

A Minnesotan's recipe for successful Ukrainian agribusiness

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Kyiv-Atlantic Group's David Sweere talks about the possibilities, and limits, inherent to farming in Ukraine e agribusiness firm Kyiv-Atlantic Group has reached a conclusion: Agriculture can be profitable, even in Ukraine.

In Ukraine, Europe's breadbasket, prices for agricultural commodities have long been low in proportion to prices for fuel, fertilizer and equipment. As a result, farmers are heavily dependent on state subsidies to stay afloat.

But Sweere, a Minnesotan, says that Kyiv-Atlantic tries to avoid state assistance, even though he does get an average of Hr 750 (\$150) from the government for every cow that he sells, no matter what the price is – a ridiculous waste of state money, in his opinion. Besides, as the co-founder and CEO of an agribusiness that leases nearly 6,000 hectares of farmland and has annual turnover of \$25 million, he hardly needs it.

"I am not stupid enough to be in a business that is not profitable in the first place...state subsidies only support inefficiency and will eventually bury the country," he says.

The state should provide some support for farmers, he says, but it has to be done wisely. Making long-term, low-interest mortgages available to farmers is about all that need be done, in his opinion. "It has to be single digit interest, for a minimum of 25 years; otherwise, the banks would steal the land back." Currently, he says, all farmers can count on are six-month loans with up to 25 percent interest – just enough to go bankrupt, he says.

"They say Ukraine is so unique, so a Ukrainian solution needs to be found."

The following elements have powered Sweere's success: fuel-efficient modern machinery, proper crop rotation, correct planting and fertilizing methods, access to working capital, and changing "everything that has been done wrong in this part of the world for the past 80 years."

Sweere, 61, says Ukrainians are still behind the curve when it comes to treating agriculture as a business. The farming culture here is centered on wheat, which is cheap to grow but brings little profit.

Soybeans, on the other hand - which Sweere says foreigners like himself introduced to Ukraine in the 1990's - cost more to grow, but are very profitable. He estimates that he is going to rake in a more than 100 percent profit on his soybeans, a source of vegetable protein in demand worldwide.

"The cost of farming [soybeans] doesn't matter - it is the profit that matters," he says.

He says Ukraine could become one of the few countries in the world that export vegetable protein – a list that at the moment includes only Argentina, Brazil, the U.S. and Canada.

In addition to soybeans, Kyiv-Atlantic, which has two farms in Kyiv and Cherkasy oblasts, also plants corn, barley, rape, sunflowers, peas and some feed wheat. Sweere, who together with his son Daniel owns the majority stake in the company, says he stays away from sugar beets and wheat. "Those crops are losers in the first place."

His company, created with a total investment of nearly \$30 million, also has a 40,000-ton grain elevator, a feed mill, an oil refinery and a milk plant.

The Western invasion

To avoid the mistakes Ukrainian farmers tend to make, Sweere made sure all his top managers came from the West.

Texan Jerry Clements arrived in June to work as a production manager at Sweere's farm in Demky village in Cherkasy oblast. He previously ran farms in Libya and Saudi Arabia.

"It's a pleasure for me to work on soil that gives feedback from what you do with it," says Clements, after giving Sweere a detailed report on tillage for winter wheat and corn. One field had to be redone, and Clements gave instructions to the local tractor driver in his accented but fluent Russian.

Peter Mitchell, who is responsible for livestock, comes from Scotland. "Don't worry," he says, "by the winter our cattle farm will look more or less like what you would see in Scotland."

In Sweere's view, his Ukrainian employees, who make an average of Hr 2,000 a month, aren't yet ready to take up the positions those foreigners hold.

"People here are trained to do, not to think...unfortunately, what I see in the villages is almost a serf mentality."

Sweere hopes that 20 years from now, his Ukrainian employees will remember working at Kyiv-Atlantic as an opportunity that helped them develop self-confidence.

Ups and downs

Sweere started operations in Ukraine in 1990, with \$1 million, after selling off his agricultural business in the States. He started off bartering diesel fuel for grain, and soon the business got so good that he decided to build his own fuel storage facility. But he had to scotch that plan after getting death threats from what he calls the "mafia."

Soon afterwards, he received a \$2 million grant from the U.S. government to build the first private grain storage facility in Ukraine. The financial crisis of 1998 made things hard; so did some pressure from the tax authorities. All in all, he estimates that it took his company five years longer than he expected to build all its facilities. Kyiv-Atlantic has been operating at a profit only since 2002.

Sweere doesn't mind the slow start.

"You don't have your baby going to the college the next day after his birth," he says.

Though his business is now successful, Sweere, now 61, thinks that a couple of years from now he might go back to Minnesota to relax and enjoy his life with his Ukrainian wife Tamara, whom he married in 1997.

He says his son Daniel might want to continue the family business. If not, he'll sell it.

"Do not get me wrong, I haven't moved to Ukraine," he says. "It is Minneapolis where my home is."

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