

THE PROBLEMS OF EFFECTIVE FUNCTIONING OF CORPORATE STRUCTURES IN AGRARIAN SECTOR OF ECONOMY

Statement of the problem: The development of agricultural production, a significant increase in volumes of agricultural production, mainly due to intensive factors is of strategic importance for the modern Ukraine. The global food crisis with simultaneous presence of significant untapped potential of agricultural production in Ukraine is giving our country a chance to strengthen its position in world markets and agricultural food products and to ensure a high rate of domestic economic potential for a short period of time. Significant role in these processes is given to existing and potential corporate structures of the agricultural sector of the economy. Therefore, the research problems that hinder the development of corporate structures in the production of agricultural products is an important theoretical and practical challenge at this stage.

Analysis of the last researches and publications. The processes of formation of the corporate sector of the national economy are characterized in the works of Y. Lupenko [4], T. Pasichnyk [8] etc. Status and Problems of formation and development of corporate structures in the agricultural production is studied in the works of O. Bezemchuk [1], A. Dankevych [2], S. Demianenko [3], Y. Lupenko [5], V. Mesel-Veseliianka [6], O. Onyschenko [7] etc. However, socio-economic and environmental issues remain insufficiently studied that currently impede the development of Ukraine corporate type farms or significantly reduce their effectiveness.

Statement of the Problem. The aim of the article is to study the problems and search for reserves to increase the efficiency of the corporate structures in the agricultural sector.

Main research material. The problems of corporate structures in agriculture today Ukraine could be divided into 2 groups. To the first group is suggested including a set of internal and external factors that influence the formation and operation of business entities as agricultural corporations. The second group is the economic, social, environmental and other problems created by the operation of agricultural holdings and other corporate structures to environment, local communities, local and central government and administrations etc. The main problem for the development of large-scale business by agricultural corporations is lack of legally functioning agricultural land market in Ukraine. The inability to purchase the necessary amount of land is forcing manufacturers to enter into land lease agreements with a large number of smallholders. According to this contracts agricultural producers each year have to pay the owners of the land rent in kind or monetary form. In recent years, the owners of shares are paid by the production of crop, mainly grain.

So, for the period 2006-2012, the value of agricultural products, which the companies gave in payment for the use of land shares, increased by 73%. Most volume of this products (about 97%) were crop products. In 2012 agricultural enterprises of Zhytomyr region gave to the land owners on account of rent for land and property shares 35708 ton of grain, which is 7,5% of total volume of its implementation. In the structure of production costs of agricultural enterprises in Zhytomyr region payment for land shares (stakes) in 2012 made 6.4%.

The above situation has contradictory consequences for both lease relations. Agricultural enterprises are forced each year to give a portion of produced goods as rent, which inevitably increases their production costs and therefore reduces profitability. The land owners, in their turn, in most cases, have to take the rent by products that are ready to offer their tenants, and they often find the resulting amount of payment unjust. As a result, residents of areas where the land is leased, often form a negative attitude towards existing and potential tenants.

Organization of production by agricultural enterprises, including large Agricultural corporations mainly on leased land has other problematic consequences. First of all, the usage of foreign lands often creates a desire to make the most of their productive capacity without investing the necessary funds to restore soil quality characteristics. In the absence of proper control over the usage of leased lands from the owners and the state, deterioration of quality characteristics of agricultural land is an inevitable process. After sharing agricultural lands vast majority of new owners do not exercise any independent productive activities on these lands. Thus, the owners do not exercise the necessary measures to protect and restore the quality indicators of land, the state also does not invest funds for these purposes. The result of such an attitude to land protection, restoration and enhancement of their natural fertility is quite complex ecological and productive status of agricultural land in most regions of Ukraine. Today's financial condition of most major agricultural corporations allows to allocate the necessary funds for carrying out the restoration of the land. However, this requires regulation of transfer of ownership of the land and the introduction of strict government control over the soils and their usage.

Inability to purchase in ownership agricultural lands by agricultural corporations also slows the development of livestock industries. Because the use of modern technologies in this field requires building costly facilities construction, for example, a modern dairy complex at 1000 animals is about 80 million UAH. The construction of such objects on leased lands is a very risky project for potential investors.

Priority of areas of crop fields to livestock for agricultural enterprises has resulted in the presence of an acute shortage of organic fertilizers, resulting in their introduction on 1 ha in 2012 decreased by 10 times compared with 1990. The development of intensive production technologies in crop production is impossible without regular fertilization of areas under crops. With the advent of the Zhytomyr region of large agricultural corporations in the 2000s, the situation has slightly improved: the volume of mineral nutrients on 1 hectare of cultivated area in the period 2000-2012 increased by 4 times. However, the volume of organic fertilizers decreased as a result of the decline in livestock is an acute shortage of such fertilizers.

Prevalence of crop industries in the agricultural production structure of Zhytomyr region also have negative social consequences. First of all, it comes to a substantial reduction in the number of employed people in agriculture. With double reduction of the number of employed in agriculture in the period 2000-2012 the number of employees in the agricultural production of the region during the same period decreased by 4 times. Primarily this is explained by the fact that large agribusiness corporations, mainly developing crop, tend to use intensive production technology. In practice, this means a significant reduction in the share of manual labor in agriculture, usage of mobile teams of skilled professionals (engineers, mechanical engineers, agronomists, etc.) for the provision of maintenance, planning and processing of crops etc., at the same time for a few farms in the region, members of the part of one holding.

Disclaimer of large agricultural corporations from using a large part of the local population as part of the workforce is partially forced. First of all traditionally a significant part of the population in rural areas has been employed in the fields of animal husbandry that even with intensive technologies require more workers than the crop production, so this employment is year-round. Second of all, advanced equipment and technology need the involvement of qualified personnel who are traditionally scarce in rural areas. The settlement such specialists in the village on a regular basis is problematic due to underdeveloped living conditions (Table 1)

Table 1

Equipment of housing stock in rural and urban areas of Zhytomyr region, %

Index	2000		2005		2012	
	Urban areas	Rural areas	Urban areas	Rural areas	Urban areas	Rural areas
Proportion of living space, equipped:						
-water supply	62,4	4,5	61,5	5,5	65,0	8,0
-sewerage	62,0	3,9	61,1	5,0	64,3	7,5
-heating	57,6	14,5	56,9	19,6	61,6	22,7
-gas	81,5	80,6	81,0	82,4	85,6	83,1
-hot water supplies	47,5	1,0	45,5	1,5	49,0	4,1
-bathrooms	57,3	3,2	56,7	4,1	60,3	6,4

Source: Department of Statistics in the Zhytomyr region

As it shown in the table 1, among the main benefits of civilization in rural areas of Zhytomyr region common is just gas. Therefore quite natural that after graduation certified specialist tends to settle in the city, and if necessary go working to the village. Loss of workplaces intensifies social tension in rural areas, gives negative attitude towards agricultural business from the outside. In some cases, rural residents prefer to give their land to local small and inefficient businesses, hoping for their support in financing social infrastructure, which these businesses as well as local residents enjoyed.

Coming of large agricultural businesses to the village in the Zhytomyr region practically not changed neglected social and other infrastructure in rural areas of that could be seen from Table 2.

Table 2

Number of social infrastructure in rural areas of Zhytomyr region for the period 1990-2012 years

Name of the index	1990	2000	2005	2012	2012 in % until 1990
Number of preschool institutions	538	276	385	457	84,9
Number of public and universal libraries	1060	918	831	800	75,5
Number of film demonstrators	1267	243	9		
Number of clubs	1354	1168	1049	1006	74,3
Number of medical outpatient clinics	235	327	336	305	129,8

Source: Department of Statistics in the Zhytomyr region

Taking into account that in 2012 in Zhytomyr region, there were 1613 villages, practically we have 1 Preschool for 3.5 village, 1 library for 2 villages, 1 health facility for 5 villages. This state of social services in rural areas indicates a low level of social responsibility of agricultural enterprises including those that are part of large agricultural corporations. Raising such responsibility is an urgent task especially for large agricultural

businesses. The low level of social responsibility of agricultural corporations, adverse environmental impacts of their business activities, conflicts of managers of corporate structures with local communities and other problems mostly raised due to ineffective corporate governance in these agricultural enterprises. Classical forms and methods of corporate governance in many agricultural corporations simply can not be implemented due to the specific conditions of establishment and operation of such corporations.

Classic corporations are the joint stock companies created by the issue of shares and their sale on the stock exchange or OTC market. Further strategic decisions concerning corporation activity are taken by the general meeting of shareholders; management of daily operations executes the selected Board.

Most of local agricultural corporations are essentially a form of family business, which is primarily performed auctioning to raise capital in the international financial markets. In order to facilitate involvement the substantial part of registration of agricultural corporations as legal persons is carried out outside Ukraine. As a result, access to information on the performance of Ukrainian agricultural corporations to foreign investors is easier than for domestic tax services, business partners, competitors, analysts, and even employees of these units.

The vast majority of domestic agricultural corporations do not sell its shares to employees of the company and entities of the local communities where the main business activities are made. As a result employees are not motivated to productive work by the co-owner status. Lack of the opportunities for the local residents to become shareholders of the company does not give them the opportunity to influence those management decisions that directly affect the interests of citizens.

Those farms that are in some way joined the agricultural corporations are actually became production areas. Planning the structure of sown areas on leased land is centralized, and employees of a particular sector – structural unit of agricultural holdings – are supplied by a certain number of seeds, fertilizers, pesticides, fuel and lubricants, provided by farm equipment or services using it. Produced in these farms agricultural products are centrally taken and sent to the elevators, processing plants or by other channels that are identified by the parent company.

Under this system of management, private and institutional entities of those areas where industrial activity is actually carried out, hardly taking in the distribution of profits from the sale of products. Therefore, even the rural areas, with the highest quality in terms of soil fertility, do not have financial opportunities for house building, development of transport and social infrastructure, the implementation of environmental programs etc. Moreover, quite often problematic is the compensation, even if activity of agricultural corporation has made the direct damage to environment or entities of local community.

As an example of such losses may be considered excessive tillage of lands, the cause of which may be the desire of producers to optimize the configuration of the cultivated area for more efficient use of agricultural machinery. As a result, tilled lands may be exhausted or eroded and to require measures to restore fertility, primarily by removing them from the economic exchange. Also, for optimizing the configuration of land can dewatered marshes, ruined meadows, destroyed small tracts of wood or shrub plantings, etc., resulting particular ecosystem could be imbalanced, took place a negative changes of water balance of the area, etc.

Another pressing problem for Ukraine, the sharpness of which only intensified in the process of economic intensification efforts of agricultural corporations in specific areas are state highways in rural areas and beyond them. Under the existing system now, for the roads condition within settlements take responsibility local authorities, and for those between settlements – Ukravtodor.

The roads between the villages in most cases are classified roads of local importance. On their maintenance, costs from the budget are allocated in last term. However, these roads are actively operated by agricultural corporations' equipment in the delivery and relocation of necessary resources, also during harvest. However, the current payment mechanism for enhanced operation of public roads by separate entities currently in Ukraine does not exist.

The analyzed list of issues of corporate sector in the agrarian sphere of the national economy is not exhaustive. Solving one problem often causes the appearance of others. Since a considerable number of the problems of the agricultural corporations are not purely economic concerns and affects interests of a wide range of subjects, in their resolution should be interested corporations themselves, and local communities, and the state.

Conclusions and perspectives for further research: Conducted analysis suggests that the main problems that affect the performance of the domestic agricultural corporations are the lack of qualified professionals, especially in places of direct agricultural production, lack of efficiency of corporate management, negative attitudes towards processes of spreading of agricultural corporations by certain local communities and etc. However, problematic issues created by the activities of agricultural holdings in rural areas, remain excessive tillage and soil depletion, low level of corporate social responsibility, the increase of the unemployment rate in rural areas, the intensive usage of rural infrastructure without investing in its renewal etc.

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Korchemliuk A.I. THE PROBLEMS OF EFFECTIVE FUNCTIONING OF CORPORATE STRUCTURES IN AGRARIAN SECTOR OF ECONOMY

Purpose.. The aim of the article is studying problems and searching reserves improving the functioning of corporate structures in the agricultural sector of the domestic economy.

Methodology of research. The scientific dialectical method of cognition, application of which is given by possibility to define existent problem questions and form directions of increase of efficiency of functioning of corporate structures of agrarian sector of economy, comes forward the methodological base of the conducted research. In the process of research it was used economics and statistics instruments for processing of digital data with the purpose of identifying the cause of economic backwardness studied corporate structures. The methods of comparison, analysis and synthesis were used for determination the directions of the effective functioning of the studied subjects of manage and generalization of scientific and practical suggestions.

Findings. It has been established the main problems that influence on the effectiveness of national agro corporations such as the lack of qualified specialists especially in the places of agricultural productions, lack of effective corporate management, negative attitude to the process of widening of agro corporation on the side of separate territorial communities. It has been also revealed the problem moments that create activity of agricultural holdings for the rural territories: excessive tillage and soil depletion, low level of social responsibility of corporations, increasing of unemployment level in villages, and intensive using of rural infrastructure without funding in its renewal.

Originality.. The complex approach is used for detection of advantages of corporate structures and determination the ways of increasing the effectiveness of agrarian sectors structures.

Practical value. The received results determine the problematic issues of effective management and the main ways of development of corporate structure of agrarian sectors of economy.

Key words: corporation, agricultural holdings, corporate management, rural territories, social responsibility of corporations.