

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

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## ABSTRACT

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

DOI: 10.23762/FSO\_VOL6NO1\_18\_2

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## Introduction

Rural territory is a historically formed, social-natural spatial formation, which includes natural, material, and technical resources, social and production infrastructure; it unites organizational and functional totality of townships, villages, which are under the jurisdiction of village (settlement) councils and comprises farmland and other land outside the rural settlements together with production objects located on it (Gorb 2017). The development of rural

areas largely depends on the activities of local agricultural enterprises.

Researchers analyzing the problems of people living in rural areas in developing and developed countries draw attention to social differentiation and a significant deficit when compared to the economic and social development of urban areas (Shaw 2006; Smith, McColl 2016). In addition, the intensive development of agricultural activities raises the question of a number

of threats related to ecology, the consequences of which are being felt now, and which may become even more severe in the future.

Because in recent years more and more farmers are joining vertically 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 it relevant to study the correlation between the concentration of agricultural holdings of agricultural land and rural development. One of the reasons is that consolidation of land ownerships may be an effective and active land management instrument which not only addresses the problems of land fragmentation, but also, if applied sensitively, may be an instrument for delivering sustainable rural development in a wider context (Pašakarnis, Maliene 2010).

The development of agricultural enterprises in rural areas touches upon sensitive social, economic and ecological issues. The scientists pertinently note that in recent years agricultural holdings take the form of "economics in economy" (Lutsenko 2014). 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. Given the facts presented, the goal of the paper is to study the impact of the concentration of agri-

cultural holdings on rural development in Ukraine. Content analysis was used as a research method.

## 1. Literature review

Over the past twenty years, social and economic decline in rural areas has intensified in the Central and Eastern European countries (Pašakarnis, Maliene 2010). It also relates to Ukraine, where the decline of rural areas is one of the most social and economic problems. 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 act dealing with the development of agriculture and the economy of the state. The concepts, strategies and development programs to improve economic and social living standards in rural areas are developed by the efforts of public authorities and research institutions at various levels of management. Despite considerable efforts and funds spent on rural development, the system results are not significant. There was a gap between agriculture - from a purely economic point of view - and rural areas that were historically linked to agriculture, on social and ecological sides (Shanin 2015). It should be mentioned that the reform of land relations in Ukraine over the last decades has been largely aimed at supporting village.

The issue of the formation and activities of agricultural holdings in Ukraine is the subject of thorough scientific studies of numerous scholars, including Demianenko (2008), Gorb (2017), Kulinich (2016), Lutsenko (2014), Shanin (2015), Shuvar (2015), Urkevych (2016), Volovyk (2013), Zalizko (2014), Zarytska (2010), Yasnolob (2017). Generally one may state that scholars quite rightly point out that small "farm business with the 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 cannot compete with other agricultural producers, including foreign ones" (Shuvar 2015). In contrast, large integrated associations (agricultural holdings) have impressive economic results. Despite this fact, the real impact of the holdings on living standards and well-being of rural areas is not significant, though it may be very useful and helpful. For example, Pašakarnis et al. (2013) claim that the land consolidation process (and agricultural holdings were established as the result of this process) will not only allow solutions to the structural problems of rural land but could also create viable rural areas through improvements to rural services and infrastructure, and incentives for economic diversification, etc.

Though there is no a universal definition of the term, one may state that land consolidation is a spatial problem-solving land management instrument that attempts to eliminate certain types of land fragmentation, to enhance land productivity, and to improve rural production and living conditions for the purpose of coordinating urban-rural development, through a process of concentration of plots or rejuvenation of failing and ageing rural settlements and abandoned industrial and mining land, which is usually accompanied by the construction of new roads, irrigation facilities and other auxiliary services (Coelho et al. 1996; Qiu hao et al. 2011; Hualou, Tingting 2012).

## 2. Concentration of agricultural sector in Ukraine

The Law of Ukraine *On holding companies in Ukraine* regulates the formation and development of agricultural hold-

ings. 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 (The law...2006). Zarytska (2010) 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 self-sufficiency in raw materials, development of agriculture".

The appearance of holding companies in agricultural sector of Ukraine has caused 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. Kulinich (2016) analyzed 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". He concludes that agricultural holdings have a negative influence on the development of the market turnover of agricultural lands and the formation of the farm sector of agricultural production.

Volovyk (2013) also comes to such critical conclusions about the negative effects of agricultural holdings on the development of land relations. He claims that "since 2004, a large-scale concentration of land-use has begun and manifested in increasing the area of leased land, formation of new agricultural holdings, vertically and horizontal by integrated structures, are as of tens, hundreds of thousands of

hectares of land. The concentration has monopolized the benefits of international trade in farm products and foodstuffs". In addition, the 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 skilfully using tax advantages and preferences provided by the legislation for agriculture, these economic structures 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 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 (Yasnob 2017). In 2016, 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%, because of exclusion of 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 ha (The largest...2016). The trend towards increasing the concentration of agricultural land is confirmed in the analysis of data from the ten largest Ukrainian agro-enterprises over the period of 2013-2016 (Table 1).

**Table 1. The dynamics of the size of farmland used by the largest agricultural enterprises in Ukraine (as on January 1, 2013-2016.), thousand ha (Top 100, 2017)**

Name of the agricultural holding	Years			2016 from 2013, (+, -)	Oblasts (administrative districts), where land of agricultural holdings is located
	2013	2014	2016		
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 Hlibo-product	280	280	320	40	Kiev, Cherkasy, Poltava, Sumy, Dnipropetrovsk, Donetsk, Kherson, Vinnytsia and Ivano-Frankivsk
Mriya	295	295	298	3	In 16 oblasts of 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

Source: Own elaboration.

The analysis of the data presented in Table 1 allows to draw several conclusions. The agricultural holding *UkrLand-Farming* occupies a leading position, which has increased the size of farmland by 162 thousand ha (31.9%) in 2016, compared to 2013. The *Kernel Group* for the same period has increased its land by 75 thousand ha (22.7%). In turn, *PJSC Myronivskiyi Hliboproduct* has increased the size of farmland by 40 thousand ha (14.3%). The size of farmland, concentrated by other agricultural holdings, remained almost unchanged over the period 2013-2016 (on February 5, 2015, the *New Century Holding* reached its record increasing its area by 30 thousand ha (Top latifundists...)).

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

The data presented in Table 1 also show that the priority farmland for agricultural holdings is of Poltava and Kharkiv oblasts, where 6 out of 10 companies have their land banks. There are farmlands 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. In other words one may state that Ukrainian agricultural holdings continued the trend to-

wards the concentration of farmland over the period 2013-2016. In addition, these companies have showed the greatest active attitude to the formation of their own land banks in the districts with fertile black soil.

Urkevych (2016) claims that agricultural holdings provide the concentration of land by forcing a certain number of agricultural enterprises and farmers out the letting land market, exacerbating social and economic situation in rural areas. Its key features are: the 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.

Agricultural holdings are active tenants of farmland on a large scale all over Ukraine, including Myrhorod district of Poltava oblast. Many agricultural enterprises located here are included into the structures of agricultural holding companies, including: 1) *LLC Promin-Pryvat* and *LLC Savyntsi* that belong to the famous corporation named *Pryvat-Agro*; 2) *LLC UkrLatAgro* which is a part of the agricultural holding, whose parent company is located in the Republic of Latvia, and; 3) *LLC Agrotech-Garantiya* that cultivates over 16 thousand ha of land.

### 3. Analysis of farmland size distribution

Analysis of the farmland size distribution of existing farms is an important factor allowing to understand more deeply the situation in the sector analysed. Myrhorod district of Poltava oblast was selected as the subject of the analysis (Table 2). All the enterprises were divided into several groups including: *small performers*, *followers*, *average performers*, *sub-leaders*, and *leaders*.

**Table 2. The farmland size distribution of farms of Myrhorod district of Poltava oblast 2010, 2016.**

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, %	
	2010	2016	2010	2016	2010	2016	2010	2016
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

Source: Own elaboration.

During the study period, there was a break-up of the enterprises of Myrhorod district of Poltava oblast: 6 companies (30%) of less than 1,000 ha have been formed, cultivating 3.6 % of the total farmland. This has happened due to the decrease to 3 companies ranging in size from 1,000 to 3,000 ha (a group of *followers*). A positive fact is increasing by two enterprises the number of *average performers* by 2 enterprises, but it also happened only due to the 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, this *LLC UkrLatAgro* group gradually begins to succeed (a branch of the agricultural holding with Latvian investments).

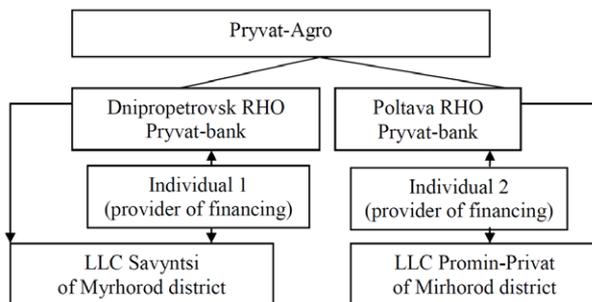
There is also a process of concentration of farmland, which the *leader* – *LLC Agrotech-Garantiya* having concentrated to 16,154 ha (22.2% of total farmland) – implements. We believe that this is largely due to the Agrarian technological company – A.T.C. co-partnership from Zhytomyr. The latter is a vertically – integrated agricultural company, which is one of the largest entities producing cereals, oilseeds and potatoes (in 2016 it rented 19.3 thousand ha only in Zhytomyr oblast). In other words, there is consolidation of agricultural enterprises, while the largest farms of Myrhorod district of Poltava oblast

have concentrated farmland with an area of – 16,154 ha (*LLC Agrotech-Garantiya*), 6,875 ha (*LLC UkrLatAgro*), 5,809 ha (*LLC Savyntsi*), 4,102.3 ha (*LLC Promin-Pryvat*). Out of the companies mentioned, only the enterprises belonging to the *Pryvat-Agro* group are engaged in the production of animal products.

Nevertheless, it is very problematic to fully evaluate the total rented farmland areas of these structures, as the recognized statistics does 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 administrations do not even know the name of the main enterprise that has located an affiliated organization in Myrhorod district and rented farmland (Gorb et al. 2016).

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 form of a pyramid (example – subordination of agricultural enterprises of Myrhorod district, the members of the agricultural holding *Pryvat-Agro*) (Figure2).

Figure 2. A pyramid subordination of agricultural enterprises of the agricultural holding Pryvat-Agro



Source: Own elaboration.

Regardless of activities of agricultural holdings, we understand the direct link between the well-being of rural communities and the effective management of agricultural commodity producers. In this case, it is quite logical to expect the new job formation for residents, an increase in budget revenue from tax payments, improvements in infrastructure for the rural areas. As Demianenko (2008) 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 centres, libraries, etc.)”. Such scheme of expectations could be implemented on condition of management of typical agricultural enterprises – JLLC, farms and cooperatives. On the condition of the activities of the agricultural holding, the well-being of rural areas should grow in proportionately with the large-scale use of farmland of these companies.

However, one 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 use the rural infrastructure. It does not eventually promote the development of rural infrastructure, while some agricultural holdings are implementing the policy of social responsibility, have Regulations on Partnership, Social Programme, etc. Nevertheless, this is not typical for all these companies. In most cases, this is the PR-action, and not of a systemic nature.

When analyzing 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), one may state that the situation in agriculture in recent years in Ukraine shows that the majorities of small and medium-sized agricultural enterprises “continues to systematically show the unprofitability and, therefore, are not able to support the village” (Shanin 2015).

**Table 3. Economic efficiency and social community support by enterprises of Myrhorod district of Poltava oblast (depending on the area group), 2016**

Groups of enterprises of agricultural area land, ha	Profit (loss) from 1 ha, thousand UAH	The cost of 1 ha, UAH	Number of workers persons	The average wage, UAH	The size of state support, thousand UAH	The rent for 1 ha of land share, UAH
Small performers (LLC Khorol-Don)	.5	8.2	47	2,212.60	162.0	1,098.6
Followers (JLLC Slavutych)	1.3	5.9	28	2,505.95	665.0	1,218.2
Average performers (LLC Promin-Pryvat) *	6.8	1.1	162	2,044.75	893.0	1,134.9
Sub-leaders (LLC UkrLatAgro) *	7.0	2.2	58	2,401.23	120.6	1,115.3
Leaders (LLC Agrotech-Garantiya)*	7.4	4.6	351	3,210.00	.0	1,419.6

\* Members of the agricultural holdings

Source: Own elaboration.

It is worth mentioning that agricultural holdings generate substantial profits, as they use low-paid work force, e.g. the level of wages in the LLC *Promin-Pryvat* was the lowest – 2,044.75 UAH monthly. Companies of the agricultural holdings of Poltava oblast actively employ the students of Poltava State Agrarian Academy. The most popular specialties are agronomists and mechanical engineers. The increase of the number of young people is due to new and risky ideas of youth that promote agricultural development (Stanaitis 2004).

LLC *Promin-Pryvat* has the lowest rent for the land – 1,134.9 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 thousand 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 use of cheap resources and raw materials in the vertical and horizontal integration. One can note, however, that in many agricultural holding

companies, livestock forming is developing as a supporting industry to improve the productivity of grain farms (Lutsenko 2014).

One should also add that current agricultural enterprises do not direct their work to the development of rural areas, even when generating profits. This is due to farmland fragmentation of agricultural holdings between rural councils. Furthermore, many companies are located at cities, e.g. LLC *Agrotech-Garantiya* (Myrghod).

Social support of local communities is carried out only periodically by the agricultural enterprises, however it is not possible to determine the number of enterprises involved in this process as these expenses are presented as manufacturing in the financial statements. The reason is the level of taxation on social spending of business (Michalewska-Pawlak 2010). Imperfect tax legislation in Ukraine should be classified as a factor that provide a 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, Zalizko (2014) defines many negative consequences of this process. These negative consequences, both 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. They include:

- hyper-capitalization of land bank of agricultural holdings can cause that rural residents will 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 labour-intensive agricultural production, the transition to mono-production and the use non-diversified agricultural machinery.

It should also be noted that agricultural holdings require highly skilled professionals for new foreign technology service. However, the available rural labour force does not meet these requirements. Due to economic reasons, 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 districts who have received vocational training by their own or at state expense. In practice, this approach 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 the company *Harvest* which is a member of the vertically-integrated business *PJSC Myronivkyi Hliboproduct*, leased the land with the area of 43 districts of 5 districts of Cherkasy and Kyiv oblasts. However, only five local employees from the village were involved in production

operations. It is quite clear that there is a need of 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 merged with development of migration and extinction of rural areas may cause that most of rural areas simply become a base area for the increase of farmlands of agricultural holdings. In addition, the trend towards concentration of agricultural holdings and their further ruthless exploitation has a negative environmental impact (Zalizko 2014). This negative impact is significantly strengthened by the fact that the residents of rural areas are alone in the 'fight' with the effects of this influence. The budgets of the rural communities are not able to finance the environmental actions. The program at a district level will only be able to work on the condition of appropriate funds from the government budget.

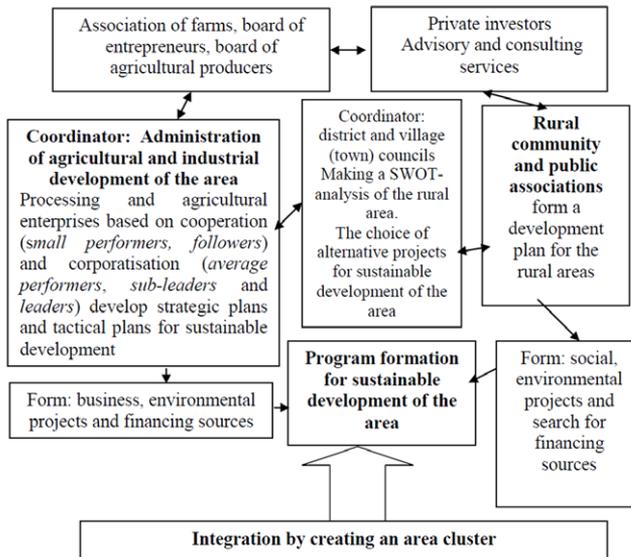
#### 4. Model of development of rural areas

Analyzing the impact of agricultural holdings on agricultural development of Ukraine, Demianenko (2008) concludes: "it should be noted that some agricultural holdings are responsible for costs associated with social infrastructure support. However, since agricultural holdings are located 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 enterpris-

es and organizations, where agribusiness is not located 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". Given the deliberations presented, for the

organization of cooperation of all agricultural enterprises (especially of agricultural holdings), bodies of local government and communities of villages and towns one may propose a mechanism of interaction, which is based on a partnership (Figure 3).

Figure 3. Model of strategic planning for the development of cooperative and corporative structures



Source: Own elaboration.

It is advisable for small producers to be integrated as cooperatives, and to make development business plans that will provide employment for rural 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 of two poles at the district level should be the district and village (town) councils. To encourage agricultural enterprises and investors' participation in the implementation of these projects,

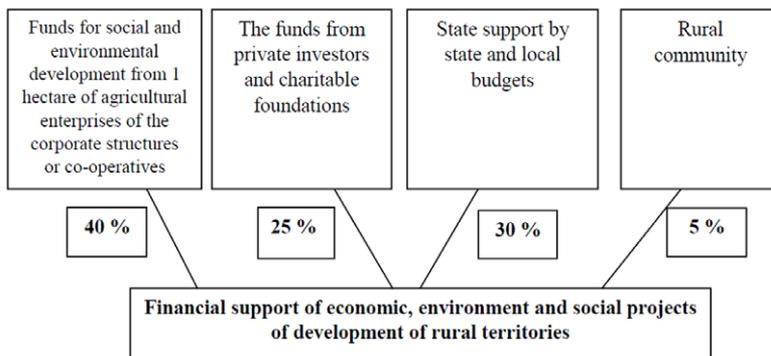
state support would be recommended. In addition, during the development of the economic strategies and programs of mostsmall businesses (*small performers, followers*), one may recommend practicing coupled specialization in the production of land-poor labour-intensive crop and livestock products, and to enter a joint business activity, using the mechanism of cooperation and clustering based on social support of rural areas (Hagedorn 2014).

Moreover, one may also 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. The department of information and social policy in the structures of agricultural holdings should also be created. This institution would help to solve most of important financial problems in the areas of education, medicine, spiritual dimension, landscape design of

rural areas etc. Such proposals must have a clear legislative consolidation that will allow to monitor the activities of agricultural holdings at the state level. A detailed mechanism of co-financing of projects of sustainable rural development is shown in Figure 4.

**Figure 4. Mechanism for support of rural areas projects**



Source: Own elaboration.

Thus, based on the proposed mechanism, 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 serve as a source of public funding of rural development.

Generally one may state that for increasing social orientation of agricultural holdings, the following measures should be implemented:

- agricultural holdings should develop programs of social investments aimed at financial support of the most important projects initiated by territorial communities;
- agricultural holdings should form the fund of sustainable development of rural areas and provide funding for each hectare of leased land;

- for the use of social infrastructure services (water, roads, electricity, etc.), agricultural holdings should allocate funding to the territorial community. It is necessary to calculate the costs depending on the area of land leased by agricultural holding;
- it is obligatory to work closely with agricultural universities and to establish joint training centres.

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 favourable conditions, first of all, to provide young families with housing accommodations.

## Conclusions

Land consolidation is a new demand of socio-economic development, as well as the inevitable result of deepening

contradiction between land use status quo, socio-economic development and its land demand. In addition, land consolidation is an important approach for coordinating the relationship between the status quo and the goals of land use, and its contents and tasks will change with socio-economic development (Hualou 2014). It may be also an effective instrument for delivering sustainable rural development. Therefore it is not surprising that agricultural sector in Ukraine followed this tendency and large agricultural holdings have been established.

The development of agricultural holdings in Ukraine as a whole, and the analysis of vertically-integrated agricultural enterprises of Myrhorod district of Poltava oblast allowed to observe the strong economic growth of these enterprises – on the one hand – and a significant, social and environmental decline of rural areas on the other hand. Therefore, in the future it is necessary to increase a 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 places of activities 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 on the condition of sufficient level of social and economic life of rural areas.

It may also be useful to implement a model of development of rural areas based on cooperation of all agricultural

enterprises, local government and communities of villages and towns. Based on a partnership rule, it may be regarded as a mechanism of interaction between the organizations mentioned.

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