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THE PROBLEM OF CONCENTRATION OF AGRICULTURAL HOLDINGS OF FARMLAND IN RURAL DEVELOPMENT DISCOURSE

The paper deals with the effect of concentration of agricultural holdings of farmland on the development of rural areas. The analysis of this problem has revealed a number of problems of social and environmental nature. Sustainable tendency to increase the concentration of agricultural holdings of farmland does not have a proper positive impact on the development of rural areas. It is noted that there are no effective mechanisms of influence on agricultural holdings of public authorities and local governments. The situation of increasing the area of agricultural land of farms of Myrhorod region of Poltava oblast, within the vertical-integrated companies is studied. The mechanism of agricultural holdings involvement in territorial cluster to establish cooperation on the implementation of social, economic and environmental community projects is proposed.

It is proved the necessity of consolidation of social responsibilities of agricultural holdings to support rural communities at the legislative level, where the companies use farm land for their work.

Key words: agricultural holdings, land-use, concentration of farmland, rural areas, sustainable development, development program, social infrastructure, community support.

The development of rural areas largely depends on the activities of local agricultural enterprises. Considering the fact that in recent years, more and more farmers are joining in vertical-integrated companies, it is advisable to consider the impact of agricultural holdings on the development of rural areas. They concentrate a considerable part of land and funds available for investment. At the present stage agricultural holdings in Ukraine rapidly increase the volume of agricultural production and meet the demand of domestic and foreign agricultural markets of the country. However, their activities do not make for the development and social well-being of rural areas. Therefore, we consider relevant to study the correlation between the concentration of agricultural holdings of agricultural land and rural development.

Analysis of recent studies and publications. The issue of the formation and activity of agricultural holdings in Ukraine is the subject of thorough scientific studies of the economists (I. Lukinov, P. Sabluk, S. Demianenko, V. Andriyчук,

V. Boiko, V. Vasylenko, A. Dankevych, O. Krysalnyi, A. Mazur, M. Malik, Y. Nesterchuk, O. Onyshchenko, V. Tereshchenko, G. Cherevko, V. Yurchyshyn and V. Yatsenko). The scientists pertinently note that in recent years agricultural holdings take the form of «economics in economy»¹. The growing influence of the holding companies in the agricultural sector of Ukraine encourages the scientific community to in-depth studies of various aspects of this trend.

An important direction of research studies is the analysis of the impact of agricultural holdings on the state of rural areas.

The objective of the paper is to study the impact of the concentration of agricultural holdings of farmland on rural development in Ukraine.

The main material research. Nowadays the decline of rural areas is one of the most acute social and economic problems in Ukraine. Since the independence in 1991, special attention has been paid to the issues of social and economic revival of the rural areas in each legislative acts dealing with the development of agriculture and of the economy of the state as a whole. The concepts, strategies and development programs to improve economic and social living standards in rural areas are developed by efforts of public authorities and research institutions different levels of management. Despite considerable efforts and funds spent on rural development, system results are not significant. There was a gap between agriculture, from a purely economic point of view, and rural areas that were historically and are linked to agriculture, – on social and ecological sides².

It should be mentioned that the reform of land relations in Ukraine over the last decades largely aimed to support village.

Scientists quite rightly point out «that small farm business with lack of reliable channels of material supply and final products marketing and in light of not having sufficient financial resources for the modernization of production equipment and innovation can not compete with other agricultural producers, including foreign ones»³.

In contrast, large integrated associations have impressive economic results – agricultural holdings, the actual influence on the living standards and well-being of rural areas are not significant.

The Law of Ukraine «On holding companies in Ukraine» regulates the

¹ Кропивко М. Ф. Агрохолдинги в Україні та посилення соціальної спрямованості їх діяльності / Лупенко Ю. О., Кропивко М. Ф. // Економіка АПК. – 2013. – № 7. – С.9.

² Шанін О. В. Концепція селоутворюючого підприємства в системі розвитку сільських територій // О. В. Шанін // Ефективна економіка. – 2015. – № 4. – С.91.

³ Шувар Б. І. / Особливості діяльності великотоварних аграрних підприємств та їх вплив на аграрний ринок України / Б. І. Шувар, М. І. Підгребельна // Вісник аграрної науки Причорномор'я. – 2015. – Вип. 1. – С.58.

formation and development of agricultural holdings. The Article 1 of the Law states that holding company is a joint-stock company that owns, uses and disposes of holding corporate shareholding (parts, shares) of two or more corporate enterprises. N. Zarytska points out that «the leading way of their [agricultural holdings] formation ... has been the infusion of domestic and foreign capital in non-agricultural processing industry and the subsequent marketing, for the purpose of self-sufficiency in raw materials, development of agriculture»⁴.

The appearance of holding companies in agricultural sector of Ukraine has coursed a problem of concentration of agricultural lands by one entity. This situation has significantly affected the prospects for the development of rural areas and has showed the new context of studies of agricultural holdings to wide scientific public and managers.

In particular, P. Kulinich is considering the sale of tenant rights on agricultural land. The author points out that «powerful offensive of agricultural holdings is happening in terms of the moratorium on sale of agricultural land, using the tenant right» and stresses that «all the farm tenure of agricultural holdings is based on lease contract of farm lands»⁵. The researcher concludes that agricultural holdings has a negative influence on the development of the market turnover of agricultural lands and the formation of the farm sector of agricultural production.

O. Volovyk also comes to such critical conclusions about the negative effects of agricultural holdings on the development of land relations. The scientist says that «since 2004, a large-scale concentration of land-use began and manifested in increasing the area of leased land, formation of new agricultural holdings, vertical and horizontal integrated structures, tracts of tens, hundreds of thousands of hectares of land. The concentration has monopolized the benefits of international trade in farm products and foodstuffs»⁶.

Analysis of agricultural holdings as a business entity in the agricultural sector gives the author the opportunity to emphasize their negative impact on rural development: «By skillfully using of tax advantages and preferences provided by the legislation for agriculture, these economic structure appropriate the costs to be a source of full reproduction of the used natural and social resources in rural areas and improving the quality of life of the local environment, but actually «washed

⁴ Зарицька Н.П. Ретроспектива розвитку агрохолдингів в Україні крізь призму менеджменту / Н.П.Зарицька // Розвиток агробізнесу в Україні: проблеми, пріоритети, перспективи : матеріали Всеукр. наук.-практ. конф., присвяченої 10-річчю факультету аграр. менеджменту (Україна, м.Житомир, 25–27 березня 2010 р.). – Житомир: Вид-во ЖДУ ім. І. Франка, 2010. – 312 с.

⁵ Кулініч П. Ринок сільськогосподарських земель в Україні: чи зможе він функціонувати на праві оренди [Електронний ресурс] / Павло Кулініч // Юридичний журнал. – 2014. – № 4. – Режим доступу: <http://www.justinian.com.ua/article.php?id=4068>

⁶ Воловик О. А. Щодо причин усталеності в Україні деяких архаїчних форм господарювання: інституціональний підхід / О. А. Воловик // Часопис Академії адвокатури України. – 2012. – № 4. – С.4

out» from the village».

Nowadays there is the indisputable fact that agricultural holdings, using the mechanisms of mergers and acquisitions of agricultural enterprises of the traditional type, have increased the size of land-use. The concentration of agricultural holdings of farmland took place regardless of whether enterprises were limited liability companies or private companies or turned into organizational departments of new companies.

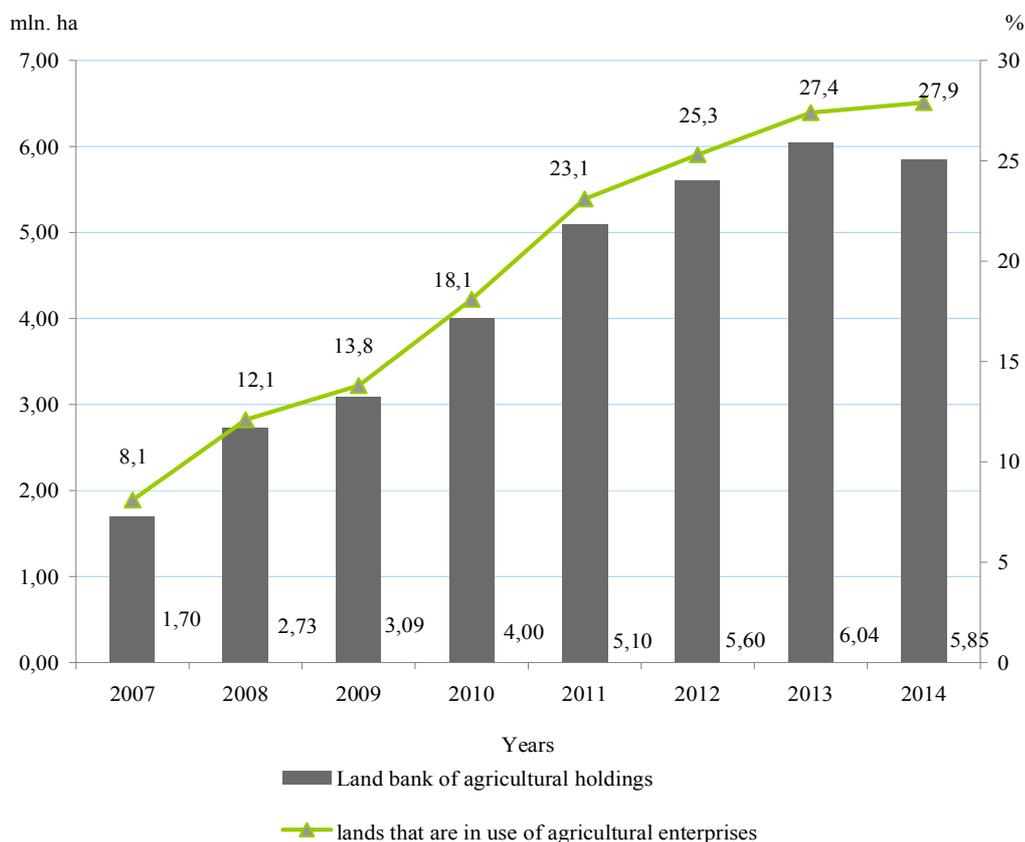


Fig. 1. Land Bank of agricultural holdings of Ukraine, 2007-2014

Source: worked out by authors on the basis of⁷

In 2014 5,85 million hectares or nearly 28% of all farmland were under the control of agricultural holdings, which are in use of agricultural enterprises. In comparison with the last year, the total land bank of holdings has been down by 0.19 million ha. However, the land-use share has increased from 27.4% to 27.9%

⁷ Найбільші агрохолдинги України [Електронний ресурс] : веб-сайт агропорталу AgriSurver – Режим доступу : <https://docviewer.yandex.ua>.

(Fig. 1) because of exclusion agricultural land of Crimea from the calculations. In general, the annexation of Crimea has caused the total land bank of holdings reduction by at least 125 thousand ha⁸.

The trend towards increasing concentration of agricultural land is confirmed in the analysis of data from the ten largest Ukrainian agro-enterprises over the period of 2012-2014 (Table. 1). The agricultural holding UkrLandFarming occupies a leading position, which has increased by 162 thous. ha (31.9%) the size of farmland in 2014, compared to 2012. The company «Kernel Group» for the same period has increased their land bank by 75 thous. ha or 22.7%. PJSC «Myronivskiy Hliboproduct» has increased in 2014, compared to 2012, the size of farmland by 40 thous. ha or 14.3%. The size of farmland, concentrated by other agricultural holdings, remained almost unchanged over the period 2012-2014 (on February 5, 2015, the company New Century Holding (NCH) went on record on increasing its land bank by 30 thous. Ha⁹).

The analysis of the concentration of agricultural holdings of farmland on the territorial component is significant too. The agricultural holding «UkrLandFarming» occupies again a leading position, which processes farmland in 23 oblasts (administrative regions) of Ukraine (most land under the control of the company is located in the Poltava and Sumy oblasts – more than 50 thous. ha as a detailed map of the agricultural holding assets informs on its official website¹⁰). PJSC «Mriya» takes the second place, occupying 16 oblasts. Then we can also note the company New Century Holding (NCH) (13 oblasts) and Kernel Grupp (11 oblasts) (Table. 1).

Analysis of the data presented in Table 1, shows that the priority farmland for agricultural holdings is of Poltava and Kharkiv oblasts, where 6 out of 10 companies have their land banks. There is farmland in Ternopil, Sumy, Kharkiv and Khmelnytskyi, managed by 5 out of 10 agricultural holdings. The Land of Vinnytsia, Chernihiv and Chernivtsi oblasts attracted interests of 4 out of 10 agricultural companies.

Thus, Ukraine agricultural holdings over the period 2012-2014 continued the trend towards the concentration of farmland. In addition, these companies have showed the greatest active attitude to the formation of their own land banks in the regions with fertile black soil.

V. Urkevych says that «agricultural holdings provides the concentration of land by forcing certain number of agricultural enterprises and farmers out the letting land market, exacerbating social and economic situation in rural areas. Its main

⁸ Найбільші агрохолдинги України [Електронний ресурс] : веб-сайт агропорту AgriSurver – Режим доступу : <https://docviewer.yandex.ua>

⁹ Агпропросперис (NSH) / Агропортал Latifundist.com [Електронний ресурс] – Режим доступу : <http://latifundist.com/rating/top100/27938-new-century-holding>

¹⁰ Ukrlandfarming. Publik Limited Company : Офіційний сайт [Електронний ресурс] – Режим доступу : <http://www.ulf.com.ua/ru/>

features are: loss of farms in certain area; decline in employment in rural areas; lack of tax revenues to local budgets; lack of funding of development of rural infrastructure, traditionally carried out by agricultural enterprises»¹¹.

Table 1. The dynamics of the size of farmland used by the largest agricultural enterprises in Ukraine (as on January 1, 2012-2014.), thous. ha¹²

The name of the agricultural holding	Years			2014 from 2012, (+, -)	Oblasts (administrative regions), where land of agricultural holdings is located
	2012	2013	2014		
UkrLand-Farming	508	532	670	162	23 oblasts of Ukraine
Kernel Grupp	330	330	405	75	Ternopil, Odesa, Mikolayiv, Kirovohrad, Cherkasy, Poltava, Sumy, Chernihiv, Kharkiv, Dnipropetrovsk, Khmelnytskyi
New Century Holding (NCH)	-	400	400	x	Sumy, Chernihiv, Kharkiv, Poltava, Mykolayiv, Vinnitsa, Chernivtsi, Zhytomyr, Khmelnytskyi, Ternopil, Rivne, Volyn, Lviv
Myronivkyi Hliboproduct	280	280	320	40	Kiev, Cherkasy, Poltava, Sumy, Dnipropetrovsk, Donetsk, Kherson, Vinnytsia and Ivano-Frankivsk
Mriya	295	295	298	3	In 16 oblasts Ukraine (the largest area of farmland – in Chernihiv, Kirovohrad, Sumy, Poltava and Chernivtsi)
Ukrainian Agrarian Investments	-	260	261	x	Ternopil, Khmelnytskyi, Ivano-Frankivsk, Chernivtsi, Lviv
Astarta-Kyiv	245	220	245	0	Poltava, Kharkiv, Vinnytsia, Khmelnytskyi, Ternopil and Zhytomyr
HarvEast	220	220	197	-23	Donetsk
Agroton	170	171	151	-19	Luhansk and Kharkiv
Sintal Agricultur	150	150	150	0	Kharkiv and Kherson

Agricultural holdings are active tenants of farmland on a large scale all over

¹¹ Уркевич В.Ю. Правові проблеми функціонування агрохолдингів в Україні [Електронний ресурс] / В.Ю. Уркевич. – Режим доступу : <http://ndipzir.org.ua/wp-content/uploads/2014/01/Urkevych.pdf>.

¹²Топ 100 латифундистов України [Електронний ресурс] : веб-сайт агропортулату Latifundist.com – Режим доступу : <http://latifundist.com>.

Ukraine, including Myrhorod region of Poltava oblast.

A number of agricultural enterprises located here is included into the structures of agricultural holding companies, including: LLC «Promin-Pryvat» and LLC «Savyntsi» that belong to the famous corporation «Pryvat-Agro»; LLC «UkrLatAgro», that is a part of the agricultural holding, whose parent company is located in the Republic of Latvia; LLC «Agrotech-Garantiya», that cultivates over 16 thous. ha of land.

Now we analyze the farmland size distribution of existing farms of Myrhorod region of Poltava oblast (Table. 2), that will be a criterion dividing the enterprises into groups: «small performers», «followers», «average performers», «sub-leaders», «leaders» [criteria development – author N. Demianenko].

Table. 2. The farmland size distribution of farms of Myrhorod region of Poltava oblast 2009, 2014.

Groups of enterprises of agricultural area land, ha	Number of enterprises		In % of the total number		Area of farmland 1 company, ha		Area farmland of total area, %	
	2009	2014	2009	2014	2009	2014	2009	2014
Small performers – to 1000 ha	X	6	x	30.0	x	437,7	0	3.6
Followers – from 1001 to 3000 ha	7	3	50.0	15.0	1731,3	1411,5	21.0	5.8
Average performers – from 3001 to 5000 ha	3	5	21.4	25.0	3874,9	3775,5	20.2	25.9
Sub-leaders – from 5001 to 10000 ha	2	5	14.3	25.0	5416,6	6175,0	18.8	32.5
Leaders – over 10000 ha	2	1	14.3	5.0	11508,5	17792,0	40.0	32.2
Total	14	20	100.0	100.0	57594,0	72766,8	100.0	100.0

During the study period, there was a break-up of the enterprises of Myrhorod region of Poltava oblast: 6 companies (30%) of less than 1,000 ha, have been formed cultivating 3.6% of the total farmland. This happened due to a decrease from 7 to 3 companies ranging in size from 1,000 to 3,000 ha (group of «followers»). A positive fact is an increasing of «average performers» by 2 enterprises, but it also happened only due to a break-up of the companies. There is a growing number of «sub leaders» to 5 companies, with increased land-use by an average of 4,645.5 ha. for a company. In addition, in this group LLC «UkrLatAgro gradually begins to succeed (a branch of the agricultural holding with Latvian investments). Also, there is a process of concentration of farmland, which the «leader» – LLC «Agrotech-Garantiya» having concentrated to 16,154 ha (22.2% of total farmland) – implements. We believe that this is largely due to the «Agrarian

technological company – A.T.C.» co-partnership from Zhytomyr. The latter is a vertical-integrated agricultural company, one of the largest companies on the producing cereals, oilseeds and potatoes (only in Zhytomyr oblast in 2013 rented 19.3 thousand. ha of land)¹³).

So, there is consolidation of agricultural enterprises, while the largest farms of Myrhorod region of Poltava oblast have concentrated farmland with an area of – 16,154 ha (LLC «Agrotech-Garantiya»), 6875 ha (LLC «UkrLatAgro»), 5809 ha (LLC «Savyntsi»), 4102 3 ha (LLC «Promin-Pryvat»). Of these, he only enterprises of corporation «Pryvat-Agro» are engaged in production of animal products.

Nevertheless, today it is very problematic to fully evaluate the total rented farmland areas of these structures, because the recognized statistics do not reflect many aspects of this phenomenon. In addition, non-transparent relations in the integration structures greatly complicate the possibility of any cooperation with the executive authorities and local self-government. Indeed, sometimes the heads of department of agricultural and industrial development of district state administration do not even know the name of the main enterprise that has located an affiliated organization in Myrhorod region and rented farmland.

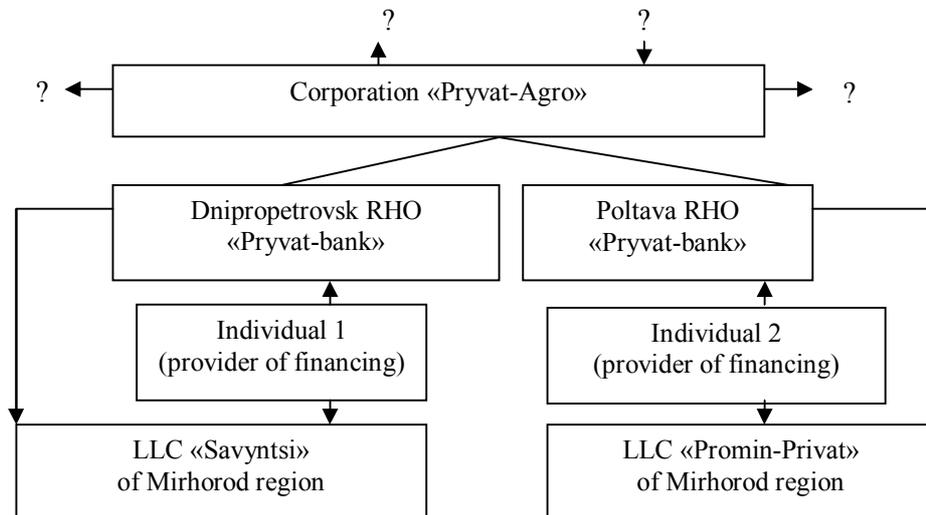


Fig. 2. A fragment of a «pyramid» of subordination of agricultural enterprises as a part of the agricultural holding «Pryvat-Agro» [development of N. Demianenko]

An inadequate information on the activities of agricultural enterprises that are the members of the agricultural holdings can be displayed, to some extent, in the

¹³ У Житомирській області більше половини родючих земель обробляють заїжджі інвестори [Електронний ресурс] – Режим доступу : http://www.zhitomir.info/news_124007.html

form of a pyramid (example – subordination of agricultural enterprises of Mirhorod region, the members of the agricultural holding «Pryvat-Agro») (Fig. 2).

Even regardless of activity of agricultural holdings, we understand the direct link between the well-being of rural communities and the effective management of agriculture commodity producers. In this case, it is quite logical to expect the new job formation for local residents, an increase in budget revenue from tax payments, improvements in infrastructure for the rural areas. As the researcher S. Demianenko rightly pointed out, such expectations are based on the fact that «the founders of these companies are the residents of the village, and they and their family members take advantage of this infrastructure: means of communications, medical, cultural and educational institutions (children go to kindergarten and schools, cultural centers, libraries, etc.)»¹⁴. Such «scheme» of expectations could be implemented upon condition of management of typical agricultural enterprises – JLLC, farms and cooperatives. It would seem that upon condition of the activity of the agricultural holding, the well-being of rural areas should grow in proportionately with the grand-scale use of farmland of these companies.

However, we can see a completely different picture. This is due to the lack of legal norm regarding all social duties of agricultural holdings to the community in rural areas. The founders of agricultural holdings often live in a completely different area, and neither they nor their family members do not use the rural infrastructure, this does not eventually promote the development of rural infrastructure. While some agricultural holdings are implementing a policy of social responsibility, have Regulation on Partnership, Social Programme, etc. Nevertheless, this is not typical for all these companies. In most cases, this is the PR-actions, and not of a systemic nature.

We can analyze the social and economic work of agricultural enterprises, which is typical for groups of the enterprises, divided according to the area of farmland (Table. 3).

Even a shallow analysis of the situation in agriculture in recent years of Ukraine shows that the majorities of small and medium-sized agricultural enterprises «continues to systematically show the unprofitableness and, therefore, are not able to support the village»¹⁵. Therefore, tab. 3 confirms the scientific thought about small businesses that operate nonsystematically and are unprofitable.

Agricultural holdings get substantial profits, as they use low-paid work force, for example, the level of wages in the LLC «Promin-Pryvat» was the lowest wage

¹⁴ Дем'яненко С. І. Агрохолдинги в Україні: добре чи погано? Німецько-український аграрний діалог [Електронний ресурс] / С.І.Дем'яненко. – К. : Ін-т економ. дослід. та політич. консультацій, 2008. – С.12. – Режим доступу : http://www.ier.com.ua/files/publications/Policy_papers/Agriculture_dialogue/2008/AgPP_21_Ukr.pdf

¹⁵ Шанін О. В. Концепція селоутворюючого підприємства в системі розвитку сільських територій // О. В. Шанін // Ефективна економіка. – 2015. – № 4. – С.191.

of 2044.75 UAH / month. To process 1 ha in this enterprise they need 1 or 2 farm machinery operators. Companies of the agricultural holdings of Poltava oblast actively employ the students of Poltava State Agrarian Academy. The most popular specialties are an agronomist and a mechanical engineer. Growth of the number of young people is due to new and risky ideas of youth that promote agricultural development.

Table 3. Economic efficiency and social community support by enterprises of Myrhorod region of Poltava oblast (depending of the area group), 2014

Groups of enterprises of agricultural area land, ha	Profit (loss) from 1 ha, UAH thous.	The cost of 1 ha, UAH	Number of workers persons	The average wage, UAH	The size of state support, тис. грн	The rent for 1 ha of land share, UAH
Small (LLC «Khorol-Don»)	0,5	8,2	47	2212,60	162,0	1098,6
Followers (JLLC «Slavutych»)	1,3	5,9	28	2505,95	665,0	1218,2
Average performers (LLC «Promin-Pryvat»)*	6,8	1,1	162	2044,75	893,0	1134,9
Sub-leaders (LLC «UkrLatAgro»)*	7,0	2,2	58	2401,23	120,6	1115,3,
Leaders (LLC «Agrotech-Garantiya»)*	7,4	4,6	351	3210,00	0,0	1419,6

* *Members of the of agricultural holdings*

LLC «Promin-Pryvat» has the lowest rent for the land – 1134.9 UAH per 1 ha of land share. At the same time, in addition to substantial grants from the parent company «Pryvat-Agro» this company got 839 thous. UAH of state support.

In addition, these enterprises, which are the members of agricultural holdings, have a low level of production costs per 1 ha. This is a factor of profit growth because of the using cheap resources and raw materials in the vertical and horizontal integration. We note, however, that in many agricultural holding companies (46%) livestock is developing as a supporting industry to improve productivity of grain farms¹⁶.

In addition, if at the time of the Soviet Union, rural social infrastructure was on the balance of state farms and collective farms, from the period of independence of Ukraine it has passed the balance of rural (village) councils which now are not able

¹⁶ Кропивко М. Ф. Агрохолдинги в Україні та посилення соціальної спрямованості їх діяльності / Лупенко Ю. О., Кропивко М. Ф. // Економіка АПК. – 2013. – № 7. – С.11.

to fund it at a proper level. Present agricultural enterprises do not direct their work to the development of rural areas, even getting profits. This is due to farmland fragmentation of agricultural holdings between rural councils. Furthermore, many companies are seated at cities such as LLC «Agrotech-Garantiya» – in Myrghod, the same tax liabilities are for the development of the city.

Social support of local communities is carried out periodically by agricultural enterprises, and not systemic. To determine the specific sums of the enterprises is impossible, since these expenses in the financial statements are presented as manufacturing. The reason for this approach is the high level of taxation of social spending of business. Imperfect tax legislation of Ukraine should be classified as factors that provide negative impact of agricultural holdings on the social and economic development of rural areas.

Studying the impact of agricultural holdings on social and economic development of rural areas, the scientist V. Zalizko defines a number of negative consequences of this process¹⁷. Negative consequences given by the researcher, as in the sphere of social relations, and in the sphere of ecological safety of the population, are directly related to the problem of the concentration of agricultural holdings of farmland. Thus, the negative social consequences of the activities of agricultural holdings in rural areas include the following:

- hypercapitalization of land bank of agricultural holdings can lead to the fact that rural residents would lose control over most fertile farmland. Furthermore, there is a low percentage of landlords fees for the use of land shares;

- the growth of unemployment among the rural population due to the displacement of labor-intensive agricultural production, the transition to mono-production and the using non-diversified agricultural machinery.

It should be noted that agricultural holdings require highly skilled professionals for new foreign technology service. However, the available rural labour force in terms of the development of high technology and machinery does not meet these requirements. For the reason of economy, agricultural holdings are not going to finance the training of specialists of the rural sector at the place of the leased farmland, and employ workers from other regions who have received vocational training at their own or state expense. Such approach, in practice, leads to higher unemployment in rural areas among residents with educational level, and among those who have received higher education and have a high skilled level.

Thus, in 2009 JSC «Scientific and Production Company «Harvest», that is a member of the vertical-integrated business PJSC «Myronivkyi Hliboproduct», leased the land with the area of 43 districts of 5 regions of Cherkasy and Kyiv oblasts. However, an average of five locals from a village were involved in

¹⁷ Залізко В.Д. Вплив агрохолдингізації сільськогосподарських підприємств на соціально-економічний розвиток сільських територій / В.Д.Залізко // Економіка України. — 2013. — № 6. — С.75

production operations. It is quite clear that there is a need for state regulation of employment of working rural population in the areas of agricultural holdings. In addition, it would be wiser to provide the landlords with the right of high priority employment in the structure of the enterprise-renter.

The impoverishment of rural population, the development of migration and extinction of rural areas could lead, in the nearest future, to the fact that most rural areas simply become a base area for the growth of farmlands of agricultural holdings.

In addition, the trend towards concentration of agricultural holdings of farmland and their further ruthless exploitation has a negative environmental impact¹⁸.

Negative impact, determined by scientists, of the activities of agricultural holdings on ecology is significantly strengthened by the fact that the residents of rural areas are alone in the struggle with the consequences of this influence. The budgets of the rural communities are not able to finance the environmental actions. In reality, the program at a regional level will only be able to work with condition of appropriate funds from the government budget.

Thoroughly analyzing the impact of agricultural holdings on agricultural development of Ukraine, S. Demianenko concludes: «It should be noted that some agricultural holdings are responsible for costs associated with social infrastructure support. However, due to the fact that agricultural holdings are seated mainly in the cities, they almost do not pay taxes to the local budgets of rural areas. The former collective farms, which have lost the status of a legal identity, have become subsidiaries or divisions of agricultural holdings. This is often a disadvantage for rural areas. Therefore it is necessary to introduce a mechanism that would ensure the payment of taxes by enterprises and organizations, where agribusiness is not seated of the main company but of the location of their subdivisions, i.e., in the countryside. This allows the rural councils to accumulate funds of local budgets for the development of social infrastructure»¹⁹.

Therefore, for the organization of co-operation of all agricultural enterprises (especially of agricultural holdings), bodies of local government and communities of villages and towns we offer to use a mechanism of interaction, that will work on the basis of partnership (Fig. 3).

So, it is advisable for small producers are to be integrated as cooperatives, and to formulate development business plans that will provide employment for rural

¹⁸ Залізко В.Д. Вплив агрохолдингізації сільськогосподарських підприємств на соціально-економічний розвиток сільських територій / В.Д.Залізко // Економіка України. — 2013. — № 6. — С.75

¹⁹ Дем'яненко С. І. Агрохолдинги в Україні: добре чи погано? Німецько-український аграрний діалог [Електронний ресурс] / С.І.Дем'яненко. — К. : Ін-т економ. дослід. та політ. консультацій, 2008. — 45 с. — Режим доступу : http://www.ier.com.ua/files/publications/Policy_papers/Agriculture_dialogue/2008/AgPP_21_Ukr.pdf

population. Corporate formation (enterprises that are members of holding companies) should be directed to horizontal diversification. Moreover, due to increasing the profitability it is advisable for all businesses to allocate funds for social development of the projects of the community of villages and towns. An integrator two poles at the regional level should be the regional and village (town) councils. To encourage agricultural enterprises and investors participation in the implementation of these projects, we offer for them to determine the obligations of state authorities to support the implementation.

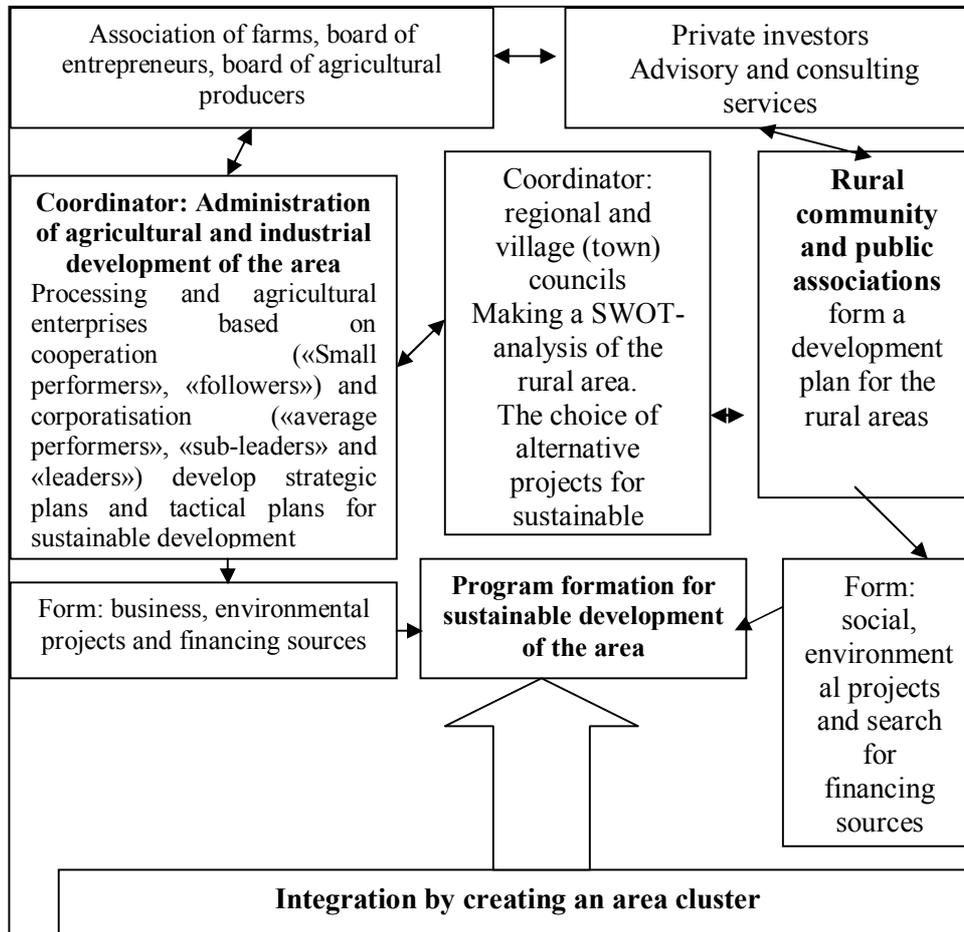


Fig. 3. The model of strategic planning for the development of cooperative and corporative structures based on rural development [author model of N. Demianenko]

Also, during the development of the economic strategies and programs of most small businesses («small performers», «followers»), we recommend to practice coupled specialization in the production of land-poor labor-intensive crop and livestock products, and to enter into a joint business activity, using the mechanism of cooperation and clustering based on social support of rural areas.

Moreover, we propose to agricultural holdings to develop environmental-oriented agricultural and industrial production, raise the level of social orientation of their activities and act as an integrator of joint economic activities, increase the level of social orientation of their work and act as integrators of joint economic activities. It is advisable to recommend to the structures of agricultural holdings to create the department of information and social policy. This institution, in an integrated manner with local authorities and local territorial communities, based on conclusion of social responsibility agreement with the chairman of the village council, will provide solving the most important financial problems in the areas of education, medicine, spiritual dimension, landscape design of rural areas and so on. Such proposals must have a clear legislative consolidation that will allow to monitor the activity of agricultural holdings at the state level.

A detailed mechanism of co-financing of projects of sustainable rural development is shown in Fig. 4.

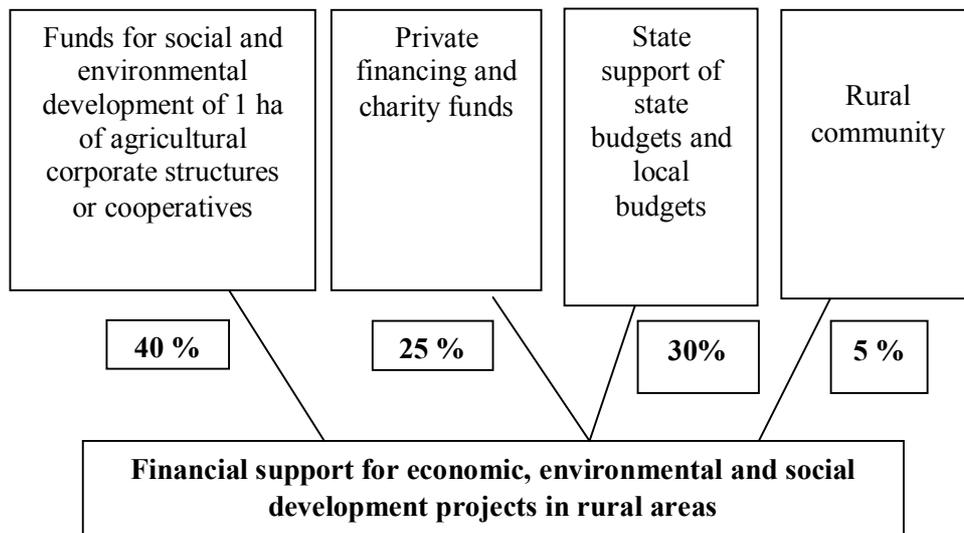


Fig. 4. The mechanism of financial support for projects in rural areas [developed by the authors on the basis of²⁰

Thus, based on the proposed mechanism of agricultural holdings together with other governmental and non-governmental organizations will fund rural development. Both the state budget (within the state development programs of agricultural and industrial production and rural areas) and local budgets can service as the source of public funding of rural development.

Summarizing the presented material, for increasing social orientation of

²⁰ Обласна цільова програма впровадження в Полтавській області III фази Проекту Європейського Союзу (ЄС) та Програми Розвитку Організації Об'єднаних Націй (ПРООН) «Місцевий розвиток, орієнтований на громаду» на 2015-2017 роки [Електронний ресурс] – Режим доступу : <https://docviewer.yandex.ua>.

agricultural holdings we offer to implement the following measures:

1. Agricultural holdings should develop Programs of social investments aimed to financial support of the most important projects initiated by territorial communities.

2. Agricultural holdings should form the fund of sustainable development of rural areas, and provide funding for each hectare of leased land.

3. For the use of rural social infrastructure services (water, roads, electricity, etc.) we offer to the social development of agricultural holdings fund to allocate funding to the territorial community fund annually. It is necessary to calculate of the costs depending on the area of land leased by agricultural holding.

4. It is obligatory to work closely with agricultural universities and to establish joint training centers.

To attract young promising professionals into the agricultural production and support persons wishing to move to rural areas, it might be necessary to oblige agricultural holdings at the legislative level to create favorable conditions, first of all, to provide young families with housing accommodations.

Conclusions. Development of the agricultural holdings in Ukraine as a whole, and the analysis of individual vertical-integrated agricultural enterprises of Myrhorod region of Poltava oblast have found their strong economic growth with a significant social and environmental decline of rural areas, within the enterprise economy.

Therefore, in future it is necessary to increase state control over the activities of agricultural holdings to involve them to the system-forming mechanism of a sustainable development of rural areas. It is necessary to introduce a mechanism that would ensure the flow of funds in the implementation of community projects in the place of activity of agricultural divisions of corporations. At the same time, as an alternative of further limit the land tenure of large corporate structures, the state should create the right conditions for the organization of cooperatives.

Thus, agricultural enterprises, which are members of agricultural holding companies, accumulating considerable resources of farmland, must develop and act only with condition of sufficient level of social and economic life of rural areas.

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