



ukrainian agribusiness club

Challenges and potential of further sustainable development of medium and large agricultural enterprises in Ukraine

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Role of medium and large enterprises in the production and export of agricultural products

	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

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

Role of medium and large enterprises in the production and export of agricultural products

Medium-sized agricultural enterprises:

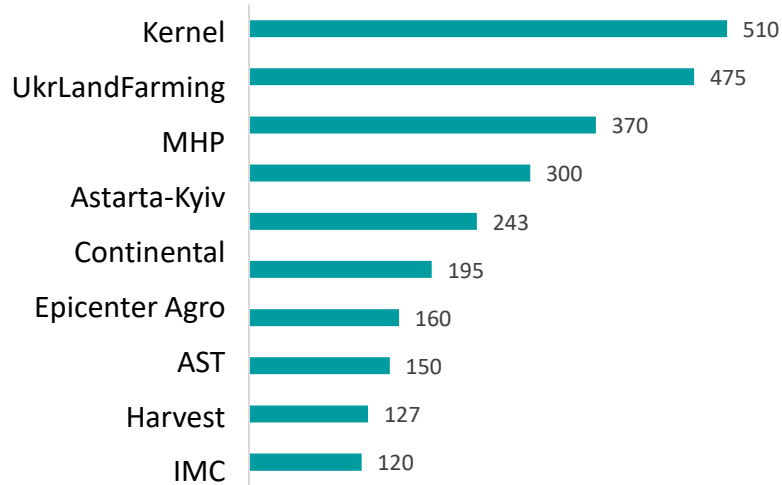
- from 1,000 to 10,000 hectares
- Usually not divided into clusters
- one or two closely located regions of Ukraine
- access to financing and bank lending depends on the financial performance of companies
- both export and domestic market oriented
- most companies have one material and technical base with a park of equipment, tanks for storing fuel and lubricants and premises for other resources, etc.
- may have silos (with a capacity of 10,000 tons), dairy farms, and orchards.

	Number of enterprises		Production volume (gross harvest)		Yield, c/ha
	Units	in % to the total amount	thous. t	in % to the total harvest	
All enterprises	32 403	100	69 689	100	59,3
up to 1 thous ha	29 319	90	24 365	35	50,2
1-2 thous ha	1 938	6	15 567	22	57,9
2-3 thous ha	604	2	8 978	13	61,5
more than 3 thous ha	542	2	20 778	30	70,4

Source: State Statistics Service Of Ukraine

Role of medium and large enterprises in the production and export of agricultural products

The largest agricultural holdings of Ukraine and their land banks, thousand ha



Source: online media Latifundust

Agricultural holdings:

- 10,000 hectares, divided into clusters, in several regions of Ukraine
- managing company with appropriate management - a board, directors by areas, and respective departments
- clusters can have independent divisions with own management, agronomists, engineers, specialists in the field of precision agriculture, equipment park, according to the land bank.
- elevators, livestock farms, processing plants, feed mills, orchards, etc. are in the structure of the holding
- export-oriented crop production through own trade structures, traders or direct deliveries abroad

Aim – to identify the ability of agricultural enterprises of Ukraine to meet such principles of sustainable development, especially in the context of post-war reconstruction and the European integration course of Ukraine.

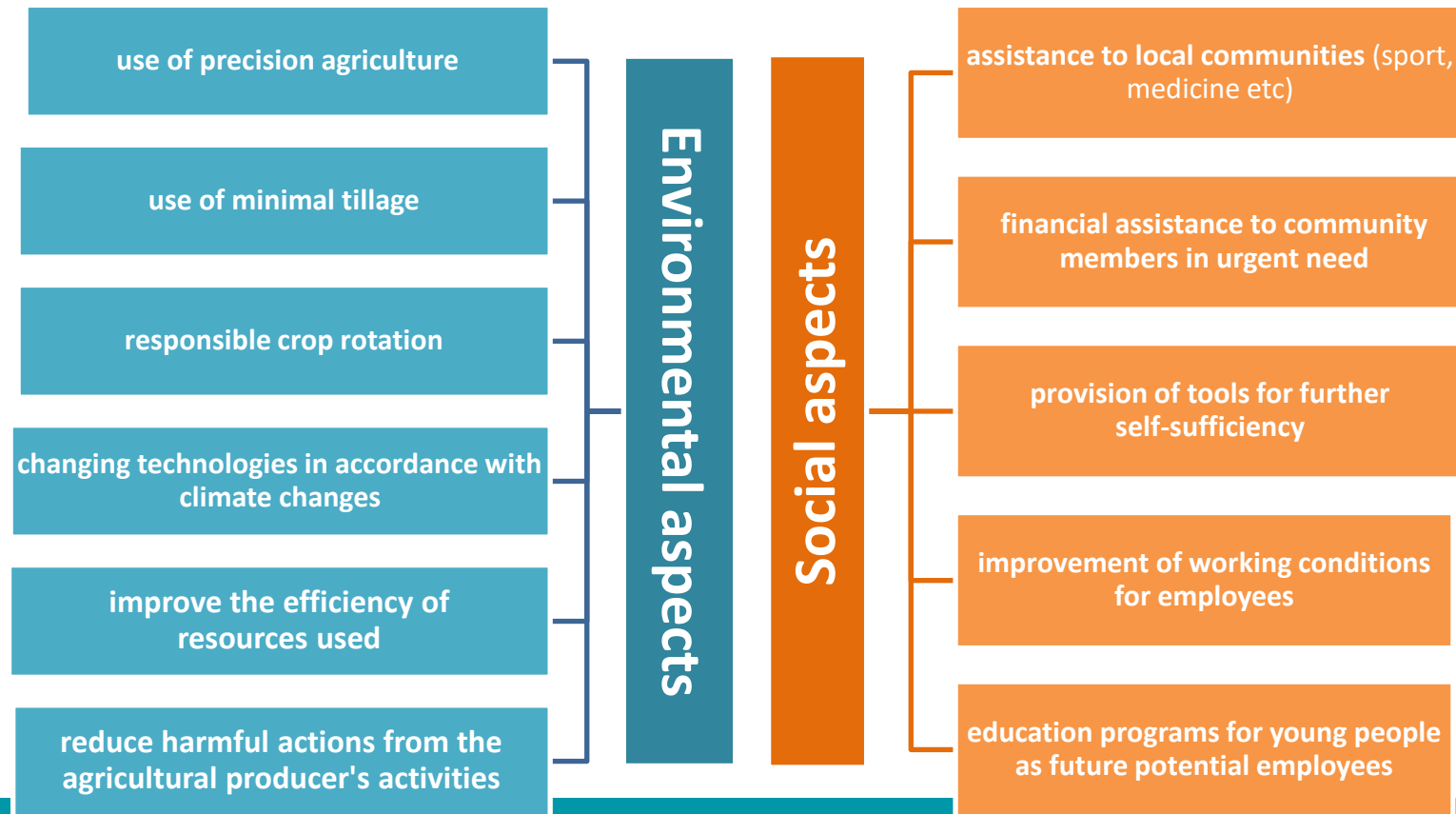
Methodology

- Representatives of large and medium-sized Ukrainian agricultural holdings and resource companies that provide agricultural enterprises with means of production participated in the study.
- Representatives of these companies are responsible for sustainable development.
- During the in-depth interview, they were asked to assess the implementation of the principles of sustainable development before and during the war, as well as the challenges and potential of further implementation of the principles of sustainable development, especially against the background of further integration into the EU.
- The interview was conducted online for at least 30 minutes.

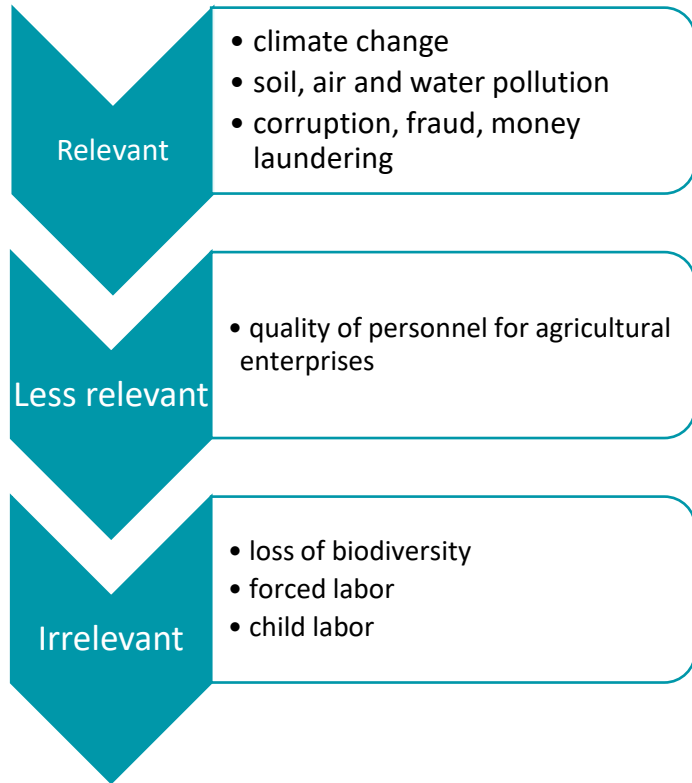
Agricultural companies are aware of the sustainability problems and state that it is agricultural enterprises that are most concerned about the introduction of the principles of sustainable development.

- *"First, we have a long-term production cycle and lease contracts. We are all interested in working on this land year after year. It doesn't matter if it's a small farmer or a fairly large producer."*
- *"Great emphasis is placed on the **development of communities and increase of the wages of workers.**"*
- *"Ten years ago, few people were worried about this issue. **With the development of the industry, the principles of sustainable development reach another level and companies pay more attention to it.** 10 years ago, the development of agriculture was extensive, now it is more intensive."*

Implementation of the principles of sustainable development before the war



Problems of sustainable development in Ukraine



- **Climatic changes** force agricultural producers to change their technological processes and crop rotations.
- **Soil, air and water pollution**: mining of territories and the presence of hazardous remnants, partly – due to the use of pesticides. Water availability, especially in the south of Ukraine. Air pollution - small emission of greenhouse gases.
- **Corruption, fraud, money laundering**. This problem is negatively affecting the country's development. An example: the shadow agricultural market in Ukraine that operates without paying the appropriate taxes.
- **Quality of personnel**: quality of personnel is slowly increasing due to trainings for farming enterprises.
- **Bad working conditions**. According to respondents, Ukraine has already passed this stage.

During the war, the contribution to sustainable development slowed down:

- the issue of financial survival of producers came to the fore;
- companies began to pay less attention to technologies,
- more attention is paid to their employees, shareholders and local communities, as well as to the support of the the country and its defense.



- Due to lack of finances, companies decrease production intensity: less fertilizers, plant protection products.
- This will lead to less production for this year and most likely it will require some years to go back to record year 2021.
- **In 2021 Ukraine produced 100 mln t of crops, in 2022 – 80 mln t, in 2023 will probably produce 60 mln t.**
- *“The agricultural sector is now focused on economic survival. It's like Maslow's pyramid, now the priority is the level of physical security so that the business can survive. And issues of sustainable development are still more at the top of Maslow's pyramid, where less energy is spent now”*

Driving forces and obstacles of investment and sustainable development initiatives

Main driving forces:

- participation in supply chains of global companies
- the need to attract additional foreign capital

Reputational risks

- Works for both global and local levels

Market risks

- Impossibility of selling products in the event of non-compliance with the standards of sustainable development

Regulatory risks

- The impact of the country's regulatory policy on sustainable development is difficult to assess. A large number of norms can lead to their ignoring, or stimulate their observance.

Obstacles

War

Lack of knowledge

Mistrust of the state

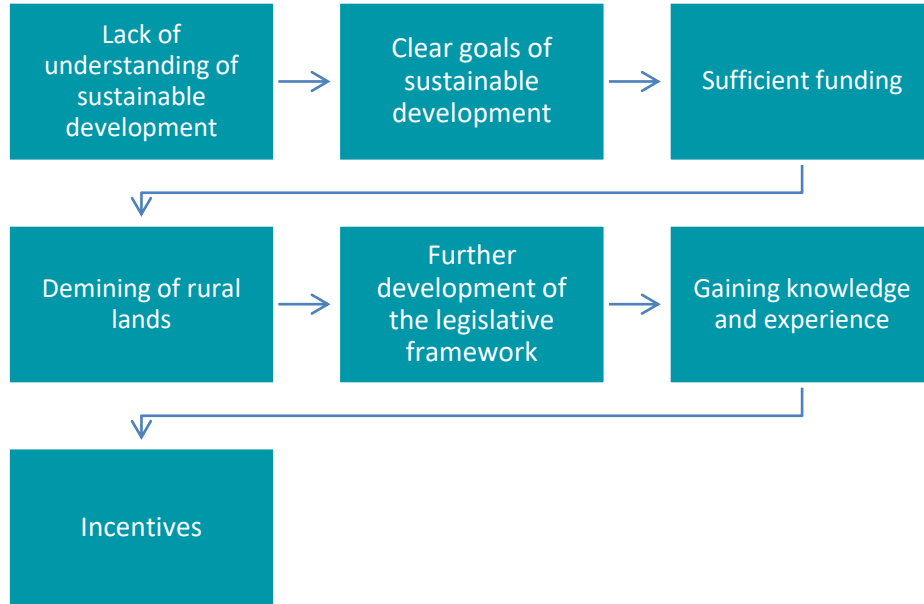
Lack of financial resources

Lack of incentive programs

Descending order of importance

Potential challenges in the implementation of sustainable development approaches after the end of the war

- Almost all respondents understand that the **Ukrainian agrarian business has to implement the principles of sustainable development** after the war's end to integrate into the EU.
- This process is reversed: **without integration into the EU, sustainable growth in Ukraine will not be implemented further.**
- It will be a long, complicated and expensive process. And here, there will be a massive pile of challenges of various kinds, with which it will be necessary to fight.



Short notes based on the replies of the respondents:

- Preparing Ukrainian agricultural enterprises for European integration **is still relatively inactive and gradual**. This topic is constantly raised, but there is no clear understanding.
- On the one hand, the war accelerates the **desire to become an EU member-state**. On the other hand, most companies the **main aim is to physically survive**.
- Ukrainian producers are already integrated into the world economy, so it will not be so difficult to meet the requirements of the Green Deal. But this mainly applies to large enterprises. Still, additional incentives and clarifications are needed to speed up this process.
- There is a belief, that **EU market will support improvement of the standards and with the gradual approximation of legislation (acquis)** equal conditions in Ukraine for all producers and exporters will be created.
- Therefore, **international investors will benefit of known and predictable framework conditions**.

Thank you for your attention!