Ukraine Agribusiness

Sector outlook

The good climatic conditions and rich black soils covering 44% of the territory have earned Ukraine the nickname “Bread basket of Europe”. Today, agriculture accounts for approximately 10% of GDP and provides 95% of the population with food. The main products are: grains (over 40% of the agricultural production), sunflower oil, sugar beet, vegetables, meat, milk, etc.

In the recent years, large holdings have been formed in various agricultural value chains (85% holdings cultivated more than 6 million ha of farmland in 2010), leading to a significant increase in yields. From a net importer, the country has become one of the largest suppliers of agricultural products worldwide (top 5 exporter of grains, largest exporter of sunflower oil).

The growing demand for basic and processed agricultural products makes the sector increasingly attractive to private investors, especially to foreign companies currently investing in emerging economies.

Strategic direction/ Specific schemes and incentives

Committed to meet the challenges of modern agriculture and food processing, Ukraine took positive steps to facilitate business and attract investment in the sector:

- Agriculture development and land reform considered as priorities in the Programme of Economic Reforms 2010-2014: end of agricultural prices’ regulation and export restrictions, compliance with WTO requirements, Uniform Land Cadastre System, harmonisation with the EU regulation and standards;
- Support to agricultural production and processing provided by the Plan for Social and Economic Development 2012-2014 and the Programme for the development of investment and innovative activity
- Transfer of modern technology and know-how to increase harvest yields and develop exports (production costs about 50% lower than in Europe);
- Termination of the moratorium on the sale of arable lands expected to be announced in 2012;
- 10-year exemption from corporate income tax for light industries and agricultural machinery producers;
- Exemption from VAT for the delivery of grain and industrial crops to be introduced before August 2014;
- Automatic VAT refund for exporters and introduction of delayed refund penalty.

Business opportunities

- Grain production within the national project “Grain of Ukraine” (pre-feasibility studies, partner search and investment support); transfer of modern technology and know-how to increase harvest yields and develop exports (production costs about 50% lower than in Europe);
- Milk, dairy and beef production within the national project “Revived Cattle breeding” (pre-feasibility studies, partner search and investment support): increase in yield and quality to meet the growing demand on the domestic market (demand for dairy products to increase by 25% over the coming decade) and develop exports to CIS countries and the EU;
- Seed growing to produce oil (sunflower), alternative fuels and feeds (using herbs as feed additives, grains, soybeans, etc.), and export (to Arab countries especially);
- Production of fruits and vegetables, especially in Odessa, Nikolaev, Crimea, Zakarpattia and Chernivtsi;
- Cultivation of sugar beet, treatment and production of sugar;
- Livestock (pigs) and poultry (chicken and eggs) farming;
- Organic farming and export to the EU market;
- Production of wine (especially in Crimea and Zakarpattia), honey (5th biggest producer in the world) and bread (specific regulation because it is a social product);
- Development of treatment, packing and processing facilities in industrial parks in the regions (infrastructure development co-financed by the State, plus possible city council incentives).

Some success stories

Nestlé (Switzerland), the world’s leading nutrition, health and wellness company, operates in Ukraine since 1994. Its local subsidiaries include Nestle Ukraine, the confectionery factory Svitoch, the sauce processor Volynholding and the market leader in culinary dehydrated products Technocom. In 2011, it
launched a Shared Business Service Centre in Lviv to provide internal financial and employee services to its Central and Eastern European subsidiaries.

**Anheuser-Busch InBev (USA)** is a leading brewer. Its local subsidiary **SUN InBev Ukraine** produces beer under global (Stella Artois, Beck’s, Leffe, Hoegaarden) and local brands, and manages two Belgian cafés in Kiev, one in Odesa and one in Borispol. The company employs around 3,000 people in Chernigiv, Mykolaiv and Kharkiv and holds a 40% share of the domestic beer market.

**Chumak** is a leading vegetable processor and sauce producer. The company was founded in 1996 by two young Swedish businessmen.

**AgroGeneration** is a producer of agricultural commodities, founded in 2007 by the French businessman Charles Beigbeder. Its activity is concentrated in Ukraine where it aims to cultivate 100,000 hectares by 2012. In 2010, the company already cultivated 45,000 ha of land.

**Kyiv-Atlantic Ukraine** is a vertically integrated agricultural group, which was founded by a Dutch family, the Sweeres, in 1995. It was the first agribusiness project financed by EBRD in Ukraine. Today, the group consists of 3 main companies: KAU Integrated Agribusiness Center, located 65 miles south of Kyiv; Atlantic Farms, which leases around 7,500 acres of arable land in the Kyiv region, and Atlantic Farms II, which farms around 14,500 acres of arable land and fattens over 4000 heads of prime beef cattle in Cherkasy region.

**Kernel** is a leading agri-business conglomerate operating mainly in Ukraine. It engages in the production, and distribution of sunflower oil, grains, oil bearing crops and sugar, provides silo services to farmers and operates terminals on the Black Sea for transshipment of grain, oil, and meal. It also involves in agricultural farming operations that include the cultivation of wheat, barley, corn, soya bean, sunflower seeds, and sugar beet. In 2010, its total land area was estimated at 100 000 ha. Kernel is based in Kiev but its stock is traded in Warsaw. In 2010, its market capitalization was about USD 1.3 million.

**Milkiland** is a diversified dairy producer operating in Russia and Ukraine. In Ukraine, the company has 10 plants producing cheese, fresh dairy and butter. It distributes these products in Ukraine under the brands Dobryana and Kolyada and exports them to over 30 countries.