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AGRARIAN FORUM

EU Enlargement and the views of Ukrainian farmers

EU enlargement and the future agricultural policy: impacts and financing

04/03/2024 Brussels

Pre-war Ukrainian Agricultural sector

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European Union

- Total utilised agricultural area (UAA) – 157.4 mln ha (2020)
- Arable land – 98,1 mln ha
    - Spain – 11,7 mln ha
    - Germany – 11.7 mln ha
    - Poland – 11.1 mln ha
- These three EU countries account for a little more than one third (35.2%) of the EU's arable area.
- EU average density of population – 116 people per sq. km

Ukraine

- Total utilised agricultural area (UAA) – 41.3 mln ha (2021)
- Arable land – 32,8 mln ha
- Ukraine sololely covers one third of the total EU arable land (33,4%) and almost equals the sum of arable land of Spain, Germany and Poland.
- Ukraine density of population – 74 people per sq. km

Source: European Commission, State Statistics Service Of Ukraine

Pre-war Ukrainian Agricultural sector

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	Number of enterprises		The area of agricultural land	
	Units	in % to the total amount	thous. ha	in % to the total area of agricultural land
Enterprises that had agricultural land, ha	39 301	100	20 823	100
under 5,00	1 766	5	6	0
5,01–10,00	1 827	5	14	0
10,01–20,00	3 036	8	47	0
20,01–50,00	9 460	24	353	2
50,01–100,00	5 167	13	374	2
100,01–500,00	9 371	24	2 290	11
500,01–1000,00	3 228	8	2 314	11
1000,01–5000,00	4 845	12	10 150	49
above 5000,00	601	2	5 274	25

Small producers

Medium and big producers

Constitute 86% of officially registered agricultural enterprises

74% of the area of agricultural land indicated in the state statistics is cultivated by large and medium-sized enterprises.

Source: State Statistics Service Of Ukraine

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	Production volume (gross harvest)		Yield, c/ha
	thous. t	in % to the total harvest	
All enterprises	69 689	100	59,3
up to 1 thous ha	24 365	35	50,2
1-2 thous ha	15 567	22	57,9
2-3 thous ha	8 978	13	61,5
more than 3 thous ha	20 778	30	70,4

- In average, small and medium sized enterprises supply mostly to the internal market. **Therefore, these enterprises act as guarantors of internal Ukrainian food security and partially as guarantors of global food security - surplus is exported through traders.**
- Some medium and big agricultural companies cover internal demand and also export. **These companies are guarantors of global food security.**

Source: State Statistics Service Of Ukraine

Pre-war support of Ukrainian agricultural sector compared to other countries

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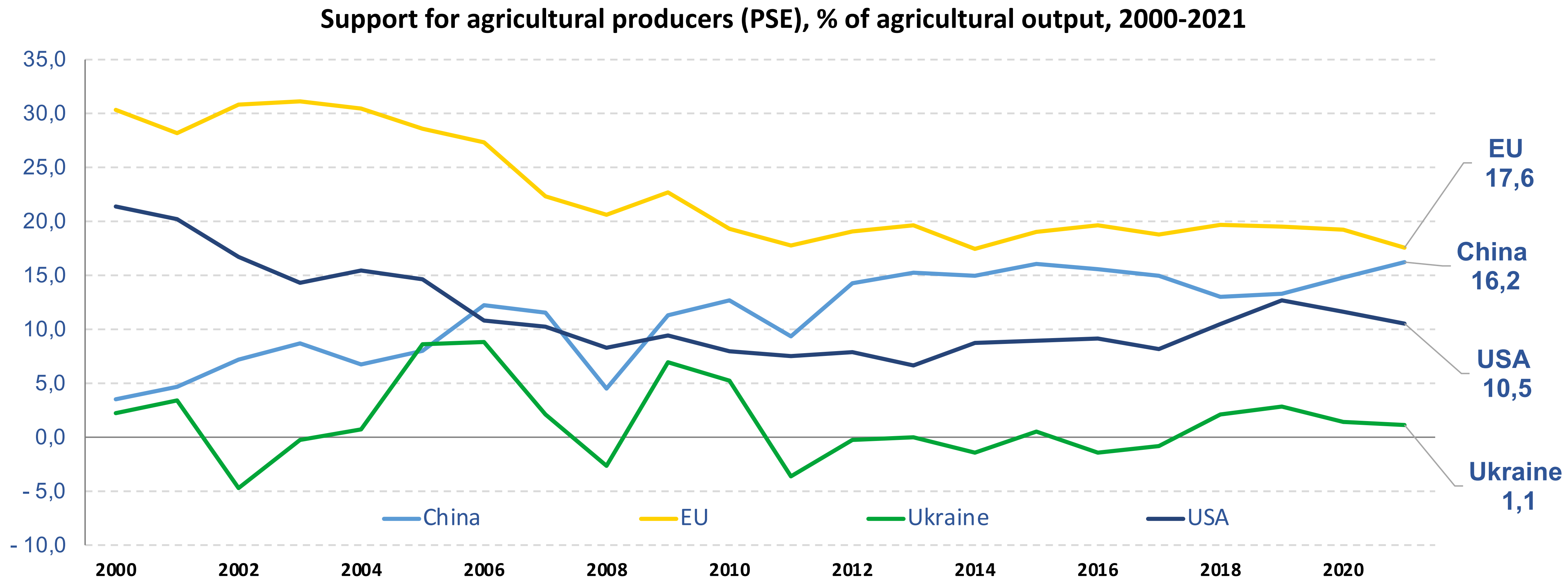

Support for agricultural producers in Ukraine (PSE) is significantly lower compared to other countries. In 2019-2021, PSE accounted for 1.7% of the total agricultural output

***In 2023 support for the suppression of crisis phenomena in the EU amounted to 500 mln Euro.**

Source: FAO UN

Land Reform and Land Market in Ukraine

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- The land market was opened on July 1, 2021.

Phases of the Land Reform:

I. From 01/07/2021 to 01/01/2024: citizens of Ukraine can buy agricultural land with a limit of 100 ha

II. From 01/01/2024: citizens of Ukraine and Ukrainian legal entities can buy up to 10 000 ha of land.

III. Date Unknown: The land market is open to international buyers.

- **The law prohibits foreigners from buying land:** according to the law, **foreigners can purchase Ukrainian land <u>only after a corresponding decision is made in a nationwide referendum</u>.** It is not known when it will take place.

- As of January 1, 2024:
  - 1.05% of all agricultural land of Ukraine was in trade circulation;
  - number of concluded purchase and sale agreements reached 195 929;
  - area of registered sales agreements amounted to 432 213 ha;
  - <u>other land is leased by agricultural producers from landowners.</u>

American/Chinese/Ukrainian big agri companies DO NOT OWN millions of ha of Ukrainian land.

Source: KSE, January 2024

Economy of agri production in Ukraine

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Survey from central regions of Ukraine	Winter wheat			Maize			Sunflower		
Production cost, $/ha	2021	2022	2023	2021	2022	2023	2021	2022	2023
Seeds	37	46	37	123	143	124	75	85	75
Fertilisers	218	269	145	250	327	173	188	246	87
Crop protection products	66	78	62	84	98	81	103	107	91
Fuel and lubricants	43	73	50	60	102	70	44	76	52
Wages (production staff)	24	20	23	22	18	21	26	21	25
Taxes on payroll	13	10	12	11	9	11	13	11	13
Costs for the repair of fixed assets	47	55	50	47	55	50	47	55	50
Depreciation of fixed assets	72	72	72	72	72	72	72	72	72
Administrative expenses	72	65	68	72	65	68	72	65	68
Rent	148	111	119	148	111	119	148	111	119
Single tax	10	6	6	10	6	6	10	6	6
Payment of services	28	34	29	75	87	76	20	23	20
General expenses, $/ha	**777**	**839**	**672**	**972**	**1 094**	**870**	**818**	**879**	**676**
Yield (total), t/ha	**5,4**	**5,3**	**5,2**	**9,8**	**9,7**	**9,5**	**2,9**	**2,8**	**2,7**
Silos services, $/t	10	10	9	43	51	41	26	28	24
Yield (after completion), t/ha	**5,2**	**5,1**	**5,0**	**8,6**	**8,5**	**8,3**	**2,6**	**2,6**	**2,5**
General expenses, $/t	**159**	**175**	**144**	**157**	**180**	**146**	**335**	**373**	**299**
Price at the silo, $/t no VAT	**240**	**137**	**130**	**224**	**132**	**125**	**657**	**348**	**307**
Profit/loss, $/t	81	-38	-14	67	-48	-21	322	-25	8
Option 1. To the ports of Odessa									
The cost of logistics to the port, $/t	26	48	21	26	48	21	36	69	29
Price at the port (CPT), $/t	270	197	166	256	187	161	680	425	351
Profit/loss, $/t	85	-26	1	73	-41	-6	309	-17	23
Option 2. To the port of Constanta									
The cost of logistics to the port, $/t		141	78		141	78		191	107
Price at the port (CPT), $/t		289	216		278	213		540	420
Profit/loss, $/t		-27	-5		-43	-10		-24	14
Option 3. To the ports of Gdańsk/Gdynia									
The cost of logistics to the port, $/t		140	74		140	74		196	98
Price at the port (CPT), $/t		287	213		276	207		535	410
Profit/loss, $/t		-28	-5		-44	-13		-34	13

Source: UCAB calculations

War damage to UA agriculture

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Total damage and losses – $ 80 bln	
Agricultural losses, $, bln	
Agricultural machinery	5,8
Raw materials	1,97
Warehouses	1,8
Animal husbandry and aquaculture	0,289
Perennial plantations	0,398
Total agricultural losses	**10,3**
Indirect losses, $, bln	
Losses due to reduced production of annual crops	34,3
Losses due to reduced production in animal husbandry	5,6
Losses due to reduced production - perennial crops	0,769
Losses connected to lower domestic prices due to export disruptions	24,1
Losses due to increased production costs	4,4
Losses due to remediation costs	0,329
Fisheries and aquaculture losses	0,170
Total indirect losses	**69,7**

Source: KSE, February 2024


Bachmut, 2022, 17 K head


Chornobayivka, 4 mln chickens


Grain storage facility, Zhytomyr region.


Crop farm, Kyiv region


Chernihiv region, 1 month occupation, 2 air raids, lost 70% of the herd

War damage to UA agriculture

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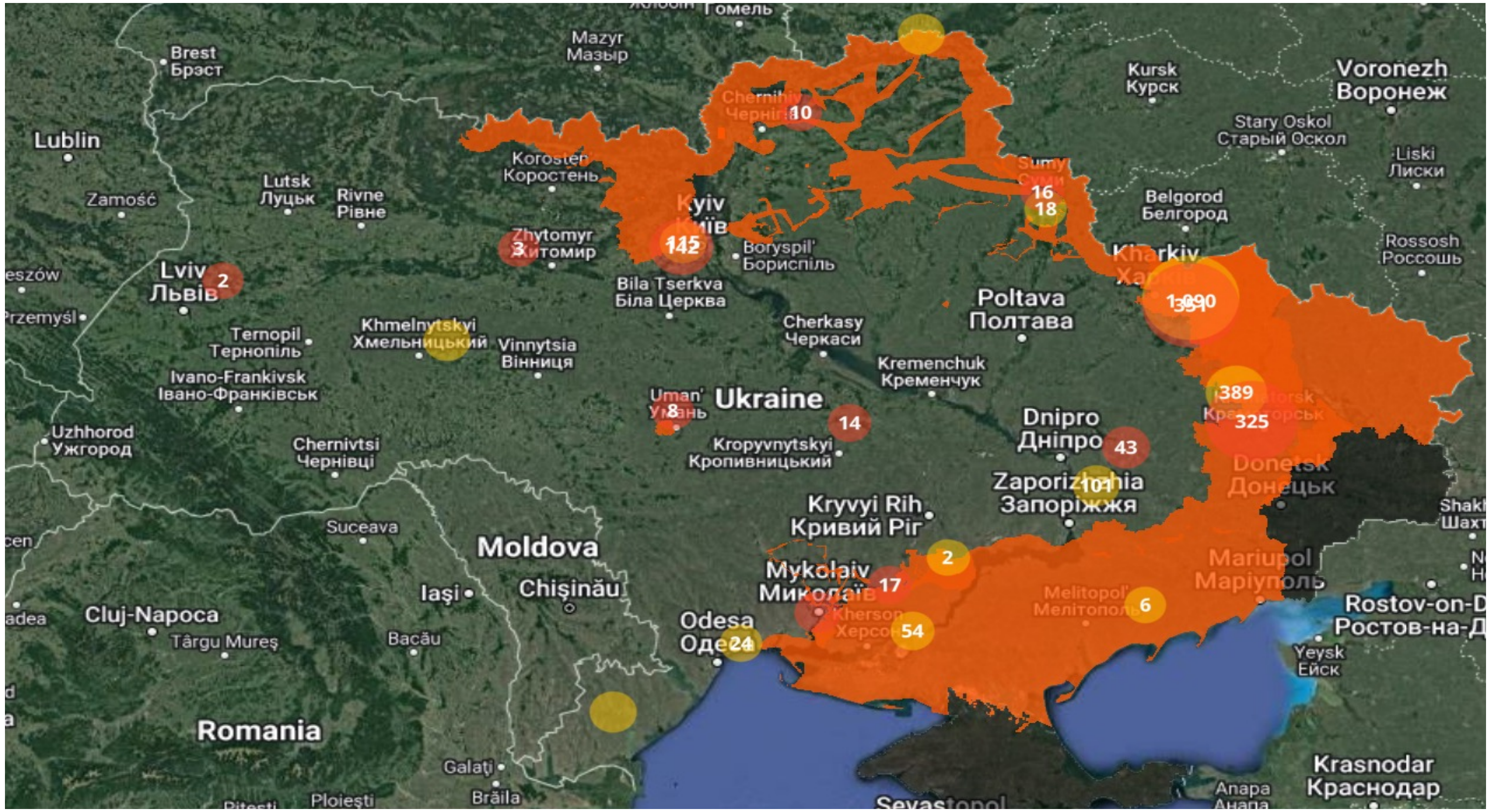

Sumy region, mine, 2023, 2022

Footage Date: March 2023

- Russia occupied UA agricultural territory – **around 5 mln ha** of cultivated areas in 2021 **(25%)**
- **3.8 mln ha** cannot be sown due to the proximity to the front line, remains of shells and mined area (2,5 mln ha)
- **Up to $40 bln demining costs and each day increasing**

War damage to UA agriculture

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Destruction of **Nova Kakhovka dam**
on June 6, 2023

Consequences for UA Agriculture:

- Stopping irrigation at **1.5 mln ha** in Kherson, Mylolaiv, Zaporizhzhya and Dnipropetrovsk regions
- Production of grains in these regions will decrease at least **1 mln t**
- **50%** of farmers in south part of Ukraine will become bankrupt

Foto: Internet resources

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The Resilience of the Ukrainian Agri-Sector during the war is slowly decreasing.

How long more can we last?

Forecast of the gross harvest of cereals and oilseeds 2024/25 MR

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Optimistic scenario:

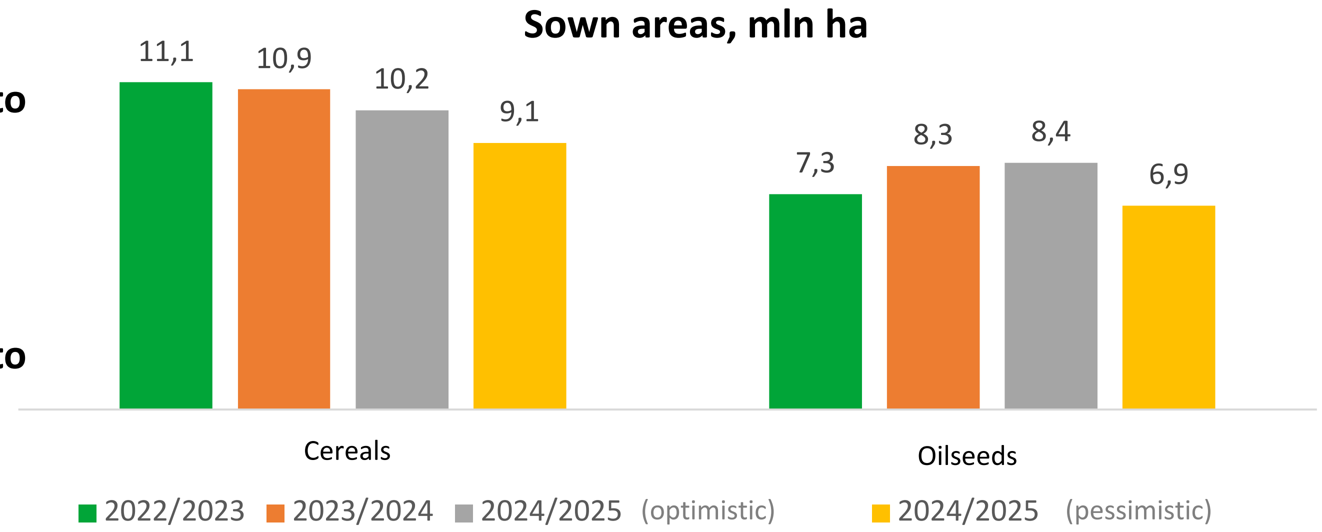
- **sown areas under cereals and oilseeds: -3% to 18.6 mln ha;**
- sown area under cereals: -3% to 10.2 mln ha;
- sown area under oilseeds: +1% to 8.4 mln ha;

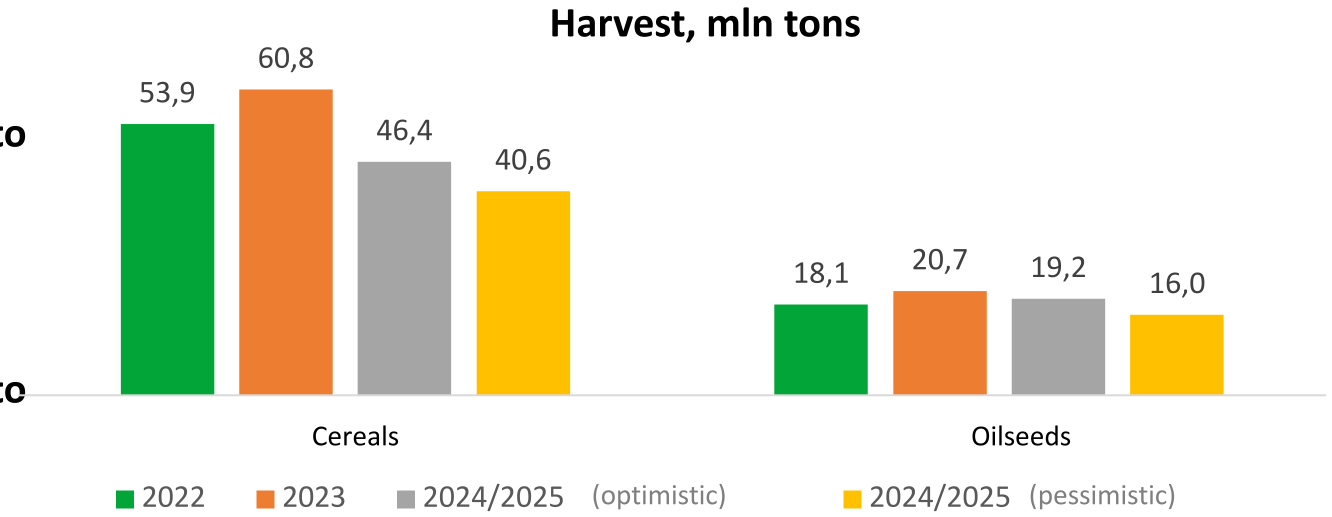
- **total harvest cereals and oilseeds: -19% to 65.6 mln t;**
- harvest of cereals: -24% to 46,4 mln t;
- harvest of oilseeds: -7% to 19,2 mln t.

Pessimistic scenario:

- **sown areas under cereals and oilseeds: -17% to 16,0 mln t;**
- sown area under cereals : -17% to 9,1 mln ha;
- sown area under oilseeds: -16% to 6,9 mln ha.

- **total harvest cereals and oilseeds: -31% to 56,6 mln t;**
- harvest of cereals: -33% to 40,6 mln t;
- harvest of oilseeds: -23% to 16,0 mln t.





Source: UCAB

Export logistics of ag products from Ukraine

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Before the war:

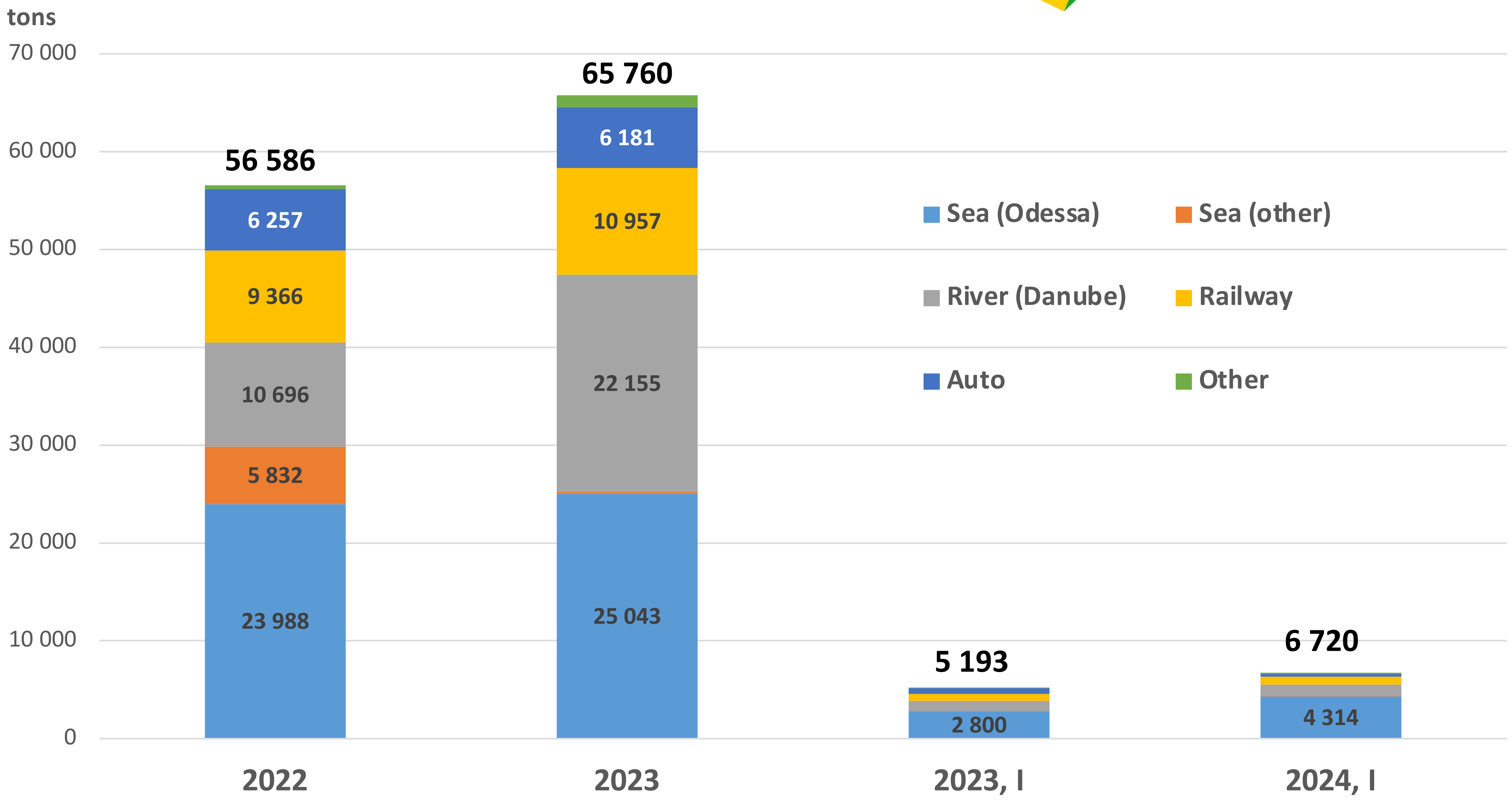
- UA exported up to 8 mln t/month of grains and oil through seaports;
- Sea export accounted for 98% of Ukrainian food export.

During the war:

- Grain Initiative rise and fall;
- Seaports blockade and unlocking in late autumn 2023;
- Commercial vessels under attack by Russia;
- Sea mines are deployed;
- Solidarity Lanes rise and fall;
- Blockade of the Polish-Ukrainian border by Polish farmers and carriers.

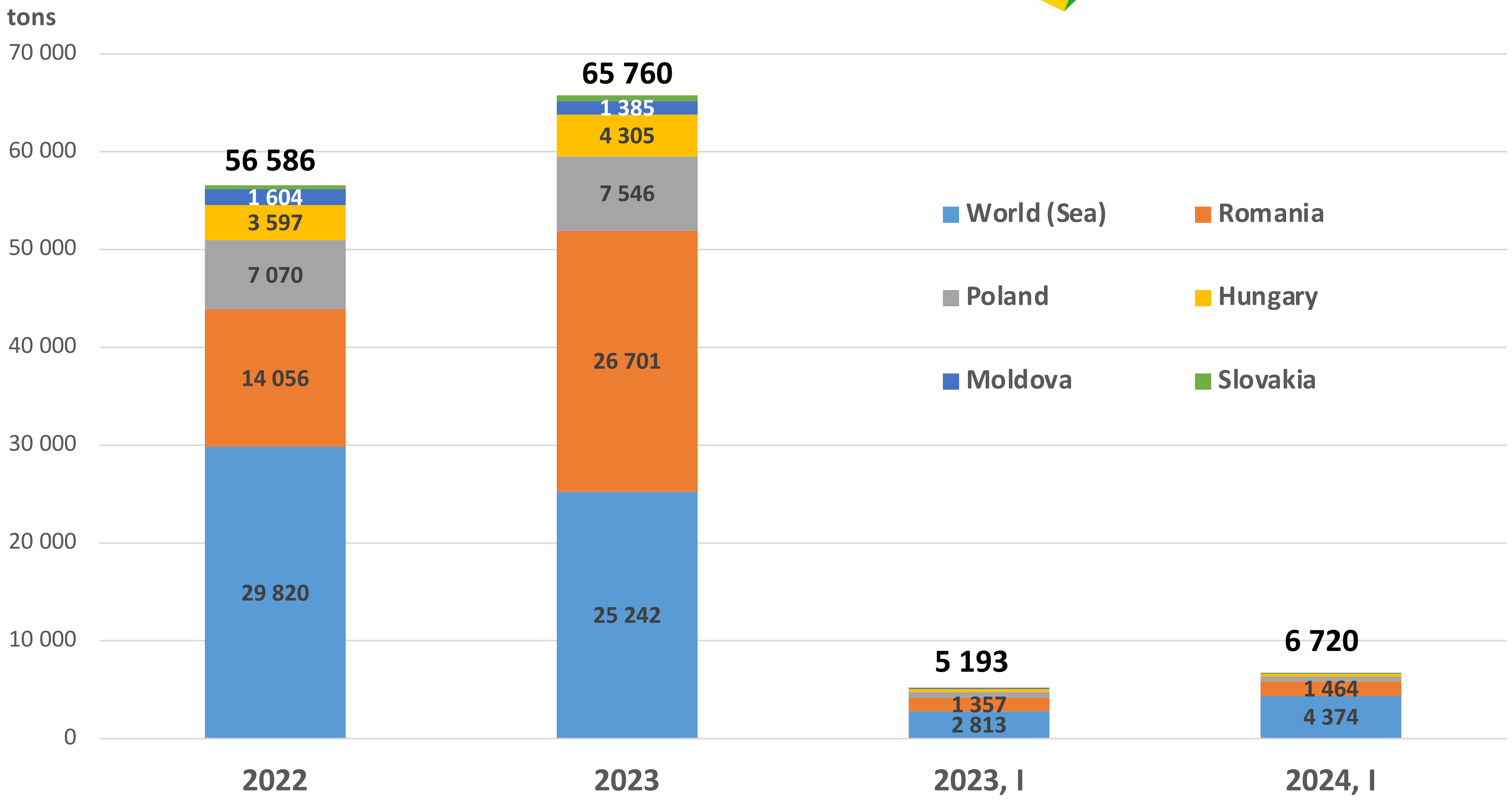
Source: Ministry of Agrarian Policy and Food of Ukraine, Ministry of Recovery of Ukraine

Export routes 2022-2024: general overview



Source: Ministry of Agrarian Policy and Food of Ukraine, Ministry of Recovery of Ukraine

Export routes 2022-2024: neighboring EU MS



Source: Ministry of Agrarian Policy and Food of Ukraine, Ministry of Recovery of Ukraine

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European integration is the only possibility to save and rebuild the country.

Caution! Bumpy road ahead. Will we lose the Ukrainian agricultural sector along the way?

Ukraine's export of agri-food products to the EU. ATMs for Ukraine

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Agri-food export, $ bln	2021	2022	2023
Agri-food export from Ukraine	27,7	23,4	21,9
Share in the total export of products	*40,7%*	*53%*	*61%*
Ukraine's export to the EU	7,7	12,9	12,4

- EC's proposed safeguard measures – **potential losses of foreign currency $250 mln**
- Copa Cogeca's proposed safeguard measures – **potential losses of $5 bln**
    - 2021/2022 – no go for Ukraine (HPAI, TRQs, Covid-19 time, start of the war)
    - As a candidate country, Ukraine is on track to comply in full with EU legislation of food safety, animal/plant health and sustainability requirements
- "Encourage Ukraine to export to the traditional markets".
- Black Sea route remains vulnerable to Russian attack. Polish blockade turns Solidarity lanes into a farce.

Source: Ministry of Agrarian Policy and Food of Ukraine, Ministry of Recovery of Ukraine, UCAB calculations

Future EU integration of Ukrainian agricultural sector

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Key Departure Points:

- War damages (still growing) to Ukraine’s agricultural infrastructure, arable land, environment will shape Kyiv’s position on CAP
- Ukraine follows with interest the Strategic Dialogue on Agriculture and its outcomes for EU agriculture sustainability policies and CAP. Engaging candidate countries in the process is a must
- In the medium to longer term, Ukrainian and EU farmers face the same sustainability and climate crisis challenges to productivity and competitiveness
- Ukraine’s position on CAP budgetary framework would prioritize:
    - level playing field between Ukrainian and European agroproducers
    - support of small farmers and SMEs
    - cohesion of local rural communities

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Thank you for your attention

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