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BUSINESS CONSOLIDATION IN THE AGRICULTURAL SECTOR OF UKRAINE'S ECONOMY: TRENDS AND PROSPECTS

Abstract. The article is about the research of the business consolidation which has been taking place in recent years in the agricultural sector of Ukraine. The basic trends of mergers and acquisitions deals in this sector of economy have been studied, the peculiarities of such agreements have been determined. It has been researched the basic motivational factors that encourage the entrepreneurial structure of the agricultural sector to business consolidation. It has been proved the potential to attract the foreign investment in agribusiness consolidation processes in Ukraine. It has been studied the main problems whose solution would provide the revitalization for the business consolidation for agricultural enterprises, that would ultimately contribute to the further development of the industry.

Keywords: business consolidation, agribusiness, mergers and acquisitions deals, investment process.

JEL classification: G34, Q13, Q14

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БІЗНЕС-КОНСОЛІДАЦІЯ В АГРАРНОМУ СЕКТОРІ ЕКОНОМІКИ УКРАЇНИ: ТЕНДЕНЦІЇ ТА ПЕРСПЕКТИВИ

Анотація. Стаття присвячена дослідженню тенденцій та особливостей процесів бізнес-консолідації, що відбуваються останніми роками в агропромисловому секторі економіки України. Встановлено основні мотиваційні фактори, що спонукають підприємницькі структури аграрного сектору до бізнес-консолідації у формі злиття та поглинання. Доведено потенційні можливості задля залучення іноземних інвестицій у процеси укрупнення агробізнесу на території України. Досліджено основні проблеми, вирішення яких забезпечить активізацію бізнес-консолідації підприємств АПК, що в кінцевому результаті сприятиме подальшому розвитку галузі.

Ключові слова: бізнес-консолідація, підприємства АПК, угоди злиття та поглинання, інвестування.

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БИЗНЕС-КОНСОЛИДАЦИЯ В АГРАРНОМ СЕКТОРЕ ЭКОНОМИКИ УКРАИНА: ТЕНДЕНЦИИ И ПЕРСПЕКТИВЫ

Аннотация. В статье исследованы тенденции и особенности процессов бизнес-консолидации, которые происходят в агропромышленном секторе экономики Украины в последние годы. Установлены основные мотивационные факторы, побуждающие предпринимательские структуры аграрного сектора к бизнес-консолидации в формате

слияния и поглощения. Доказаны потенциальные возможности для привлечения иностранных инвестиций в процессы укрупнения агробизнеса на территории Украины. Исследованы основные проблемы, решение которых обеспечит активизацию бизнес-консолидации предприятий АПК, что в конечном итоге будет способствовать дальнейшему развитию отрасли.

Ключевые слова: бизнес-консолидация, предприятия АПК, сделки слияния и поглощения, инвестирование.

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Introduction. One of the priority trends that should be accompanied the development of the agro-industrial complex (AIC) of Ukraine is strengthening cooperation with the international community through the conquest of new markets by the companies of such sector and the attraction the foreign investors to expand production and to introduce the new technologies in business. If the first case to enter into new foreign markets it is necessary condition for compliance with the quality of agricultural products, another case - to attract foreign investors the companies must demonstrate a sufficient level of transparency, efficiency and prospects. Developing a business model that focuses on maximum optimization, structuring and compliance with international principles of corporate management, agricultural enterprises will be able to participate in the process of business consolidation through the mergers and acquisitions deals, which it is the key to attracting additional investment and the successful development of companies at present stage of economic relations formation.

The analysis of research and problem definition. The issue of business consolidation is highlighted in the scientific achievements by domestic economists and financiers, particularly in the works by V. Burakovsky, A. Halchynskiy. A. Davidovich, V. Mocherny, O. Rogach, E. Saveliev, A. Filipenko. However, these authors focus on the study of business consolidation forms at multinational corporations level. Such scholars as V. Andreychuk, S. Demyanenko, Yu. Kovalenko, M. Malik, P. Sabluk, V. Yurchishin and others study the processes of integration directly concern to agricultural enterprises.

But the issues of business consolidation are still not sufficiently regulated, primarily in the domestic legal framework, there are no clear strategic guidelines concern to increasing the volume of business consolidation in the agricultural sector, it is a need for further scientific exploration. Moreover continuation of scientific research is explained by the dynamic development of such processes in global terms, and therefore it is existence the permanent emergence of new challenges, which have to respond adequately to both the enterprise sector and the government on its part.

The aim of the article is to study the characteristics and trends of business consolidation process of the Ukraine's agricultural sector to outline further prospects and development targets for the business units of this segment, which ultimately will have a positive effect both for the industry and the economy as a whole.

It have been applied the general scientific and special methods of system investigation. With the dialectical method, system and taxonomic analysis methods were investigated trends and characteristics of business consolidation processes in the Ukraine's agricultural sector. Techniques and methods of statistical economic analysis were used to analyze and determine the motivational factors for the mergers and acquisitions deals, the strengths and weaknesses of industry, which hindering or potentially could attract foreign investors.

The results of the research. Back in the 19th century business structures began to make conclusions about the enlargement benefit by the consolidation with business partners or competitors. Currently the civilized world, passing the seven waves of business consolidation, goes through the eighth wave of such processes. Business enlargement leads to positive synergistic effect which results in getting superprofits due to coordinated interaction and input complementarities. Home business environment should be guided by a global trend to develop own capacity and improve competitive position in world commodity markets, particularly with regard to the agricultural sector.

In business consolidation should be understood the economic processes of enlargement of business entities by eliminating their multiplicity and transformation into a single business unit. Depending on the nature of the business consolidation latter may take the form of merger (a combination of several companies into a single company), acquisitions (shares or assets of the corporation become the property of the buyer), the redemption of the borrowing of funds (LBO, MBO, EBO), "hostile acquisitions", recapitalization and others. The result of such agreements making is the transfer of corporate control rights of all forms, including acquisition and exchange of assets. The object of study of this article is mainly mergers and acquisitions (M&A) as a form of business consolidation in the agricultural sector of Ukraine.

For the agricultural sector, as well as for the economy as a whole, mergers and acquisitions deals are the way of attracting foreign direct investment. The importance of mergers and acquisitions in terms of agribusiness should be understood as a way of activity development by attracting additional capital, which ultimately improves the competitive position in domestic and foreign markets of agrarian products. Moreover, such processes of business consolidation determine the ownership structure in the national economic system as it is one of the mechanisms of redistribution of property.

While in the financial world currently exists controversy concerning the importance of such agreements for companies and economies. A number of experts argue that mergers and acquisitions are the natural phenomenon of market economy, when to support performance and dynamic growth it is necessary to rotate owners. However, it is believed that the processes of mergers and acquisitions "kill" fair competition and not ensure the development of the national economy, as well as destroy the stability and confidence in the future, thereby diverting resources to protection against acquisitions [1, p.16].

Really it should be indicated that there are certain risks for Ukraine as a home country for companies-participants of mergers and acquisitions deals. As the weak effectiveness of state regulation of the economy and the agricultural sector in particular, the country can acquire the status of raw appendage for large international companies as a result of participation in the business consolidation global processes.

Overall mergers and acquisitions market for all sectors of economy of Ukraine is under formation. As evidenced by the data on international and domestic volumes of such deals. So if in the world in the years 2014- 2015 were set record levels in scope of mergers and acquisitions deals in the \$ 3.27 trillion and \$ 5 trillion respectively, the total volume of transactions in Ukraine in the same years was in the range of \$ 1 billion [2]. That global trend of the business activity revival after the global financial crisis of 2007 is not adapted to Ukrainian realities, mainly due to political and economic instability, and consequently due to the low investment attractiveness of domestic economy. Moreover, in 2014 the Ukrainian market of mergers and acquisitions deals experienced stagnation. Compared with 2013 the number of transactions has fallen by 52%, while their total value has decreased by 75%. With the assumption that making of most part of transactions in 2014 was preceded by previous agreements of 2013 [3]. A large number of agreement undertakings were the result of the foreign investors desire to get rid of its assets in Ukraine.

Nevertheless against the backdrop of trends of magnitude of the cumulative decline in overall activity the agro-industrial sector in recent years shows an upward trend of business consolidation, which potentially can be persisted and continued through the lower sensitivity of the sector to foreign exchange rate fluctuations and devaluation of the hryvnia in comparison with other sectors of the economy.

During 2012-2015 (eighth wave of business consolidation intensify) the value of mergers and acquisitions deals in the agricultural sector showed a trend towards growth: the ratio of 10% of the deals, which have been made in all sectors of the economy in 2012-2013 and 16% respectively in 2014-2015. Moreover, the bigger proportion of the value of mergers and acquisitions deals has been fixed only in the financial sector with those 7% and 43% in the respective years, in the energy sector - 8% and 29% respectively.

By the volume of transactions during the years 2012-2013 agricultural sector was more active compared to 2014-2015 (the ratio of 10% and 8% of the volume of all mergers and acquisitions deals in all sectors of the economy). However, reducing the number of deals was nearly in all sectors of Ukraine`s economy for the period.

Among the motivational factors for M & A deals for agricultural company it can be provided the following: the desire to raise the additional working capital to ensure synergy costs and improve liquidity; the desire to increase the land bank for agricultural holdings to large increase in harvest crops; the desire to expand dominance in the domestic market, strengthening positions in foreign markets of the agricultural products, especially in the export; access to credit (example is the agreement between Harmelia Holdings and AgroGeneration in 2013 when in result of the merger AgroGeneration received a loan at \$ 40 million from the SigmaBleyzer fund, which was the majority shareholder of Harmelia Holdings,); and monopolistic ambitions. For foreign investors - large global commodity traders mergers and acquisitions deals with domestic enterprises provide the enlargement the infrastructure, including storage and processing of grain in Ukraine.

Table 1 shows the major mergers and acquisitions deals that have taken place in the agricultural sector of the economy from 2012 to 2016.

Table 1

The most significant mergers and acquisitions deals in the agricultural sector of Ukraine, 2012-2016

Seller, country of origin, the main activity	Buyer, country of origin, the main activity	Object of deal	Type of deal*	Value of deal
2012				
Landkom International PLC (Great Britain, ukrainian asset). Rapeseed and wheat cultivation	Alpcot Agro (Sweden). Corn, wheat, soybean, canola, polygonum cultivation	Landkom International PLC (22,16% of Landkom shares were exchanged for one Alpcot Agro new share)	A	est. \$ 17,89 million
JSC "Colos" (Ukraine). Sunflower processing	Glencore (Sweden). The crude conglomerate	100% shares of JSC "Colos"	A	est. \$ 80 million
"Inter-Agro Capital" (Ukraine). Wholesale trade in grain and fodder for animals.	Agro Holding "Kernel" (Ukraine). Production of sunflower oil, grain storage, dairy production	40 000 hectares of "Inter-Agro Capital" land bank	A	Data not available
JSC "SPC Ukragro" (Ukraine). Production of mineral fertilizers	Ostchem Distribution Limited (Cyprus).	100% shares of JSC "SPC Ukragro"	M	Data not available
LLC "Eurasia-Service" (Ukraine). Grain and industrial crops growing	"Svarog West Group" (Ukraine). Crop, livestock, horticulture, seed	LLC "Eurasia-Service"	A	Data not available
2013				
LLC "Ahroterminal" (Ukraine). Goods transportation.	"Boryvazhu"(Ukraine). Grain transshipment terminal	LLC "Ahroterminal"	A	Data not available
LLC "Drugba Nova" (Ukraine). Crop production, dairy production.	Agro Holding "Kernel" (Ukraine). Production of sunflower oil, grain storage, dairy production	80% shares of LLC "Drugba Nova"	A	\$68 million
"Voronezh Agro Holding" (Russia). Grain and industrial crops cultivation.	JSC "Muronivskiy hliboprodukt" (Ukraine) Poultry breeding, production and sale of meat products.	"Voronezh Agro Holding"	A	\$100 million

Continuation of Table 1

LLC “Ahroprohress” (Ukraine). Crops cultivation, dairy farming.	Industrial Dairy Company Agroholding (Ukraine). Cereals, oilseeds, potatoes cultivation, milk production.	LLC “Ahroprohress”	A	\$39,8 million
Agro Holding “Kernel” (Ukraine). Production of sunflower oil, grain storage, dairy production	“Astarta” - vertically integrated agropromholding (Ukraine). Sugar production.	Orzhytskiy sugar plant (Poltava region)	M	Data not available
“Smart –Holdynh” (Ukraine). Industrial Investment Group	LLC “Ahrodom Leader” (Kyiv). Stockbreeding	89.68% shares of PJSC Agricultural Complex “Kalita” (Kyiv region)	M	Data not available
Agroholding “Valinor” (Russia). Crops cultivation.	Agroholding UkrLandFarming PLC (Ukraine) Crops cultivation, production of eggs and egg products, sugar, livestock and meat production, distribution	Trading house “Valinor” (Kyiv)	A	est. \$ 70-80 million
LLC “Agrokim” (Ukraine). Crops cultivation.	Industrial Dairy Company Agroholding (Ukraine). Cereals, oilseeds, potatoes growing, milk production.	40 % shares of LLC “Agrokim”	A	\$12 million
Pfeifer &Langen GmbH & Co. (Germany). Sugar production.	Agro Holding “Kernel” (Ukraine). Production of sunflower oil, grain storage, dairy production	LLC “Chortkiv sugar factory” (Ukraine)	A	\$32,5 million
Harmelia Holdings (SigmaBleyzer Southeast European Fund). Production of crops (winter wheat, corn, soybeans, canola, peas, barley, sunflower) and livestock	AgroGeneration Company (France). Grains and oilseeds cultivation.	62% shares of merged company are owned by Harmelia Holdings 38% - AgroGeneration	M	-
2014				
Agroholding UkrLandFarming PLC (Ukraine)	Cargill, Inc. (USA) through JSC “Cargill Ukraine” Trade in commodities and food	5% shares of Ukrlandfarming PLC	A	\$200 million
LLC “Agrokim” (Ukraine). Crops cultivation.	Industrial Dairy Company Agroholding (Ukraine). Cereals, oilseeds, potatoes growing, milk production.	60 % shares of LLC “Agrokim”	A	\$18 million
LLC “Ahrolyuks” (Ukraine). Hog fattening	Berry Farm ApS (Denmark) through LLC “Dan Farm Ukraine”. Grain growing	LLC “Ahrolyuks”	A	est. EUR 10 million
2015				
JSC “Muronivskiy hliboprodukt” (Ukraine). Poultry breeding, production and sale of meat products.	Company “Agrokultura” (Russia). Crop farming, dairy farming	“Voronezh Agro Holding” was exchanged for 87% of the land bank of “Agrokultura” in Ukraine	M	Data not available

Continuation of Table 1

The investors group by Rysbek Toktomushev, Arthtur Hrantsa and other	PJSC “Creative”(Ukraine). Processing of agricultural products, feed production food, biofuel, fat and margarine production	PJSC “Creative”, the processing capacity of sunflower seeds and production of modified fats.	A	\$30 million
OSI Group (Germany). Production of meat semiproducts for McDonald's network	LLC “Maksfarm” (Ukraine), L & R GmbH (Germany), “Ivana Group” (Czech Republic)	LLC “Agrosolutions” (Kyiv) crop farming LLC "Ahrobeef" (Kyiv) livestock farming.	M	50% of LLC“Maksfarm” shares and 50% of L & R GmbH, “Ivana Group” shares
LLC “Savinci- Agro” The technical, cereals and other crops cultivation.	“Astarta”, vertically integrated agropromholding (Ukraine). Sugar production.	LLC “Savinci- Agro”	A	EUR 462 thousands
Proscar Trading Limited (Cyprus), Digomax Limited (Cyprus), Sitate Limited (Cyprus), Gresley Holdings Limited (Cyprus), Pentamorfo Limited (Cyprus),	JSC “Muronivskyi hliboprodukt” (Ukraine). Poultry breeding, production and sale of meat products.	100% shares of poultry factory Berezan. The production of eggs and dry egg products.	A	est. UAH 250-300 million
LLC “Dniester AHRO” (Vinnytsia region). Crops cultivation.	JSC “Muronivskyi hliboprodukt” (Ukraine)	50% shares of LLC “Dniester AHRO”	A	Data not available
2016				
AB “UkrGasbank” (Ukraine).	Agro Holding “Kernel” (Ukraine). Production of sunflower oil, grain storage, dairy production	Oil factory “Ellada”, which formerly belonged to “Creative” group		The acquisition of the claim \$ 95,8 million
Warsaw Stock Exchange	Aviva Investors Poland SA (Poland)	3,08% shares of Astarta Holding N.V (Netherlands) - the holding company "Astarte"	M	
PJSC “Prominvestbank” (Ukraine)	Pfeifer & Langen GmbH & Co. (Germany) Sugar production.	6 sugar factories belonging before to the agricultural holding T-Sugar	Redemption	Data not available

* Type of transaction: merger or acquisition
Source: compiled from data [3,5,6,7].

Analyzing the most significant deals of business – consolidation by agricultural enterprises of the national economy it can be delineated the characteristics inherent this economic process in recent years. So first, the domestic market of mergers and acquisitions has the nature of acquisition. Of the 28 largest deals concluded during the years 2012-2016, 15 deals were related to such acquisitions, often with companies - direct competitors that had had the financial difficulties of operating activities.

The second feature is that the business consolidation of agricultural sector of Ukraine has the national component predominantly. That is, the absolute majority of all signed mergers and acquisitions agreements are concern to Ukrainian agricultural holdings, the share of foreign participants does not exceed 25%. Currently in the world the trend is held on cross-border mergers and acquisitions as opposed to direct investment. (Volume of M & A transactions in 2015 has jumped by 61% - to \$ 644 billion [8]). Instead the difference of the Ukrainian market of this transactions type is complete “cross-border distance”. It can be described as a state of business consolidation, which is inherent in the presence of national companies - participants of the process cause of the lack of own TNCs and the disinterest of foreign multinational companies with domestic assets through their investment unattractiveness. In general the optimization of structures and disposal of non-core areas are the main characteristics of business - consolidation processes in agricultural sector.

At the same time business consolidation, where the agro-industrial enterprises of the country are involved, forms a cluster of large agricultural holdings, accompanied by the emergence of a vertically integrated business models that enable to produce the products with higher added value, pursuant to raise the profitability of production, which in turn provides revenue growth companies.

By results of 2015 according to the 200 largest companies of Ukraine rating [9, 10], which is based on unconsolidated financial statements of entities submitted to the State Fiscal Service, the agricultural sector companies took 3rd place in terms of revenues (totally 39 companies provided income of 299 billion UAH). The companies of energy and mining and metals sectors are just ahead.

In most cases the companies that meet the trend towards business enlargement due to mergers and acquisitions deals, demonstrate a high level of income and occupy a leading position among the largest enterprises not only in agrarian sector but also among economic units of other sectors. Moreover, the company, under the control of agricultural holdings such as “MHP”, “Kernel”, “Ukrlandfarming” significantly improved its position in 2015 compared to 2014. That also may be evidence in favor of business consolidation, since such companies were among the key participants in the mergers and acquisitions domestic market in recent years.

With the current economic model as in most countries is still quite languid growth of macroeconomic indicators by reducing costs and optimizing resources in all sectors as a result of the global financial crisis of 2008-2010, business consolidation in terms of mergers and acquisitions is a way to increase profits and revenues of companies growth and further reduce production costs. AIC is one of the most attractive segments of the Ukrainian economy to foreign investment, because it provides an average of 11% of GDP and demonstrates the dynamic growth despite the financial fluctuations. In addition it can be noted the factors that create the potential for mergers and acquisitions market in the agricultural sector.

Among the appealing aspects of agrarian sphere must be specified the first in the world in terms of sunflower oil exports, the third highest volume of crops export. Besides the factors of production also have a positive influence on the formation of investment potential, particularly cheap and skilled labor force; available land resources: a third of the world's most fertile black soil and 41 million hectares of land account for Ukraine share, 20% of arable land in Europe also is Ukraine own; low rental value of land compared to European prices for this segment; favorable climatic conditions for conducting agricultural activities: continental climate and sufficient rainfall allow to obtain high yields of most crops; convenient geographical location, which saves on transport costs in carrying out deliveries to European markets.

It is available unfilled production niche as a factor of potential development and expansion. Currently, the agricultural sector is dominated by the cultivation of grain and industrial crops, while the processing of agricultural and food production with high added value for most companies still have a secondary priority, so it is under the direction for further development.

In the long term domestic agrarian sector could be attractive to the introduction of organic farming, which Europe currently focuses on. According to experts' estimates the conditions for such activity providing with the Ukrainian lands able to provide savings in operating costs and expenses for irrigation at 25-35% and increase yields by 20% compared with normal conditions [11].

Tax preferences in the form of VAT refunds for exports of cereals [12] also create an additional factor for attracting investments to the agrarian enterprises activities.

A positive step towards improving the investment attractiveness of AIC is changes concern to government regulation procedures and the mergers and acquisitions deals control. Such deals are the subjects to antitrust regulation. Law of Ukraine "On Protection of Economic Competition" determined that the concentration can be made only with the prior permission of the Antimonopoly Committee of Ukraine or the administrative board of the Antimonopoly Committee of Ukraine. However, in May 2016 came into force amendments to the Law, according to which it was increased the marginal cost parameters under which it was necessary to appeal to the Antimonopoly Committee of Ukraine. Also it was provided an opportunity for accelerated consideration of applications for concentration. It also was abolished the need to obtain prior authorization by AMC based on the criterion of market share without reference to financial indicators [14]. Such innovations should help to further enhance the consolidation of agribusinesses.

However in order to processes of business - consolidation in the agricultural sector have become more demand from foreign investors it is necessary to address a number of issues, including the participation of the state.

To attract business to the global trend of consolidation should be taken measures to stimulate the development of the IPO market - initial public offering of domestic agricultural enterprises in financial trading floors. Such transactions allow potential investors to invest in companies' growth. It should be noted that currently shares of the agricultural holding "MHP" are listed on the London Stock Exchange, and in February 2015 the company's shares were placed on the Ukrainian Stock Exchange. In 2006, it was provided IPO for ASTARTA Holding N.V. and started its listing on the Warsaw Stock Exchange. In May 2011 was done the share floatation for "Industrial Dairy Company" on the Warsaw Stock Exchange. The shares of new company "AgroGeneration" are traded on NYSE Alternext in Paris. Also agricultural holding "Kernel" held an initial public offering on the Warsaw Stock Exchange [7].

So since going public, namely the 2006 the agricultural enterprises managed to attract funds in \$ 1671 million through public offering. Of the 13 companies two domestic companies "MHP" and "Kernel" are leading ones, which have attracted funds more than \$ 500 million each due to stock floatation.

In recent years it has been being marked the changes in share price dynamics for agro - holdings toward increasing that there is an evidence of positive financial performances, increasing of agricultural production profitability, higher prices sales despite political risks and permanent economic fluctuations in the country. Agrarian enterprises stock floatation in the world stock markets is a guarantee to potential investors about the openness and transparency of the company, and so on and more ways to attract foreign investment for enlargement of the agrarian enterprises activity.

Overall the results of the 2016 the agricultural enterprises of Ukraine significantly increased their level of capitalization. The largest Ukrainian agricultural companies according to size of capitalization are "Kernel" (\$ 1.21 billion, + 31.9% Y/Y); "MHP" (\$ 925 million, -5,9% Y/Y), "Astarta-Kyiv" (\$ 321 million, + 56.7% Y/Y), "Ovostar Union" (\$ 121 million + 18.1% Y/Y), "Industrial dairy company" (\$ 61 million, + 43.9% Y/Y) [7].

However, Ukraine has an acute problem of underdevelopment of the stock market with excess segmentation (there are 10 stock exchanges and 600commodity exchanges nowadays) and a lot of regulators. This situation doesn't allow for the establishment of adequate price targets (how many exchanges as many courses), damages the pricing adjustment, hinders the counteraction for manipulation and dissemination of insider information and prevents the concentration of liquidity [15]. The main task of the state in matters of this sector is the centralization of financial infrastructure. There should be introduced the reform, which aims would be to create not formally, but in fact public, regulated market of financial instruments with public market price determined in a truly competitive environment, standardized indicators of financial accounting. Also it must be established the strict requirements for liquidity, adequacy of prices, competitive bidding, mandatory

payments, suitable for investors (not for regulator) disclosure. Such steps would contribute to the creation of the country's capital market, which would have productive value for the economy and would promote foreign investment, including through mergers and acquisitions deals both in agriculture and in other sectors of the economy.

Another step that should be interested for foreign investors for taking part in the process of business consolidation of the agricultural sector is lifting the moratorium on agricultural land sales. Generally free functional land market with effective mechanisms of sales adjustment is the demand of time and necessity derived from the model of a market economy. However we should note that the October 6, 2016 the Parliament of Ukraine has adopted the draft bill to extend the moratorium on sale of agricultural land until January 1, 2018. This government initiative does not facilitate investment flows in the near future.

Conclusions. Currently, the domestic agricultural sector needs to increase investment to restore main assets and to improve the production infrastructure. Potentially this industry has sufficient capacity to attract investors, including foreign ones. But besides expectations concern to the priority regarding the agricultural sector, it is necessary to address number of issues that will ensure the future increase of investments, including through business consolidation.

At the hands of the domestic agrarian enterprises which are interested in business consolidation and attracting additional capital should be provided with clear and transparent corporate structure, cleansed of troubled assets; should be created the model of optimal business processes that would help increase efficiency in agriculture.

At the hands of the state it is necessary to provide primarily political stability in the country and the liquidation of military conflicts; improvement the rules of the corporate law to balance the interest and the risk sharing between business consolidation processes participations; stock market developing; preservation of preferential tax treatment for enterprises of agrarian sector; improve the business climate in the country through further deregulation of business. The key to expansion of investment in the agricultural sector, as in any other sector of Ukraine's economy, is predictable macroeconomic indicators of the country which depends entirely on the competence of the government.

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