

INVESTMENT PROCESSES IN AGRICULTURE OF UKRAINE

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Abstract. *The article substantiates the areas of promoting the innovative solutions for bioprotection and biosafety in the agricultural sector of Ukraine as a condition for ensuring national food security and building the potential of agricultural exports.*

Keywords: *agricultural sector; novation; biotechnology; innovative activities.*

Domestic and foreign investment in agriculture has increased over the last decade, although the share of investment in the agricultural sector in total investment remains small. However, in the last two years, both domestic capital investment and its share of total investment in the economy have declined significantly. In 2019, the reduction was about 10%, and in 2020 - almost twice (54.6%) compared to the previous period. In 2020, investment activity decreased significantly compared to previous periods, but in the agricultural sector the reduction was the most significant.

The reasons for this decline were the deterioration of the financial condition of enterprises, the reduction of state support, the narrowing of investment opportunities, as well as the global economic crisis associated with the COVID-19 pandemic. In early 2020, agricultural producers lost a significant part of their income due to the deteriorating price situation on the world markets for agricultural raw materials and food.

Another reason for the decrease in investment is the postponement of some investors, especially small and medium-sized producers, of their projects due to uncertainty in the land market and the need to accumulate money to buy land pending the adoption of the law on agricultural land.

A study of a detailed breakdown of investment areas showed that the main direction of investment funds in the agricultural sector for many years is the cultivation of annual and biennial crops. In 2020, 77.9% of all capital investments in agriculture will be directed to this type of activity. This confirms the thesis that the main volume of investment is directed to the most profitable and export-oriented industry, whose products are competitive in domestic and foreign markets, as the cultivation of cereals and oilseeds. 1,6% was directed to the cultivation of perennial crops, and 17.4% to livestock. One of the factors of investment in animal husbandry was state support aimed at reimbursing the value of livestock facilities, while the main investment was directed to the development of poultry. It should be noted that in agriculture, investments in intangible assets, as in rights to commercial designations, industrial property, copyright and related rights, patents, licenses, concessions, etc., as well as in software and databases, or in other words, in own innovative developments are very insignificant and make only 1,9% of all investments [1].

By types of assets, the distribution of capital investments by agricultural producers is carried out mainly in the direction of purchasing machinery, equipment, inventory (50,2%, and in crop production – 56,2%), as well as construction of non-residential premises (16,7%, in crop production - 18,5%) and vehicles (13,1%). The share of investments in the acquisition of land in accordance with current legislation and for reclamation, drainage, irrigation and other works related to land improvement is very small and is about 0,3%. On the one hand, this is due to the lack of land sales (so the cost of land acquisition is insignificant), and on the other hand, it indicates the almost complete absence of land improvement works by enterprises.

In agriculture, there is a steady trend that the main source of investment financing is the own funds of enterprises, which account for more than 90%, bank loans and loans account for 8,5-8,7%, and state and local budgets together less than 0,5%. Thus, the level of investment depends primarily on the financial condition of the producer and his access to credit.

Access to finance remains limited, especially for small and medium-sized enterprises. Large loans, retailers and exporters are most likely to use bank credit as a mechanism for accessing finance, and most small businesses do not have access to finance and do not use available tools due to lack of collateral. Thus, the investment of small and medium-sized agricultural producers is severely limited due to less financial opportunities and lack of cheap loans. This indicates an unfair distribution of such resources.

The level of investment in the agricultural sector by region is very uneven and indicates the existing regional injustice in the distribution of investment. In absolute terms, most investments were made in the regions of central Ukraine, with the best lands and proximity to major cities (Kyiv, Vinnytsia, Poltava, Kirovohrad, Cherkasy regions). Instead, the least investment was made in agriculture in the Western (Prykarpattia, Volyn and Rivne regions) and Southern regions. The southern region is increasingly becoming an area of risky agriculture not only due to crop failure, insufficient moisture and, as a result, soil depletion, but also due to low levels of investment.

With regard to foreign investment in agriculture in Ukraine, it should be noted that it has certain features. Namely, although foreign direct investment comes from many countries around the world, the bulk of the income for many years falls on a small number of countries. This indicates a slight geographical diversification of foreign direct investment (FDI) exporting countries to Ukraine. In addition, FDI in Ukraine is formed by two groups of capital: those directly owned by foreign residents and those controlled by foreign companies of Ukrainian residents (ukrainian capital previously exported, usually to offshore jurisdiction), essentially of domestic origin.

Agribusiness giants from the EU and the US, as foreign residents, are increasing their investments in Ukraine's agriculture. Three US-based companies, the so-called ABCD, ADM, Bunge, and Cargill (excluding Dreyfus), have recently invested billions in Ukraine, including warehousing and sales of agricultural resources. In particular, Nestlé, Bunge and Cargill work in the sunflower seeds segment, Wimm-Bill-Dann (most of which is owned by PepsiCo) and Danone in the dairy segment [2].

Financial market participants also invest in Ukraine's agriculture. Three private equity funds, NCH Agribusiness Partners Fund I, NCH New Europe Property Fund II, and Sigma Bleyzer Southeast European Fund IV, have invested nearly 750 million US dollars in primary agriculture and manage approximately 550 000 hectares [2].

Examples of such investments are agricultural land transactions conducted under the direction of foreign institutions that have invested in agricultural land in Ukraine. Thus, in 2010, Morgan Stanley (USA) transferred Finch Investments (UK) to manage about 40 thousand hectares without disclosing the terms of the agreement, similarly in 2012 Finch Investments / Talis Capital (UK) transferred 22000 hectares to Kernel. In total, by 2013, about 2,1 billion US dollars had been made under the leadership of foreign companies. US investment in the share capital of Ukraine, mostly at the expense of private investment companies. These investments control about 950 thousand hectares of land in Ukraine [3].

In addition to large agribusiness TNCs, private investment funds also invest in Ukraine's agriculture. In particular, the activities of an international institution such as the European Bank for Reconstruction and Development (EBRD) show that it works most closely with large corporations [4].

Thus, in 2021, he provided a loan of 57 million US dollars to Kernel Group, the largest producer and exporter of sunflower oil in Ukraine and a major supplier of agricultural products from the Black Sea region to world markets.

In addition, the EBRD supports Astarta, one of Ukraine's largest vertically integrated agro-industrial holdings with an area of more than 230,000 hectares of agricultural land, by providing a two-year loan of 10 million US dollars. It should be noted that one of the motivations for such a loan was that the loan will allow the company to continue and increase prepayment to farmers, which is important to stimulate the growth of small farmers in Ukraine, but the loan was granted to large corporations.

In 2020, they also continued cooperation with the Agrofusion Group, which was granted a loan of 10 million euros. Agrofusion Group, the third largest tomato producer in Europe, exports more than 72 percent of its products to 45 countries, and the pandemic has affected its activities. EBRD financing will allow it to address issues such as delayed customer payments and higher operating costs. In 2017, the approved funding will also help the Group use its capacity built under a project between the EBRD and Agrofusion Group, in particular by financing the construction of a new tomato, greenhouse and energy efficiency plant. The group will also be able to continue working with local schools to recruit local talent and provide it with permanent employment contracts.

They also provided 7 million euros loan to the Ukrainian Grain Alliance Group, which cultivates more than 50000 hectares of land and is owned by Sweden's Claesson and Anderzen. This loan is intended to finance the expansion of the group's storage facilities in northern Ukraine and the purchase of agricultural machinery. The project is funded by a loan of 1,5 million euros from TaiwanICDF. Technical assistance in the implementation of this project is provided by the Government of Japan.

The EBRD has also been cooperating with the Nibulon Group, one of Ukraine's leading agro-industrial concerns, for many years. And in 2020, the group was granted a loan of up to 27 million US dollars to ensure sustainable trade, despite the effects of the coronavirus pandemic. Funding is aimed at meeting the need for working capital for the purchase, processing, storage, transportation and resale of agricultural products for export. Nibulon Group, one of the largest exporters of grain in Ukraine, is a long-time client of the EBRD. In 2018, the EBRD provided a 50 million US dollars loan to increase grain exports by improving logistics and related infrastructure.

In 2020-21, the EBRD has launched two Solidarity packages in response to the Covid-19 crisis and now expects to invest up to 21 billion euros in business to overcome the economic consequences of the crisis.

The Bank is the largest international financial investor in Ukraine. So far, the EBRD has committed a total of almost 15 billion euros to 466 projects in the country. However, according to a study of the bank's main investment areas, the EBRD, despite positioning itself as a lender to support small farmers, in Ukraine shows that it works most closely with large corporations.

Thus, the predominant focus on grain and oilseeds and the lack of investment in land improvement can be interpreted as a lack of equity in land use and increased restrictions on farmers' access to land of good quality. Uneven distribution of investments by region and limited access of small farmers to financial resources are evidence of unfair distribution of investments.

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