



AGRICULTURE PROGRAMS



THE CHALLENGE

Ukraine's capacity for sustainable, broad-based growth is stalled by:

- (1) unpredictable and incomplete agricultural policies,
- (2) limited financial services for agriculture, and
- (3) weak market infrastructure that leads to low yields and reduces the competitiveness of small and medium producers.

According to the *Food and Agricultural Organization of the United Nations*, Ukraine's agriculture is performing at one-third of its production capability and one-half of its potential for contributing to GDP.

Ukraine requires assistance to tap its vast potential in agriculture, thereby diversifying its sources of prosperity, leading to a broader economic recovery, and contributing to a more food secure world.

OVERVIEW

More than one billion people worldwide suffer from chronic hunger, and without a substantial increase in the global food supply, the number of food insecure people is projected to increase. Ukraine's fertile soil and large land resources have the potential to make significant contributions towards feeding a world that, according to the United Nations, will need to produce 70 percent more food by 2050. USAID helps Ukraine reclaim its "breadbasket" role in the world and catalyze broad-based economic growth by supporting a stable, market-oriented policy environment; stimulating agricultural finance; and promoting more effective market infrastructure for small and medium producers.

OUR PROGRAMS

AgroInvest

This five-year \$20.6 million USAID project aims to accelerate and broaden economic recovery in Ukraine and contribute to global food security efforts by creating a more inclusive and competitive agricultural industry. In particular, *AgroInvest* aims to increase awareness among rural landholders and producers of their land rights, facilitate the adoption of market-oriented legislation needed for agricultural land reform, increase agricultural lending to small and medium agricultural producers, establish wholesale and regional markets, and strengthen the capacity of producer organizations and industry associations.

PROGRAM HIGHLIGHTS

AgroInvest

- Provided assistance and policy advice on land reform to the Government of Ukraine, which contributed to postponement of the lifting of the land sales moratorium until January 1, 2013. This allows more time for a more informed discussion on new land market legislation, building institutional and regulatory implementation capacity, as well as better informing society about the impending changes. In particular, there will be more time to properly educate landowners about their rights and help them protect their property and make informed decisions when deciding to sell their land.
- Pre-emptive purchase rights for the government were removed from the draft law on land market. This provision was one of the most criticized by Ukraine stakeholders and international organizations, as there was no clarity in the law on the real purpose of this proposed provision, which could

PROGRAM OBJECTIVE

To accelerate broad-based economic recovery through a more inclusive and competitive agricultural industry.

Implementing Partners

AgroInvest Project:
Chemonics International

**For more information, please
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distort markets.

- Developed and proposed a mechanism for land sellers to hold mortgages on land sales (owner financing). Most likely, buyers of land will be farmers who have extremely limited financial resources available. Due to capital constraints of potential buyers and that few Ukrainian financial institutions will extend loans on agricultural land for the foreseeable future, it is beneficial to have an alternative financing source within Ukraine. According to the developed approach, sellers would hold mortgages on their land, receiving payments by installment. Banks would facilitate contracts between buyers and sellers and ensure its enforcement. Several large banks have already expressed interest in this approach and work on its implementation will continue in 2012.
- Stimulated discussion of key issues and likely impacts of the land reform on Ukraine's society and economy through a series of media roundtables for local and national journalists. The project engaged public and private sector speakers at these events. Five events were organized in Dnipropetrovsk, Vinnytsya, Simferopol, Donetsk, and Kyiv and were attended by a total of 279 journalists from 15 oblasts. A limited media monitoring revealed 88 media appearances in local press as a result of these events with a total readership of 3.8 million.
- Partnered with Chicago Mercantile Exchange (CME) Group and Ukrainian Futures Exchange to educate Ukrainian agricultural producers and other market players on the opportunities of futures markets. Producers and traders will be able to hedge agricultural price risk by using futures markets instruments. Thus far, 114 people were trained over four training sessions covering varying futures market topics and the training will continue throughout 2012.
- Signed Memorandums of Understanding (MOUs) with the *National Association of Credit Unions, All-Ukrainian Association of Credit Unions, and Deposit Guarantee Program* to increase their lending portfolio to small and medium agricultural producers.
- Signed MOUs were signed with three commercial banks (*CredoBank, MetaBank, and ERSTE*) to assist them with development of new financial products tailored to the needs of agricultural producers.
- Signed MOUs with two input suppliers, *Kyiv Atlantic* and *Agrobonus* to link them with financial institutions and agro producers to increase farmers access to finance
- Helped 26 agricultural producer organizations develop investment projects that are being presented to financial institutions and private investors for consideration.
- Supported and identified strong public/private sector partners for six wholesale markets (Kherson, Rivne, Ivano-Frankivsk, Kukushkyne, Dobre, and Zuya) in four oblasts (Rivne, Kherson, Crimea, and Ivano-Frankivsk) to build new local and regional outlets that will increase farmers access to consumers.