

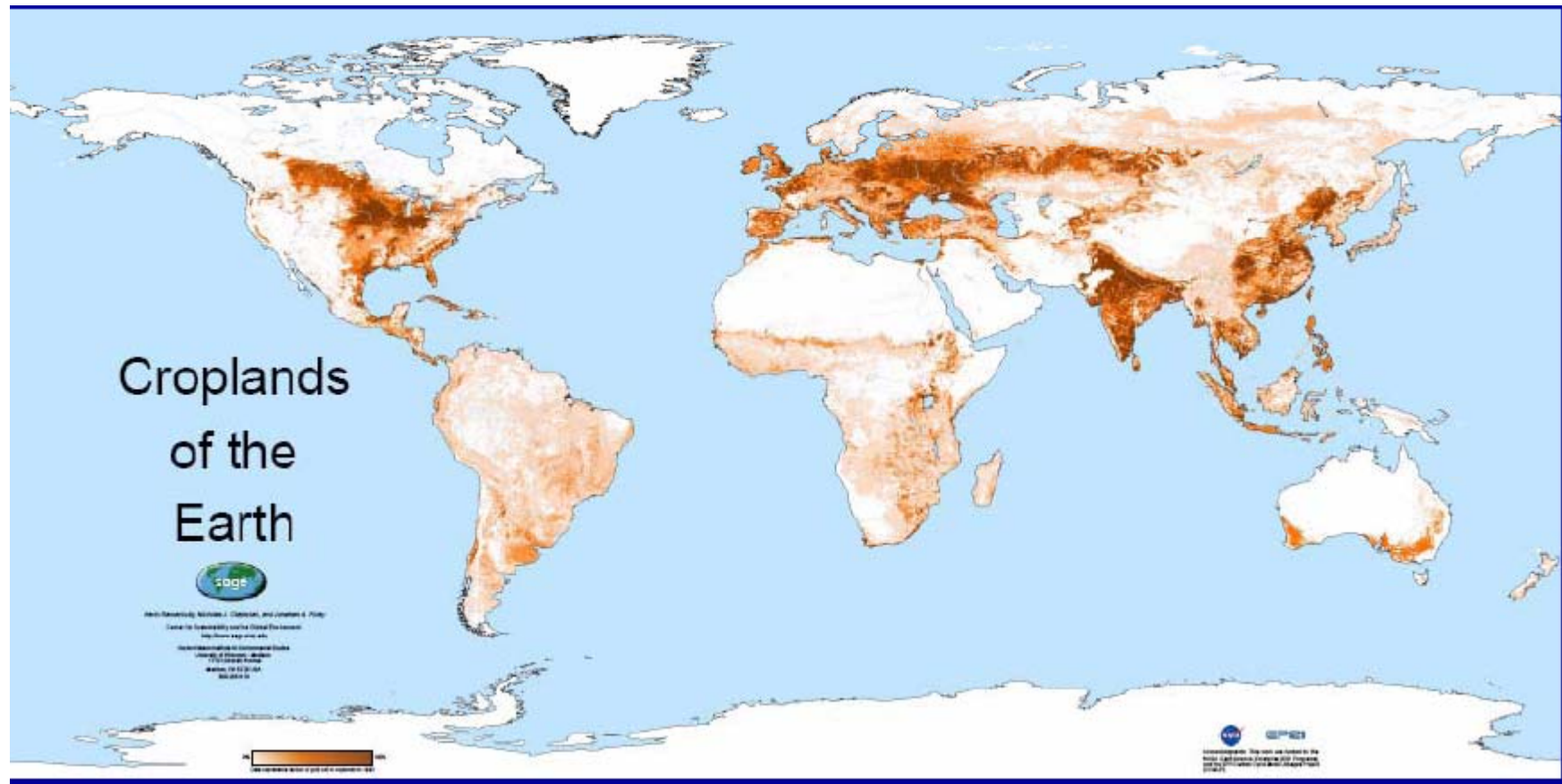


## **UKRAINIAN AGRIBUSINESS CLUB**

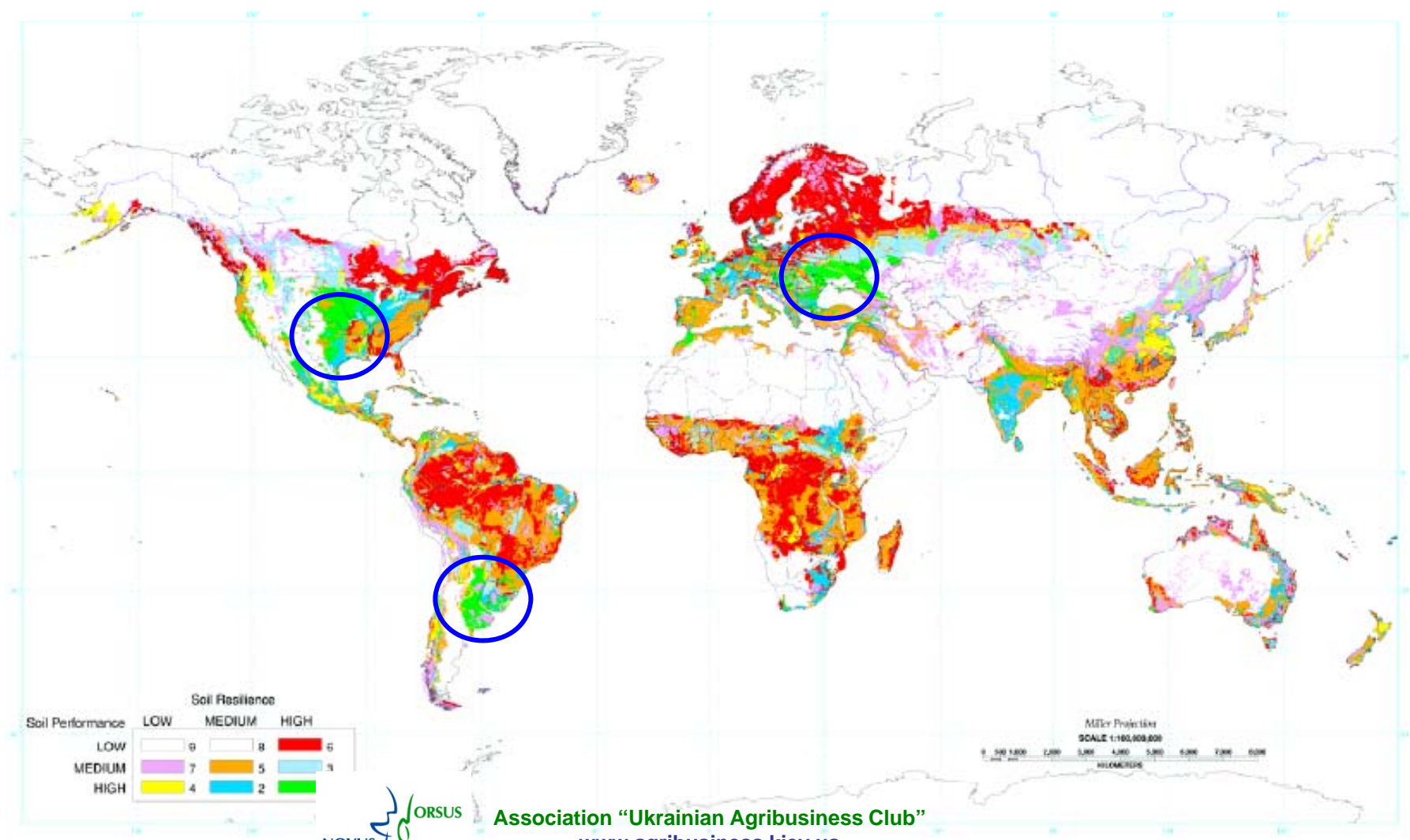
### **The emergence of large scale agricultural production in Ukraine: Lessons and perspectives**

Dr. Alex Lissitsa

# Croplands of the Earth

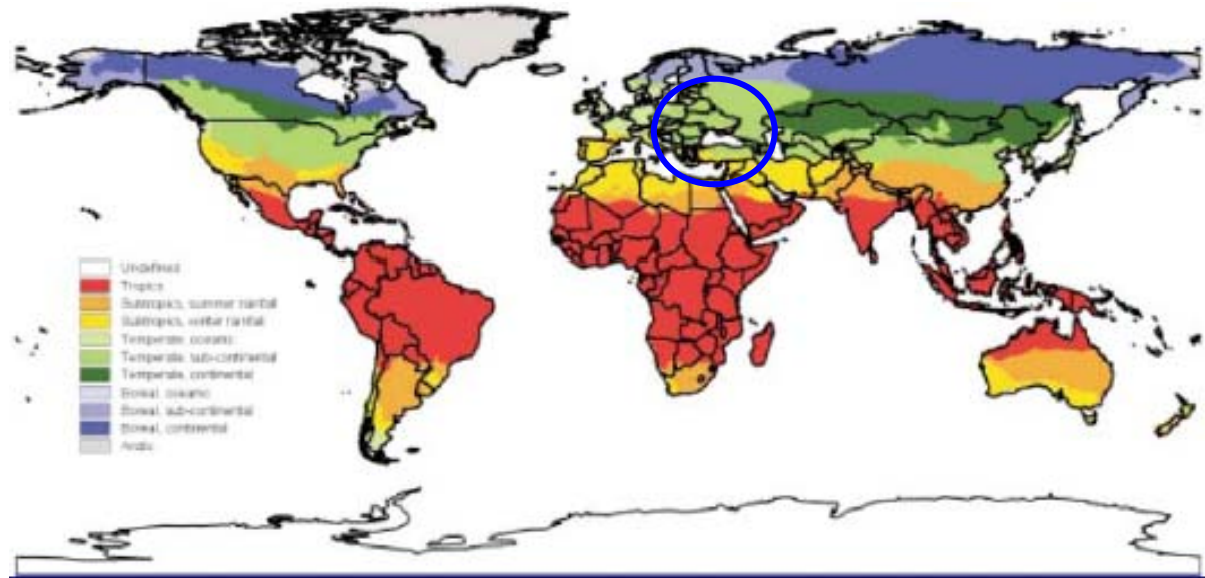


# Soil Performance and Soil Resistance

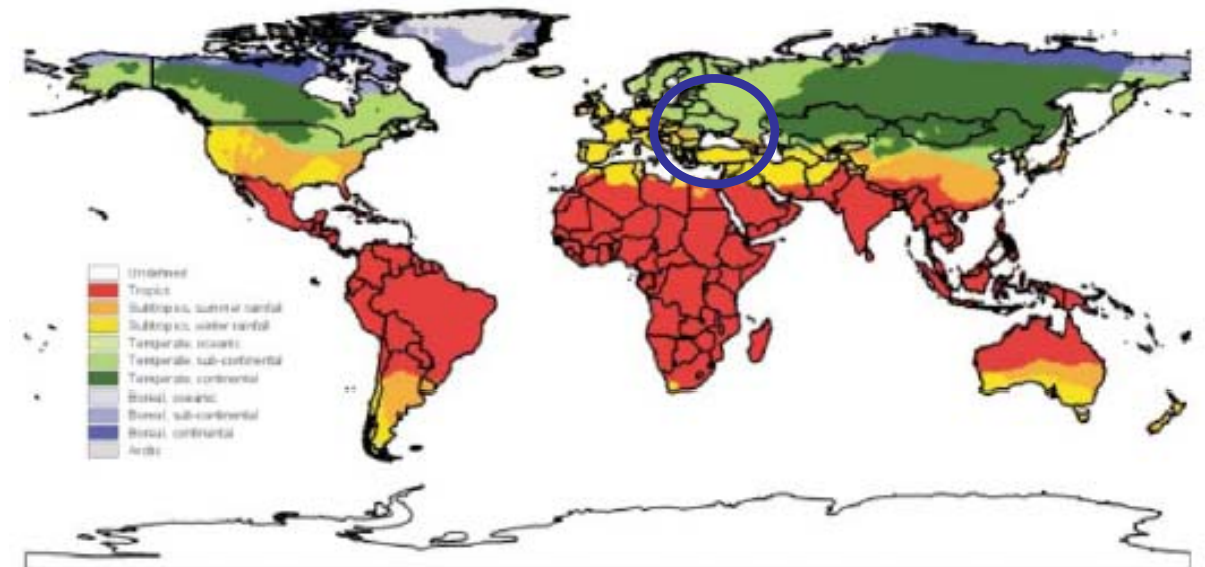


# Climat Change

2007

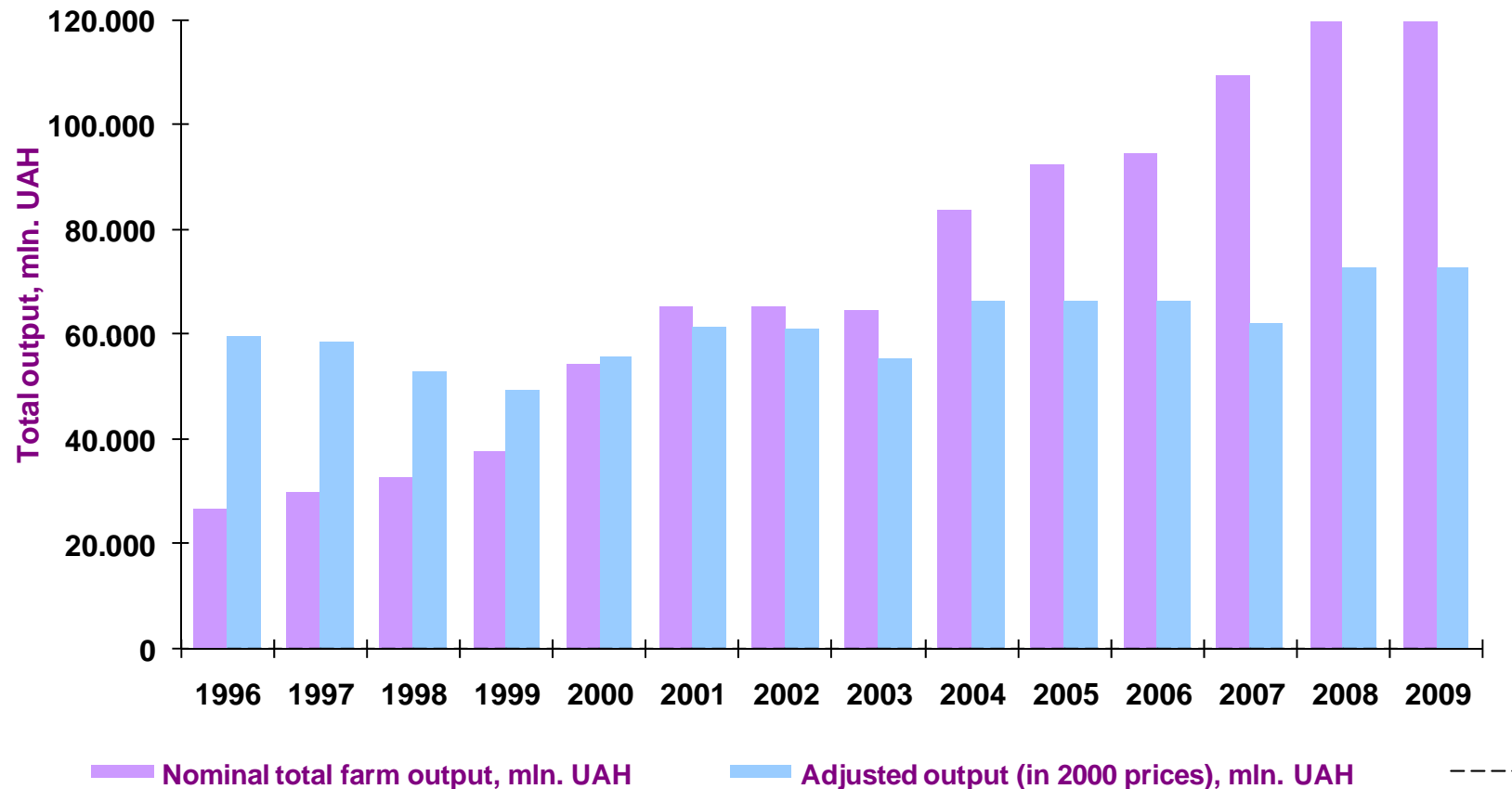


2020-2025



# Agricultural Production in Ukraine

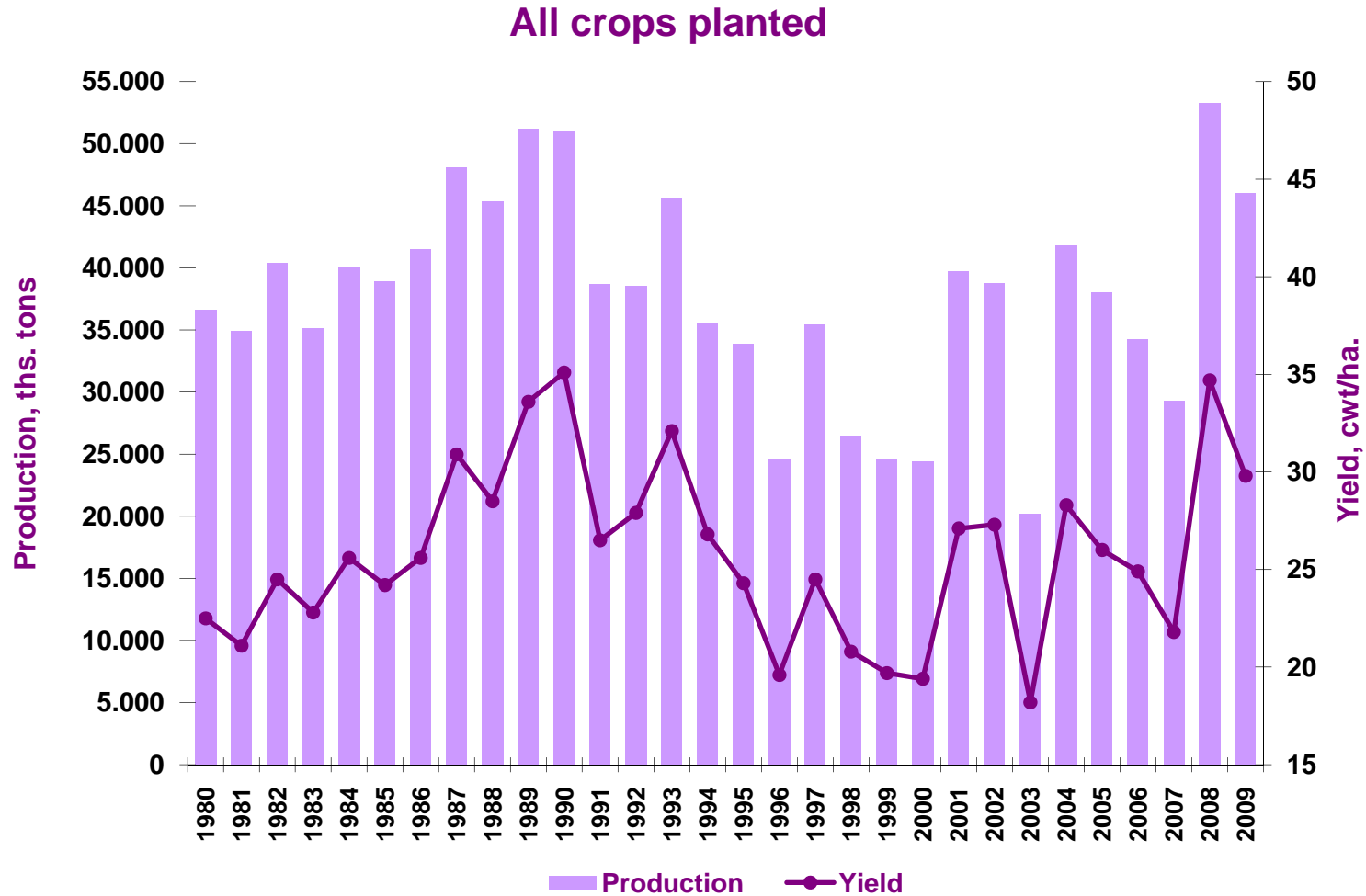
## Gross Agricultural Output and Growth Rates, 1996 - 2009



Association "Ukrainian Agribusiness Club"  
[www.agribusiness.kiev.ua](http://www.agribusiness.kiev.ua)

Source: State Statistics  
Committee and own  
calculations

# Grains Production in Ukraine

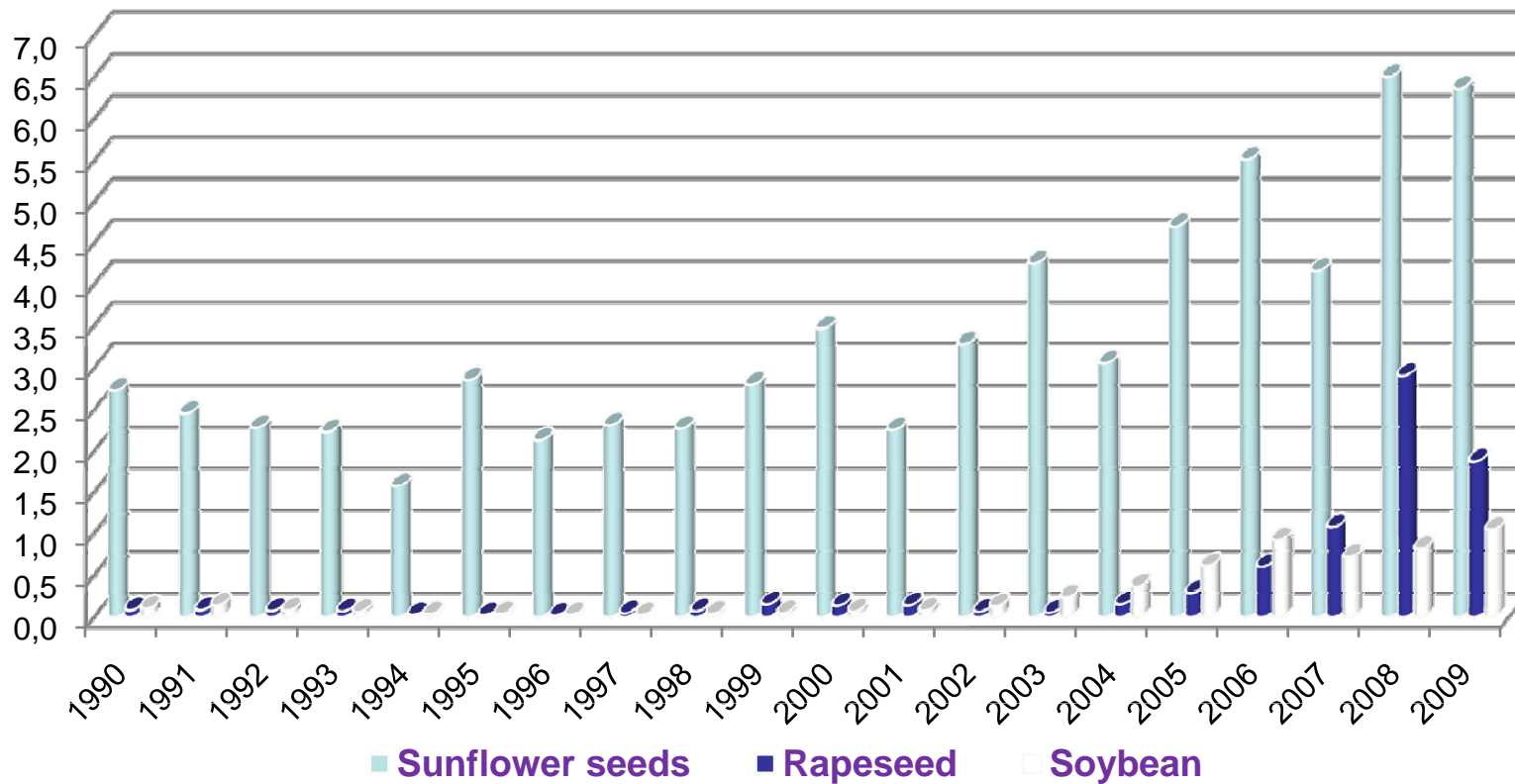


Association "Ukrainian Agribusiness Club"  
[www.agribusiness.kiev.ua](http://www.agribusiness.kiev.ua)

Source: State Statistics Committee and own calculations

# Oilseed Production in Ukraine

Oilseeds production in 1990 - 2009, mln. tons



Source: State Statistics  
Committee and own  
calculations



Association "Ukrainian Agribusiness Club"  
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# Milk and Meat Production in Ukraine

Milk and meat production



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Source: State Statistics Committee and own calculations

# Main crops production, m. t.

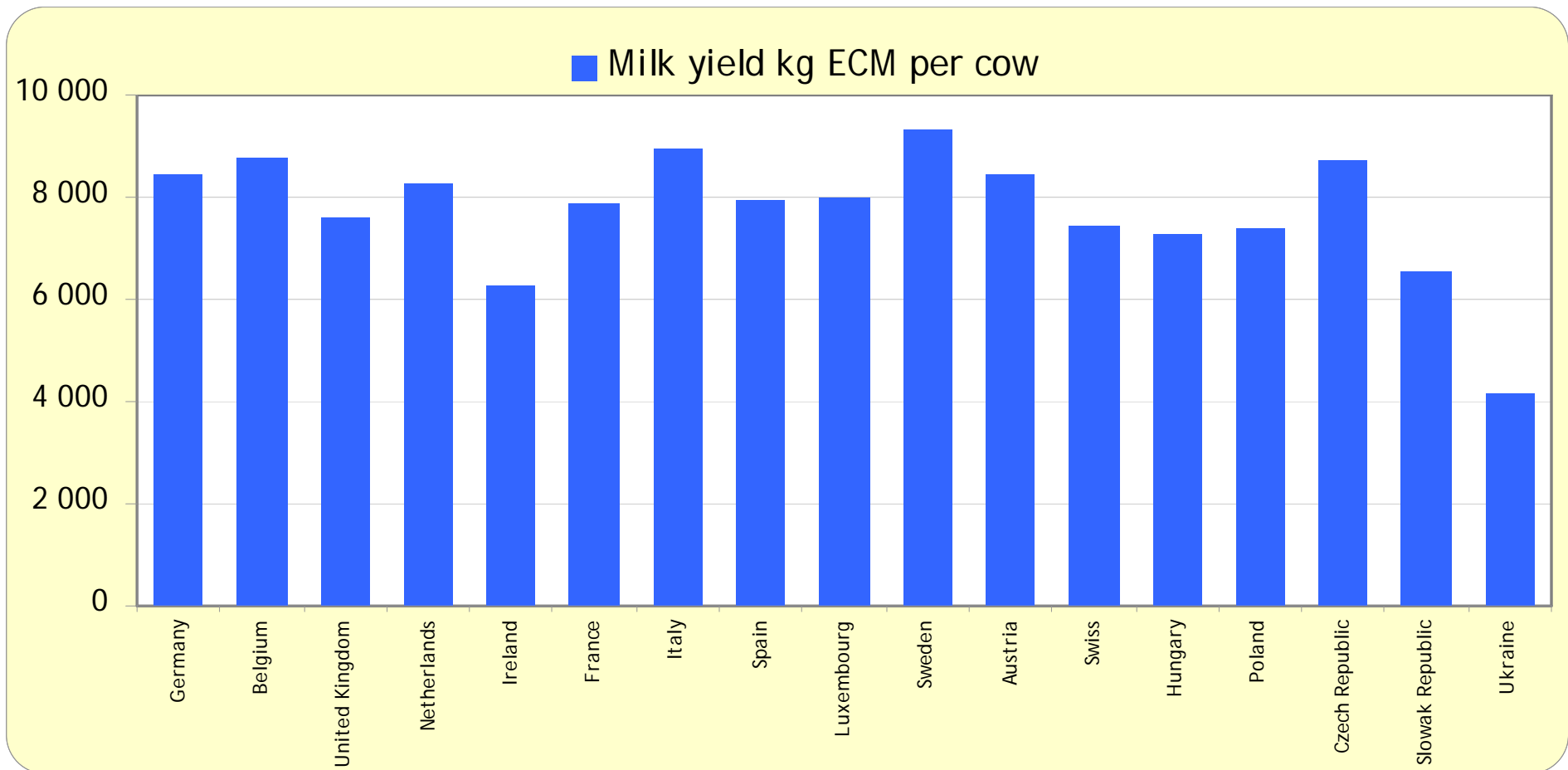
	2006/07	2007/08	2008/09	2009/10
Wheat	<b>14.0</b>	<b>13.9</b>	<b>25.9</b>	<b>18.0</b>
Barley	<b>11.4</b>	<b>6.0</b>	<b>12.6</b>	<b>9.5</b>
Corn	<b>6.4</b>	<b>7.4</b>	<b>11.4</b>	<b>9.5</b>
Sunflower seed	<b>5.3</b>	<b>4.2</b>	<b>6.5</b>	<b>5.6</b>
Rapeseed	<b>0.6</b>	<b>1.1</b>	<b>2.9</b>	<b>1.9</b>

# Yields, t/ha

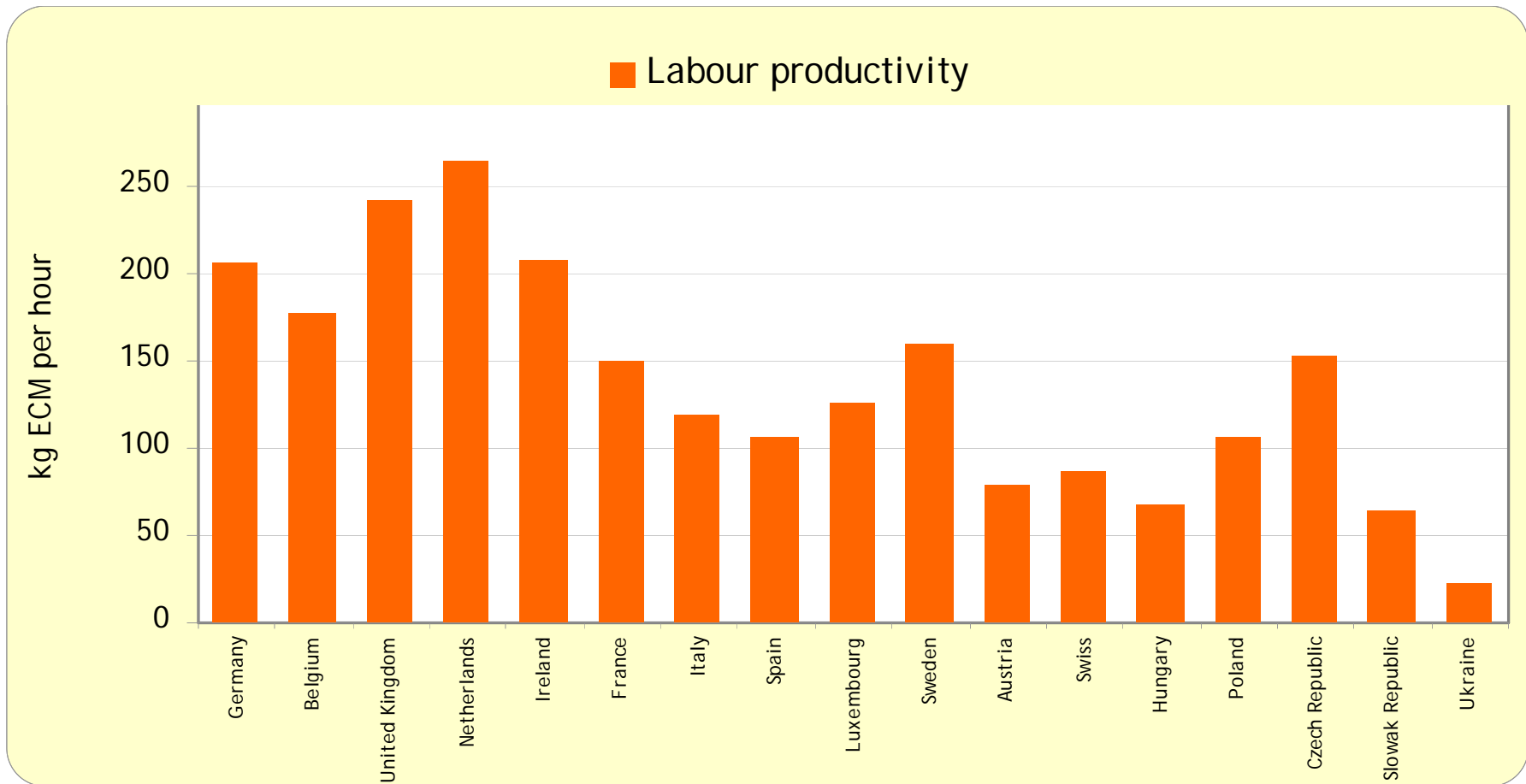
	Ukraine	W. Europe	USA/Can.
Wheat	3.0	7.0	2.5 – 3.0
Barley	2.5	6.0	2.5 – 3.0
Corn	4.2	8.5	10.5
Sunflower seed	1.5	3.0	–
Rapeseed	1.8	3.5	1.5 – 2.0

We have favorable natural conditions, but the technological gap reduces our production 2-3 times

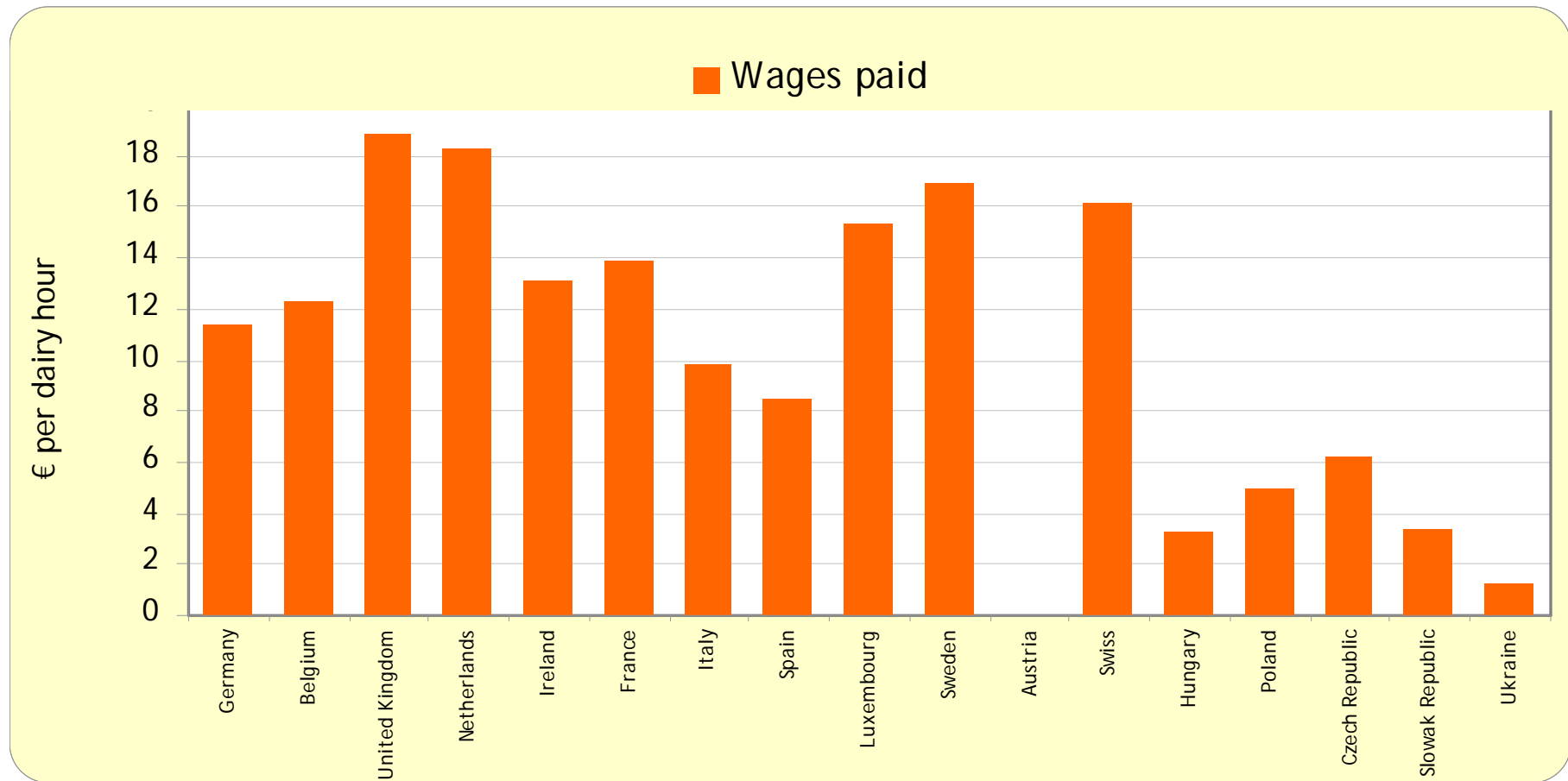
# Milk Yields kg/cow in 2008



# Labour Productivity (kg per hour)



# Wages paid in € per hour



# Exports position of Ukraine, m. t.

	2006/07	2007/08	2008/09	2009/10*
Wheat	3.4 (7)	1.2 (12)	12.5 (5)	5.0 (6)
Barley	5.1 (1)	1.0 (5)	6.3 (1)	4.5 (1)
Corn	1.0 (7)	2.1 (6)	5.2 (4)	3.0 (4)
Sunflower seed	0.3 (1)	0.1 (6)	0.6 (1)	0.4 (1)
Rapeseed	0.5 (2)	0.9 (2)	2.6 (2)	1.6 (2)

# Foreign Trade and Investments

	Foreign trade within agro-products					
	2004	2005	2006	2007	2008	2009
	In million USD					
<b>Exports</b>	<b>3 473</b>	<b>4 307</b>	<b>4 713</b>	<b>6 248</b>	<b>10 836</b>	<b>9 493</b>
<b>Imports</b>	<b>1 908</b>	<b>2 684</b>	<b>3 166</b>	<b>4 111</b>	<b>6 457</b>	<b>4 937</b>
<b>Balance</b>	<b>1 565</b>	<b>1 623</b>	<b>1 547</b>	<b>2 137</b>	<b>4 279</b>	<b>4 556</b>

	Direct Investments in Ukrainian agriculture, mio. USD				
	2004	2005	2006	2007	2008
<b>Foreign investments</b>	<b>224</b>	<b>310</b>	<b>404,3</b>	<b>557,3</b>	<b>803,2</b>
<b>Investments into assets</b>	<b>634</b>	<b>980</b>	<b>1 447,30</b>	<b>1 849,10</b>	<b>3 378,00</b>

# Structural Change in Agriculture of Ukraine

	2005	2006	2007	2008	% '08 to '07
<b>Arable farms</b>					
Number of Farms	8 366	7 460	8 243	8 986	<b>9,0%</b>
Arable lands, mln ha	16,3	15,6	16,7	18,2	<b>9,0%</b>
Average size of farm, ha	1943	2085	2028	2021	<b>-0,3%</b>
<b>Cattle farms</b>					
Number of Farms	5 689	4 777	4 183	3 694	<b>-11,7%</b>
Number of cattle, mln	1,63	1,50	1,32	1,16	<b>-12,1%</b>
Average cattle farm	287	314	317	314	<b>-0,9%</b>
<b>Pork farms</b>					
Number of farms	5 108	4 610	4 406	4 036	<b>-8,4%</b>
number of porks, mln	1,63	2,03	2,25	1,97	<b>-12,4%</b>
Average size of pork farm	319	441	512	489	<b>-4,5%</b>
<b>Poultry farms</b>					
Number of farms	595	554	444	459	<b>3,4%</b>
Number of chicken, mln	46	67	65	85	<b>30,8%</b>
Average size of chicken farm, mln	77	120	146	185	<b>26,7%</b>

# Agricultural Sector Developments in Ukraine

**Year 2007:** 25 agriholdings control over 2,5-3,0 mln. ha of farmland

In addition 75-80 “smaller” agricultural producers operate 1,5-2,0 mln. ha of farmland

**Year 2008:** About 40 agriholdings cultivate more than 4,0-4,5 mln. ha of farmland

The next 90-100 agricultural enterprises operate 2,2-2,5 mln. ha of farmland

Year 2010: About 85 agriholdings cultivate more than 6,0 mln. ha of farmland

The next 200-300 agricultural enterprises operate 3,5-4,0 mln. ha of farmland

# These ~150 largest agricultural operators produce about:

- 40% of wheat
- 60% of corn
- 55% of sunflower seed
- 85% of sunflower oil
- 80% of rapeseed
- 40% of total meat output
- 20% of milk

# Some largest Ukrainian land operators, ha

	2007	2008	2010 Estimation
Myronivski Kliboproduct (Poultry, Beef, Fruits, Cash Crops)	140 000	220 000	260 000
Ukrainian Agrarian Investments (Cash Crops, Rapeseed)	140 000	250 000	150 000
Illich Metallurgical Plant (Cash Crops)	238 000	240 000	240 000
Astarta Kiev (Sugar, Cash Crops)	110 000	150 000	180 000
Industrial Milk Company (Dairy, Cash Crops, Vegetables)	86 000	42 000	42 000
Kernel Group (Sunflower oil, Cash Crops)	70 000	150 000	100 000
UkrRos (Sugar, Cash Crops)	75 000	120 000	110 000
“Shakhtar” (Cash Crops)	100 000	100 000	105 000
Landkom Ukraine (Cash Crops)	54 000	120 000	50 000

Source: questionnaire conducted by UCAB

# Motivation of Agriholdings establishing

- Preferential terms of agricultural enterprises taxation
- Increasing of crop production profitability
- Comparatively low expenses of land accumulation
- Expectation of farmland market introduction in the nearest future
- Necessity of reliable supply of processing branches with agricultural raw materials
- Better access to the financial resources

# Farmland Market in Ukraine

- Land market is banned by Moratorium which is being prolonged each year
- Land market implementation needs to laws “On land market” and “Land cadastre” to be passed
- All agriholdings lease land from private persons for 5 to 49 years
- Current maximum land-plot-size owned by one person limited at 100 ha

# Market Capitalisation of Ukrianian Agricultural Companies

20.01.2009

company	% listed	at	,000 ha	cap \$mm	\$/ha
<b>Astarta</b>	20	Warsaw	160	57.50	<b>468</b>
<b>MHP S. A.</b>	19.4	LSE	100	764.18	<b>7,642</b>
<b>Landkom</b>	54.9	LSE AIM	115	22.00	<b>249</b>
<b>Kernel</b>	41	Warsaw	150	330.43	<b>2,203</b>
<b>Agricole</b>	24.4	Frankfurt	91	17.20	<b>246</b>
<b>Land West</b>	20	Frankfurt	184	28.75	<b>204</b>
<b>Dakor</b>	24	Kiev	113	35.63	<b>315</b>
<b>Mriya</b>	20	Frankfurt	140	127.50	<b>1,187</b>

Source: Bloomberg, DAX, PFTS

**1383,19 \$**



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# Market Capitalization of leading Ukrainian agricultural companies

23.01.2010

10.04.2010

Name of the company	Company Description	Stock Exchange	Market Capitalization (in 1000)	Market Cap (Millions)
Astarta Holding NV	Company, through its subsidiaries, produces and sells sugar made of sugar beet, sugar byproducts, grain crops, meat, and milk.	Warsaw	370.587 USD (1,075.000 PLN)	533.680 USD (1,520.000 PLN)
Agroton Public Ltd.	The Company operates in crop farming, livestock, food processing and food production. Agroton Public Ltd. also operates elevator storage facilities.	Frankfurt	161.655 USD (114.400 EUR)	171.562 USD (127.200 EUR)
Kernel Holding SA	Kernel Holding SA produces, refines, and markets sunflower oils, and exports grain.	Warsaw	1.040.310 USD (3,017.730 PLN)	1.328.650 USD (3,784.192 PLN)
MHP SA	MHP SA is a holding company of subsidiaries engaged in various agricultural businesses in Ukraine especially in chicken production.	London	1,240.400 (USD)	1,484.144 USD
Mriya Agro Holding	The Company cultivates agricultural commodities such as wheat, corn, rapeseed, sugarbeets, buckwheat, potatoes and others crops in parts of the Ukraine.	Frankfurt	390.361 USD (276.250 EUR)	637.710 USD (472.812 EUR)
MCB Agricole Holding AG	The Company leases arable land in Ukraine and grows rapeseed, barley, sunflowers, corn, and rye.	Frankfurt	72.914 USD (51.600 EUR)	56.836,7 USD (42.140 EUR)
Dakor Agro Holding	The Company raises and processes sugar beets, sugar and sugar by-products, in addition to other agricultural activities and raising livestock.	Frankfurt	47.390,1 USD (33.537 EUR)	61.657,2 USD (45.714 EUR)
Sintal Agriculture Ltd	The Company grows wheat, corn, sunflowers, barley, sugar beets, buckwheat, soybeans, peas and other crops in Ukraine.	Frankfurt	111.716 USD (79.059 EUR)	139.954 USD (103.765 EUR)
UkrRos	The Company is a vertically integrated holding company which operates sugar refineries, produces grain crops, sugar by-products	Kiev	24.111 USD 196.531 (UAH)	66.128,6 USD (531.165 UAH)
Creativ Industrial Group	Creativ Industrial Group produces refined deodorized oil, modified fats, hard and soft margarine, and mayonnaise.	Berlin	66.482,1 USD 47.048 (EUR)	110.598 USD (82.000 EUR)
AgroGeneration	Agrogeneration produces agricultural raw materials. The Company focuses on the re-cultivation and restructuring of farms. Agrogeneration conducts operations in Ukraine.	Paris	N/A	N/A

3,52 mlrd \$

5,1 mlrd \$



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# Summary

- **Ukrainian Agricultural Sector has shown in last 3-5 years very stable development**
- **Problems are Lack of human capital, insufficient food quality and safety and low efficiency and productivity**
- **No alternative to industrialized agriculture**
- **Agriholdings will dominate in Ukrainian agribusiness in next decade**



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