DEVELOPMENT OF AGRICULTURAL HOLDING STRUCTURES IN UKRAINE’S COUNTRYSIDE (TECHNOLOGICAL ADVANTAGES AND SOCIAL THREATS)

The article is devoted to the study of the development of agro-holding structures in Ukraine. There are three periods in the development and functioning of these subjects of the agrarian market. A detailed analysis and assessment of the technological advantages of business giants, and the social threats they present for rural areas, have been conducted. The author concludes that the role of agro-holdings in terms of restructuring of the Ukrainian village can be estimated in two ways. On the one hand, they are well caring for their business, and on the other hand, they also contribute to increasing unemployment in the villages, because only a small part of the rural population is provided with jobs.

Key words: agricultural holdings, rural areas, agricultural sector, economic strength.

The statement of the problem. The restructuring of the collective and state farm system, after the independence of our country had been proclaimed, marked a full-scale socio-political transformation in the agricultural sector. As a result of the restructuring of collective farms and state farms, which were the basis of Soviet power, new organizational forms of entrepreneurship were formed on their ground. Among them, powerful agro-holdings found their peculiar niche in the system. It is with the activity of these business giants that the government of our country has associated Ukraine’s food security. Therefore, the research of the activities of agricultural holdings, as well as the study of their impact on the life of the...
Ukrainian village, is a very relevant issue that requires a special study and may be useful in generalizing material related to the reformed experience of 1991 – 2017 for the election of new economic landmarks. Thus, the chosen topic has a scientific-practical and socio-political significance. These are the evidences that prove the urgency of the research.

The analysis of sources and recent researches. The topic of research into the activity of agro-holding structures as a new organizational form of entrepreneurship is relatively new in historical science. Therefore, there is an insufficient quantity of papers the authors of which paid their main attention to these business giants of the agricultural sector of Ukraine. Though, there is a large number of works by economists-agrarians who study the functioning of agroholdings. Among them the papers by Demyanenko S.I., Meers V., Johnson T. and Andruchuk V.G. should be marked as really meaningful. It is the study of the activities of agroholdings from the historical point of view that predetermined the author's appeal to this topic.

The publication’s purpose. The purpose of the study is, on the basis of the analysis of the materials studied, using the latest principles and methods of scientific and historical knowledge, to investigate the development of agroholding structures in Ukraine, and to assess in detail their technological advantages and social threats to the countryside.

Statement of the basic material. The changes that resulted from the reform of the agrarian sector after the proclamation of independence of our state influenced significantly the emergence and development of new organizational forms of entrepreneurship. One of them – agroholdings – has, indeed, become a priority for Ukraine. It is one of the variations of holding companies – the system of commercial organizations, which includes a «management company», holding hold majority shares or shares of subsidiaries of subsidiaries, and subsidiaries.

The practice of creating agroholding structures is characteristic of countries that until 1991 belonged to the so-called socialist camp. The main drivers were imperfections and failures in the functioning of the economy, the lack of necessary institutional and legal conditions for conducting effective business, imperfect state policy, especially regarding the issues related to the formation of a full-fledged agricultural land market.

In our opinion, it is quite reasonable to isolate the three periods in the development and functioning of agricultural holding structures as full-fledged participants in the agrarian market. More specifically, the first phase lasted ten years from 1995 to 2005. It was the time of the creation of the regulatory framework necessary for the full operation of business giants, as well as the accumulation of agricultural land and the practice of creating of the first holding agricultural companies.

Thus, as for our state, the processes of corporatization and privatization of large state enterprises and associations has been one of the main economic drivers for the formation of holding companies. A number of Laws of Ukraine «On Entrepreneurships», «On Enterprises», «On Privatization of State Property» and the Decree of the President of Ukraine of May 11, 1994 «On Holding Companies Created in the Process of Corporatization and Privatization» laid down the legal basis for their foundation and operation. According to the latter, the flotation of a holding company in the form of an open joint stock company was envisaged by way of merging in the authorized share capital majority shares of subsidiaries and other assets by means of establishing them by the agencies authorized to manage state property, state privatization bodies, either independently or together with other founders, or by means of the acquisition of one economic entity by another (buyout) in the process of privatization (in this case, the acquiring company is considered from now on the holding company, and the target company – a subsidiary).
In fact, during the first period in Ukraine, 35 holding companies and state-owned joint-stock companies which authorized share capital received holdings of stocks of 305 business associations were set up. Agroholdings, acting as business structures under the reformed agriculture of the independent Ukraine with the main purpose of increasing their capital due to profits and surplus profit in the form of rent, turned out to be the most successful model of activity of holding companies.

The first agroholding companies appeared in the early 2000's. The accumulation of agricultural land was an important prerequisite for their formation and activity. In December 1999, the President of Ukraine L. Kuchma signed the above-mentioned Decree «On urgent measures for accelerated reformation of the agrarian sector of the economy», the implementation of which led to the development of a new form of economic structures. It is fully proved by S. I. Demianenko, that this decree was a turning point in the privatization of agricultural land and the restructuring of the economy (Demyanenko, Meyers, Johnson, Zorya, 2005: 63). Giant holding companies hurried up to take advantage of the basic provisions of the Decree and began to quickly accumulate agricultural land. It resulted in the social tension in the countryside. In order to deescalate tensions, as well as to right peasants' private ownership of farmland allotment (shares), in January 2001 a moratorium on the purchase and sale of land plots (shares) was introduced.

With the adoption of the Land Code in 2001, the moratorium was never removed. Therefore, which is not surprising, the incompleteness of institutional transformations in the agrarian sector has led to the formation of mechanisms for shadow control over the distribution of agricultural land, which resulted in the emergence of a shadow land market. A special under-the-table system of them moratorium has been developed: the conclusion of a preliminary sales purchase agreement under the condition that it fully comes into force after the moratorium expires; execution of a power of attorney with the right to dispose of land; conclusion of the lease with the subsequent right of priority redemption.

Many of those agroholding companies left the economic arena in a short time. V. G. Andriichuk made a good point saying that many companies and businessmen who invested their capital into agribusiness, quickly «left» it because of the absence of the fundamental motive (obtaining assets of agrarian enterprises to repay debts, hope to buy low and to sell high, expecting a quick return at any price, etc.). Therefore, the process of capitalization of agriculture in the direction of capital infusion from other spheres of the economy at an early stage was often chaotic, inaccurate, there was a process of reselling assets from one business group to another. However, at the end of the mentioned period, the concentration of agribusiness began to be realized in quite clear-cut outlined directions (Andriichuk, 2009: 7).

The second stage of the activity of agroholding structures began in 2006 and lasted until 2008. In this period, the process of formation of agriholdings, as well as their continued accumulation of land bank through the acquisition by giants of lands of weaker competitors might be called forcing. In particular, during the given period of time, an entire scheme for the multi-stage formation of agroholdings was developed. At the first stage there was the investment of capital, of domestic or (often) foreign origin, into the processing industry which provided a faster turnover and payback. In particular, it concerned oil and fat production, flour, baking, sugar, meat and dairy industries. The next stage of investment was the sales of products through the development of logistics and its own trading network. With the accumulation of necessary financial resources at the third stage it created its own agricultural production through the lease of land and partly property shares and the purchase of the necessary resources, especially modern technology.
There was also one more easy way of creating agroholdings — the development of agribusiness companies, whose main activity was not related to the agrarian sphere. An example of such an agroholding was a subsidiary of the Zasiadko mine (agricultural company «Shakhtar»). It comprised twenty-two agricultural enterprises of different legal status with a total area of about 100 thousand hectares of agricultural land, including over 90 thousand hectares of arable land. In 2010, 6 thousand cows, 25 thousand pigs, 500 thousand broilers, 1 million adult chickens were managed in its branches. The refining capacities of the company were located at the Kramatorsk Meat Processing Plant and the Slovianskyi Dairy Factory. The agribusiness began to conduct a great innovation activity, having established contacts with six research institutes of Ukraine. As a result of such cooperation, «Shakhtar» started to grow Holshynska and Simental breeds of cows on its own breeder. It used the most modern crosses in poultry farming: the chicken crosses of Hein-Lynthia Bowanda-Goldline, the Cobb-500 and Gibro broilers crosses (Informatsiia z ofitsiinoho saitu orendnoho pidpryiemstva «Shakhta imeni A. F. Zasiadka»).

By 2008, the process of creating large holdings that rented 50–100 thousand hectares of land continued to be carried out at a gigantic pace. Moreover, the «agrarian lobby» was formed that relied on the rapid abolition of the moratorium and the legalization of ownership of captured land massifs. However, in 2008, the financial crisis, which brought significant material losses to holders of agroholdings, triggered a financial crisis and contributed to the regrouping of strategic investors who directed their interests in the agro-food sector, which at that time was in a better position than other sectors of the economy.

It is the global financial crisis that has triggered the third stage of agroholding business development in the countryside, which began in 2009 and continues up to now. The most typical feature of this period is the completion of the formation of the most powerful agrostructures in Ukraine. The largest land use agroholdings (from 400 to 600 thousand hectares) have their production in the best farming areas – Poltava, Vinnytsya, Sumy, Khmelnytskyi and Chernihiv regions; from 200 to 400 thousand hectares – in Cherkassy, Kharkiv, Ternopil, Donetsk and Zhytomyr regions. In 2010, 40 most powerful agricultural holding structures controlled 4.5 million hectares of land, which was 13% of cultivated agricultural land (Deininger, Byerlee, 2011: 23).

Among them, one of the most powerful was the agribusiness «NIBULON», which started its history in 1991 (initially as a small enterprise supplying high-yield corn and sunflower seeds of foreign breeding and selling them). Alexey Vadatursky, its general director, was a co-founders of the Hungarian company KOMBISEED KFT and the English company Meridian Commodities Ltd. In general, the name of the company «NIBULON» is made up of the first letters of the name of the founding cities: Mykolayiv, Budapest, London. The initial capital of the future powerful agriholding reached only $ 50,000.

During its existence, the company has turned into a vertically integrated agrocompany, which has independently cultivated 43 thousand hectares of farm field in four regions of Ukraine, cultivated agricultural products (more than 100 thousand tons of grain and oilseeds per year), transported, processed, brought to commodity conditions, sold and shipped for export, had a developed livestock industry. It should be noted that it was largely assisted by the International Bank for Reconstruction and Development, which in 1998 helped the company out with five million dollars (Vid zernyny – do khlibyny).

Over the years of its existence, «NIBULON» has invested more than UAH 600 million into the agrarian sector of the economy and has become a leading national farmer of grain
traders and exporters. In the marketing year 2004 – 2005 only, the volume of grain and oilseeds sales exceeded 1.4 million tons, including 1.3 million tons of grain shipped for export. By the end of 2012, «NIBULON» has had 23 production branches throughout Ukraine, a transshipment terminal for transshipment of grain and oilseeds in Mykolayiv, three elevators and 18 transshipment terminals, a shipping company and a shipbuilding and ship repairing plant «NIBULON» (Fili «NIBULONA»).

Among the largest agricultural holdings of independent Ukraine, «Ukrlandfarming» founded by Oleg Bakhmatyuk must be marked out. In March 2011, the American magazine Forbes estimated the wealth of a businessman in $ 1 billion (7th among the Ukrainian billionaires and 1140 in the world). And in November 2012, the Ukrainian counterpart of «Forbes» gave Oleg Bakhmatyuk 11th place in the list of 100 richest people of Ukraine, estimating his profits at 877 million dollars (Biznesportret: Bakhmatiuk Oleh Romanovych).

It should be noted that the Agroholding Land Bank of the holding «Ukrlandfarming» is constantly extending due to the acquisition of other companies. One of the most famous was the company «Rise». It started its activity in 1992 as a supplier of plant protection products. Over the next three years, the company has opened three branches. And in 1998 it already had 10 branches throughout Ukraine. Since then it has been engaged in deliveries of agricultural machinery.

In 2000, «Rise» created a new subsidiary – «Rise-Agro» in Kyiv, with its offices in Ternopil, Sumy, Kirovograd and Zaporizhzhia regions. In 2002, the unit dealing with accounts payable and accounts receivable was allocated to a separate company, Rise-Agrotrade, whose task was to export agricultural products. In 2003, a subsidiary company Rise-South in Rostov-on-Don with offices in Krasnodar and Stavropol was opened. And in 2004 a subsidiary company «Rise-Central Chernozemia» was established in Belgorod (Russia).

In May 2005, the company had 64 representative offices in Ukraine, 2 subsidiaries in Russia, and one in Moldova. «Rise» had two or three representative offices in each region of Ukraine to be closer to its customers. At the same time, the company «Rise» comprised five structures: «Rise-Agro» – production of agricultural products; «Rise-Agroservice» – supply of material resources; «Rise-Agrotehnik» – sales of equipment, spare parts; provision of service; «Rise-Agrotrade» – export of agricultural products; «Rise-Transservice» – international transportation, customs-license warehouses, etc. The holding employed 2870 specialists serving 10 thousand customers (Shchorichno kompaniia «Raiz» provodyt «Dni polia», yaki vidviduiut ponad 2 tys. klientiv).

In 2006, «Rise» started its work in the sugar processing industry and founded Rise-Sugar and Maksimko companies. By that time, the company had already had 47 branches throughout Ukraine, and its land bank amounted to more than 60 thousand hectares. In 2010, the entire production activity of the company was concentrated in «Rise-Maksimko», and the cemeteries of agricultural land expanded to 180 thousand hectares (Istoriia kompanii «Raiz»). Such a pleasant thing could not but attract the owners of other agroholdings, therefore in the same year «Rise» became part of Ukrlandfarming. Similarly, the agro company Dakar Agro Holding suffered the acquisition by Land Holding owned by Oleg Bakhmatyuk. Thanks to this, his land Bank exceeded 500 thousand hectares, which made it the largest in Eastern Europe in terms of the number of cultivated land. Moreover, these acquisitions allowed O. Bakhmatyuk to take serious positions in sugar production in the country.

The «Avangard» agroholding, which also belonged to the above-mentioned Bahmatiuk, should be mentioned separately: although it practically did not have any land, it became...
known as the largest producer of poultry meat in Ukraine. The production facilities of the company were located in 14 regions of Ukraine and consisted of 19 poultry farms, 3 reproducers, 9 zones for poultry rearing, an egg processing plant, 6 feed mills, and three warehouses for long-term storage of eggs. The overall production was also quite decent: in 2011, the average annual chicken-bear stock amounted to 20.5 million heads, 12,200 tons of dry egg products, and egg production varied at 6 billion units per annum, accounting for more than 51% of gross production of this kind of products in Ukraine (AVANGARD. CO).

October 5, 2010 Avangard became part of Ukrlandfarming. Currently, the company owns 18 meat factories, two refineries, six seed plants, six sugar factories, three elevators with a capacity of 645 thousand tons of one-time storage, four grain storage facilities and 110 horizontal storage facilities (Ukrainski ahrokholdinhy «Ukrlandfarminhy» i «Avanhard» zavershyly obiednannia).

Kernel Holding SA, owned by Andrei Verevsky, became one of the largest agro-operators on the grain and oil market. In 2010, Kernel acquired controlling stakes in two agro companies in Poltava and Khmelnytsky regions. The total area of these agricultural enterprises exceeded 119,000 hectares. In 2010, the company also entered the sugar market by purchasing Enselco and Sugar Union. In addition to «sugar» capacities, the land bank of the holding has replenished with more than 120,000 hectares.

The «Mriia Agroholding», founded by Ivan Huta, was considered a powerful agroholding at the end of the first decade of the XXI century. In 2011, the holding increased its net profit by 3.9% (to $ 149,978,000), while the revenues grew by 66.1% (to $ 268,308 million) (Dvadtsat samikh uspeshnih aharyev Ukrayni).

The process of creating new agroholdings continued at the beginning of the second decade of the XXI century. In 2011, the Group of Companies «System Capital Management» under the leadership of Renat Akhmetov, and Smart-Holding Group headed by Vadim Novinsky, founded on the agricultural assets of the Illich Mariupol Metallurgical Plant an agroholding with a land bank of 225 thousand hectares (Dvadtsat samikh uspeshnih aharyev Ukrayni).

Analyzing the production direction of agroholdings, it should be noted that in the majority of cases, their activities were directed at the production of grain and oilseeds, as well as at the production of raw materials for their own processing industry (sugar beet, milk, meat of cattle, pigs, poultry, etc.).

As for the Ukrainian village, the emergence and active functioning of agricultural holdings had double significance. On the one hand, they provided employment for the rural population. However, on the other side, industrial production is less labor-intensive and can be used for employment of only 2 million people (according to researches of Ukrainian economists, taking into account one hundred percent of all land resources of Ukraine). It can be supported by the fact that by the end of 2012, there were more than 14 million people in the domestic agrarian sector, and only 620 thousand of them were employed in agroholdings (Ahrokholdynhy unychtozhaiut ukryanskoe selo).

During the years of their functioning, agroholding companies have also developed a somewhat diverse approach to the development of rural areas where they conducted their business. Very few of them began to take care of the population of the region, fully developing rural infrastructure and improving the well-being of villagers. Some only partially helped local residents to build their living space. However, this assistance was small compared to the possibilities these giants of agribusiness had. The majority of such units were agroholdings, which generally refused to streamline social infrastructure and operated on the basis of maxi-
mizing profits. Their leaders were not interested in the social sphere of the Ukrainian village, since the main labor force in agroenterprises was part-time (or seasonal) hired workers who carried out agricultural operations by moving from one branch to another.

Conclusions. Thus, the formation and development of agricultural holdings in Ukraine against the background of global changes in the historical process has become a logical result of the transformation of the agrarian sector in the process of globalization of agriculture. In our opinion, it is necessary to separate out three periods of development and functioning of the operators of the agrarian market through the lens of the development of agrarian history:

І stage (2000 – 2005) – formation of the regulatory framework and the beginning of the accumulation of agricultural land, the spread of the practice of creating and operating of the first holding agricultural companies;

ІІ stage (2006 – 2008) – forcing the process of creation of agroholdings, advancing their accumulation by the land bank due to the acquisition of weaker competitors by the land giants,

ІІІ stage (2009 – 2014) – the allocation of the most powerful agricultural structures that control currently most of the agricultural land in Ukraine: Ukrlandfarming, Kernel, Mriia Agroholding and their competitors, such as HarvEast Holding.

As for the role of agroholdings in terms of Ukrainian village restructuring, it can be estimated in two ways. On the one hand, business giants have taken good care of their business – agricultural land, employing the most advanced technologies for their cultivation, and for a certain number of villagers they offered real employment. But on the other hand, the big problem was that there was virtually no interaction between the owners of large agricultural holdings and ordinary peasants. The agroholdings capital was mostly built on bank loans or funds borrowed from placement of bonds. This, to a certain extent, created serious social risks for the Ukrainian village. After all, agroholdings were interested, first of all, in their enrichment through the expansion of the land bank. In addition, they contributed to the increase in unemployment in villages, because, according to scientists’ researches, provided work only for one in ten peasants, while other residents were forced to look for other ways of earning. In addition, most of these operators in the agrarian market simply ignored the specifics of Ukrainian villages, without paying any attention (especially financial) to their infrastructure development.

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