

PROSPECTS OF INVESTMENT STRATEGY IN AGRICULTURE

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Abstract

The article gives the analysis of investments processes in the agricultural sector. Necessity of investment strategy development taking into account modern political and economic factors is determined. Nowadays the theoretical study of the investment process at the micro and macro levels is relevant. Investing in agricultural sector in Ukraine has its own guidelines and priorities for attracting investment. Ukrainian agricultural sector does not have a high enough investment rating, which determines its investment attractiveness and depends on the political situation, efficiency and adequacy of legislation, economic policy, infrastructure development, foreign direct investment and a number of other factors. The functions of investment policy formation and the system of attractiveness criteria is provided only by the state, and this requires the formation of the investment strategy. Therefore, the process of attracting foreign investment is important for agricultural sector in our country, as their volume is one of the indicators of the degree of integration of the country into the world community.

Keywords: investment strategy, agriculture, attracting, development, income, capital,

structure, foreign investments

Introduction

Successful development of the agricultural sector requires new approaches to develop effective management instruments of investment processes. Currently, own, attracted and credit investment sources of agricultural enterprises are insufficient to meet their investment needs. Foreign investment in the agricultural sector of the economy come to a limited extent, and their share in total investment is small. Therefore, agricultural sector needs the effective investment strategy to provide the food safety of the country in modern conditions.

Results

The results of investments amoun analysis in the agricultural sector of Ukraine in 2020 in comparison to 2019 year indicate the presence of certain reducing trends. The growth of investments during 2016-2018 demonstrate positive trend. However, the growth rate of capital investment in agriculture decreased in 2019 compared to the previous year, and therefore additional measures are needed to intensify investment processes in the industry. Thus, in 2018, UAH 65.1 billion of capital investments were directed to the agricultural sector, and in 2019 this figure was about UAH 58.6 billion, or 10 % less (Table 1).

Table 1. Amount of investments in the agriculture

Indicator	Year				
	2016	2017	2018	2019	2020
Amount of investments in the agriculture, billion UAH	49.7	63.4	65. 1	58.6	50.2
To previous year, %	169	128	102.7	90	85.7
Net profit, billion UAH	89.81	68.28	70.5	90.27	80.1

However, in 2020 year, 82.6% of enterprises in the industry received 107.9 billion UAH of net profit, while only 17.4% of enterprises ended the year with losses of 26.8 billion UAH. These are the best indicators among all economic activities 71.0% of profitable and 29.0% of unprofitable enterprises. According to the results of 2020, the profits of agricultural enterprises decreased by almost UAH 10 billion while maintaining the highest share of profitable enterprises.

The predominant share of disbursed investments is the cost of capital construction and purchase of machinery and equipment, of which more than 2/3 of capital investment is directed to the purchase of agricultural machinery.

The main source of investment in the agricultural sector are the own funds of enterprises. Almost 70% of investments in agriculture are formed at the expense of own funds of domestic producers and it is expected that this share will remain in the future. The reduction in net income in the industry in recent year limits the ability to increase the own funds of enterprises for capital investment. Amount of own funds of enterprises and organizations reduced by 38.6 % in 2020 compare to 2019 year, their part in the structure of investments declined to 65.1 % in comparison with 90.7 in 2019 year (table 2).

Table 2. Structure of investments in the agriculture by sources of financing, UAH million

Source of investments	Year			2020 to 2019, %
	2018	2019	2020	
State budget funds	67.9	184.1	31.98	-88.7
Funds from local budgets	48.59	80.2	2.19	-97.3
Own funds of enterprises and organizations	56438.3	53233.11	32694.78	-38.6
Credit funds and other position	8377.43	5022.08	3138.91	-37.5

At the same time, the share of long-term loans in the structure of investment financing sources

is declining. If in 2018 the share of the credit funds in the structure of fixed capital investments was 12. 9%, in 2019 – 8.6 %, and in 2020 – 6, 3 % (fig.1).

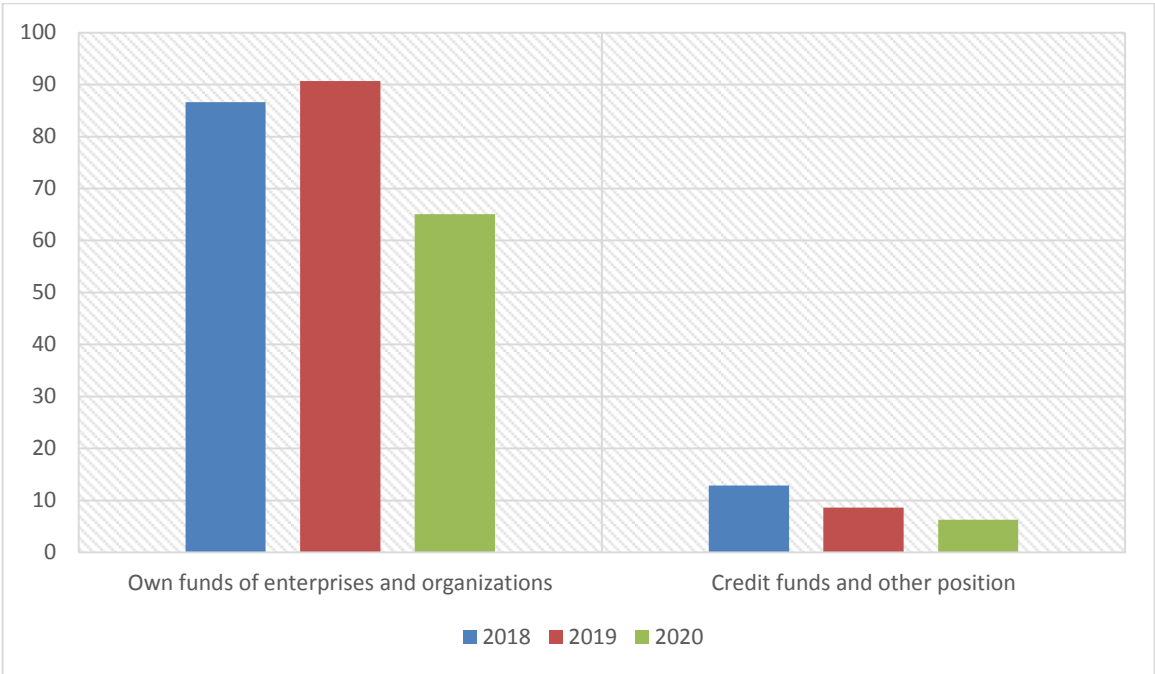


Fig.1. Own funds of enterprises and organizations, and credit funds in the structure of investments during 2018-2020 years, %

The volume of financing of agriculture at the expense of the state budget also decreased sharply – from UAH 67.9 million in 2018 to UAH 31.98 million in 2020. At the same time, there is a positive trend in the growth of foreign direct investment in the industry. In 2019, the volume of foreign capital in agriculture increased by 89,6 million dollars USA and at the end of the year amounted to 539, 3 million dollars USA. In recent years, the share of foreign investors in the structure of investment sources has remained virtually unchanged and ranges from 4-5% of total investment in agriculture.

In the conditions of slowdown in the growth rate of foreign direct investment, enterprises took measures to attract investment resources on foreign stock markets through Eurobonds and loans. Thus, only such Ukrainian companies as Mriya Agroholding, Ukrlandfarming and Myronivsky Khliboproduct raised investments by listing Eurobonds on the Irish Stock Exchange USA. An important condition for intensifying the processes of attraction of investment resources on world stock exchanges is the construction of transparent financial statements of the company, significant improvement of the investment management system, organizational and investment management of companies.

Ukrainian agricultural enterprises have achieved some success in attracting foreign credit resources for the supply of products and the implementation of interrelated investment projects. In particular, the State Food and Grain Corporation of Ukraine in 2012 attracted \$ 1.5 billion from the Eximbank of China. The United States for the supply of agricultural products, and in 2013 prepared proposals and has already reached part of the agreements on the implementation of other investment projects of similar size.

However, in general in the agricultural sector of Ukraine it can be concluded that most agricultural enterprises have failed to form an effective reproductive structure of capital investment. Thus, the ratio of costs for simple and extended reproduction of fixed capital in 2018 was 48 and 52%, while the optimal should be considered 1/2.

The process of improvement the investment climate and increasing investment is constrained by a number of factors, the most important of which are:

- Inconsistent and imperfect state investment policy in the agricultural sector, which is dominated by the principles of residual budget allocations for agriculture;
- Imperfect mechanisms and schemes of their use; underdeveloped innovation infrastructure, excessive wear and lack of conditions not only for expanded but also simple reproduction of fixed assets;
- Unfavorable conditions for the development of small business in rural areas; low liquidity of investments;
- Imperfect mechanism of economic relations between industries, which leads to low return on capital and insufficient investment attractiveness of the agricultural sector.

The low level of return on capital of agricultural enterprises hinders their investment activities. High transaction costs and monopoly of intermediaries in the markets of agricultural products and investment resources do not allow to form sufficient own sources for the development of material and technical base of agriculture and ensure its expanded reproduction. Achieving positive changes in investment largely depends on the use of local opportunities. However, investment opportunities in most regions and territories are limited. Therefore, the problem of investment management in the agricultural sector is large-scale, its solution is of national importance and requires the consolidation of efforts of all agricultural producers, society, public authorities and economic management.

The most attractive for investment remains the crop sector, the development of which is directed annually about 70% of capital investment. Investors invest their own, credit and attracted funds primarily in the production of such highly profitable products as grain, rapeseed and sunflower. Only 25% of total investments were received in animal husbandry, most of which is directed primarily to the development of poultry and pig breeding.

The problem of investment support of small and medium agrarian enterprises remains acute, which significantly hinders its development. The volume of investments of farms is only about 1.5 thousand UAH per farm. In the conditions of extremely low level of investment provision, limited access to credit resources, imperfect mechanism of state support and its insufficient volumes, further development of farms is complicated. Therefore, it is necessary to ensure the functioning of an effective system of state support for this form of management as an important component of rural and rural development.

At the same time, investment processes in the agricultural sector are characterized by a sharp differentiation of capital investment per unit of land area by region, due to their significant differences in levels of economic development, sectoral structure, existing potential, infrastructure, market capacity, solvency and other.

Regional disparities in the processes of attracting foreign capital are also growing. The difference in the amount of foreign direct investment per 1 hectare of agricultural land between the regions is almost 600 times. The most attractive for both domestic and foreign investors is the agricultural sector of Ivano-Frankivsk region, where investments per 1 hectare of agricultural land are the largest (about 2.8 thousand UAH). More than 80% of foreign direct investment is directed to livestock, in particular, pork production. The agricultural sector of Khmelnytsky, Ternopil, Rivne and Kyiv oblasts also has a high level of attractiveness. More than half of the total investment from all sources of funding in these regions is also directed to the development of livestock industries. The smallest are the volumes of investments in agriculture of Odesa, Mykolaiv and Zaporizhia oblasts.

In order to eliminate disparities in the levels of investment in the agricultural sector of the regions, it is necessary to strengthen measures to effectively use the existing competitive advantages in each region, organizational support for investors and remove obstacles to this activity in the regions. At the same time, stimulating the investment process is one of the

effective means to overcome imbalances, equalize the indicators of economic and social development of the regions, as well as increase employment.

Following factors will constrain investment activity in the agricultural sector:

- Insufficient level of investment attractiveness of agriculture due to the loss of certain types of products;
- Possible reduction of world food prices and the corresponding reaction of the domestic market;
- Reduction of lending to agriculture and high level of lending rates of commercial banks;
- Deterioration of the conditions for conducting agribusiness by small and medium-sized enterprises, due to their displacement from domestic food markets, losses from competition with large enterprises and importers, limited investment;
- Reduction of state support for agricultural producers.

Given the expected results of investing in agricultural production in the coming years, measures should be intensified to intensify the investment activities of domestic producers, increase the efficiency of investment management and attract external investment resources.

The purpose of the strategy is to ensure stable and efficient functioning of the agricultural sector, focused on meeting domestic and export needs of agriculture and agricultural products in the forecast period, social revival of the village, overcoming poverty of most peasants and other inhabitants, gradual approximation of their living conditions and work to the level of economically developed countries. Ensuring the achievement of the goal will promote the development of agrarian sector and successful implementation of its priorities requires a radical increase in agricultural and other spheres of state and non-state investment resources, increase social, economic and environmental efficiency of their use property and management, as well as attracting the investment from other sectors and sectors of the economy in the agrarian and industrial complex, primarily in the agricultural sector.

Taking into account the multifaceted nature of the enterprise, it should be noted the need for a list of interrelated strategies, which are the so-called «strategic choice». Strategic choice is a system of different types of strategies developed by the company for a certain period of time. The specifics of the functioning and development of the enterprise, as well as the level of its claim to a place and role in the external environment.

The study showed that the requirements for the strategy should be as follows:

- Focus on achieving real interrelated goals;
- Clarity of content and understanding of the need to apply a certain set (system) of strategies;
- Hierarchical nature, as it is possible to distinguish the general strategy, product and product strategies of individual units, basic and supporting strategies (resource and functional) for each of the scalar chains;
- Reliability, which implies its comprehensive validity, weight;
- Reflection of economic processes in their totality and interrelation;
- Flexibility and dynamism of the strategic set, ie taking into account changes in the external and internal environment that occur in changes in priorities and content, as well as, if necessary, the transition to backup strategies.

Strategic choice is not a demonstration of general intentions, but an emphasis on the distinctive characteristics and features of individual enterprises. This is explained by the conditions of functioning of each of the enterprises: the peculiarities of adaptation of the internal environment to the requirements of the external environment, as well as the degree of activity of management's influence on the formation of the organization's environment in general. A well-formed strategic choice is one that reflects the achieved level of development, features and conditions of its further movement, in accordance with the chosen strategies. A sound strategic choice is one that is right for the company and can be achieved with the available capacity and some effort to transform it to ensure a competitive level in the long run.

The strategy is related to planning as a management function. Strategic planning is a managerial process of creating and maintaining a strategic relationship between the goals of the firm, its potential and opportunities in the field of marketing. It is presented in the form of a plan of the enterprise, which reflects all the elements of marketing, financial resources and production capabilities. In a market economy, the importance of planning is growing at all levels of government, as it is related to the effectiveness of any investment object. For the investor, the profit and social effect are the ultimate indicators of the effectiveness of the strategy chosen by him. Planning or forecasting is important in determining the strategy for attracting foreign investment. As a function, planning finds its expression in the acts of state bodies, which reflect the quantitative and qualitative planning indicators of economic processes for a certain period.

The strategic planning process is important in the strategic management system. Most western and eastern firms use strategic planning to change themselves, to get out of hopeless situations that have developed outside and inside the company. The main prerequisites for the transition to strategic planning are: the need to respond to changes in business conditions, the need to combine different activities of the enterprise and the conditions of decentralization and diversification (especially conglomerate), the presence of clear competitive advantages and the need to support them having them) or creating them (for outsiders); strengthening of competition, internationalization of business, development of relations with enterprises that use the system of strategic planning; availability of highly qualified managers capable of solving complex issues using a strategic management system; development of theory and practice of strategic planning, which help to move from the method of «trial and error» to scientific methods of predicting and preparing the future and the future; availability of available information (global information networks) to study the strengths and weaknesses of the enterprise, the external environment and conditions of competition, strengthening innovation processes, generation and rapid development of new ideas, the need to implement a high culture of resistance management changes and stimulating the development of the enterprise.

The time characteristics of strategic planning depends on the specifics of the enterprise, its industry affiliation, the level of uncertainty and dynamism of the environment. Thus, at the enterprises of different branches the replacement of technological processes and renewal of products are carried out at different intervals; they are usually taken into account when determining the periods for which strategic plans are developed.

Increasing the «time horizon» does not increase the effectiveness of plans. One of the factors (especially for small enterprises) to improve the quality of plans is to increase the frequency of planning (due to correction), improve the content, which has a more significant impact than an extended period. The need to determine the period of strategic planning, adjustment or revision of strategies depends on the specific conditions; they also determine the level of detail of strategic plans.

The main advantages of strategic planning are: connection of current decisions with future results, organized comprehension of decisions (contrary to spontaneous acceptance) with forecasting of their consequences; focus on finding alternatives to achieve goals, ie acceptable

goals within the defined goals and existing constraints; identification of opportunities and threats, strengths and weaknesses of the enterprise, taking them into account when setting goals and formulating strategies to ensure the impact on these aspects today; conscious preparation for the future and for the future; division of responsibilities not only between activities, but also between current and future activities.

The main shortcomings of the practical application of the strategic planning system, in our opinion, are: lack of necessary information for strategic decision-making and development of strategic plans; as a result, there is a low level of validity of planning documents; lack of alternative plans; insufficient use of scientific and methodological arsenal of planning: scenarios and methods of situational planning; poorly developed system of current analysis, control and adjustment of strategic plans, dogmatic hyperbolization of the value of digital indicators; imperfect system of incentives for employees involved in the development and implementation of strategic measures; insufficient level of organizational, socio-psychological and financial support of strategic planning.

For regional development is important to invest in priority facilities. The investment process allows making a profit by increasing the amount of capital and its quality use. Investment in the social sphere is due to the qualitative improvement of the organization of agricultural production, carried out on an innovative basis, which will stimulate the investment process in the agricultural sector.

Conclusions

Taking into account the results of investing in agricultural production in the coming years, measures should be intensified to intensify the investment activities of domestic producers, increase the efficiency of investment management and attract external investment resources. Improving the investment management of enterprises will provide their own sources of financing for investment in the agricultural sector. The investment management strategy is related to the implementation of the concept of investment policy, which is primarily due to the system of radicalization of economic decisions in the social sphere. Analysis of investments in the agriculture shows its dependence on many factors, such as reduced public funding and foreign

investment, industry risk, inflation, and logistics disruptions.

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