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**PLACE OF LESSORS OF LAND SHARES IN SYSTEM
OF AGRICULTURAL MARKETING IN UKRAINE**

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INTRODUCTION

Ukraine's agricultural sector is currently undergoing rapid growth. It contributes 15–20% of the country's GDP (compare that to the 3% EU agriculture contributes) while 35% of the proceeds Ukraine receives in foreign currency come thanks to the agricultural sector. Ukraine is gradually assuming a leading position in the production of agricultural products in the world: It is among the top 10 global exporters of vegetable oils and cheeses, and it is one of the largest suppliers of cereals to the world market. But the increase in production and labor productivity are tempered by unemployment, labor migration, a deepening demographic crisis, poverty, and a declining social structure. Marketing as a management concept of modern agricultural production should play a particularly important role in solving the problems of the agricultural sector.

In rural areas, 7 million farmers have acquired the rights to land. In the meantime, division and privatization of agricultural lands and their distribution among former employees of collective farms could not be the basis for sustainable socio-economic development of the agricultural sector and the development of individual (family) forms of agriculture. Land relations in Ukraine's agricultural sector often function on a lease basis, which complicates the economic activities of the agricultural enterprises that own the land and affects their marketing decisions.

AIM AND METHOD

The paper examines the theoretical and methodological foundations for the interaction of lessors of land shares with tenants in the system of agricultural marketing. It also identifies the influence of land lessors on the activity of agricultural companies. The

paper uses theoretical generalization, comparative analysis, methods of observation and a systematic approach (considering the marketing activity of agricultural enterprises). During the research we used analysis, synthesis and induction. The analysis studies the lessors and agricultural companies, and identifies their essential features and the relationships that exist between them. The consistency of the interests of lessors and tenants was investigated. Ultimately, we arrived at the conclusion that lessors should be included in the elements of the 4 P's.

ESSENCE AND CHARACTERISTICS OF AGRICULTURAL MARKETING

Agricultural as a business covers the production of agricultural products (raw materials), their processing, storage, transportation and delivery to the consumer. The various business structures which facilitate this combination of activities form a complex of economic relations called agricultural marketing. To engage in effective agricultural production in the market, it is necessary to understand the specifics of agricultural marketing and take them into account in the economic activity of agricultural enterprises. There are different concepts of marketing at work in the agricultural sector: agricultural marketing, agrarian marketing, agribusiness marketing, ABI marketing and food product marketing [Kuznetsova 2015, Strapchuk 2016], to name a few.

Marketing for agricultural production is much more complex than other types of marketing because of the variety of methods used to implement it. That variety can be attributed to the large number and variety of manufactured products, and their importance to end users. Taking into account the current characteristics of the agricultural sector and approaches to the definitions of marketing, it is possible to choose those that correspond to the peculiarities of the agricultural sector.

Marketing is a creative activity that contributes to the production and maximum sale of goods. It consists of identifying the needs of the market, conducting scientific research and developing new products. Agricultural marketing can also be considered a process, a social and managerial one by means of which individuals and groups of people, by creating products and exchanging them, receive what they feel is necessary. Marketing as a method, concept and function of management in agriculture meets this definition – market-oriented management of an enterprise, the essence of which is in planning, coordination and control across the spectrum of enterprise activities. Marketing as a comprehensive approach means a comprehensive system of production and sales organization, based on previous research of customer needs. Agricultural marketing can also be considered a philosophy of business management and a basic business concept [Solovyov 2016]. The broadest definition of marketing allows us to state that such concepts are most closely correlated with the features of the agricultural sector in general and agricultural production in particular, with the peculiarities of the agricultural market.

Yakubovska [2011] interprets agricultural marketing as comprising activities aimed at implementing the marketing concept at all stages of the reproduction of agricultural produce with the maximum priority use of the self-regulating mechanism of the market. This approach allows one to consider agricultural marketing in the context of the environment. Adapting marketing – its tools, techniques, methods – to agriculture at all stages of the

reproduction of agricultural products will maximize the market's self-regulation, because any economic decisions should be made based on analysis of the market situation, change and the market's reaction to marketing decisions.

FEATURES OF LAND RELATIONS ON AGRICULTURAL MARKET IN UKRAINE

In the agricultural market, the turnover of goods supplies agriculture with the necessary means of production, services, advanced technologies, and sales of products produced by agricultural enterprises [Lobanov et al. 2012]. Given that, the most important feature of this market is its complex structure, which combines a number of subsystems: the land market, markets of agricultural raw materials, food, energy, plant protection products, fertilizers, preparations, credit resources, technologies and information, among others. Each of these has its own characteristics, which are interdependent and closely linked [Solovyov 2016]. Finally, agricultural land is limited, and so too, therefore, is production.

As of 1 December 2015, in Ukraine, 4,671.5 thousand lease agreements were signed for agricultural land of private ownership (shares) with a total area of 16,597 thousand ha (50% of privately owned land). The average rent was 786 UAH·ha⁻¹·year⁻¹ (28 EUR·ha⁻¹) [Nialov et al. 2016]. This is a fairly large proportion of the country's population, which has its own special interests and the need for effective management of the agricultural sector. It is difficult to calculate this share precisely, as the second and third wave of land-share owners often own five or more parcels. The ratio between the number of employees in the agricultural enterprise and the number of lessors forming a land bank is 1 : 10 for medium businesses and much more for large agricultural holdings. Among employees of medium-sized agricultural enterprises, 20–35% are also lessors of land parcels. Fifteen years ago the figure was 70–80%.

In today's agribusiness environment, there is competition between lessees to renew leases of land shares. In 2017–2019, land lease contracts will terminate, but work on renewing them has already begun. Upon the condition of preterm renewal of the land share lease, tenants established a higher rent and pay one-time premium bonuses. We see several reasons for increased competition.

Firstly, there is growing interest among foreign companies and investors in Ukraine's agricultural land (according to the Swedish publication "The Local", 20% of the most fertile Ukrainian lands are controlled by foreign companies locked into long-term leases). Secondly, international investment funds are buying up Ukraine's sovereign debt, a proven mechanisms for acquiring land. American billionaire George Soros revealed his strong desire to invest 1 billion USD in the Ukrainian agricultural sector, as likewise did 150 global companies at the economic forum in 2015 declare a readiness to invest in the agricultural sector. Meanwhile, countries including the UK, the US, the UAE and China are buying arable land (they have in fact already bought 2% of the world's arable land) [Kalinchyk and Alekseyenko 2016]. According to the World Trade Organization, with its potential sales volume of 1.2 million ha, Ukraine is the 10th most attractive country for purchasing land.

The high profitability of agricultural production (for some products, profit can hit 100%) is also attracting domestic capital, which is always looking for highly profitable industries. The increased interest of foreign companies has only encouraged local entrepreneurs to invest in the agricultural sector. According to scientists at the Institute of Agricultural Economics, for the first half of 2016 investment in the agricultural sector rose by 60%. Further, in excess of 96% of investments in the first half of 2016 were directed to agriculture, and came mainly from enterprise. However, another incentive for the increased investment is the introduction of VAT for agricultural producers.

The year-on-year continuation of a moratorium on the transfer of ownership of land parcels (shares) has created a shadow land market, and conditions for corruption and tax evasion to flourish. The moratorium has been placed on 34 million ha of land, while in the shadow circulation there are about 9 million ha. Area of 27 million ha is privately owned by 7 million people [Dykhtyar 2016].

PLACE OF LESSORS IN MARKETING ACTIVITY OF AGRICULTURAL ENTERPRISES

Developing the theoretical basis for marketing activities in agriculture requires two aspects be taken into account: the specific formation of a land bank of agricultural enterprises and the sources of these formations. One source is lessors of land parcels who lease their plots to agricultural producers. These lessors can be business entities that own a parcel. A good deal depends on who owns the land and where it is located. If it is private property, then the owners are individuals and legal entities; if it is state property, they are executive bodies which, according to the law, transfer the land for ownership or use. If it is land owned by utilities, then rural, village and city councils come into play. More than 80% of agricultural land is lease-held by agricultural producers.

Lessors therefore must take their unique place in the marketing environment of agricultural enterprises and in the agricultural marketing system in general. It is a unique position because they are simultaneously providers of the underlying asset of agricultural enterprises – the land bank – and customers of those enterprises. Landowners influence the range of products manufactured by the enterprise, because the rent in most cases is tied to in-kind payments. There are cases when the company does not cultivate a product (sugar beets, for example) for a long time, and therefore does not have its own sugar, and so is forced to buy sugar at market prices and provide it to land owners, because the lease stipulates sugar as a part of payment in kind. Lessors of land parcels make up a distribution channel for the products agricultural enterprises sell. Some of these products are provided as rent for the land shares.

The following is an example of rent: A farm in Kirovograd region, possessing with the land bank 3,000 ha of arable land, with an average-size land share of 5–6 ha. As rent, the following grains are paid: barley, corn and wheat – 4 t; sunflower – 200 kg. Additionally, there is a package of free services. By converting these grains and services into money, 10% of the cost of the land share is covered.

Every year, the number of lessors who take rent in kind is reduced (up to 30%). The new wave of land-share owners prefer to have the rent paid in cash (they have no farms,

live in cities or other regions, and must pay for their children's or grandchildren's education, among their other expenses).

Land-share owners/lessors may create both opportunities and threats for an enterprise, which is why the role of the owners/lessors must be taken into account in enterprise SWOT analyses. Lessors influence the strategy and development tactics agricultural enterprises use. Depending on how long the land leases are taken for, cultures are rotated, equipment is bought, cultivation technologies are selected, fertilizer is used, so organic residues on the fields are left or removed. Orchards, vineyards and hopyards all require high-quality land based on long-term leases. Farm owners, who constantly work with the owners of land shares, already have 10–50% of the land leased for the 49 years, or own it privately.

Lessors affect local budgets as some taxes on rents go to local coffers. Three-quarters of the funds of tax paid on personal income, which are deducted from the rent for the land shares, remain at the local level or are transferred to rural communities, in the event of their unification. There are cases where lessees pay taxes from rent amounting to 3% of the normative monetary value of the land, while the rent for lessors can be both far higher or lower than that, depending on the region.

Agricultural marketing in Ukraine is usually done by individuals who are not prepared for it, and by entrepreneurs themselves. Lessors take up to 10% of enterprise managers' time to communicate with them. They play a major role in forming the image of the company and authority of managers or owners of agricultural enterprises.

In their relationships with the owners of land parcels, lessees must constantly communicate with them, know their needs and wishes and respond to them. The marketing rule that "satisfied customers will tell three friends about the business, while the dissatisfied tell eight" plays out in rural relations in less anonymous terms: "the satisfied shareholder is known across the street, while the dissatisfied one across the whole village". Therefore, the main objective in the communications policy of enterprise leaders should be to support business-oriented, friendly relations and mutual understanding with the owners of land shares, motivate shareholders to renew leases and to increase the lease term. When working with the owners of land shares, lessees segment this category of the contact audience. Segmentation factors include the lease term (less than 7 years, 7 years, 10–15 years, 49 years), the age of lessors (less than 40, 40–60, 61–75, over 75 years old), the terms of payment (cash, natural, combined) and the geographic location of lessors (brigades, villages, districts, regions). This segmentation makes it possible to simplify multivariate relationships with lessors and to provide an individual approach to each category of lessors.

Every lessee determines his own strategy of relations with the owners of land shares. Sometimes these are dictatorial strategies, or strategies for maintaining business relationships, or flirting strategies, to name three. The nature of the applied strategy depends on the ratio of demand and offer for land parcels, the age structure of the lessees (25% of lessees are in the 61–75-year-old cohort and another 20% of lessees are over 75 years old who have special needs), whether the lessor is an employee of the company, the belief system of the company leader particularly as regards society as well as his personal role in society's development, and the leader's personal qualities. When demand for land is low, lessees dictate the terms of the lease of land and rents. In regions where demand is near the offer, lessees, under current law, pay 3% of the normative monetary evaluation and

carry out minor image-building activities. Conversely, when competition is stiff among lessees for units of land, the rent they pay increases – by up to 8–10% of the normative monetary value of the land.

Lessees have a range of motives in developing strategic relations with lessors: they include rational motives (profit, reliability and guarantees, convenience and additional benefits) emotional motives (fear, the desire for freedom), ethical motives (integrity), social motives (solving social problems), and participation (helping other people).

The duties and forms of operation also vary, depending on the situation emerging in the farm economy and the region as a whole: carrying out meetings, informing lessees about rent payments, reception of land owners in certain hours and days (there are lessees who begin their working day meeting with lessors), delivering rental payments to shareholders, paying rent in advance for 10–15 years, selling products received by lessors as rent at market prices. Services provided for free include plowing and cultivation, transportation of straw to households, financial assistance for funerals, weddings and treatment, maintenance of water pipes and water supply, and transportation of water.

Lessees also participate in the social aspects of life in the village, especially carrying out sponsorship promotions, which boost the image of enterprise generally and the authority of its leaders. They provide financial aid for local sports teams, sponsor creative teams, organize concerts on holidays (Victory Day, the holiday of Midsummer, Harvest Festival), student scholarships, school and church maintenance assistance. Rural communities could not continue to function or build self-sufficiency without the active and comprehensive participation of businesses in the village. In economically developed countries, the majority of consumers, employees and investors prefer companies with socially responsible programs [Morozyuk 2014].

The main objective of marketing activities of the leaders of agricultural enterprises is to form long-term relationships with lessors. The lessor can assess his activities by examining the number of new owners of land parcels that have expressed their wish to conclude lease agreements, the number of lessees who have broken or failed to renew lease agreements or prolonged their lease terms (more than 7 years), and the money, time and labor he or she must expend to renew leases (in some regions for a 1–2-year preterm renewal of leases lessees provide a premium of 200–300 USD).

CONCLUSIONS

Because landowners and lessors of agricultural land play a significant role in the activities of agricultural enterprises, they are among the objects of research in agricultural marketing, and occupy a prominent place in the microenvironment of agricultural marketing. They are one reason land banks are formed, and are consumers of products in the form of rent, and the most motivated employees of enterprises. Relations between lessees and lessors are affected by marketing factors. These include economic ones like the consumer income system and tax system; social and cultural factors including the population's age structure, income and population migration; political and legal factors

such as legal regulation of economic activities and the legal framework of fiscal management; technical ones including technological innovation; environmental factors including geography, regional infrastructure, soil quality, the availability of water resources and ecology.

Lessors should be included among the elements of the marketing complex. Business management must take into account the need to form long-term relationships with the owners of land parcels, and one of the functions in agricultural marketing should be interaction with lessors. Segmenting consumers in agricultural marketing should include segmenting the category of lessor itself. The benefits lessors enjoy should be reflected in the enterprise's mission statement. In developing strategies for the development of enterprises, managers should take into account the specificities and details of forming relationships with the owners of land shares as sources of land banks, their partners and customers. This approach makes agricultural marketing more close to the real state of modern agribusiness in Ukraine and will form the foundation for further development once the moratorium on the sale of agricultural land has been relaxed.

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Summary. Ukraine's agricultural sector is developing quickly. While providing solutions to matters of the agricultural industry, marketing should be considered as targeted management of modern agricultural business. One of the specific features of the agricultural market is limitation of land and how production depends on it. More than 80% of agricultural lands are leased to agricultural growers and producers. Under the current conditions of agricultural activity of a business, there is an increase in competitiveness between lessors over reissue of land share lease agreements. Lessors, who are the owners of land shares, have to take their place in the market environment of agricultural businesses and in the system of agricultural marketing in general, since they both perform the functions of the key asset provider, i.e. the land bank and partially the consumer of products made by this business.

Key words: agricultural marketing, agricultural market, specific features of agricultural marketing, lessors, lessees, land share owners, rental payments

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