

УДК 330.332:63:341.31

DOI: <https://doi.org/10.32782/2708-0366/2024.20.20>**Yarmolenko Vitalina**

Senior Lecturer at the Department of Management,
Marketing and Information Technologies,
Kherson State Agrarian and Economic University
(Kherson / Kropyvnytskyi)
ORCID: <https://orcid.org/0000-0001-7567-0082>

Ярмоленко В.В.

Херсонський державний аграрно-економічний університет
(м. Херсон / м. Кропивницький)

INVESTMENT IN THE DEVELOPMENT OF AGRICULTURE

ІНВЕСТИВАННЯ У РОЗВИТОК СІЛЬСЬКОГО ГОСПОДАРСТВА

The article is dedicated to exploring the state of investment activity in the agricultural sector of the Ukrainian economy. The article analyzes trends in attracting investment resources by types of economic activity from 2018 to 2022. It is determined that investments in agriculture occupy a significant share in the overall structure of capital investments. The growth of investment resources in agriculture over five years (2018-2022) amounted to 3.8 billion UAH or 5.9%. In 2023, specialists in demining surveyed 274 thousand hectares of agricultural land in Ukraine, and already 208 thousand hectares were transferred to the agricultural sector for use. The main directions of investment in agriculture were also identified, including technology modernization, infrastructure development, crop production, livestock development, ecological investments, support for small farms, and the development of agritourism.

Keywords: investments, agrarian sector, agriculture, capital investments, sources of financing.

Стаття присвячена дослідженню стану інвестиційної активності у сільськогосподарському секторі економіки України. Визначено, що на сьогодні сільське господарство є досить важливою та пріоритетною сферою економіки країни. Саме аграрний сектор забезпечував більшість внутрішніх потреб країни у харчуванні для населення та багато продукції йшло на експорт до інших країн. Нині аграрна галузь потребує досить суттєвих інвестиційних вливань. Це пов'язано з початком повномасштабного вторгнення російської федерації на територію України. У статті проаналізовано тенденції залучення інвестиційних ресурсів за видами економічної діяльності у 2018-2022 роках. Визначено, що інвестиції у сільське господарство займають досить вагомий частку у загальній структурі капітальних інвестицій. Найбільше було зроблено інвестицій у промислову галузь економіки України (близько 35-36% у середньому за аналізований період). У 2022 році у аграрний сектор було залучено 409660,0 млн грн капітальних інвестицій, що на 264239 млн грн менше, ніж у 2021 році або на 39%. Приріст інвестиційних ресурсів у сільське господарство протягом п'яти років (2018-2022) становив 3,8 млрд грн або 5,9%. Було з'ясовано, що станом на 2024 рік, близько 25 тисяч квадратних кілометрів сільськогосподарських земель в Україні заміновано або забруднено залишками війни. Це становить значну частину території, яка потребує розмінування для безпечного відновлення сільськогосподарської діяльності. У 2023 році спеціалістами із розмінування було обстежено 274 тисячі га сільськогосподарських земель України і уже 208 тис гектарів було передано в користування аграрному сектору. Також було виокремлено основні напрями інвестування у сільське господарство – це модернізація технологій, розвиток інфраструктури, вирощування рослинної продукції, розвиток тваринництва, екологічні інвестиції, підтримка малих сільських господарств, а також розвиток агротуризму.

Ключові слова: інвестиції, аграрний сектор, сільське господарство, капітальні інвестиції, джерела фінансування.

Formulation of the problem. The agrarian sector has always been a priority area of Ukraine's economy, providing the majority of the country's internal food needs for the population, as well as serving as the fodder base for livestock. Ukraine has also been one of the key guarantor states of global food security and a significant exporter of agricultural products. However, today, the agricultural sector requires significant financial injections due to the full-scale aggression by the Russian Federation on Ukrainian territory. A considerable amount of agricultural land is under occupation, and many land resources remain mined, posing risks for agricultural activities. Additionally, since the onset of full-scale aggression, many agricultural producers have partially or completely lost their property due to shelling.

Today, stable investment activity is the key to the effective functioning of agriculture, as it is one of the most efficient ways to attract and shape resources within the sector.

The onset of armed aggression by the Russian Federation on Ukrainian territory, resulting in the occupation of significant territories, damage to logistics, destruction of property, loss of workforce, and widespread mining of the territory, has led to a critical shortage of investment resources for the agricultural sector of the economy. The low level of development of the investment system and insufficient financial and credit programs have negatively affected the state of the agricultural sector of the economy, as well as the quality and quantity of production.

Analysis of recent research and publications. Significant contributions to the study of the state, problems, and practical aspects of enhancing the effectiveness of the state's investment policy in agriculture have been made by such scholars as O. Zakharchuk, M. Kisil, V. Nechytailo [1], Z. Titenko, O. Hudz [2], Yu. Kyrylov, V. Hranovska [3], V. Krykunova [4], N. Kyrychenko [5], N. Tanklevska, A. Karnausenko [6], L. Borovik [7], S. Bilous, S. Novotnyi [8], and others. Despite the wide range of scientific research on the topic of investment in agriculture, aspects of this topic are insufficiently studied under conditions of instability. This does not contribute to the effective formation of efficient mechanisms for ensuring the sustainability of agricultural sector development and its management, reducing risk factors, as well as increasing the positive impact of investments on the country's food security, expanding export potential, and developing the entire economy.

Ukraine has plenty of favorable conditions for attracting foreign investments into the country's economy in the near future, including in agriculture, as the unity of the Ukrainian people and the corresponding steps of the state leadership shape a positive image of Ukraine on the world stage.

Formulation of the purpose of the article. The aim of the research is to analyze the dynamics of investments in the agricultural sector of Ukraine amidst the military aggression of the Russian Federation, as well as to determine the state of investment resources of agricultural enterprises and explore possible directions for their effective utilization.

Presentation of the main material. The main goal of investment attraction is to increase the profitability of enterprises, preserve their capital, or achieve a social impact [9]. In agriculture, there is also the improvement of soil quality and the use of modern means of cultivation, creating favorable conditions, and adopting innovative technologies for livestock farming, ultimately enhancing the living standards of rural populations. Another investment direction for agriculture today is addressing the consequences of military actions, including demining agricultural lands, rebuilding damaged or destroyed buildings, purchasing new equipment to replace lost ones, acquiring seeds, fuel, lubricants, and chemicals, as well as replenishing livestock, among others. Investment resources are the most scarce resource in agriculture, as the sector faces numerous specific factors that hinder investment flows, including natural and climatic conditions, government support factors and regulation of investment security, and the absence of developed logistics and infrastructure.

Today, in the conditions of armed conflict, the following political and economic factors play a significant role in the investment climate of the agricultural sector: steep rise in food prices, high level of inflation, constant threat of destruction, and legislative instability.

Therefore, future investors face new challenges of reality, which will significantly slow down the influx of investment and innovative resources. Table 1 presents the trends of attracting investment resources to Ukraine by types of economic activities.

Table 1

**Trends in Attracting Investment Resources by Types of Economic Activities
in 2018–2022, million UAH**

Capital investments	2018	2019	2020	2021	2022
Agriculture	66104,1	59129,5	50679,7	69950,3	51439,5
Manufacturing	199896,0	254196,2	180537,4	242922,9	126112,6
Construction	55993,9	62346,6	39614,9	55724,6	32627,6
Transport	50078,3	43792,8	34884,6	43944,6	49532,9
Information and Telecommunications	29884,9	21063,4	22381,6	23858,6	16869,9
Temporary Accommodation and Food Service Activities	2675,1	2832,2	1951,2	2690,2	2183,6
Financial and Insurance Activities	10652,3	11246,3	11979,3	10100,5	8906,8
Real Estate Operations	27556,8	28147,2	19940,1	30668,7	14280,2
Administrative and Support Service Activities	11837,8	11741,1	8623,8	13162,6	6587,0
Professional, Scientific, and Technical Activities	10798,2	11912,4	11823,6	17125,9	6012,6
Public Administration and Defense	44597,8	54305,5	62303,6	73982,9	36530,8
Education	4460,0	4788,7	3740,2	3866,5	2008,6
Healthcare and Social Assistance	8138,8	9484,6	14835,6	21779,2	17412,9
Arts, Entertainment, Recreation, and Leisure	3663,2	4146,2	2772,8	4423,1	2152,6
Other	571,6	672,5	463,8	913,6	283,0
Total	578726,4	623978,9	508217,0	673899,3	409660,0

Source: grouped by author according to data [10]

As we can see from the table, investments in agriculture occupy a significant share in the overall structure of capital investments. The highest amount of investments was made in the industrial sector of Ukraine (approximately 35–36% on average for the analyzed period). In 2022, the agricultural sector attracted 409,660.0 million UAH of capital investments, which is 264,239 million UAH less than in 2021 or a decrease of 39%. The growth of investment resources in agriculture over the five-year period (2018–2022) amounted to 3.8 billion UAH or 5.9%. The highest growth in investments was observed in the industrial sector, reaching over 65%. Investments in the agricultural sector varied from 9.4% in 2019 to 12.1% in 2022 (Fig. 1).

In Ukraine, investment activity is primarily carried out using the own funds of economic entities (about 63%). Due to the unfavorable investment climate, the banking sector and foreign investors show little interest in investment projects in agriculture (at the levels of 11.0% and 5.0% respectively).

The state invests insufficiently (approximately 5.0%), and there is also a lack of proper regulatory support and a favorable investment climate at the legislative level to attract foreign investments (Fig. 2).

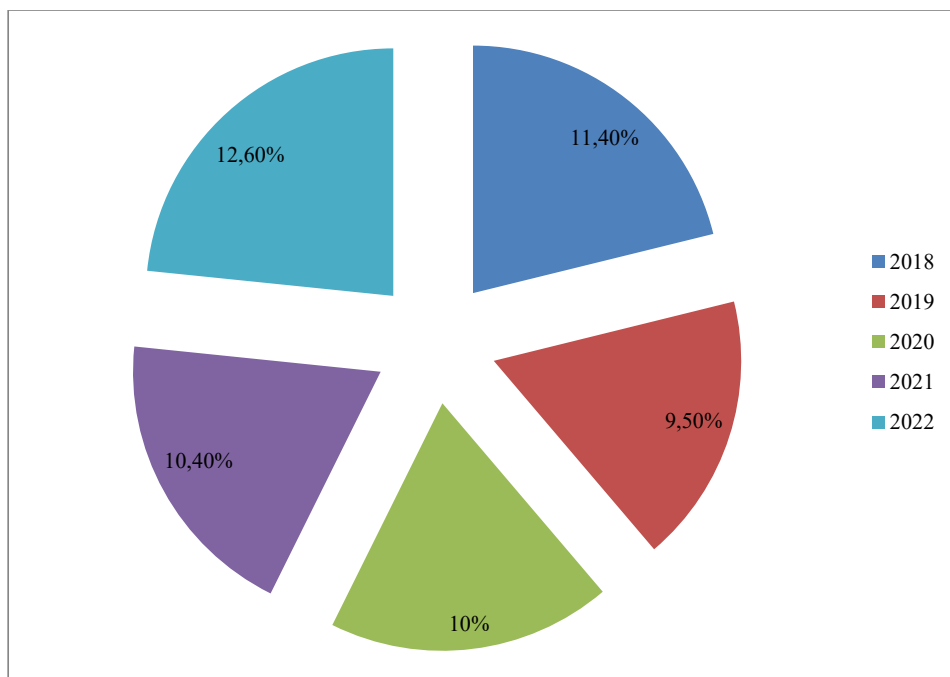


Figure 1. Dynamics of capital investments in agriculture for the years 2018-2022, %
Source: grouped by author according to data [10]

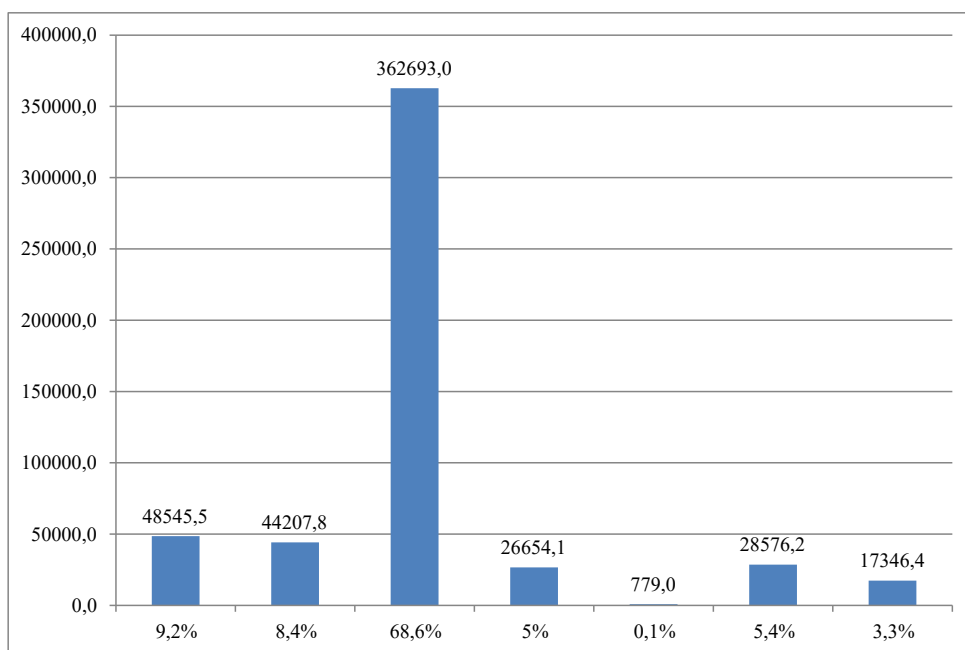


Figure 2. Capital investments by financing sources in 2021
Source: grouped by author according to data [10]

In agriculture, besides labor and material-technical resources, land is a specific means of production. It is a limited resource that requires rational use. Today, agricultural lands are quite densely mined, and a significant portion remains under occupation. Therefore, it is of utmost importance for the state to create special programs for demining and ensuring the safety of investments from domestic and foreign investors in this process. As of 2024, approximately 25 thousand square kilometers of agricultural land in Ukraine are mined or contaminated with the remnants of war. This represents a significant portion of the territory that requires demining for the safe restoration of agricultural activities [11]. In 2023, demining specialists surveyed 274 thousand hectares of agricultural land in Ukraine, and 208 thousand hectares were already transferred to the agricultural sector for use.

The implementation of the market circulation of agricultural land could potentially address the issue of attracting foreign investments in agriculture. However, economic and legal realities necessitate that the reform of land relations at this stage be imperative and require challenging decisions. Investments in the form of individual land plots are associated with a series of force majeure circumstances, such as military actions, climate risks, high entry thresholds into investment, the need to resolve legal and organizational issues related to land acquisition, as well as low liquidity.

In Ukraine, market accounting of agricultural land is particularly relevant due to the opening of the land market, which occurred in July 2021. This requires the creation of a transparent and efficient accounting and management system for land resources to ensure the sustainable development of agriculture.

To ensure effective utilization of investment resources, it is necessary to:

- Take into account the peculiarities of investment activities in agriculture.
- Create favorable conditions for timely attracting the necessary amount of investment resources to the sector, including improving the current legislative framework for investment activities, forming sources of funding for agricultural development, enhancing scientific and technical developments, paying significant attention to the relationship between investments and innovations, as well as strengthening production and social infrastructure in rural areas.
- Conduct timely analysis and evaluation of the effectiveness of investment resources.
- Be able to identify weaknesses in the economic activities of the enterprise and determine prospects for its further development.

An important aspect of supporting investment in agriculture is increasing the level of agricultural insurance. In the years leading up to the full-scale invasion, there was noticeable activity from international companies in implementing insurance programs for farmers. Consequently, the agricultural insurance market has been actively developing. Insurance companies should offer new, advantageous insurance programs for farmers that take into account a wider range of risks, including those associated with combat actions [12].

Investment in the development of agriculture is a key element for ensuring sustainable economic growth, food security, and improving the quality of life in rural areas. The main aspects of investing in the agricultural sector are presented in Figure 3.

Thus, the main directions of investment in agriculture may include:

- 1) Technological modernization: Investments in modern agritechologies, high-quality equipment, and mechanisms to enhance production efficiency.
 - 2) Infrastructure development: Construction and reconstruction of roads, railways, grain storage facilities, irrigation systems, and drainage systems to improve agricultural production conditions.
 - 3) Crop cultivation: Investment in modern plant varieties, soil cultivation systems, irrigation, and expansion of areas under agricultural crops.
 - 4) Animal husbandry: Development of modern farms, adoption of advanced methods of animal husbandry and feeding, improvement of the genetic potential of animals.
 - 5) Environmental investments: Projects for environmentally friendly production, soil and water resource conservation, waste processing.
-

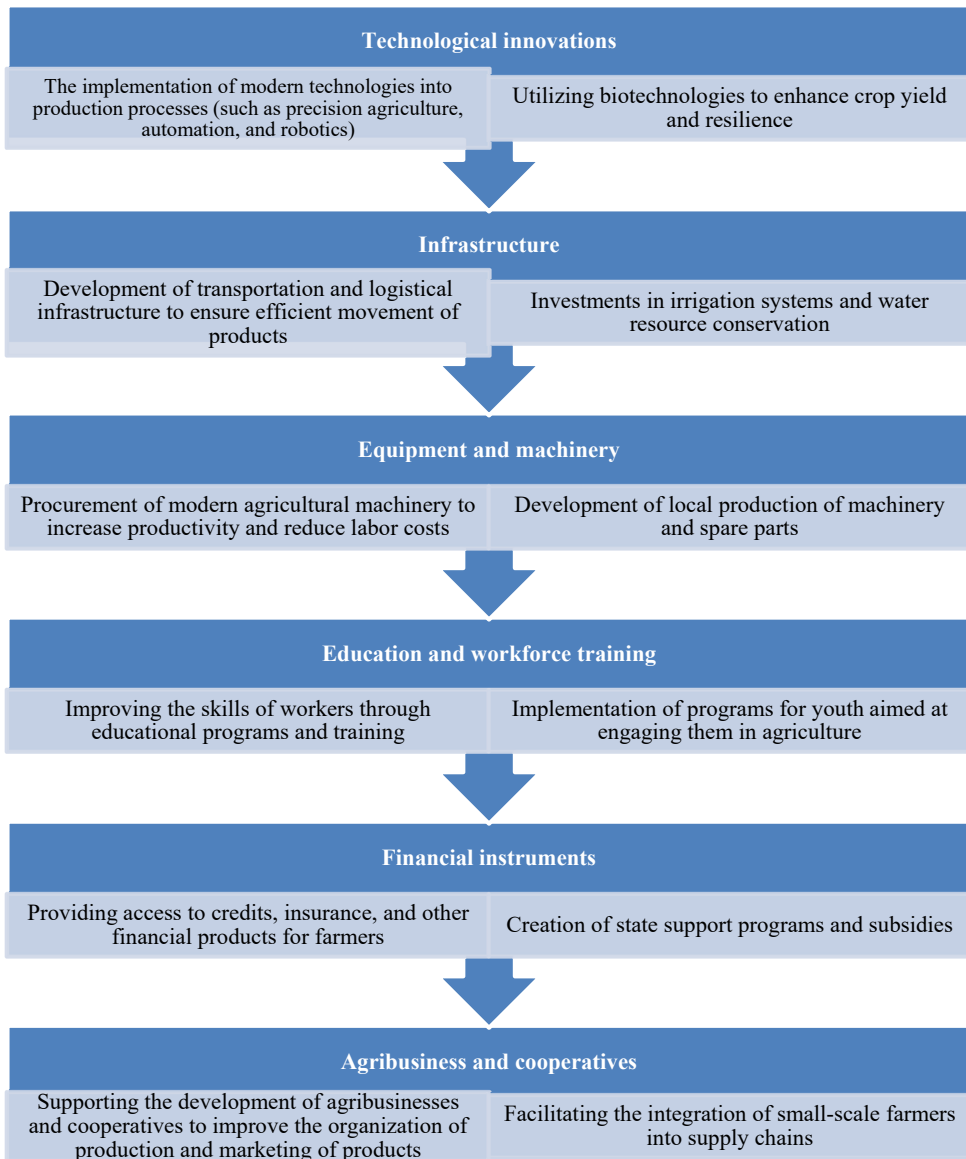


Figure 3. Main Directions of Investment in Agriculture

6) Support for small-scale farms: Financial support and access to markets for small-scale agricultural enterprises.

Additionally, to attract investment capital, attention should be paid to the development of agritourism. Funding for the development of rural tourism at the state level, creation of agro-renewable farms, and other forms of agricultural agritourism should be carried out.

Investing in agriculture in Ukraine during wartime can have several important advantages:

1. Ensuring food security: In times of conflict, ensuring the food supply for the population becomes extremely important. Investments in agriculture allow for increased production of domestically consumed food products and reduce dependence on imports.

2. Economic stability of regions: Agriculture often serves as the primary economic sector in regions affected by war. Investing in this sector can provide economic stability and help preserve jobs.

3. Development of local markets: Investments in agriculture contribute to the development of local markets and local farms, which can reduce dependence on imports and increase resilience to economic hardships.

4. Importance for defense: Food supply is crucial for military mobilization and support of military actions. Investments in agriculture can provide necessary resources for both the military and civilian populations.

5. Stimulating domestic demand: Agricultural development leads to increased incomes for the local population, which can support domestic demand for other goods and services, aiding in economic recovery.

Investing in agriculture can be a crucial strategic step towards ensuring stability and development of the country during wartime.

Conclusions. Insufficient funding for the effective functioning of agricultural enterprises is noted in Ukraine. Investment activity in these enterprises should be based on innovation and directed towards the development of production relations, including:

- Reducing negative impacts on soils by decreasing technogenic and anthropogenic loads.

- Adherence to international quality standards and sanitary norms for domestic agricultural products and addressing the problem of underutilization of agricultural lands.

- Development of infrastructure for storage and marketing of agricultural products.

- Resolving crises in animal husbandry.

- Increasing costs of cultivation and marketing of agricultural products.

- Improving the material and technical support of agricultural enterprises.

One way to attract investment in agriculture is to stimulate agricultural enterprises to rational use of land resources, including organic farming, conducting agrochemical research, and using technologies that promote the transition to resource-saving methods.

References:

1. Zakharchuk O., Kisl M., Nechytailo V. (2022) Status and prospects of investment agricultural development in Ukraine. Transformation of economy, finance and management. Scientific monograph. Riga, Latvia: Baltija Publishing, 2022. monograph. Riga, Latvia: Baltija Publishing, pp. 58–74.

2. Titenko Z., Hudz' O. (2019) Osoblyvosti investytsiynoyi diyal'nosti ahrarnykh pidpryyemstv [Peculiarities of investment activity of agrarian enterprises]. DOI: <http://doi.org/10.31548/bioeconomy2019.01.128> (accessed May 20, 2024).

3. Kyrylov Yu., & Hranovska V. (2019) Investytsiyni mekhanizm zabezpechennia konkurentospromozhnosti ahrarnykh pidpryyemstv [Investment mechanism for granting competitiveness of agrarian enterprises]. *Economy and state – Ekonomika ta derzhava*, no. 12, pp. 13–18. DOI: <http://doi.org/10.32702/2306-6806.2019.12.13>

4. Hranovska V. H., & Krykunova V. M. (2018) Orhanizatsiini transformatsii v ahrarnomu sektori ekonomiky Ukrainy [Organizational transformations in the agrarian sector of the economy of Ukraine]. *Ekonomika APK – Economy of APC*, no. (3), pp. 63–74.

5. Kyrychenko N. V. (2014) Suchasnyy stan vprovadzhennya innovatsiy u diyal'nist' ahrarnykh pidpryyemstv Khersons'koyi oblasti [The current state of innovation implementation in the activities of agrarian enterprises of the Kherson region]. *Visnyk Odes'koho natsional'noho universytetu. Seriya: Ekonomika*, vol. 19, issue 3(2), pp. 87–92.

6. Tanklevs'ka N. S. and Karshaushenko A. S. (2015) Rozvytok finansuvannya innovatsiynoyi diyal'nosti sil'skohospodars'kykh pidpryyemstv [Development of financing of innovation activity of agricultural enterprises]. Kherson: Aylant.

7. Borovik L. V. (2020) Innovatsii – osnovnyi metod aktyvizatsii investytsiynykh protsesiv u sil'skomu hospodarstvi [Innovations are the main method of activating investment processes in agriculture]. *Financial space*, vol. 1(37), pp. 8–14.

8. Bilous S., Novotnyi C. (2023) Problemy investuvannya rehional'noho APK v umovakh voyennoho chasu [Problems of regional agricultural investment in wartime conditions]. *Ekonomika ta suspil'stvo*, vol. 48. DOI: <https://doi.org/10.32782/2524-0072/2023-48-49> (accessed May 20, 2024).

9. The Verkhovna Rada of Ukraine (1991) The Law of Ukraine "On investment activity". Available at: <https://zakon.rada.gov.ua/laws/show/1560-12#Text> (accessed May 20, 2024).

10. State Statistics Service of Ukraine. Available at: (accessed May 20, 2024).

11. Niema Abdelmageed, Antoine Vallas and Elizabeth Bryant (13.02.2024). War in Ukraine: How a demining project is bringing hope to farmers two years on. Available at: <https://www.wfp.org/stories/war-ukraine-how-demining-project-bringing-hope-farmers-two-years> (accessed May 20, 2024).

12. Tanklevs'ka N. S., Yarmolenko V. V. (2018) Tendentsiyi rozvytku strakhuvannya sil'skohospodars'kykh kul'tur v Ukrayini [Trends in crop insurance in Ukraine]. *Naukovyy visnyk Uzhhorods'koho universytetu. Seriya «Ekonomika»*, vol. 1(51), pp. 381–386.
