation that requires revision and improvement. In addition, leasing schemes often fails because of non-payment of farmers and the lack of budgetary support, while exchange-traded tools because of the slowness in creating own stock management.

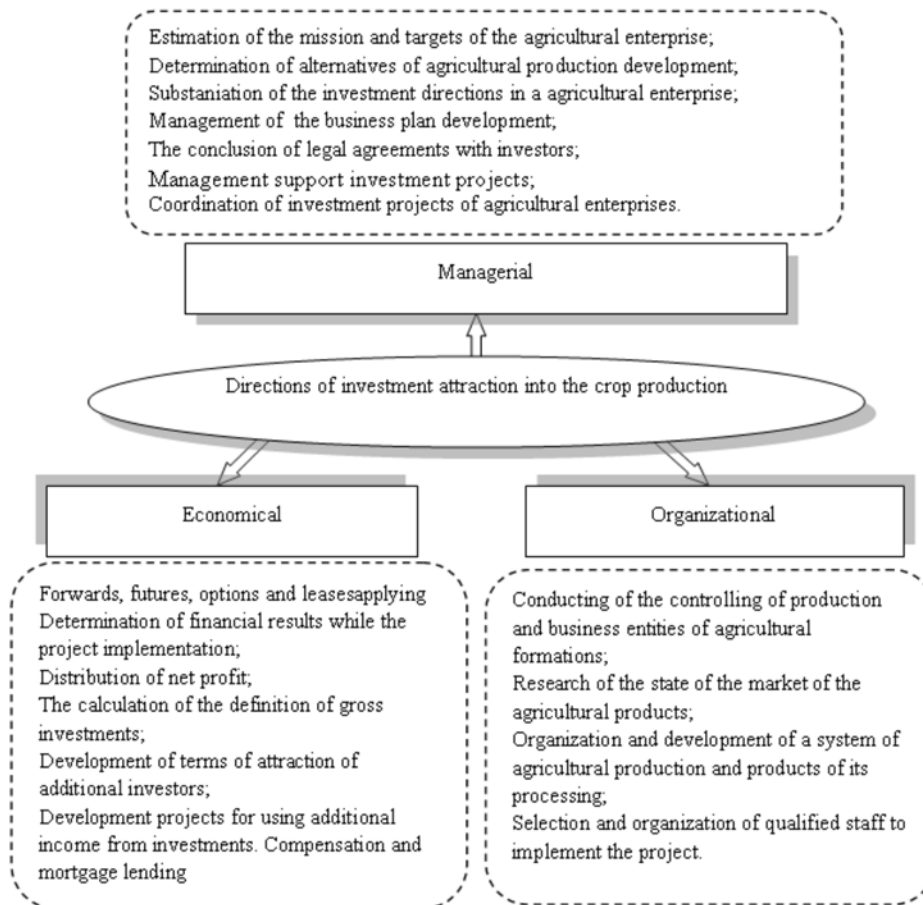


Figure 1. System of the major activities regarding enhancement of the investment process at agricultural enterprises developed by authors

The basis for the functioning of the investment resources attraction mechanism is its regulatory and legislative support. Analysis of national legislation in recent years has revealed a number of problems and shortcomings in this area. Defects and untimely application are considered to be main negative aspects of the legal regulation methods of investment activity regulation of agricultural producers, consequently numerous examples of inconsistencies and contradictions between different regulatory and legal acts that often results in open breach of constitutional norms. These shortcomings entail the instability and uncertainty of the environment of functioning of the agricultural market subjects and, thus, worsen the investment climate of the industry.

Organizational and information support mechanism is equally important in creating a favorable investment climate. The conducted researches give reason to confirm that the modern system of education and transfer of information and knowledge, despite numerous scientific, educational and information institutions, does not meet the needs of agricultural producers and potential agricultural investors of agricultural industry. The following reasons should be identified among the ones for the present state of affairs: chronic underfunding of agricultural research, weak cooperation of agroproducers with research and academic institutions, the low level of investment management. These shortcomings are serious impediments of openness and transparency in the functioning of the agricultural market.

Based on the above material, we can draw the following **conclusions**: the efficiency of the national economy and the agricultural sector in particular depends on the availability of the necessary investment resources and their rational use. Today, however, the agricultural industry is experiencing an acute shortage of such resources due to poor investment climate. The solution to this problem is connected with development of an adequate attraction investment resources mechanism.

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Стаття надійшла до редакції 28.05.2016 р.