

Key messages for the interviews in Brussels, 04-06 March, 2024

Express Gratitude:

- We sincerely thank the European Union for its unwavering support for Ukraine.
- To fight back against Russian aggression, it is necessary not just to provide Ukraine with military and macro-financial support but also to offer possibilities to keep the economy running through liberalised access to the EU market. The role of ATM in providing a lifeline to Ukrainian farmers and the economy cannot be overstated.

Highlight the Challenges of Ukrainian Agriculture:

- Recent numbers from the Kyiv School of Economics show that overall damage to the Ukrainian agricultural sector during the 2 years of war reached 80 billion USD.
- 5 mln ha of agricultural land is under occupation or mined, heavily contaminated, and cannot be used for food production.
- Ukrainian critical and port infrastructure, production facilities and grain storages in the frontline regions are under constant shelling by Russian rockets.
- We are facing a gradual reduction in the harvest of cereals and oilseeds:
 - 109 mln t in 21/22MY; 79 mln t in 22/23MY; 81 mln t in 23/24MY; 57-66 mln t in 24/25(f);
 - sowing territories are also being reduced year to year;
 - export of agri-food products decreasing: \$27,7bln – 2021; \$23,4bln – 22; \$21,9bln – 23.
- Meanwhile, the Ukrainian agricultural sector provides working places to more than 2 mln people (13% of all the working population), provides livelihood funds for landowners in rural areas, is one of the biggest taxpayers to the Ukrainian budget, generates a significant share of Ukraine's GDP and provides 61% of total foreign currency revenues coming from the export of products. The role of the Ukrainian agricultural sector in supporting micro0financial stability of Ukraine is vital.
- After the decentralization reform, which was launched in Ukraine with the support of the EU, 1,469 new territorial communities were formed (1,060 of which are in rural areas). Agricultural sector is one of the main sources of funding for territorial communities. In 2023, these sectors accounted for about 60% of taxes received by rural communities.
- High-quality maintenance of social infrastructure, together with a stable salary, are the best prerequisites for Ukrainians to stay at home and return from abroad. Therefore, today, it directly depends on the financial stability of enterprises in the agro-food industry.
- Ultimately, the Ukrainian agri-food sector contributes not only to national and global food security but also to overall European stability and prosperity.

Stress the Benefits for Europe:

- Ukrainian exporters would like to complement the EU food security, not compete with EU producers: with the stabilised exports through the Black Sea, the pressure on the Solidarity Lanes decreased; Ukrainian producers return to traditional markets, lower quantities of the agricultural products end up on the European market. However, this can work only when sea exports function and can potentially expand when container carriers reach Ukrainian seaports.
- Still, the EU remains one of the most important buyers of our agri-food products. This benefits not only Ukrainian producers but also European customers: in 2022, the European Commission stated that imports of Ukrainian products helped to slow down agricultural inflation. We also provide extra choices for processors and consumers and help diversify EU imports from third countries.
- Ukraine has a strong desire for deeper economic integration with the EU. We are committed to continue being a reliable trading partner for the EU. To further promote stability in trade

flows and mutual trust, the Ukrainian government has suggested export licensing for cereals and oilseeds for 5 neighbouring MS.

- Ukraine is a nearby, stable and predictable exporter of goods to EU market. By contrast, other agri-food suppliers to the EU like Brazil, Argentina and Thailand are more than 5000 km away: their inclusion in supply chains increases the overall fragility of the economy as those supply chains have a greater number of vulnerabilities. Ukrainian imports have emerged as a crucial stabilizing factor.

Highlight Commitment to EU Standards

- Since the Association Agreement was signed, Ukraine has been working to harmonise its food safety regulations with the EU's. This was repeatedly noted in the reports of the European Commission.
- The quality of Ukrainian products is identical to the quality of the food products from Brazil, and Argentina, and steadily approaching the level of quality within the EU itself.
- Claims that Ukrainian agri-food imports to the EU do not correspond to the EU standards are an insult to the European Commission and food safety inspectors of the Member States. Access of the Ukrainian dairy, poultry, eggs and other products of animal origin became possible only after years of very strict audits by the European Commission of the Ukrainian food safety legislation, its enforcement and compliance by each Ukrainian company wishing to export to Europe. Even during the war, the Ukrainian food safety authority officials remain in touch with their colleagues at the European Commission's DG SANTE to ensure the Ukrainian agricultural sector adheres to rigorous EU standards.
- Ukraine participates in the Rapid Alert System for Food and Feed (RASFF), which allows for quick notification of potential food safety issues. In case of detection of quality violations, the EU informs the Ukrainian national control body, after which additional product quality checks are initiated. Recently, the Ukrainian side received very few notifications from EU member states.
- Ukraine also continues to align its food safety legislation with EU norms and standards.

ATMs

- Ukraine acknowledges the EU's concerns about protecting its agricultural sector: we understand the worries of European farmers, and we shared with the EU and interested member-states the proposals that could work for all parties.
- The Ukrainian government fully understands and supports the proposed Regulation of the European Commission. At the same time, taking into account the proposals coming from the European parliamentarians today, we would like to once again emphasise the importance of the Ukrainian agricultural sector not only for Ukraine's economy but also for the security of the entire European continent. It is possible to support the export of Ukrainian agricultural and food products to traditional markets at the expense of weapons, as well as with the help of liberalised trade, without limiting access to the EU market if sea exports are interrupted by the actions of the Russian Federation.
- In the proposed Regulation, the European Commission stated that the monitoring has not shown prima facie evidence of adverse effects on the Union Market. Therefore, all accusations that Ukrainian exports are undermining the work of European farmers are inappropriate and are broken by arguments about stable prices on the European market and increased exports of food products from the EU to third countries.
- Thus, an increased list of restricted products and the arithmetic mean of 2021/2022 is a “no-go” for Ukraine. In addition, 2021 was a year with TRQs, HPAI, Covid-19, and so on. Ukraine

is a candidate member already, and we need to focus on gradually integrating the Ukrainian agricultural sector into the EU single market.

Protesting European Farmers

- We strongly disagree with the accusations against Ukrainian agricultural companies and food manufacturers.
- We do respect right for a protest, but are sure that the national border of the EU should be untouchable and the protesters cannot block the trade flows and logistics chains.
- European farmers have understandable concerns about the impact of the green transition and related regulations.
 - However, those pushing for restrictions on Ukraine's exports are manipulated to attack Ukrainian products and Ukrainian producers as scapegoats. The impact of growing Russian grain exports worldwide and in Europe stays out of the spotlight. On the contrary, Russian agri-food imports are still not included in the EU sanctions packages.
 - While Europe's farmers face many challenges, they have not suffered what their Ukrainian counterparts have over the past two years. At the same time, they continue to have access to generous support from the EU Common Agricultural Policy.
 - ATMs waived tariffs and quotas not only for the import of Ukrainian agricultural products but also for other industries, including steel and metallurgy products. Since most of the production facilities for these products are in the Eastern part of the country, they were, unfortunately, destroyed by Russia. Azovstal is one of the most significant and most tragic examples. This is why the Ukrainian agricultural exports deliver the bulk of our export revenues today.
- EU officials recognise that the current volumes of sugar, eggs and poultry imports from Ukraine posed no threat to the European industry.
 - Imports of Ukrainian poultry to the EU have increased by 47% between 2022 and 2023 – this coincided with the fall of imports from other global poultry producers and increased demand for the products on the EU market.
 - + 8 mln Ukrainians fled to the EU in the first few months of the war (currently 4 mln Ukrainians) - extra consumers (in a population of Denmark or any Baltic country) of poultry products that EU producers did not expect to receive.
 - In contrast, the Ukrainian domestic market has seen a significant drop in demand because of the mass migration triggered by Russia's ongoing invasion.
- We also want to point out that the EU is the major supplier of different agricultural inputs to Ukraine: seeds, crop protection products, fertilisers, fuel, packaging, parental herd, veterinary medicine, etc. All these products have a high level of added value. Ukrainian agricultural producers pay full price for it.
- We are not trying to take advantage of Europe and are just trying to survive and play our part in stopping Russia's invasion.
 - Implementing further trade barriers to Ukraine's agricultural exports will undoubtedly undermine the country's ability to fight off Russian aggression and sustain relative macro-financial stability.

The structure of Ukraine's agricultural sector

- Ukraine is a big agricultural player on the European continent. Ukraine solely covers one-third of the total EU arable land (32,8 mln ha in Ukraine to 98,1 mln ha in the EU) and almost equals the sum of arable land of Spain (11,7 mln ha), Germany (11,7 mln ha) and Poland (11,1 mln ha).
- Its structure was developed over the last 20 years. Most of the producers in Ukraine's agricultural market are small and medium-sized. Of course, they also look enormous

compared to European producers, where the average agricultural producer is 17 ha, while in Ukraine, it is a few hundred ha.

- In addition to small and medium-sized ones, there are also large agricultural companies that operate tens of thousands of hectares. Usually, such companies are vertically integrated and collectively cultivate about 4 mln ha.
- It is worth noting that the land market has only recently started working in Ukraine. Since 2024, citizens of Ukraine and Ukrainian legal entities have been able to buy up to 10 000 ha of land. The law prohibits foreigners from buying land: according to the law, foreigners can purchase Ukrainian land only after a corresponding decision is made in a nationwide referendum. It has yet to be discovered when it will take place. Therefore, Ukrainian agro holdings with international capital and American or Chinese companies do not own millions of ha of Ukrainian land.
- In Ukraine, most of the land is leased by small landowners, the majority of whom live in rural areas and whose livelihood also depends on these funds.

Support of the Ukrainian Agricultural Sector by the Government

- Ukrainian farmers and agricultural producers do not receive subsidies, unlike their European counterparts. There is no Ukrainian equivalent to the CAP.
- In 2021, the last peaceful year in Ukraine, the total government support to the agricultural sector was at 7 bln UAH, equivalent to 110 mln EUR. These funds are no longer available for Ukrainian farmers. Currently, the Ukrainian government can support the agricultural sector with credits with reduced interest rates to sustain production processes. In comparison, during a visit to Warsaw last week, EU Commission President von der Leyen promised Polish farmers 1,4 billion EUR of support to address their concerns.

CAP

- Any projections of CAP funds to which Ukraine is entitled are premature and should not be manipulated to raise further concerns among EU farmers and policymakers.
- To start with, even before the decision to invite Ukraine to the EU, it was widely recognised that CAP in its current form is unsustainable. European farmers face serious challenges regarding the climate crisis and environment, as sustainable farming practices must be introduced. Still, there should also be support in times of adverse weather events. There is the challenge of high energy and fertiliser prices. There is the challenge of Russia's war on Ukraine, as depressed global prices on agri commodities are also the consequences of Russia's dumping of its exports. In fact, Ukrainian farmers share many, if not all, of these challenges, too.
- CAP must be adapted to address these issues, and continuing 'business as usual' is no longer an option. A balance must be struck between addressing these challenges and previous axioms about how CAP functions will not stand the test of reality. Hence, all current projections will have to be drastically revised. Speculations about Ukraine taking the lion's share of CAP funds are what they are – premature speculations.