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# ANALYTICAL ASPECT OF THE INVESTMENT SUPPORT OF AGRICULTURE IN UKRAINE

Natalia Pravdiuk<sup>1</sup>

**Abstract.** In the article was analyzed the current state and outlines the trends in investment support for agriculture in Ukraine, highlights the problematic aspects of investment activity in the current economic realities, provides possible ways to minimize the impact of existing problems, and determines the prospects for further attraction and use of investment resources by business entities. It has been established that domestic agriculture is a promising area of investment and requires an increase in production potential, given the aggravation of food security and the growing demand of the population for food. In particular, the conducted analytical studies indicate a trend towards a constant increase in the volume of funds invested in the development of agriculture, and the growth rate of capital investment in the domestic agricultural sector exceeded similar indicators in the construction and industry sectors. It has been determined that the lion's share of the investment support for agriculture was formed at the expense of the own funds of enterprises and organizations, credit funds and external sources of financing, and the level of attraction of budgetary resources to finance investment processes remained insignificant, which may indicate insufficient state support for agricultural producers. small business projects. It has been established that the growth in the volume of capital investment and foreign direct investment in agriculture occurred against the background of a significant increase in its contribution to the formation of the gross domestic product of Ukraine with a relatively small change in the gross value added generated by the agricultural sector. It is substantiated that the strategic direction of the development of agriculture should be to increase the degree of processing of raw materials, the production of products with high added value for the maximum realization of the export potential of Ukraine. To overcome the most important problems of agriculture in the conditions of the war and the post-war period, a number of measures are given, the implementation of which is possible if significant investment resources are attracted to the agricultural sector and coordinated interactions between state authorities, local self-government, representatives of agribusiness and society.

**Key words:** investment, capital investment, foreign direct investment, investment provision, investment activity, agriculture, agricultural production, gross domestic product, gross value added.

**JEL Classification:** E20, H54

## 1. Introduction

Agriculture of Ukraine occupies one of the key places in the structure of the national economy. In 2021, the share of agriculture in the GDP of our country was the highest among all sectors of the economy and amounted to more than 10.0%, while 41.0% of the total export of Ukraine accounted for agricultural products, and about 14.0% was employed in agriculture population. (Official website of the Ukrainian Agrarian Confederation, 2022)

High indicators of the production and economic activity of enterprises in the agrarian sector were ensured mainly due to favorable climatic conditions, powerful natural resource potential, cultivation of high-yielding varieties of agricultural crops and the use of advanced production technologies. At the same time, preserving and increasing the production potential of agricultural enterprises, increasing the competitiveness of agricultural products requires the involvement and use of significant

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investment resources. An adequate level of investment support for domestic agricultural enterprises is a necessary condition for their sustainable development, a key factor in the modernization and expanded reproduction of production and, ultimately, highly profitable and profitable economic activity.

In the conditions of full-scale Russian aggression against Ukraine, domestic agricultural enterprises faced new challenges and threats related to the occupation of large areas of agricultural land, the destruction or damage to the property and equipment of many agricultural producers, the shortage of agricultural workers, the disruption of logistics and the change in product sales markets, the increase in commodity prices-material values, a decrease in working capital, etc. However, despite functioning in extremely difficult conditions, enterprises demonstrate flexibility and efficiency, ensuring food security in the conditions of martial law. Today, the urgent task for Ukrainian agricultural producers is to attract investment resources, which will make it possible to restore the destroyed or damaged material and technical base, to increase the production potential and introduce progressive technologies for growing agricultural crops, etc.

Analysis of recent research and publications. Various aspects of the mechanism of formation and use of investment support for agriculture were and remain the subject of numerous studies by economists, in particular, such as: O. Bilotkach, G. Honcharuk, Yu. Dovgan, G. Kaletnik, M. Kodenska, N. Kozyar, T. Matsybora, V. Melnyk, S. Melnyk, I. Nazarenko, S. Tkachenko, A. Movchanyuk, G. Pavlova, O. Pohrishchuk, I. Svinous, E. Starychenko, G. Trofimova, I. Furman, and others. In particular, I. Nazarenko studies the theoretical and practical foundations of the formation of mechanisms for attracting financial resources to the domestic agrarian sector of the economy, identifies key problems and outlines prospective directions for improving investment support for the production of agricultural products, taking into account the spectrum of risks inherent in the modern investment environment of Ukraine. (Nazarenko, 2015) S. Melnyk, I. Svinous, I.I. Furman, G. Trofimova and E. Starychenko in their scientific work point out that the most important reasons for the

reduction in the amount of investment in the agriculture of Ukraine in recent years were unfavorable agrarian policy, reduction of budgetary support for agricultural producers, narrowing of opportunities for attracting investments and unacceptable investment risks for potential investors. (Melnyk, Svinous, Furman, Trofimova, Starychenko, 2021)

T. Matsybora summarizes the main problems of investment support for agricultural enterprises, which inhibit their development. Among such problems, the scientist refers to the violation of proportions in the structure of investments in fixed capital, the restriction of access to financial and credit instruments due to the high cost of loan resources, and significant regional disparities in the level of investment support. (Matsybora, 2019) S. Tkachenko refers to the factors that limit the investment attractiveness of the agricultural industry, including high indebtedness of enterprises, low innovative activity and the use of outdated technologies, inefficient organization and the use of ineffective approaches to the management of the activities of agricultural enterprises and the development of the industry as a whole. (Tkachenko, 2021) At the same time, G. Kaletnik and N. Kozyar point out, that the main obstacles to creating favorable conditions for attracting investments in agriculture are political instability, imperfect market infrastructure, an anti-competitive market environment, a burdensome procedure for distributing and receiving state support funds, incomplete land reform, unbalanced use of natural resources, climate change and extreme weather events (droughts, etc.). (Kaletnik, Kozyar, 2020)

The issue of carrying out structural reforms in agriculture and related investment processes to ensure a sustainable economic effect in the agricultural sector is investigated by A. Movchaniuk in his work. In particular, the scientist notes that investments in the agrarian sector should primarily be aimed at updating the organization of technological production processes, the introduction of science-based norms of economic activity, the systematization of the organizational and management system, resource-saving technologies, etc. (Movchaniuk, 2021) G. Kaletnik, G. Honcharuk and Y. Dovgan note the important role of energy-saving technologies and related bioenergy, which are

the key to reducing humanity's dependence on non-renewable energy sources and form the foundation of an innovative breakthrough in the economy. (Kaletnik, Honcharuk, Dovgan, 2017) V. Melnyk and O. Pohrishchuk claim that the main measures that will contribute to the effective implementation of the process of investing in domestic agricultural production are: guaranteeing the protection of the rights of investors and creditors; formation of innovative infrastructure; development of the market of leasing services; activation of information support for investment attraction; provision of appropriate conditions for the growth of the intellectual potential of the production sector, etc. (Melnyk, Pohrishchuk, 2018)

Thus, based on the analysis of research by economists, we note that the organizational, methodical and practical aspects of the formation of investment support for agriculture are covered in quite a wide and detailed manner in scientific publications. However, today the domestic agricultural industry is operating in war conditions, which requires the solution of priority tasks, including those related to the attraction of investments in agriculture for the formation of financial support for the restoration of the damaged and/or destroyed material and technical base, infrastructure of production, processing and storage of agricultural products, etc.

The purpose of the study is to conduct an analytical assessment of the current state and dynamics of investment provision of agriculture in Ukraine and to provide recommendations for the effective implementation of the investment process in the context of sustainable development of the industry.

## 2. Investment security

Agriculture is a promising direction of investment for any country, since the growth of the global population leads to an increase in the demand for food products, and this, in turn, requires increasing the production potential of enterprises in the agricultural sector. Modernization and expanded reproduction of agricultural production and infrastructure, introduction of advanced technologies, development of logistics cannot be implemented without attracting significant investment resources.

According to Art. 1 of the Law of Ukraine "On Investment Activities" under investments it is necessary to consider all types of property and intellectual values that are invested in objects of entrepreneurial and other types of activity, as a result of which profit (income) is created and/or social and environmental effects are achieved. At the same time, according to Art. 2 of the above-mentioned legal document, investment activity is a set of practical actions of citizens, legal entities and the state regarding the implementation of investments. (Law of Ukraine "On Investment Activities", 1991)

The analysis of scientific literature indicates the presence of different approaches of economists to the interpretation of the concept of "investment provision". Thus, S. Parakonnyi, L. Voyshvillo and I. Shpankovsky consider all types of property and intellectual values invested in entrepreneurial and other types of activity, as a result of which income is created or a social effect is achieved. (Parakonnyi, Voyshvillo, Shpankovsky, 2011) M. Kodenska, the composition of investment support includes organizational and economic conditions, means, measures and economic relations that appear in the process of the movement of value advanced to capital, with the aim of forming, accumulating and using investment resources for the development of agrarian and industrial production and man – the main productive power of society. (Kodenska, 2013) V. Melnyk and O. Pohrishchuk, among others, believe that investment support is the most important prerequisite for the effective functioning and development of the agricultural sector, as it contributes not only to increasing production volumes, but also to increasing the effectiveness of economic processes and strengthening the country's food security. (Melnyk, Pohrishchuk, 2018)

A more thorough definition, in our opinion, is given in the scientific work of O. Bilotkach and G. Pavlova. The authors note that the investment provision of agricultural enterprises must be understood as a set of various conditions, resources, economic mechanisms, levers and measures that ensure the given course of investment processes and in the long term lead to changes in the quantitative and structural characteristics of the enterprise, its transition to a new qualitative state and the ability to



counteract the negative impact of the external environment. (Bilotkach, Pavlova, 2017)

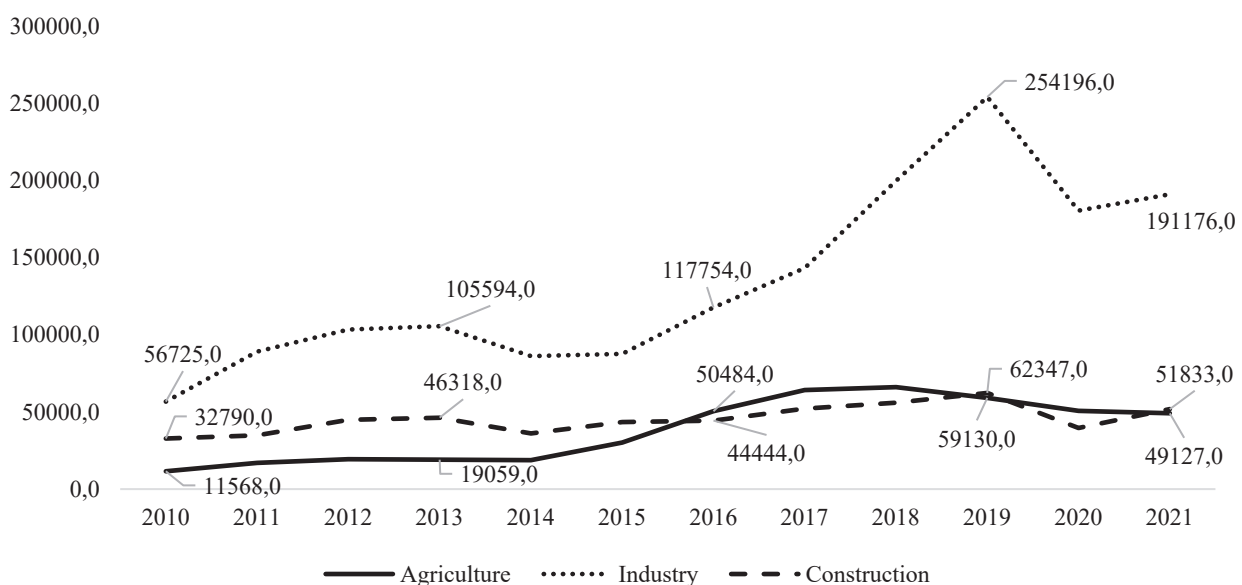
The main goal of investment support for agricultural enterprises is the creation of competitive investment objects on a new innovative and technological basis to ensure the development of the agricultural sector of the economy, strengthening of positions in the domestic market and entering the foreign market; development of social infrastructure of the village; implementation of ecological and food security of the state, etc. (Melnyk, Pohrishchuk, 2018)

Domestic agriculture is an important area of investment. Over the past 10 years, the amount of funds invested in the agriculture of Ukraine has increased almost five times – from UAH 11,568.0 million in 2010 to UAH 49,127.0 million in 2021. From Figure 1 shows that during 2010–2021, the volume of capital investments in agriculture was significantly lower than the funds invested in industry and construction. For example, in 2021, UAH 191,176.0 million of capital investments were invested in industry, which is UAH 142,049.0 million or 289.0% more compared to agriculture. At the same time, the growth rate of capital investments in agriculture exceeded similar indicators in construction and industry. So, if capital investments in industry for 2010–2021 increased by 3.4 times,

in construction – by 1.6 times, then in agriculture – by more than 4,2 times.

All types of economic activity showed a decrease in capital investments in 2020, which was a consequence of the spread of the coronavirus infection and the introduction of a number of restrictive measures. This led to a reduction in demand for products and services, an increase in the number of unprofitable businesses, and increased uncertainty about future earnings. However, as experience has shown, agriculture proved to be more resistant to the pandemic than industry, there was a calmer reaction to the demand for agricultural products than for industrial products, and the rate of decline in capital investment in agriculture was lower compared to other types of economic activity.

In the conditions of full-scale russian aggression against Ukraine, there is a decrease in the amount of capital investments in the agricultural sector due to the significant risks for investors associated with the occupation of large areas of agricultural land, the destruction or damage to the property and equipment of many agricultural producers, and the violation of logistical routes for the sale of products. However, we should note that, provided that the risks for investors caused by the war are significantly reduced or disappear, and the temporarily occupied territories are returned to Ukraine, the investment



**Figure 1. Dynamics of capital investments by main types of economic activity in 2010–2021, UAH million**

Source: created by the author based on data (Official website of the State Statistics Service of Ukraine, 2022)

processes in the agrarian sector will quickly intensify, and the agricultural sector will become one of the most attractive for investment in view of the need to ensure the global food supply security.

### 3. Structure of capital investments

The analysis of the structure of capital investments by types of agricultural activity in 2021 showed that the lion's share (80.0%) of investment resources was directed to the cultivation of annual and perennial crops, that is, those activities that are the most profitable and profitable in agricultural business. About 14.0% of the resources invested in agriculture are invested in the livestock industry in 2021, in the cultivation of perennial crops – 2.0%, mixed agriculture – 1.0%, auxiliary activities in agriculture and post-harvest activities – 3.0% (Figure 2).

The structure of capital investments in agriculture by expenditure direction in 2021 indicated that about 83.0% of investment resources were directed to the acquisition and creation of new assets, 8.0% to the

acquisition of assets that were in use, 7.0 % – for improvement, improvement, reconstruction and modernization of existing machinery, equipment and other non-current assets, 2.0% – for major repairs. The high specific weight of investments in the acquisition and creation of new assets in agriculture is a positive fact, which leads to an increase in the production capacity of enterprises, a decrease in the level of wear and tear of their fixed assets and a more rational use of available resources.

The study of the regional volume and structure of capital investments in 2021 showed that the leader among the regions of our country is the Kyiv region, in which 4,609.6 million hryvnias were invested in agriculture. In addition, significant capital investments were made in the agriculture of Poltava (3,175.9 million UAH), Vinnytsia (3,139.7 million UAH), and Chernihiv (3,081.6 million UAH) regions. The largest share of capital investments in agriculture in the total amount of investments in 2021 was observed in Kherson (39.3%), Sumy (37.0%), Chernihiv (36.8%), Luhansk (33.9%), Kirovohrad (33.1%) and Cherkasy (30.8%) regions (Figure 3).

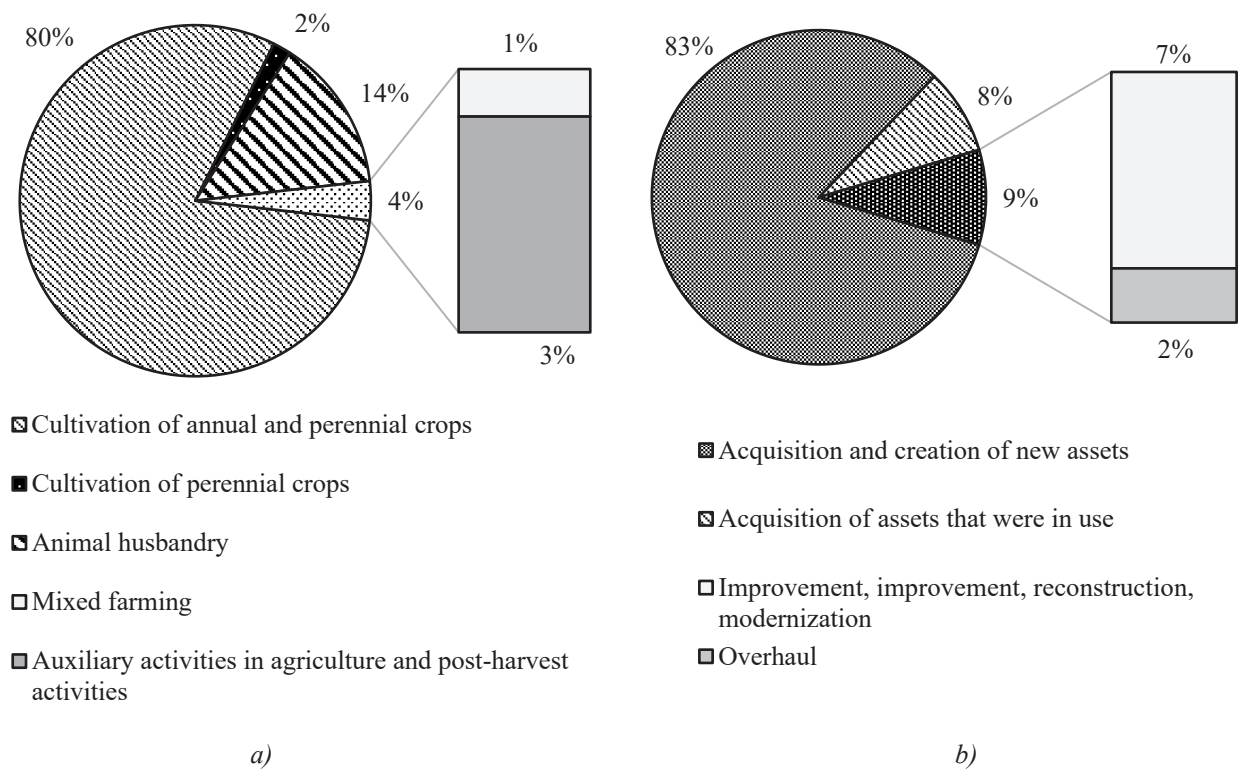
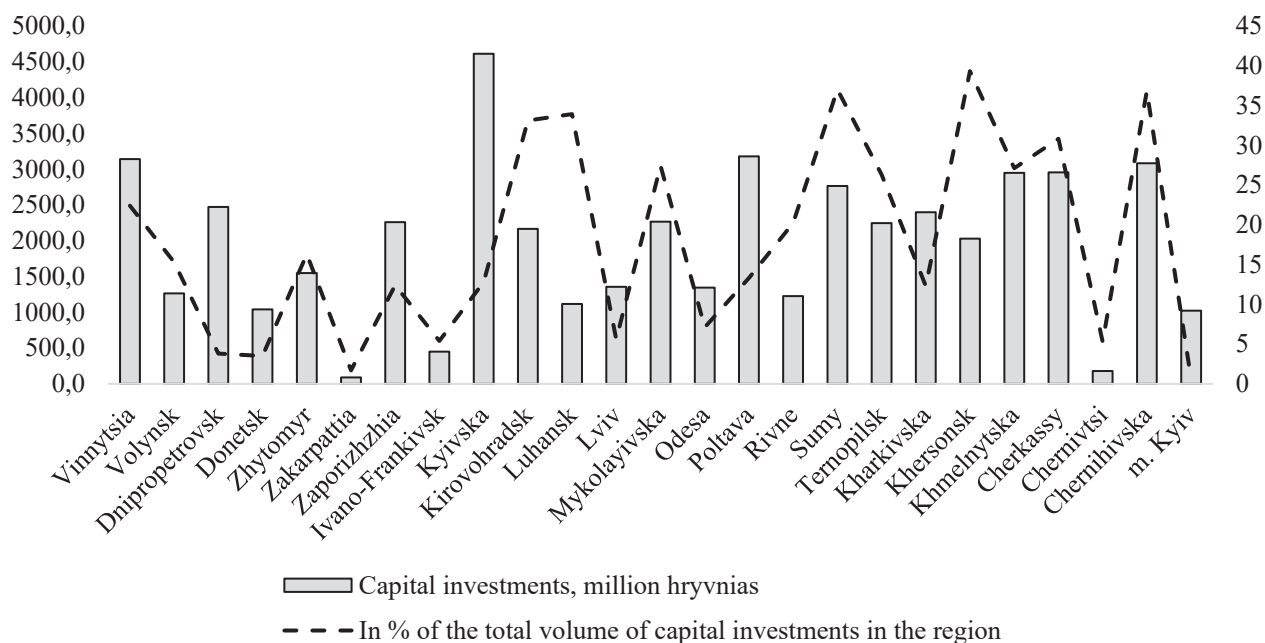


Figure 2. The structure of capital investments by types of agricultural activity (a) and areas of expenditure (b) in 2021

Source: created by the author based on data (Official website of the State Statistics Service of Ukraine, 2022)





**Figure 3. Regional volume and structure of capital investments in agriculture, 2021**

Source: created by the author based on data (Official website of the State Statistics Service of Ukraine, 2022)

According to official statistics, during 2019–2021, the main part of capital investments in the agriculture of Ukraine was carried out at the expense of the own funds of enterprises and organizations (90.6-90.8%) and at the expense of bank credits and other loans (8.5-8.8%). The specific weight of budget resources in the structure of capital investment

financing sources was rather insignificant. Thus, from the state and local budgets in 2019–2021, a total of 0.3 to 0.6% of capital investment in the agriculture of Ukraine was financed, at the expense of other sources – 0.1-0.4% (Table 1).

Budgetary support for the development of agriculture in general and attracting state resources to finance investments in particular

**Table 1**  
**Dynamics of capital investments by sources of financing in the agriculture of Ukraine for 2019–2021, million UAH**

Indicators	Years			Deviation of 2021 from			
	2019	2020	2021	2019		2020	
				Absolutely furious (+;-)	From-wearable (%)	Absolutely furious (+;-)	From-wearable (%)
The volume of capital investments, including due to:	59129.5	36442.1	49127.4	-10002.1	-16.9	12685.3	34.8
– funds from the state budget	252.3	103.7	96.8	-155.5	-61.6	-6.9	-6.7
specific weight, %	0.4	0.3	0.2	-0.2	-53.8	-0.1	-30.8
– funds from local budgets	105.9	31.1	67.5	-38.4	-36.3	36.4	117.0
specific weight, %	0.2	0.1	0.1	0.0	-23.3	0.1	61.0
– own funds of enterprises and organizations	53704.9	33033.9	44627.3	-9077.6	-16.9	11593.4	35.1
specific weight, %	90.8	90.6	90.8	0.0	0.0	0.2	0.2
–bank loans and other loans	5030.3	3138.9	4310.7	-719.6	-14.3	1171.8	37.3
specific weight, %	8.5	8.6	8.8	0.3	3.1	0.2	1.9
– other sources	36.1	134.5	25.1	-11.0	-30.5	-109.4	-81.3
specific weight, %	0.1	0.4	0.1	0.0	-16.3	-0.3	-86.2

Source: created by the author based on data(Official website of the State Statistics Service of Ukraine, 2022)

is carried out within the framework of the implementation of various programs and initiatives: providing grants for the creation of agribusiness, compensation of interest rates on loans, financial support for the crop and livestock industry, compensation for the cost of purchased agricultural machinery, etc. State support for the development of small agribusiness, which has a significant impact on the stabilization of the socio-economic situation in the regions and makes a significant contribution to the production of agricultural products, is especially relevant. At the same time, official data indicate that the level of attracting budgetary resources to finance capital investments in agriculture remained insignificant during 2019–2021.

The attraction of external investment resources is an important source of financing the development of the agricultural sector, the renewal and modernization of its material and technical base, the introduction of advanced technologies for growing agricultural crops.

According to the data of the National Bank of Ukraine (Official website of the National Bank of Ukraine, 2022), direct foreign investments in agriculture, forestry and fisheries of Ukraine during 2019–2021 increased by USD 1,038.0 million. USA or by 135.2%, reaching USD 1,806.0 million in 2021. USA. The specific weight of foreign direct investment in agriculture in the total amount of direct foreign investment in Ukraine was insignificant and amounted to 1.4-2.8% in 2019-2021 (Table 2).

These statistics show that the agricultural sector generated USD 21,532.0 million in 2021. USA or more than 10.0% of the GDP of Ukraine, which is the highest indicator among the sectors of the national economy. The gross added value of agriculture in 2021 amounted to 14,409.0 million dollars. of the USA, which is 12.7% more compared to 2019. It is worth noting that the growth of the contribution of agriculture to the formation of the main macroeconomic indicators occurred in parallel with the increase in the volume of capital

Table 2

**Dynamics and efficiency of investments in agriculture of Ukraine, 2019–2021**

Indicators	Years			Deviation of 2021 from			
	2019	2020	2021	2019		2020	
				Absolutely furious (+;-)	From-wearable (%)	Absolutely furious (+;-)	From-wearable (%)
Capital investments, million hryvnias	623979.0	419836.0	528802.0	-95177.0	-15.3	108966.0	26.0
Capital investments in agriculture, million hryvnias	59129.0	36442.0	49127.0	-10002.0	-16.9	12685.0	34.8
Specific weight of capital investments in agriculture, %	9.5	8.7	9.3	-0.2	-1.9	0.6	7.0
Capital investments in agriculture, million dollars. USA	2173.0	1410.0	1822.0	-351.0	-16.2	412.0	29.2
Direct foreign investments, million dollars. USA	54210.0	54000.0	64163.0	9953.0	18.4	10163.0	18.8
Direct foreign investments in agriculture, million dollars. USA	768.0	932.0	1806.0	1038.0	135.2	874.0	93.8
Specific weight of foreign investments in agriculture, %	1.4	1.7	2.8	1.4	99.3	1.1	63.4
Gross domestic product of agriculture, million dollars. USA	13117.0	15206.0	21532.0	8415.0	64.2	6326.0	41.6
Gross value added of agriculture, million dollars. USA	12782.0	13317.0	14409.0	1627.0	12.7	1092.0	8.2
Specific weight of capital agricultural investments in GDP, %	16.6	9.3	8.5	-8.1	-48.9	-0.8	-8.7
Specific weight of capital agricultural investments in GDP, %	17.0	10.6	12.6	-4.4	-25.6	2.1	19.5
Specific weight of foreign agricultural investments in GDP, %	5.9	6.1	8.4	2.5	43.2	2,3	36.9
Dollar exchange rate USA, hryvnias/dollars USA	27.2	25.9	27.0	-0.2	-0.9	1.1	4.3

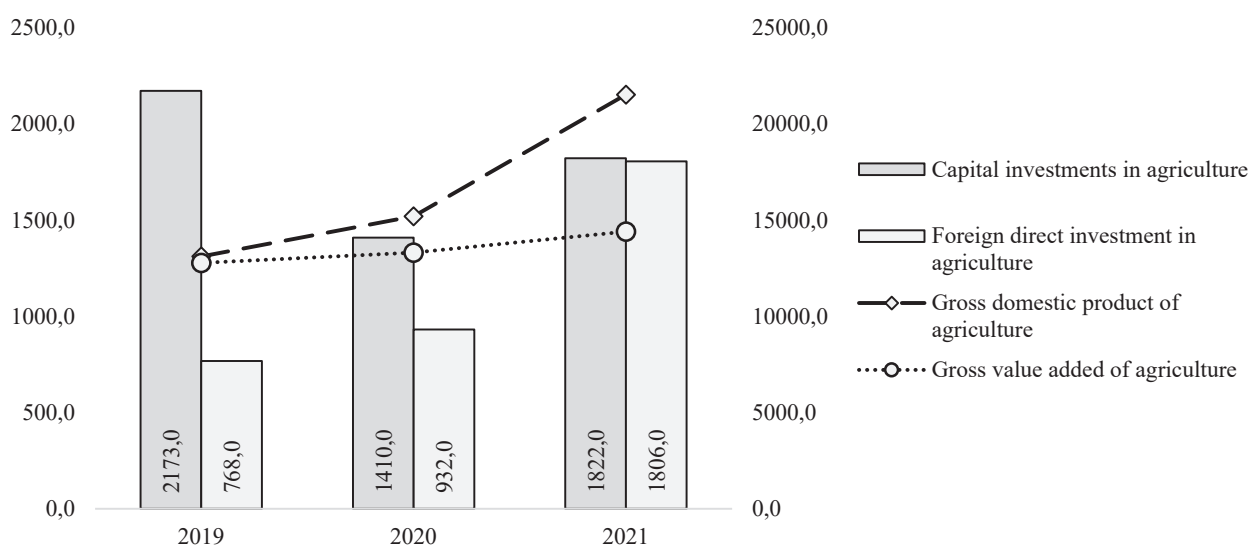
Source: created by the author based on data (Official website of the National Bank of Ukraine, 2022)

investments and direct foreign investments in the agricultural sector of our country, which indicates the existence of interdependence and interdependence of the specified indicators (Figure 4). At the same time, it is worth noting the relatively low rate of growth of gross added value, which is, in particular, as a result of the sale and export of agricultural products with a low or medium degree of processing. Therefore, the key direction of the strategic modernization of the domestic agricultural sector should be the production and sale of products with high added value.

Based on the results of the conducted research, we note that during 2010–2021, agriculture was an investment-attractive branch of the national economy, providing high profit generation and a relatively short payback period for invested funds. However, to date, the full-scale war of the Russian Federation against Ukraine has become a determining factor affecting the level of the investment climate. The sowing campaign and harvesting took place in extremely difficult conditions, there are problems with a decrease in yields and sales channels for agricultural products, so it is not necessary to talk about large investment projects in the agricultural sector at the moment. At the same time, despite all the difficulties and threats, the agricultural sector passed the strength test and remains a strategically important industry for ensuring food security of our country and the world.

According to the Recovery Plan of Ukraine (The official website of the Recovery Plan of Ukraine, 2022), agriculture is a priority direction, in particular, the emphasis is on increasing the volume of processing of plant products and exporting agricultural products with high added value, construction of irrigation systems to increase the efficiency of growing agricultural crops, increasing production and processing of meat -dairy products, restoration of war-damaged agricultural enterprises and land reclamation, development of bioenergy, promotion of the transition of the agro-food sector to "green" growth, etc. The required volume of investments in the agriculture of Ukraine over 10 years is estimated at 37 billion dollars USA. (Poroshenko, 2022)

In addition, Ukraine's acquisition of the status of a candidate country for joining the EU in the summer of 2022 had a positive effect on the agricultural sector. The removal of quotas for Ukrainian goods to the EU made it possible to increase the export of agricultural products, in particular products with a high added value. Key investment opportunities are the development of the market for livestock and poultry products, as well as investment in the processing of legumes and oil crops, the development of bioenergy and alternative energy sources. Implementation of the specified tasks and plans will enable the domestic agricultural sector to ensure sustainable development and move forward despite the current extremely difficult situation.



**Figure 4. Dynamics of gross domestic product, gross value added, capital investments and direct foreign investments of agriculture of Ukraine in 2019–2021, million dollars USA**

Source: created by the author based on data (Official website of the National Bank of Ukraine, 2022)

#### 4. Conclusions

Successfully conducting agricultural activities, increasing the volume of production of agricultural products, updating the existing material and technical support, creating conditions for expanded reproduction of agricultural production are possible at the expense of the appropriate level of investment support. According to the results of the conducted research, it was found that under the investment provision of agriculture, it is necessary to consider a set of organizational and economic conditions, resources, mechanisms and measures aimed at the formation, accumulation and use of investment resources to create prerequisites for increasing the effectiveness of economic processes, expanded reproduction of agricultural production and strengthening the country's food security.

The conducted analysis showed that domestic agriculture is an investment-attractive branch of the national economy. Over the period from 2000 to 2021, the volume of investment resources invested in the agriculture of Ukraine increased almost fivefold, direct foreign investment in agriculture over the past three years increased more than 2 times, and in some regions of our country the specific weight

investment resources in agriculture is more than 30.0% of all funds invested in the region. All this indicates a significant potential for the development of the agricultural sector, creating the basis for the maximum realization of export opportunities of the agricultural sector, deep processing of agricultural raw materials and production of products with high added value.

Overcoming the most difficult and important problems of agriculture in Ukraine in the conditions of the war and the post-war period will involve the implementation of a number of systematic and comprehensive measures, in particular: the involvement of highly qualified specialists in the agricultural sector; improving the quality and safety of agricultural products in accordance with the requirements of international standards; adaptation and adoption of production standards and regulatory norms in accordance with the requirements of the European Union; restoration and development of infrastructure for production, processing and storage of agricultural products; renewal and modernization of the material and technical base; financial support of small farming; creation of a foundation for technological development and digitization of agriculture; promoting the transition of the agricultural sector to "green" growth and ensuring sustainable development, etc.

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