## Ukraine - Agricultural Machinery and Equipment

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### Overview

Agriculture is one of the most promising sectors of the economy in Ukraine. With 25-30 % of the world’s reserves of black earth, it is one of the most fertile places on the planet. In 2018, Ukraine’s agriculture sector, including the processing industry, generated approximately 17% of GDP. With 41.5 million hectares of agricultural land, covering 70 percent of the country, agriculture is Ukraine’s largest export industry. From 2017 to 2018, agricultural product exports grew by five percent. The total value, $18.6 billion, beat the historic 2012 record of $17.9 billion. *Source: State Fiscal Service of Ukraine* [*http://sfs.gov.ua/ms/f11*](http://sfs.gov.ua/ms/f11) *and Ministry of Agrarian Policy and Food of Ukraine* [*http://minagro.gov.ua/en/node/26768*](http://minagro.gov.ua/en/node/26768)*)*

Crop farming, which accounts for 73 percent of agricultural output, dominates Ukrainian agriculture. Leading this sector is grain production. Ukraine’s major grains crops are wheat, corn, barley, and rye. Ukraine is the fourth largest exporter of corn and barley, and the sixth largest exporter of wheat. For six consecutive years (2013-2018), Ukraine harvested over 60 million tons of grain annually. According to Food and Agriculture Organization of the United Nations statistics, by 2020, Ukraine’s cereals and soybean output is estimated to reach 70 million tons and reach 78 million tons by 2024. With significant improvements in yields, many experts estimate that Ukraine’s total grain output potential is 140 million tons. *(Source: OCED-FAO Agricultural Outlook 2018-2027* [*https://stats.oecd.org/Index.aspx?datasetcode=HIGH\_AGLINK\_2018#*](https://stats.oecd.org/Index.aspx?datasetcode=HIGH_AGLINK_2018)*)*

Production is primarily divided between two groups - agricultural enterprises and households. The former produces 55 percent of gross output and consists of 45,000 enterprises. The second group consists of more than 4 million households cultivating on average 1.23 hectares of land each, generating nearly 45 percent of gross agricultural output. *(Source: State Statistics Service of Ukraine* [*https://stats.oecd.org/Index.aspx?datasetcode=HIGH\_AGLINK\_2018#*](https://stats.oecd.org/Index.aspx?datasetcode=HIGH_AGLINK_2018) *and UCAB* [*http://ucab.ua/ua/doing\_agribusiness/umovi\_vedennya\_agrobiznesu/vidi\_silskogospodarskikh\_pidpriemstv\_v\_ukraini*](http://ucab.ua/ua/doing_agribusiness/umovi_vedennya_agrobiznesu/vidi_silskogospodarskikh_pidpriemstv_v_ukraini)*)*

Oilseed is the second most important subsector in Ukrainian crop farming. The major oil crops are sunflower, soy, and rapeseed. In the mid-2000s, after implementation of export tariffs for unprocessed sunflower seed, Ukraine developed a leading sunflower oil industry and became the number one exporter of sunflower oil in the world.

 Ukraine is the seventh largest exporter of soybeans. It also produces significant volumes of poultry, forage and feed crops, potatoes, sugar beets, and a variety of fruit and vegetables.

### Opportunities

The Commercial Service in Ukraine holds a positive long-term view on sales prospects for U.S. agricultural machinery and equipment manufacturers in Ukraine. Although Ukraine is a major global producer of crops, its agricultural sector is under-equipped and much of its existing agricultural machinery is outdated. Overall, 30 percent of agricultural machinery needs to be replaced or upgraded. This requirement is concentrated among 10 percent of Ukrainian companies, which need to replace around 75 percent of their machinery fleet. *(Source: UCAB* [*http://ucab.ua/en/pres\_sluzhba/novosti/u\_2018\_rotsi\_ochikuetsya\_stabilnist\_dlya\_agrobiznesu\_\_roman\_grab*](http://ucab.ua/en/pres_sluzhba/novosti/u_2018_rotsi_ochikuetsya_stabilnist_dlya_agrobiznesu__roman_grab)*)*

Ukrainian farmers prefer imported machinery. All self-propelled sprayers, 98% of combine harvesters, 95% of tractors, 89% of plows, 55% of spreaders, 46% of seeders, and 25% of disk harrows sold in 2017 in Ukraine were imported. (*Source: UCAB* [*http://ucab.ua/en/doing\_agribusiness/resursi\_agrovirobnitstva/tekhnika*](http://ucab.ua/en/doing_agribusiness/resursi_agrovirobnitstva/tekhnika)*)*

Over the last three years, greater political stability, a stronger economy, and a more stable hryvnia (currency) coupled with pent-up demand prompted Ukrainian farmers to resume badly-needed capital investments in agricultural equipment. Farm machinery and equipment imports increased nearly 2.5 times in 2017 compared to 2015, returning to 2013 levels. Imports of agricultural machinery and equipment for 2018 are estimated to about the same as 2017 levels, which was $1.7 billion. According to the Institute of Agrarian Economics of Ukraine, as of 2017, the estimated value of agricultural machinery and equipment available in Ukraine is $6 billion. Operational need for agricultural machinery and equipment is estimated at $20 billion in 2025. With anticipated growth of production volumes and delayed demand, Ukraine’s imports of agricultural machinery and equipment is expected to grow. (*Source: Global Trade Atlas https://www.gtis.com/gta/, State Fiscal Service of Ukraine* [*http://sfs.gov.ua/ms/f11*](http://sfs.gov.ua/ms/f11)*, Institute of Agrarian Economics of Ukraine, Investments and Inputs department* [*http://www.iae.org.ua/activity/department/37.html*](http://www.iae.org.ua/activity/department/37.html)*, Agravery http://agravery.com/en).*

Best Prospects include:

* Tractors
* Harvesters
* Tillage equipment
* Seeding equipment
* Sprayers and fertilizer distributors

In addition to the prospects for agricultural machinery used for plant cultivation, the following agribusiness sub-sectors are promising for U.S. companies:

* Grain storage and handling
* Irrigation Infrastructure
* Agricultural chemicals, including growth enhancers and micronutrients

### Competition

U.S. agricultural machinery companies contemplating entering the Ukrainian market should also consider the competitive landscape. U.S. brands such as John Deere, AGCO, Great Plains, and Case are widely available in the Ukrainian market, but face tough competition from European manufacturers (e.g. German, Danish, and Italian manufacturers). Competition is particularly fierce for tractors and harvesters. In the combine harvester segment, German manufacturers hold almost fifty percent of the market (both new and used), while U.S. manufacturers have less than ten percent. Competition from European suppliers would likely increase should Ukraine enter into the European Union (EU). The Deep and Comprehensive Free Trade Area (DCFTA) agreement, which is part of Ukraine’s EU Association Agreement includes the gradual removal of customs tariffs and quotas and an extensive harmonization of laws, norms, and regulations in various sectors. Additionally, Canada-Ukraine Free Trade Agreement (CUFTA) envisages improved market access, by eliminating tariffs across many export groups.

Local agricultural machinery production is also expected to grow due to a Ukrainian Government program offering 20 percent support for the purchase of Ukrainian machinery and equipment.

### Financing

The major factor restricting agricultural development is access to credit and working capital. Domestic loans are expensive, and Ukraine’s challenging business climate prevents local companies from attracting cheaper international funds. Therefore, the competition among suppliers of agricultural machinery in Ukraine is not only about quality, but also about a supplier's financial terms. A major trend in agricultural banking industry is operational capital financing for the purchase of plant protection products, seeds, fertilizers, and fuels. Bankers are more willing to offer credit to agricultural commodity producers of grains, cereals, and oilseeds.

At the end of December 2018, after more than five years of suspended operations, the U.S. ExIm Bank reopened its short and medium-term programs in Ukraine for both private and public sector. This action sends a strong signal to U.S. companies seeking to supply the Ukrainian market with U.S. agricultural equipment and services, since financing is a key factor for buyers considering equipment purchases. For many years, Ukraine was the U.S. ExIm Bank’s most active portfolio in the region, with close to $140 million of long-term guarantees provided in 2012.

Intellectual Property

Ukraine remains on the U.S. Trade Representative’s (USTR) Priority Watch List in 2016. The three primary issues related to intellectual property (IP) protection in Ukraine are: 1) the uneven and nontransparent administration of the system for collecting and distributing royalties to U.S. and other rights holders; 2) widespread use of illegal software by Ukrainian government agencies; and 3) a failure to implement an effective means to combat the widespread online infringement of copyright and related rights. Ukraine has taken some positive steps under difficult circumstances. The government created a special unit within the National Police of Ukraine to investigate IPR violations, and enforcement officials have participated in international training on investigating IPR crimes. More broadly, the government appears to be working to address long-standing concerns about endemic corruption and mismanagement, including in IPR protection and enforcement. However, evidence of real progress is still not apparent, and enforcement remains inadequate.

Events:

USA Pavilion at AGRO 2019, June 4-7, 2019, Kyiv, Ukraine <http://www.agro-expo.com/>

TBC Agritechnica, 10-16 November 2019, Hanover, Germany <https://www.agritechnica.com/en/>

Web Resources:

Ministry of Agrarian Policy of Ukraine <http://www.minagro.gov.ua/>

Ministry of Infrastructure <http://mtu.gov.ua/>

Ukrainian Agribusiness Club <http://ucab.ua/>

Association Ukrainian Agribusiness Club <http://agribusiness.kiev.ua/en/>

APK Inform <http://www.apk-inform.com/>