Formation of social responsibility of large agricultural land users in Ukraine

Abstract. Introduction. Strengthening of the positions of large and very large agricultural enterprises, employing large area of lands, is one of the characteristics of the Ukrainian agricultural sector. This raises fears concerning negative social consequences of the process. Improvement of the agrarian production model requires application of high standards of social responsibility in the activity of large land users. The purpose of the research is to propose instruments to evaluate social responsibility of agricultural enterprises, describe peculiarities and trends in the formation and development of social responsibility of large agricultural land users, basing on such instruments. Results. The article proves a dependence of social expenses by agricultural enterprises on their land use. The authors give proposals concerning application of the criteria of evaluation of some forms of social responsibility by agricultural enterprises and determine positive and negative social consequences of large agricultural land users’ performance according to the criteria. The work confirms higher social responsibility of large agricultural enterprises established with participation of foreign capital, their positive impact on the formation of high standards of social responsibility in the branch. The authors of the article describe problems of information supply for the analysis of social responsibility and stress reasonability to introduce voluntary social reporting by business entities. Conclusions. The study of statistical reports of agricultural enterprises has helped to evaluate their social responsibility according to the following criteria: maintenance of an adequate remuneration level, responsibility in the organisation of land lease, ecological responsibility through the formation of parameters of their economic activity, creation of job positions, submission of objective financial reports, etc. High social responsibility supports existing large agricultural enterprises. This, however, does not preclude the need to restrict their growing use and to deprive them of the right to certain elements of state support which is rendered to smaller agrarian producers.

Keywords: Agricultural Enterprises; Social Responsibility; Land Use; Agroholdings; Land Lease

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У статті розглядаються особливості прояву соціальної відповідальності великих сільськогосподарських землекористувачів України. Формування соціальної відповідальності великих сільськогосподарських землекористувачів України. Анонізація. У статті розглядаються особливості прояву соціальної відповідальності великих сільськогосподарських підприємств. Показано залежність витрат соціального характеру сільськогосподарських підприємств в умовах регіону від розмірів їх землекористування. Сформовано пропозиції щодо застосування критеріїв оцінки окремих форм прояву соціальної відповідальності сільськогосподарських підприємств. Висвітлено позитивні й негативні соціальні наслідки функціонування великих сільськогосподарських землекористувачів за цими критеріями. Визначено загалом вищу соціальну відповідальність великих сільськогосподарських підприємств, створених за участю іноземного капіталу, їх позитивний вплив на формування високих стандартів соціальної відповідальності в галузі. Указано на проблеми інформаційного забезпечення аналізу соціальної відповідальності сільськогосподарських підприємств. Визначено доцільність запровадження практики добровільного подання суб'єктами господарювання соціальної звітності. Ключові слова: сільськогосподарські підприємства; соціальна відповідальність; землекористування; аренда землі.

У цьої статті працюють особливості прояву соціальної відповідальності великих сільськогосподарських землекористувачів України. Формування соціальної відповідальності великих сільськогосподарських землекористувачів України. Анонізація. В статті розглядаються особливості прояву соціальної відповідальності великих сільськогосподарських підприємств. Показано залежність витрат соціального характеру сільськогосподарських підприємств в умовах регіону від розмірів їх землекористування. Сформовано пропозиції щодо застосування критеріїв оцінки окремих форм прояву соціальної відповідальності сільськогосподарських підприємств. Висвітлено позитивні й негативні соціальні наслідки функціонування великих сільськогосподарських землекористувачів за цими критеріями. Визначено загалом вищу соціальну відповідальність великих сільськогосподарських підприємств, створених за участю іноземного капіталу, їх позитивний вплив на формування високих стандартів соціальної відповідальності в галузі. Указано на проблеми інформаційного забезпечення аналізу соціальної відповідальності сільськогосподарських підприємств. Визначено доцільність запровадження практики добровільного подання суб’єктами господарювання соціальної звітності. Ключові слова: сільськогосподарські підприємства; соціальна відповідальність; землекористування; аренда землі.

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1. Introduction

Strengthening positions of large and very large agricultural enterprises is one of the characteristics of the agrarian sector of Ukraine. Such enterprises have powerful material and technical resources, and introduce modern production technologies. They supply a considerable amount of production output and export many kinds of agricultural products. However, the rapid strengthening of their economic positions in the system of agrarian production gives reasons for concern regarding negative social consequences of the process. Such fears are related to the willingness and capabilities of large agricultural enterprises to create job positions with adequate remuneration levels in rural areas, to address social issues of rural areas and to take on responsibilities for ecological consequences of their activity. Thus, it is an urgent task to investigate the development of social responsibility of enterprises using large areas of agricultural lands.

The growing share of production by major enterprises using vast areas of land is accompanied by a reduction in the number of small agricultural producers and their stagnation. In Ukraine, we can observe continuous processes of social desertification and depopulation of numerous rural territories. Considering the fact, improvement of the model of agrarian production requires expanding of high standards of social responsibility in the performance of large land users. The content and criteria of the corresponding standards need theoretical argumentation and approbation.

2. Brief Literature Review

Social issues of establishment and performance of large agricultural enterprises in Ukraine are reflected in the scientific works by O. Dorosh [1], V. Zalizko [2], M. Kropyvko, Yu. Lupenko [3], O. Mohylnyi [4], O. Moroz [5], V. Semtsiov, V. Khodakivska and other authors. The researchers note that threats relating to the unbalanced processes of economic and social development, conflicts of interest between investors and local communities, growth of the unemployment rate among rural population and depopulation of rural territories prove that large land users neglect ecological aspects of lands use in terms of single-crop production, being focused on exports, etc. [1, 12, 2, 75; 3, 18-19; 4, 7-8; 5, 66; 6, 105].

It is necessary to pay special attention to the practices in expanding social responsibility in the agricultural sector of economically developed countries, which is presented in the works by M. Boehlje [7], M. Hartmann [8], M. Heyder and L. Thevusen [9], H. Luhmann [10], E. Mazur-Wierzbicka [11], K. Poetz [12], M. Rataczak [13], A. Tallontire [14], S. Walter [15] and other researchers.

Some publications give results of the analysis of dependencies between the size of land use of agricultural enterprices and social aspects. The authors stress that social and economic efficiency of large land users is much lower if compared with small businesses in terms of employment, rural development and taxation load [5, 66]. The researchers argue that problems of reasonable payment are not solved at large agricultural enterprises [3, 15].

On the other hand, some authors emphasise high social responsibility of some agrarian business structures which possess great resource potential and productive capacities [16, 260]. Such structures acknowledge the importance of interaction with the interested parties in order to supply their sustainable development [17, 156]. The scientists underline the importance and the perspective of the expansion of social responsibility in agriculture and a positive impact of the relevant processes on business reputation, investment attractiveness and enterprises’ competitiveness in the branch [18, 166; 19, 37, 20, 124].

We can mention a number of publications concerning social aspects of performance of large agricultural land users in Ukraine, general trends and patterns emerging with respect to the formation of social responsibility of the corresponding business entities and the evaluation criteria regarding such responsibility remain understudied.

3. The purpose of the article is to propose the instrument of establishment of social responsibility of agricultural enterprises and to determine trends and patterns emerging with respect to the formation of social responsibility of large agricultural land users.

4. Results

Numerous definitions of «social responsibility of business» («corporative social responsibility») by different authors do not contradict each other and describe its essence in different ways. According to various definitions, social responsibility means that entrepreneurs (businessmen) make decisions and behave in order to meet the interests of the objects of environment and nature generally. Enterprises take responsibility for the impact of all aspects of their activity on their employees, consumers of their products, local communities and ecological conditions of the environment.

Social responsibility of enterprises occurs through keeping to certain norms and values which exceed requirements of the current legislation. Agricultural enterprises reveal their responsibility in the following actions:

1. Responsibility of a businessman. A business entity demonstrates high responsibility in terms of its liabilities before business partners and does not allow unfair competition. Perfectly, it is about permanent keeping to a definite ethic code of a businessman.

2. Responsibility of an employer. An enterprise secures an appropriate level of payment for its employees, develops and implements measures which are focused on improvement of their work conditions, increase of social safety, as well as supplies conditions for their career progress.

3. Ecological responsibility (including responsibility concerning the agrarian lands use). Agricultural enterprises are largely responsible for protection of the environment because of the substantial impact they make on the environment. Using specific production resources, i.e. agricultural lands, agrarian enterprises are obliged to maintain and improve their fertility.

4. Responsibility of a business entity at the local level (local community). An agricultural enterprise adequately participates in supply of social development of a local community through implementation of charity projects, support of social infrastructure objects.

5. Responsibility in the relations with the state. A business entity is a responsible payer of taxes and other dues, submits objective financial reports and assists the state in implementation of agrarian policies, which meets interests of the whole nation. Each enterprise’s position determines success in the fight against corruption.

It is important for all categories of agricultural producers to keep to the fundamentals of social responsibility. However, social attention is paid to behaviour of large land users, because the concentration of essential resources, i.e. agricultural lands, in their hands restricts the environment for small agricultural producers’ performance. However, strengthening of the position of large land users in the system of agrarian production of Ukraine is proven by the following data. In Ukraine, the number of the enterprises that employ over 10,000 ha of agricultural lands increased from 52 enterprises in 2006 to 150 entities in 2016. The area of the lands used by those enterprises increased 5.2 times in that period. In 2016, the share of the lands constituted 17.6% of the total area of land use of all agrarian enterprises of Ukraine [21, 173].

In Ukraine, the existing model of agrarian production principal differs from the model formed in the countries of the Central and Western Europe, where smaller producers dominate in the agricultural sector. For instance, there were only 270 agricultural enterprises in Poland in 2016, with the total land use of 1000 hectares and more. They accounted for 4.4% of the total area of agricultural lands. When compared to 2013, the indicator decreased. The number of large land users reduced to 41 or by 13% and the area of employed lands by 21%. Altogether, in 2016, were 945.3 thousand enterprices in the country, which produced agricultural products mainly for sale, and the average size of land use of a farming enterprise constituted 10.3 hectares [22, 154-155]. Thus, farming enterprises of Poland are substantially smaller by production concentration than Ukrainian agrarian enterprises. There is no tendency of strengthening of the positions of large land users.
in the system of agrarian production of the country. However, the efficiency of agriculture, the level of solution of social problems of rural territories and the conditions of food security are much better in Poland than in Ukraine.

There are no official criteria how to refer agricultural enterprises to the category of large land users. One should also consider that the average size of land use of agrarian producers substantially differs in different regions of Ukraine. They are relatively small in the regions of Western Ukraine, while being particularly social responsibility is done using the example of agricultural enterprises of Lviv region. The authors of the article conclude that the category of large land users of the region includes business entities with an area of agricultural lands of above 5,000 hectares. There are 11 such enterprises in Lviv region. It is approximately 1% of the total number of the enterprises registered in the region. In 2016, they used 140.7 thousand hectares of agricultural lands (51% of the total area of lands which were used by agricultural enterprises of the region).

Table 1 gives the results of the analysis of dependence of the level of social expenses by agricultural enterprises of Lviv region on the size of their land use. The analysis engaged 106 enterprises using 100 and more hectares of agricultural lands. Expenses of social character may include expenses on both labour payment and land lease. Usually, the information does not completely reflect all measures concerning the formation of social responsibility at such enterprises. However, they allow us to draw certain conclusions about their intention to meet social standards and values.

There is a direct relation between the size of land use by agricultural enterprises and the level of labour payment. In the defined group of large land users, the indicators of labour payment are several times higher than in the groups of smaller enterprises. Expenses of the large land users on labour payment are also the higher, if calculated per 100 of agricultural lands. One can draw a conclusion that social responsibility of large land users is relatively higher than that of other agricultural enterprises. According to official data, there are some enterprises in the category of large land users where the level of social responsibility of their employees cannot be considered to be high.

The number of job positions created in villages is an important factor to supply social development in rural territories. Table 2 presents data which prove that the number of employees engaged in the production by large land users and calculated per 100 hectares of agricultural lands is much lower than at smaller enterprises. Some researchers consider that creation of job positions is not relevant to the issue of social responsibility. However, they allow us to draw certain conclusions about their intention to meet social standards and values.

In 2016, there were 18.1 employees engaged in agriculture per 100 hectares of agricultural lands in Poland. In the EU, there are on average 5 employees per 100 hectares of agricultural lands due to high labour productivity and efficiency of servicing infrastructure [24, 382, 384]. Regarding agricultural enterprises in Ukraine, there were on average 2.5 employees engaged in agricultural production in 2016, while at large enterprises their number was lower, as it can be seen from the calculations. Support for small farming enterprises helps to keep rural settings in the European Union. In Ukraine, the formation of large agricultural land users leads to negative consequences if it were accompanied by creation of job positions in other branches of the economy in rural areas.

Agricultural enterprises of different sizes often demonstrate a rather small number of engaged employees and expenses on labour payment. There are reasons to assume that they manipulate with indicators in official reports, unofficial cash payments, etc. Researchers stress that large agricultural enterprises are inclined to introduce financial schemes which help them to minimise tax payment [5, 65]. One should note that such practices are also applied by other agrarian producers. It is possible to assume that the level of responsibility of agricultural enterprises in relations with the state is insufficient.

The level of payment for the lease of land is a criterion of social responsibility of agricultural enterprises. This entails social responsibility of entrepreneurs because land plots are owned by persons and lease payment is an additional source of income for them. Large land users generally propose higher price for land lease, though variations in land lease depending on the size of land use are not as significant as variations in labour payment. Lease payment is the main instrument in the competition for the right of land lease, and small enterprises are compelled to consider high standards proposed by large enterprises.

Trends in the formation of social responsibility of large agricultural land users can be determined on the basis of the analysis of some indicators of their performance in dynamics (Table 2). One should note that the number of the enterprises, registered in Lviv region with more than 5,000 hectares of land use may vary. The owners of some of them change, and land resources are redistributed.

The variations in the indicators of labour payment, the number of employees and expenses for labour payment per 100 ha of agricultural lands point to the lack of clear strategies regarding labor resources by large land users. The rapidly growing labour payment has been observed in the recent years. It can be partially explained by the overall pay increase in Ukraine caused by inflation processes. However, one should also consider the fact that enterprises feel responsible to improve their personnel support due to increasing social security of their employees.

In 2016, the share of expenses on labour payment accounted for 5.5% in the total expenses on production of agricultural products in the defined group of large land users in Lviv region. Regardless of the positive changes, a relatively low level of expenses on labour payment is considered as a competitive advantage of the enterprise, not as a problem to be solved.

An analysis of efficiency indicators of enterprises can supply information about enterprises’ reserves to increase social expenses. It has been determined that the income obtained by large land users from sale of agricultural products, calculated per one unit of lands, substantially exceeds indicators of smaller enterprises. The obtained income gives large enterprises an opportunity to increase social expenses.

Among large agricultural land users in Ukraine, there are many enterprises with foreign capital. Such capital is attracted by cheap labour and land resources. In 2016, the average payment required to lease 1 hectare of agricultural lands was USD 219 in Poland, over EUR 200 in Germany, the Netherlands and Denmark, and from USD 350 to USD 400 in the USA, while in Ukraine it equaled USD 43 [25].

Researchers emphasise that establishment of foreign companies is most efficient in the field of formation of social responsibility in Ukraine.

### Tab. 1: Relation of social expenses to the area of land use by agricultural enterprises of Lviv region, 2016

| Indicator | Group of enterprises according to the area of used agricultural lands, ha | According to the number of employees |
|----------|-------------------------------------------------|----------------------------------|
| Number of enterprises | 59 | 36 | 11 | 106 |
| Average area of agricultural lands per one enterprise, ha | 479 | 2,164 | 12,788 | 3,329 |
| Average number of employees engaged in agricultural production per 100 ha of agricultural lands, persons | 3.22 | 2.03 | 1.27 | 1.73 |
| Annual average payment per one employee engaged in agricultural production, thousand UAH | 24.2 | 28.5 | 89.4 | 53.0 |
| Expenses on labour payment at the main production calculated per 100 ha of agricultural lands, thousand UAH | 78.2 | 57.8 | 113.7 | 92.0 |
| Average payment for lease of 1 ha of agricultural lands, UAH | 1,024 | 1,125 | 1,335 | 1,239 |

Source: Calculated according to the data of the No. 50-agr reporting form of the selected aggregate of agricultural enterprises of Lviv region.
They adopt modern world practices, principles and standards to their operations in Ukraine [18, 122]. This is supported by the data reflected in Table 3 which specifies information about activities of agricultural enterprises established by Ukrainian citizens, as well as enterprises owned mainly by non-residents.

The data prove that the level of labour payment and payment for land lease at enterprises established with participation of foreign capital, is much higher.

It should be noted that enterprises established with participation of foreign companies make larger investments in production. Thus, they gain more income calculated per 100 hectares of agricultural lands, while the profitability of products is at a lower level. Foreign companies consider investments in the agricultural sector of Ukraine to be long-term projects and do not neglect social aspects of their implementation.

The growth rate of foreign investments in agriculture of Ukraine is constrained not only by institutional problems but also by high competition to lease land. In case a large agricultural enterprise’s business is terminated, the leased lands are transferred to another land user. Thus, one should be concerned about social threats resulting from a possible loss of interest of some companies in agrarian business.

It is determined that the annual average labour payment for work of employees in the described group of agricultural enterprises of Lviv region, which were established by Ukrainian residents, officially increased 4.7 times in 2016, as compared to the previous year. Obviously, it deals not only with the actual growth of salaries, but with the objective reporting of information about economic activity. One can say about greater responsibility of business entities before the state authorities and expect that the presence of foreign companies will make a positive impact on the process.

It has been mentioned above that ecological responsibility is an important component of social responsibility. In scientific publications, authors discuss a thesis about negative ecological consequences of performance of agricultural holdings which do not pay much attention to reclamation and protection of soil fertility, protection of natural ecosystems and landscapes [1, 14; 2, 75; 4, 7]. Regardless of the statements, the authors of the article stress that violation of certain principles of ecologically safe use is particular for agricultural enterprises of different sizes, not only for large land users. Large enterprises are interested in long-term lease agreements (15 and more years). In the agreements, an obligatory point is to prevent deterioration of the quality of agricultural lands. Thus, it would be wrong to state that there is complete disregard for the relevant impacts on the environment from the part of the mentioned enterprises.

We confirm that ecological problems relating to large land users are understudied. We do not have enough empirical data which can give us a possibility to argue or deny some statements related to the issues.

On the whole, large agricultural land users acknowledge the importance of their cooperation with local communities. Such cooperation is important in terms of developing a positive image of enterprises, which is necessary for continuous land lease, personnel improvement (particularly by attracting the youth), avoidance of social and economic conflicts at the local level, etc. There is no documentary evidence of active interaction of agrarian business entities with territorial communities, public organisations or social facilities, and it is one of the problematic aspects of

| Indicator | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2016 in relation to 2011, %, +/- d. |
|-----------|------|------|------|------|------|------|----------------------------------|
| Number of enterprises | 10 | 10 | 12 | 14 | 12 | 11 | 110.0 |
| Average number of employees engaged in agricultural production per 100 ha of agricultural lands, persons | 1.50 | 1.47 | 1.31 | 1.20 | 1.53 | 1.27 | 84.7 |
| The annual average payment per one employee engaged in agricultural production, thousand UAH | 31.8 | 33.0 | 28.7 | 29.5 | 55.2 | 89.4 | 281.1 |
| Expenses on labour payment at the main production per 100 ha of agricultural lands, thousand UAH | 47.8 | 48.4 | 37.7 | 35.4 | 84.8 | 113.7 | 237.8 |
| Average payment for lease of 1 ha of agricultural land, UAH | 303 | 647 | 757 | 622 | 1,117 | 1,335 | 440.6 |
| Income from sale of agricultural products and services per 100 ha of lands, thousand UAH | 957.0 | 960.2 | 1,002.1 | 1,164.5 | 2,459.2 | 2,384.2 | 249.1 |
| Level of profitability of agricultural products and services, % | 27.7 | 3.1 | -6.0 | 16.9 | 26.0 | 27.1 | -0.6 |

Source: Calculated according to the data of the No. 50-agr reporting form of the selected aggregate of agricultural enterprises of Lviv region.

| Indicator | Enterprises established by residents of Ukraine | Enterprises established with participation of foreign capital |
|-----------|-----------------------------------------------|--------------------------------------------------------|
| Number of enterprises | 5 | 6 |
| Average area of agricultural lands per one enterprise, ha | 14.478 | 13.381 |
| Average number of employees engaged in agricultural production per 100 ha of agricultural lands, persons | 1.20 | 1.35 |
| Annual average payment per one employee engaged in agricultural production, thousand UAH | 84.2 | 94.3 |
| Expenses on labour payment at the main production calculated per 100 ha of agricultural lands, thousand UAH | 100.7 | 127.5 |
| Average payment for lease of 1 ha of agricultural lands, UAH | 981 | 1711 |
| Income from sale of agricultural products and services per 100 ha of lands, thousand UAH | 1938.4 | 2858.9 |
| Level of profitability of agricultural products and services, % | 35.0 | 21.9 |

Source: Calculated according to the data of the No. 50-agr reporting form of the selected aggregate of agricultural enterprises of Lviv region.
The establishment and development of their social responsibility [16, 259]. This information about corresponding activity can be obtained from official websites of the relevant companies, as well as from local mass media. Processing of such information helps to determine the main kinds of social activity of large agricultural enterprises at the local level, including financial support of social facilities, organisation of cultural and sport environment. Implementation of the programme of training of young specialists and their engagement in the work, support of the initiatives of public organizations, participation in the projects of environmental protection, rejection of corruption, etc.

The largest agricultural holdings of Ukraine are currently undertaking the relevant steps. However, not many large agricultural enterprises make substantial efforts to spread such information. In particular, among the 11 large land users in Lviv region, only three companies have their websites which supply sufficient information about their social activity.

Social responsibility reflects voluntary obligations incurred by the enterprises, and supply of the relevant information should also be voluntary. Submitting social reports according to the prescribed forms would have a positive impact on the improvement of institutional support for the development of agricultural business in Ukraine. Such reports enable developing the standards of activity, which can serve as informal institutions determining social aspects of the implementation of large-scale business projects in the agricultural sector.

5. Conclusions
Having studied statistical reports by agricultural enterprises, we evaluated responsibility according to the following criteria: maintenance of an adequate remuneration level, responsibility in the organisation of land lease, ecological responsibility through the formation of parameters of their economic activity, creation of job positions, submission of objective financial reports, etc. Social consequences of the performance of large agricultural land users are contradictory. The authors of the article positively evaluate the relatively high indicators of labour payment and payment for land lease by the corresponding business entities. Financial conditions of large agricultural enterprises give them a possibility to allocate considerable funds for charities and implementation of various projects of social development at the level of some communities. According to some criteria, social responsibility of large land users is higher than that of small agricultural enterprises.

Also, higher standards of social responsibility are demonstrated by agrarian enterprises established with participation of foreign capital.

Negative social consequences of the performance of agricultural land users include creation of fewer job positions calculated per 100 hectares of land. Furthermore, their product range may negatively impact some parameters of food security of the country. Thus, it is unreasonable to focus on the further development of large agrarian holding structures in terms of agricultural production in Ukraine. High social responsibility supports existing large agricultural enterprises. This, however, does not preclude the need to restrict their growing land use and to deprive them of the right to certain elements of state support which is rendered to smaller agrarian producers.

The existing forms of statistical reporting make it possible to evaluate separate aspects of the performance of agricultural enterprises relating to the formation of their social responsibility. Voluntary submission of social reports by business entities would also have a positive effect. Such reports should include financial and non-financial reporting. This will contribute to the improvement of institutional support for the development of agricultural production in Ukraine.

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