



## POLITICAL ECONOMIC OVERVIEW:

The economic reforms, announced in October of 1994 by President Leonid Kuchma, include large-scale privatization of land, reductions in industrial subsidies, and measures which will decentralize economic decision making.


The recent flood of Western goods to the country has allowed Ukrainians to see the potential benefits of a free market economy. This has played a significant role in making Ukrainians a people hungry for change, and hungry for Western-style goods and services.

The International Monetary Fund (IMF) has reached a stand-by agreement for the amount of US \$1.5 billion to help the Ukrainian government to stabilize its economy. This agreement was conditional on the Ukrainian Government lifting controls on exports, prices, and currency exchange, and generally adopting market oriented reforms as well as reducing government deficit below 5% of GDP. The Ukrainian government has met these conditions and the IMF has begun disbursing funds. The Government of Canada has announced a Cdn \$20 million non-concessional line of credit from the Export Development Corporation (EDC). Preference will go to contracts to be completed within a year and only capital or quasi-capital goods will be eligible.

## AGRICULTURE AND AGRI-FOOD SECTOR

Historically, Ukraine was referred to as the Bread Basket of Europe. Despite current harsh economic conditions, the basic elements for the success of Ukraine's agricultural sector are still present: the rich soil, climate, and the traditional agricultural skills of the people. In 1993 the agri-food sector accounted for about 25% of Ukraine's GDP, and employed approximately 25% of the population.

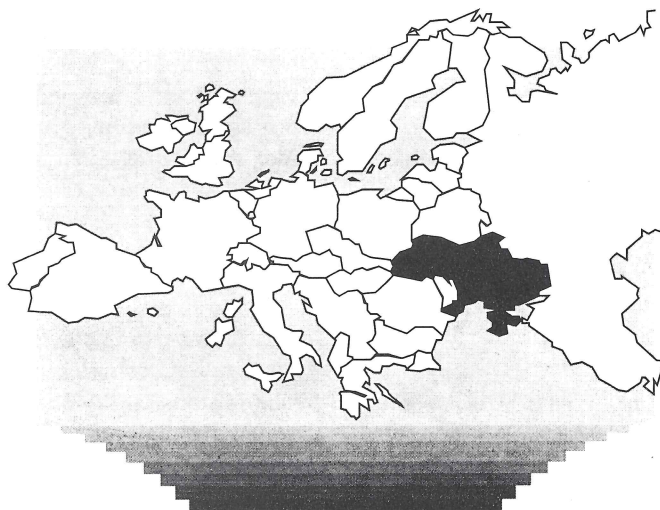
The government of Ukraine has identified the agriculture and agri-food sector as a top priority for development and allocation of government resources. It is generally believed that Ukraine has the potential to

 Agriculture and Agri-Food Canada

  
International Markets Bureau

# AGRI-FOOD MARKET PROFILE ON UKRAINE

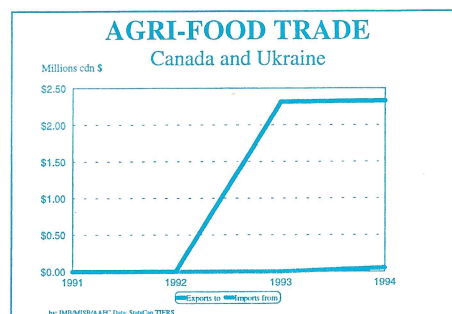
*Extracts from June 1995 Report to the Toronto Seminar  
**Agri-Food Trade Investment: Russia and Ukraine**  
organized by Agriculture and Agri-food Canada and  
Ontario Ministry of Agriculture, Food and Rural Affairs*



strengthen its agricultural export base significantly. In fact, the agricultural sector is likely to achieve international competitiveness in a shorter period of time than any other sector.

Ukraine's agriculture sector has performed better than that of most newly independent countries that emerged from the Former Soviet Union (FSU). Ukraine is the second largest grain producer in the NIS after Russia (approximately 20 percent of total production). Ukraine also produces over 50 percent of the NIS's sugar beets and refined sugar and similar percentages of sunflower seeds and sunflower oil. It is a net exporter of meat (24 percent of total NIS production), vegetables (25 percent of total NIS production), flour and eggs.

There are significant obstacles to this growth however, including obsolete production facilities, huge inefficient state-owned farms, and inadequate transportation, storage, and distribution systems. These



inefficiencies serve to further emphasize Ukraine's market potential. Eventually the agri-food sector will emerge in Ukraine, but Western investment is key to its development.

Crop production currently accounts for nearly half the gross agricultural output of Ukraine. With the required foreign investment and prudent government policies, Ukraine will soon be able to produce most of its grain, livestock, and vegetable requirements for itself. However, the problems with the processing industry are much more severe. There is a strong demand for processed goods and value-added agri-food products in Ukraine that offers growing potential for Canadian

Economic Indicators	1990	1991	1992	1993	1994
Real GDP growth (%)	-3.6	-11.9	-17.0	-14.2	-23.0
Consumer Price Inflation (%)	4.2	91.2	1,310.0	4,735.0	824.0
Exports (\$bn)	n/a	7.3	6.0	5.5	9.7
Imports (\$bn)	n/a	10.0	5.5	3.9	9.8

*Source: Economist*