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Financial analysis tools for assessing the investment attractiveness of agricultural projects in the United States

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Abstract: This article focuses on the analysis and practical application of financial tools aimed at evaluating the investment attractiveness of agricultural projects in the United States. In a context of declining domestic investment and a volatile business climate, agricultural enterprises require accurate assessments of their internal reserves and creditworthiness. The relevance of this study is driven by the need to identify effective financing mechanisms and enhance the competitiveness of farming operations facing additional pressure from seasonal price fluctuations and technological transformation.

The novelty of the research lies in a detailed examination of the interrelation between depreciation monitoring methods, liquidity analysis, capital structure, and profitability. The study presents comparative approaches to long-term lending and solvency assessment and draws on sources addressing trends in investment flows, challenges related to fixed asset renewal, the specifics of banking activity, and external support programs. Particular attention is given to risk assessment, including potential capital outflows and insufficient diversification of financing channels.

The study aims to identify optimal strategies for strengthening the financial stability of agricultural enterprises. A comparative method and financial statement analysis were applied to achieve this goal. The conclusion outlines a sequence of steps enabling an objective forecast of project profitability. This article will be of interest to investors, enterprise managers, and specialists in agricultural management.

Keywords: investment attractiveness, agricultural projects, financial analysis, liquidity, profitability, depreciation, capital structure, long-term lending, solvency.

INTRODUCTION

Improving the performance of the agricultural sector in the United States is consistently linked to enhancing its attractiveness for potential investors. This underscores the relevance of research aimed at identifying financial analysis tools capable of providing a comprehensive diagnosis of the resilience of agricultural enterprises. The objective of this article is to develop and systematize the key methods required for a thorough assessment of the investment attractiveness of agricultural projects.

To achieve this objective, the following tasks have been set:

– to identify relevant tools for diagnosing the financial condition of enterprises;

– to determine the specific risks associated with long-term lending and depreciation policy;

– to justify recommendations for improving the investment climate in the agricultural sector.

The novelty of the study lies in the integration of established methods for analyzing liquidity, capital structure, and profitability with current data on trends in economic reform and the practical application of bank loans.

MATERIALS AND METHODS

The preparation of this article involved the use of various sources. I.O. Kuzyk, along with K. Shevchuk, M. Kruhla, and V. Aloshyn [1], focused on the audit of financial statements as a tool for attracting investment in agribusiness. I.O. Vinichenko [2] proposed a framework for integrated assessment of agricultural enterprise attractiveness based on a multifactor approach. The works of I.O. Lihonenko [6] and V.V. Malakhovska [7, 8] addressed issues related to depreciation charges and the shortage of internal resources, highlighting the need for modernization of production assets.

In addition, materials from LLC “Discount-Agro” [3], LLC “European Bank for Development and Savings” [4], and LLC R&D Center “Dutch Technologies in Livestock” [5] provide real-world examples of the implementation of analytical methods and confirm their effectiveness in asset valuation for agricultural companies.

The analysis applied a comparative method for evaluating financial indicators, along with a critical review of sources to integrate data and identify priority areas. The approach is based on the evaluation of case studies and statistical data presented in the original documents.

RESULTS

The calculations indicate that restructuring the agricultural sector in the United States will require additional efforts to expand investment volumes and to engage all available sources of financing. Observations from the period 1997–1999 show a sharp decline in domestic capital investment—by nearly five times—driven by falling business activity and the deteriorating financial condition of many enterprises. This trend directly affects agricultural projects. Against the backdrop of generally low profitability in agriculture, some loss-making enterprises accounted for up to 10% of the sector, while losses in transportation reached nearly 59%, and in the supply sector 57.1% [8]. Under such conditions, financial institutions are compelled to assess risks not only at the macroeconomic level but also through the specific parameters of working capital and the solvency of agricultural enterprises.

When selecting internal and external financing channels, bank lending is frequently considered, particularly for long-term loans aimed at modernizing technical infrastructure. At the same time, materials in [4] note that an approach based on detailed liquidity analysis and the calculation of an integrated rating indicator facilitates the identification of financial ratios used for expert assessment of borrowers. This methodology is endorsed by banks specializing in the agricultural sector, as it helps track debt dynamics and the enterprise’s capacity to withstand seasonal price fluctuations. In practice, in the Dnipropetrovsk region [6], commercial banks (for example, PrivatBank, with a total credit and investment portfolio of UAH 1,107.03 million) accounted for approximately 17.94% of the country’s total investment, which indicates a high level of financing activity targeting business entities. This allocation stimulates increased interest in agricultural enterprises capable of repaying borrowed funds through the delivery of competitive products.

Documents in [5] report that for dairy enterprises in the food industry, a performance analysis methodology for financial management—developed and presented in a

dissertation—has been practically implemented. This method enables the identification of internal reserves and timely elimination of weaknesses in operations. Additionally, representatives from [3] confirmed the application of advanced solvency analysis, including liquidity assessment and the calculation of a specialized rating indicator, which is particularly valuable when seeking external investors.

Systematic evaluation of farm creditworthiness at the investment planning stage, as well as the assessment of working capital using generalized financial ratios, contributed to more accurate projections within the dairy industry. This method accounts for debt financing indicators, marginal income, and depreciation charges, all of which enhance project resilience and make them more attractive to international funding sources.

In practice, there are concrete cases in which enterprises from related sectors report a need for modernization investments amounting to several hundred million dollars. For example, data from the Dnipropetrovsk region cited in [7] show that the PO "YUZHMASH" planned to allocate USD 90.6908 million of its own funds and attract USD 1,053.3752 million in foreign investments over a five-year period. Meanwhile, OJSC "DMZ" projected USD 21.6 million in internal capital investments and expected to secure an additional USD 69 million. OJSC "DMK" named after F.E. Dzerzhinsky stated that the implementation of a large-scale project would require USD 187 million in external financing, while OJSC "Novomoskovsk Pipe Plant" required approximately USD 12.748 million with a projected payback period of five years. Such data confirm a trend in which U.S. agribusiness companies turn to foreign banks and credit institutions for financing, provided that the projected profitability justifies long-term investment.

The authors of [6] emphasize that the increase in capital inflows and their efficiency during 1999–2001 required addressing several key tasks: adjusting priorities for attracting funding, revising depreciation policies, providing government support to specific entities, ensuring the rational use of budget resources, and encouraging long-term bank lending. A similar position is reflected in studies [4], where it is noted that effective management of long-term investment loans can increase the volume of internal financing, thereby strengthening the financial stability of agricultural enterprises. This is supported by examples of loans ranging from USD 2 million to 15.7 million issued to companies expanding agricultural exports or undertaking technological modernization of livestock facilities.

Analysts in [1] also highlight problematic issues, such as the significant depreciation of fixed assets and the partial outflow of capital to foreign banks. In the context of the U.S. market, such factors affect the credit ratings of farming enterprises, complicating access to low-cost financing. Nevertheless, in certain cases, high soil quality and well-established sales channels help mitigate these risks, enabling agricultural enterprises that adopt modern agrotechnologies to remain competitive and enhance their investment appeal. This underscores the importance of analyzing liquidity indicators and the liquidity of current assets, which reflect an enterprise's capacity to fund seasonal operations without supply disruptions.

The use of multi-component profitability analysis models in the lending process can increase investor confidence, as forecasting cash flow movements combined with the consideration of production risks provides a reliable picture of the investment outlook. Under a similar approach, evaluating structural cost components and projecting liquidity enables U.S. meat and dairy processing enterprises to allocate received loans more effectively while maintaining production capacity. When internal and external resources are properly balanced, the financial burden on agricultural holdings remains within manageable limits, and a flexible depreciation policy helps offset the accelerated physical and technological obsolescence of equipment.

In the tabular data presented in [6], specific figures are provided for the credit and investment portfolios of commercial banks. For example, "Kredit-Dnipro" (DN-SK) allocated UAH 30.77 million through interbank loans and UAH 55.13 million in loans to business entities, while "Technobank" (DN-SK) reported UAH 0.3 million and UAH 9.14 million, respectively. Comparable data can be found in the United States, where key factors in loan issuance vary by region but typically include the ratio of net profit to serviced debt and the overall equity multiplier level. In certain cases, banks may ease lending conditions when government-backed risk insurance programs are in place or when collateral is provided in the form of securities or highly liquid real estate. Under such schemes, borrowers who actively optimize their cost structures gain access to substantial investments

under favorable terms.

DISCUSSION

The study of investment attractiveness in agricultural organizations highlights the importance of financial analysis in investment decision-making. Preliminary calculation results confirm that multi-criteria evaluation provides a reliable forecast of expected returns for potential investors. A detailed discussion of the findings is presented below, structured according to the algorithm for forming an integral indicator and the final diagnostic methods.

The starting point involves a consolidated approach to calculating investment attractiveness. The first scheme below illustrates the step-by-step sequence (see Figure 1).

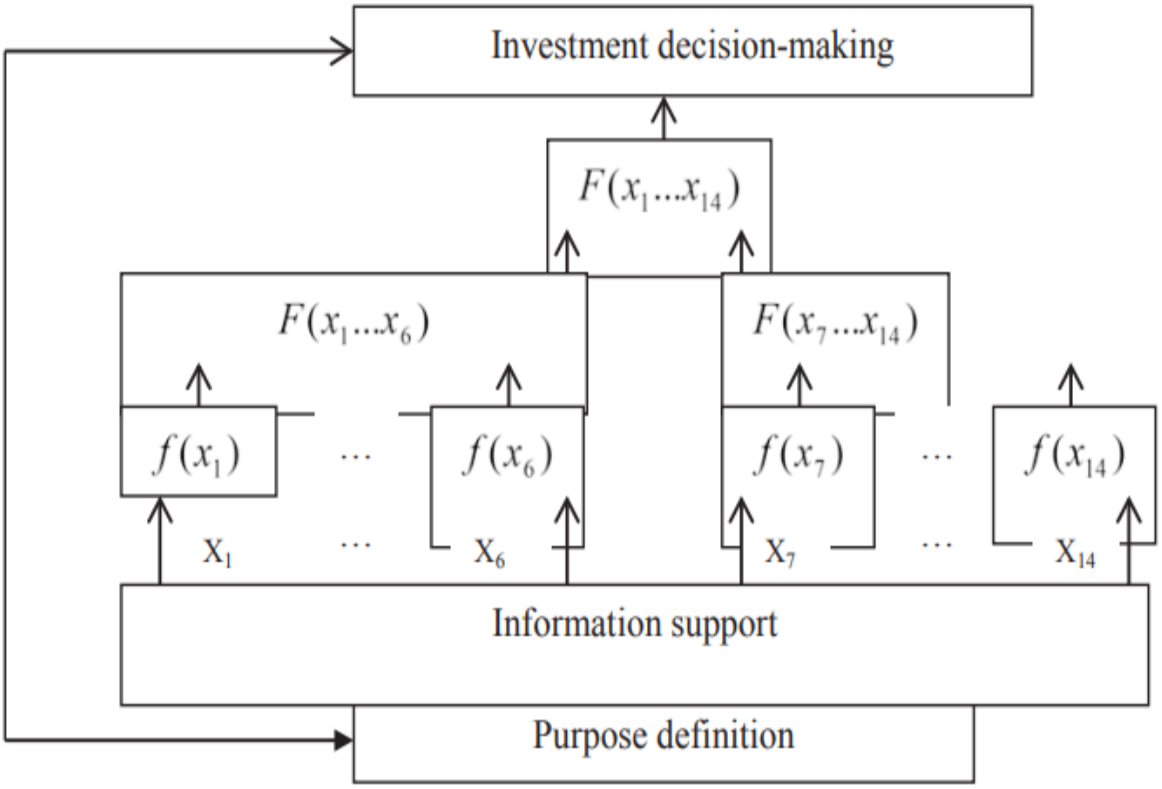

Figure 1. Algorithm of forming an integral indicator for assessing the investment attractiveness of agricultural enterprises [2]

This algorithm reflects a logic in which the integral value is calculated based on a set of weighted coefficients.

When comparing data collected from agricultural holdings and individual farms, it was found that detailed analysis of capital structure, cash flow, and depreciation charges facilitates the identification of internal reserves. The study placed emphasis on planning quality, debt levels, and solvency. As a result, an additional diagnostic tool was developed to capture all financial indicators in a step-by-step manner. Its logic is outlined in the following diagram (see Figure 2).

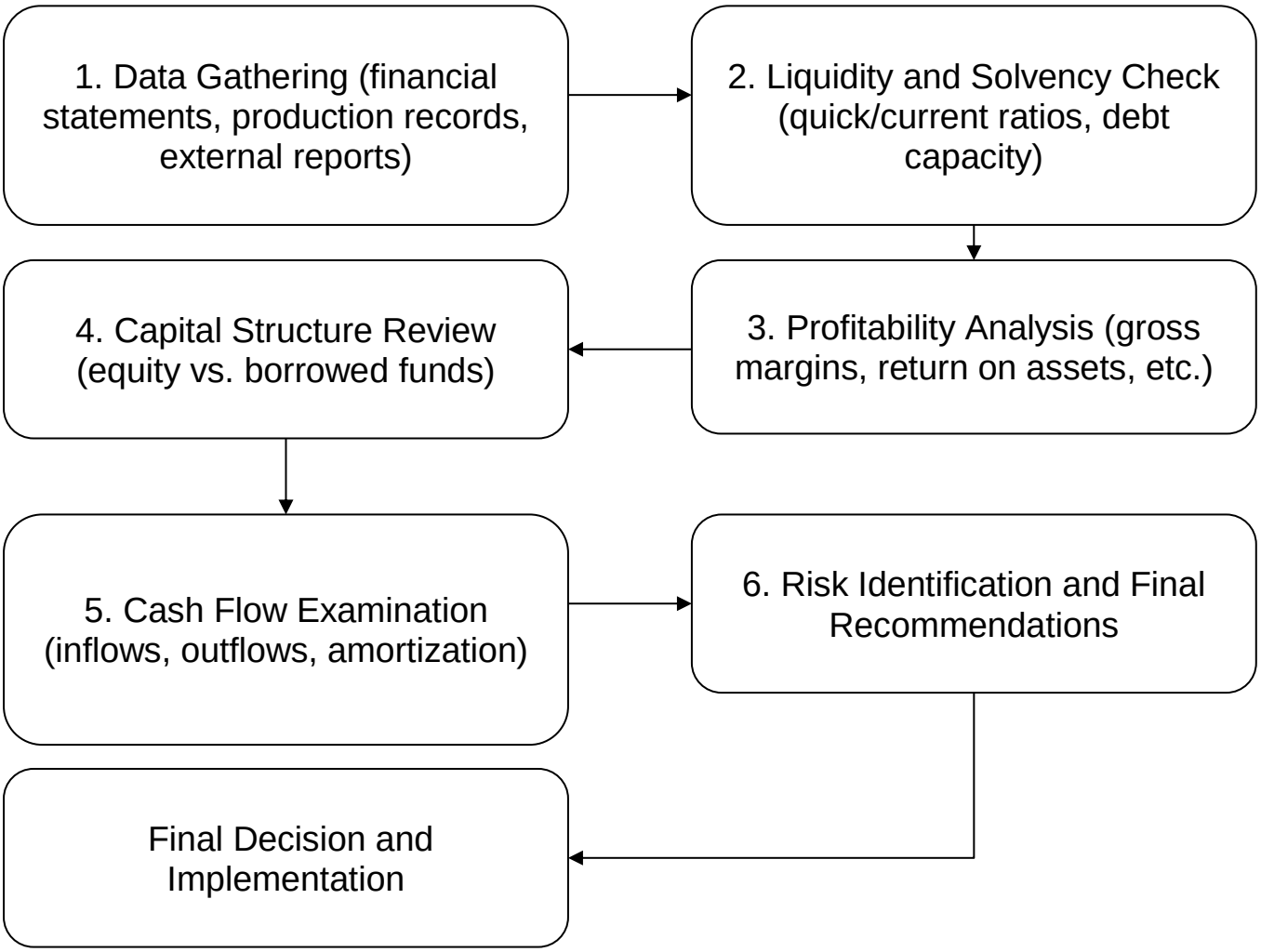

Figure 2. Multi-stage procedure for comprehensive financial evaluation of agricultural enterprises (Source: compiled by the author based on his own research)

The diagram presented illustrates the progression from collecting initial data (balance sheet, profit figures, cost structure) to analytical procedures. Indicators of solvency are calculated step by step, including assessments of current and quick liquidity, followed by clarification of profitability metrics (tracking profit and cost trends). At the final stage, potential risks are identified, which supports the justification for selecting appropriate financing mechanisms.

The results were analyzed collectively. When comparing values across several enterprises, significant differences were found in the ratio of equity to borrowed capital. Some organizations with a high liquidity buffer secure long-term loans on more favorable terms, whereas companies with low turnover face additional borrowing costs. Depreciation coverage of expenses was also taken into account, as it influences equipment renewal and the overall condition of the production base.

Below is a summary table that organizes the set of financial analysis tools used for a comprehensive assessment of investment attractiveness in the agricultural sector (see Table 1).

Table 1. Financial analysis tools for assessing the prospects of agricultural enterprise

Method	**Description**	**Practical value**
Liquidity analysis	Assessment of the ability to cover short-term liabilities	Evaluation of solvency, identification of cash gap risk
Profitability	Comparison of profit to invested	Diagnosis of income dynamics, selection of

Method	Description	Practical value
indicators	resources	strategic priorities
Capital structure analysis	Calculation of the ratio between equity and borrowed sources	Credit risk forecasting, determination of optimal debt load
Depreciation monitoring	Control over planned allocations for asset renewal	Creation of a reserve for modernization and cost reduction
Cash flow analysis	Breakdown of inflows and outflows	Calculation of project payback periods, stabilization of financial cycles
Debt evaluation	Analysis of debt structure (terms, volumes)	Payment schedule management, reduced insolvency risk

The systematization of these procedures enables a deeper examination of enterprises operating in crop production, livestock farming, and related sectors. The result is a general rating of farms based on solvency and profit dynamics, which increases transparency regarding their development prospects.

During the implementation of the described methodology, analysts may encounter variations in accounting policies and inconsistencies in financial documentation. Therefore, it is essential at the initial stage to agree on unified formulas, data presentation formats, and reporting frequency. The outlined frameworks (Figures 1 and 2) guide analysts toward a systematic approach when processing a large volume of indicators.

The discussion demonstrated that this study enables not only the diagnosis of the current state of enterprises but also the development of investment project forecasts. When stable liquidity and balanced expenditures are identified, investor interest increases due to the reduced risk of unforeseen losses. At the same time, depreciation reserves are clarified, which allows adaptation to technological changes and strengthens the competitive position of the agricultural sector.

This approach facilitates the formulation of recommendations, ranging from working capital management to the effective use of long-term loans. It is the structuring of capital and the accurate accounting of cash flows that improve the chances of securing additional investment. The analysis carried out confirms that the results accelerate strategic planning and serve as a basis for resource consolidation.

CONCLUSION

The results of the study confirm the necessity of systematically applying financial analysis tools to objectively assess the investment attractiveness of agricultural projects in the United States.

The first objective was achieved by identifying core diagnostic methods (liquidity, profitability, capital structure, depreciation), which allow for the detection of weaknesses and the identification of growth opportunities.

The second objective, involving the analysis of long-term lending risks and fixed asset renewal, was addressed through the aggregation of statistical data and practical implementation examples.

The third objective, focused on formulating recommendations, was reflected in the conclusion regarding the importance of harmonized tools for substantiating external financing and adjusting the internal policies of enterprises.

The set of financial methods identified provides a basis for forecasting improved competitiveness of farming enterprises and strengthening their positions in international markets, provided that borrowed funds are managed efficiently and an adequate level of liquidity is maintained.

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