

View from Ukraine: strengths, challenges and cooperation options

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KSE Agrocenter Discussion Series:
War and Post-war Agriculture in Ukraine

Content

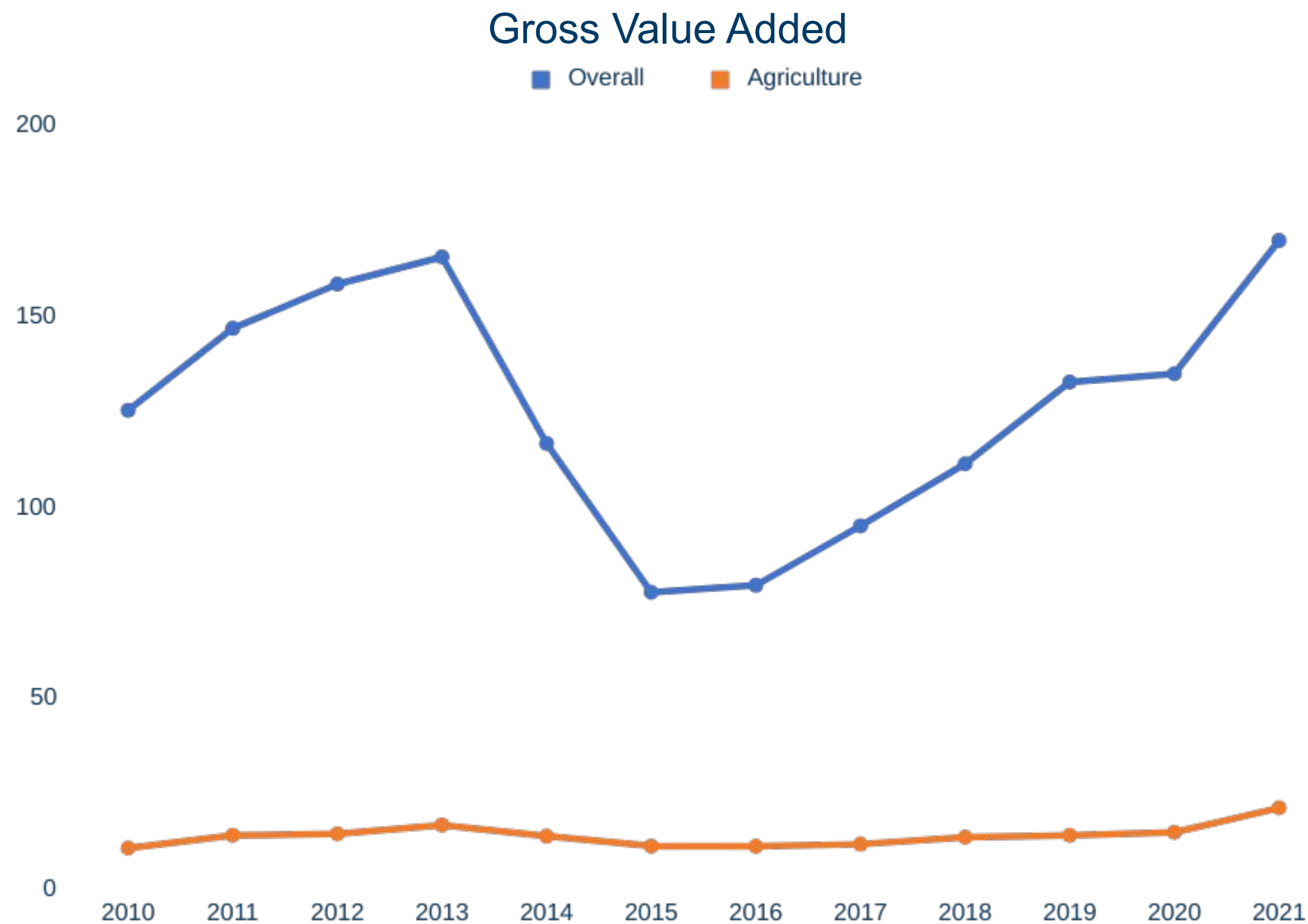
1. Overview of Ukrainian agriculture
2. Agricultural trade between Ukraine and North Africa
3. Strong sides of the local agricultural sector
4. Cooperation options in agriculture
5. Challenges for cooperation
6. Summary

1. Overview of Ukrainian agriculture: KEY FACTS

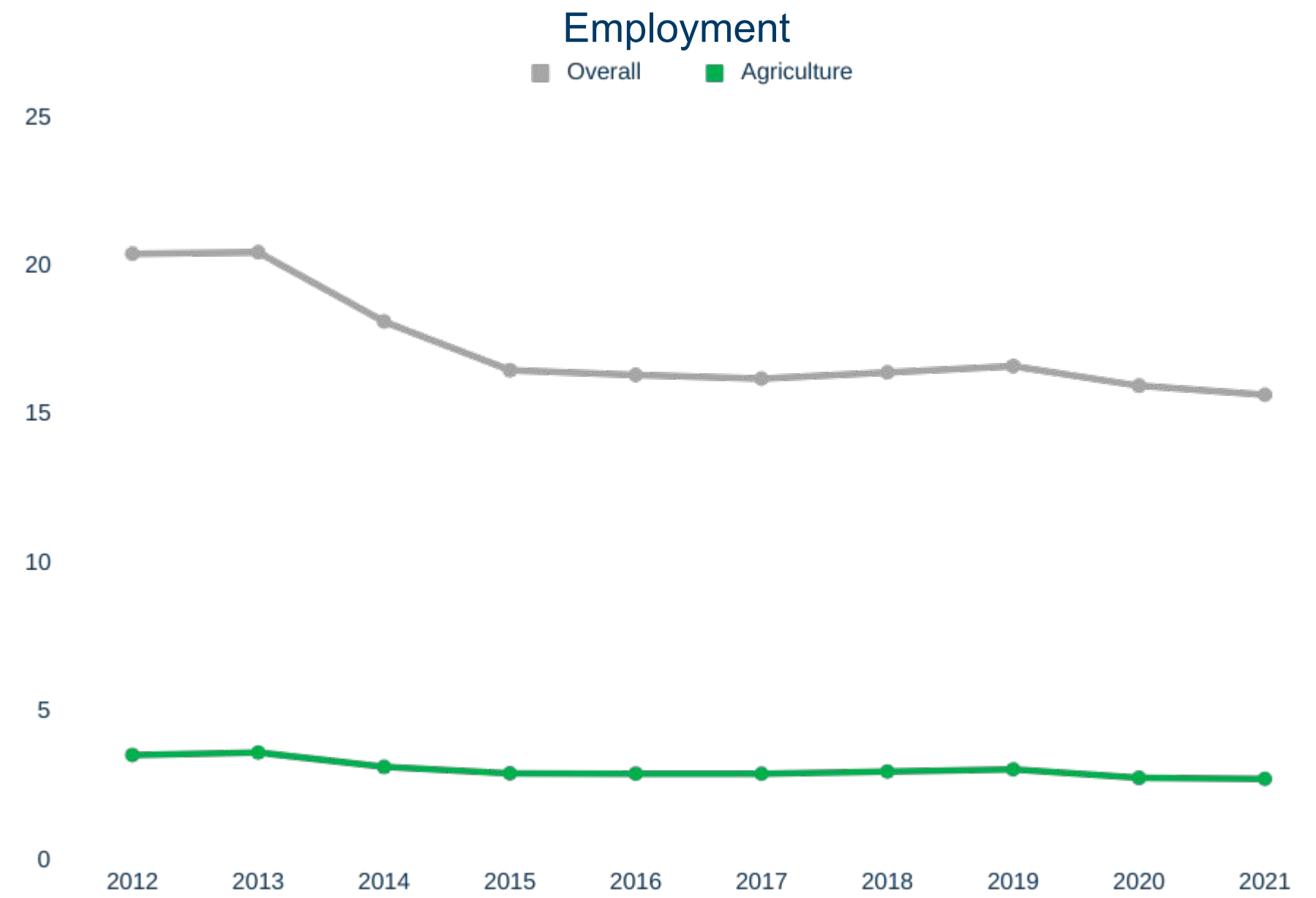
- Ukraine is the largest agricultural producer in Europe («breadbasket of Europe»). In 2021, total production of grains and oilseeds reached 106 mln. tons. In 2022, total harvest dropped to 74 mln. tons; around 81 mln. tons are expected to be harvested in 2023.
- Total agricultural land area is 42.7 mln. ha, 31 mln. ha of which are arable land with a high share of fertile black soil (chernozem). The area actually irrigated has declined from 2.2 mln. ha in 2003 to about 0.5 mln. ha in 2018. In 2021, total planting areas were at 29 mln. ha; they contracted to 21 mln. ha in 2022.
- Globally, Ukraine's agri-food sector plays significant and growing role in ensuring global food security. In terms of grains exports, its contribution to global food security was equivalent to feeding about 332 mln. people in 2021 (in addition to its own population), which is comparable to current US population.
- Agriculture is an important element of national economy. In 2021, it took 11% of GDP (about 20% with upstream and downstream industries). In 2022, this share decreased from 11% to 8% due to the full-scale war.

Role of agriculture in the national economy

- Over the last decade, the share of agriculture in Gross Value Added increased from 8% to 12% (declined to around 9% in 2022). As of 2021, around 2,7 mln. people were employed in the sector (17% in total employment).



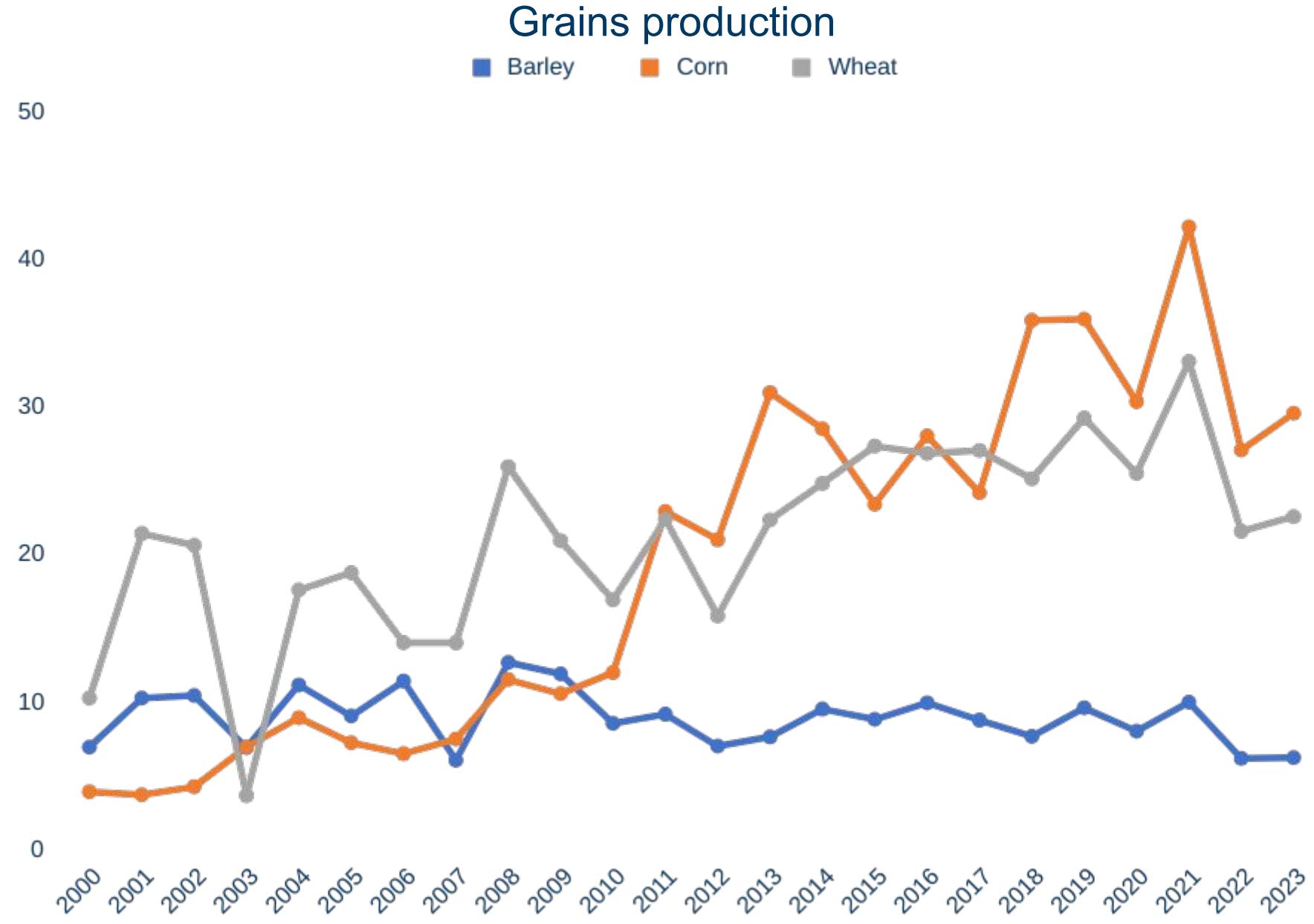
Source: Ukrstat



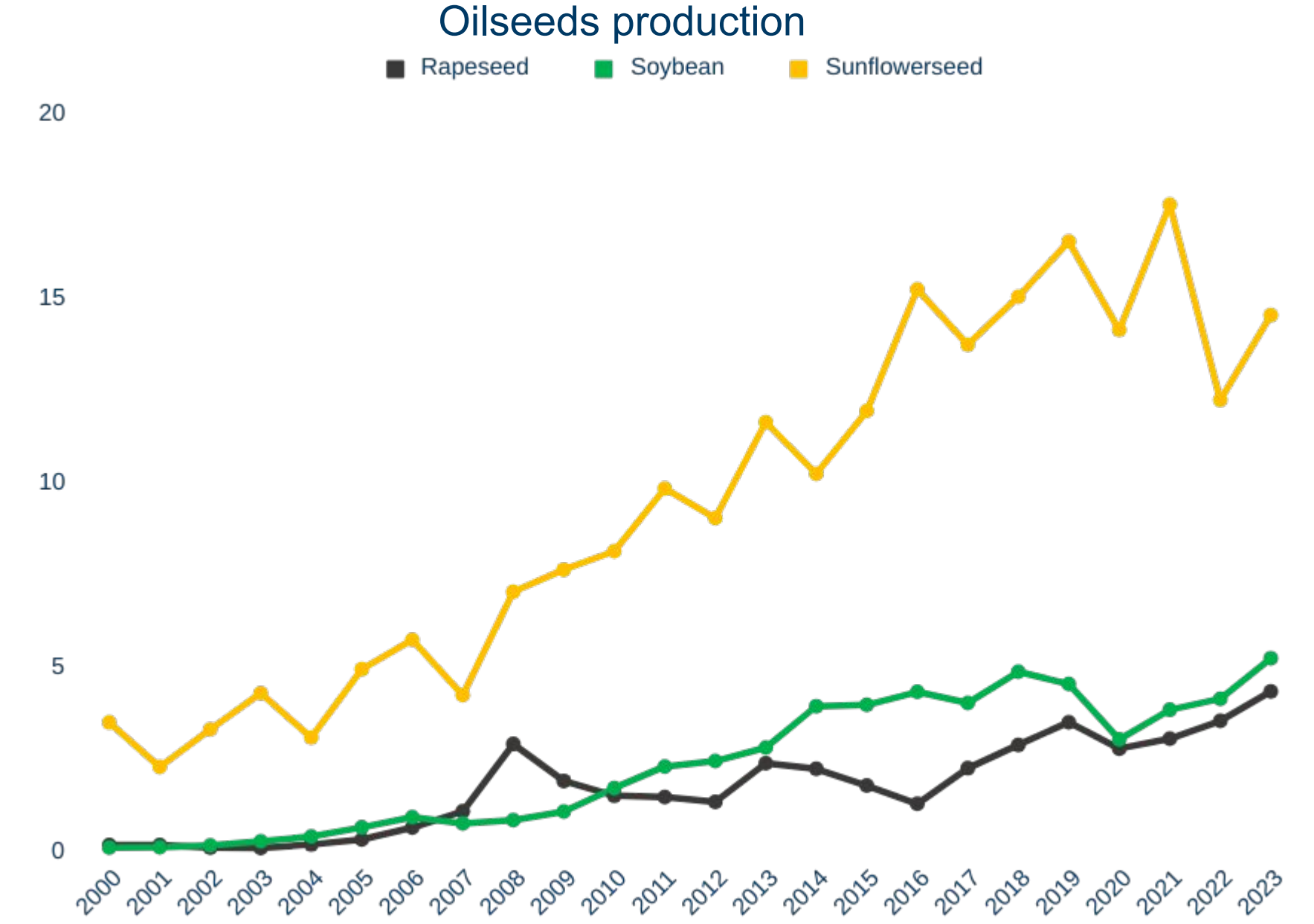
Source: Ukrstat

Crop sector

- Crop production showed strong growth over the past two decades.
- Grain production: stability of wheat and barley output, growing corn harvest. 84 mln. tons were harvested in 2021, 54 mln. tons in 2022, 59 mln. tons are expected in 2023.
- Boost of oilseeds production, especially for sunflower. 22 mln. tons were harvested in 2021, 20 mln. tons in 2022, 22 mln. tons are expected in 2023.



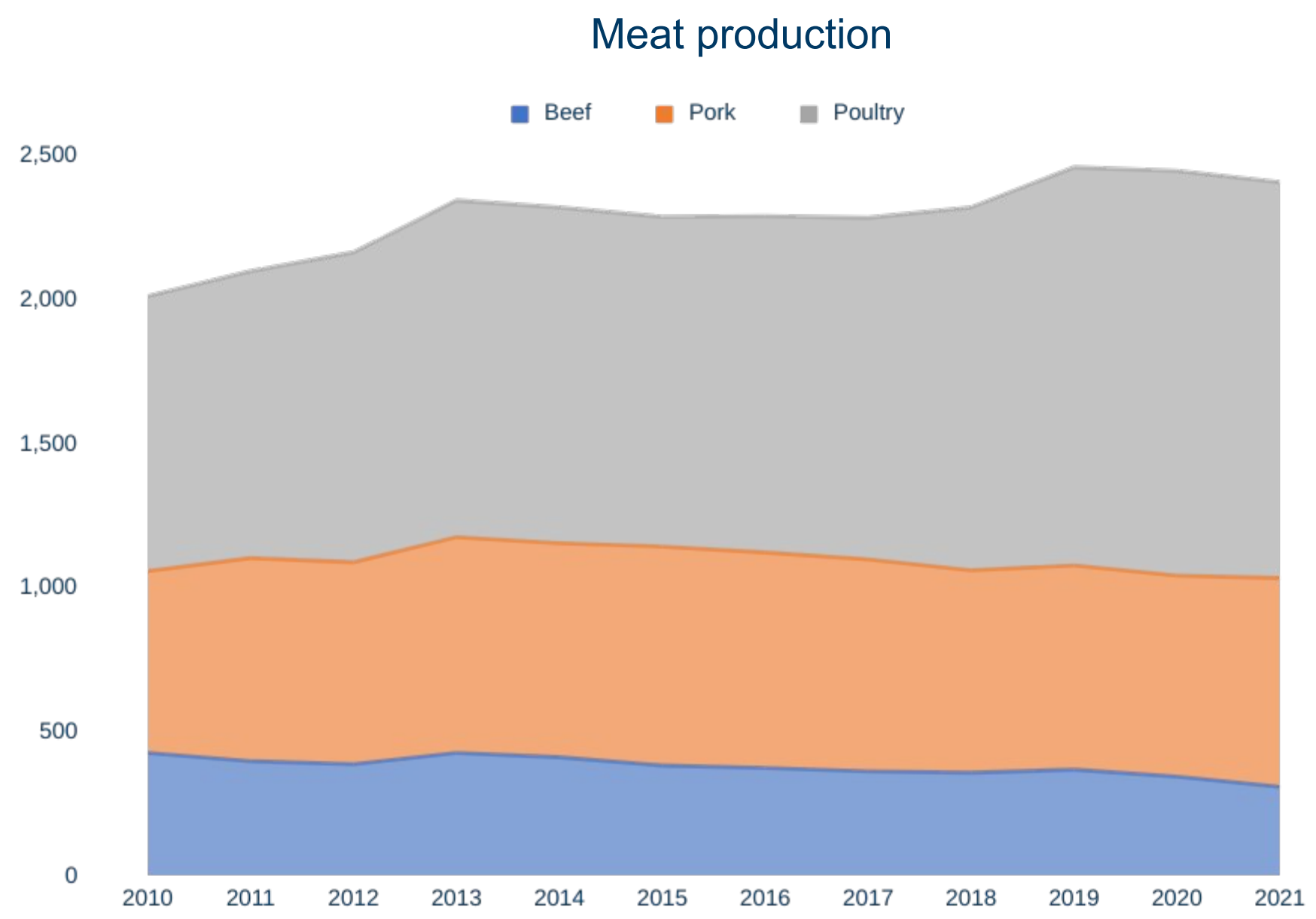
Source: Ukrstat



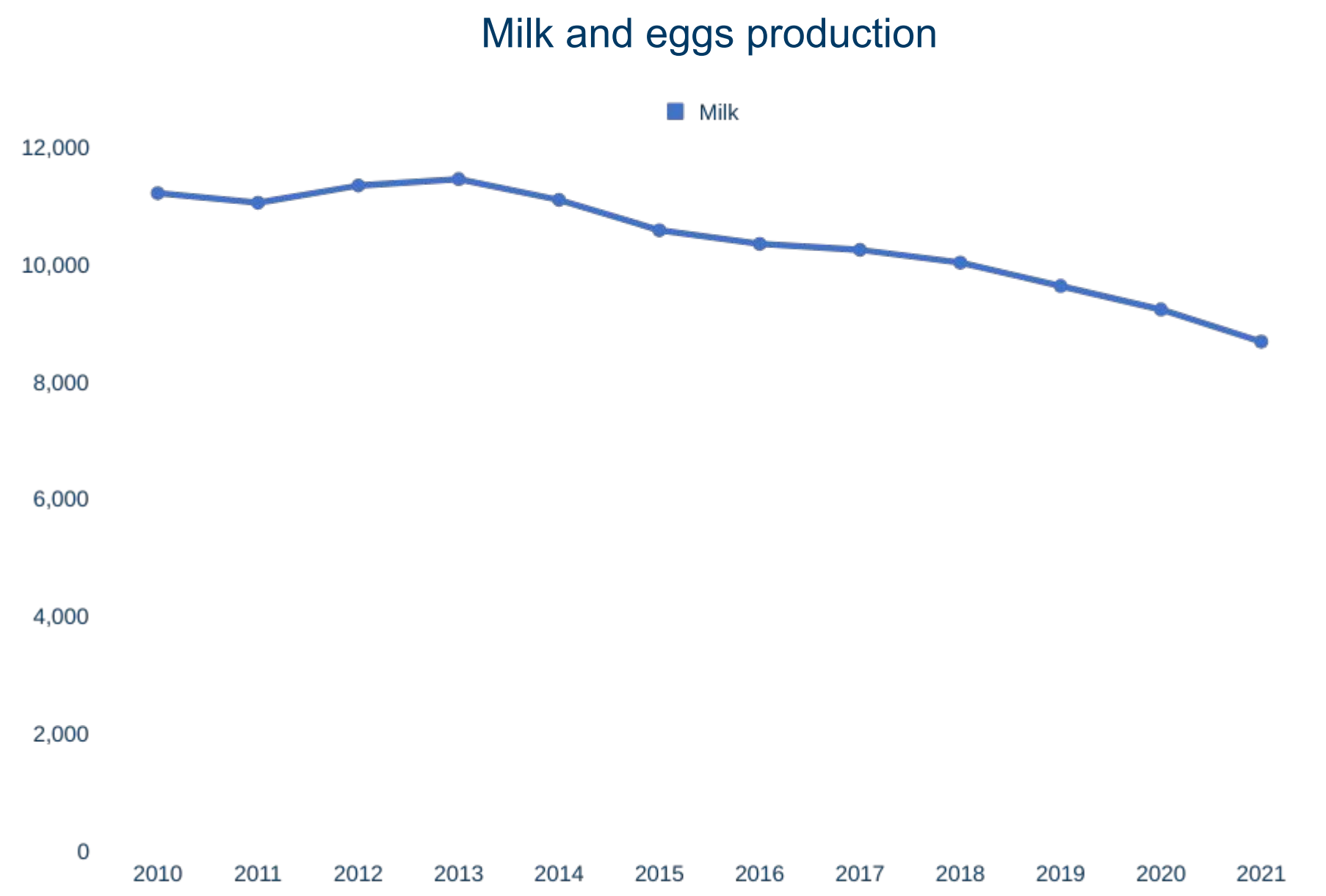
Source: Ukrstat

Livestock sector

- Livestock production is stable with stagnation of cattle sector.
- Stability of pork industry.
- Steady growth and consolidation in poultry production.



Source: Ukrstat



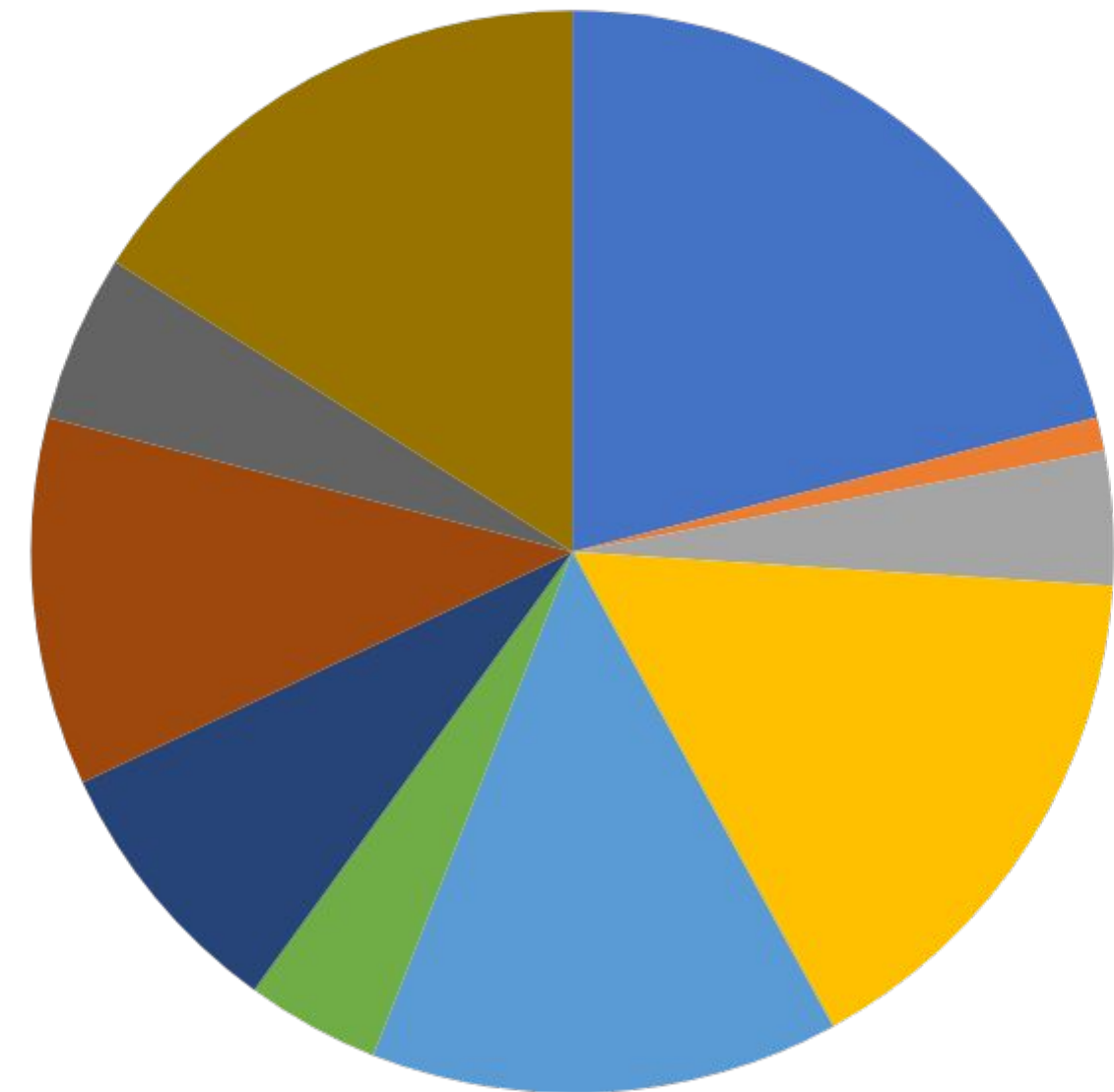
Source: Ukrstat

Food processing

- Ukraine's food processing industry takes around 4% of Gross Value Added.
- The main processed food products are animal products, vegetable oils, milk products, sugar products.

Revenues structure in food processing industry in 2020

■ Animal products ■ Fish products ■ Vegetable products
■ Oils and fats ■ Milk products ■ Flour products
■ Bakery products ■ Sugar products ■ Feeds
■ Beverages

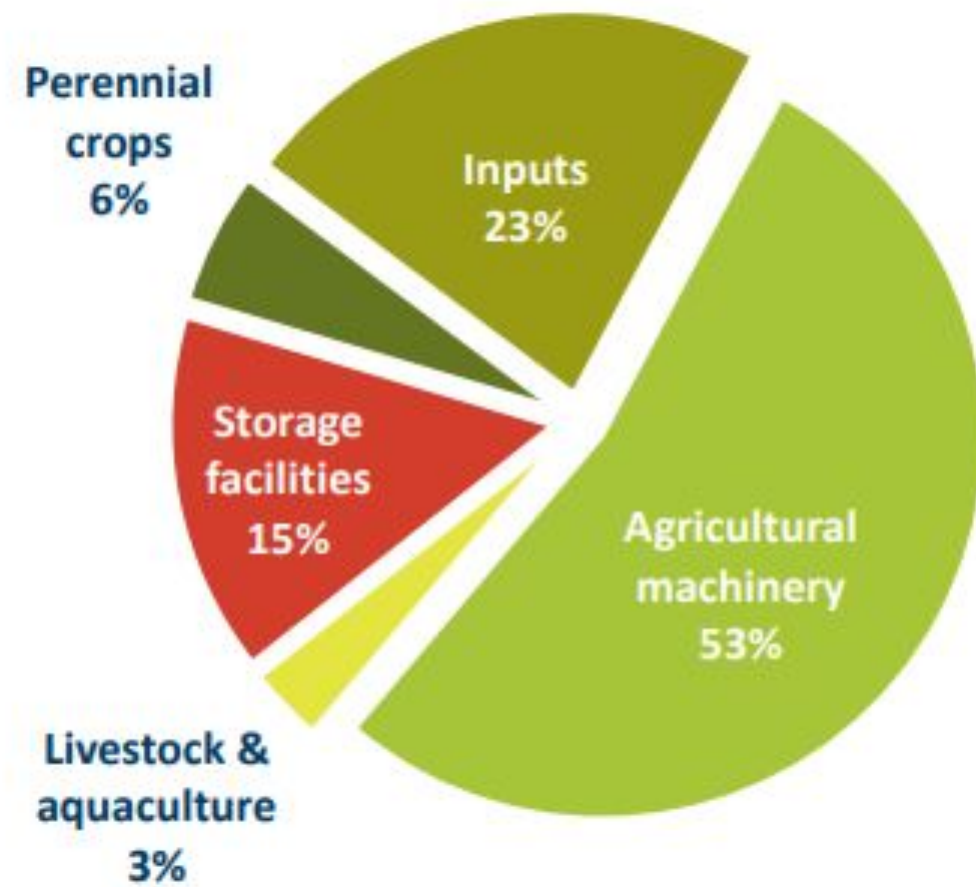


Source: Ukrstat

Effect of the war on agriculture

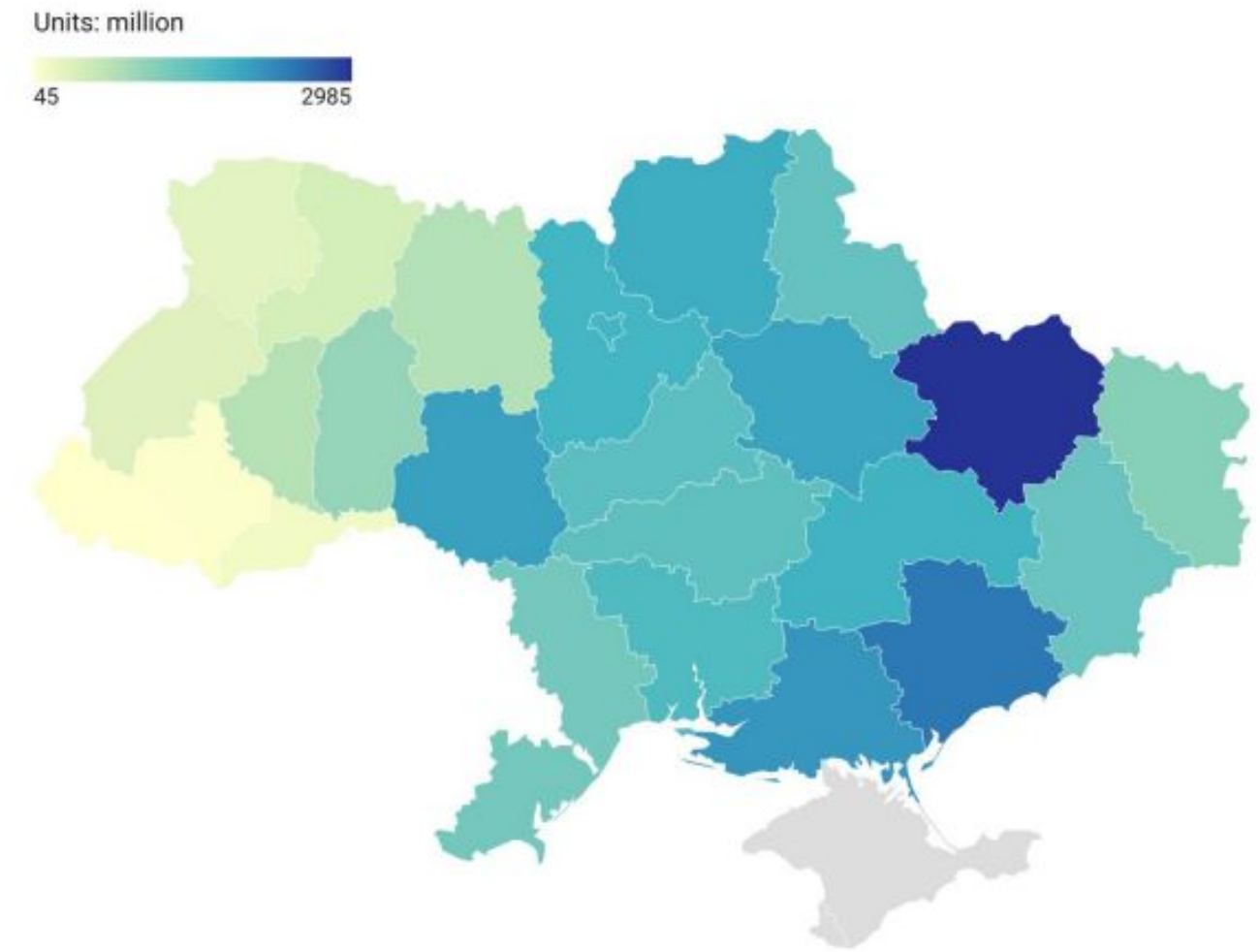
The full-scale Russian invasion led to essential direct damages to Ukrainian agriculture (\$8.7 billion). The main categories of these damages are machinery, inputs, and storage facilities.

The structure of agricultural war damages by category



Source: KSE Agrocenter

Regional distribution of losses to Ukrainian agriculture



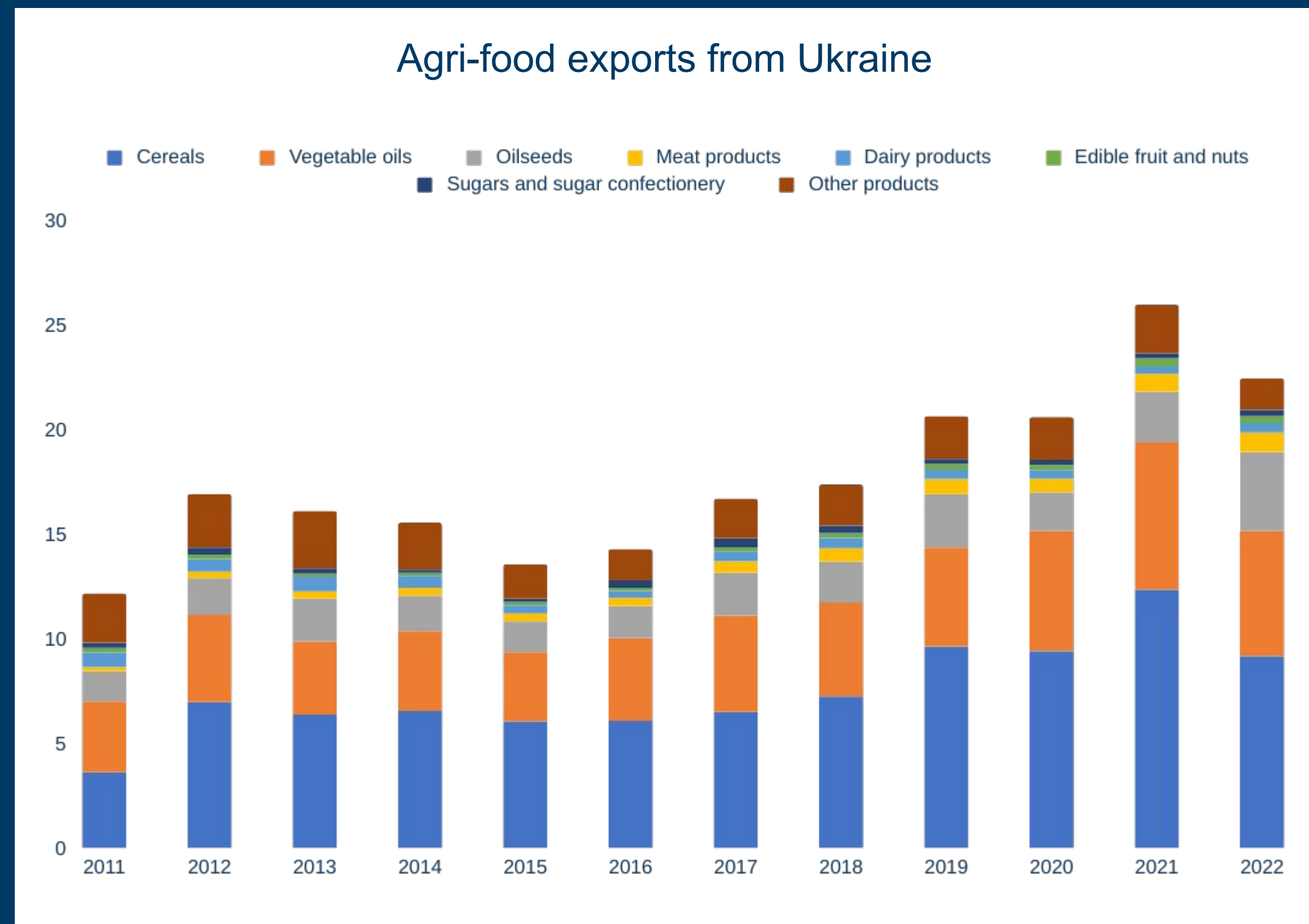
Source: KSE Agrocenter

The indirect losses are estimated at 31.5 billion. They include 1) crop losses due to lower production: \$14.3 billion; 2) Livestock losses due to lower production: \$1.7 billion; 3) Other losses: \$15.6 billion.

Agricultural exports

Ukraine is a global agricultural exporter.

In 2021, it took the 3rd place in corn exports, the 5th place in wheat exports, and 1st place in sunflower oil exports.

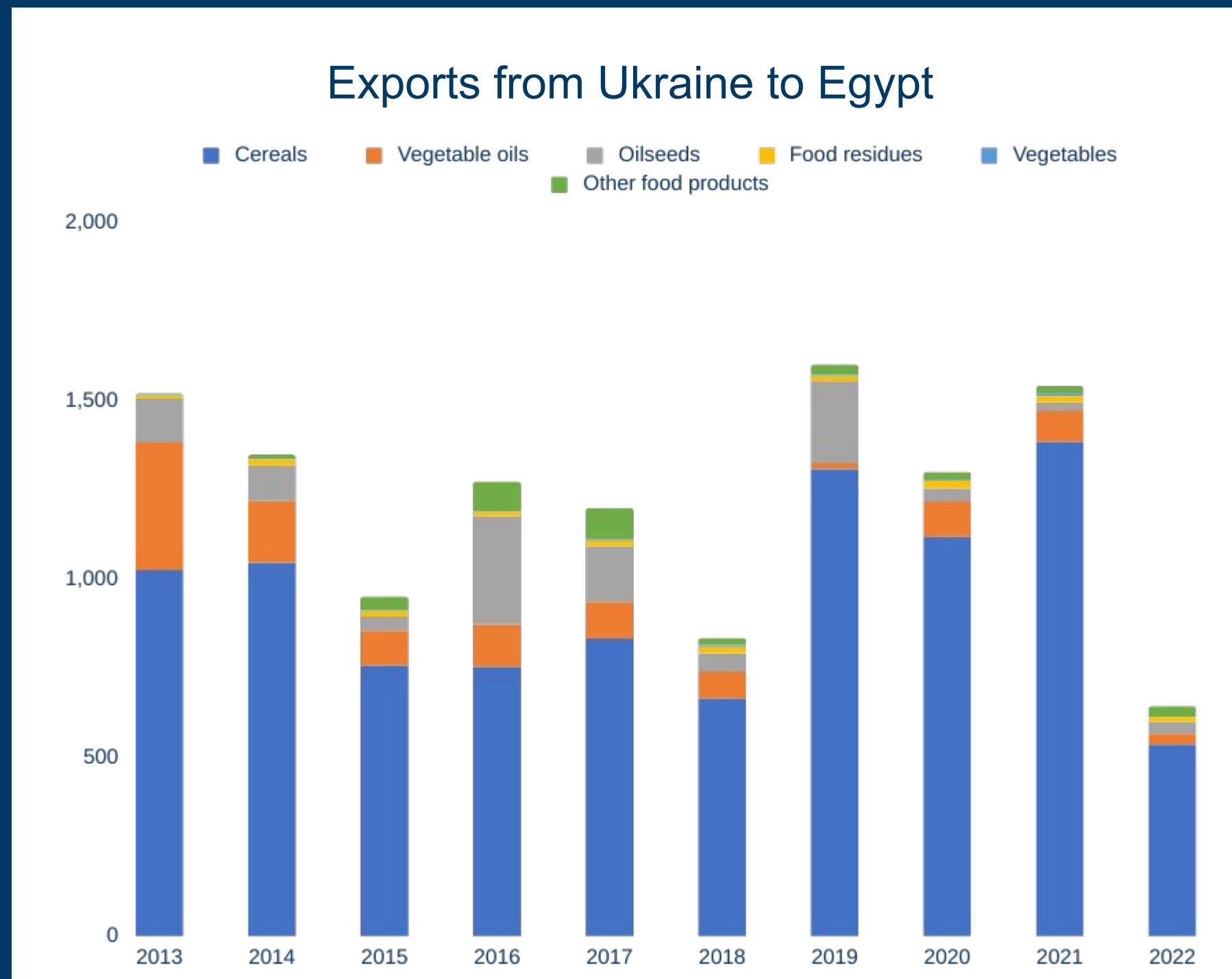


Source: ITC Trade Map

2. Agricultural trade between Ukraine and North Africa

Egypt

North Africa region, particularly Egypt, is one of the major destinations for Ukrainian agri-food exporters.



Source: ITC Trade Map

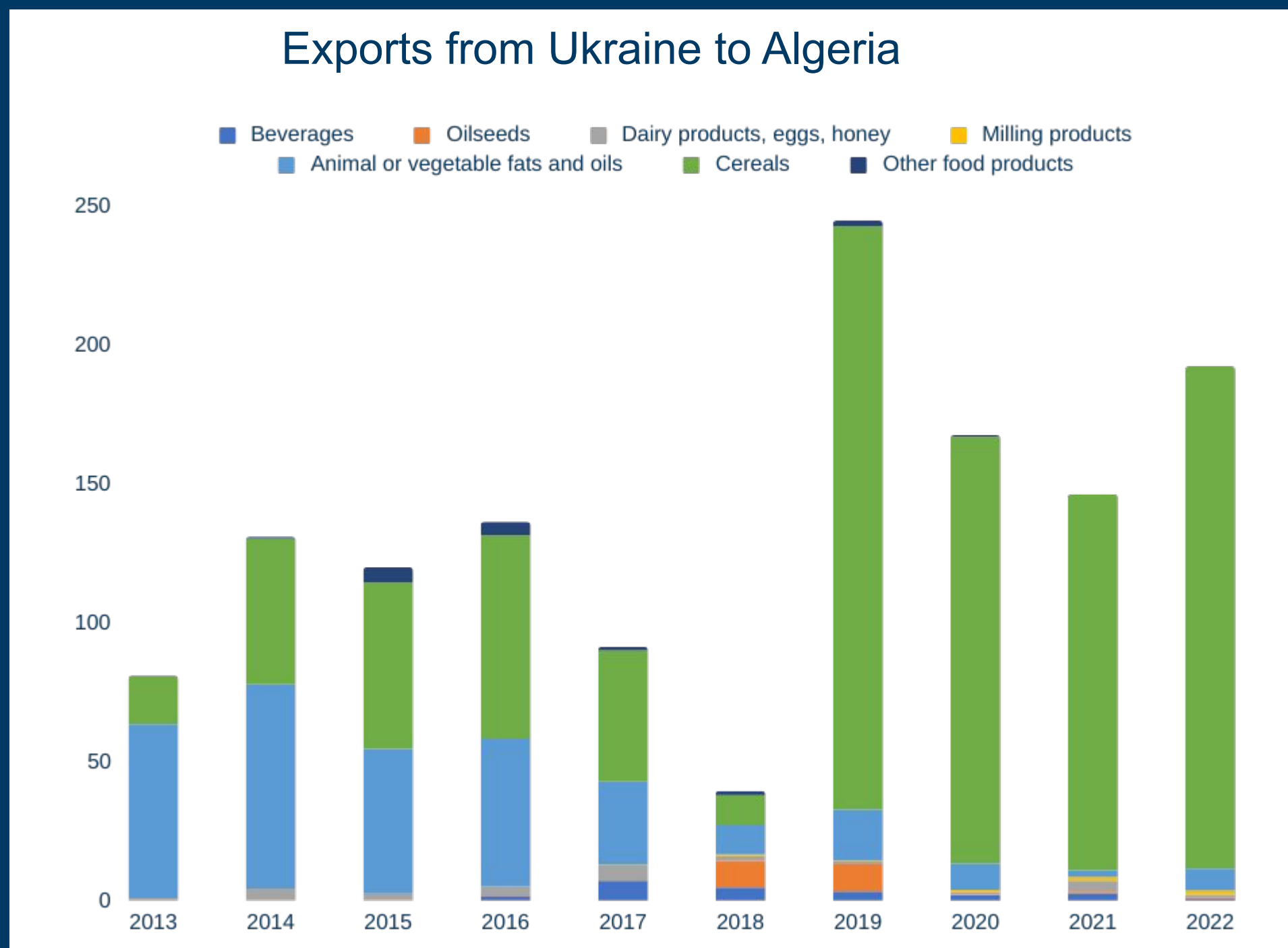


Source: ITC Trade Map

Agricultural trade between Ukraine and North Africa

Algeria

2. Agricultural trade between Ukraine and North Africa



Source: ITC Trade Map

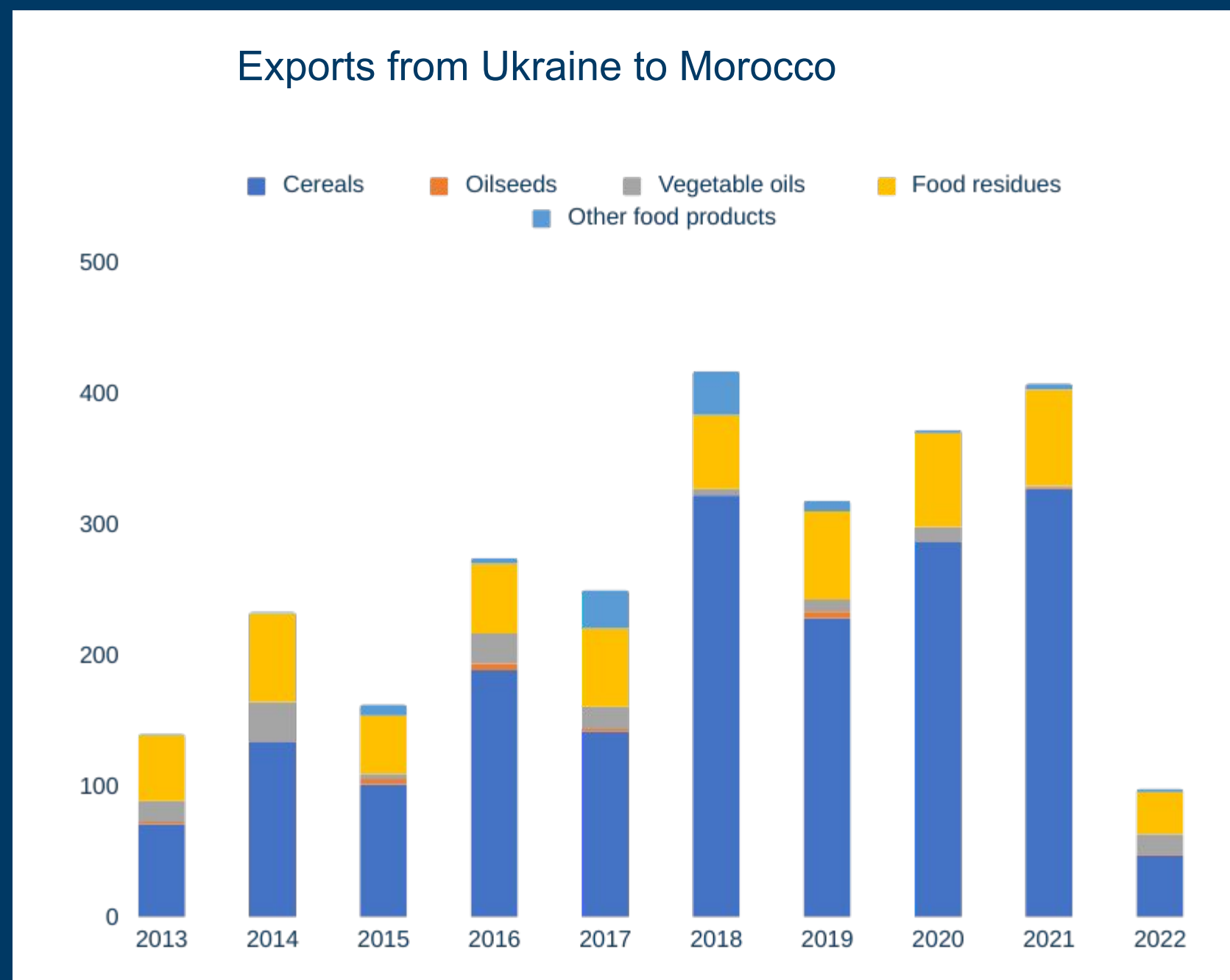
Food trade between Ukraine and Algeria is almost unilateral; Ukraine supplies cereals to the Algerian market.

Agricultural trade between Ukraine and North Africa

Morocco

Ukraine actively supplies cereals and food residues to Morocco and imports fish products from this country.

2. Agricultural trade between Ukraine and North Africa



Source: ITC Trade Map



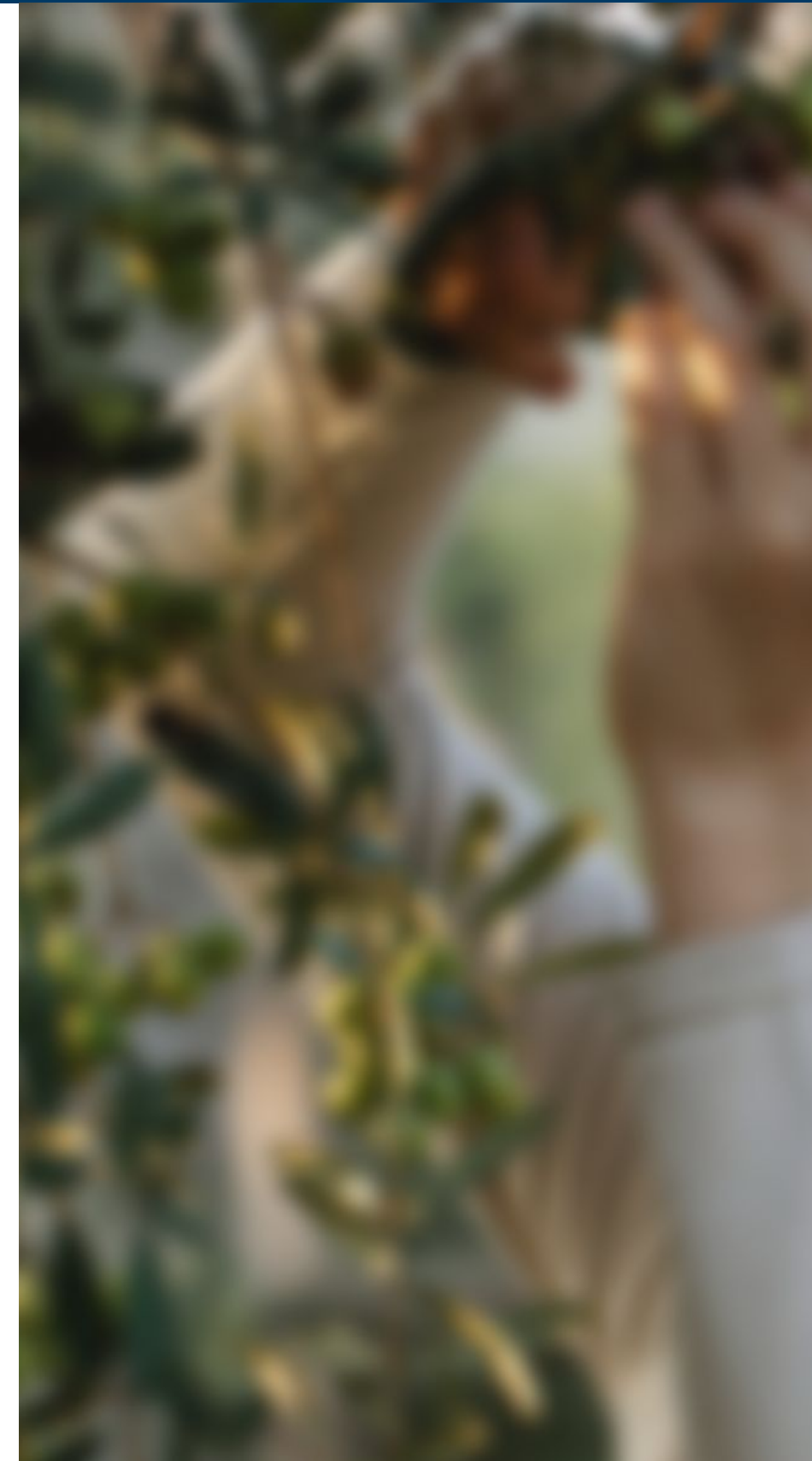
Source: ITC Trade Map

3. Strong sides of Ukraine's agricultural sector

1. Strong potential of agricultural production amidst the favorable natural conditions. Grains and oilseeds harvest can reach 150 mln. tons in the nearest decades.
2. Fast-growing sector of agricultural technologies (drones, machinery, systems of precise farming). According to DroneUA company, Ukraine's market of agricultural drones increased by 20% in 2022. It has the potential to 5-time increase in the first several years after the war end.
3. High competitiveness on the world market despite the moderate level of state support. Ukraine's wheat is one of the cheapest in the MENA region, corn is highly competitive on the EU and China markets, sunflower oil is delivered to India and China.
4. Synchronization with the EU quality and safety standards. For example, Ukraine continues to implement Farm to Fork Strategy aiming to make food systems fair, healthy and environmentally-friendly.
5. Institutional shifts are supported by modern informational tools. For example, State Agrarian Register and some services of State Geocadaastre are aligned with the EU directives on agricultural support.
6. Scientific base in some sectors is still strong despite the low level of state financing (crop selection, groundwater sources development). In particular, the National Academy of Agrarian Sciences of Ukraine has more a wide network of research enterprises, operating in different climate zones. At the moment, the

4. Cooperation options in agriculture

1. Liberalization of cereals and vegetable oils exports
 - Removal of non-tariff barriers (case of Egypt in 2016).
2. Pressurized/sprinkler irrigation equipment services
 - The Kakhovka dam tragedy highlights the urgent need for alternative and highly efficient irrigation systems in a region with limited water access and an arid climate.
 - Bilateral collaboration: a) may offer Ukraine access to North African expertise in addressing irrigation issues; b) will boost the local production for irrigation systems, part of which could be exported to North Africa.
3. Groundwater sources development
 - In 2022, Ukraine withdrew almost 5 billion cubic meters of water from natural sources, including 16% from underground reservoirs.
 - Ukrainian hydrogeologists and well drilling specialists are well-positioned to contribute their expertise in this field. Their competence could be shared



4. Liberalization of seeds export

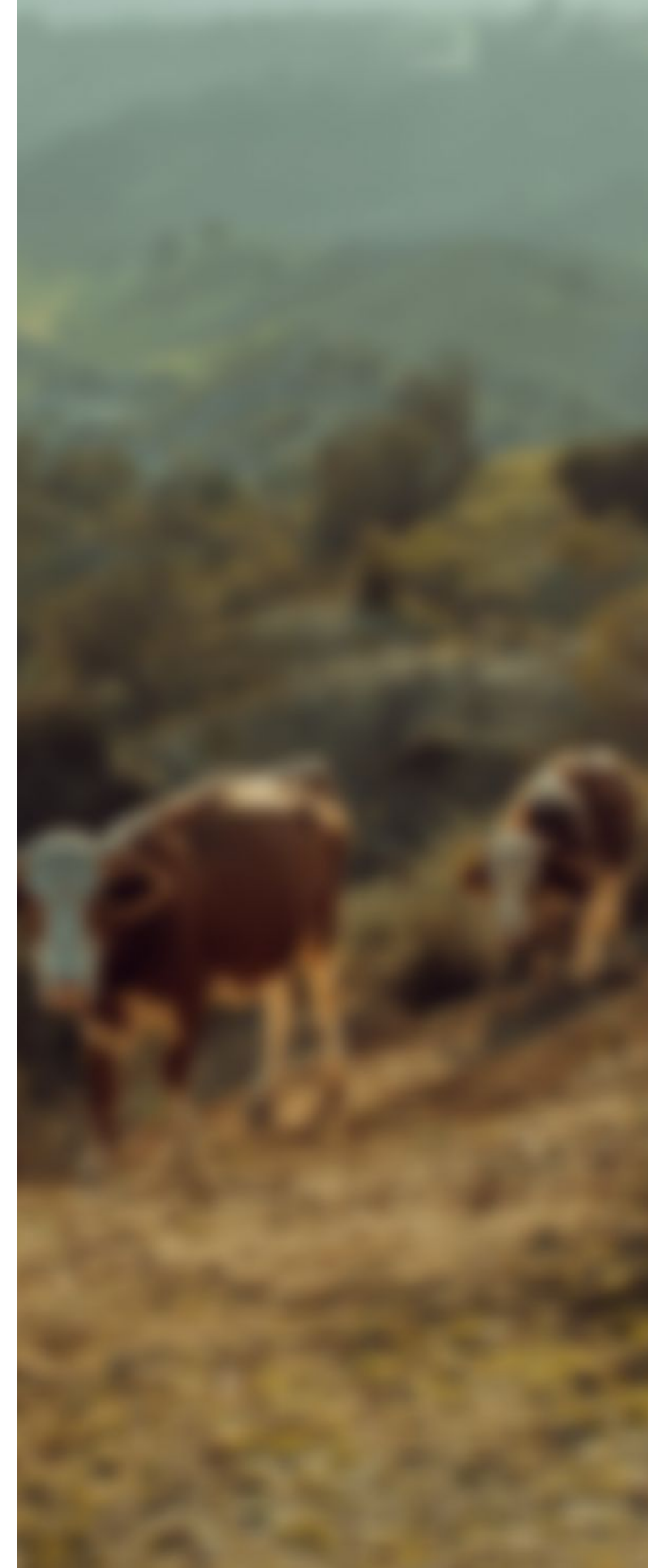
- In seeds and planting material category, highest demand is observed for cereals, potato, sugar beet, and vegetable seeds or planting material (according to UN Comtrade Database).
- Ukrainian producers could join the market on which they were previously not present.
- In Egypt, the only complication is the requirement of seeds certification by the Central Administration for Seed Production (CASP).

5. Synchronization of meat and dairy markets

- Ukrainian producers of mentioned commodities could fill the local markets (with the special focus on halal meat).

6. Land reclamation services

- The recent Kakhovka dam tragedy underscores the urgent need for the restoration and modernization of Ukraine's land reclamation system using contemporary technologies.
- A promising avenue for collaboration lies in the development of land reclamation systems, presenting a potential for cooperation between North



7. Extension services and education

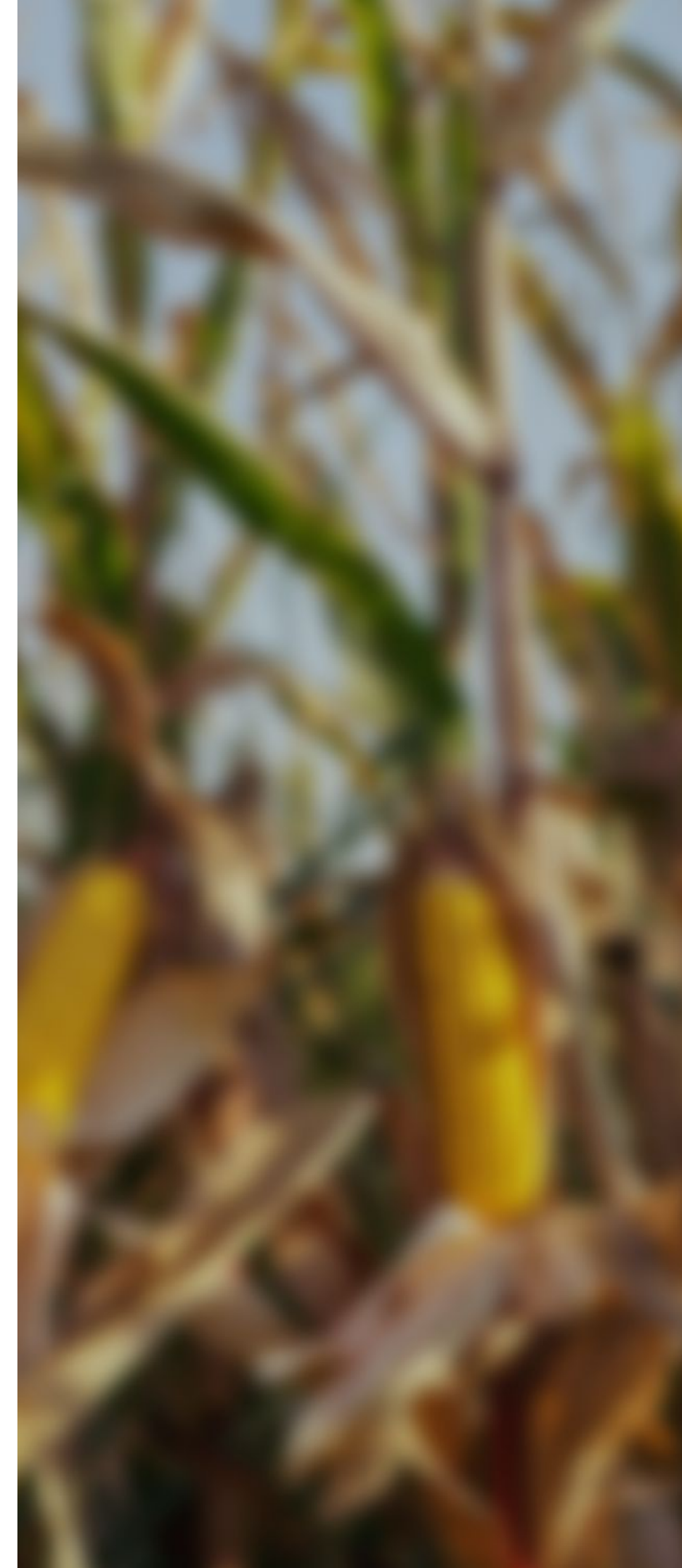
- In Ukraine, approximately 20 extension services are presently operational, mainly financed by international organizations, with modest financial backing from central and local governments.
- Agricultural extension services are underdeveloped in North Africa, with the high presence of government ownership. This gap could be filled by the Ukrainian specialists.

8. Specialized nutritious foods export to Egypt

- The export of specialized nutritious foods such as Fortified Blended Foods (FBFs) and Ready-to-Use Foods (RUFs) presents a promising opportunity for current and new Ukrainian producers.
- There is an opportunity to actively participate as suppliers in programs such as WFP's food aid initiative, UNICEF's campaign to prevent malnutrition among children, and similar programs when available.

9. Agronomy services for wheat and corn producers in Egypt

- The experience and knowledge of Ukrainian agronomists and agricultural service companies could be harnessed by Egyptian farmers to enhance



5. Challenges for cooperation

1. Further war escalation in Ukraine

Drop of production; export collapse; replacing Ukrainian origin on the main destination; worsening investment climate in Ukrainian agriculture.

2. Political instability in the Middle East and Africa regions

Continuation of conflict in Israel and Palestine; inflow of refugees to North African states; political tensions in Sudan and Ethiopia.

3. Focusing on trade

Short-term market relations which are not matched with long-term goals.

4. Inconsistent macroeconomic and food policy in North African countries

Macroeconomic instability; overregulation's of food markets; government monopoly; excessive and pro-cyclical support; farmers' lobby; short-term governmental programs

6. Summary

1. Common climate-related challenges create strong background for cooperation related to irrigation and sustainable land use.
2. A set of investment projects could be targeted to the North Africa destinations (e.g. halal meat plants).
3. Bilateral trade allows North Africa countries to diversify partners and decrease their dependence on Russia wheat.
4. Re-export of Ukrainian goods by North Africa countries within African Continental Free Trade Area (AfCFTA) will integrate markets of Ukraine and landlocked African countries.
5. The reciprocal technology transfer will boost the agricultural productivity in both Ukraine and North Africa region.

Thank you for your attention!