

Ukraine, country presentation

Ukrainian Agribusiness Club
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Ukrainian Agribusiness Club

- An Association of large agricultural producers and food industry processors, both national and foreign, who makes business in Ukraine
- Our Mission is to contribute to the formation of favorable conditions for the development of modern efficient agriculture in Ukraine
- We join about 40 leading agricultural companies of Ukraine that take from 5% to 15% of all industrial national production of sugar, veg. oils, milk, meat and grain. And also large agricultural suppliers

Ukraine on the map of Europe



Independent since 1991

Capital – Kyiv (~3 mln.)

Area – 603,7 sq. km.

Population – 46,1 mln.

24 regions & Crimea AR

GDP (nominal) \$ 180 bln.

Per capita – \$ 3920

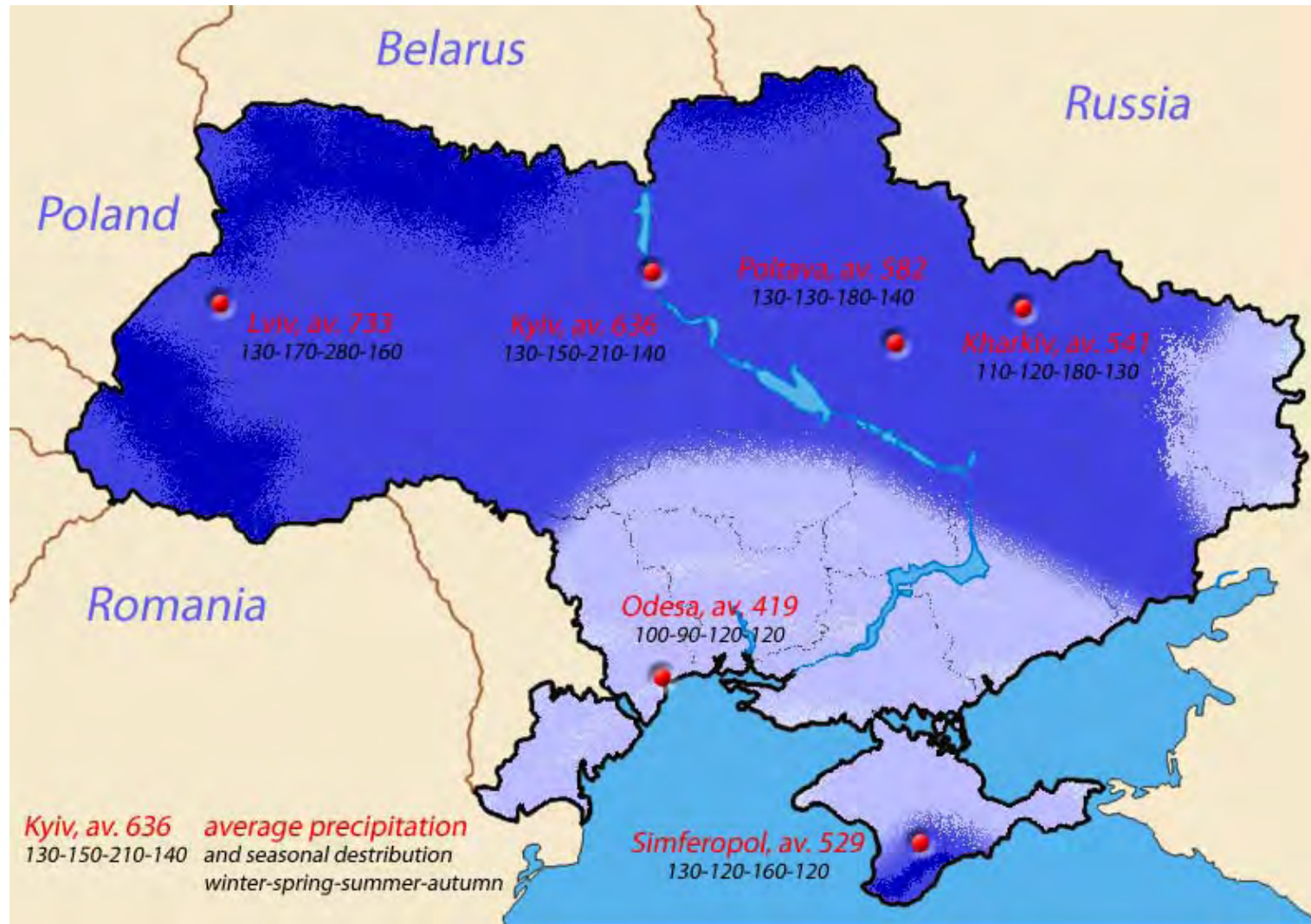
Currency – Hryvnia (UAH)

Exchange rate \$1 = 7,8 UAH

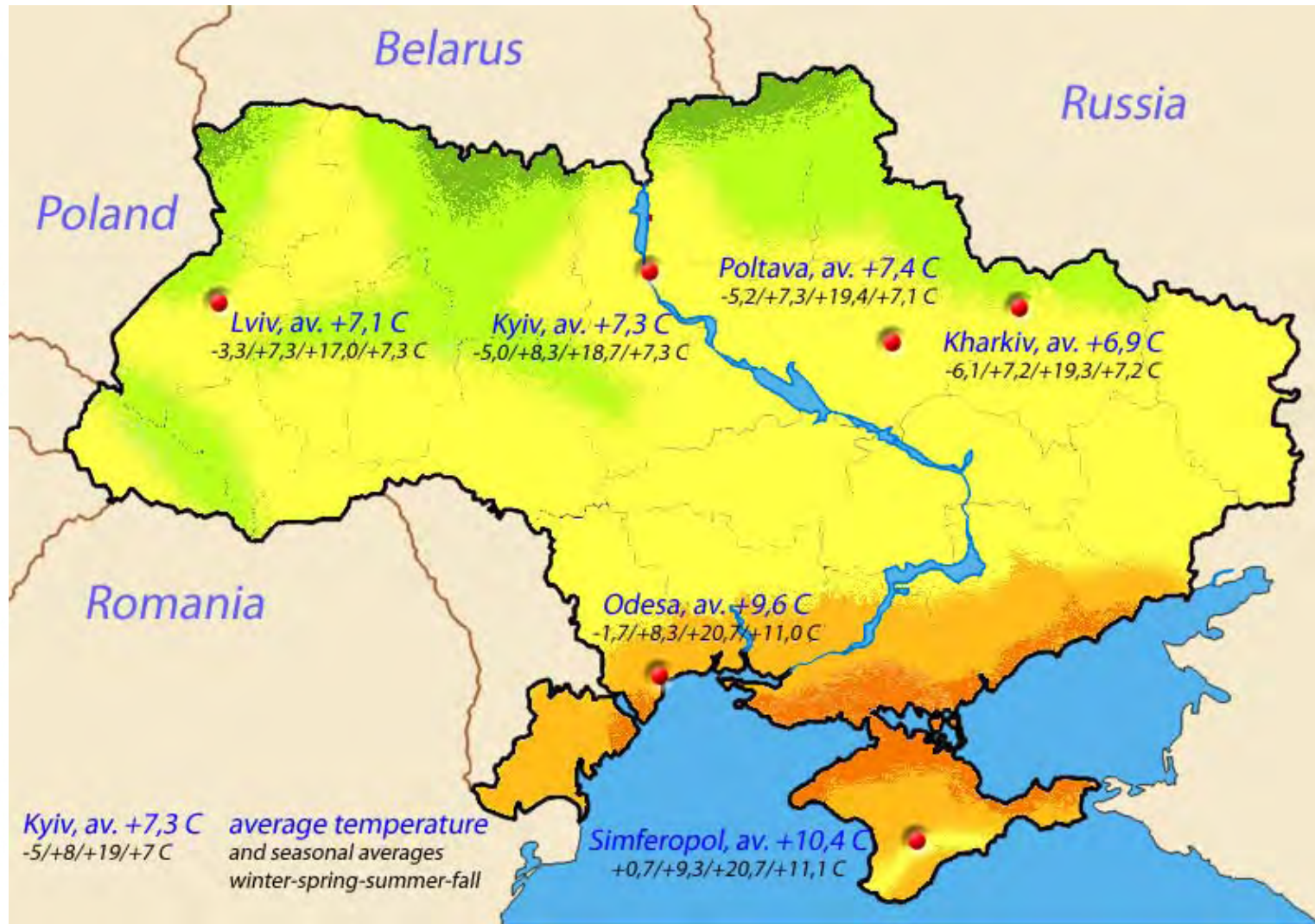
Geographical zones of Ukraine



Precipitation in Ukraine



Temperature map of Ukraine






Brief overview of Ukrainian Ag

- Rural population – 14,5 mln., urban – 31,6
- Employed in agriculture – 3,8 mln.
- Unemployment – rural 18,2%, urban – 8,1%
- Share of highly and professionally educated adults: rural – 53%, urban – 79%
- Telephone network covers 22% of rural population
- Roads in poor condition
- Electricity supply – 100%
- Basic infrastructure: large old elevators, long market distance, high power input facilities

Structure of land use



| | |
|--------------------------------|------|
| Total area, mln. ha | 60,4 |
| Agricultural lands, including: | 42,9 |
| Cultivated arable lands | 32,5 |
| Pastures | 5,5 |
| Hays | 2,4 |
| Gardens | 0,9 |
| Other | 1,6 |

Land ownership – private (rural population), no land market
Land may not be a pledge for banks. Minor state ownership.
In country 8 100 ag. enterprises, av. size – 2100 ha
Also 40 000 small farms that operate about 100 ha



Land price and rent

- “Nominal” land price in use, equals 10000-14000 UAH/ha (**1300–1800 USD/ha**) that is 500 – 700 USD/acre
- Land rent 300 – 400 UAH/ha (**40 – 50 USD/ha**) or 16 – 20 USD/acre per year
- The allowed rent period is up to 49 years
- Most common 1-5 years rent contracts
- Foreigners may not own Ukrainian land according to Land Codex
- Since 2005 every year the ban for land sale prolonged. Land market is more political issue than economical



Agricultural sector in 2008

- Ag GDP – 25,6 bln. USD, 15,9% of total Gross Domestic Product
- Foreign Ag Trade:
 - Exports: 10,8 bln. USD (16,1% of total)
 - Imports: 6,5 bln. USD (7,5% of total)
 - Balance: +4,3 bln. USD
- Main goods for Export: wheat, barley, corn, rapeseed, sunflower seeds and oil, dairy products, beverages
- Main goods of Import: poultry meat, pork, fish, fruits & nuts, vegetables, cocoa, coffee



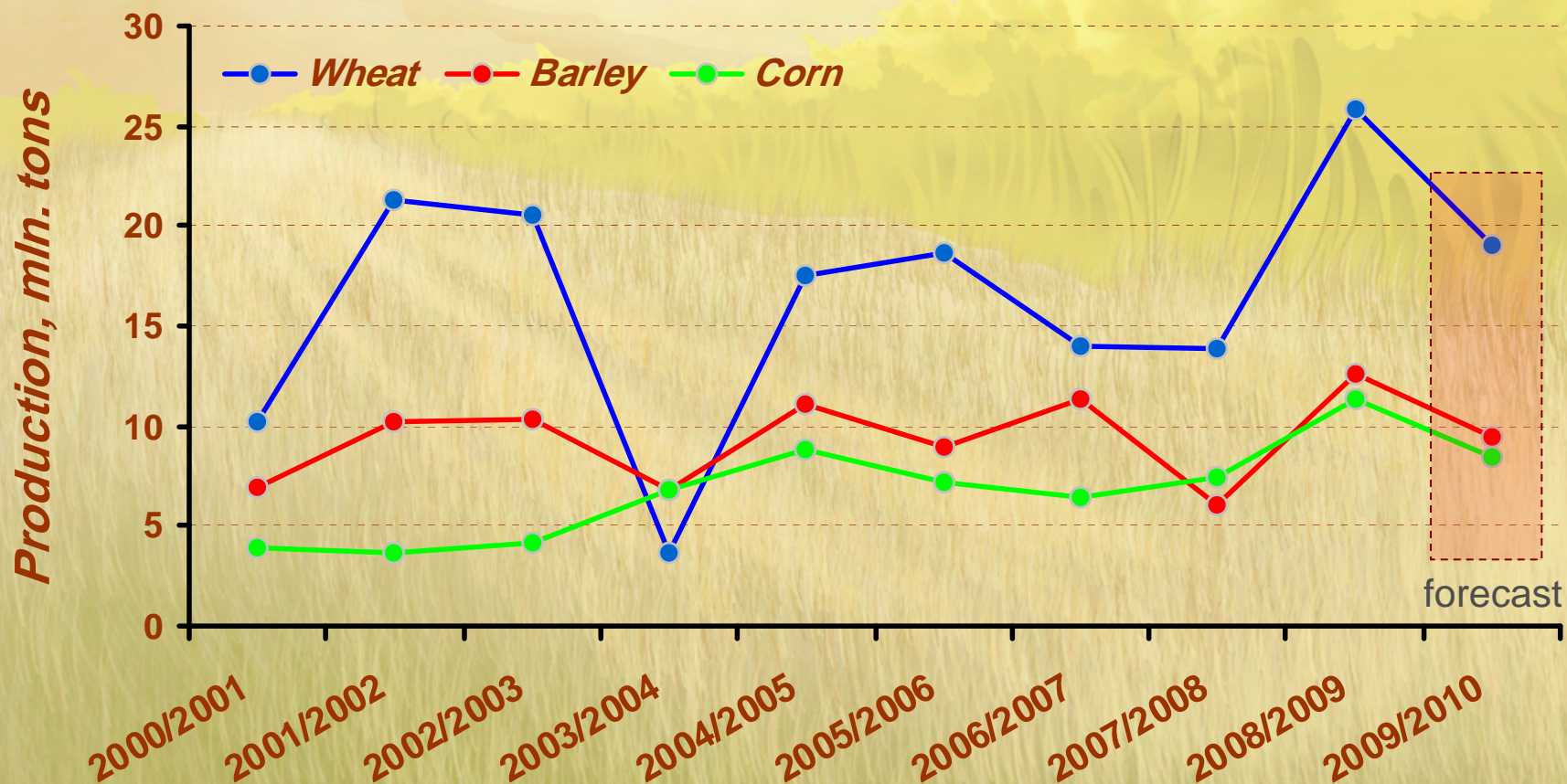
Global crisis impact

- Insolvency of number of Ukrainian banks
- Ukrainian currency devaluated from 5,05 UAH/USD last year to 7,8 UAH/USD this year (1,55 times)
- Banks suffer from low liquidity, therefore they strongly limit loan resources for private sector including agriculture
- Sharp rise of loan interest rates, that sometimes reach 25-30% (in USD) and 35-45% (in UAH)



Main crops production

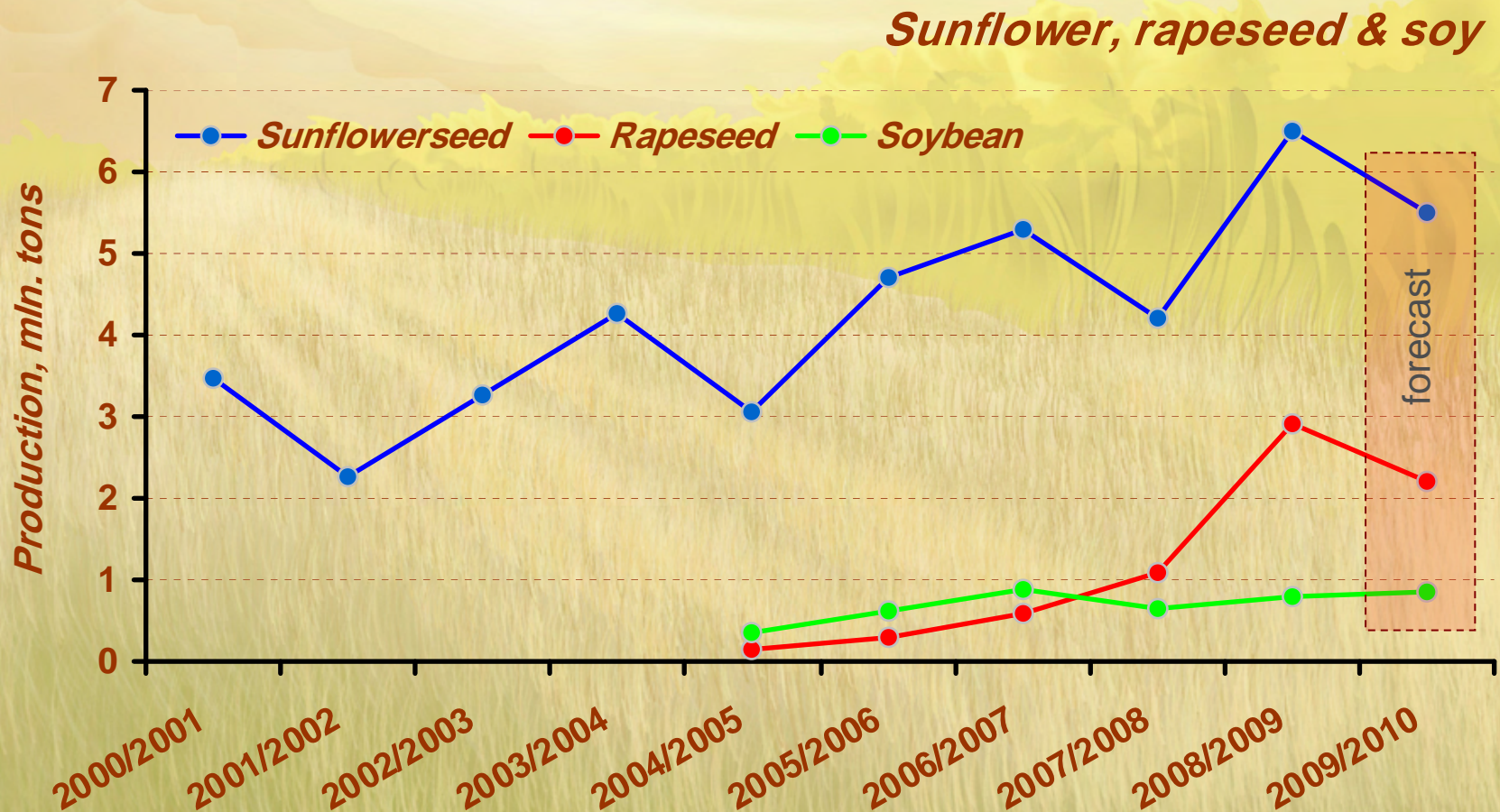
Wheat, barley & corn



forecast



Main oil crops production



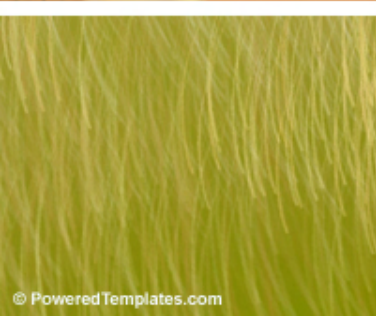
Typical farm (central Ukraine) I

- Acreage about 2000-2100 ha
- Mixed farm with 2/3 of cash crop income and 1/3 income from livestock production
- Main crops are the w. wheat, s. burley, corn, rapeseed or sunflower seed, sugar beet, silage corn, other minor crops with 15% of hay or pasture
- Mostly plough tillage, some low-till
- No fixed rotation, low yields
- No “narrow specialization”
- No ag. technology strict maintenance
- Financial shortage



Typical farm (central Ukraine) II

- Average yields:
 - Corn – 4,5 t/ha
 - Winter wheat – 2,5 t/ha
 - Summer wheat – 2,0 t/ha
 - Barley – 1,8 t/ha
 - Rye – 1,6 t/ha
 - Sunflower – 1,4 t/ha
 - Rapeseed – 1,4 t/ha
 - Soy – 1,3 t/ha
- Comparatively low fertilizers application (N–38 kg, P–11 kg, K–7 kg per ha)
- No or low plant protection application





Typical farm (central Ukraine) III

- Legal status – enterprise, company, LLC
- All labor is hired, middle level educated
- Low share of employees can use modern machinery properly (but share increases)
- 10 times as much number of labor than in typical Western farm
- Management often affiliated with large ag players (authority, business, dealers, etc)
- 4/5 of all machinery is 15-20 years old, 1/5 is a modern equipment
- High expenditures for security (to prevent theft)



Drivers of cash crop production

- Commodity prices (+/—)
- Export regulations (—)
- Decreasing of cattle and pig production (—)
- Limited foreign markets for Ukrainian grain because of low quality (—)
- Still high demand for rapeseed and vegetable oils in Western Europe (+)
- High competition on grain market in Black Sea region (+/—)



Main challenges

- Depression of financial system has led to high interest rates for at least 2 next years
- Land market moratorium has been prolonged 5 times for 1 year period each time
- Still poor machinery fleet, huge need of investments
- Lack of good skilled labor
- Undeveloped marketing tools

But at the same time these challenges are the opportunities for future development!

View on Ukrainian agriculture





The key ideas

- Infrastructure, technology & equipment need improvement
- 2-3 times lower yields carry 2-3 times more potential production
- Ukrainian agriculture more “raw materials” oriented, more value added ag exports will bring extra income
- Increasing share of large ag producers

That is all about Ukraine! Thank you.

