UkrainianAgribusinessClub

Status Quo and Future Challenges for Regional and Global Food Market: Ukrainian Look

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Ukrainian agribusiness

- Ukraine ranks ***8th*** globally for arable land area, with ***32 million hectares*** of arable land.
- ***71%*** of Ukraine's landmass is classified as agricultural land, one of the highest ratios of any country in the world.
- Ukraine is a ***# 1*** global exporter of Sunflower oil, ***# 3*** exporter of Cereal, ***Top-5*** Exporter or Producer of, Oilseeds, Sugar Beet and Honey.
- The country is also seeing intensive growth in poultry, pig-meat and maize production.
- Ukraine also has a highly educated workforce, with ***>70%*** of the population enrolling in tertiary education.

Agriculture provides 9.2 % of gross value added

- Average gross output in 2012 compared to 2000 increased by **48%**;
- Operates nearly **56,800 businesses**, including **40,732 Private Farms**;
- Average annual value of fixed assets – **17.2 bln USD**;
- Number of villages - **28.5 thousand**, number of resident rural population - **14.3 mio people**;
- Agriculture employs **3,5 mio persons**, agricultural enterprises – **0.7 mio persons**

Groups of interest

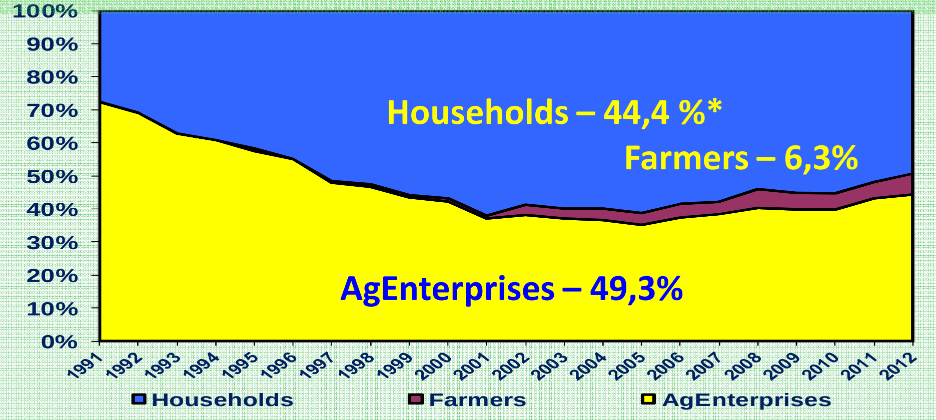
- Producer's Incomes – 14.0 billion USD.
- Trader's Income – app. 20 billion USD.
- Wages – 12.5 billion USD.
- Shareholder's Income - 10 billion UAH.
- Pensioners Income - 4.2 billion UAH.

Budget revenues from agrifood enterprises – 40.0 bln. UAH:

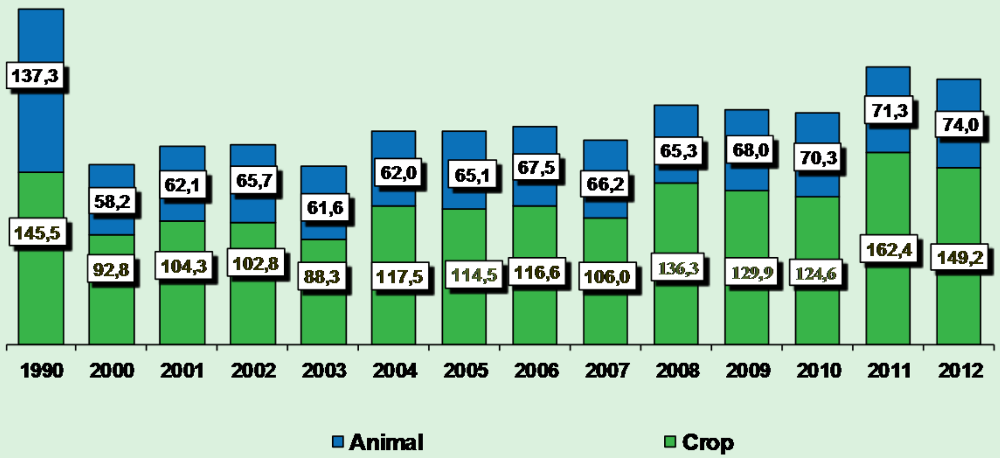
- including agriculture – 5.0 billion UAH;
- from the food industry and processing - 35.0 billion UAH.

Internal Market - Production

Gross Output by Producers



Gross output (at constant 2010 prices, billion UAH*)



Land Use by Enterprises

Grad, hectares	Number of ent.	%	Arable Land, 1000 ha	Average Size
< 5	5965	10.1	19.0	3.19
5.1 – 10	4213	7.1	33.5	7.95
10.1 – 20	5170	8.8	79.9	15.45
20.1 - 50	14118	23.9	536.1	37.97
50.1 – 100	4892	8.3	348.6	71.26
100.1 – 500	7572	12.8	1832.1	241.96
500.1 - 1000	2846	4.8	2049.7	720.20
1000.1 - 2000	2863	4.8	4090.4	1428.71
2000.1 – 3000	1362	2.3	3338.0	2450.81
3000.1 – 4000	721	1.2	2481.0	3441.05
4000.1-5000	372	0.6	1659.7	4461.56
5000.1-7000	313	0.5	1822.7	5823.32
7000.1-10000	148	0.3	1216.7	8218.92
>10000	93	0.2	1721.7	18512.9
Total	***59059***	***100***	***21228.8***	***419.14***

Source: UCAB

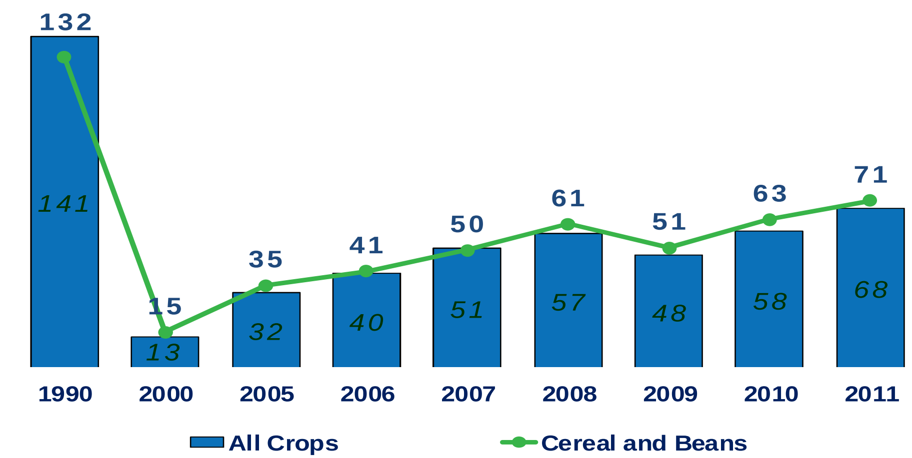
Farm Structure in the World

Size (hectares)	Farm Number (millions)	Share of Total
<2	451	85%
2-10	62	12%
10-100	14	2.7%
>100	3	0.6%
TOTAL	**530**	**100%**

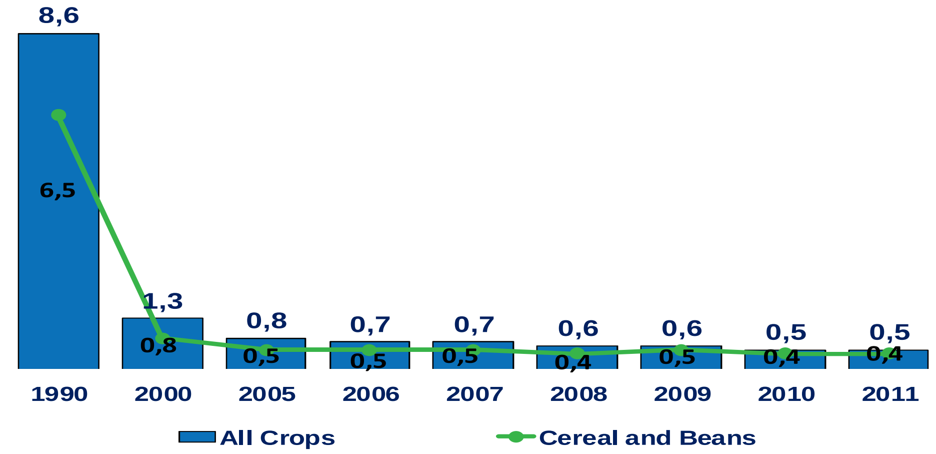
Source: FAO

Technology Intensity

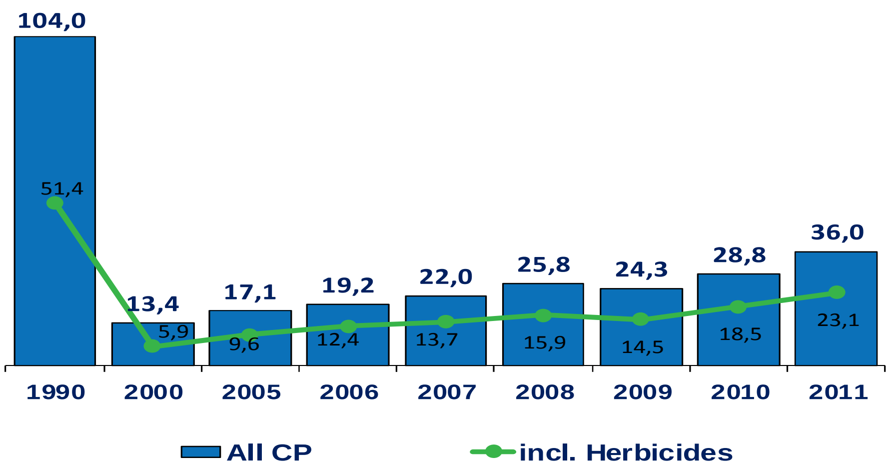
Fertilizers (active ingredient)



Organic fertilizers (active ingredient),



Crop protection agents, thousand tons



Specialization

Type	Specialization (predominantly)
Households	Fruit and Veg. / Crop / Animal Potatoes - 85%, Onion and Garlic - 87%, Carrot, Cabbage, Beet - app.90%, Apples - 76%
Farmers	Crop Production (85%)
Medium	Crop (75%) / Animal (25%) – pigs, milk
Large	Crop (80%) - wheat, barley, sunflower, rapeseeds / Animal (20%) - milk, poultry, eggs

Technology Intensity – Needs for Future

Demand for Equipment

In the last 10 years, the volume of the imports of tractors tripled (in monetary terms), exceeding ***$600*** million.

Railway Hoppers – available ***10 723*** units, deficit – app. ***20 000*** units

Demand for Crop Protection

__95%__ of the total volume of crop protection products (CPP) is imported.

Almost ***80%*** of agricultural producers do not have any intentions to change the volume of CPP purchases while ***8%*** of them are planning to increase the demand. At the same time, only ***3%*** of producers are willing to buy less.

Demand for Seeds

Most of agricultural enterprises do not plan to considerably increase sown areas, partly because there is no spatial possibilities for that while crop rotations must be followed. On average, ***12%*** of agricultural producers intend to increase purchases of corn seeds and ***10%*** — the seeds of sunflower.

Logistics

Investments in Infrastructure last year (2013) - ***600 mio USD***

Long-term investment potential (following AgriSurvay Study) ***> 6 bln USD***

Storage Capacity – app. ***26 mln tones***,

Grain Silo – invested in **60** units to re-establish of River Grain Transportation

Source: AgriSurvey

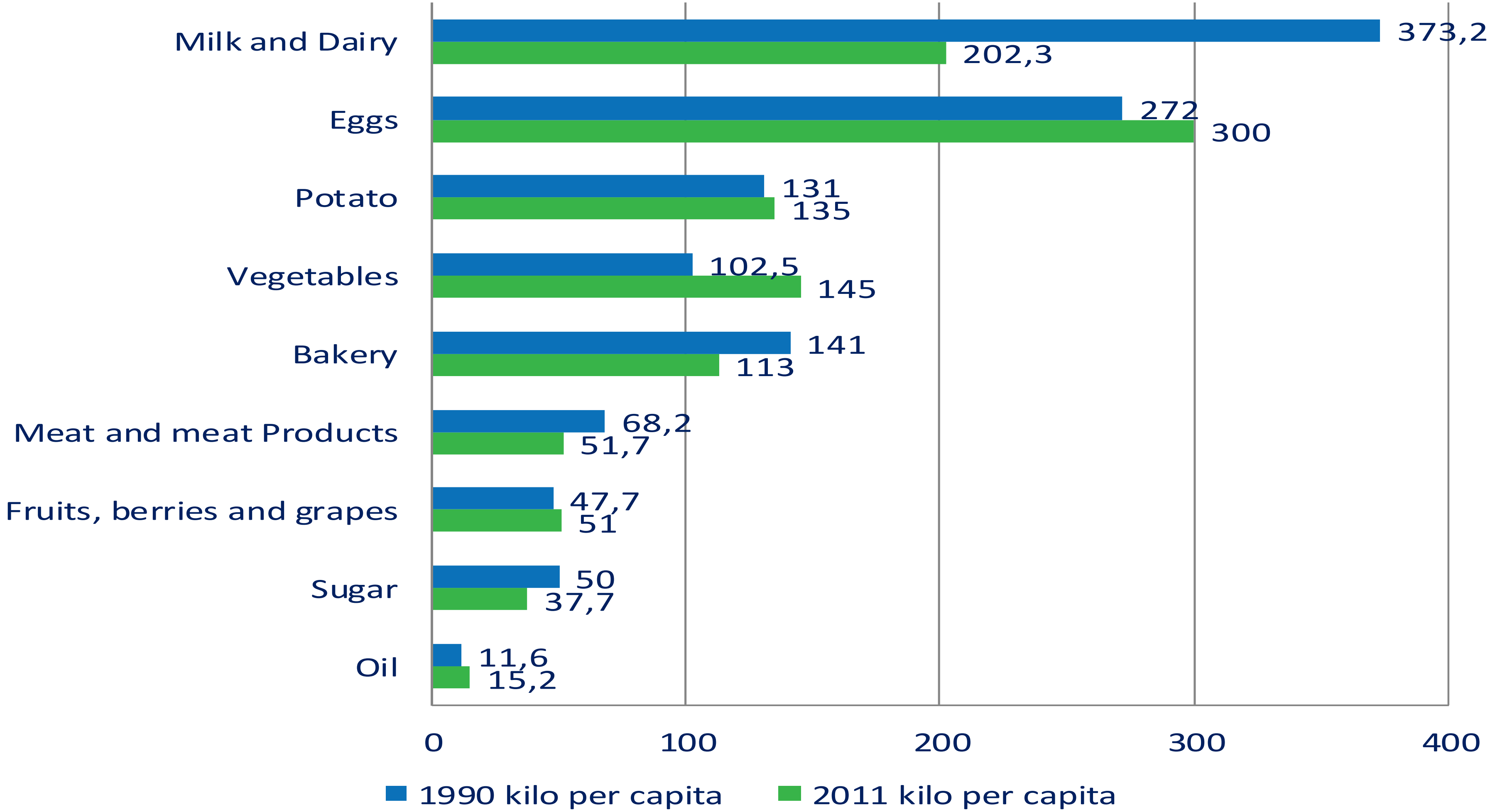
Total Factor Productivity - International Comparison

Country	Average Annual Growth (1971 – 2010)	Average Annual Growth (2006 – 2010)
Brazil	2.79%	4.28%
China	2.58%	3.25%
Chile	2.31%	3.08%
South Africa	2.25%	2.60%
USA	1.78%	1.93%
Australia	1.47%	2.01%
UK	0.91%	1.30%
Ukraine	0.89%	**4.50%**
Argentina	0.77%	2.70%

Source: Fuglie, Wang and Ball, 2012; FAO Data.

Internal Market - Consumption

Consumption of basic food products in Ukraine (incl. non-tradeble use)



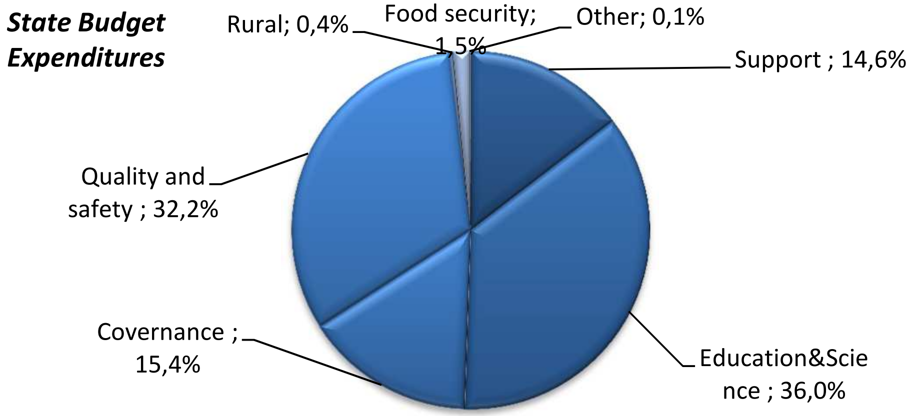
Investment for Agriculture

Traditional Bank Loans

According to the information of the National Bank of Ukraine, by the end of February 2014, agricultural entities obtained loans totaling UAH ***44,267*** million.

Public financing

forward purchases by Agrarian Fund and State Food and Grain Corporation of Ukraine



It is expected that during 2014 the Agrarian Fund will purchase ***1.2*** million tones of grain under forward contracts

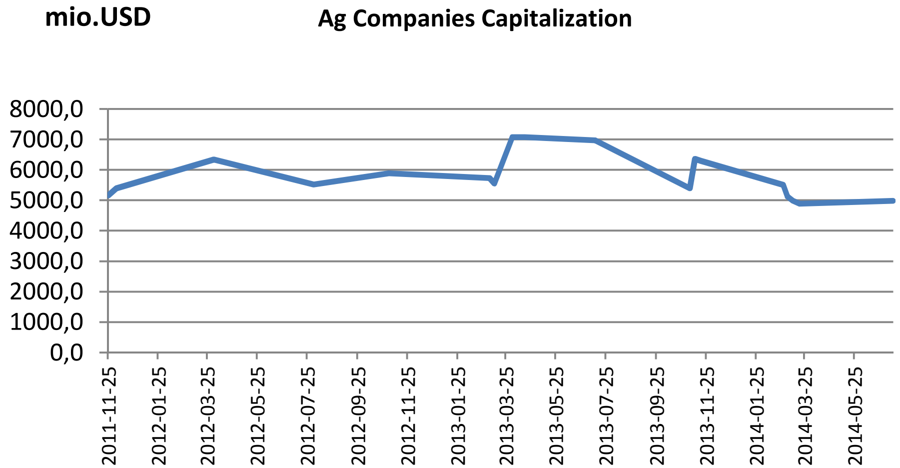
Debt financing

via promissory notes, guarantee payments and special partner lending programs

In 2013-2014, financing promissory notes gained the highest popularity among the new instruments on the debt market

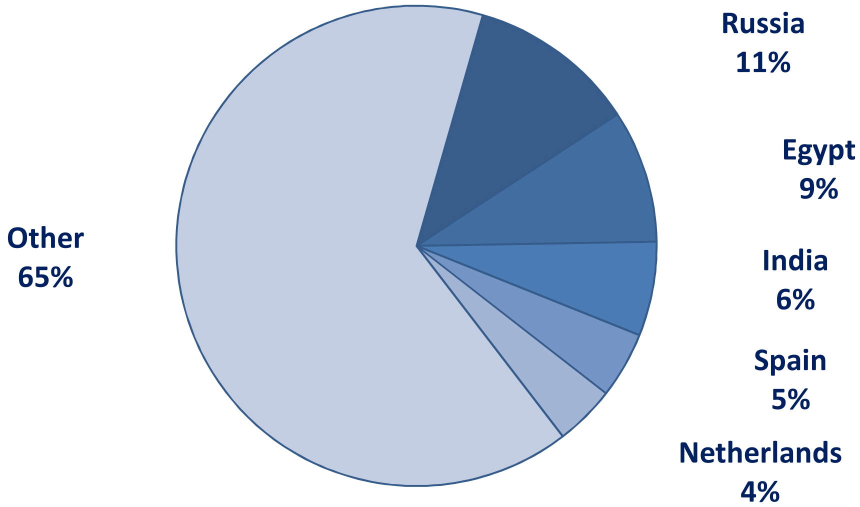
External borrowings

IPOs, Eurobonds, loans from non-resident bank



External Markets -Export Outlook

Main markets



Main Items

Ukraine is a ***# 1*** global exporter of Sunflower oil, ***# 3*** exporter of Cereal, ***Top-5*** Exporter or Producer of, Oilseeds, Sugar beet and Honey

64% of export revenue made by corn (23%), wheat (11%), oilseeds (7%), sunflower oil (19%) and protein meal (5%)

Trade balance

The foreign trade turnover for agricultural and food last in 2013 was **25,2 bill. USD,** export - **17,0 bill.USD**, import - **8,2 bill. USD.**

Positive Trade Balance - **8,8 bill. USD**

Share in total Ukrainian export – **26.8 %**, in import – **10.7 %**

Prospects for trade

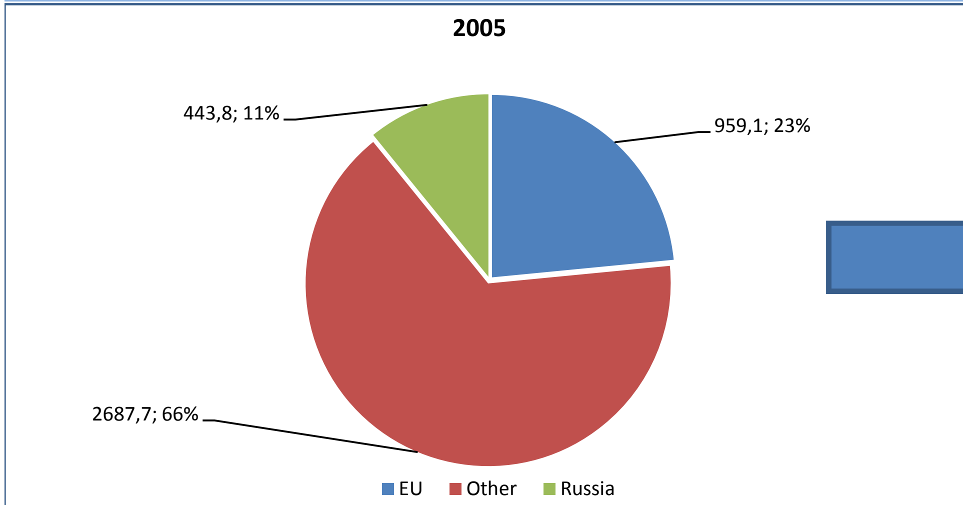
The main export markets for the next period with the high certainty will be *the Asian, African and EU*.

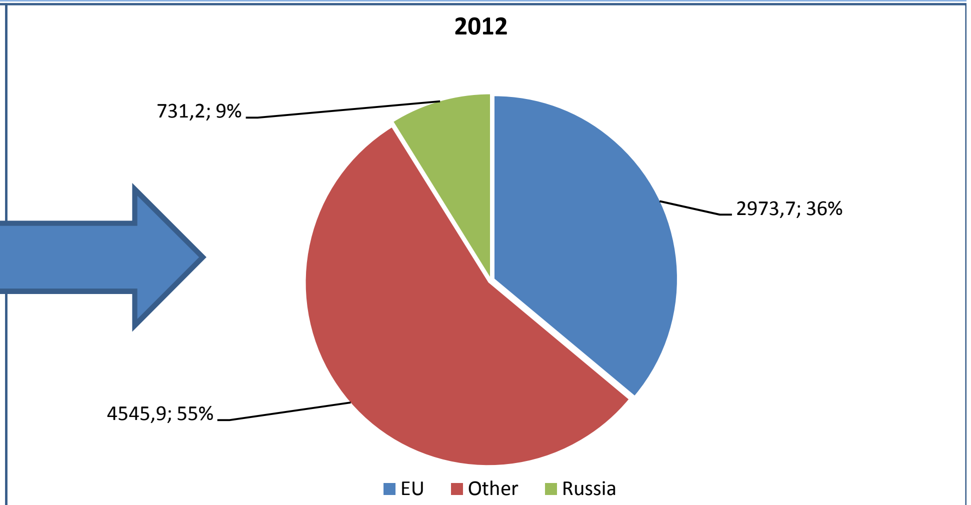
The main export items – *corn, wheat, sunflower oil and soybean*.

Potentially – vegetables and fruits, dairy and poultry meat.

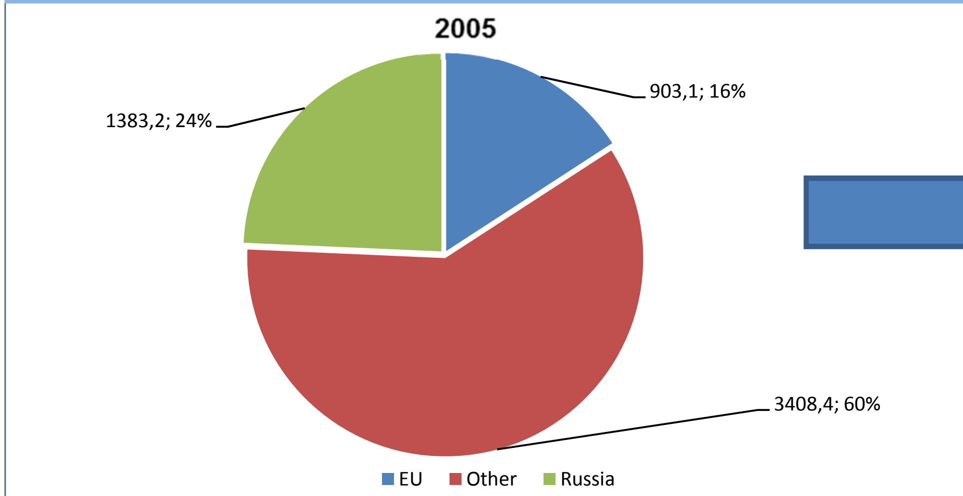
Changes in trade orientation

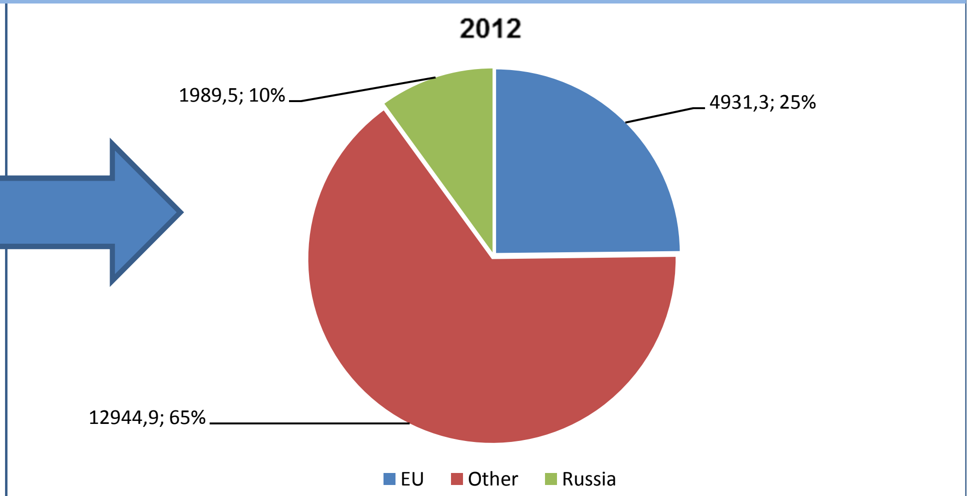
IMPORT STRUCTURE OF AGRIFOOD PRODUCTS, mio. USD





EXPORT STRUCTURE OF AGRIFOOD PRODUCTS, mio. USD





The main importing countries – Exported Value, 000 USD

Importers	2009	2010	2011	2012	2013	+/-
World	9514845	9936063	12804179	17810775	17038631	**179,07**
Russian Federation	1384085	1869201	2025036	2002431	1941082	**140,24**
Egypt	537591	750786	862175	2080244	1524282	**283,54**
India	401616	571281	944902	1244799	1079440	**268,77**
Spain	403212	198060	724053	1384097	759012	**188,24**
Netherlands	357091	245791	513564	516799	690196	**193,28**
Turkey	334661	574707	883573	743104	688317	**205,68**
Italy	158042	239800	419313	705239	600107	**379,71**
Poland	205921	242047	445826	623417	528683	**256,74**
Iran (Islamic Republic of)	311144	134607	403399	744850	526063	**169,07**
France	297251	299719	233451	381524	501100	**168,58**
Belarus	263657	407465	399075	434848	493743	**187,27**
China	5420	39375	103144	85721	483970	**8929,34**
Israel	258295	280109	270406	510211	443514	**171,71**
Saudi Arabia	429786	553652	551708	581525	427765	**99,53**
Syrian Arab Republic	320238	203833	317455	292815	344757	**107,66**
Japan	68486	37180	30890	219443	330636	**482,78**
Republic of Moldova	223899	232387	284117	296058	301607	**134,71**

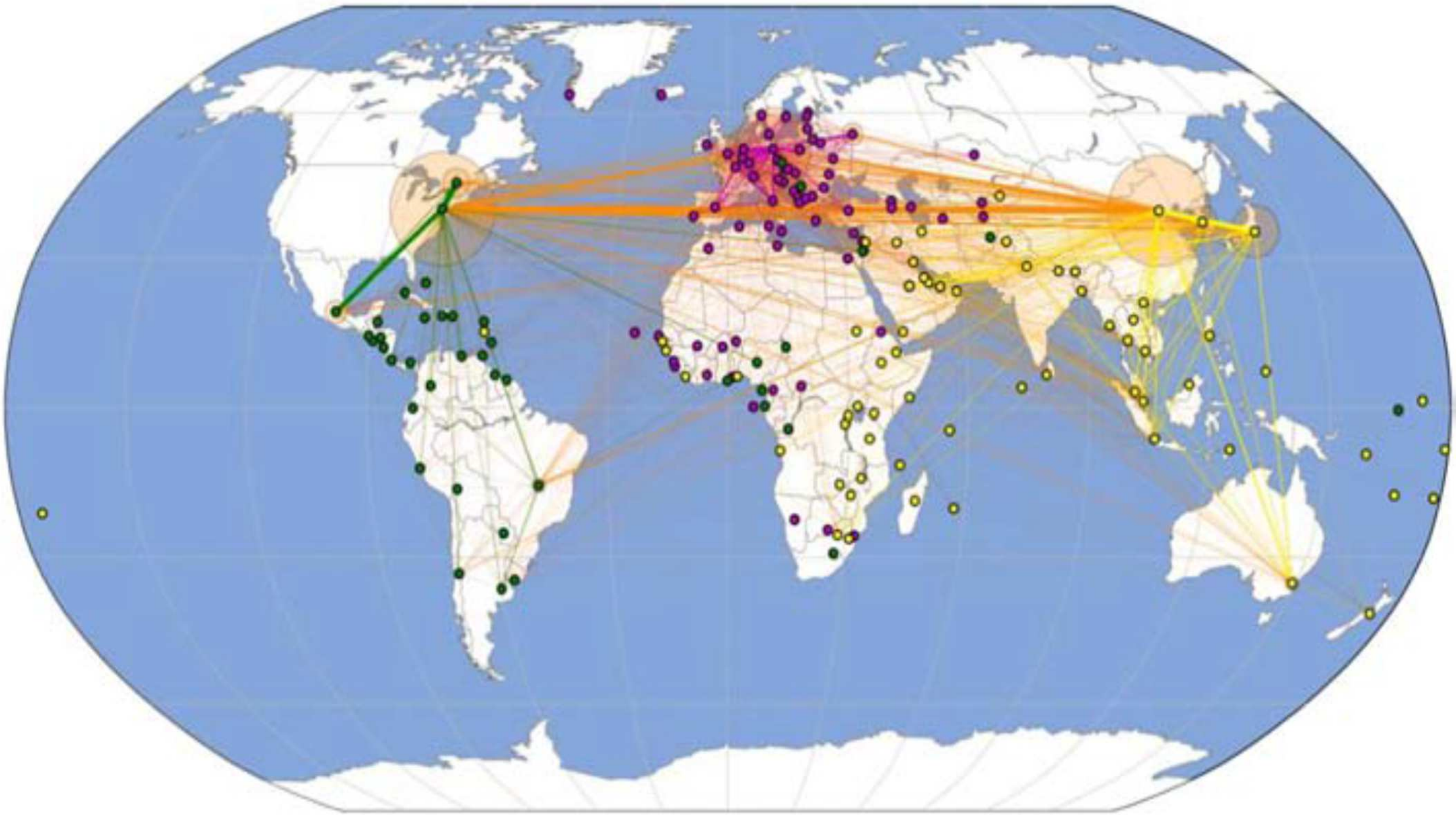
Sources: ITC calculations based on UN COMTRADE statistics.

The main exporting countries – Imported Value, 000 USD

Exporters	2009	2010	2011	2012	2013	+/-
World	4935866	5761687	6346322	7519106	8187030	165,87
Russian Federation	534471	598758	722245	731185	835580	156,34
Germany	399277	432820	513323	605843	626320	156,86
Turkey	246199	283411	318785	442334	555602	225,67
Poland	371477	396880	328327	442715	461278	124,17
United States of America	307445	273987	196599	312673	421470	137,09
Brazil	302281	329168	387243	452734	374403	123,86
Ecuador	135887	160994	161887	272440	310738	228,67
Norway	224608	211429	195833	282354	288351	128,38
France	140404	160035	219289	235688	286699	204,20
Netherlands	189249	209256	235718	246281	246546	130,28
Spain	91900	120929	166175	235525	237752	**258,71**
Italy	95530	136013	183658	233237	230155	240,92
Indonesia	146436	250174	229544	179294	210600	143,82
China	115013	131008	171055	174184	183259	159,34
Hungary	91884	130011	142996	183411	178537	194,31
Georgia	83563	92660	90254	116626	134221	160,62
India	53399	81023	105465	137524	132753	248,61
United Kingdom	55962	83699	92364	123935	128419	229,48
Iceland	35659	50611	41341	71639	113332	317,82

Sources: ITC calculations based on UN COMTRADE statistics.

Communities of the International Trade Network in 2010



Source: Fan Y., Ren S., Cai H, Cui H., 2014. The state's role and position in international trade: A complex network perspectives.

DC FTA – challenges and opportunities

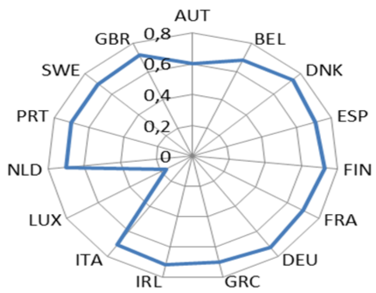
- *Signing of the Association Agreement between Ukraine and the EU (both political and economic parts) the European Union sends strong signals to investors and creates favorable conditions for the development of the economy of Ukraine.*

- *DCFTA will facilitate the adaptation for Ukrainian legislation to the EU regulatory norms and as the result – to assist the Ukrainian Agribusiness became more efficient and clear for investors and partners.*

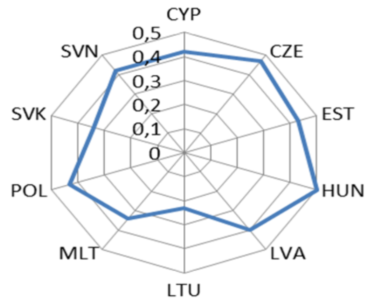
- *Hopefully, Ukrainian agribusiness will experience full benefits of the access to European markets after the e Deep and Comprehensive Free Trade Area is established.*

Density of trade relations under the EU agricultural market

Historical indication

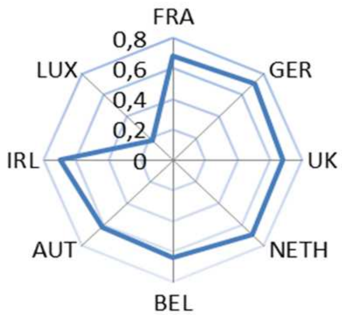


a) EU – 15

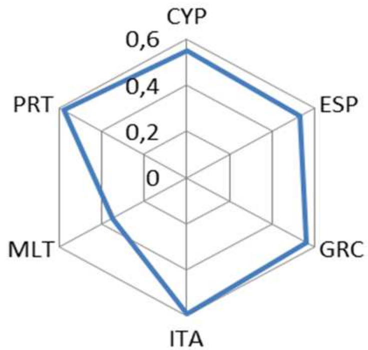


a) EU – 10

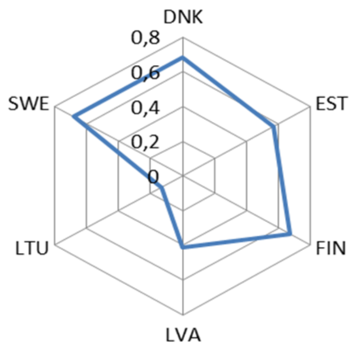
Geographical indications



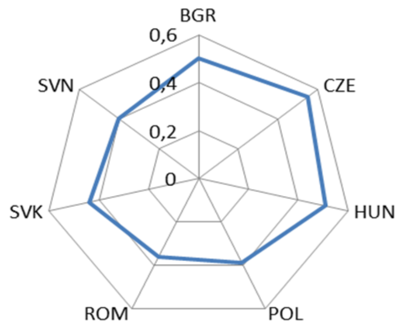
a) "Old Europe" Group



b) "Mediterranean Group"



c) "Nordic" Group



d) CEEC Group

Trade Matrix Based on Trade Density and Trade Orientation

(Share of Ukrainian export in Total country group Volume of Import, %)

		BSEC	ASEAN	CEEC	CIS	EUROPE	GUAAM
1	Live animals						4,42748
2	Meat and edible meat offal				3,42467		10,8413
3	Fish, crustaceans, molluscs, aquatic invertebrates nes						
4	Dairy products, eggs, honey, edible animal product nes	10,6224			9,5764		15,0184
5	Products of animal origin, nes						
6	Live trees, plants, bulbs, roots, cut flowers etc						
7	Edible vegetables and certain roots and tubers				3,02057		7,31323
8	Edible fruit, nuts, peel of citrus fruit, melons			1,09119			3,59302
9	Coffee, tea, mate and spices						
10	Cereals	21,2041	3,33424	4,36306	3,96469	7,76819	3,16796
11	Milling products, malt, starches, inulin, wheat gluten	20,0518			10,1103		38,8744
12	Oil seed, oleagic fruits, grain, seed, fruit, etc, nes	15,2162	1,62831	8,20144	5,84611	5,3221	10,1125
13	Lac, gums, resins, vegetable saps and extracts nes						
14	Vegetable plaiting materials, vegetable products nes			69,5096		19,892	
15	Animal,vegetable fats and oils, cleavage products, etc	13,899		2,96238	11,7975	2,20978	36,7732
16	Meat, fish and seafood food preparations nes				16,2635		
17	Sugars and sugar confectionery	18,8095			3,96469		20,7993
18	Cocoa and cocoa preparations	10,6281			21,828		24,8735
19	Cereal, flour, starch, milk preparations and products	13,7899			16,2635		26,6233
20	Vegetable, fruit, nut, etc food preparations	14,4146		1,58624	11,2273		10,409
21	Miscellaneous edible preparations				7,40472		16,1316
22	Beverages, spirits and vinegar	15,3989			8,1224		14,6258
23	Residues, wastes of food industry, animal fodder	27,2833		2,86188	8,892	2,02338	7,14047
24	Tobacco and manufactured tobacco substitutes	20,726			11,6538		41,2331

Synthesis conclusion

- *The agribusiness of Ukraine has its own capacity to overcome different challenges. If macro-level reforms are implemented successfully, agricultural producers will be able to demonstrate their huge production possibilities and economic potential, and ensure further growth and integration into the world economic system.*

- *Most of these results have been achieved in spite of little strategic orientation of the agricultural policy in the country. While the Government is still thinking which direction to choose as the first priority – socially oriented agriculture with the focus on rural development or a highly technological and export-oriented agribusiness – the Ukrainian agribusiness system has itself generated the pathways for growth it is taking today.*

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Thank you for attention!