


IMPROVING INVESTMENT CLIMATE FOR AGRIBUSINESSES IN UKRAINE

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WORLD BANK GROUP
Trade & Competitiveness

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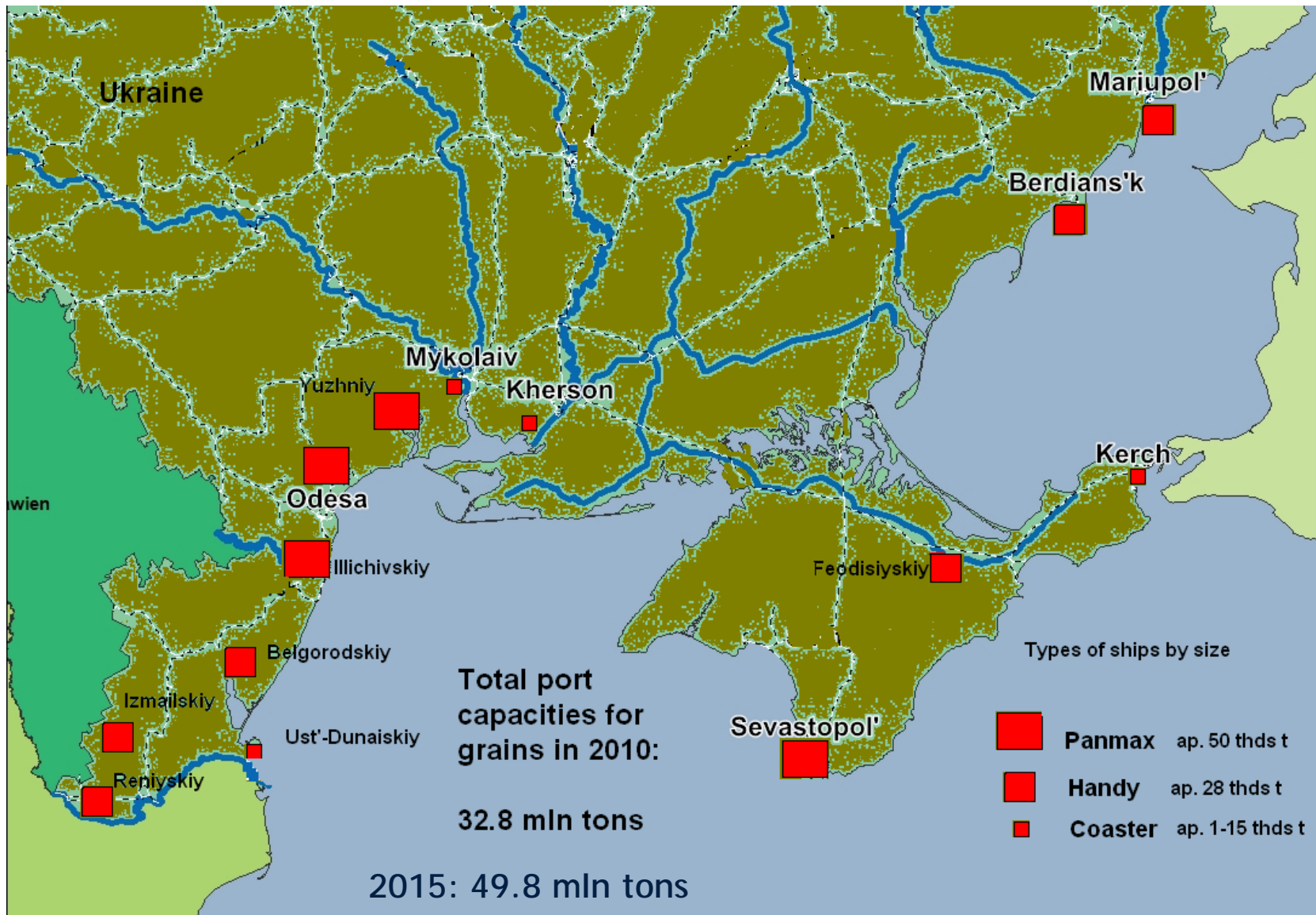
March 2015

Points for discussion

- How competitive is Ukrainian agribusiness?
- Are the costs of doing agribusiness too high?
- How to reduce compliance costs in agribusiness value chains?

What makes agribusiness competitive in Ukraine?

- Available and cheap farm land
- Black Sea ports
- Farm structures
- Short distance to major importing countries



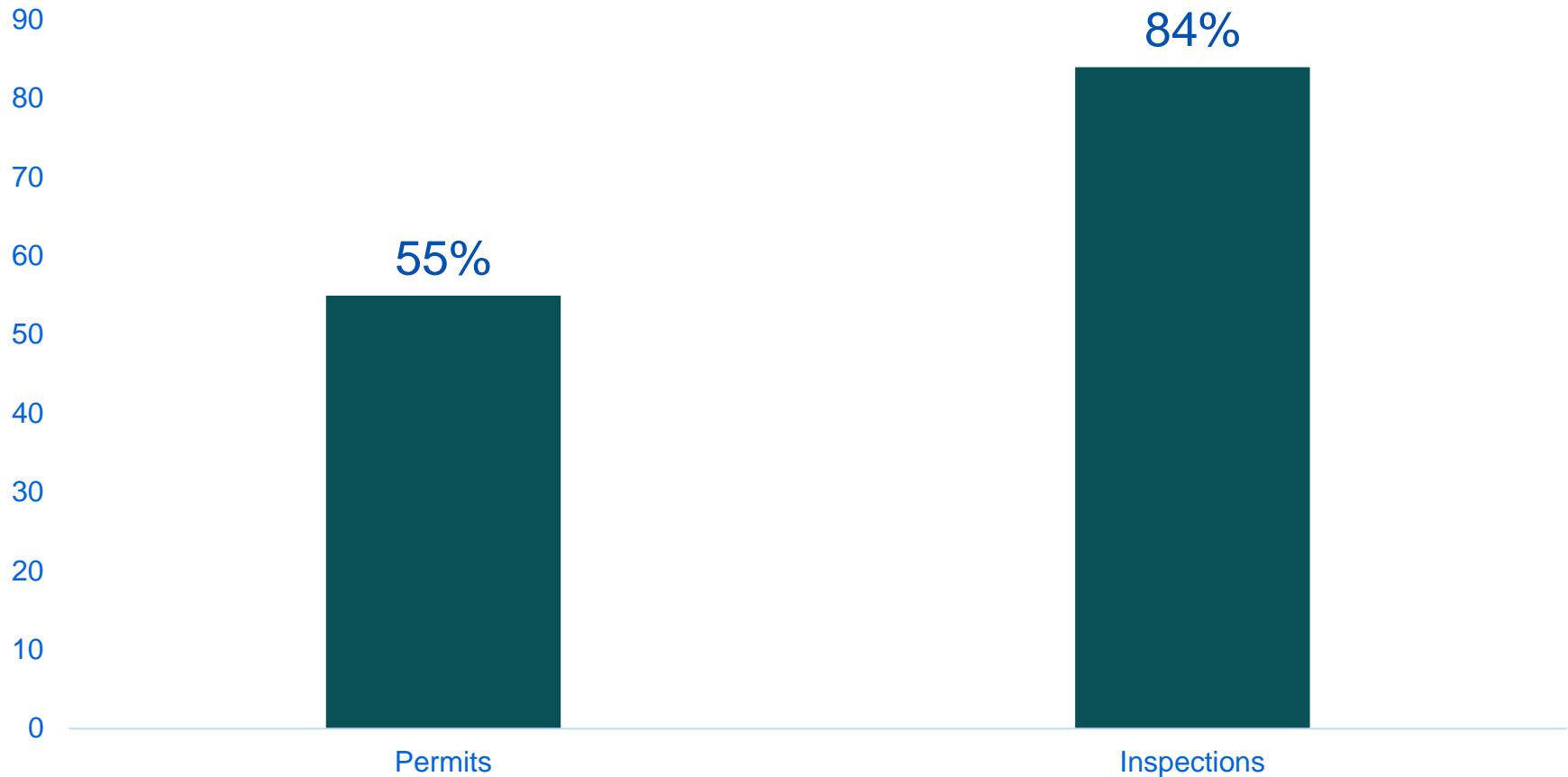
Source: ADM/Toepfer/APK-Inform

What constrains agribusiness competitiveness in Ukraine?

- Regulations (permits, licenses, registrations, certifications, inspections)
- Market interventions
- Export restrictions

Regulations are excessive

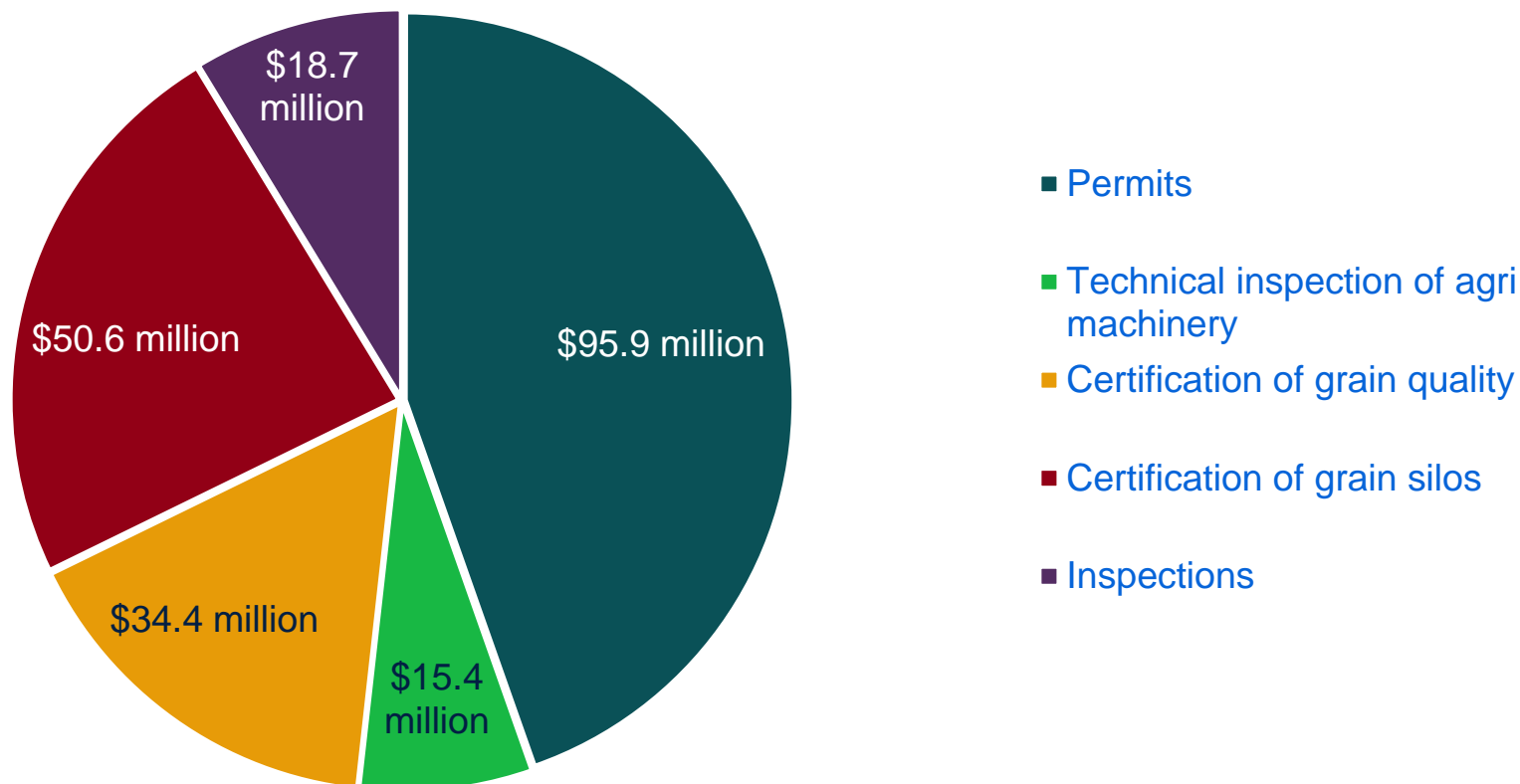
% of agriculture businesses that received at least one permit and were inspected at least once in 2013



Source: Representative survey of agriculture sector companies performed by IFC. Reference year is 2013.

Obtaining permits and certifications is too costly for agribusinesses

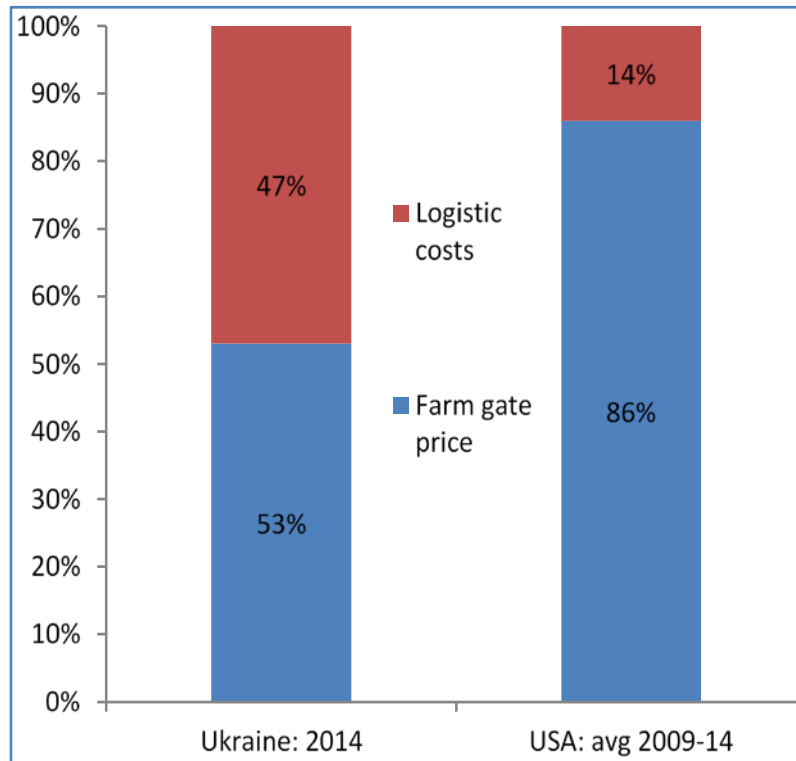
Total annual direct cost for given procedures for all affected firms (gross), including staff time, fines, official and unofficial payments



Source: Representative survey of agriculture sector companies performed by IFC. Reference year is 2013.

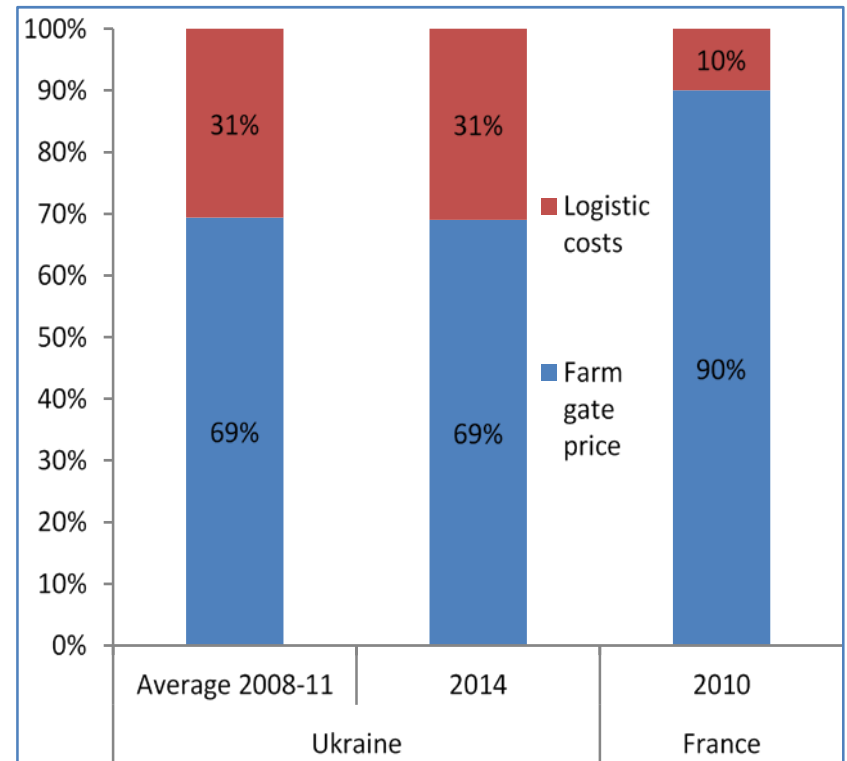
Costs of the whole value chain determine competitiveness

Figure 1 Corn marketing costs in Ukraine and USA, in % to the world market price



Source: USDA Feed Grains Yearbook Tables; CTS report

Figure 2 Wheat marketing costs in Ukraine and France, in % to the world market price



Source: World Bank (2014)

Wheat logistics costs in USD

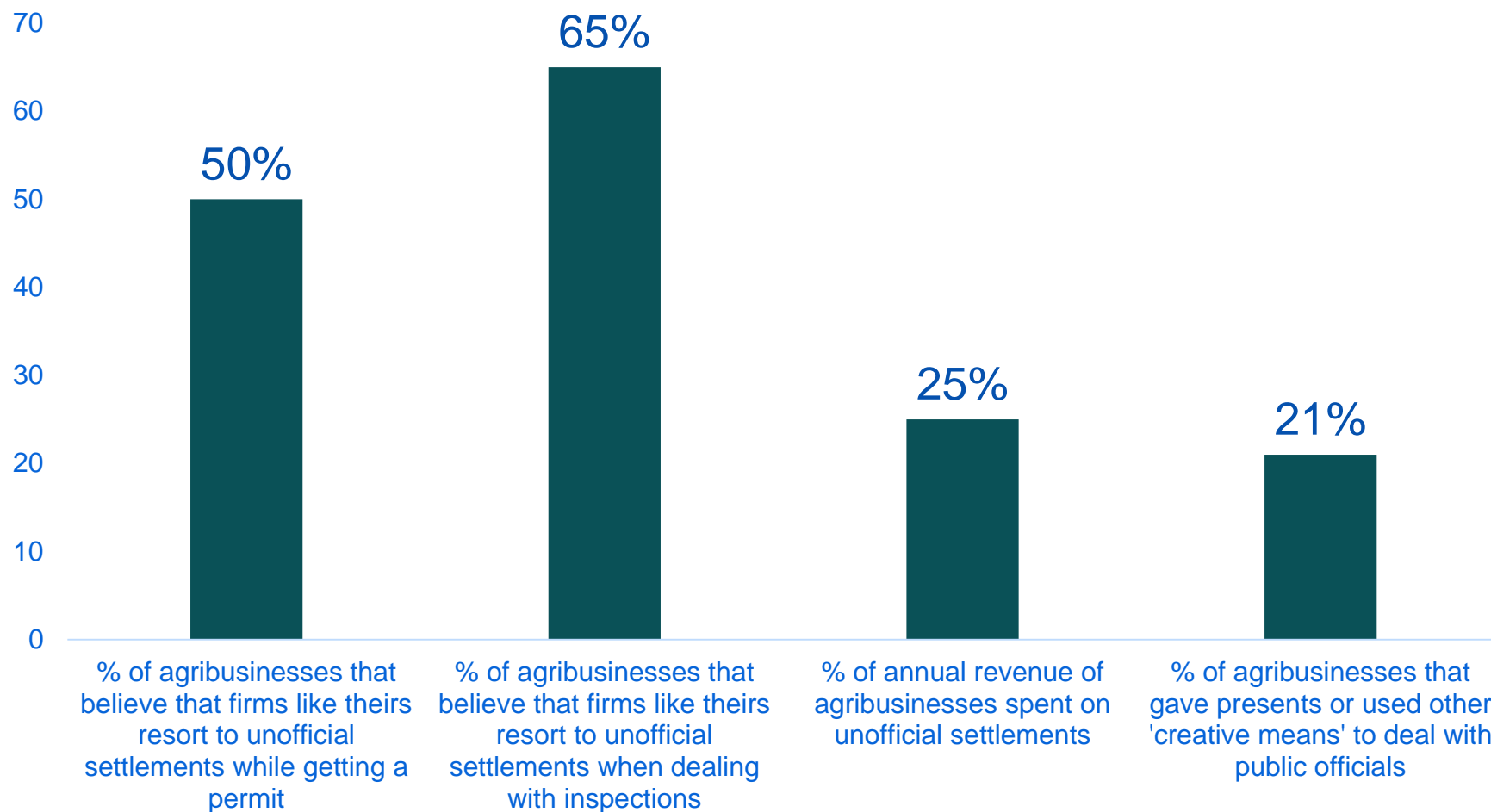
	Ukraine	Germany	France
Field to silo	14.78	6.75	8.15
Silo to port	23.38	16.38	15
Port logistics	19.88	6.64	6.78
Total	58.03	29.77	29.93

Field to elevator: acceptance, cleaning, drying, storage, loading

Elevator to port: railcars, fees, inspection, certificates, forwarder

Port logistics: loading, fumigation, surveyer, customs

Corruption is ingrained in agribusiness-related compliance procedures



Source: Representative survey of agriculture sector companies performed by IFC. Reference year is 2013.

The costs of doing agribusiness - Wheat in Ukraine

Production costs: 120 USD plus 60 USD logistics costs per ton

Current export price at Black Sea: about 200 USD/ton

Difference of logistics costs Ukraine/France: about 28 USD/ton

Thereof: X USD market inefficiency, Y USD compliance costs and corruption

Business Case for Ukraine: 60 m t of cereals => **1.68 billion USD annually**

Solution: investments in agri-logistics and regulatory reform

Can river transport become competitive in Ukraine?



16,36 \$/mt



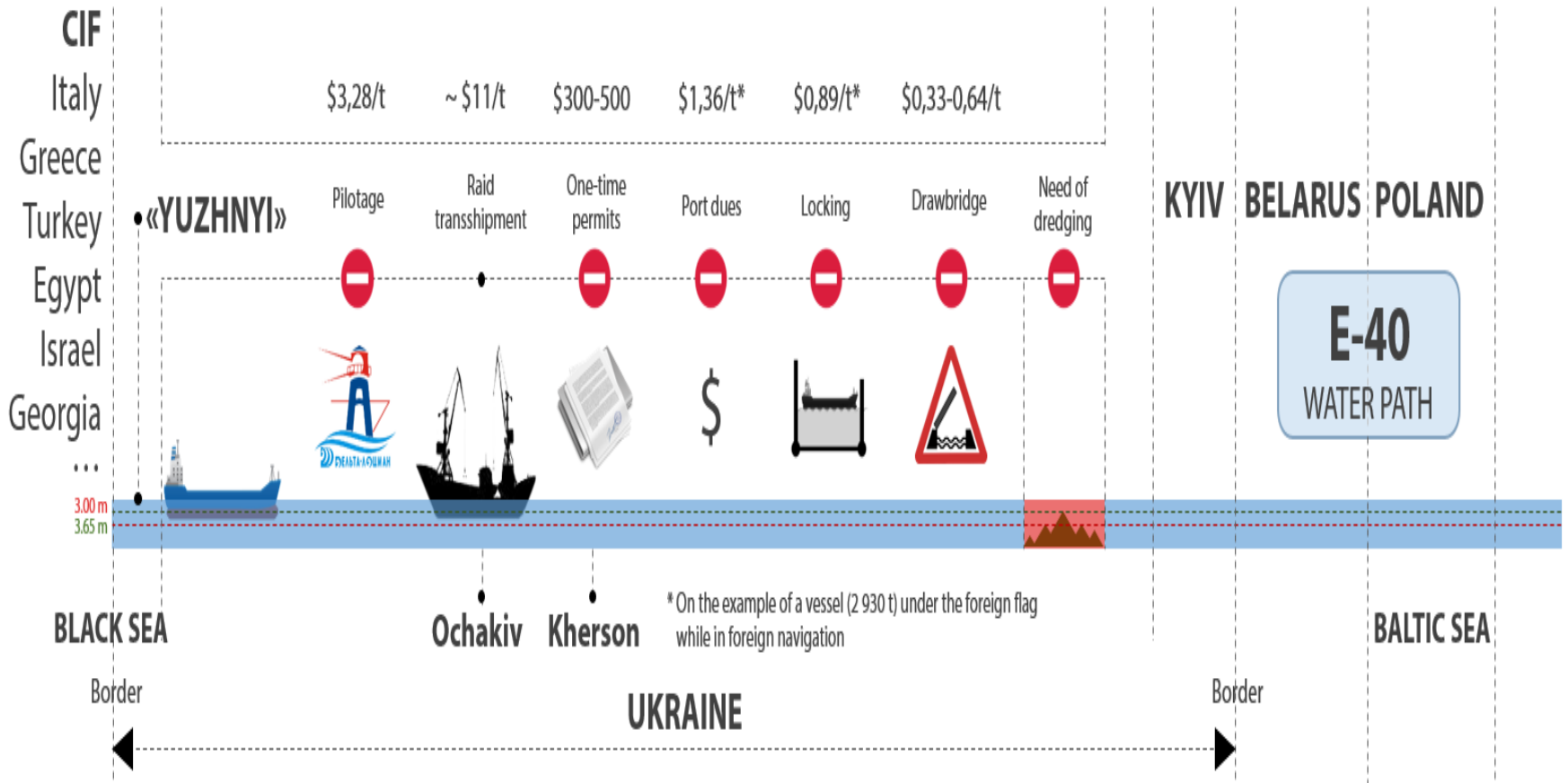
8,89 \$/mt



10,47 \$/mt

Mode of Transportation	USA (in 2007/08 MY), m t	Ukraine (in 2013/14 MY), m t	USA (in 2007/08 MY), %	Ukraine (in 2013/14 MY), %
Truck	7.658	12.8	8.5%	36.0%
Rail	34.735	21.7	38.5%	61.0%
Barge	47.804	1.1	53.0%	3.1%

Regulatory constraints on inland waterways



Thank you!



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