

Ukrainian food supply chains and Outlook

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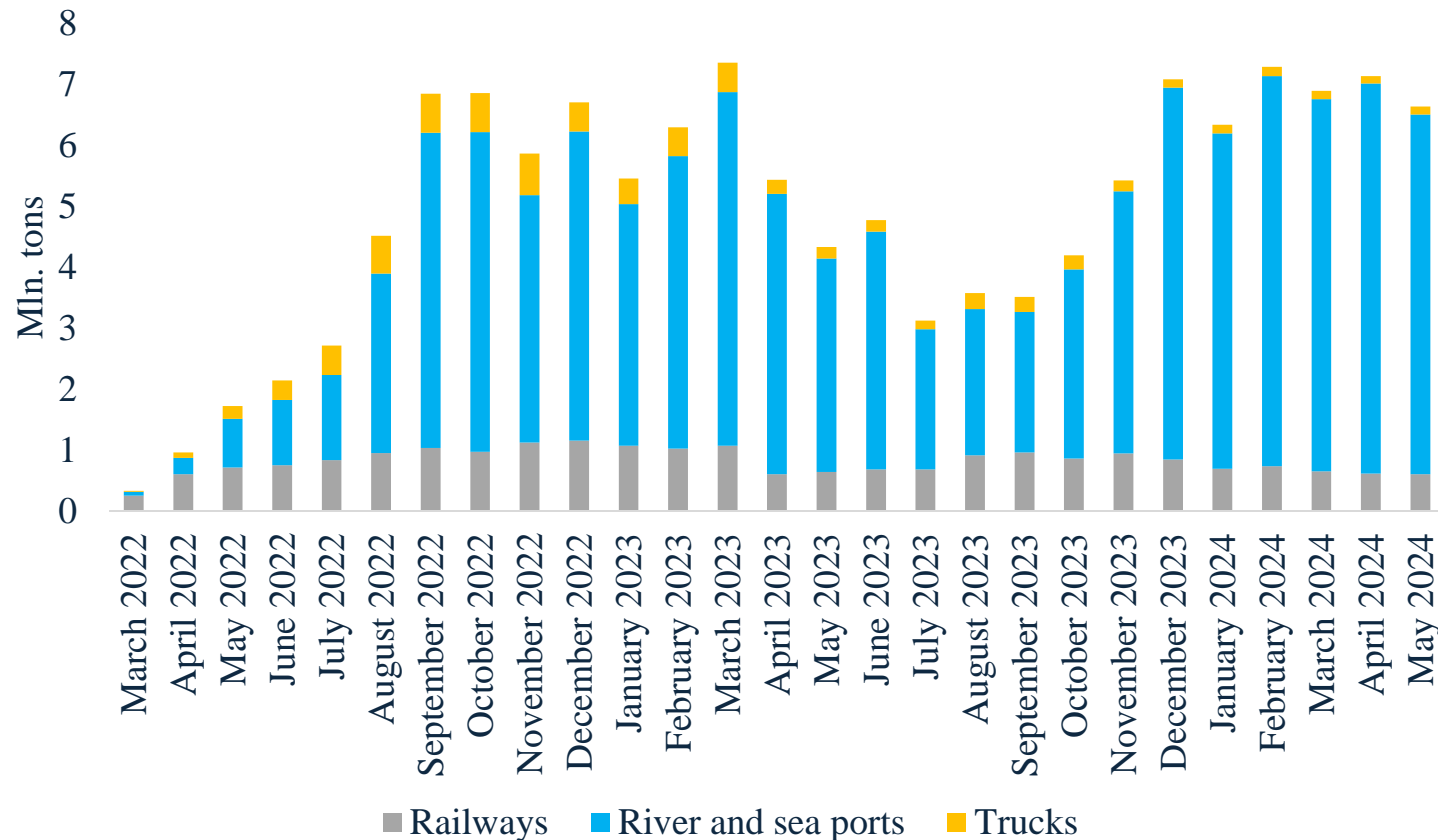
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Sector at a glance

- 2021->2022->2023: Ukraine's primary production agricultural sector (+forestry +fisheries) 10.8%->8.6% ->7% of GDP (in current prices).
- Following the full-scale invasion by RF in 2022, **crop area decreased by 21%**.
- By 2022-2023, around **5.4%** of the land devoted to crops was reclaimed and about **15%** remains under occupation.
- Access issues to fertilizers and fuel led to **reduced yields**.
- Production further declined due to **attacks** and **loss of manpower**.
- Over two-thirds of grain and oilseed harvests are exported, forming a significant source of income from external trade. The blockade of ports led to a substantial **drop in exports**.
- The **direct war-related damages** to the agricultural sector **10.3 billion USD**, with more than half attributed to destroyed machinery.
- **Indirect losses** are **69.8 billion USD**, almost 50% of them are losses of crop production and 35% are low output prices.

Grain exports by the type of transport



• The share of sea transport exceeded 90% in the last months.

Source: State Statistics Service of Ukraine

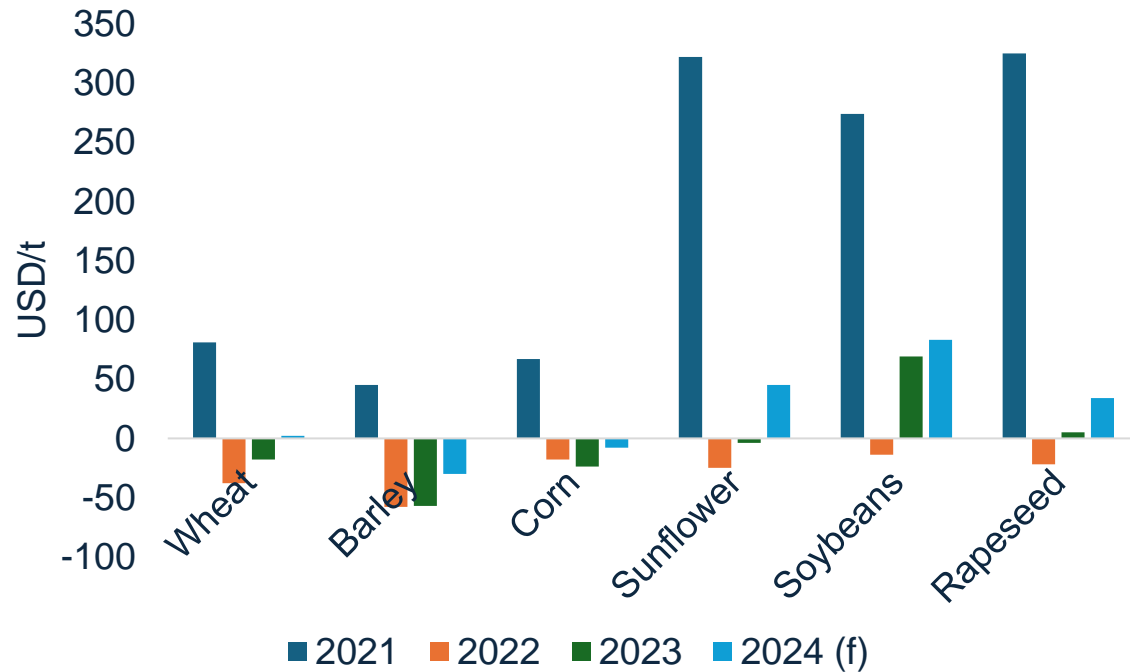
Grain exports by the type of transport

	2023		2021		pp change Share of export to EU in the total export (est. in USD 2023), %	Export value change (2023/2021), %	
	Share of export to EU in the total export (est. in USD 2023), %	Share of the commodity type in total export (est. in USD 2023), %	Share of export to EU in the total export (est. in USD 2021), %	Share of the commodity type in total export (est. in USD 2021), %		Total export	Export to EU
Total	65%		39%		25%	-47%	-13%
Live animals and livestock products	48%	4%	29%	2%	2%	1%	67%
Plant products	59%	32%	25%	23%	10%	-25%	80%
cereals	55%	23%	16%	18%	5%	-33%	136%
flour-grinding products	57%	0%	15%	0%	0%	6%	301%
oil seeds	69%	8%	61%	4%	4%	16%	31%
Animal or plant fats and oils	53%	16%	34%	10%	5%	-20%	26%
Sugar and sugar confectionery	82%	2%	39%	0%	1%	142%	409%
Products of vegetables processing	58%	1%	44%	0%	0%	-1%	31%

Source: State Statistics Service of Ukraine

Sectoral profitability

The profitability of crop production

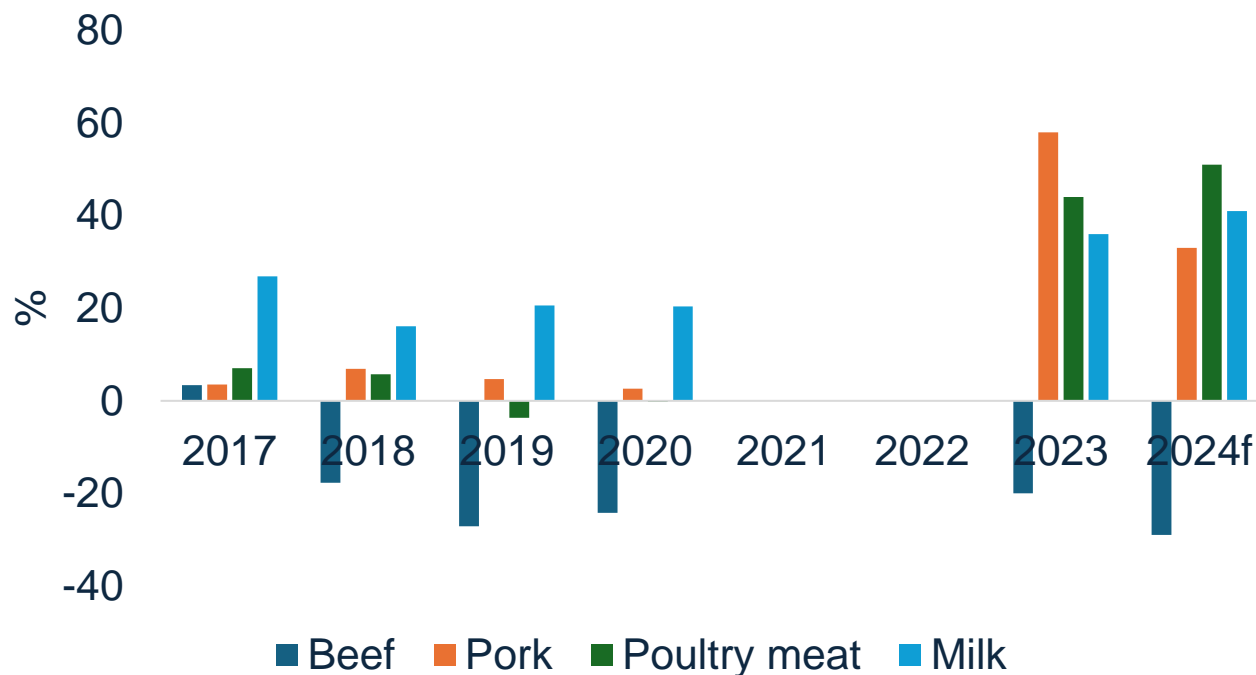


- Oilseeds are more profitable in both pre-war and wartime periods.
- Resilience of oilseed sector is explained by: a) lower share of logistic costs in their price; b) strong demand in the neighboring EU countries.

Source: Ministry of Agricultural Policy and Food of Ukraine, Ukrainian Agribusiness Club

Sectoral profitability

The profitability of livestock production

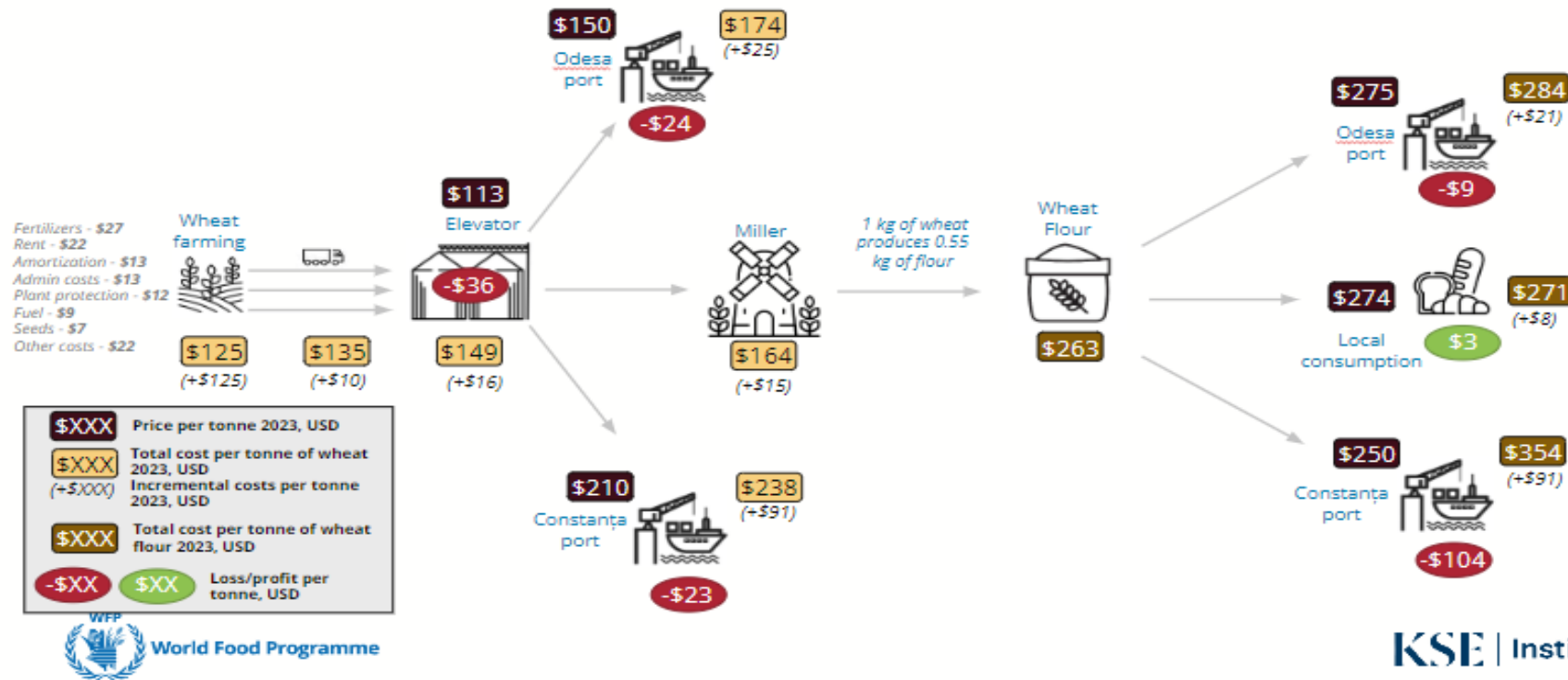


- Ports blockade and abundance of cheap feed increased livestock profitability.
- Beef production shows pronounced stagnation, while poultry sector is the most resilient.

Source: Ministry of Agricultural Policy and Food of Ukraine, Ukrainian Agribusiness Club

Profitability of food processing: example of wheat flour production

In many sectors, domestic processing does not ensure increased value added.

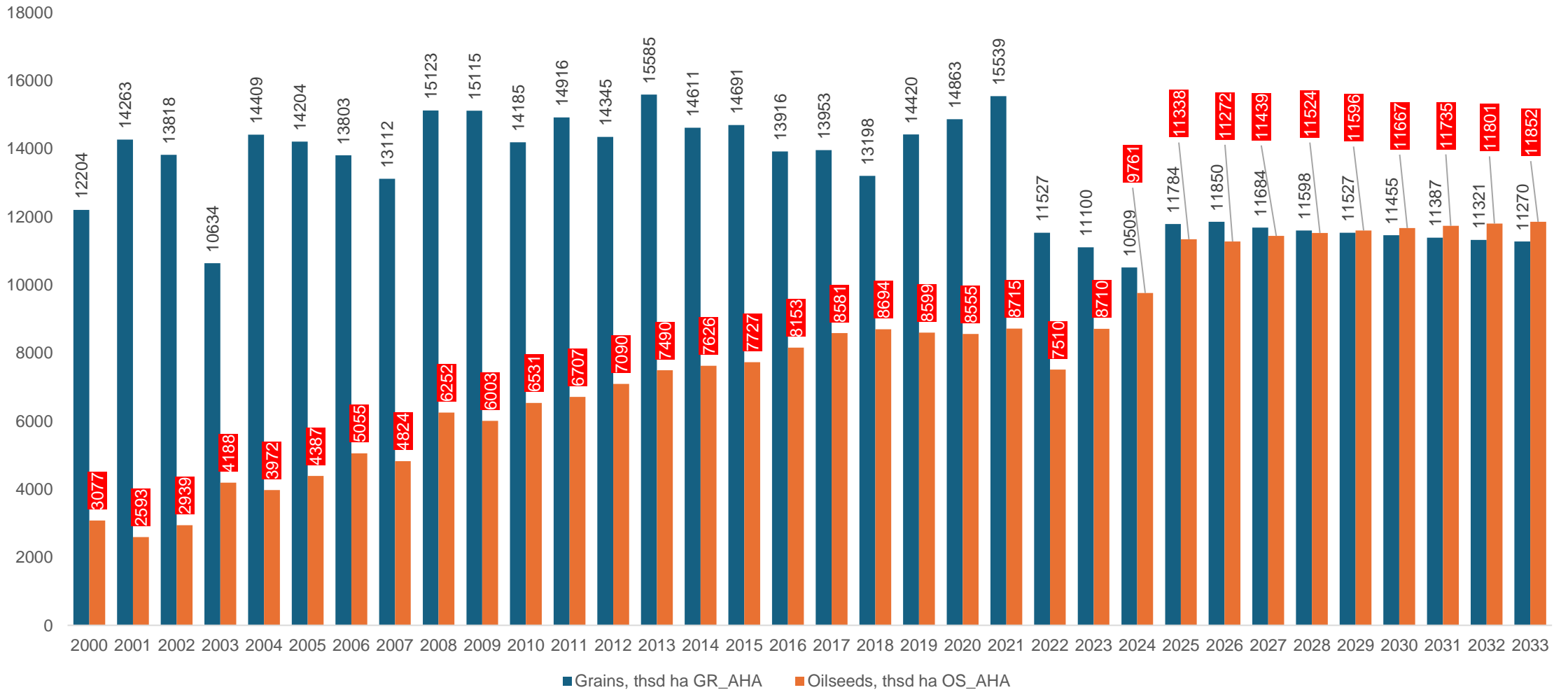


Source: WFP, <https://reliefweb.int/report/ukraine/ukraine-wheat-flour-and-sunflower-oil-value-chains-analysis-value-chains-focus-smaller-farmers-and-processors-near-frontline-april-2024>

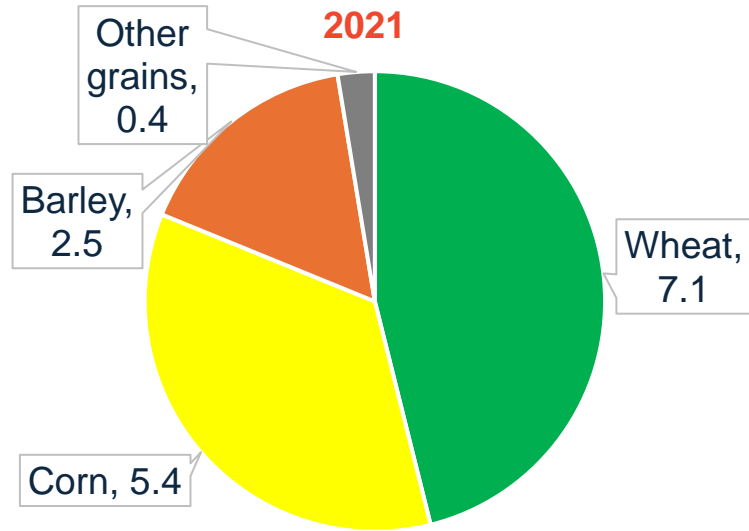
Agricultural Outlook Ukraine 2024-2033

Grains and oilseeds areas

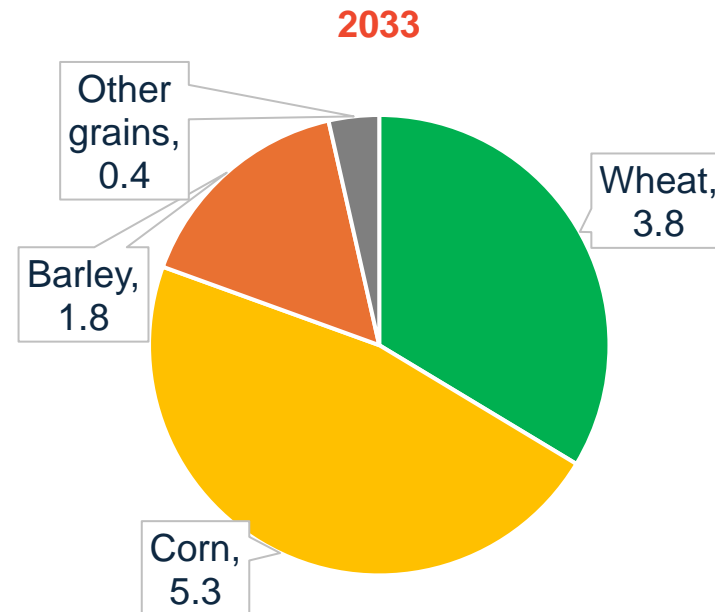
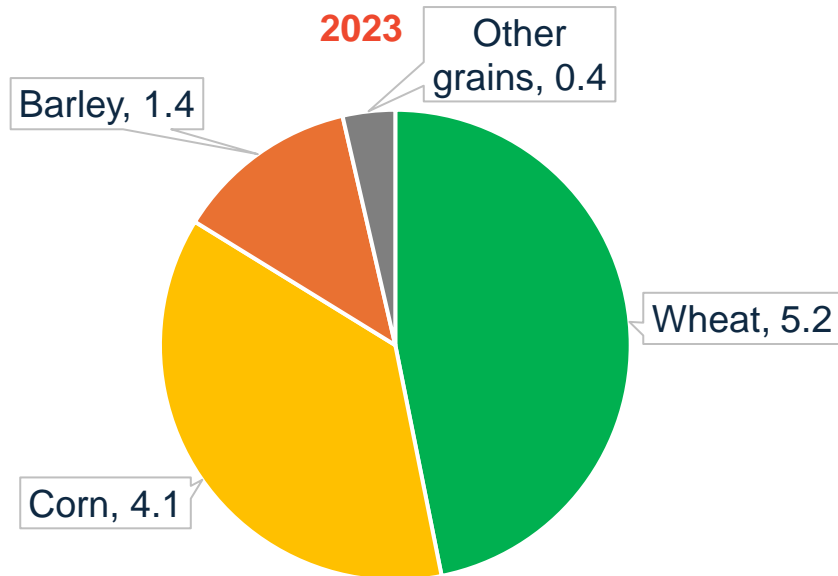
In the post-war period, grains will be substituted by oilseeds.



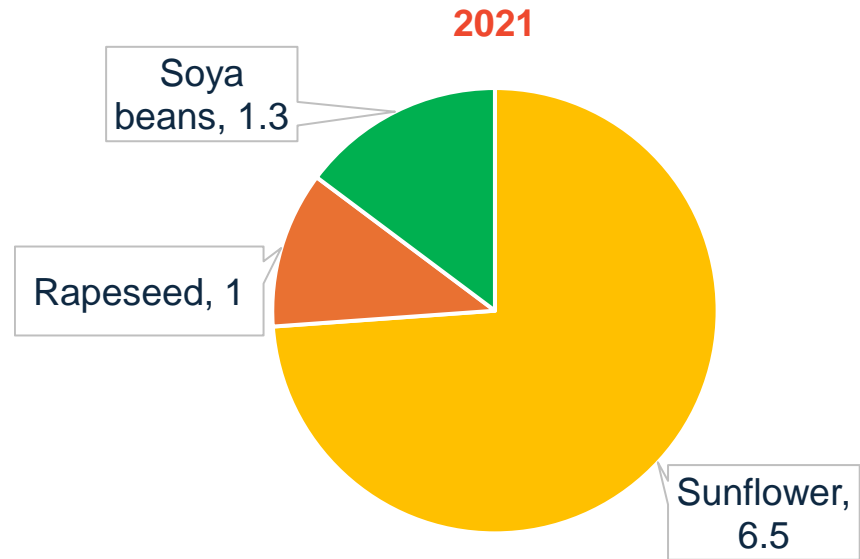
Grains area distribution



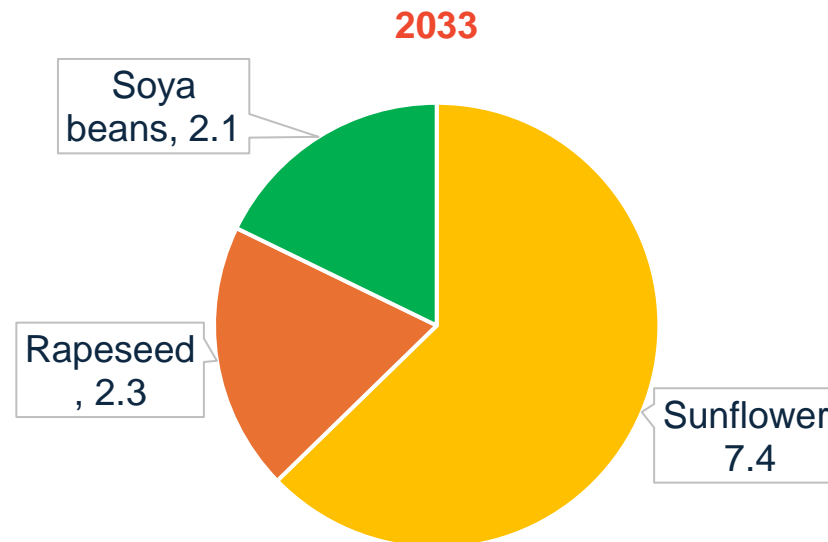
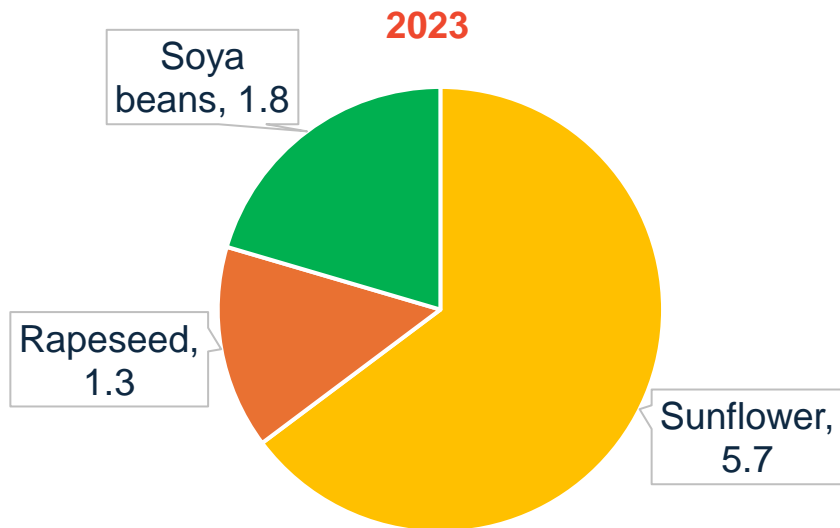
- Wheat is projected to be replaced by more profitable maize.



Oilseeds area distribution



- Areas under all oilseeds are projected to grow.
- The growth of rapeseed areas in the most pronounced.

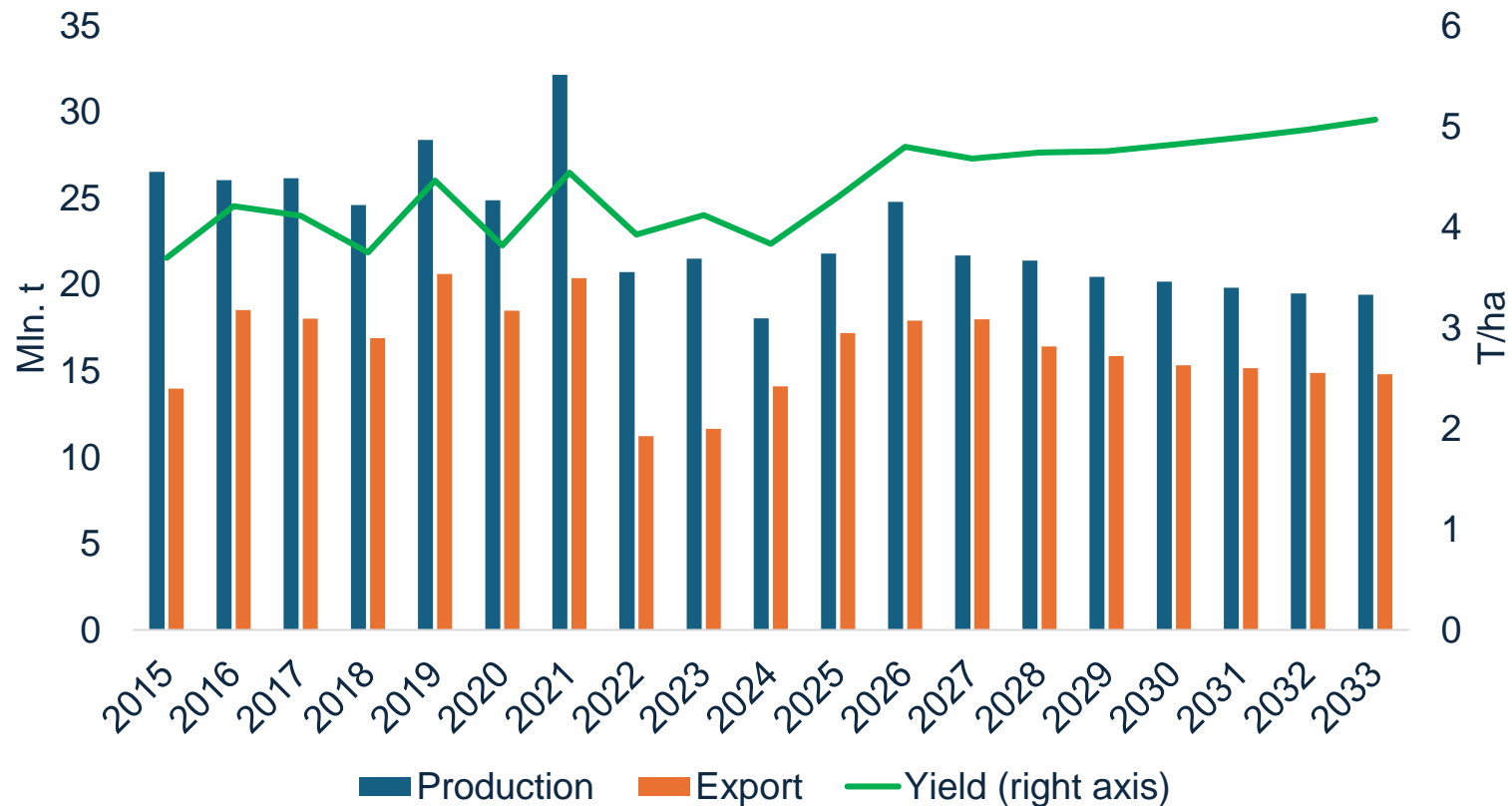


Soft wheat

Decline in wheat cultivation area due to:

- Shift from grains to oilseeds, reducing overall grain area.
- Decreased proportion of wheat within total grain area.

Reduction in wheat's share of total grain area is driven by shift towards maize. By 2033, production is forecasted to reach only 19 million tonnes.

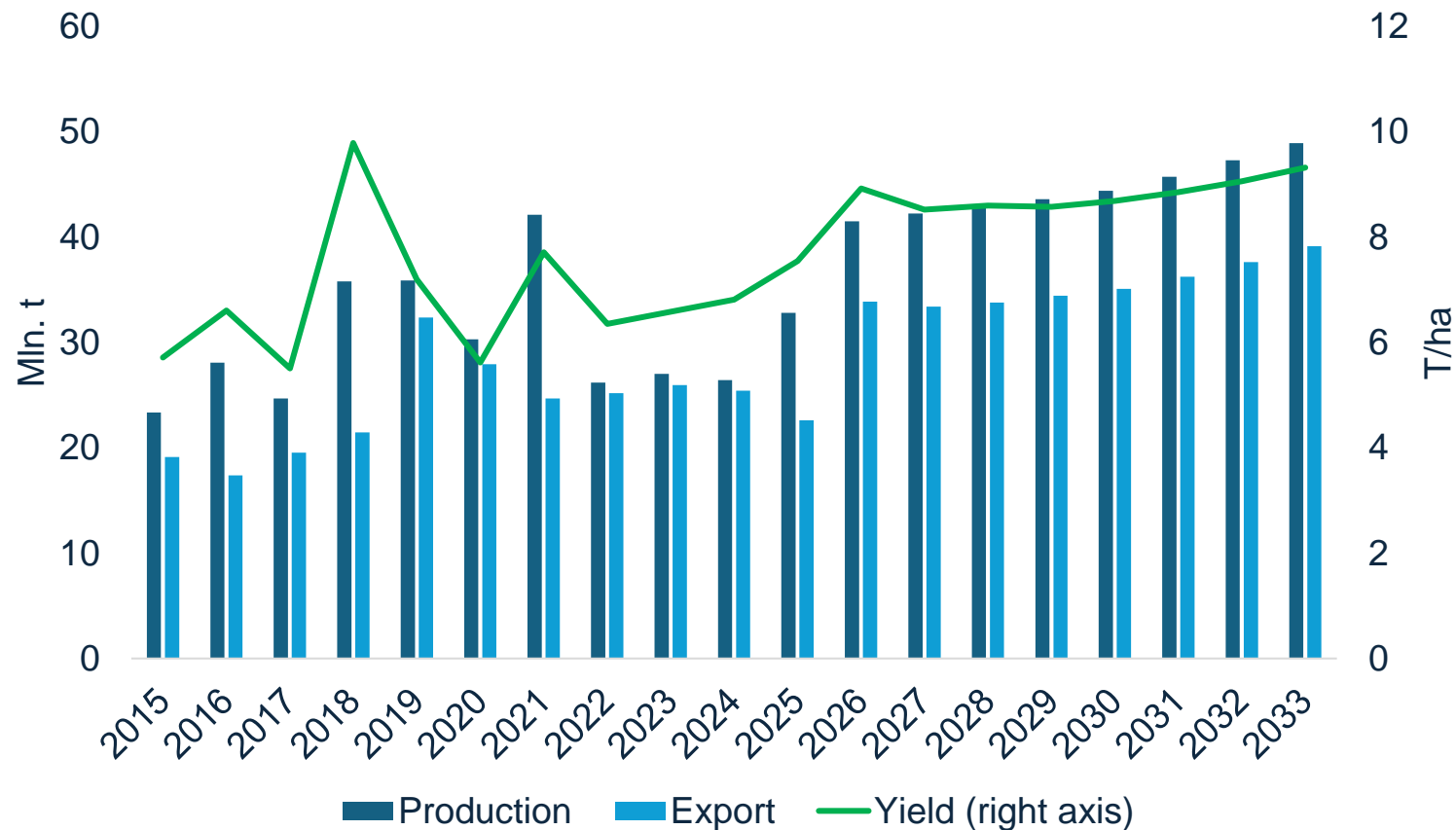


Maize

Maize cultivation area will expand driven by ongoing favorable climate trends.

Post-2025 area growth will be limited by oilseeds area growth.

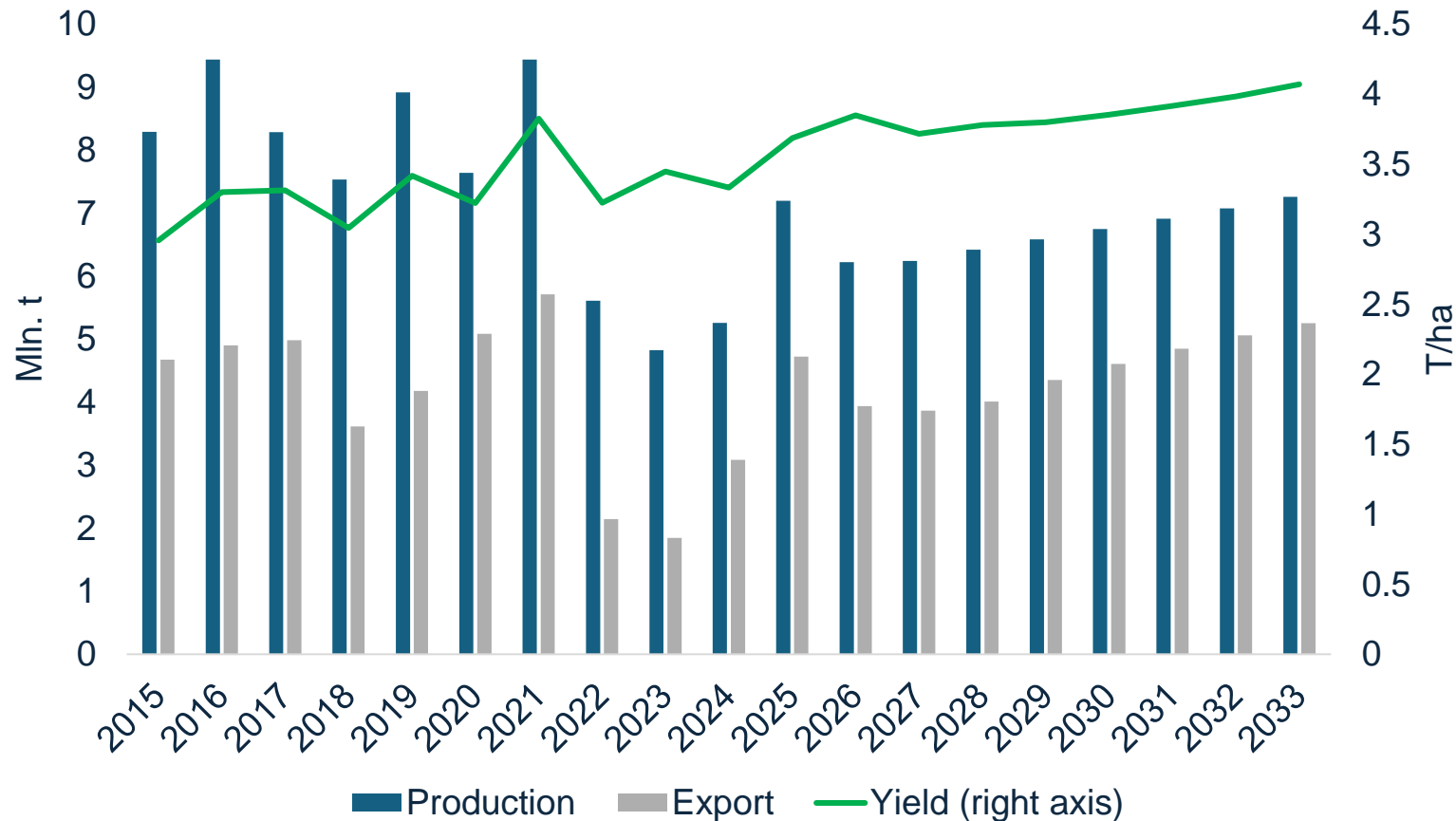
Maize share in total grain area will continue to increase, surpassing wheat and other grains, due to higher gross market returns.



Barley

Post-war recovery in barley cultivation area is projected, however at lower levels than pre-war due to oilseed expansion.

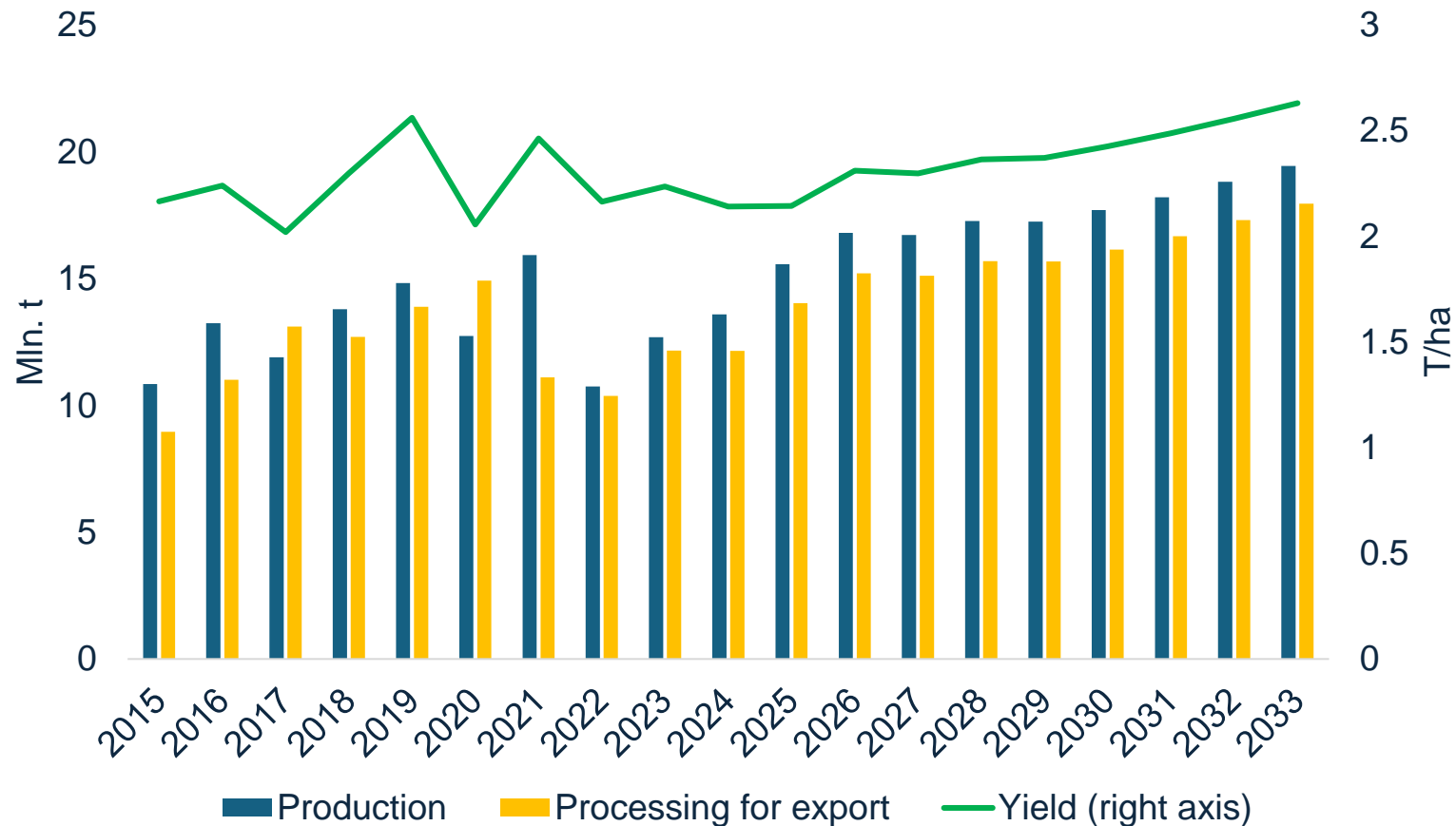
Barley's cultivation area and its share of the total grain area will stabilize.



Sunflower seeds & processed products

Sunflower seeds' harvested area to see a modest positive trend, benefiting from the general shift from grain to oilseed cultivation.

The sunflower seed's share in the oilseed sector is projected to decrease, impacted by rapeseed's growing area.



Rapeseed

Rapeseed harvested area growth:

- Rise in rapeseed share within the total oilseed area;
- Increase in the oilseed/grain area ratio.



Soya beans

Soybean areas to rise post-war, followed by a decline influenced by a reduced share in the oilseeds area.

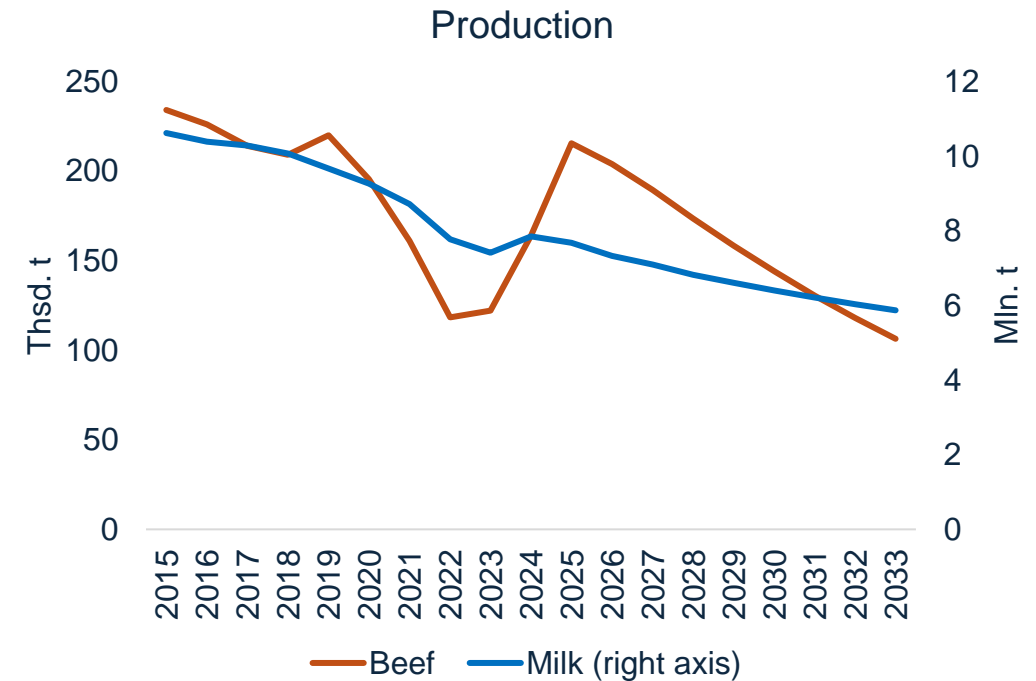
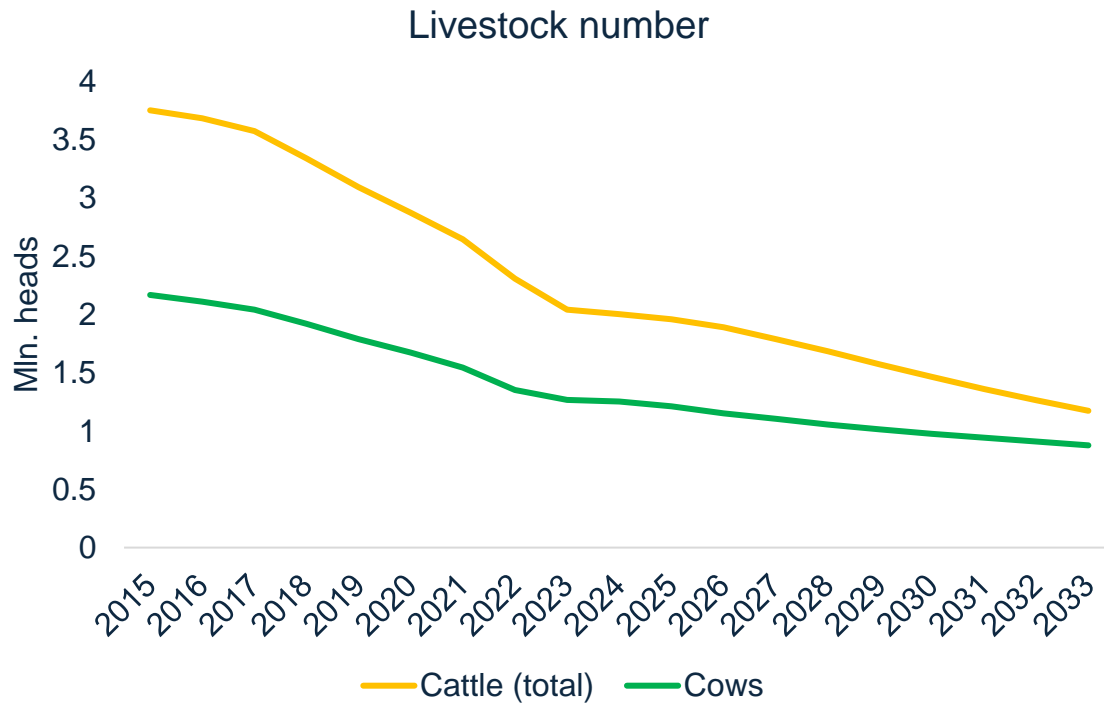
The decline in soybeans' share stems from competition with rapeseed that offer higher returns per land unit.



Cattle, beef and milk

Beef and milk sub-sectors in Ukraine have been closely linked and have been experiencing a downward trend in livestock numbers over the past two decades.

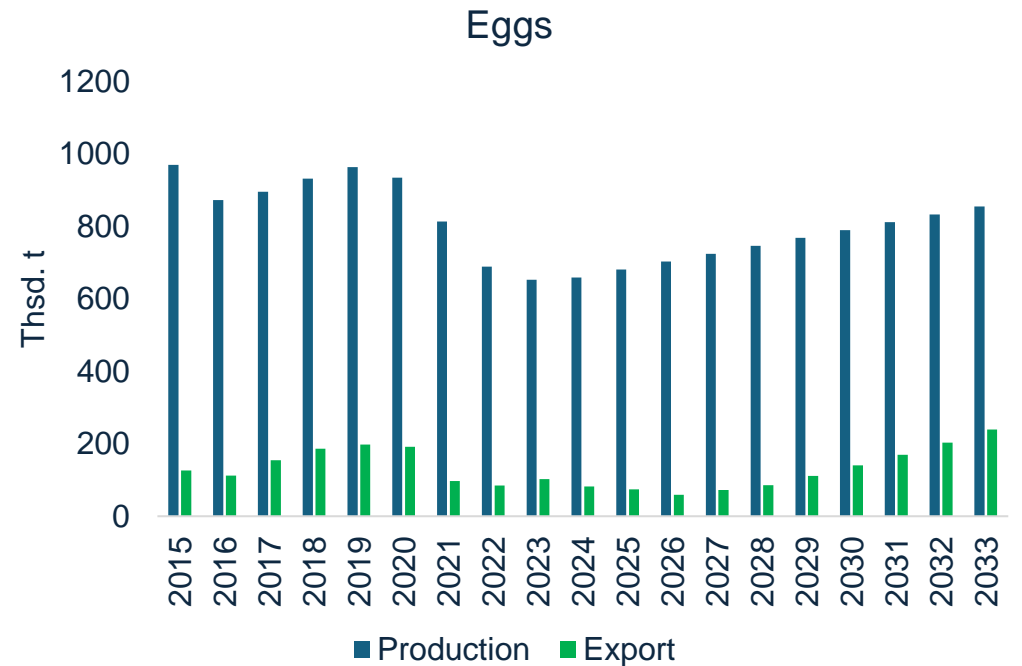
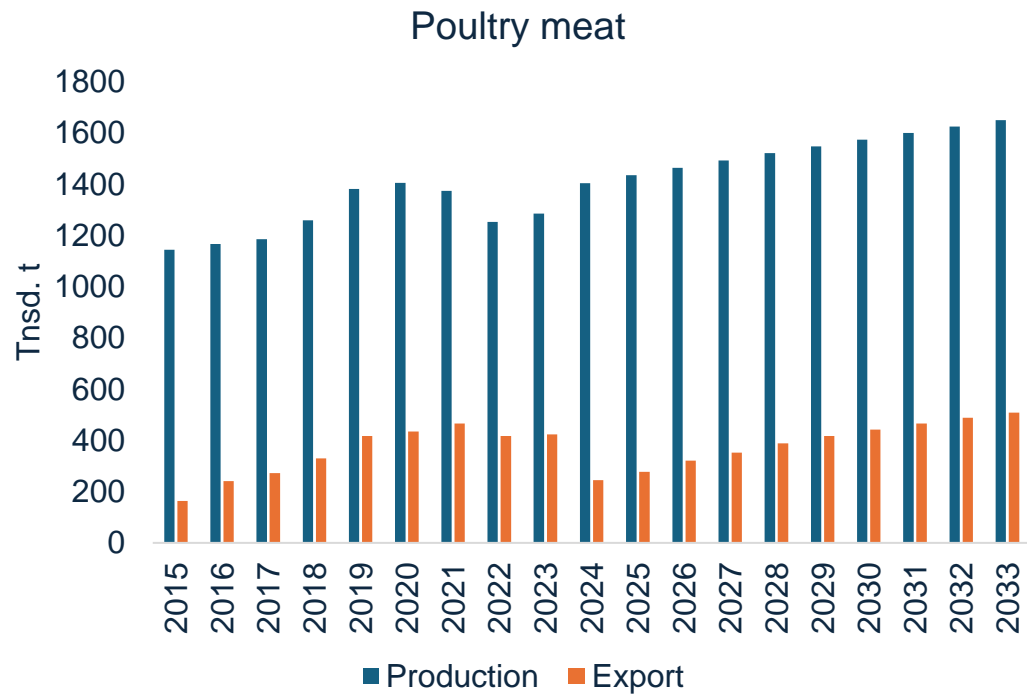
Negative trend for the total cattle number is expected to remain, while the average caw yield will increase to 6.4 tonnes per year.



Poultry meat and eggs

The chicken meat and egg markets in Ukraine have witnessed a consistent growth over the past two decades, primarily due to the shift of production from households to enterprises, which are largely benefiting from economies of scale.

Post-war projections indicate that production levels are expected to recover to their 2021 benchmarks.



EU membership impact

- Market Organization: Regulation of Relations Between Entrepreneurs. Law "On Agricultural Cooperation"
- Market Organization: Regulation of Relations Between Producers and the State
- Regulation of CMO
- Accounting, Monitoring, and Financing
- Specific Production Standards Requirements
- Quality and Marketing Standards Requirements for Agricultural Products

Summary

- Ukraine's agricultural sector is projected to recover in the post-war period mostly due to **productivity growth**.
- Ag production will show the **increased specialization** shifted towards the most-profitable sectors (oilseeds, corn, poultry).
- There is **no economic reason for the boost of domestic processing** of ag commodities. Ukraine has competitive advantage only on vegetable oils market.

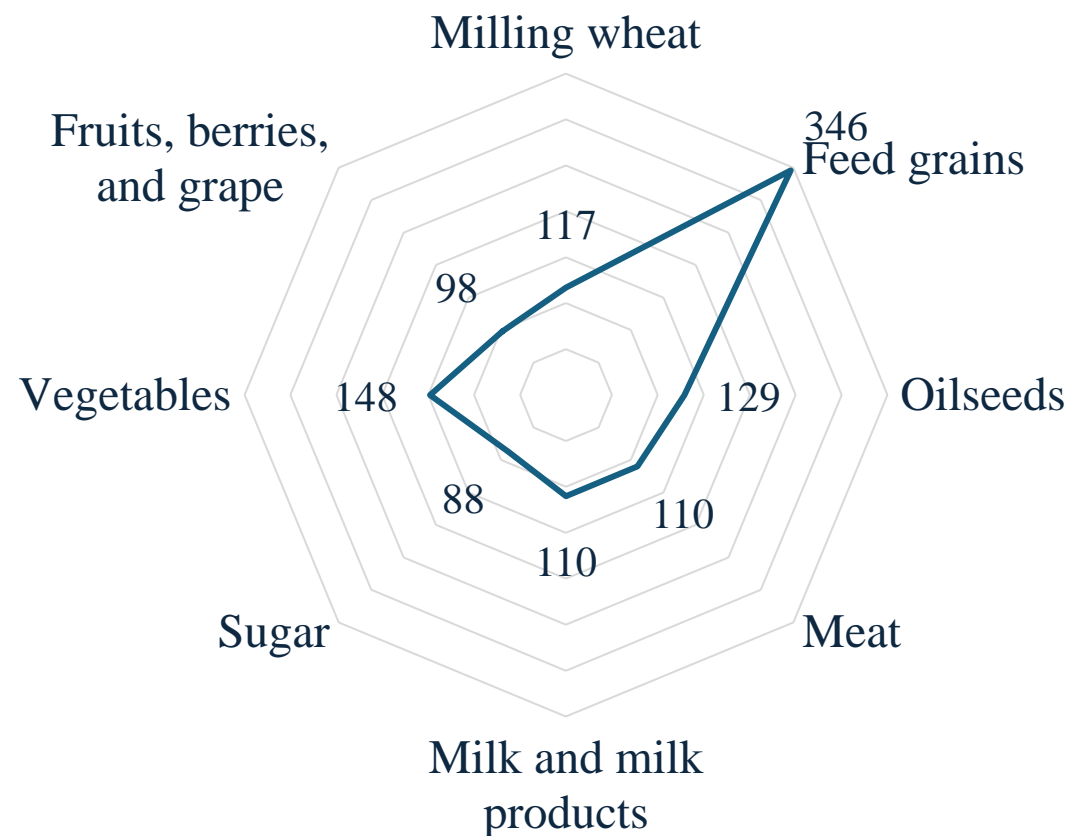
Thank you

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ANNEX

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Ukraine's food self-sufficiency

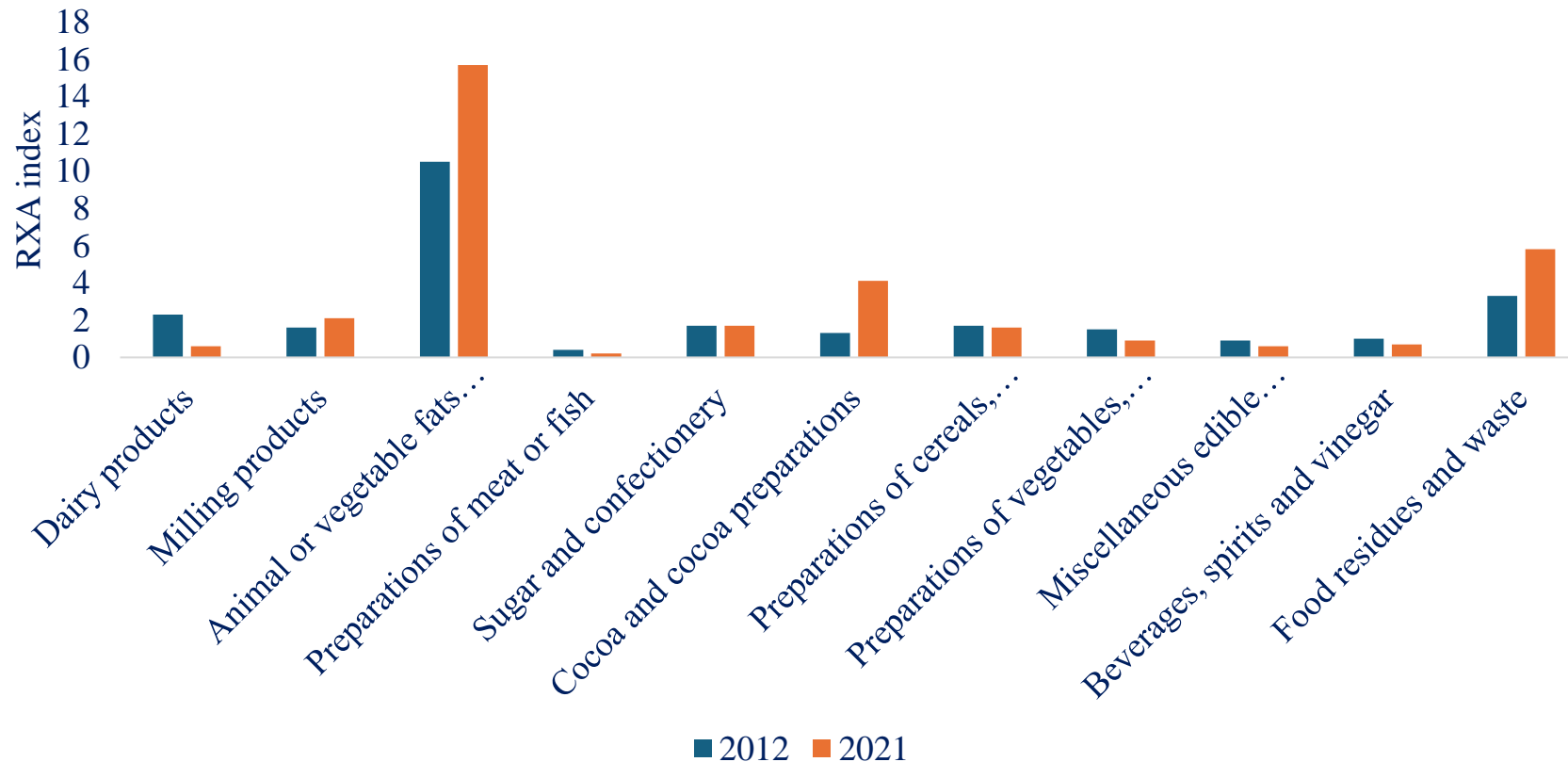


Food self-sufficiency reflects the **comparative advantage** of primary ag production.

Source: calculated using data from Ukrstat and USDA.

Competitive advantage on processed products markets

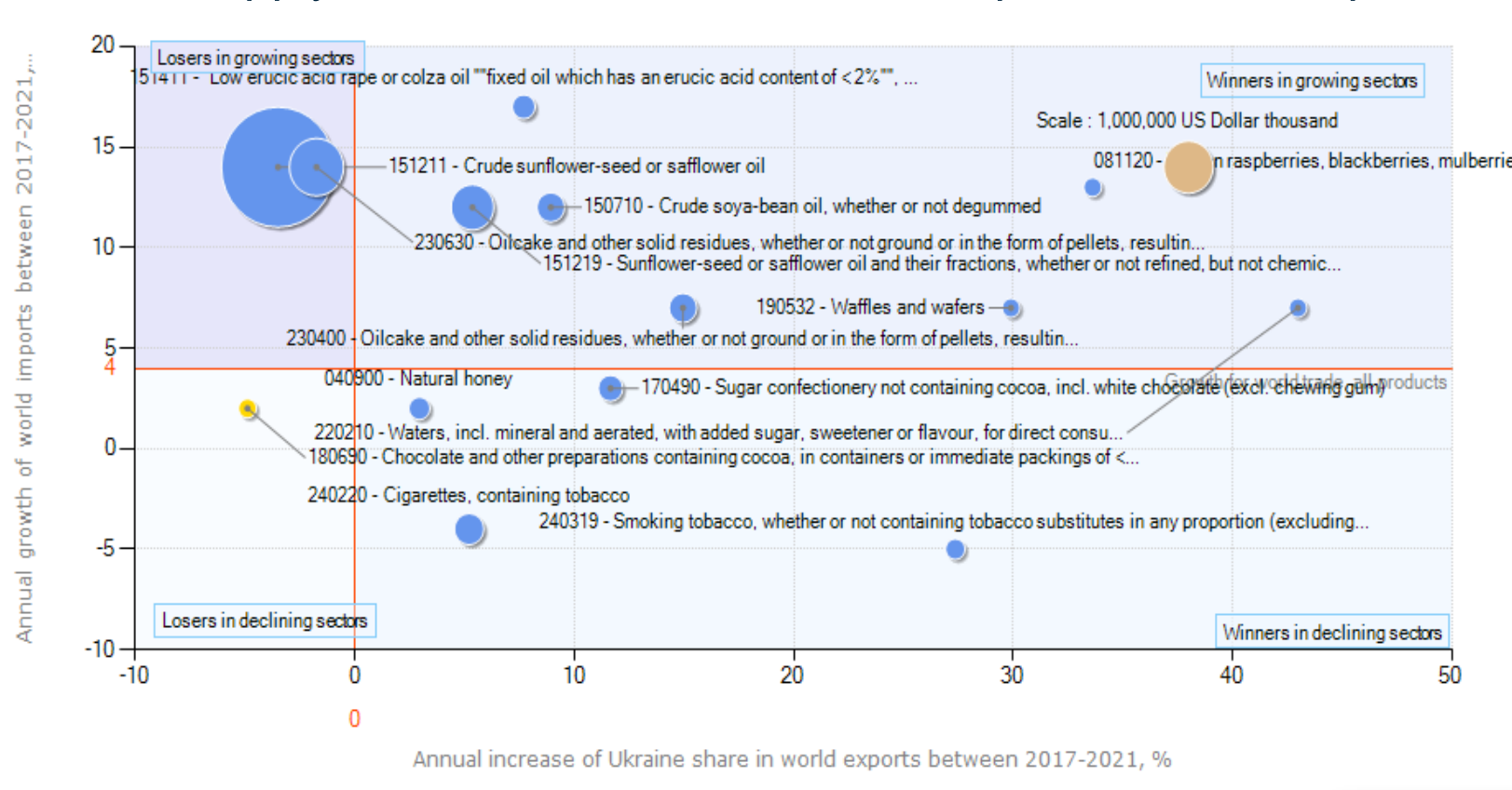
The relative export advantage (RXA) index



Ukraine has a high comparative advantage in vegetable oils.

Perspective markets for processed food products

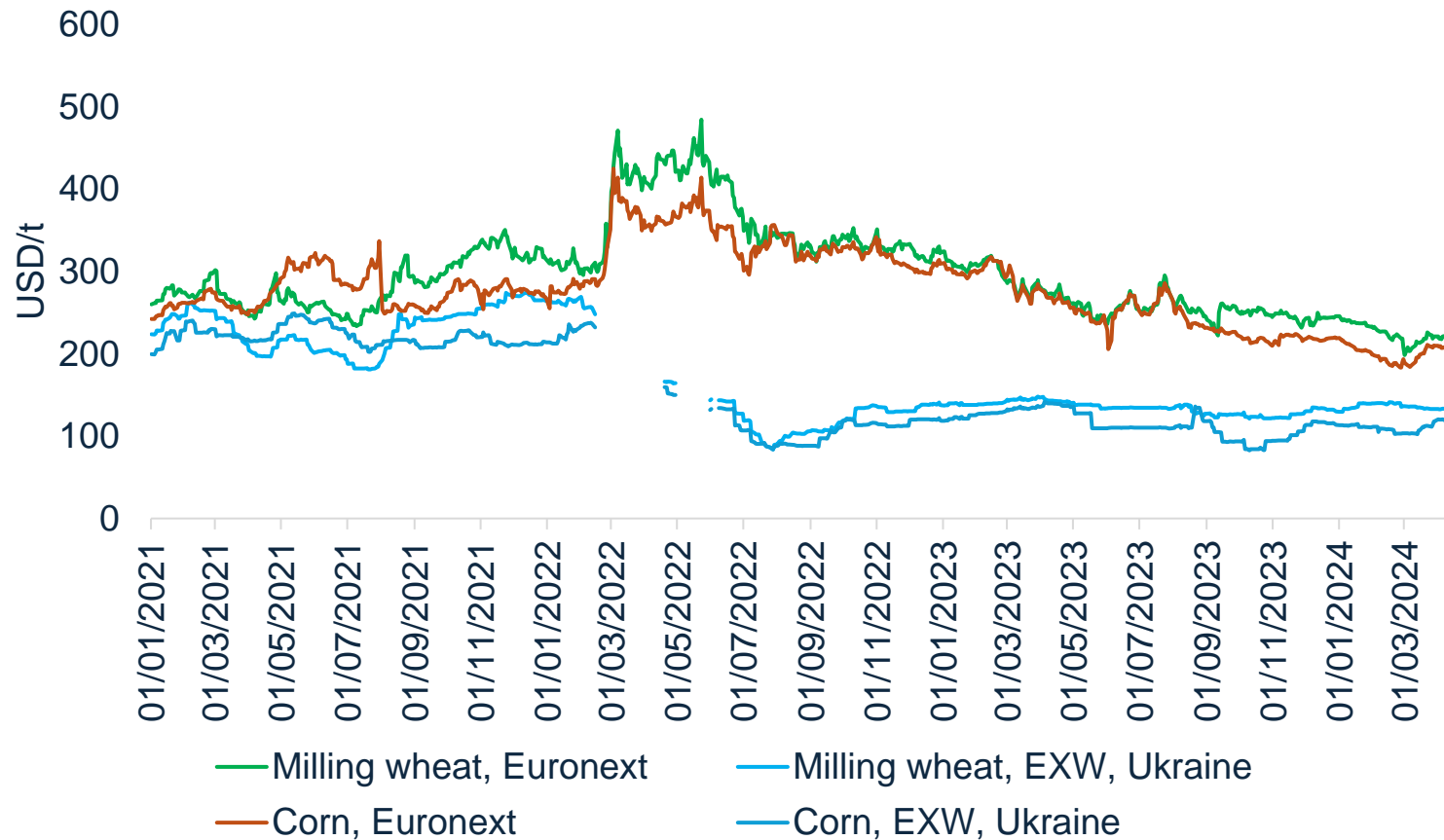
National supply and international demand for processed food products exported by Ukraine in 2021



Winners: vegetable oils, meals, processed fruits and berries.

Source: ITC Trade Map

Grain price dynamics



- Although, the establishment of Grain Deal and own grain corridor has partially alleviated export challenges, **high logistics costs** continue to severely impact domestic prices, preventing farmers from fully benefiting from the export corridors.

Source: UkrAgroConsult