

Sector Report

Agriculture Ukraine

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OVERVIEW

Ukraine has 60.3mn hectares of land. Of this, 70% is agricultural land, 17% is used for forestry, the rest is for housing, industrial and other purposes (used as state reserves, for recreation etc).

Fertile soil makes it possible to grow a variety of crops. Being a large grain producer, Ukraine is one of the six world largest exporters, supplying to 80 countries worldwide. Rising world grain prices help make these exports even more viable. The total grain harvest is expected to exceed 40mn tons in 2008, compared to 29.3mn last year. The country is also the biggest exporter of sunflower oil and has substantial potential in growing and exporting rapeseed.

Animal feed production in 2007 was 3.4mn tons compared to 3.1mn in 2006. The total market volume is about 6mn tons or approximately \$2bn. Rising number of pigs and poultry help maintain sustainable growth of the feeds market.

Last year the agrisector attracted some UAH11bn (US\$1: UAH5 approx) of credits (25% more than in the previous period) but financial support from the state is still not sufficient. This presents opportunities for private investment into the sector.

OPPORTUNITIES

The Ukrainian agricultural sector is quite promising in terms of both foreign exports and investment. There are a number of opportunities for UK companies in Ukraine.

- 1) *Machinery*. Ukrainian farmers prefer buying expensive machinery on leasing terms. The bank credits, however, have recently become more expensive due to the high inflation rate, which makes them less affordable for small farms. Local farmers are not allowed to buy imported farming equipment using state subsidies. Considering that many dealers selling imported machinery cannot provide quality aftersale service and training to customers, attention should be paid to selecting, training and supporting appropriate local companies.
- 2) *Renewables, mainly rapeseed*. Growing rapeseed in Ukraine becomes profitable. The local soil is suitable for this plant and there is a large market in Europe where it can be exported. Producing renewable fuels such as biodiesel and bioethanol however, is not yet profitable because high world prices make it more viable to export rapeseed or rapeseed oil than to process it domestically.
- 3) *Animal feed components (e.g. premixes, vitamins)*. Knowing the UK history and potential in quality feeding components for animals, these can be in demand from local producers of feeds.
- 4) *Chemicals and plant fertilisers*. Considering the size of the country, its climate characteristics and developing economy, there is an increasing interest in quality fertilisers and crop protection chemicals.

UKTI publishes international [business opportunities](#) gathered by our network of British Embassies, High Commissions and Consulates worldwide. These opportunities appear in the Opportunities portlet on the relevant sector and country pages on the UKTI website. By setting up a profile you can be alerted by email when relevant new opportunities are published. New or updated **alert profiles** can be set in My Account on the website.

CHARACTERISTICS OF MARKET

Ukraine joined the WTO in May 2008. Accession to the Organisation will unify the conditions for competition, both for Ukrainian and foreign companies. It will inevitably create more competition for local farmers. In the longer term however, the membership will help Ukrainian businesses to restructure and become more competitive. Overall, Ukrainian

agricultural sector follows global trends. Large agri-businesses come to Ukraine, which leads to market concentration and the number of small farms is gradually decreasing. Lack of state financing and expansion of large capital make it difficult for small farmers and private landowners to compete. According to statistics, there are some 50,000 farms in Ukraine.

In 2007 sector exports totalled \$6797.9mn, or a 32% rise compared to 2006, while imports rose by 29% and were \$4352.8mn.

Despite the abundance of versatile land, Ukrainian agricultural land plots cannot be freely traded. The Parliament prolongs the land sale moratorium each year but the land market exists taking semi-legal forms. This situation raises a lot of concern and needs to be resolved in the nearest future. The average monthly salary in agriculture remains one of the lowest at UAH730.

Export regulations

In the marketing year 2007/8¹, the Ukrainian Government placed restrictions on grain exports, which virtually stopped exports and caused surplus in the domestic market. Officially prolonged until July 2008, export quotas were however lifted in May this year. According to estimates of the Ukrainian Grain Association, due to the rich harvest next marketing year (July 2008 – June 2009) grain exports could total 13.5mn tons, including wheat 7mn, barley 4mn and maize 2.5mn.

Animal feed production

Most of the feed produced is for poultry (2.2mn tonnes in 2006). Pig and cattle feeds account for 850 and 650 thousand tonnes respectively. The number of producers is decreasing – 30 companies producing half of all feeds – even though more feed is produced each year. This tendency is further accelerated by the desire of animal breeding farms to save costs – they start producing feeds for own needs. The largest producers manufacture all major types of feeds.

Animal breeding

Poultry numbers rose 9% over 2004-2006 and the numbers of pigs by 25%. Among the top pig breeding Ukrainian regions are Kyiv, Vinnytsya, Dnipropetrovsk, Cherkasy and Odessa. The numbers of cattle decreased by 11% over the same period. The aggregate situation in 2007-2008 is expected to be positive, with increasing numbers of pigs and poultry and improving numbers of cattle. This should help to increase the feeds market by some 10%.

Main factors of the changes in cattle numbers are expensive feeds, sector restructuring, lack of labour, unstable livestock purchase prices. Ukrainian animal breeding sector is underfinanced because budget funds are not properly allocated to support relevant sector development programmes. Most of the financial support is provided through VAT reimbursement. Procurement prices for meat change regularly and often decline abruptly, making animal breeding quite risky. Small and middle privately owned farms cannot afford such price hikes and since they have the biggest share of livestock in Ukraine, the sector performance is decreasing. However, despite the current decline, the pig sector is one of the most promising due to rising demand, few strong competitors and state support.

Machinery

The situation with agricultural machinery is slightly improving however still only about 80% of machinery used by farms is functional. By some estimates, agricultural machinery in Ukraine is 80 to 90% deteriorated. There is considerable local machine building potential in Ukraine but the sector is mostly privatised and the government does not have a clear policy to support local manufacturing. Moreover, about one third of all local produce remains short of domestic demand due to low solvency of potential clients. However, demand for machinery is only partly

¹ Means the 12-month period from 1 July 2008 till 30 June 2009

satisfied leaving enough space for imports from CIS countries, Western Europe, USA and Latin America (70% of machinery is imported and 30% produced domestically). Most machinery is sold on credit or through leasing because many businesses still cannot afford full payment. Large part of imports is used and/or obsolete machinery. Many importers cannot provide quality service and training.

KEY METHODS OF DOING BUSINESS

A UK company may establish representation or export via local importer. To export goods to the country, product registration may be required, which can be a lengthy procedure. Therefore it is advisable to find a local partner, who can help the company in the product registration process and setting up. To identify a local partner, UK companies are welcome to use the services offered by the British Embassy in Kyiv, www.britishembassy.gov.uk/ukraine.

Other background information on doing business in Ukraine can be found on UKTI's website. Simply go to the [Ukraine country page](#) where you will find information on:

- Economic background and geography
- Customs & regulations
- Selling & communications
- Contacts & setting up
- Visiting and social hints and tips

MORE DETAILED SECTOR REPORTS

Research is critical when considering new markets. UKTI provides [market research](#) services which can help UK companies doing business overseas including:

- **Overseas Market Introduction Service (OMIS).** Bespoke research into potential markets, and support during your visits overseas
- **Export Marketing Research Scheme.** In-depth and subsidised service administered by the British chambers of Commerce on behalf of UKTI

Contact your local [International Trade Advisor](#) if you are interested in accessing these services, or for general advice in developing your export strategy.

When considering doing business in Ukraine, it is essential to obtain legal, financial and taxation advice. To discuss a useful contact list of lawyers and other relevant professional bodies as well as further information on the sector please contact the British Embassy in Ukraine:

British Embassy

9 Desyatynna Street

Kyiv 01025, Ukraine

T: +38044 4903660 (general)

F: +38044 4903695, 4903662

Email: becomm@sovamua.com

Web: www.britishembassy.gov.uk/ukraine, www.uktradeinvest.gov.uk/ukraine

PUBLICATIONS

AGROperspectiva (AgroPerspective)

Informational and analytical portal

www.agroperspectiva.com

Proposition, magazine

www.propozitsiya.com, www.ukragroportal.com

EVENTS

Agro 2009

Date: tbc (in 2008 it was on 10-13 June 2008)

Venue: National Expocentre of Ukraine, 1 Hlushkova Avenue, Kyiv

Organiser: Ministry of Agrarian Policy of Ukraine, Ukrainian Exhibition and Informational Centre

Tel: (38044) 596 9814, 596 9140

Fax: (38044) 596 9141

Email: info@agroexpo.com.ua

Web: www.agroexpo.com.ua

Fertilisers 2008

International conference

Date and Venue: tbc (preliminary in mid October 2008, the date will be officially announced in June on AGROperspectiva portal)

Organiser: Agrarika Ltd., subordinated to DZI DerzhZovnishInform)

22 Vorovskogo street

GSP-601, Kiev 01601

Tel: (38044) 486 8830

Fax: (38044) 494 4889, 492 7605

Email: chemical@dzi.mfert.gov.ua

Web: www.agroperspectiva.com , www.ukrdzi.com

Contact: Mr Dmitriy Valeryovych Gordeychuk, Director of the DZI Department for Agro-Industrial Complex and Chemical Industry (can communicate in English)

AgroForum

12-14 November 2008

Venue: International Exhibition Centre, 15 Brovarsky Avenue, Kyiv

Organisers: Expo-Center "Gospodar", International Exhibition Centre

15 Brovarsky Avenue, Kyiv 02660

Tel/fax: (38044) 201 1168

Email: elenar@iec-expo.com.ua

Web: www.tech-expo.com.ua/eng/agro/

InterAGRO

4-6 February 2009

Venue: Exhibition Centre «KyivExpoPlaza», 2B Salyutna Street, Kyiv

Organiser: Kyiv International Contract Fair

Tel/Fax: (38044) 461 9340, 461 9345, 461 9348

Email: info@kmya.kiev.ua

Web: www.kmya.kiev.ua/eng/exhibitions

Kiev AgriHort

10-12 February 2009

Venue: International Exhibition Centre, 15 Brovarsky Avenue, Kyiv

Organiser: Premier Expo

13B Pymonenka Street, Kyiv 04050
Tel: (38044) 4514160
Fax: (38044) 4514161
Email: info@pe.com.ua ; Ekomolova@pe.com.ua
Web: www.agrihort.com.ua, www.pe.com.ua

UK Trade & Investment's [Tradeshaw Access Programme](#) (TAP) can help eligible UK businesses take part in overseas exhibitions. Attendance at TAP events offers significant benefits:

- possibilities for business opportunities both at the show and in the future
- a chance to assess new markets and develop useful contacts
- grants are available if you meet the criteria
- UKTI staff overseas will be available to assist delegates

Find out if you are eligible to apply to attend this event, and more about the support UKTI can offer, on the UKTI [Market Entry](#) web page.

Details of TAP events can be found in the **Events** portlet on the page for Ukraine.

Other **Market Visit Support** may be available via your local International Trade Advisor.

CONTACT LISTS

In Ukraine:

Ministry of Agrarian Policy of Ukraine

24 Khreschatyk Street
01001 Kyiv
Web: www.minagro.gov.ua

Agrarika ltd.

subordinated to DZI DerzhZovnishInform – analytical agency of the Ministry of Economy of Ukraine

22 Vorovskogo street
GSP-601, Kiev 01601
Tel: (38044) 486 8830
Fax: (38044) 494 4889, 492 7605
Email: chemical@dzi.mfert.gov.ua
Web: www.agroperspectiva.com
DZI www.ukrdzi.com

Contact: Mr Dmitriy Valeryovych Gordeychuk, Director of the DZI Department for Agro-Industrial Complex and Chemical Industry (can communicate in English)

British Embassy

Commercial Section

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Kyiv 01025, Ukraine
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Fax: +38044 4903695, 4903662
Email: becomm@sovamua.com
Web: www.britishembassy.gov.uk/ukraine
Contact: Commercial Team

International/UK:

**UK Trade and Investment
International Group**

Kingsgate House

66-74 Victoria Street

London SW1E 6SW

Tel: +44 (0)20 7215 4950

Fax: +44 (0)20 7215 8313

Email: colin.hosey@uktradeinvest.gov.uk

Web: www.uktradeinvest.gov.uk

Contact: Colin Hosey, Country Desk Officer – Baltic Countries, Ukraine, Belarus, Germany and Ireland

UKTI's **International Trade Advisers** can provide you with essential and impartial advice on all aspects of international trade. Every UK region also has dedicated sector specialists who can provide advice tailored to your industry. You can trace your nearest advisor by entering your postcode into the [Local Office Database](#) on the homepage of our website.

For new and inexperienced exporters, our [Passport to Export](#) process will take you through the mechanics of exporting. An International Trade Adviser will provide professional advice on a range of services, including financial subsidies, export documentation, contacts in overseas markets, overseas visits, translating marketing material, e-commerce, subsidised export training and market research.

International Agri-Technology Centre (IATC)

www.theiatc.org

FAO (Food and Agriculture Organisation)

Web: www.fao.org

European Committee on Agriculture and Rural Development

Web: http://ec.europa.eu/agriculture/index_en.htm

United Kingdom Permanent Representation to the European Union

10 Avenue d'Auderghem /

Oudergemselaan

1040 Brussels, Belgium

Tel: +322 287 8211

Fax: +322 287 8398

Web: www.ukrep.be

Assistance to British companies to take advantage of business opportunities under EU funded programmes, primarily those under the EU's external aid programmes.