BUSINESS LOAN MECHANISM THROUGH AGRICULTURAL RECEIPTS

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Purpose. The purpose of the publication was to study the mechanism of lending to agricultural production in Ukraine through agricultural receipts.

Results. According to the results of the study, the need to find alternative mechanisms for financial support of agricultural producers in Ukraine is substantiated. Based on the analysis of the experience of lending to agricultural enterprises in Brazil, it is recommended to spread the experience of using the mechanism of agricultural receipts in agriculture of Ukraine. The author analyzes the main advantages and risks of using this lending mechanism, examines the features of the use of commodity and financial agricultural receipts. The article analyzes the draft amendments to the Law of Ukraine "On Agrarian Receipts", which are being considered by Parliament, which are aimed at expanding access to capital markets, both foreign and, potentially, Ukrainian. It is concluded that agricultural receipts are usually a more convenient and profitable alternative to bank lending for agricultural producers, and this financing instrument will help to overcome the systemic crisis in the field of agricultural production.

Scientific novelty. The scientific novelty of the study is to develop a classification of the main types of business models for the use of agricultural receipts.

Practical value. The optimized algorithm of using agricultural receipts in the legislative field of Ukraine proposed in the article is of practical value.

Key words: agricultural receipts, crediting, financing, agricultural production, agricultural products, pledge.

Introduction. An adequate level of financing and affordable lending for agricultural production are necessary conditions for ensuring the innovative development of agriculture, the balance of the food market, strengthening the country's export potential.

Quite often the search for sources of financing for domestic agricultural enterprises takes place in unfavorable conditions. Attracting financial resources on the world market through debt borrowing requires relevant experience in the placement of Eurobonds, which is still lacking even in the management of agricultural holdings. In recent years, there has been a process of slowing down the growth of investment in the real sector of the country. As practice shows, agricultural enterprises in Ukraine experience significant difficulties in obtaining loans, as banks, as a rule, set quite high requirements for collateral, focusing mainly on the issuance of "short" loans. It should be noted that the agrarian business, the efficiency of which largely depends on seasonal phenomena, is often forced to accept unfavorable conditions, hoping to make a profit and timely settlement with creditors. The credit system through credit unions has not become popular.
The urgency of finding alternative instruments of financial support for agricultural enterprises is growing and the problem can be solved only with maximum consideration of the specifics of agricultural production as a subject of lending. One of the ways to solve this problem may be the practical application of the mechanism of agricultural receipts, which is gaining popularity in Ukraine in recent years.

The popularity of agricultural receipts is growing every year. At present, they can be issued throughout Ukraine. According to the information provided on the website of the State Enterprise "Agrarian Registers", at the beginning of 2021 in Ukraine issued agricultural receipts worth more than 32 billion UAH for 35 different crops.

Agricultural receipts, provided that the mechanisms of their free circulation are established, can become both an independent source of financing and liquid collateral for bank loans.


The search for innovative financial instruments that would be useful and economically profitable for both creditors and agricultural enterprises is relevant for the agricultural sector of Ukraine. There are still a number of unresolved issues that require new research to determine the best ways to finance agricultural enterprises. In particular, it is important to identify the reasons why the demand for the use of agricultural receipts by farmers is not high. In addition, a set of business models needs to be systematized, which can be a guide to start working with this financial instrument.

**Materials and methods.** The aim of the study was to substantiate the feasibility of wider use of agricultural receipts as an alternative to bank lending for agricultural producers.

The theoretical and methodological basis of the study were the basic provisions of the theory of finance and scientific works of domestic scientists, specialists in the problems of financial support of agricultural production. At the same time, such general scientific methods as abstraction, comparison, analysis and synthesis were used to reveal the essence of the problems of effective resource provision of agricultural producers. The method of generalization and the system approach are
applied at allocation of the basic business models used for realization of the mechanism of agrarian receipts in Ukraine and the world. An abstract-logical method was used to formulate the conclusions of the study.

**Results and discussion.** Agricultural production is one of the key sectors of Ukraine’s economy. Having one of the best soils in the world in terms of fertility, our country is a leading producer of such crops as sunflower, wheat, soybeans, corn.

In addition, agriculture is a source of raw materials to ensure the development of the country’s processing industries, an important partner in integration formations, as well as a basis for addressing the food security of the state.

The agricultural sector significantly affects the socio-economic development of the country, forming 14% of gross value added and more than 40% of the country’s exports. Agriculture of Ukraine almost 90% meets the needs of the population in food (Tulai, 2018).

An effective mechanism for financial support of agricultural enterprises is one of the main prerequisites for their competitiveness in the absence of financial resources (Anastasova, 2017).

In addition, the financial potential of agricultural enterprises is directly dependent on the state of attraction and use of financial resources. The need of agricultural producers in available additional sources of financing tends to grow steadily (Miroshnichenko, 2017).

The provision of financial resources for agricultural production generally depends on the economic situation in the country. The current practice of financial support of agricultural producers is not characterized by complexity and system, has a number of shortcomings that do not allow to meet the financial needs of agro-industrial entities (Kamenychna, 2019).

The investment process in agriculture is characterized by relatively low profitability and low rate of return on investment, depending on the simultaneous influence of many factors: subjective and objective. This often causes significant difficulties in finding investors. This problem is especially acute in a crisis (Matskiv, 2015).

Each country has its own characteristics of lending to the agricultural sector, which are determined by the state of distribution processes, legal regime, financial and economic situation (Urba & Chervona, 2019).

It should be noted that the complexity of the problem of effective financing of agricultural production is caused by the peculiarities of the nature of the functioning of the industry: seasonality of production; long period of reproduction of a significant part of fixed assets; significant time interval between periods of expenditure and receipt of finished products; use of living organisms as means and objects of labor; significant dependence of the results of the enterprise on the influence of natural and climatic conditions, etc. (Hotra, 2015).

Volumes of investments in agriculture of Ukraine significantly lag behind similar indicators of the leading countries of the world – producers of agricultural
products, first of all, the USA, Canada, the EU countries (Tomashuk, 2017).

For the market environment, it is natural situation in which the investment entity wants to attract (buy) loans with minimal costs, the lender (seller) wants to sell at the highest price (Fursina, 2014).

Among the special specific features of agricultural production should be noted:
- seasonality of production;
- extended production cycle (relatively long duration of capital turnover in the industry);
- a significant part of the products remains at the company for its own needs, which reduces the amount of possible profit (Zinchuk, 2014).

The concept of "agricultural receipt" first appeared in Ukrainian legislation in connection with the adoption of the Law of Ukraine "On Agrarian Receipts" of 06.11.2012, which entered into force on 19.03.2013. This law introduced a new mechanism for farmers to raise funds for conducting agribusiness. However, in practice, this tool came into force only in 2015 after the approval of a number of relevant bylaws.

According to the Law of Ukraine "On Agrarian Receipts", an agrarian receipt is a commodity document that fixes the unconditional obligation of the debtor, which is secured by collateral, to supply agricultural products or pay money on the terms specified therein.

The agricultural receipts were implemented under the project of the International Finance Corporation (IFC, one of the five institutions of the World Bank Group) "Agricultural receipts in Ukraine" together with the Ministry of Agrarian Policy and the Ministry of Justice. The purpose of the Project is to improve access to financial resources for small and medium-sized farmers by launching in Ukraine such a financial instrument as an agricultural receipt (Koziuk, 2021).

The idea was borrowed in Brazil, where, as in Ukraine, farmers did not have sufficient opportunities for effective financing due to limited collateral. The project and relevant government agencies, public and private sector partners provided an effective legal framework, launched a national Register of Agricultural Receipts, developed practical guidelines and created an operational environment for working with agricultural receipts. As a result, a new segment in agricultural financing has been created in 5 years, and agricultural receipts are used on a regular basis by agricultural producers and creditors from various segments of agriculture.

In Brazil, agricultural receipts have been used since the 1990s. Every year, thanks to receipts, farmers raise more than 25 billion USD to replenish working capital.

The receipt gives guarantees to the creditor, they are not subject to force majeure, you can extend the collateral, the creditor's claims are a priority, you can check the data in a single register, which allows you to create a credit history for both lenders and debtors.

Over the past 20 years, Brazil has become one of the world's leading agro-
industrial leaders and exporters of agricultural products. Grain production alone increased from 60 to 200 million tons. In general, the share of the agricultural sector is 23% of GDP and 44% of total exports.

Brazil’s experience is enormous, but there is also something to improve. There are many initiatives to integrate commercial and bank lending; to improve the procedures of automation and document management within the companies, because to this day everything is done on paper; promote legal changes in the law on AR to centralize registration in electronic form; approve dollar indexation in the law on AR to encourage foreign investors.

There is no analogue of the provision mechanism provided by the Law on Agrarian Receipts in Ukrainian legislation. The agricultural receipt is a tool for pledging the future harvest. As the collateral does not yet exist in kind at the time of securing the liabilities (future harvest, due to drought or other weather conditions may not correspond to the planned volumes, quality characteristics, etc. or do not bear at all), there are clear risks for the creditor not to receive financial performance in the future. obligations, as well as not to pay a penalty on the collateral due to lack of harvest, or to suffer significant financial losses due to non-compliance of the crop with the quality characteristics and volume (Zaliska, 2021).

In addition, the harvest is movable and perishable property, which can be identified only by type, it does not contain individual characteristics. In fact, it is impossible to "freeze" it as a pledge of real estate (prohibition of alienation – notary will not register for a new owner, sealing access to the premises, etc.), cars (contains registration number – prohibition of alienation), equipment (can be held until fulfillment, etc.)

That is why the Law on Agrarian Receipts introduces a number of provisions that include the specifics of the collateral and protect the rights of the creditor and at the same time allow the producer (agrarian) to be financed, even if he has no real collateral, real estate, etc.

The receipt is considered issued from the date of its registration in the Register of agrarian receipts, the administrator of which is the state enterprise "Agrarian registers". The administrator guarantees access to information on issued agricultural receipts, which at the time of application remain unfulfilled. The registrar has the right to provide information on issued agricultural receipts and the history of their circulation only with the consent of the debtor or creditor. 299 notaries have access to the Register of agricultural receipts. So, this year you can get an agricultural receipt easily and without hassle.

A state duty in the amount of 0.01% of the contract value of the collateral, but not less than 5 and not more than 50 non-taxable minimum incomes of citizens (from 85 to 850 UAH) is paid for the notary's agricultural receipt. The services of a private notary will have to be paid separately at his rates, but not less than the state duty rate. In addition, paid:

– for making an entry in the Register of agricultural receipts – 355 UAH;
state registration of encumbrances on movable property (supplement to the resolution of the Cabinet of Ministers of 05.07.04 №830) – 60 UAH;

– providing in paper form an extract from the State Register of encumbrances on movable property (appendix to Resolution №830) – 70 UAH.

There are two types of agricultural receipts: commodity and financial. The difference between them is to determine the subject of the obligation of a separate agricultural receipt: in the commodity agricultural receipt the subject of the obligation is the supply of the agreed type of agricultural products, and in the financial receipt the subject of the obligation is the payment of the agreed amount (Zvarun, 2019).

All commodity agricultural receipts record the volume of products that the agricultural producer is obliged to supply (only recalculation of the volume is allowed depending on the quality, but only if the receipt specifies the recalculation formula). Instead, agrarian financial receipts can either record a clear amount of monetary liabilities or contain a formula by which they will be calculated in the future at the time of calculation (for example, taking into account fluctuations in exchange rates or future product prices). Financial agricultural receipts, for which creditors are residents of Ukraine, are issued only in UAH, and "international" agricultural receipts issued to non-residents can be in any currency. Also, a feature of agricultural receipts is the requirement of the law to express the amount of liabilities (both fixed and variable) through a formula that takes into account the volume of agricultural products.

The agricultural receipt is issued separately for each type of agricultural crop. Most of them are secured by the pledge of the future harvest of grain and oilseeds, but their use is possible in other segments of horticulture, organic products, niche crops, livestock products. When drawing up an agricultural receipt, the notary must indicate in the State Register of Encumbrances on Movable Property as a pledge the harvest, not the land plot.

When drawing up an agrarian receipt, the debtor undertakes to deliver the future harvest (commodity agrarian receipt), or to pay money on the conditions specified in the agrarian receipt (financial agrarian receipt), and such obligation is secured by a pledge of the future harvest. agricultural products and the list of land plots on which it should be grown (Skoropad, 2019).

For proper notarization of an agricultural receipt, a potential debtor must have the right to own agricultural land or the right to use such land on legal grounds for the production of agricultural products on which the crop is located, as well as the absence of other encumbrances on the harvest on such land. When issuing an agricultural receipt, the notary checks the fact of registration of ownership or land use rights, which provides additional security guarantees for the registration and circulation of agricultural receipts. Its implementation should not depend on the fact of appeal or invalidity of the provisions of the secured contract. Enforcement of the agricultural receipt is carried out immediately by drawing up a notary's writ of execution (Skoropad, 2019).
Notwithstanding the possibility of effective enforcement of agricultural receipts, it should be remembered that such a receipt is primarily an agreement between the parties, which is aimed at achieving a mutually beneficial goal, which can’t be achieved without respect for the rights of the other party and compliance.

In general, the mechanism of lending under the agricultural receipt provides for the participation of at least two entities, however, experience shows that quite often there can be three of them. Thus, the parties to the legal relationship may be:

1) farmers (producers of agricultural products);
2) distributors (intermediaries who receive agricultural receipts from farmers and act as the first creditors);
3) suppliers, financial institutions, traders (receive agricultural receipts from manufacturers or distributors and act as final creditors).

As a rule, distributors usually provide farmers with the goods they need to grow their products (seeds, fertilizers, pesticides, etc.). The value for the distributor is usually the money he wants to receive for the goods that were provided to the farmer. In this case, the distributor may assign its rights to a third party. Such a person becomes a trader who in the fall or at another time after harvest will apply to the farmer with a request to deliver the goods.

Such a scheme of relationships gives the farmer a significant advantage over the loan, because the obligation to supply the goods or pay the funds in any case is tied to the harvest. And in case of crop failure, the date of fulfillment of obligations in agreement with the creditor may be postponed to the next marketing year (Lavrinenko, 2019).

Agricultural receipts are used by agricultural producers and creditors from different segments. The most common market practices have been summarized in several key business models that can serve as a guide to getting started with the tool. There are four main models:

1. Commodity or financial agricultural receipt in cooperation with the supplier of material and technical resources, services, equipment. The creditor-supplier transfers seeds, plant protection products, fertilizers, fuel, machinery, etc. to the agricultural producer, and the agricultural enterprise (farmer) issues an agricultural receipt to repay the debt for the received goods or services. In fact, the receipt becomes an additional collateral for commodity lending and is used in addition to the contract for the supply of goods or services.

2. Financial agricultural receipt in cooperation with the bank (plus loan agreement). Agricultural receipt is used as an accompaniment to the loan agreement, their terms are harmonized. When the agricultural producer fulfills his obligations under the loan agreement, the agricultural receipt is considered fulfilled and may be closed.

3. Financial agricultural receipt in cooperation with a credit union (plus a loan agreement). Tripartite agreement (between a credit union, a farm and a member of the union on whose behalf the farm receives a loan), with a financial agricultural receipt
as an annex to this agreement.

4. Commodity agricultural receipt in cooperation with a trader or processor (plus a forward contract). The agricultural receipt can be used as a guarantee of delivery or sale of production in parallel with the forward contract of delivery (purchase and sale of agricultural products), as additional security. After issuing the receipt, the agricultural producer can receive an advance payment from the trader, and the rest of the cost of agricultural products is usually paid after shipment.

Before making a decision on providing financing, the lender, as a rule, conducts a procedure of financial and economic analysis of the agricultural producer. Such an analysis can be simplified (checking open data, cash flows on accounts or online behavior on social networks, scoring, etc.) or complete: analysis of the ability of the agricultural producer to repay the loan (financial analysis) and willingness to do so (socio-economic analysis).

Currently in the parliament on the agenda of the session is the bill №2805-d "On Amendments to Certain Legislative Acts of Ukraine on the Functioning and Circulation of Agrarian Receipts". It provides for the conversion of agricultural receipts into a non-issue security that exists in the form of an electronic document in the register of agricultural receipts. This will attract refinancing in the secondary market, gaining access to capital markets, both foreign and, potentially, and Ukrainian.

It is important that legislative changes will also simplify and reduce the cost of working with the tool for users. Currently, only a notarized certificate is the main part of the cost of working with the tool, reaching 0.5% of the total cost of an agricultural receipt or more than 30 thousand hryvnias on average for the issuance of one receipt. In addition, agricultural producers will be able to significantly reduce time and transportation costs, because under the new procedure they will be able to issue agricultural receipts without leaving home or office. According to the ministry, in the last three years alone, the amount of savings on the issuance of agricultural receipts could reach more than 1 billion hryvnias.

Agricultural receipts have advantages for both agricultural producers and creditors. This form of lending allows to attract additional financial resources to agriculture, which indicates the effectiveness of agricultural receipts as a tool for successful development of agricultural business in Ukraine (Pecheniuk & Rudyk, 2019).

Conclusions. For agricultural producers, agricultural receipts are an opportunity to obtain credit resources secured by the future harvest on favorable commercial terms. In addition, thanks to the public state register, farmers have the opportunity to form a positive credit history. The tool can be used by farms regardless of size and specialization, as all they need is land and future crops. For creditors, agricultural receipts are a reliable way to ensure that agricultural producers meet their obligations. This lending mechanism combines the competitive advantages of other instruments common in the agricultural sector and provides the most rapid receipt of agricultural
products from the agricultural producer or payment in cash. Agricultural receipts are usually a more convenient and profitable alternative to bank lending for farmers. This credit instrument is actively used in the world. Agrarian receipts can become for the Ukrainian agribusiness exactly the tool that will help overcome the systemic crisis in the field of production and sale of agricultural products, will open new opportunities for the development of the industry. A promising area of research is to find ways to intensify the use of agricultural receipts in the introduction of a full-fledged market for agricultural land in Ukraine.

**References**


