

2012

DOING
AGRIBUSINESS
IN UKRAINE



Ukrainian Agribusiness Club



Dear Readers of “Doing Agribusiness in Ukraine”!

It is common knowledge that agriculture of Ukraine has one of the largest potentials for growth and development, along with countries like Russia and Brazil.

However, the potential itself does not necessarily bring rich fruit; it requires a clear and considered agricultural policy. A lot was done for the development of such a policy in previous years, in particular, a favorable taxation regime was introduced and the foundations of state support of the sector were laid.

Nevertheless, the situation is changing dynamically, and not only in Ukraine in line with reforms, but also in the whole global economy. Today we may observe that many aspects, which used to be neglected are now of primary importance.

These are the land tenure system defining foundations of sustainable agriculture, organic production, development of bio-fuel industry, food security and other important aspects. All these aspects have been reflected in draft laws developed by the Ministry of Agrarian Policy and Food of Ukraine and already submitted for consideration of the Verkhovna Rada of Ukraine.

The fundamentals of agriculture in Ukraine for the years to come have to be defined by the currently drafted law of Ukraine “On Agriculture”; it is also important to mention that the development of the sector in the mid-term perspective cannot be imagined without completion of land reform.

Our task is to ensure the balance of interests of agrarian business and the state and to secure revival of rural areas, so that the growth of agriculture has maximum overall positive effect. I am sure that this task may be accomplished only in a broad dialogue with all stakeholders; I assure you that the Ministry is prepared for intensification of this dialogue.

Sincerely,
Minister of Agrarian Policy
and Food of Ukraine

**Mykola
Prisyazhnyuk**



Dear Colleagues!

The system of government in Ukraine is built in such a way that the Verkhovna Rada of Ukraine sets up many important features of functioning of agriculture on a strategic scale, as well as in more applied aspects. The year 2011 was a good example. One may refer only to rationalization of grain market adjustment, when considerable efforts of the Committee on Agricultural Policy and Land Relations of the Verkhovna Rada of Ukraine led to abolition of export restrictions on grain and secured tangible income for the agrarians.

Another important aspect is parliamentary control over the executive. For example, the Committee is paying large attention to the issues of land evaluation in Ukraine and calling on the Government to move from one-time and ad hoc solutions to well-founded methodology, taking into account the interests of land owners, land users and the state.

Without doubt, the land issue is in general one of the most acute these days, and the intensity of the present discussion can be compared to the one that took place during the adoption of the Land Code of Ukraine in 2001. However, another reason why the Code serves as a remarkable example is that the expectations of the crash of the land tenure system and agriculture in general, didn't come true. There is only one necessary condition, namely, deliberateness of reforms and their adequacy according to place, time and situation. I am absolutely sure that the thorough discussion, which took place at the Committee during consideration of the draft law on the land market will lead to a well-balanced shaping of the second level of the land legislation regarding land auctions, land consolidation, trade in land rights, leaseholds and the adjustment of relations between landowners and tenants.

There is no point in listing all draft laws, which have been considered by the Committee in the current year. But even this brief history shows certain evolution of legislative proposals and ideas aiming at securing the interests of agrarians and development of rural areas. Despite the growing intensity of political discussions, one may assert that the Committee on Agricultural Policy and Land Relations of the Verkhovna Rada of Ukraine will continue to ensure the interests of agricultural development in Ukraine in 2012.

Sincerely,
Chairman of the Committee
on Agricultural Policy and Land Relations
of the Verkhovna Rada of Ukraine

A handwritten signature in black ink, appearing to read 'Hryhorii Kaletnik', written in a cursive style.

**Hryhorii
Kaletnik**



Dear Friends!

Every year brings about new aspects of the activity, which we call "Doing agribusiness in Ukraine". The scale of change in Ukraine is much larger than in many other countries, even when taking into account the fact that the global economy is still turbulent.

Even the short list of questions relating to the basics of agricultural business, which continued to be of importance in 2012, is very impressive. These are the abolition of VAT reimbursement at export of cereals and oil crops, heated debates concerning the land market and a considerable increase of normative land value. I am not talking about many legislative proposals, which are actively being discussed but, fortunately for the agribusiness, have not been adopted yet.

Unfortunately, many changes can hardly be called those, which improve attractiveness of agribusiness for long-term investment projects. The response of the business itself is quite predictable – better less but of higher quality. Primarily, this refers to the system of measures aimed at the increase of effectiveness and efficiency of production, improvement of know-how by means of investment into human capital and modern technologies and, what is very important, into strategic restructuring of business.

However, it is also obvious that the threshold of effectiveness improvement is not without borders. The agribusiness needs simple and clear rules of the game in the mid-term and long-term perspectives. Thus, it is very important to unite all efforts of the agribusiness in order to defend the interests of the sector effectively. It is good to see that 2012 has already demonstrated remarkable progress in this respect.

I wish you a lot of success!
President of the Association
"Ukrainian Agribusiness Club"

A handwritten signature in blue ink, appearing to read 'Alex Lissitsa'.

**Alex
Lissitsa**

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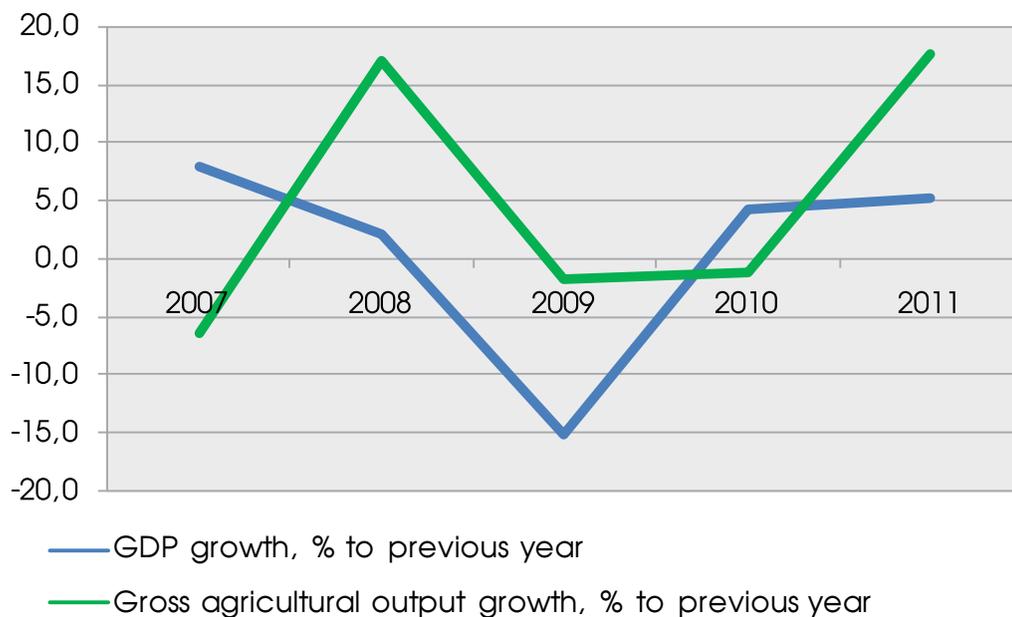


Agrarian Sector of Ukraine. Macro Level Trends

Major Macro-Economic Indicators

The year of 2011 may be featured as a period of post-crisis growth in Ukraine. Compared with 2010, when gross domestic product (GDP) gained 4.2%, in 2011 GDP growth made up 5.2%. The agrarian sector contributed heavily to this positive trend: growth of gross output of agricultural production amounted to 17.6% as compared with 2010. This impressive level of growth was, to a large extent, explained by the record harvest of cereals (more information about this is available in the Chapter "Markets of Agricultural Production").

Dynamics of gross domestic product and gross agricultural output, 2007-2011



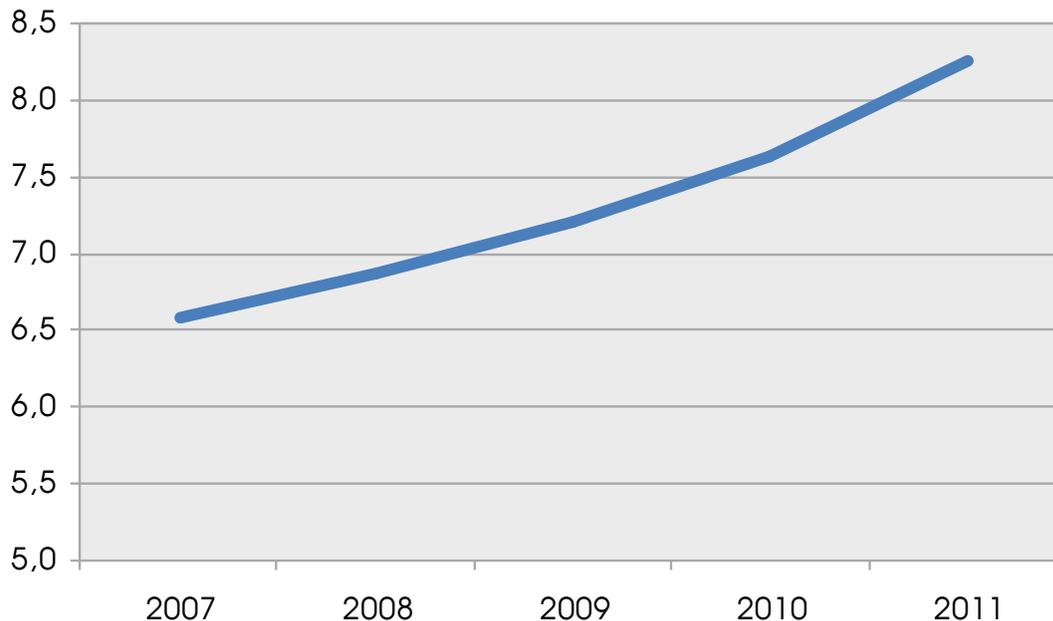
Source: State Statistics Service of Ukraine

During 2011 the share of the agrarian sector in GDP also increased, from 7.6% up to 8.3%, following the trend of recent years of featuring steady enlargement of the share of agriculture in gross value added.

Nevertheless, in 2012 experts expect considerable down drift of GDP growth rate due to overall slowdown of the economy and toughening of monetary and taxation policies of the government. The reasons of the above mentioned toughening can be found in worsening of financial conditions and unavailability of international capital markets as well as in politically-motivated rejection of reforms suggested by the International Monetary

Fund (IMF) aimed at stabilization of gas sector (first of all, increase of tariffs for households). According to the National Bank of Ukraine (NBU), in the first quarter of 2012 GDP growth already slowed down to 1.8% as compared with 5.4% in the same period of 2011.

Specific weight of gross agricultural output in GDP, %



Source: State Statistics Service of Ukraine

GDP growth forecast, 2012

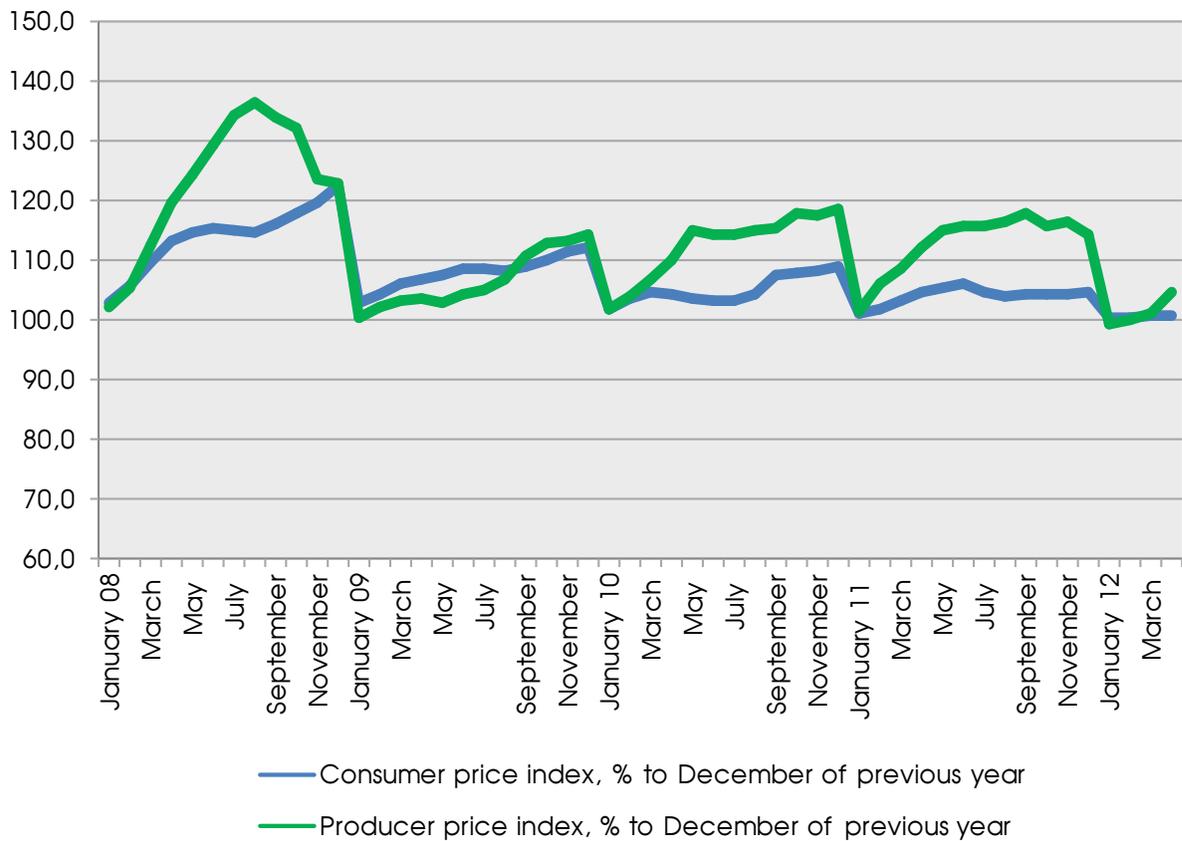
Source	Expected GDP growth, %
Fitch	1.6
World Bank	2.5
European Bank for Reconstruction and Development	2.5
IMF	3.0
Cabinet of Ministers of Ukraine	3.9
NBU	4.0 ± 0.5

Stability of prices and tariffs facilitated a low level of food prices inflation in 2011. Another important reason for low consumer price index was the high yield of grain crops and horticultural products due to very favorable weather conditions.

However, the situation will be less optimistic in 2012. Assessments of crop conditions show that gross harvest of cereals in 2012 will decrease¹. That will lead to speeding up of food price inflation. IMF is expecting 6.7% rate of inflation in 2012, while the Ministry of Finance of Ukraine is telling about 7.9% growth of consumer prices and 9.4% growth of producer prices.

¹See AgriSurvey study "Analysis of Demand for Agrochemical Products and Crop Seeds" <http://www.agribusiness.kiev.ua/en/service/studies/1328521440/>

Dynamics of indices of consumer prices and producer prices, 2008-2012*



*first quarter
Source: NBU



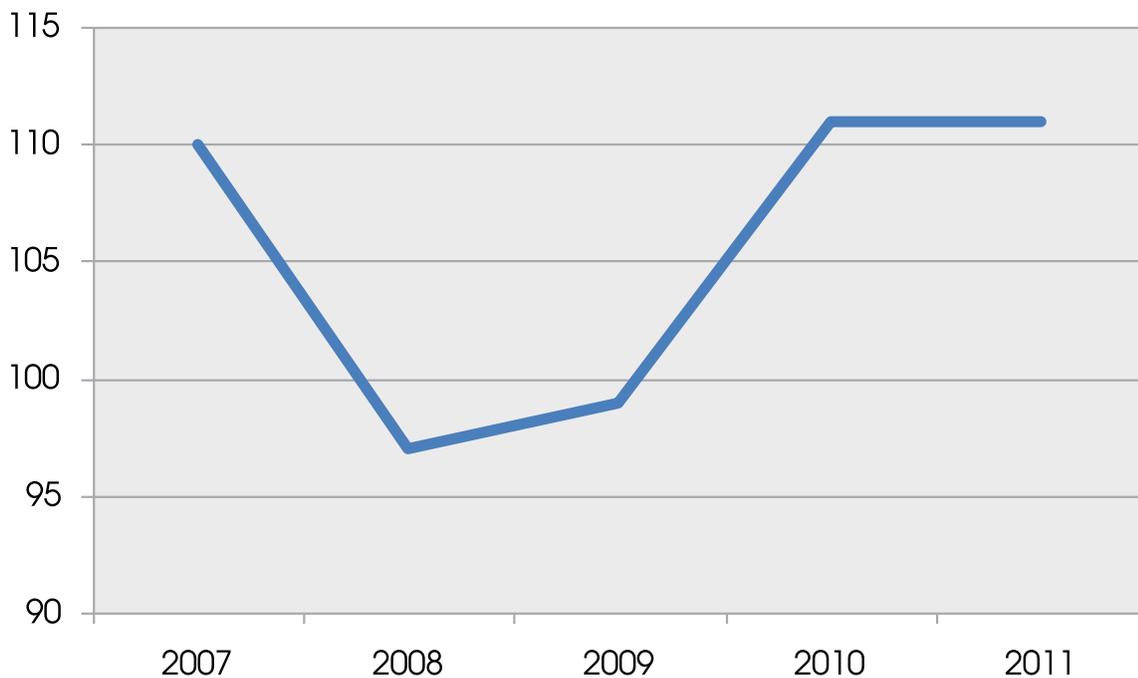


Labor Market

Wages

The rate of growth of actual wages in 2011 was kept at the level of 2010, i.e. 11% a year.

Index of actual wages, compared to December of the previous year, %



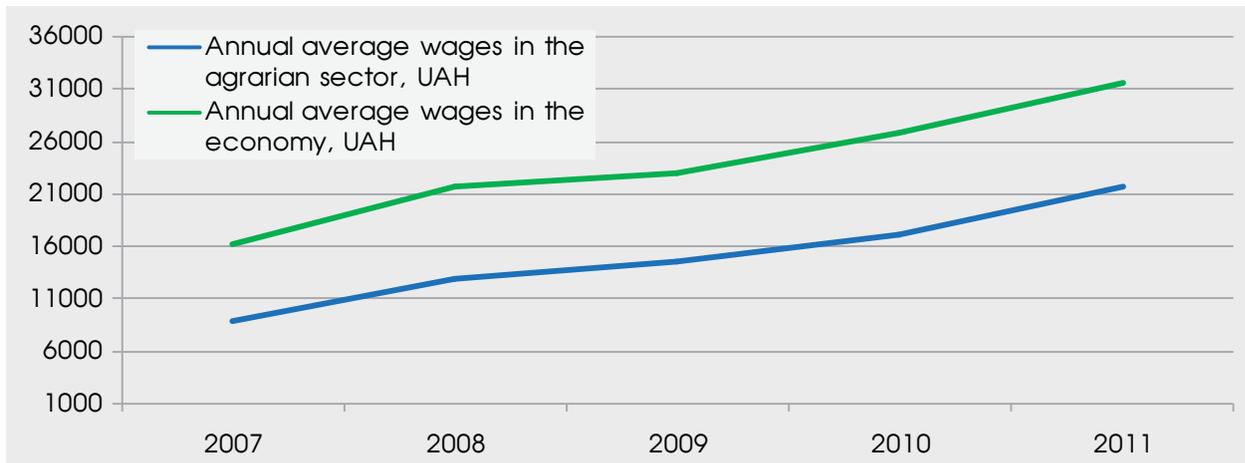
Source: State Statistics Service of Ukraine

Nevertheless, the agrarian sector of Ukraine is featured by a deficit of human resources in nearly every field; that is explained, among other things, by a low level of the average annual wage as compared to other sectors of the economy and to the average national indicator.

Productivity of Labor

Detailed analysis of the number of employees engaged in livestock sector (cattle-breeding, pig-breeding and aviculture) and crop sector shows a stable trend towards the decrease of that number. In 2005 there were 493 thousand people employed in crop growing; in 2010 – only 346 thousand. Thus, reduction amounted to 30%. The livestock sector features even more acute reduction of personnel, by 44% between 2005 and 2010, from 305 thousand down to 172 thousand, respectively.

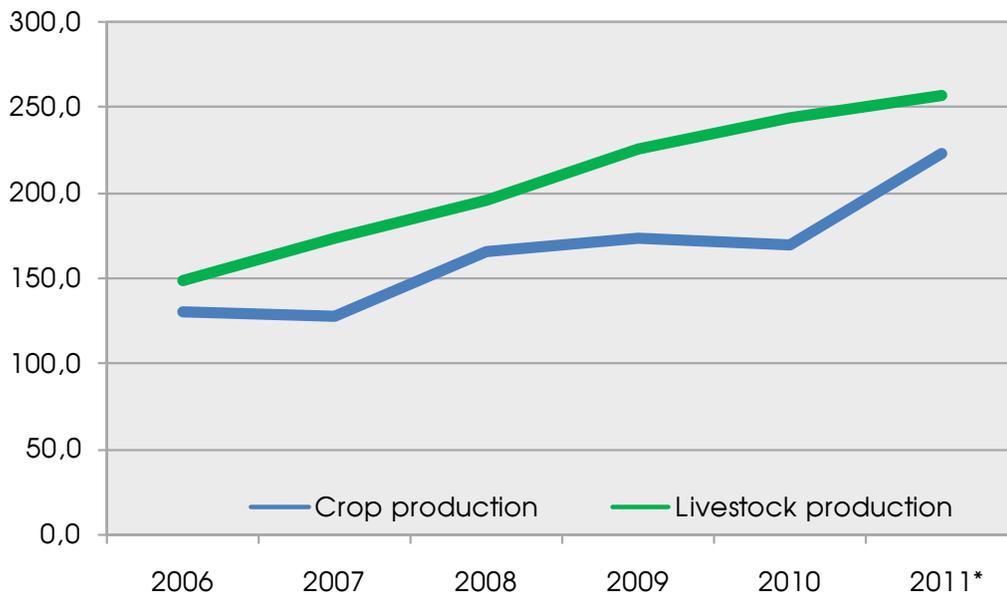
Average annual level of wages



Source: AgriSurvey study "Labor Market in Agriculture of Ukraine: Demand, Supply, Regional Features", data of the State Statistics Service of Ukraine

On the one hand, this trend improves indicators of labor productivity, especially in livestock sector.

Gross output of crop growing and livestock production per one annual average employee, UAH thousand/person



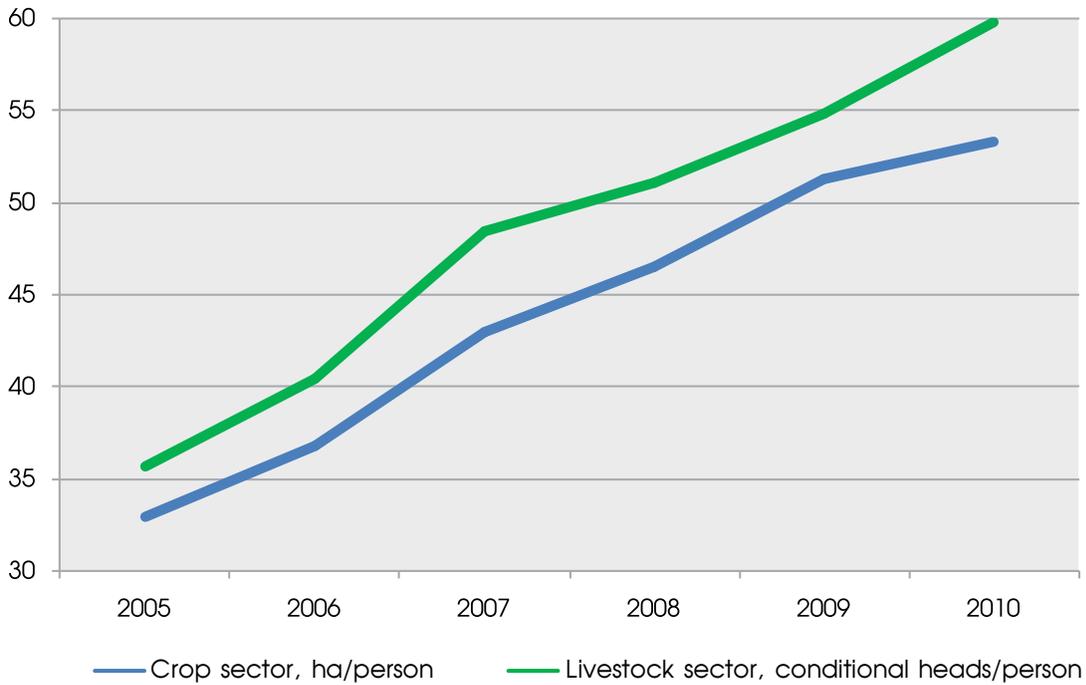
*Forecast

Source: own estimates, data of the State Statistics Service of Ukraine

On the other hand, reduction of personnel leads to considerable growth of workload per employee. For example, in 2005 there were 33 ha of arable land falling upon one employee; by 2010 this indicator increased by over 1.5 times and made up 53 ha per employee. The same applies to the workload of vets, livestock technicians and other categories of labor force engaged in the domestic livestock production; workload of one employee in 2010 made up 60 heads of conventional stock unit² or 67% up the level of 2005 (36 heads).

² Estimated according to the methodology of the State Statistics Service of Ukraine, approved by the Order # 18 of January 24, 2008. The following coefficients were used: dairy cows – 1.0, other cattle – 0.6, pigs – 0.3, sheep and goats – 0.1, poultry – 0.02.

Workload per employee



Source: AgriSurvey study "Labor Market in Agriculture of Ukraine: Demand, Supply, Regional Features", data of the State Statistics Service of Ukraine

The trend of the reduction of work force engaged in modern agricultural production is explained by the ongoing processes of intensification of production, introduction of new technologies and optimization of business processes. But one should also consider the fact that the level of financial motivation and socialization of rural manpower is bringing about steady unwillingness of employees, first of all of younger ones, to be involved in agricultural production in rural areas. This assertion found its confirmation in the survey based on questioning of graduates of agrarian professions (vet medicine and technology of production); according to the survey, only 10% of graduates were planning to work in rural areas.



Land Market

Land Relations in Ukraine

BEITEN BURKHARDT

Ukraine owns vast areas of arable land featuring high fertility; over half of the national territory is qualified as “land of agricultural use”.

The land reform was one of the most important reforms, which took place in Ukraine. The reform, in fact, eliminated collective and state ownership to farmland. It is necessary to point out that land reform was transitory and is not completed yet.

The main feature of the Ukrainian land reform was the division of arable lands into so-called pai (a share). A land share (pai) in the legal sense shall not be identified with a land parcel. A land share is only a right to be allocated a piece of land of a certain area. Conversion of land shares into real land parcels with registered ownership is currently going on, though the bulk of land shares were converted into land parcels by the end of 2008. The primary reasons restraining complete conversion are death of landowners, lack of funds to cover necessary land surveying works and services etc.

Upon completion of major stages of the land reform most landowners were not prepared to farm their land on their own and were reluctant to unite for joint cultivation of their plots. Therefore, in most cases companies leasing land as parcels or land shares from landowners cultivate farmland. Among such companies there are also foreign investors. It should be noted that leasehold is the only tool for securing rights to land available for legal entities, including those with foreign investments.

The President of Ukraine Victor Yanukovich at the beginning of his office in 2010 declared the establishment of an open and civilized farmland market to be one of his priorities.

It is well known that Ukraine in 2000 imposed a moratorium on alienation of any productive farmland. Under the provisions of the Land Code that was in force until 2012, the moratorium should have been lifted upon adoption of two laws, namely on the state land cadaster and on the land market, but not earlier than January 1, 2012. At present, the moratorium is formally prolonged till January 1, 2013.

The Parliament of Ukraine adopted the Law of Ukraine on the State Land Cadaster on July 7, 2011, but entering into force of the Law was postponed till January 1, 2012 (except for some provisions). At the moment, the state land cadaster as it is described in the Law has not been formed, only certain works were completed, for example, aerial mapping of Ukraine. The draft law on the land market was adopted by the Parliament in the first reading, but later on it was taken for further elaboration. Thus, for moratorium to be lifted, it is necessary to adopt the Law of Ukraine on the Land Market.

The newer version of the mentioned draft law has recently been published for political and public discussion. But the current political situation, first of all, the forthcoming election of the Parliament of Ukraine (October 2012), strongly suggests that the Law of Ukraine "On Land Market", as it stands at the moment, is not going to be adopted in 2012. Statements of the Speaker of the Parliament and the President of Ukraine pointing at social and political significance of the law "On Land Market" and necessity of considerate approach are also suggesting that this law will be dealt with after the elections.

It is worth to mention that the last available reading of the draft law "On Land Market" (as of January 25, 2012) imposes several restrictions regarding ownership to farmland. The draft law, just like the effective Land Code, directly forbids foreign companies, as well as companies incorporated under Ukrainian law with participation of foreigners, to own agricultural land in Ukraine. Moreover, the draft law goes further and restricts the right to own farmland to citizens of Ukraine, local territorial communities, the state and the land bank. Thus, all kinds of legal entities, regardless of the place of incorporation, are excluded from the list of potential owners of farmland.

Similar to all preceding readings of the draft law on the land market, there is an obvious desire to protect Ukrainian farmland from being acquired by foreigners. But it is unclear why the legislator eliminates from the list of potential landowners all sorts and kinds of legal entities. This is an approach that may decrease investment attractiveness of Ukraine drastically.

The draft law "On Land Market" also limits the area of farmland in possession of one person setting the upper threshold at the level of 100 ha. This is an essential restriction because the profitable conduction of agricultural business requires larger area of cultivated land.

Another negative aspect of the draft is the imposition of ceiling on the area of farmland in leasehold of one person. This area shall not exceed 10% of agricultural land within one district (rayon) and 100 thousand ha on the territory of Ukraine. This restriction represents a threat to the activities of existing holdings and reduces investment attractiveness of Ukraine for foreign investors for whom leasehold is the only available access to the Ukrainian land market.

Current reading of the draft law "On Land Market" also contains rules on consolidation of land and on long-expected rules on land auctions and land tenders.

Under the provisions of the current Land Code, sale of land parcels of state and municipal ownership, as well as leasehold rights thereto, shall be performed at auctions only. This presupposes that law should establish rules of the land sales. This provision was included in the Code in late 2007, but there is no law governing the procedure for land sales so far.



There is a probability that the procedure of land auctions will be defined by a separate law (there have already been published several draft laws on land auctions, one of which was recommended by the profile Committee for the adoption in the first reading); therefore some of issues included in the draft law on the land market may be dealt with in another law, and the draft law "On Land Market" will have to be withdrawn and re-drafted. The same is very possible regarding rules on consolidation of land. The above said confirms a high probability that by the end of 2012 the law "On Land Market" will not be adopted and the existing moratorium will be prolonged.

A public and predictable market of agricultural land shall facilitate the development of agriculture in Ukraine and attract investors, although the latter may have very few options for entering the market in view of the restrictions and limitations embodied in the draft law "On Land Market". Most likely, different varieties of leasehold will be the only available option for foreign investments.

Dmytro KISELYOV
Senior Associate with international law firm BEITEN BURKHARDT
38, Turhenevska Street, Kyiv, 01054, www.beitenburkhardt.com

Leasehold Market

The Ukrainian land market is functioning only as a leasehold market because, as it was mentioned before, buying and selling of farmland is prohibited by law.

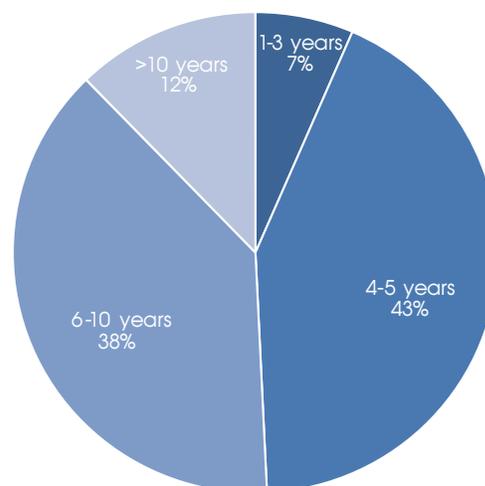
Out of 41.6 million ha of farmland about 17.4 million ha have been leased out. Approximately 95% of leased out areas is arable land – the most profitable kind of farmland. The rest falls on hayfields and pastures leased by livestock farms and on perennial plantations. The main group of lessors is made up of owners of land shares (pai), members of former collective farms who got their land shares (pais) in the process of agrarian and land reforms. Retired farmers represent the majority of shareholders. As a result, 54% of all lease contracts are concluded with retirees.

The main lessees are agricultural enterprises and large farms that cultivate over 1000 ha. 90% of all leased land fall upon this category of lessees.

The average area of a land share (pai) converted into a land parcel is approximately 4 ha. However, it varies from 1 ha in Western Ukraine to 9 ha in Eastern Ukraine. On average, the farm which cultivates 2000 ha, is leasing about 500 land shares (pais).

As of the beginning of 2012 there were 4.8 million effective contracts for lease of land shares (pais). Most of them were signed for the period 4-5 years, though there is a steady trend towards conclusion of contracts for longer terms.

Structure of lease contracts by duration as of January 1, 2012

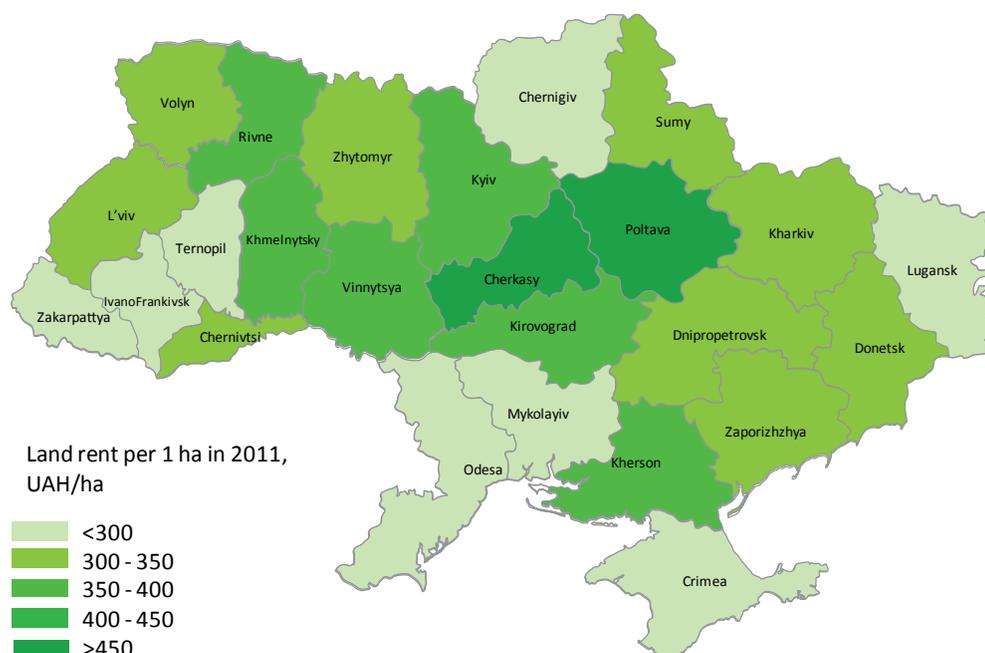


Source: own estimates on the basis of data provided by the State Agency of Land Resources

The average annual rent in 2011 amounted to UAH 350 per ha. The level of rent is higher in the most fertile areas of Central Ukraine; the highest rent was reported in Cherkassy region where in 2011 an average lessee paid UAH 686 per ha.

The rent is paid mostly in kind, by cereals, sugar and other goods. In 2011 the share of payments in kind made up 65% of the rent due. But it is clear that the share of payments in cash is steadily growing, and from 13% in 2005 it reached the level of 32% in 2011. This is explained by the reduction of livestock population at households and respective reduction of the demand for feed; heir landowners (those who mostly reside in urban areas and inherited land shares (pais) from their late rural relatives) also prefer settlement of accounts in cash.

Rent in Ukraine in 2011, UAH/ha



Source: own presentation on the basis of data provided by the State Agency of Land Resources

The cost of leasehold, besides market processes, is significantly influenced by regulatory and social policies of the state. According to the Presidential Decree³, the minimum rent is set up at the level of 3% of normative land value. This rule, though, is currently implemented only in about 50% of leasehold contracts because other contracts were concluded before 3% threshold became effective. Taking into account that from January 2012 the normative value of land was multiplied by 1.756⁴, and the average normative value of arable land grew from UAH 11.7 thousand/ha up to UAH 20.5 thousand/ha, the minimum rent according to contracts concluded in 2012 shall make up UAH 600 per ha.

Trade in Leasehold Rights

Establishment, development and growth of agriholdings in Ukraine is linked to very active enlargement of their land banks. Mainly it is done through purchase of leasehold rights from other agricultural enterprises or through acquisition of those enterprises as a whole, along with all material assets, machinery, equipment and buildings.

The average price for a leasehold right in 2011 made up USD 300-400 per ha. First of all, this price is based upon the quality of soils, location of land and the duration of effective lease contracts. Irrigated lands are valued higher, and in the South of Ukraine a leasehold right may be traded for up to USD 1500 per ha.

Recent years featured a new development: larger agriholdings moved from acquisition of small and medium-size agricultural enterprises to acquisition of small and medium-size agriholdings. For instance, in 2011 Kernel group bought holdings UkrRos and Enselko (and in 2012 the group is going to complete the acquisition of two more holdings in Khmelnytsky and Poltava regions). Sintal holding acquired Agrica holding; and Ukrlandfarming acquired Dakor and Rise.

³ Presidential Decree # 725 of August 19, 2008.

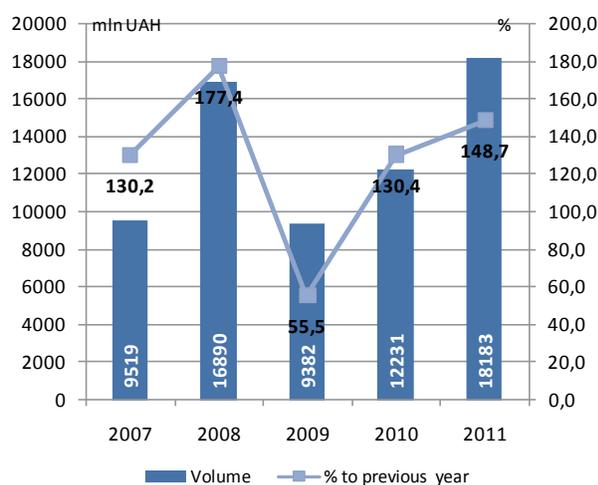
⁴ According to the Resolution of the Cabinet of Ministers of Ukraine # 1185 of October 31, 2011.

Capital Market

Investments

In 2011 the volume of capital investments in agriculture grew by 48,7%.

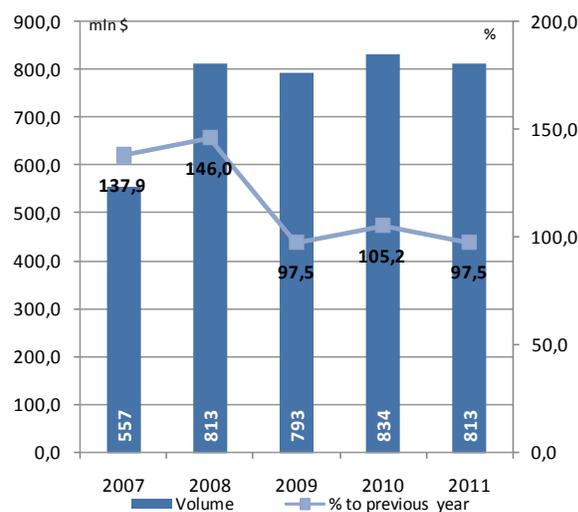
Capital investments in Agriculture



Source: State Statistics Service of Ukraine

However, the volume of foreign direct investments in agriculture decreased by 3.5%; this figure supports statements about a deterioration of the investment climate in the country.

Foreign direct investments in agriculture



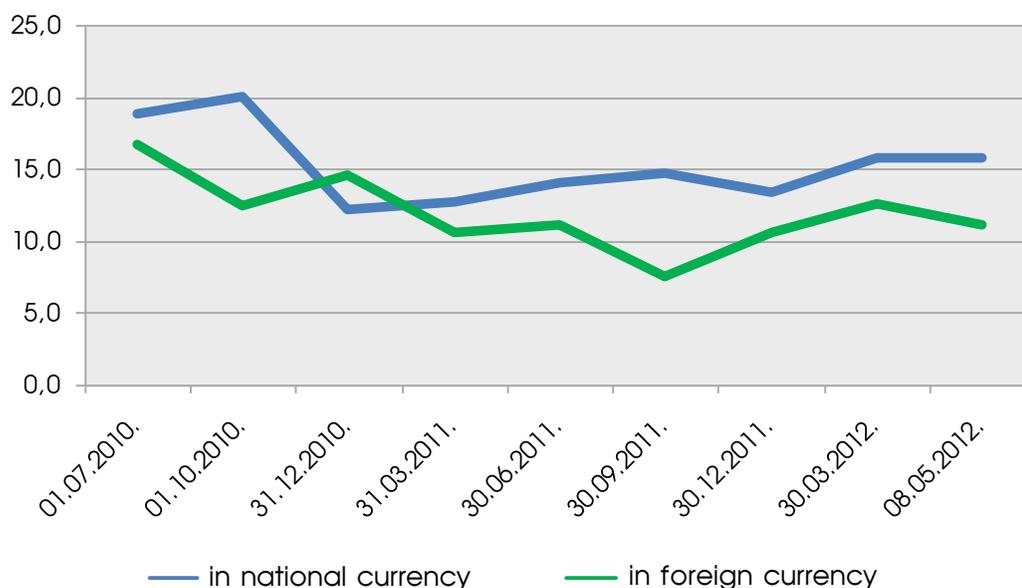
Source: State Statistics Service of Ukraine

Access to Finance

Agriculture is gradually turning into a capital-intensive business; therefore the access to financial resources is an important competitive advantage. Currently there are numerous options and ways for attracting external funding⁵.

Commercial banks in Ukraine are still charging rather high interest rates on long-term loans. That is why agricultural companies often look for other ways of financing.

Average interest rates of commercial banks, long-term loans for businesses, %



Source: NBU

The first half of 2011 was marked by increased agility of Ukrainian agrarian companies on financial markets. Due to a favorable situation on the stock market, six Ukrainian holdings got listed at international stock exchanges. Those companies who planned initial public offering (IPO) in the second half of 2011 failed due to deterioration of the situation in the stock market; they postponed their offerings till better times. As a consequence, alternative capital markets became more popular; in particular, companies were looking for strategic investors and cooperation with export credit agencies.

Besides, during the whole year of 2011 the sector featured a high number of merger and acquisition transactions; this is another proof of the lasting trend towards consolidation of assets and enlargement of active players. A new trend of 2011 was mergers and acquisitions by means of exchanging stocks; this can be explained by a limited access of parties to external funding⁶.

Experts predict that in 2012 another tool of funding will be in demand, namely, the issuing of corporate bonds.

⁵ See AgriSurvey study "Entry to International Equity Markets: Practical guide for agribusiness"

⁶ M. Fomina, O. Stadnik, *Lessons and Conclusions of Attracting Financial Resources in 2011. Experience of Ukrainian Agrarian Companies*. AgriSurvey study "Entry to International Equity Markets: Practical guide for agribusiness".

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Robert Michels, Partner
e-mail: rmichels@salans.com
Salans Frankfurt
Building Pollux, Platz der Einheit 2,
60327 Frankfurt, Germany
Tel: +49 69 45 00 12 0

Oleg Batyuk, Partner
Email: obatyuk@salans.com
Salans Kyiv
49-A, Volodymyrska Street, 2nd floor
01034 Kyiv, Ukraine
Tel: + 380 44 494 47 74

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Entry Standard for Corporate Bonds – Segment of Frankfurt Stock Exchange

Along with initial public offering (IPO), the issue of corporate bonds is yet another tool for financing Ukrainian agro-industrial companies (for instance, Agroton, Mriya Agroholding and Myronivsky Hliboproduct). Over the past two years German stock exchanges introduced segments for corporate bonds (for example, Entry Standard for bonds at Frankfurt Stock Exchange (WFB) and respective segments in Stuttgart and Dusseldorf); these segments offer a platform, which is popular among small and medium-size businesses (“SMB”). During the same two years corporate bond segments witnessed 50 listings and offerings, which rose about EUR 2.8 billion. In March 2012 Russia-based agriholding Ekosem successfully placed its bonds for EUR 50 million in the segment for corporate bonds at Stuttgart Stock Exchange. In 2011 German agrarian company KTG Agrar successfully completed two issues of bonds (EUR 50 million at Stuttgart Stock Exchange in 2010 and EUR 70 million at Frankfurt Stock Exchange in 2011). This very article describes general conditions of listing and post-listing obligations in the segment of Entry Standard corporate bonds of Frankfurt Stock Exchange.

Entry Standard is a segment targeting listed and not listed companies, belonging to any industry, with combined annual income from EUR 50 million up to EUR 1 billion. This segment is meant mostly for experienced private investors (their share may reach up to 50% of the issue) as well as for institutional investors specializing in SMB companies. Face value of bonds does not exceed EUR 1000; private investors may subscribe directly through a special service for private subscription. Usually SMB companies issue bonds for EUR 10-150 million.

The issue prospectus is necessary for public offering and a key element of the process. Investors are getting detailed information about the business of an issuer, relevant risk factors as well as a market review and financial information for the past two years. In contrast with prospectuses for issue of stocks or global depository receipts (GDR), there are noticeable differences: there is no need for detailed analysis of financial information (Management Discussion and Analysis, MD&A), and provided financial information covers only two (not three) past years.

The next key element of Entry Standard segment is a credit rating assigned by an independent rating agency registered in the EU; this is a mandatory requirement. SMB companies encounter difficulties trying to comply with methods and conditions of



rating agencies like Standard & Poor's, Moody's and Fitch because they are tailored for companies with much higher capitalization. Thus, new German agencies (like Creditreform and Euler Hermes) dominate German segments of corporate bonds.

Involvement of a coach expert in stock market (listing partner) is another important element of Entry Standard segment. The coach is responsible for preparation of an issuer for entering the market and for structuring of bonds (including terms & conditions and covenants). In some cases, the coach expert also participates in placement and marketing of bonds.

In addition to the prospectus, rating and listing partner, an issuer shall present to WFB certain corporate documents and publish key financial indicators (solvency; ratio of debt to own capital; structure of capital). Terms and conditions of bonds may deviate from international standards for high-yield bonds but subordination of bond debtees' claims is impermissible.

The most important post-listing obligation of an issuer is a publication of the audited consolidated financial report, according to International Financial Reporting Standards (IFRS) or Generally Accepted Accounting Principles (GAAP) as well as of any other factors, which can influence the market price of bonds (quasi ad-hoc disclosure of information). Issuers also have to publish interim reports, update the profile of a company and run a corporate calendar; the credit rating and key financial indicators are also subject to annual update. However, for issuers whose stocks and/or GDR are already listed on the regulated market, there may be some exemptions regarding the update of credit rating and publishing of key financial indicators.

Frankfurt Stock Exchange has recently announced its plans for reforming its Prime Standard in 2012, the upper segment for bonds; it is meant for placements and issues of EUR 100 million and more. In May 2012 Mriya Agroholding and TMM converted their GDR in Entry Standard bonds of Frankfurt Stock Exchange. We are expecting that in the future Ukrainian companies will be actively exploring opportunities provided by the corporate bonds segment.

Robert MICHELS, Olga BERGMAN
Partners at law firm Salans
49B, Volodymyrska street, Kyiv, 01034, <http://salans.com>



Influence of Global Financial and Stock Markets

Ukraine is a quite open country, which is strongly integrated, in the global economy. The share of export in the gross production, presence of foreign capital in the bank system, different forms of involvement of foreign investors in industrial assets, the level of tariff protection of the domestic market – all these indicators show high dependence of the economy of Ukraine on the global economic situation.

The latter has been much talked about recently, and it is obvious that there is no hope for swift and rapid overcoming of the crisis. The second wave of the newest economic turmoil has a distinctive feature as compared with its first wave: it could be observed in real time, it was not something unexpected for the economic community. The “symptoms of the disease” are also quite predictable, the major of which are described below.

Low liquidity of financial system, first of all in the EU

Writing-off of bad debts led to tangible losses for the financial sector and investors. As a result, resources available for investments and borrowings have become scarce and limited. Banks have already stopped “channeling” money into Ukraine hunting for profits based upon the difference between rates in hard currencies and national currency; their local offices are just functioning in autonomous regime. Interest rates grew, and expected reduction thereof, as it happened with deposit rates in the beginning of 2012, did not happen. A ghost of devaluation is pushing up the profitability of Hryvnia loans. Hard currency borrowings with hedging of risks and more cautious investment policy are possible options in such a situation. The emphasis on current profitability is of real importance. Those who failed to catch these two developments are now facing a sale of their assets.

However, further restructuring of the sector has always been obvious and expected. It was only a bit speeded up by the limited access to external funding (offerings at stock exchanges, issue of bonds and other tools). Political risks and not always successful experience of foreign investors with Ukrainian assets also add fuel to the fire. Experts would not deny that opportunities for public offerings may emerge from time to time (while requirements to assets are based upon real experience, that is, these requirements are getting stricter), but investment opportunities in general are clearly in decline.

High volatility of commodity markets

The global market is recently featuring considerable price fluctuations. Although after price hikes of 2010 the situation on the market of cereals and oil crops was stable during the last months, the beginning of the information campaign regarding the harvest of 2012 will give the opportunity to speculators to earn money. High volatility of prices is a characteristic feature of our time. The emission effect, pushing up the nominal prices, is combined with the crisis limitation of solvency and political risks (whether these are events in Iran or elections in South Europe); all these reasons demonstrate that hardly any stability of pricing is to be expected in the future, even without taking into consideration traditional weather forecasts and financial statements.

The option of hedging may have some smoothing effect for a while. The beginning of the grain crops trade from the Black Sea region was announced in Chicago, and there are also some alternative projects in the pipeline. It is possible that in the near future an average agrarian company in Ukraine will be able to make its choice between moderate profit and a risky game on the market situation.

Protectionism

Protectionism is an inevitable result of a crisis. At such times there is always a temptation to solve own economic problems at the expense of trade partners, and international treaties and agreements can avoid these practices only partially.

Non-detected palm oil in Ukrainian cheese is usually adding a word to endless talks about political background of Russia-Ukraine relations; nevertheless, it is clear that two months before imposition of import restrictions Russian milk producers started a powerful campaign against harmful and damaging Ukrainian imports. Simultaneously, new production facilities are being constructed in Russia and they will produce goods, probably similar to Ukrainian products by quality, but domestic by origin.

III. International conference

Large Farm Management:

Improvement of efficiency and productivity

**September 19, 2012, Kyiv
Hall of Champions, National Sport Complex "Olimpiyskiy"**

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- ✓ The one and only conference on management of large agricultural holdings and improvement of their efficiency
- ✓ 500+ contacts with top managers of the agribusiness
- ✓ 15+ top level international speakers
- ✓ 9+ hours of discussion with experts and professionals from the agribusiness
- ✓ A unique opportunity to present you and your business most efficiently

Key speakers:

José Vicente Caixeta Filho - University of São Paulo, Brazil

Achim Lukas - Prodimex Holding, Russia

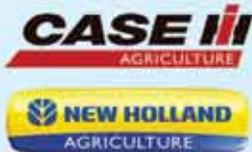
Ludwig Theuvsen - University of Goettingen, Germany

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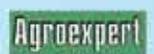
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CLAAS



**Thomas
KLAUSSNITZER,**
Regional Director
of CLAAS in Ukraine

NEW ENERGY, AMBITIOUS PLANS

Only five years ago the annual turnover of EUR 3 billion seemed for CLAAS hardly to be attainable. In 2011 financial year CLAAS managed to repeat the success of 2008 and even broke records in terms of turnover and income.

For a machine-building company the increase of turnover by 30% a year is just incredible. We managed to organize additional shifts instead of part-time working, to ensure and preserve necessary motivation among all participants and to contract additional parts for over 1000 machinery from suppliers. Simultaneously, CLAAS added to its main group of grain harvesters a new line of "flagships" and proved their capability by making a new world record. The reporting period was also marked by presenting the world's most powerful tractor of general purpose with a capacity of 400 h. p. Large attention was also paid to widening of the list of items on the basis of EASY systems (Effective Agricultural Systems) in view of the fact that in the future improvement of efficiency and productivity of harvesting will depend, first of all, on "smart" auxiliary and management systems.

Positive developments are also observed on the Ukrainian market. CLAAS presented its products here for the first time in 1992. Since then, we have been unflinchingly working in the country for nearly 20 years; our dealer network is selling, financing and supplying CLAAS machinery, it provides guaranty and post-guaranty maintenance, the supply of CLAAS spare parts and technical training of CLAAS machinery owners.

Our brand is quite popular in Ukraine, and we are getting orders on different kinds of machinery. In the segment of combine harvesters our TUCANO and LEXION combines are in the highest demand. Our forage harvester JAGUAR has been "number one" on the global market for decades and is well known to nearly all-Ukrainian agricultural enterprises engaged in livestock farming. Demand for our line of trailed forage harvesters (mowers, tedders and rakes) is growing as well as for the series of square and round balers that are very sought-for by producers of biomass. Moreover, we offer a family of SCORPION telescopic loaders of different capacity. The Ukrainian market is of strategic importance for CLAAS; that is why we are doing our best to meet the needs of Ukrainian farmers.

We have ambitious plans in respect to our active presence on Ukrainian market and we made efforts to strengthen of our position in Ukraine. Our dealers develop their businesses getting closer and closer to the "farmer's door". We do not see any other way of operation in Ukraine because the CLAAS dealer network in Ukraine includes over 300 employees and, probably, today there is hardly an agricultural machinery manufacturer, which is capable to do this job only on its own resources, without outsourcing.

Markets of Inputs of Agricultural Production

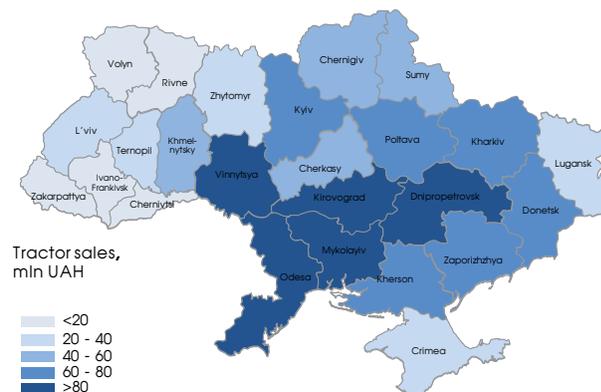
Agricultural Machinery

After the crisis in 2009 the market of agricultural machinery in Ukraine was actively developing. On average it was gaining 90% annually. In 2012, according to AgriSurvey, an agency of Ukrainian Agribusiness Club⁷, the growth has slowed down and will make up about 10%. The same source reports that at least 40% of employed agricultural machinery shall be replaced due to depreciation. Therefore, this market has a significant potential.

The market of agricultural machinery in money terms may be divided in three segments: 35% is falling upon tractors, 25% - upon combines and 40% - attached and towing equipment⁸. The most presented brands on the market are John Deere, Claas, Case, New Holland, MTZ, Gomselmash, Rostselmash and others.

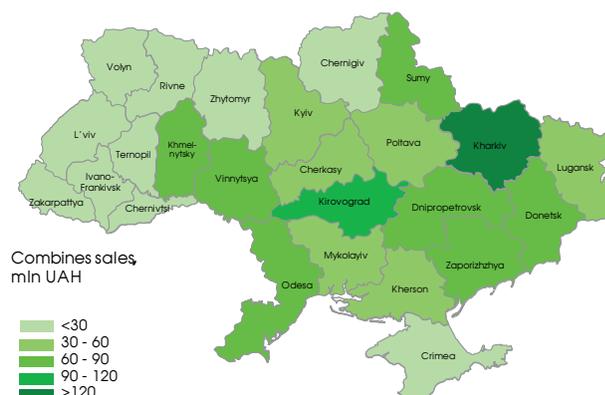
In terms of regions the market is the most active in Central, Southern and Eastern regions of Ukraine. This may be explained by larger average sizes of farms in those regions and higher profitability of traditional crops, first of all, sunflower and corn. Therefore, local agrarian businesses have better opportunities for investing in replacement and modernization of their fleet of agricultural machinery.

Geography of tractors sales, 2011



Source: AgriSurvey study "Analysis of Demand for Agricultural Machinery in Ukraine 2012"

Geography of combines sales, 2011



Source: AgriSurvey study "Analysis of Demand for Agricultural Machinery in Ukraine 2012"

⁷ See AgriSurvey study "Analysis of Demand for Agricultural Machinery in Ukraine in 2012".

⁸ This sector includes self-propelled sprayers with 7% share on market.



Peter Krimm
 Director General
 LLC "John Deere
 Ukraine"

In 2012, Deere & Company marks the 175th anniversary of its existence, which began when company founder John Deere successfully manufactured and marketed the self-scouring plow in 1837. In addition, John Deere is recognized as one of the biggest harvester manufacturer in the world and celebrates more than 100 years since first harvester left the factory in 1911.

Our Chairman and chief executive officer of Deere & Company Samuel R. Allen has said that John Deere revolutionized agriculture and he made farming in the tough soil of the U.S. Midwest a productive and profitable venture. Our recognition of this special anniversary reminds us of the many thousands of John Deere employees who came before us to make this company a world leader.

John Deere had moved from his home in Vermont to start a small blacksmith shop in Grand Detour, Illinois. He later moved the business to Moline, Illinois, where the global headquarters is still located. The company was incorporated as Deere & Company in 1868. From the one-man shop at its inception, John Deere currently has more than 60,000 employees worldwide.

John Deere is the world's leading manufacturer of agricultural and forestry equipment as well as a leader in construction and turf care equipment. Additionally, Deere manufactures engines and powertrains for its own equipment and that of other OEMs, provides credit and other financial services to those who purchase equipment, and is a world leader in precision irrigation and precision farming solutions.

Having 63 manufacturing facilities worldwide, John Deere has a strong presence in Europe and Germany in particular. John Deere is the largest manufacturer of German agricultural machinery and contributes to about 60% of the export of agricultural machinery out of Germany.

John Deere instilled four core values in his company. Today John Deere employees still deliver on the important values of integrity, quality, commitment, and innovation and we believe these values have been the key to the longevity of our enterprise.

The company is listed on stock exchanges in Chicago and New York. Deere & Company occupies 98th place in the published edition of the Fortune 500 ranking of the world's largest companies for 2011 and traditionally belongs to the "most admired companies" of America. With the value of the brand, some 3.6 billion U.S. dollars, John Deere was first included in the presented by the international consulting group Interbrand list of "100 Best Global Brands 2011".

John Deere is recognized as Agrobrand number one already 3 years in a row in Ukraine.

Recently our Vice President of Sales and Marketing Division Region 2 (Europe, CIS, North Africa, the Middle and Near East) Christoph Wigger said that if looking at the fundamental principles of our company, John Deere has a good reason to look optimistically to the future: with 30% of the world's arable land, 25% of global grain production and 40% of world milk production, this region is the John Deere's largest market outside North America.

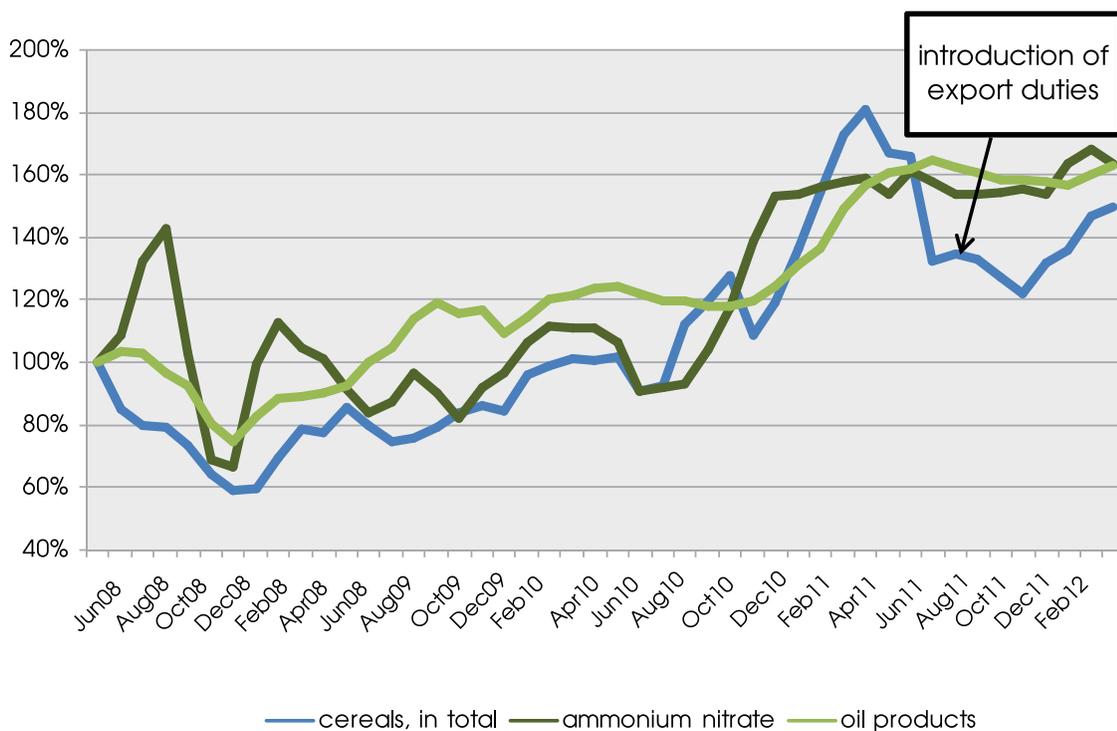
A large portion of this comes out of CIS and here Ukraine is the second largest market with a huge potential to serve the world with grain.

For John Deere, the region has great potential. Offered by a range of innovative products and solutions based on advanced technology and its system of dealers and product support infrastructure makes the John Deere number one choice for large farms, contractors, diversified farms, livestock and specialty farms.

Mineral Fertilizers

Oil products and mineral fertilizers are taking about 10-15% and 15-20% in the structure of cost of cereal crops production (respectively). Therefore, changes of prices for these inputs and cereals are closely correlated, though with some time gap. The analysis of fluctuation of prices for oil products, mineral fertilizers and cereals is showing strong proof of the said correlation. However, tight correlation of prices is present only when markets are governed by the international rules and there are no restrictions or interventions from the state. The chart below clearly demonstrates that correlation of prices significantly diminished upon introduction of export duties on cereals in Ukraine (July-October 2011) and restored upon abolition of duties.

Indices of prices for cereals and resources in Ukraine (to June 2008)



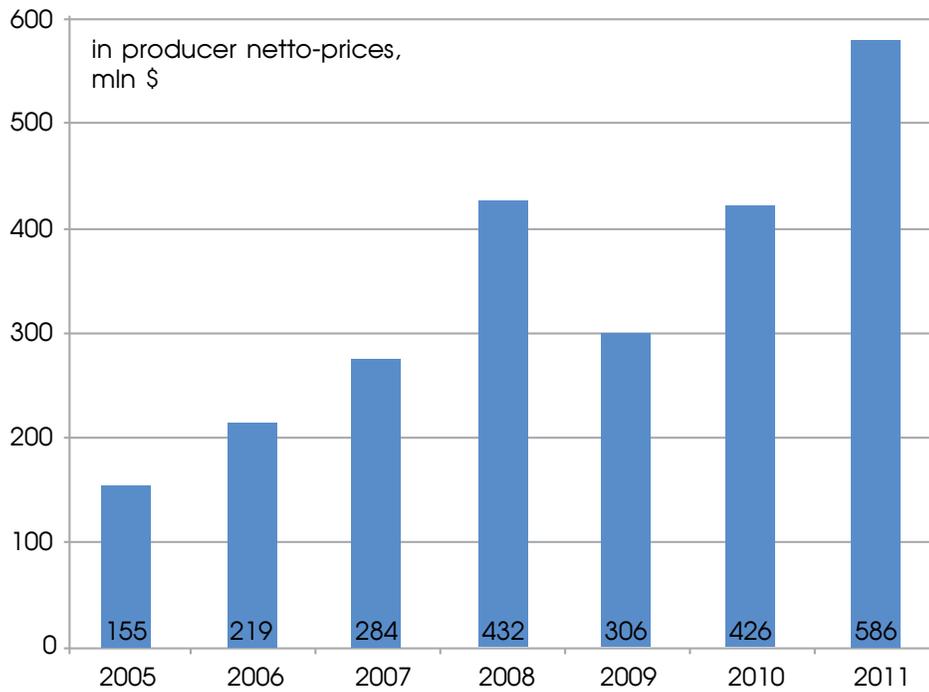
Source: estimates of Ukrainian Agribusiness Club, data of the State Statistics Service of Ukraine

Plant Protecting Agents

Ukraine is currently featuring a shift towards intensification of crop growing. Even organic agriculture, which positions itself as “pesticide free” contains a list of, authorized plant-protecting agents (PPA). The annual need of the sector for PPA (according to the Ministry of Agrarian Policy and Food of Ukraine, hereinafter referred to as MAPF) makes up 22-24 thousand t, including 11-13 thousand t of herbicides. Operators of PPA market treat Ukrainian market as one of the most important in Eastern Europe due to rapid development of agrarian business in Ukraine in the last years.

Ukrainian PPA market is dominated by import products while PPA of domestic origin make up about 5-10%. Major suppliers of PPA to Ukraine are Germany, France, China, Belgium and Russian Federation. The geography of supply in 2011 did not change as compared to 2010.

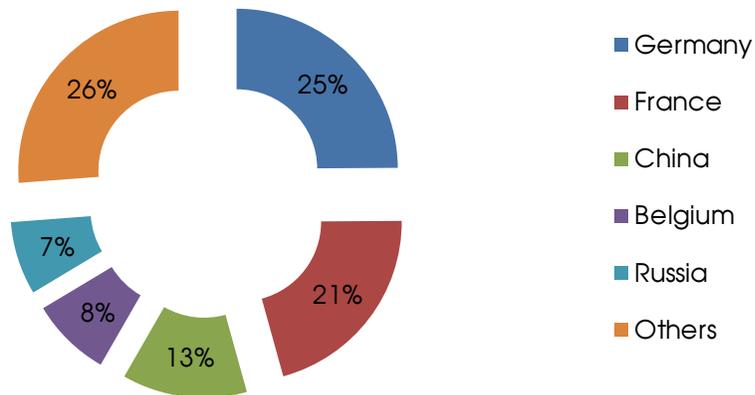
PPA market dynamics in Ukraine



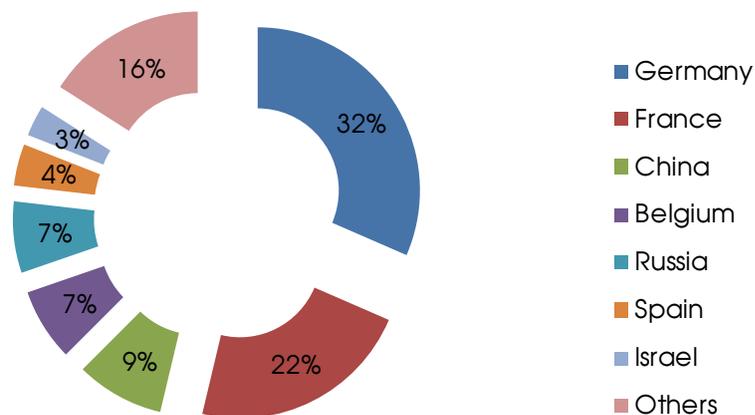
Source: data of market operators

PPA import geography

2010



2011

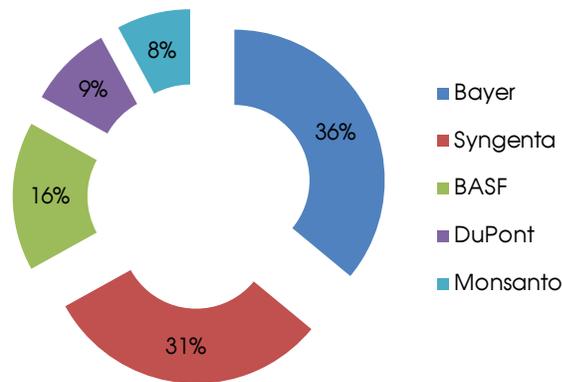


Source: State Statistics Service of Ukraine

Among suppliers of PPA there are global leaders like Syngenta, Bayer, BASF, DuPont, Monsanto and others. In money terms they control about a quarter of the market.

An important reason behind market success of the said companies is an adequate marketing strategy. The PPA market is dominated by global brands, according to results of Agrobrand contest⁹.

Agrobrand-2012: TOP-5 producers of agrochemicals



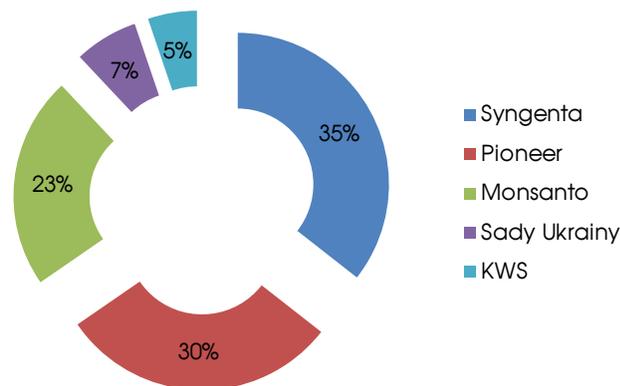
Source: AgriSurvey

Further development of PPA market will depend upon the overall situation of agribusiness in Ukraine, the stability of global and national economics, and the possible increase of domestic demand because some agrarians partially neglect certain plant protecting activities and measures.

Seeds

Currently Ukrainian seed market is represented by two thousand legal entities engaged in production of seeds. The annual volume of the market, including seeds of national and foreign selection, amounts to USD 1.8 billion. According to agricultural producers, the seed market is dominated by Syngenta, Pioneer, Monsanto, Sady Ukrainy and KWS.

Agrobrand-2012: TOP-5 producers of seeds



Source: AgriSurvey

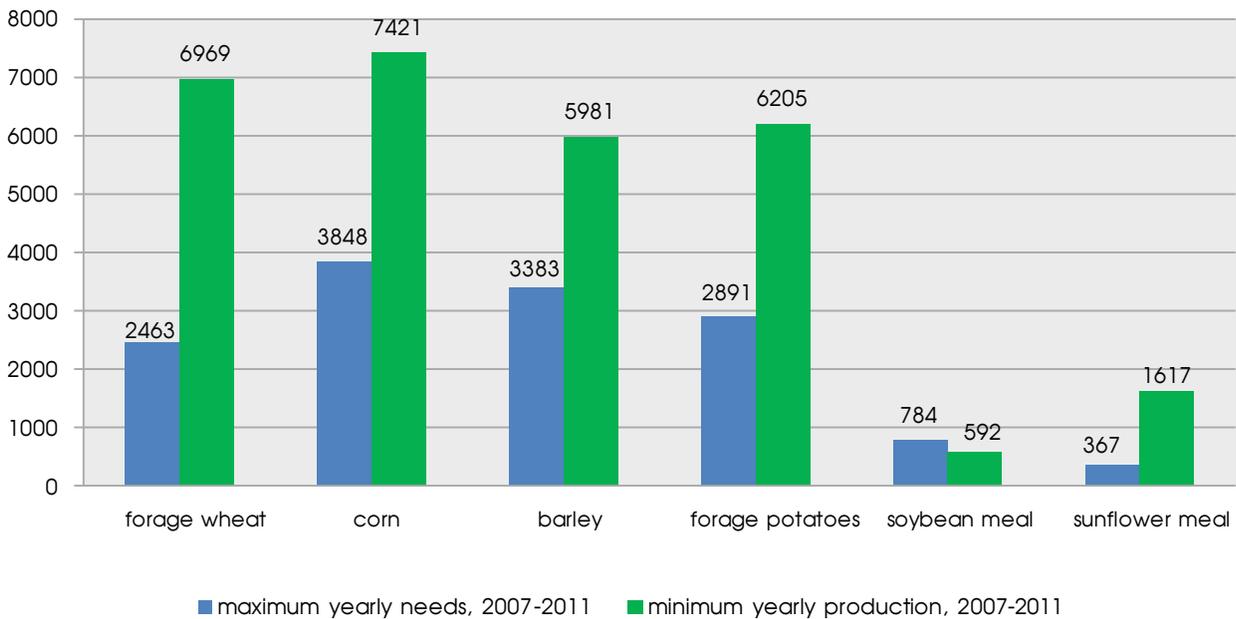
⁹ National award Agrobrand is annually awarded to the most successful brands of inputs of agricultural production. Winners and nominees are defined on the basis of popularity of brands among consumers (agricultural enterprises). The best brands are declared by the end of a year (November-December) upon questioning of managers of agricultural enterprises. The contest was founded in 2009 by Ukrainian Agribusiness Club and Kyiv International Contract Fair.

Among issues to be solved in the context of seed market functioning are fake seeds, legal adjustment of the regime of genetically modified crops, procedure for registration of breeds and harmonization of Ukrainian laws on seed market with WTO rules and EU requirements.

Feed

A prerequisite for intensive development of the livestock breeding, in particular of its meat sector, is stable availability of feed. The analysis of demand of the meat sector for feed and of actual supply of feed in 2007-2011 in Ukraine shows that the former one totally and wholly matches the latter one. As the result, this demand can be fully satisfied by the minimum level of domestic production of feed and forage, and 100% of it is covered by Ukrainian producers. This means that there has been not any shortage of feed supply observed even in years of poor harvests. For example, the consumption of soybean oil meal was actively growing and in 2011 it reached the level of 748 thousand t. Nevertheless, this demand was wholly satisfied by the domestic production of the same year. The lowest output of the soybean oil meal was reported in 2007 – only 592 thousand t, while the demand made up 547 thousand t. In view of the fact that cultivation and production of soybean oil meal is constantly growing, there shall be no lack of this feed.

Comparison of meat sector demand for feed and actual production of feed, 2007-2011, thousand t



Source: estimates of Ukrainian Agribusiness Club, data of the State Statistics Service of Ukraine



KUHN – NUMBER 1 IN THE WORLD
In production of trailed and mounted agricultural machinery!



- ◆ KUHN Group was founded in 1828 and includes 9 plants in France, Netherlands, USA and Brazil and 12 subsidiaries
- ◆ Production volume of 832mil. EUR in 2011 – the best world result among producers of trailed and mounted agricultural machinery
- ◆ Production of ploughs, cultivators, seed drills, incl. precision planters, fertilizer spreaders, sprayers, shredders of crop residues, hay tools and balers, feeder-mixers and straw blowers
- ◆ Annual delivery of more than 60 000 machines in 100 countries
- ◆ Modern, highly productive and reliable machinery appropriate foreach continent with the price of serial production





Agrarian Policy

Key Players at Agro-Political Arena of Ukraine

Shaping Ukraine's economic policy in general and of agrarian policy in particular is still highly personalized. The role of one or another political institution is less dependent on their formal competences than on personal features and personal relations of their heads. In view of this, personnel decisions are playing an extremely high role in the process of administration.

There were enough rotations in 2011 and in the first half of 2012. Even if one speaks about the chief executives only, the appointment of new heads of the Ministry of Economic Development and Trade and the Ministry of Finance in any country is considered a major change.

No doubt, such changes could not pass unnoticed in terms of policy shaping. For instance, Andriy Klyuev was mostly a coordinator of economic processes, including legislative support to the functioning of the economy, although he was little concerned with operations of the agrifood sector. At the same time, Petro Poroshenko is an executive who is very well aware of all peculiarities of the sector. So, the Ministry of Economic Development and Trade under its new head is performing a stronger influence on distribution of state support, and the new Minister is paying very thorough attention to the solution of trade disputes with partner countries.

Valery Khoroshkovsky, First Deputy-Prime-Minister of Ukraine, in contrast with those who held this position before, did not take directly and immediately part in shaping economic policy in recent years. This, as well as an obvious need to find funds to cover the growing burden of social benefits and payments, made him announce quite radical ideas and reforms, starting from abolition of 1.5% levy for development of gardening, viticulture and hop-growing, and ending up with the suggestion to eliminate VAT exemptions, which was made during the initial phase of the development of the new Tax Code.

Besides personal rotations, actual political weight of stakeholders of agrarian policy is influenced by the administrative reform and the appearance of new players on the field. In particular, one may easily explain the interest of NBU towards the establishment of the state land bank and reform and review of land legislation in general.

Last, but not least it is the restoration of a majoritarian component of Parliamentary elections that imposes new requirements to the legislators as well. A year or two ago most of the Parliamentarians used to be loyal and faithful vassals of political parties (fractions and groups) but in the last months new initiatives related to agriculture are

coming even from politicians who have never demonstrated any interest towards the sector before. A parade of draft laws dealing with the most exciting issues – how to limit, to take away and to divide (naturally, for the benefit of the people) is a characteristic feature of modern times.

Another feature is a mass influx of draft laws submitted to the Parliament by MP's but in fact being drafted and promoted by the Government. Besides elimination of responsibility, this practice allows speeding up of the legislative procedure by skipping a durability test by ministries and institutions. In some cases it even gives birth to several official policies based on the art of compromise.

Under such conditions it is hard to speak about any kind of clear structure of agrarian policy; MAPF has to train itself in the "art of possible" while trying to implement any change, regardless of actual appropriateness of the latter.

Key players of agrarian policy

Sphere of policy	Body	Actual role
Taxation	Ministry of Agrarian Policy and Food (MAPF)	Defends VAT exemptions and benefits and 1.5% levy for development of gardening, viticulture and hop-growing. Constantly produces initiatives on partial budget re-distribution of benefits, in particular, on account of VAT accrued by processors of meat and dairy products, as well as VAT benefits for agricultural producers.
	First Vice-Prime-Minister	Defends maximum reduction of all benefits for agro-industrial complex (AIC).
	Members of the Parliament	Usually they are zealots of existing beneficial regimes, although regularly and massively produce draft laws leading to enlargement of fiscal burden on AIC, for example, by introducing special "social" levies or increase of rates of land rent.
State Support	Ministry of Finance	Whoever credits himself with shaping of agrarian policy, the actual state support of AIC is performed in volumes defined by the Ministry of Finance.
	MAPF	Within the limits of allocated budget it is trying to realize several lines of support policies, namely: - functional – it gives priority to capital investments having long-term effect; - sectoral – it declares its priority to support small producers. A reasonable balance is yet to be discovered.

Sphere of policy	Body	Actual role
State Support	Ministry of Economic Development and Trade	Departs from the passive approval of programs drafted by MAPF and holds a more active position concerning the necessary areas of support.
	Cabinet of Ministers	Despite the fact that it usually limits itself to approval or disapproval of ministerial or administrative initiatives, in 2012 it has initiated state support concerning the livestock number.
Land legislation	President of Ukraine	A supporter of completion of land reform in Ukraine.
	MAPF and State Land Agency	Drafters of so-called "second stage" of land reform.
	Agrarian Committee of the Verkhovna Rada of Ukraine	Holds an active position. For example, many provisions of the draft law "On Land Market" being heard at the Committee underwent essential changes.
	NBU	Is interested in establishment of state land bank.



Taxation

BEITEN BURKHARDT

Taxation and Land Tenure

Land tax

The Land tax is paid by landowners or land users. The payment is calculated in relation to (basis of taxation):

- for evaluated land parcels – normative monetary value of a plot, with coefficients of indexation thereof;
- for land parcels without evaluation – area of a land plot.

Rates applied to agricultural land

The Land Code defines clear rules on rates of land tax for farmland:

- for agricultural lands (arable land, hayfields, pastures) – 0.1% of normative monetary value;
- for areas under perennial plantations - 0.03% of normative monetary value.

For agricultural land allocated to users according to regular procedure and used for agricultural needs land tax is paid based on the rates stated above, regardless of the category to which the land is attributed.

The Tax Code also provides tax exemptions for some categories of citizens and legal entities. Among those categories benefiting from exemptions are, for example, test farms of scientific and research institutions and educational establishments of agricultural profile and vocational schools, owners of land plots (land shares, pai) who leased their plots (shares, pai) out to agricultural producers with the status of payer of a fixed agricultural tax.

Land tax is also not paid for:

- agricultural land parcels located in radioactively contaminated areas and on chemically polluted territories;
- agricultural land parcels under temporary conservation or agricultural reclamation;
- agricultural land parcels of state stations used for testing of agricultural crops;
- land parcels of agricultural use of all types of ownership occupied with young gardens, vineyards and berry-fields till they enter the period of fruit-bearing, and also parcels under hybrid plantations, gene fund collections and nursery gardens.

Lease of agricultural land

Land rent is calculated and paid on the basis of a contract for lease of land. According to the Tax Code, the rate of rent shall be equal at least to the rate of land tax (i.e. 0.1% of

normative monetary value), and cannot be lower than 3% of normative monetary value, according to the Presidential Decree. Although Ukrainian courts treat this requirement of the Decree as a recommendation, in practice, it is advisable to obey this requirement.

Taxation of Agricultural Producers

In order to support agrarian sector and to reduce the fiscal burden upon agricultural enterprises and farmers, legislation established special taxation regimes for enterprises of the sector, namely:

- an alternative system of taxation consisting of a fixed agricultural tax (FAT), which takes into consideration the peculiarities of agricultural activities;
- special regime of VAT application;
- exemption of some transactions with cereals and technical crops from VAT.

Fixed Agricultural Tax

FAT is a tax which is estimated and collected in relation to a unit of land area as a percent of normative monetary value of land. FAT replaces the following taxes, levies and contributions:

- tax on profit of enterprises, including advance payment at disbursement of dividends;
- land tax (for land used for agricultural production only);
- contribution for special use of water resources;
- contribution for undertaking of some types of entrepreneurial activities (several trade activities).

All other taxes, duties, levies and contributions are paid by FAT payers on the usual terms and grounds according to the Tax Code of Ukraine. Single social contribution for social insurance is paid on the basis of and in accordance with the Law of Ukraine "On Collection and Accounting of Single Contribution for Mandatory State Social Insurance".

FAT payers

Who can be a FAT payer?

All enterprises that:

- produce agricultural products and/or breed and catch fish in lakes, ponds and artificial water reservoirs, process the said products with use of own or leased facilities and equipment, including tolling schemes, and also supply agricultural products and/or fish;
- hold agricultural lands (own or leased);
- have a share of agricultural production in the last year equal or exceeding 75%.

This share comprises the income from agricultural production, processing and realization and relates to the overall income.

Who cannot be a FAT payer?

Those enterprises that:

- earned over 50% of their income from selling ornamental plants, wild animals and birds, fur (with some exemptions);
- produce and/or sell items subject to excise tax (except for sale of grape wine-making materials by enterprises of initial wine-making);
- as of March 1 of the reporting year have tax debt, except for uncollectible debts as result of force majeure

The following types of agricultural grounds leased, used or owned by an agricultural producer are subject to FAT:

- Arable land;
- Hay-fields;
- Pastures;
- Perennial plantations;
- Land of water fund (internal water basins, lakes, ponds, water storage reservoirs).

The basis for calculation of FAT is normative monetary value of one hectare of agricultural grounds as determined by July 1, 1995.

The rates of FAT are established in percent to the basis of taxation for one hectare of agricultural lands and/or land of water fund and depend on category (type) of land and their location.

FAT rates

Types of agricultural land	FAT rates (in % of normative monetary value)		
	general	in mountain regions and on Polissya territories	for greenhouses
Arable land, hay-fields and pastures	0.15	0.09	1.0
Perennial plantations	0.09	0.03	-
Land of water fund	0.45	-	-

For the purposes of FAT a calendar year is taken as a basic reporting period. The tax is calculated by taxpayers as of January 1 of the current year.

Estimated sum of FAT is divided by quarters as follows:

- I and II quarters – by 10%;
- III quarter – 50% and
- IV quarter – 30%.

Sums of FAT due in a respective quarter are divided into three equal installments and paid monthly to a respective account of a local budget, according to the location of the taxed land parcel.

Special regime of VAT (in force till January 1, 2018)

All enterprises operating in the fields of agriculture, forestry or fisheries may choose special regime of taxation by value added tax (VAT) provided that:

- main activity of an enterprise is the supply of own agricultural output (goods or/and services) produced at own or leased production facilities, including tolling schemes;
- the share of agricultural output (goods and/or services) makes up at least 75% of the total value of all goods and/or services produced and/or provided during 12 preceding consecutive reporting periods.

In case this special regime is chosen, an enterprise is allowed to open a special account in the bank (current account with special regime of use, according to NBU regulations, rules and procedures). The account shall be open within one reporting period on the basis of the certificate of registration of an enterprise as a subject of special regime of VAT issued by the tax authorities.

Thereupon sums of VAT accrued in transactions of supply of agricultural goods produced at own premises (as well as goods produced with the use of tolling schemes, with a few exceptions) are transferred by agricultural enterprises from their current accounts to their special VAT account.

This sum of VAT accumulated on a special account is used for compensation of VAT paid by enterprises on the cost of production factors, and the leftover may be used for other production purposes.

Special VAT regime for supply of cereals and technical crops

For the period till January 1, 2014, the following transactions are exempt from VAT: supplies within customs territory of Ukraine of grain crops (commodity items 1001-1008, except for commodity item 1006 and commodity sub-item 1008 10 00 00) and supplies of technical crops (commodity items 1205 and 1206) except for the first supply performed by agricultural enterprises being producers of the said crops, and also supply of wood (commodity items 4401, 4403, 4404). In fact this exemption means impossibility to have recourse to a tax credit for reimbursement of VAT in export supplies and also to claim a tax credit in internal trade in cases when commodity is procured from traders and not from immediate producers thereof.

Zoya MYLOVANOVA
Senior Associate with international law firm BEITEN BURKHARDT
38, Turhenevska Street, Kyiv, 01054, www.beitenburkhardt.com

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TEL.: +380 44 4940400 · FAX: +380 44 4940401
DR. JULIAN RIES · JULIAN.RIES@BBLAW.COM

WWW.BEITENBURKHARDT.COM



State Support to Agrarian Sector **BEITEN BURKHARDT**

Agriculture is a high-priority sector of Ukraine's economy. This statement is confirmed by declarations of every Ukrainian government with no exception; moreover, the very dynamics of the sector speak for itself. Agriculture was nearly the only sector of Ukraine's economy, which showed growth during the economic crisis; in this sense the growth of crop production is the most remarkable one since it lasts already since 1990. Nevertheless, without the state support, agriculture doesn't get the necessary vectors and impulses for development.

Besides purely fiscal stimuli, there is also a special Law of Ukraine on measures of state support provided to agriculture; the effective reading of this Law was adopted in 2004 under # 1877, later on it was amended on several occasions (hereinafter referred to as Law 1877). Law 1877 covers all the main directions and tools of state support and stimulation of production of agricultural commodities and development of agricultural markets.

Law 1877 provides the state with the following competences:

- regulation of prices for some kinds of agricultural goods;
- regulation of market of agricultural insurance;
- introduction, upon decision of the Cabinet of Ministers of Ukraine, of security purchases of cereals subject to state price regulation;
- provision of credit subsidies and reimbursement of leasing payments;
- provision of budget subsidies to producers of animal products.

In total, state budget 2012 allocates UAH 822,3 million for funding measures of state support to the sector; these funds may be used for:

- establishment and keeping of reserve stock of certified seed and hybrid seed;
- selection in crop growing;
- development of livestock breeding;
- partial reimbursement of the cost of heavy agricultural machinery of domestic origin;
- implementation of financial support through the mechanisms of cheaper loans and compensation of lease payments;
- provision of support to the establishment of agricultural wholesale markets;
- partial refund of the cost of construction and reconstruction of animal farms and feed plants;
- funding of measures for protection, restoration and improvement of soil fertility;
- support to agricultural service cooperatives;
- partial reimbursement of the cost of construction of new greenhouses;

- realization of selection programs in livestock breeding;
- subsidies paid per unit of cultivated area etc.

Below some types of state support are described.

Reduction of cost of borrowings for enterprises of the agricultural sector and reimbursement of leasing payments

Agro-industrial enterprises have an opportunity to claim, on a competitive basis, the partial compensation of current interest rates on loans and borrowings in national and foreign currencies. The procedure for use of budget funds meant for the purpose is regulated by the Resolution of the Cabinet of Ministers of Ukraine # 794 of August 11, 2010 (with subsequent changes and amendments). This act provides for the subsidies limited by:

- maximum double interest rate of NBU effective as of the moment of calculation of the interest on loans issued in Hryvnia. Starting from March 2012, NBU interest rate is 7.5%;
- 10% a year on loans issued in foreign currencies.

It is necessary to note, that reimbursement of interest rates on loans issued in 2007-2009 is performed regardless of effective interest rates provided by loan contracts. At the same time reimbursement of interest on loans issued in 2010-2011 and in the current year is granted within the described above limits.

Loans to which the above-mentioned provisions apply are qualified as follows:

- short-term (up to 12 months);
- mid-term (up to 36 months);
- long-term (longer than 36 months).

It is important that loans eligible for state support also include borrowings restructured in 2010 and 2011.

The list of agricultural enterprises and agriculture-related institutions, along with farms of agricultural higher educational establishments, eligible for interest reimbursement, includes:

- livestock and poultry farms;
- fisheries and fish processing factories;
- sugar refineries;
- grain elevators and canneries;
- bakeries;
- National Joint-Stock Company "Hlib Ukrainy " and its branches;
- wholesale markets of agricultural products.

Resolution #794 also describes the priority areas of expenditures (compensable) for agricultural enterprises.

Reimbursement of leasing installments is provided in respect of payments made for agricultural machinery and equipment purchased on conditions of financial leasing, according to the list approved by the Interdepartmental Expert Council and tender commission, and covers:

- up to 40% of the cost of machinery and equipment of domestic origin;
- commission fee of a leasing company equal to 1.5 interest rate of NBU.

Decision on reimbursement is taken by a tender board at MAPF; preliminary selection is performed by tender boards in every region (i.e. in Regions, Crimea, cities of Kyiv and Sevastopol).

It should be noted that the state budget of Ukraine for 2012 provides only for the reimbursement of leasing installments and does not presuppose any special funding for partial compensation of interest rates on loans and borrowings.

Livestock subsidy

The Special Fund of the state budget for 2012 provides UAH 732 million for paying subsidies to enterprises producing animal products. When this brochure was submitted for printing, the procedure for distribution of this sum in the current year was yet to be adopted. But due to the crisis situation with milk procurement prices, Russian embargo on import of cheese of Ukrainian production and high concern of the Government with the problem, we may expect that the procedure will be passed soon. One of possible options is subsidizing of cattle owners on a "per head" basis.

Renewal of fixed assets of agricultural cooperatives

Agricultural cooperatives received UAH 5 million from the state budget in 2011; procedure for utilization of this sum was defined by the Resolution of the Government #272 of March 9, 2011. The Law of Ukraine on State Budget of Ukraine for 2012 did not provide support to coops as a separate expense item, but such support is meant to be realized within overall state funding of agro-industrial complex.

According to Resolution # 272, funds shall be directed to financial support (on a competitive basis) of agricultural service cooperatives consisting exclusively of households, family farms and entrepreneurs for the purpose of acquiring of agricultural machinery and equipment for domestic manufacture.

A coop that has successfully passed through the tender may count on reimbursement up to 90% of cost incurred when purchasing machinery (equipment), provided the coop has already paid to the machinery (equipment) supplier 10% of the cost and concluded an agreement with the respective local department for agro-industrial development.



Compensation of cost of agricultural machinery

Resolution of the Cabinet of Ministers № 647 of July 28, 2010 (with further changes and amendments) establishes a procedure for the use of funds for partial reimbursement of costs for the purchase of agricultural machinery of domestic manufacture with partial compensation of up to 30% of the cost of agricultural machinery, excluding VAT. Bidders for compensation are selected on a competitive basis by specially set up commissions.

Dmytro KISELYOV
Senior Associate with international law firm BEITEN BURKHARDT
38, Turhenevska street, Kyiv, 01054, www.beitenburkhardt.com

INVESTING IN MODERN TECHNOLOGIES

HarvEast holding was founded in 2011 at the basis of "Illich Agro", the agricultural division of Illich Steel Metallurgy Combined Plant, on initiative of shareholders of the Plant, SCM Group and SMART-Holding Group. Major activities of HarvEast are crop growing and dairy farming.

HarvEast has a good basis for the development of its first main activity - crop growing. The total land bank of the holding makes up 220 thousand ha in Donetsk, Zaporizhzhya, Cherkassy, Zhytomir regions and in the Crimea. The harvest of grain crops of 2011 made up 428 thousand t. These impressive volumes of production allow for direct export shipments of grain already in 2013. At the same time, lack of storing facilities shall be treated as an additional risk. Currently, the holding can accommodate up to 40% of its total yield at own storages; it plans to widen the storing capacity in order to support its export ambitions by building new silos. Besides, in the nearest future HarvEast is going to invest heavily in modernization and replacement of its fleet of machinery. The overall volume of investments is about USD 30 million.

Regarding the second priority of the holding - dairy farming - it has also a good basis and potential; that is indicated by the fact that HarvEast is one of the top three industrial milk producers in Ukraine. Own cultivation of feed crops allows developing a complete production cycle. Highly effective herd management and usage of modern technologies make our milk production profitable. HarvEast's livestock makes up 28 thousand heads. Approximately 50% of the herd is housed in technically renovated complexes; the holding plans additional investments in further improvement and perfection of production processes, procedures and technologies.



Simon
CHERVYAVSKY,
 Director General
 of HarvEast Holding



Preliminary Results of Legislative Activity in the Field of Agriculture in 2011-2012 (Main Approved Laws and Draft Laws)

During 2011 and till May 2012 Ukraine's legislative body – Verkhovna Rada of Ukraine – adopted several laws aiming at regulation of the agrarian sector. There was also a broad discussion on some important draft laws. It is noteworthy that the Law of Ukraine “On priority Directions of Innovative Activity in Ukraine” of September 8, 2011, declared the technological modernization and development of the agri-food sector one of the seven strategic directions of innovative activity for 2011-2012 that are of immense priority.

Profile Laws

In 2011-2012 many profile Laws underwent changes and alterations. In particular, the Law of Ukraine “On Wine Grape and Grape Wine” got a more detailed reading. The Law “On Protection of Plants” was amended with some provisions of control over quality of agricultural production and raw materials of vegetable origin, including requirements to residual quantities of pesticides, agrochemicals and heavy metals. The Law of Ukraine “On State Regulation of Production and Sale of Sugar” was amended to the effect that sugar producers and traders shall declare their sugar stocks; special permissions (licenses) for wholesale sugar trade were abolished. The Law of Ukraine of June 16, 2011 # 3523-VI released prospective farmers (i.e. persons willing to start family farm business according to the Law of Ukraine “On Family Farming”) from the obligatory examinations by special tender commissions; instead they shall present proof of professional experience in agriculture or respectively agrarian education. The new Law of Ukraine “On Fisheries, Industrial Fishing and Protection of Water Bio-resources” was adopted.

Land Relations

The Law of Ukraine “On State Land Cadastre” was adopted by the Parliament on July 7, 2011. This Law, along with the Law “On Land Market”, is a mandatory precondition for lifting of the moratorium on alienation of farmland imposed by the Land Code. Except for some provisions, the Law is entering into force on January 1, 2013. Among other things, the Law abolishes the issue of state acts on land. Instead, the titling shall be performed according to the rules and procedures provided for by the Law of Ukraine “On State Registration of Rights to Immovable Property and Encumbrances Thereof”.

This Law also introduces changes and amendments to some other effective laws. For example, land survey procedures related to titling have been improved. The maximum term for drafting land survey documents from now on is six months. According

to altered Article 126 of the Land Code, a competent body shall issue a state act within 30 calendar days. Officials breaching this deadline are subject to administrative fines varying from UAH 340 to UAH 3400.

Fiscal Aspect and State Support

According to amendments introduced in the Tax Code, a special procedure for collection of VAT is applied to enterprises processing agricultural production for the period till January 1, 2015. A share of VAT due (70-50%) shall be transferred to a special account; thereupon-accumulated funds are disbursed to agricultural producers supplying meat and dairy products to processing enterprises.

The Law of Ukraine "On State Support of Agriculture in Ukraine" from now on, along with the reduction of borrowing cost, provides partial reimbursement of payments made for purchased machinery and equipment under conditions of financial leasing.

There is another new Law of Ukraine "On Particulars of Insuring Agricultural Production With State Support" adopted on February 9, 2012. The Law provides for state support in the form of subsidies for reimbursement of insurance premiums on agricultural products insurance contracts. This Law shall come into force on July 1, 2012.

Other Laws

In January 2013 a new reading of the Law of Ukraine "On Restoration of Solvency of a Debtor or Acknowledgement of his Bankruptcy" is coming into force. Articles 86 and 93 of this new Law stipulate distinctive features of bankruptcy of agricultural enterprises and family farms.

In pursuance of the State Program for Privatization for 2012-2014, the Law of Ukraine #4336-VI of January 13, 2012 introduced changes and amendments to several Laws, including the Law of Ukraine "On Specific Privatization of Assets in Agro-Industrial Complex". Outdated articles of the latter were modernized; besides, there was a list of state-owned enterprises and organizations subject to privatization according to the decision of the Cabinet of Ministers of Ukraine included.

The new Customs Code of Ukraine was adopted on March 13, 2012 and is entering into force on June 1, 2012.

International Context

On February 15, 2011, by adoption of the necessary law, Ukraine joined OECD Cereal Seed Scheme and OECD Corn and Sorghum Seed Scheme.

The free trade agreements between Ukraine and European Free Trade Association (EFTA) along with three bilateral agreements on agriculture (with Norway, Iceland and Switzerland) were ratified by the Law of Ukraine #4091-VI of December 7, 2011.

Important Draft laws

The end of 2011 was marked by an attempt to adopt the Law of Ukraine "On Land Market", to lift a moratorium and start the market circulation of farmland. The first reading of the Law was approved by the Parliament on December 9, 2011

(draft # 9001-d). This document deals with issues, which are still heatedly debated upon, namely: potential owners of agricultural land; limits of farmland in ownership and leasehold; restrictions of market circulation of arable land; the role and influence of the state on the land market; the land bank etc. Thus, one shall take the current reading of the draft with caution as it may be changed significantly before its final approval by the Parliament. Taking into account the intricacy of balancing interests of all stakeholders, on the one hand, and possible negative public opinion that is highly undesirable in view of forthcoming Parliamentary election, on the other hand, it seems that this Law will not be adopted sooner than by the end of 2012 or in the beginning of 2013.

It is remarkable that the draft law "On Land Market" (#9001-d) regulates the procedure of the land auction in a very detailed manner. This reason, along with other reasons, had been behind rejection of several draft laws aiming at regulation of land auctions before the Law "On Land Market" was adopted. As a result, the procedure of land auction is yet to be set up on a legislative level.

On December 22, 2011, the Parliament adopted the Law of Ukraine "On Food Security of Ukraine", but the President of Ukraine vetoed the Law and sent it back to the Parliament with his remarks and suggestions. The veto was based upon the assumption that the Law does not "solve issues of ensuring food security of the country". Since then, there have been no attempts of overcoming this veto.

Elaboration of the Law of Ukraine "On Agriculture" has been going on since May 2011. As of the day of release of this brochure, the draft of the said law was not submitted to the Parliament. Reading of the draft dated January 27, 2012 and presented at the website of MAPF of Ukraine is clearly targeting a stronger role of the state in regulation of agriculture, including its private sector.

According to the draft, the state agrarian policy is implemented, inter alia, by means of introduction of production standards of agricultural activities. Such standards shall define the structure of cropping areas with upper and lower ceilings for certain crops, requirements to crop rotation, minimum and maximum indicators of stocking rate etc. Production standards for regions shall be drafted by the ministry and approved by the Cabinet of Ministers. Agricultural producers shall be involved in the drafting of production standards, which shall be set up by local (district) administrations on the basis of standards of higher (Regional) level.

Agricultural commodity producers shall obey requirements of standards under threat of fining, suspension of the right to participate in state programs for development of agriculture and even disqualification as an agricultural enterprise. Beside sanctions, the draft also suggests application of some incentives but it does not list them.



It is also suggested that agrarian passports covering five-year periods shall be developed for units of administrative and territorial divisions. Those passports shall include production standards as well as actual and forecast indicators of the level of development of agriculture and a strategy for attaining forecast indicators in respective district, region and the country as a whole.

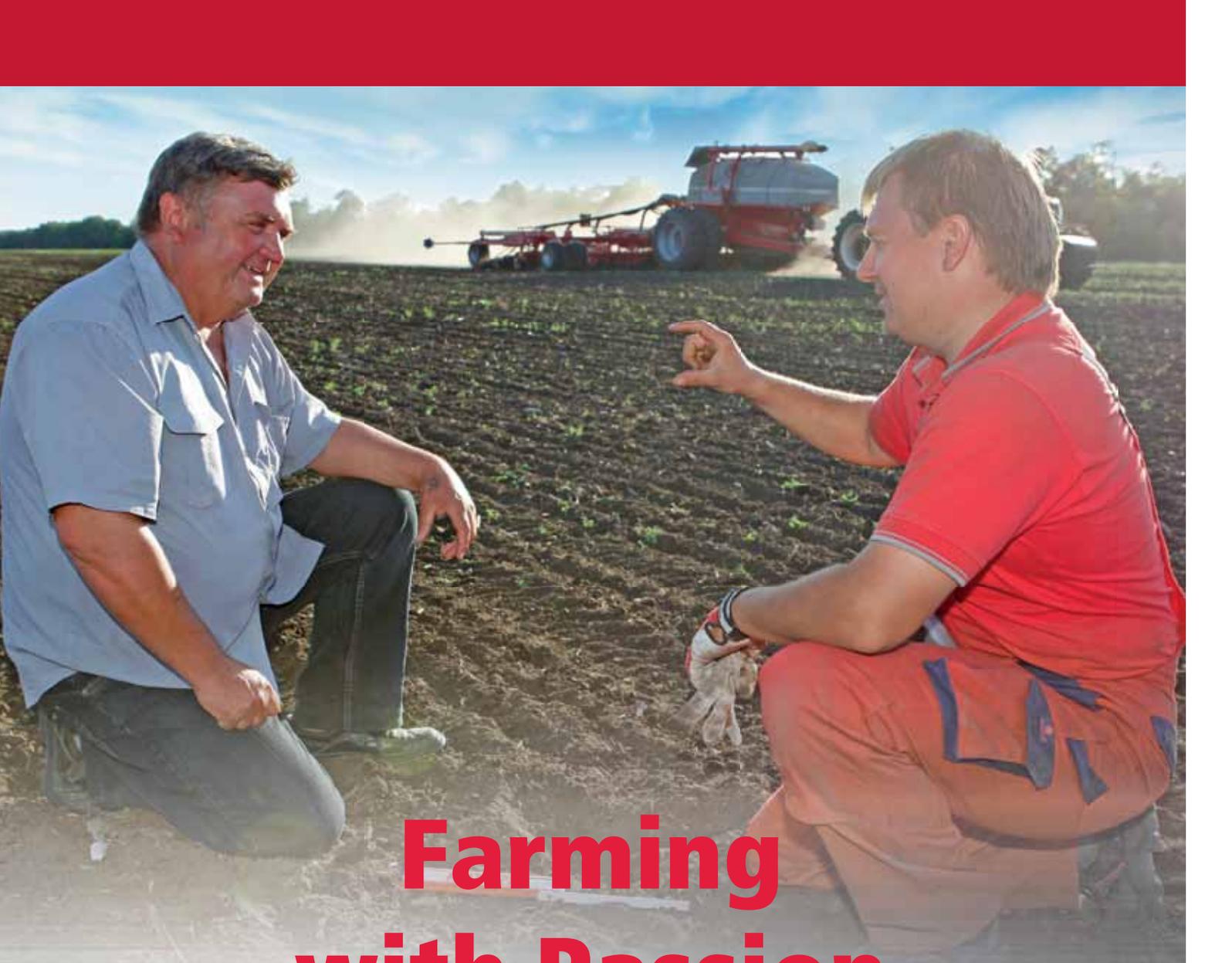
According to the draft, the Cabinet of Ministers shall define the content and procedure for concluding contracts between landowners and land users. In fact, that means that relations of landowners and land users, being civil in essence, may lose features making them civil, namely discretionary power of parties and permissive regulation.

Some general provisions of the draft are open-ended and shall be elaborated later in by-laws. For example, there are about several dozens of norms referring to acts of the Cabinet of Ministers of Ukraine yet to be drafted, approved and adopted. The Cabinet of Ministers shall retain the right to impose minimum and maximum prices for agricultural products; for those neglecting the prices there shall be sanctions, also defined by the Cabinet of Ministers.

To sum up, the draft law "On Agriculture", in general, significantly limits freedom of players on agricultural markets and endows the state with vast regulatory competences. There is a trend of bringing agriculture back into the domain of planned economy.

Volodymyr IGONIN
Attorney, Senior Lawyer at Vasyl Kisil & Partners Law Firm
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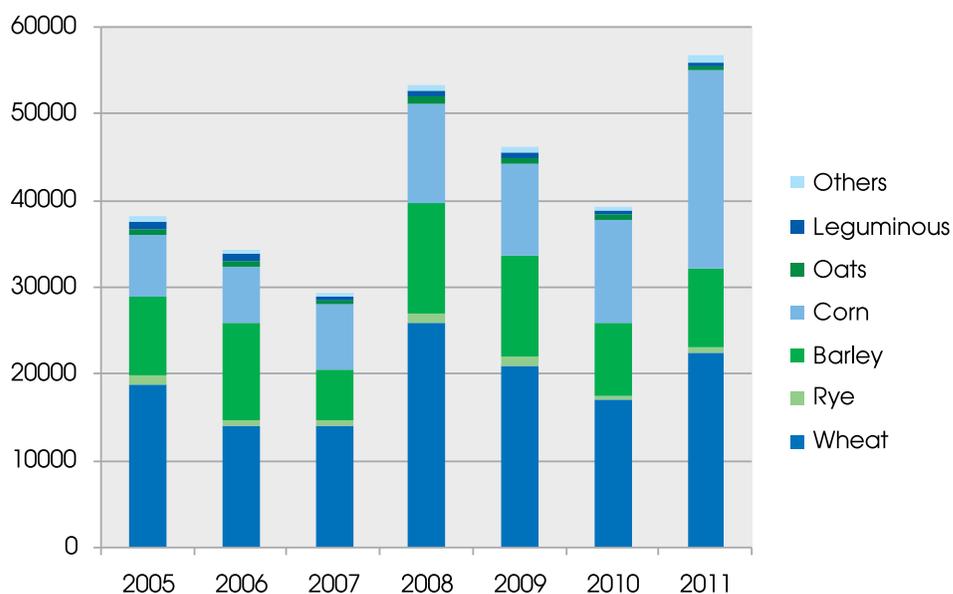
Markets of Agricultural Production

Cereals and Oil crops

In recent years the average volume of cereal crop production in Ukraine has reached a level of 50 million t or UAH 80 billion in money terms.

2011 became a record year for Ukraine in terms of cereal crop production; the gross harvest made up 56.7 million t, and this figure was considerably higher than in previous years. This became possible thanks to doubling of corn crop, up to 22.8 million t. That was the first time that corn became crop number 1 in Ukraine by the volume of production. Nevertheless, the harvest of wheat (22.3 million t) also exceeded the average figure. On the other hand, cultivation of barley has been decreasing during all recent years; due to low profitability of the crop farmers and agricultural enterprises reduce areas under barley.

Gross cereal harvest in Ukraine, 2005-2011, thousand t

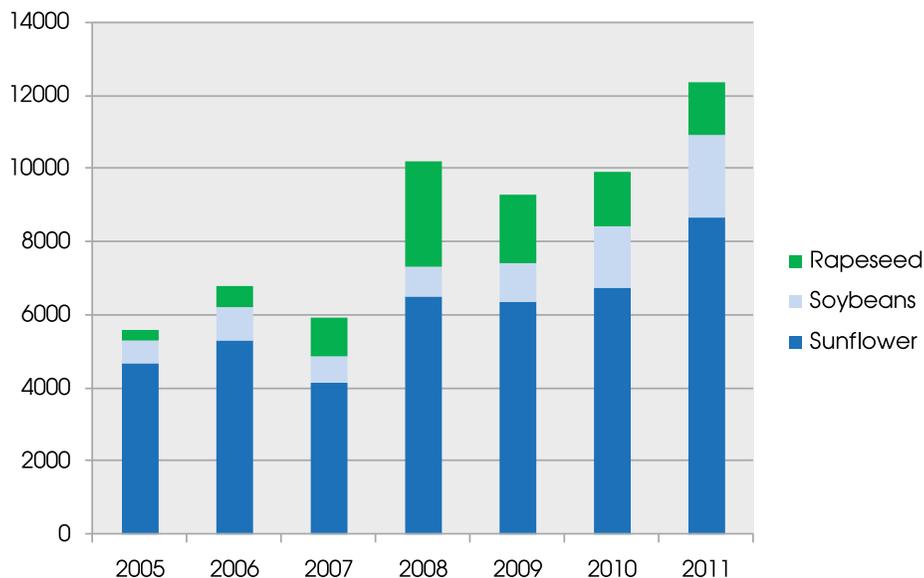


Source: State Statistics Service of Ukraine

Annual domestic consumption of grain in Ukraine makes up about 26 million t, including 12 million t of wheat, 6 million t of barley, 6 million t of corn and 2 million t of other cereals. Based on this demand, the export potential is estimated; in the best years it is up to 25 million t. Unfortunately, despite the record harvest, in 2011/12 marketing year (MY) full export potential is hardly attainable because export duties imposed at the beginning of the season seriously diminished the rate of shipment of grain from Ukraine.

High rates of increase of oil crops production allowed Ukraine to harvest over 12 million t in 2011. In particular, the crop of sunflower made up 8.7 million t – yet another Ukrainian record. The most remarkable growth of production is observed in respect to soybeans; it is becoming an important export crop while cultivation of rapeseed is gradually diminishing. Reduction of areas under rapeseed is explained by very high weather risks leading to failure of winter crop of rape in recent years.

Gross harvest of oil crops in Ukraine, 2005-2011, thousand t



Source: State Statistics Service of Ukraine

Based on the production of 8 million t, the sunflower market may be valued at the level of UAH 29 billion. This crop is mostly processed in the country for the purpose of sunflower oil export.

The market of rapeseed may be evaluated at the level of UAH 6 billion. So far, processing of rape is not very popular in Ukraine, and rape harvest is mostly shipped to the EU and Turkey, soon after harvesting.

Recent years featured a new major trend, namely the significant enlargement of acreage under corn and cultivation of this crop almost as a monoculture by many farmers of Forest-Steppe and Polissya. This trend is based on very attractive profitability of the crop and ever growing demand for it on the part of foreign markets. The growth of production and export of corn also leads to development of a necessary infrastructure, and new storing, drying and shipping facilities are created.

Further improvement of corn and soybeans exports from Ukraine will certainly require more active efforts in order to enter markets of Far Eastern countries.

There is another interesting trend consisting of gradual shifting of rape cultivation to Western parts of Ukraine. This is mainly explained by better weather conditions and smaller risk of crop failure in winter.

Further development of cereal and oil crops markets will be significantly dependent on the influence of the state, in particular, in terms of requirements to crop rotation. Already in the last year the Government started restricting areas under sunflower

and rape and promoting cultivation of great crops. In our opinion, this policy will hold and prevail in the future.

The economic efficiency of cultivation of different crops will also shape the production trends, just like it is happening with corn and sunflower.

EFFICIENCY AND RESPONSIBILITY

During a comparatively brief period (company was founded in 2006), SVAROG West Group took a leading position among agrarian holdings of Ukraine in terms of production efficiency.

In 2011 SVAROG West Group achieved the highest yield of cereals among Ukrainian producers; our profitability of crop growing outreached this indicator of most Ukrainian companies by 1.5 times. We gathered about 6.4 t of winter wheat from 1 ha (while the national average figure was 3.3 t/ha) and 11.3 t of corn (national average figure was 6.4 t/ha). In general, over the last years SVAROG managed to improve yields of main crops – wheat, corn, barley and beetroot – by 40% on average. High yields of cereals were achieved due to quality and fertility of Ukrainian soils, compliance with optimal agro-technologies, use of organic fertilizers, availability of own seed farms and deployment of highly sophisticated machinery and equipment.

SVAROG daily collects 55 t of high quality milk certified for use in products meant for child nutrition. We produce over 300 t of beef (live weight) every month. Our own breeding farms are developing. Efficiency of animal husbandry of SVAROG West Group is based on the high-quality feed base and waste-free production. Organic waste is bio-technologically processed (by own population of compost worms) and turned into bio-humus that is further used in crop growing and gardening.

We harvested over 6 thousand t of fruits in our intensive gardens, which make up 450 ha. Our fruit storages with regulated gas environment and sorting line may accommodate up to 6.2 thousand t of fruits. Besides the use of bio-humus when planting new gardens, we ensure high yields of fruits by introduction of drip irrigation. We export up to 40% of our fruit output.

We pay large attention to running our business socially responsible and to development of rural areas. Since 2008 we have been running the program "With the people, for the people". In 2010 we set up a regional charitable fund "Strengthening of Communities". Within the framework of this program, we support education, health care, culture, sports, provision of municipal amenities and landscaping, church, individually and in form of common activities.

Our plans for 2012 include widening of production facilities and capacities, in particular, construction of grain elevators, a seed plant, fruit storages, livestock breeding complexes, processing factories and other production facilities, further introduction of modern technologies, first of all, a system of high-precision agriculture. Besides, in order to raise funds for the construction of infrastructural objects SVAROG West Group is considering the possibility of entering international capital markets.

SVAROG West Group Corporation is operating in the regions of Khmelnytsky and Chernivtsy and is engaged in crop growing, livestock breeding, gardening and horticulture.

The total capacity of company's grain elevators makes up 150 thousand t, its land bank consists of 80 thousand ha. Cattle herd of the corporation numbers to 13 thousand heads.



Andriy GORDIYCHUK,
Chairman
of SVAROG
West Group

Vegetables and Fruits

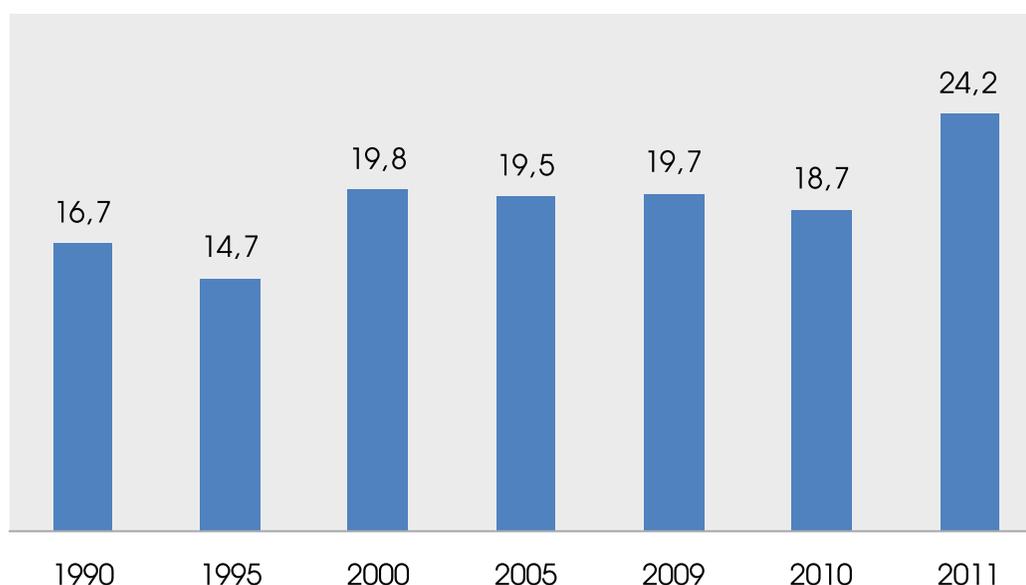
Horticultural markets in Ukraine have been actively developing in recent years, although they are still far from saturation. The distinctive feature is that a correct approach to cultivation and marketing makes this segment highly profitable even in a season of overproduction, in contrast with other segments of the agro-industrial complex.

Horticultural market, 2007-2011

	2007	2008	2009	2010	2011
Output, total, million t	27 766	29 429	30 093	28 947	36 499
including:					
fruits, thousand t	1 373	1 394	1 503	1 614	1 777
berries, thousand t	98	110	115	117	119
wine grape, thousand t	360	415	469	408	522
vegetables, thousand t	6 835	7 965	8 341	8 122	9 833
potato, thousand t	19 102	19 545	19 666	18 705	24 248
Volume of market, USD billion	44,2	52,1	54,7	80,8	95,3
including:					
fruits, UAH billion	2,5	3,1	3,4	4,7	6,8
berries, UAH billion	0,7	1,0	1,3	1,5	1,9
wine grape, UAH billion	0,9	1,2	1,4	1,9	2,2
vegetables, UAH billion	16,4	19,7	17,9	24,9	25,2
potato, UAH billion	23,7	27,1	30,7	47,8	59,2
Export of horticultural output, USD million	212,2	253,9	335,0	328,1	350,3
Import of horticultural output, USD million	321,5	673,0	709,7	863,3	816,7

Source: estimates of Ukrainian Agribusiness Club, data of the State Statistics Service of Ukraine

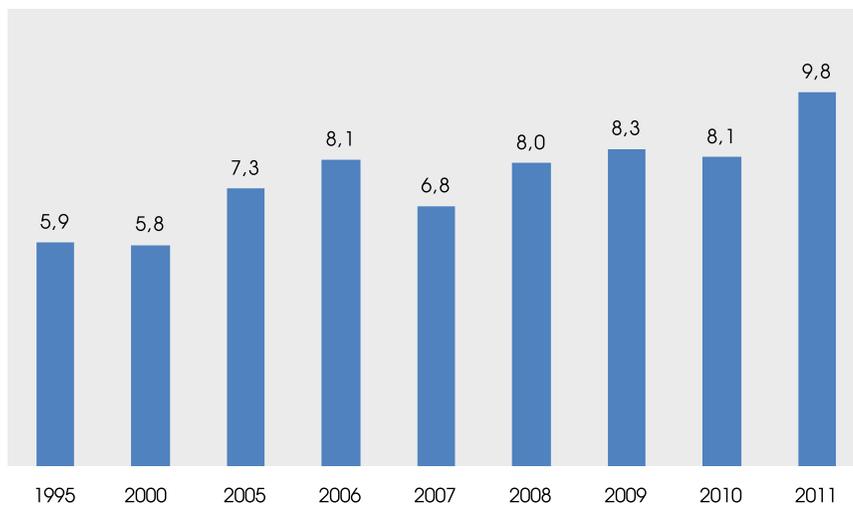
Production of potato in Ukraine, million t



Source: State Statistics Service of Ukraine

A key event of the current MY on the horticultural market of Ukraine has become a record yield of fruits and vegetables in total making up about 36 million t. Agrarians harvested 24.24 million t of potatoes, 9.82 million t of vegetables and 1.9 million t of fruits. These high figures were reached due to enlargement of cultivation areas after 2010/2011 season marked with a deficit and price hikes nearly for all sorts of fruits and vegetables. Pleading by the Government to increase production of fruits and vegetables also played its role. Enlargement of cropping areas coincided with favorable weather conditions. Combined, these factors ensured high yields of vegetables and potato. But record growth of supply led to price collapse. Overproduction cost the segment over UAH 3 billion, approximately.

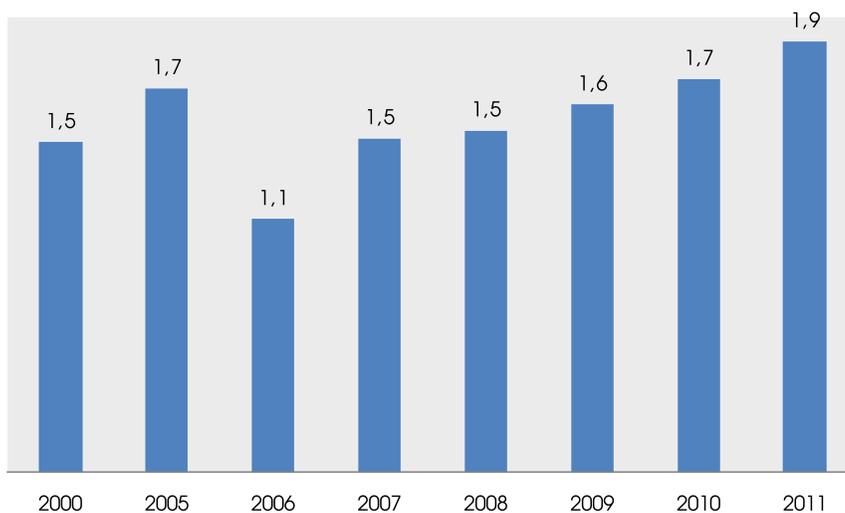
Production of vegetables in Ukraine, million t



Source: State Statistics Service of Ukraine

The Experts of Ukrainian Agribusiness Club estimate that current stock of vegetables making up so-called “borsch selection” (borsch is a traditional Ukrainian soup made of beet-root, potato, onion, carrot, cabbage, tomato and garlic) as of end of March 2012 is significantly exceeding the level of stock of last year. The highest gain – nearly 140% – is reported in respect to potato, cabbage and onion. The current stock of carrot and beet-root exceeded the last year level by 25-35%.

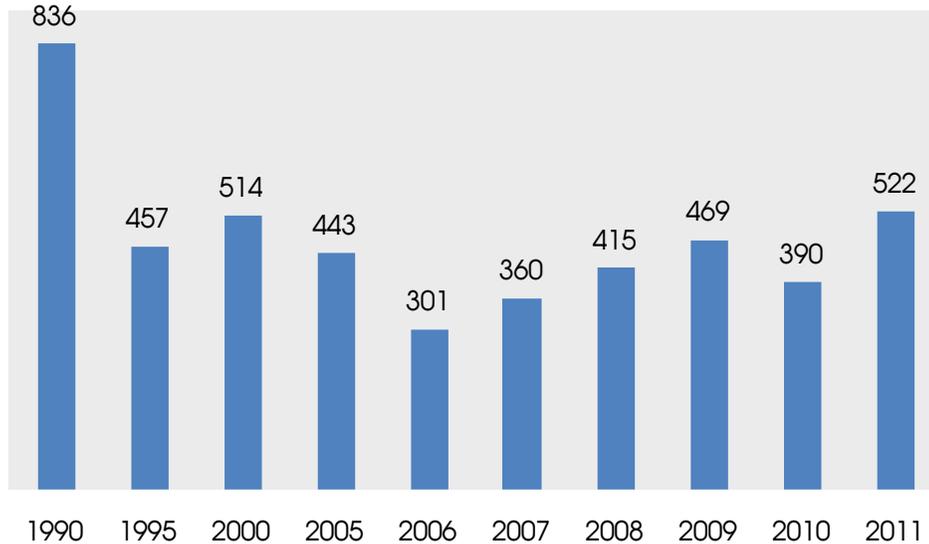
Production of fruits and berries in Ukraine, million t



Source: State Statistics Service of Ukraine

The current marketing year was marked not only by high yields and low prices, but also by an extremely cold winter. Frosts in February eliminated about 40% of sour and sweet cherries harvest of 2012. The weather-related loss of apricots and peaches amounted to 70%, of table grape – about 25%.

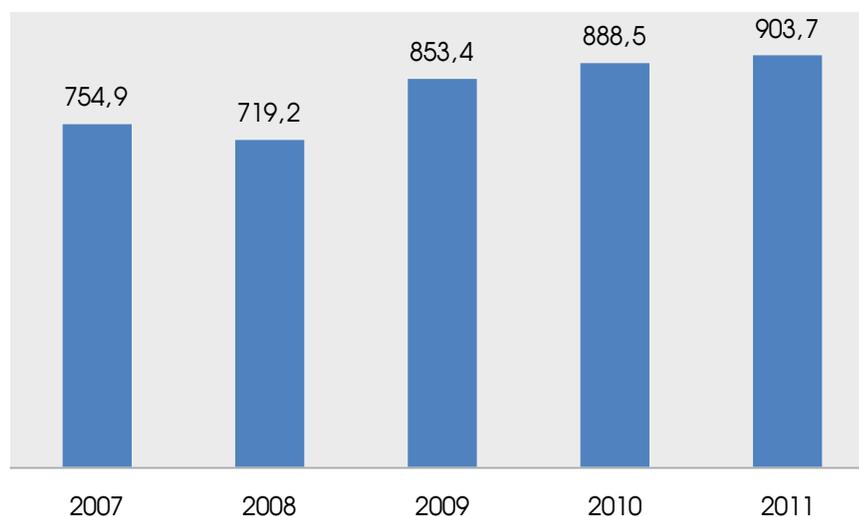
Production of grape in Ukraine, thousand t



Source: State Statistics Service of Ukraine

In 2011 Ukraine managed to enter the TOP-10 European producers of grape and wines. Improvement of production became possible due to introduction of modern technologies. For example, according to official statistics, yield of grape in 2011 grew by 26% as compared to 2008. Remarkably, for the first time in 20 years the area under vineyards in Ukraine did not diminish; it actually increased by 1.5 thousand ha.

Production of apples in Ukraine, thousand t

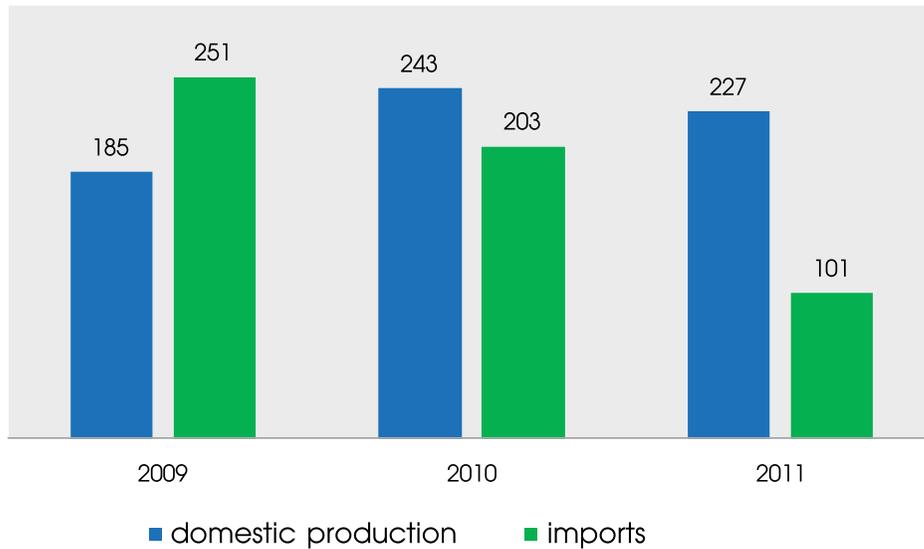


Source: State Statistics Service of Ukraine

By the results of 2011 Ukraine also entered the TOP-5 European producers of apples. There is a clearly visible trend to enlargement of apple yields from year to year. This trend is supported by introduction of new highly productive sorts and modern technologies of cultiva-

tion in intensive gardens. At the same time, Ukrainian retailers have started procuring more apple of domestic production.

Realization of apples through retail chains, thousand t

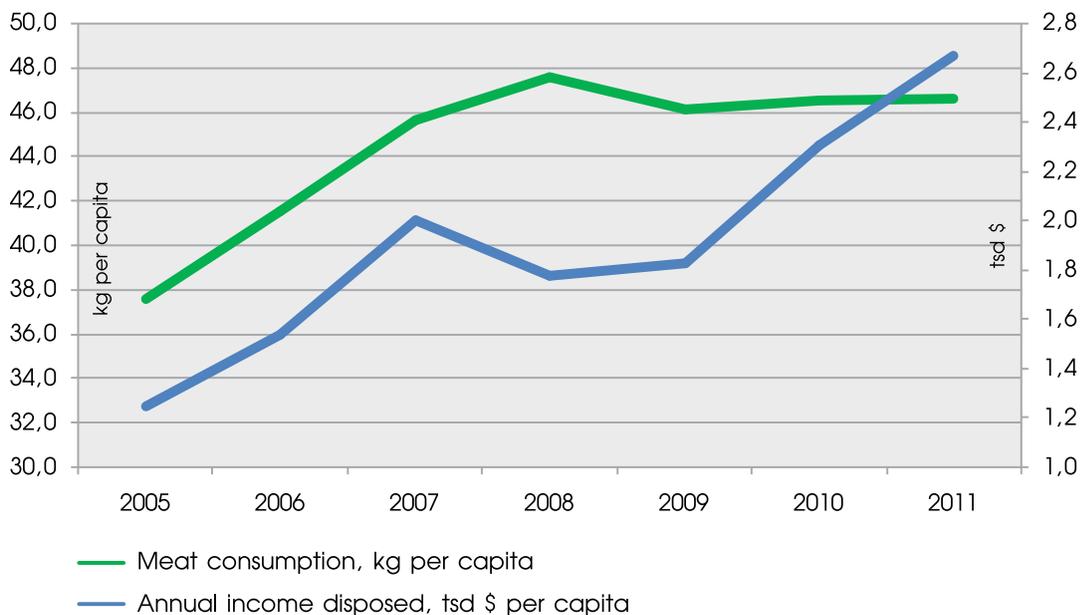


Source: data of market operators

Meat

The meat market demonstrated some slowdown in 2011, and 2012 has been clearly marked by a decrease. The main reason restricting the development of the segment is the weak spending power of the population and limited access to foreign markets. Therefore, the production of meat in 2012 will grow a bit as compared to the previous year while the reduction of animal and poultry population, which started in the end of 2011, will continue.

Average annual income and actual consumption of meat per capita

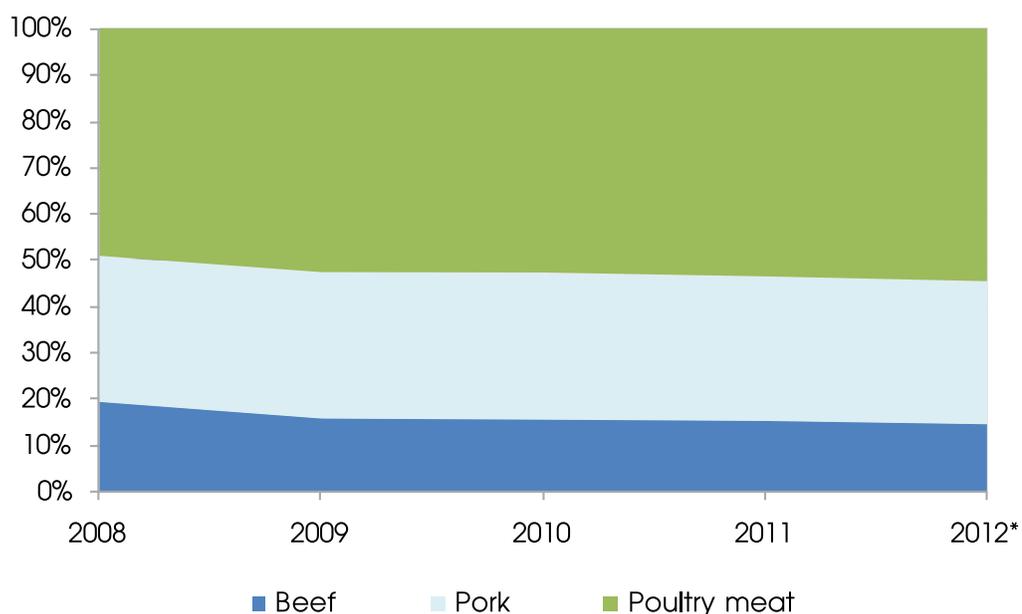


Source: State Statistics Service of Ukraine, own estimates on the basis of balance of main types of meat

According to the experts of Ukrainian Agribusiness Club, production of meat in 2012 will make up about 1995 thousand t (slaughter weight) or a bit below the level of internal consumption. Imports, according to preliminary estimates, will make up about 200 thousand t or slightly less than in the last year. At the same time, the meat export is gradually developing, first of all export of poultry, but volume of it is growing not that fast as it was expected earlier and that limits the domestic production of meat in the country. In 2012 the meat export may reach the level of 105 thousand t as compared with 80 thousand t in 2011.

In the following 1-2 years the level of domestic consumption of meat will stay at the current level, about 46.6 kg of meat per capita a year. More than half of this volume is falling upon poultry, and this trend is going to last in the nearest future.

Structure of meat consumption, %, by years



*Forecast

Source: Own estimates on the basis of balance of main types of meat

Experts of Ukrainian Agribusiness Club expect that by 2020 poultry meat will take over 53% of the domestic consumption (in the structure) and become the main item of meat export.

Reduction of beef consumption will suspend because in 2011-2012 it is going to reach its historical minimum (13.9% in the structure); nevertheless, further reduction of consumption is possible because of declining demand of the processing industry, which started to substitute beef with poultry even in those products in which only beef was used before. As for the market of prefabricate chilled beef, it has shrunk down to the optimal level, and the growth of it is possible only in a long-term perspective.

In the segment of pork meat we expect further increase of industrial production and reduction of supply of meat by households. Nevertheless, we would not predict any significant growth of internal consumption as well as domestic production. As a result, the competition on the pork meat market will get tougher, so that smaller and weaker producers may be driven out of the market by stronger players.

These assumptions may be supported by the reduction of livestock observed in the second half of 2011 and in the beginning of 2012. Besides traditional reduction of cat-

the herd, pig population started decreasing, and for the first time within the last several years poultry population followed the downward trend. At the same time the stock of poultry at households stayed stable.

Main drivers on the Ukrainian meat market are the availability of sufficient feed stocks, the relatively affordable prices of feed and forage, comparatively cheap manpower and a favorable fiscal regime for producers.

In many respects, the further development of a market situation will depend on the following factors:

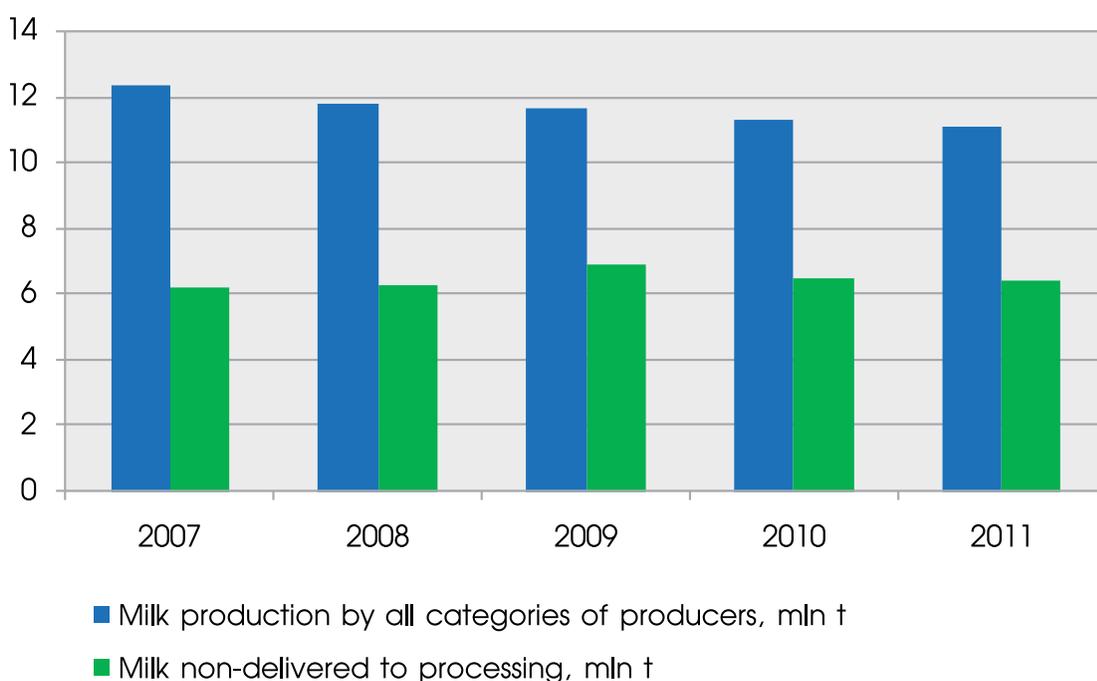
- potential for growth of internal consumption is related to improvement of spending power of consumers and to substitution of households' supply by industrial supply;
- vertical integration of large companies and accumulation of value added;
- investments into the meat sector on the part of crop growing companies;
- access to EU markets and internationalization (i.e. access to foreign markets through acquisition of assets), optimization of use of resources.

Global trends, like increasing demand for poultry meat, growing beef prices coupled with reduction of beef supply and demand for beef meat, are also going to play their role and to have their influence on Ukrainian meat market. Russia, being one of the largest global importers of meat, may play a positive as well as a negative role.

Milk and Dairy

Ukraine belongs to the TOP-10 global producers of milk. Despite its position, the Ukrainian dairy industry is suffering from a permanent deficit of raw milk supplied for processing. On average, in 2007-2011 over half of the produced raw milk did not reach the processors.

Production of milk and supply for processing



Source: data of the State Statistics Service of Ukraine and market operators

One of the reasons behind this lasting trend is that the structure of initial production of raw milk is dominated by households (having a share of 80%); the latter produce milk mostly for their own consumption and leftovers are sold at marketplaces where they can get more attractive prices. Nevertheless, already today we observe results of large-scale investments into the industrial production of milk made in the last few years. In the first quarter of 2012 agricultural enterprises produced 15% more milk than in the same period of the last year. At the same time, milk yield at households dropped by 1%.

Milk and dairy market in Ukraine

	2007	2008	2009	2010	2011
Milk yield, all producers, million t, including:	12,3	11,8	11,6	11,3	11,1
households, million t	10,1	9,7	9,4	9,1	8,8
agricultural enterprises, million t	2,2	2,1	2,2	2,2	2,3
Milk passed by industrial processing facilities, million t, including:	6,2	6,3	6,9	6,5	6,4
feeding, losses and other uses of milk, million t	1,2	1	1,1	1,1	1
own consumption of households and sales at marketplaces, million t	5,1	5,3	5,7	5,4	5,3
Volume of milk supplied to processing, all categories of suppliers, million t, including:	6	5,4	4,7	4,8	4,7
households, million t	4,4	3,7	2,9	2,9	2,4
agricultural enterprises, million t	1,7	1,8	1,9	1,9	2,3
Export of dairy products, in terms of milk, million t	0,9	1,1	0,9	1	1
Import of dairy products, in terms of milk, million t	0,2	0,2	0,5	0,3	0,3
Overall consumption of milk and dairy products (in terms of milk), million t	10,4	9,9	9,8	9,5	9,4
Volume of market of commodity milk, USD billion	1,8	1,1	1	1,6	1,6
Volume of market of non-commodity milk, USD billion	1,8	1,3	1,4	2,1	2,2

Source: data of State Statistics Service of Ukraine and data of market operators

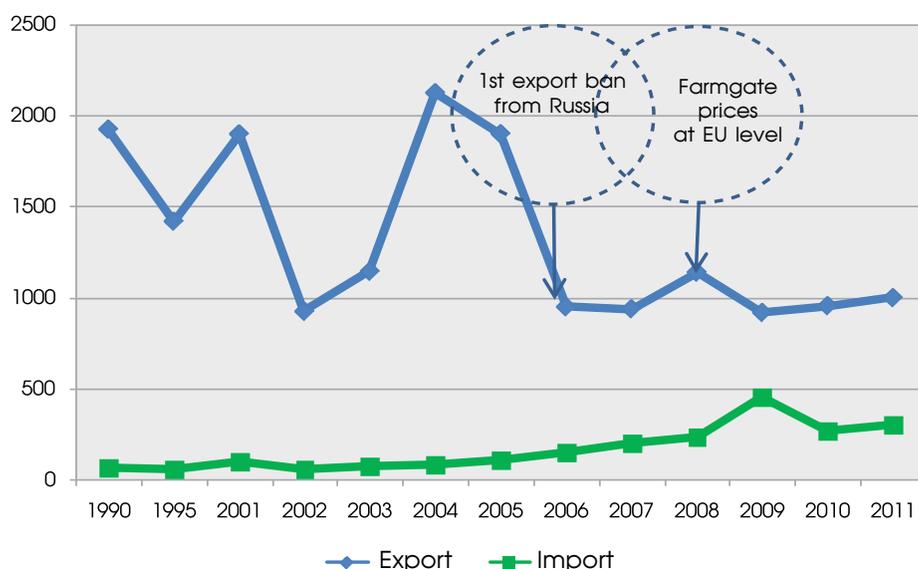
Low procurement prices for milk are explained by the following factors: a) global trends and b) instability of state support of dairy sector¹⁰. First of all, Ukraine is a net-exporter of dairy products, supplying annually 1 million t thereof in terms of milk. Naturally, Ukrainian dairy producers are looking at world prices in order to stay competitive on the global market. Besides, from 2005 and on there have been so-called "cheese wars" going on between Ukraine and Russia, the latter is the main trade partner of Ukraine in respect to dairy products. Due to the embargo that is from time to time imposed by Russia on import of Ukrainian dairy products, some volumes of milk meant for the Russian market exert pressure on the domestic market.

Secondly, the milk segment is highly sensitive to any changes in the system of state support and regulation. The scheme of support of milk producers changed twice between

¹⁰ Low procurement prices for households is also explained by poor quality of milk.

2010 and 2012. The Tax Code of Ukraine adopted in December 2010 provided for subsidies paid per cattle's head; a year later, in December 2011, The Tax Code was altered and former system of support (at the expense of VAT collected by processing enterprises) was restored. Recently, there was a draft law discussed in the Parliament providing the imposition of minimum procurement prices for milk, which could be prevented thanks to the efforts of UCAB and other organizations. Experience shows (and not only Ukrainian) that the most effective schemes are those that support the whole supply chain.

Export and import of dairy products, thousand t



Source: own presentation, based on data of State Statistics Service of Ukraine

Sugar

After a four-year period marked by a beetroot sugar deficit, the gradual enlargement of cropping areas under beetroot as well as favorable weather conditions ensured a record yield of beetroot in the last five years. A sharp increase of production – by 50% as compared with the last year – led to a market saturation and even surplus of sugar; sugar prices dropped by 30-35%. Under such conditions, vertically integrated structures covering the whole production chain, starting from cultivation of beetroot and ending up with marketing of sugar on domestic and foreign markets, are the most competitive ones. These holdings control 71% of the Ukrainian sugar market.

Sugar market of Ukraine, 2007-2011

	2007	2008	2009	2010	2011
Volume of production, thousand t	1870	1570	1280	1800	2590
including beetroot sugar, thousand t	1870	1570	1270	1550	2330
Volume of market, UAH million ¹¹	4920	4530	7260	13280	16230
Export of white sugar, USD million	2,2	5,7	11,8	0,2	4,3
Import of white sugar, USD million	5,9	29,6	39,0	58,8	4,3

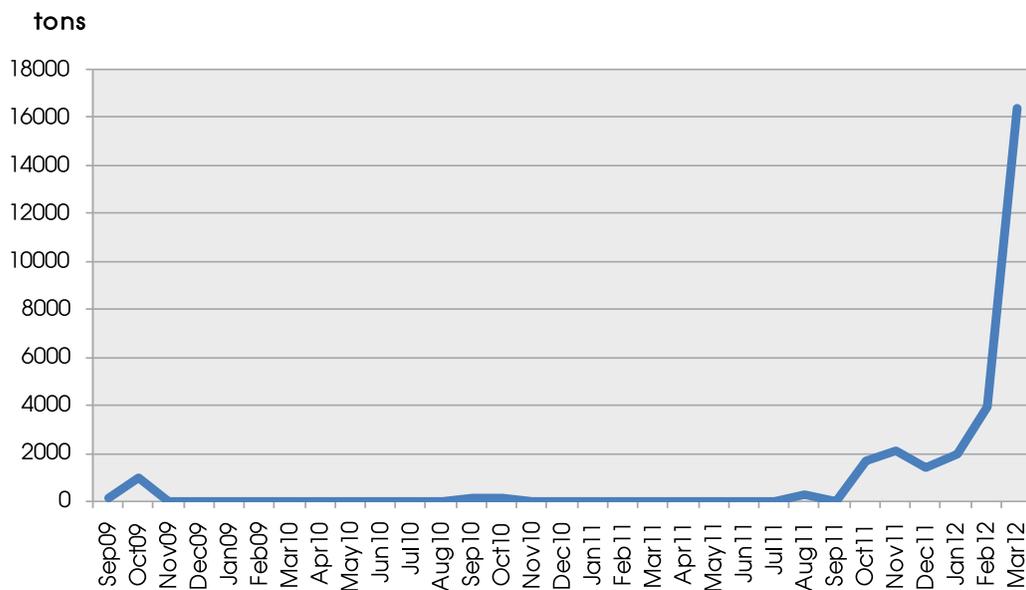
Source: State Statistics Service of Ukraine

¹¹ Produced sugar in money terms.

A key event of the current MY is the renewal of sugar export after a more than two-year long break. The first quarter of 2012 witnessed a record export of 22 thousand t for USD 15 million. Main consumers of Ukrainian sugar are found in Central Asia (Kazakhstan, Turkmenistan and Kyrgyzstan) and the Middle East (the Lebanon and Syria). Renewal of sugar export and broadening of export geography may stimulate further development and growth of beetroot cultivation and sugar production in the future.

In the midterm perspective the sugar sector will experience the influence of political factors related to export of sugar, first of all, free trade agreements with the EU and with CIS countries, entering into force; these two agreements will have a very different impact on the sector. In case of the EU, an allocation of an export quota to Ukrainian sugar producers shall stimulate them to improve quality of their output and to widen their presence on the European market. The agreement with CIS countries is in fact limiting external markets for Ukrainian sugar since this commodity is excluded from free trade regime.

Dynamics of white sugar export from Ukraine, t



Source: data of State Statistics Service of Ukraine



Efficiency and Productivity of Agriculture

It shall not be omitted that every year the Ukrainian agrarian sector is making serious progress in terms of improvement of productivity and technologies.

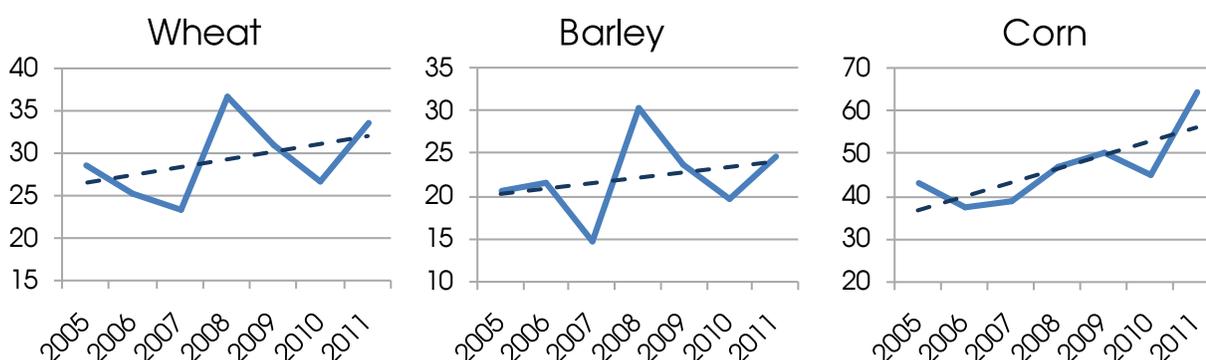
Ukrainian agrarian businesses have started introducing seeding materials of better quality and applying more fertilizers; they are constantly improving plant protecting systems and quality of technological operations by employing modern highly productive machinery. All these factors stipulate better yields and higher profitability of crops. These positive changes also have their influence on the livestock sector, because the quality of the feed is being improved as well as the feeding practices and herd management.

Cereal and Oil Crops

A considerable improvement of productivity is observed in cultivation of grain. In particular, corn yield in the last seven years has been annually growing by 0.32 t/ha on average (or by 7%). That is explained, first of all, by a shift to more productive hybrids, improvement of soil fertilization and perfection of weed.

In case of wheat and barley, the growth of yield was lower, only 3% annually; this figure may be explained by weaker innovative activity of agrarians in respect to these two crops.

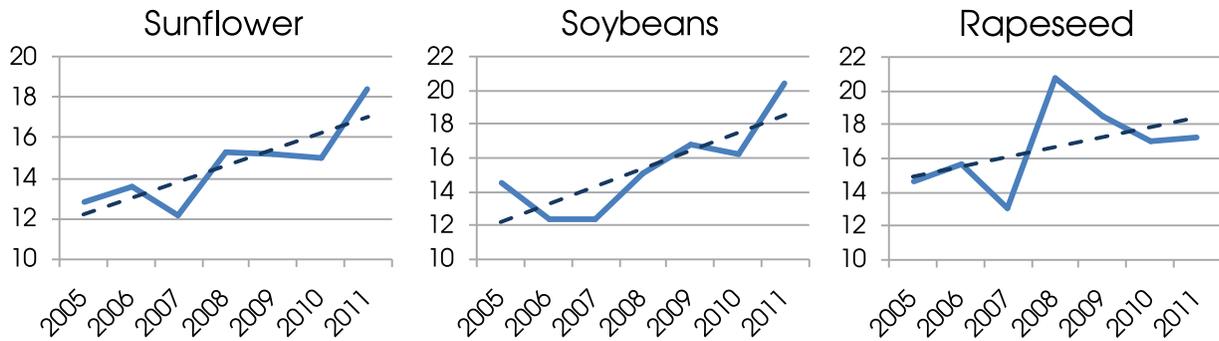
Yield of main cereal crops in 2005-2011, dt/ha



Source: own presentation on the basis of data of State Statistics Service of Ukraine

Among oil crops, the highest rates of yield growth were reported about sunflower and soybeans - 6% annually. The annual gain of yield of rapeseed is somewhat lower - 3% only, due to considerable harvest failures in 2009-2011. Oil crops are the most profitable for agrarians and they make significant efforts to develop cultivation technology of these crops.

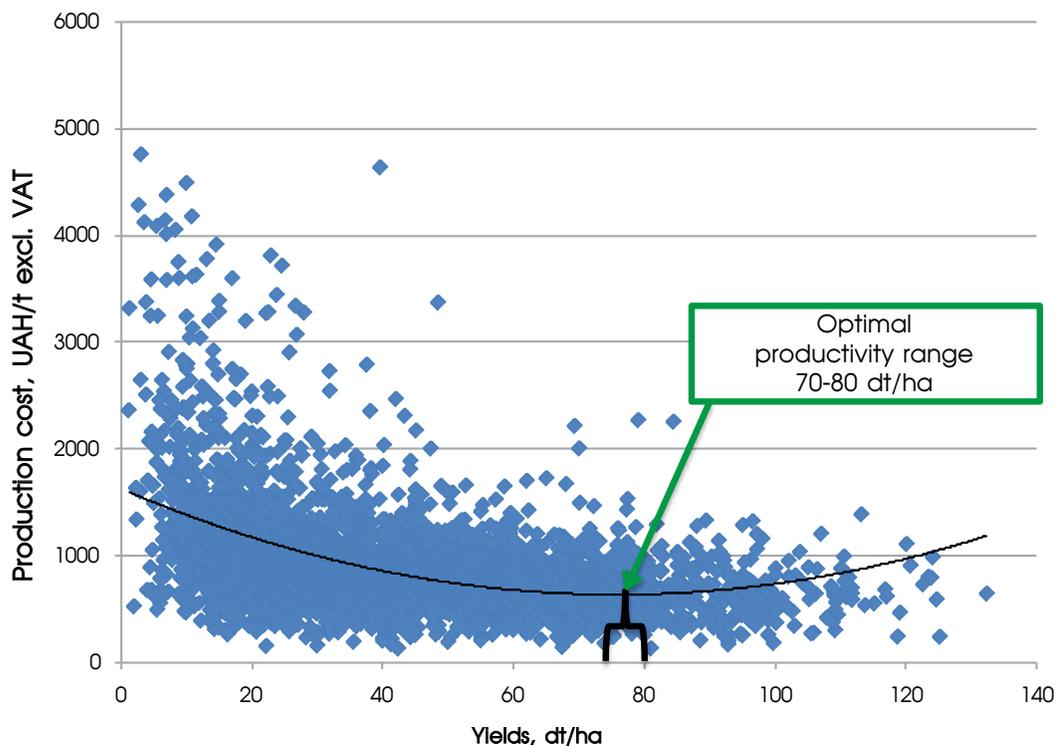
Yield of main oil crops, 2005-2011, dt/ha



Source: own presentation on the basis of data of State Statistics Service of Ukraine

Despite tangible improvement of yields, many crops are still cultivated at a level that is far from optimal intensity. According to the study of AgriSurvey Agency¹², the optimal level of yield of corn makes up 70-80 dt/ha.

Relation of corn production cost and yield



Source: AgriSurvey

If an agricultural enterprise is expecting further growth of yield, that will, most likely, lead to the increase of the production cost and to reduction of profitability.

In the context of yield it is necessary to look at regional agro-climatic features; in Forest-Steppe zone of Ukraine yields of most crops are higher than in Steppe zone. For instance, yield of winter wheat in Steppe is 30% lower than in Forest-Steppe zone.

¹² See AgriSurvey study "Effective Production of Cereal and Oil Crops in Ukraine", 2012

Winter wheat yields at agricultural enterprises in 2009-2011



Source: AgriSurvey

Nevertheless, high yields are not always associated with better economic efficiency. Production cost of wheat in Steppe is lower. Therefore, profitability is higher than in other regions of Ukraine.

Production cost of winter wheat at agricultural enterprises in 2008-2010

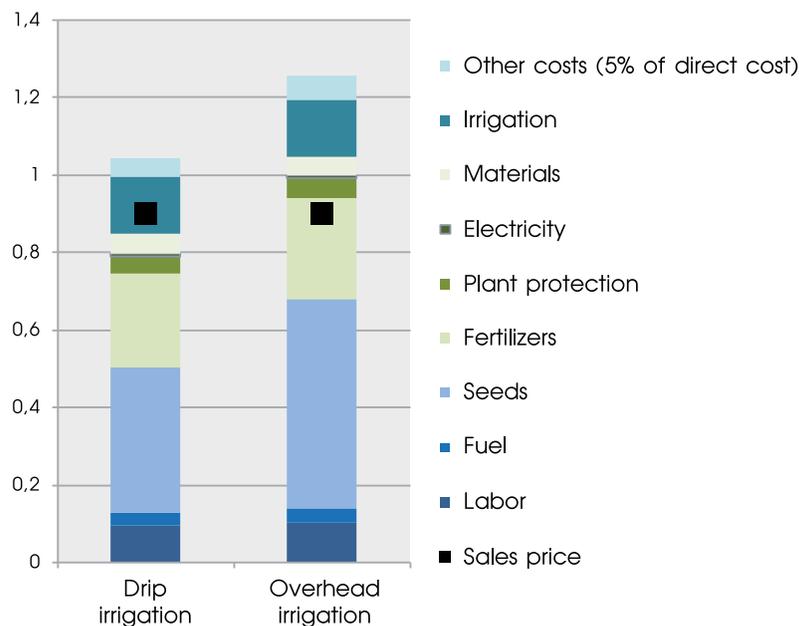


Source: AgriSurvey

Vegetables

Potato is the most significant among all vegetables cultivated in Ukraine. In the last three years (2009-2011) cropping areas under potato have not changed, but gross harvest increased due to higher yields. Some of the best farms reached yields over 40 t per ha. Unfortunately, while the production cost of potato in 2011 made up 1.15-1.30 UAH/kg, the crop was sold at a price below the production cost - 0.9 UAH/kg only. Due to overproduction, the season of 2011-2012 turned out to be detrimental for agrarians.

Comparisons of potato production cost in relation to different systems of irrigation, UAH/kg



Source: AgriSurvey study "Efficiency of Vegetable Production in Ukraine", 2012

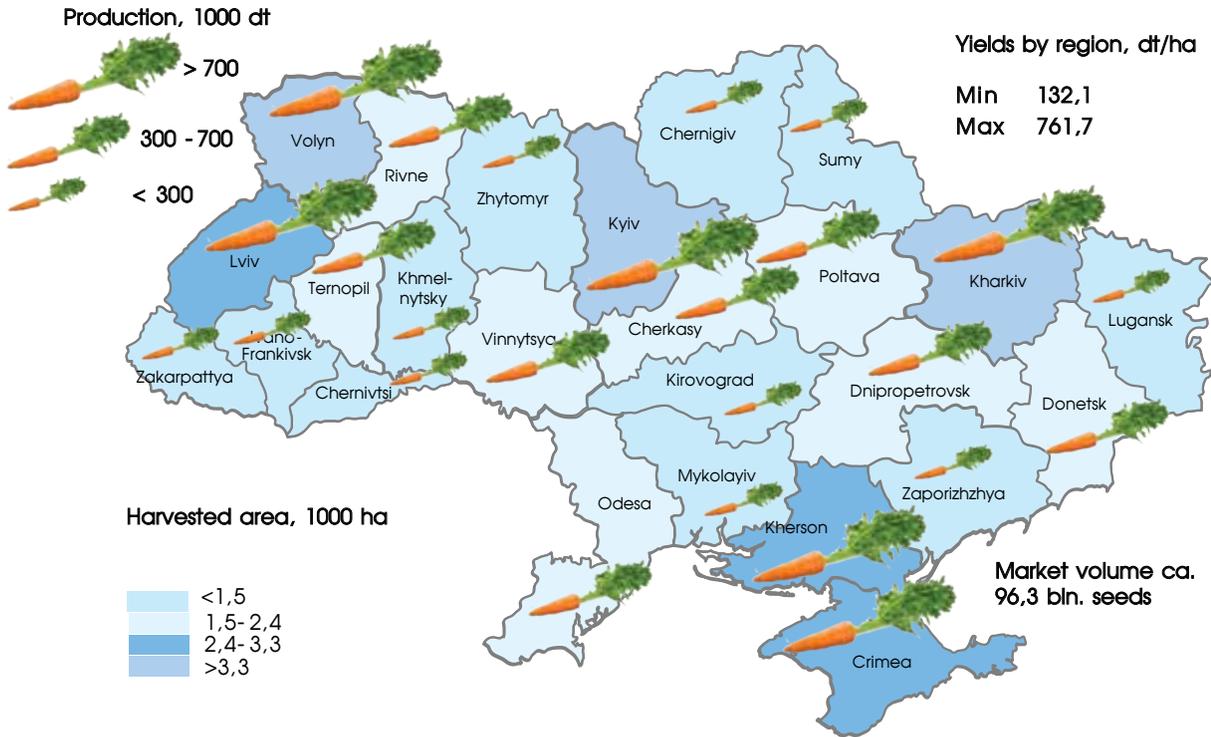
In the season of 2011-2012 carrots was the most marginal among crops making up "borsch selection". In order to be effective, cultivation of carrots shall target a yield of 65-70 t/ha and production cost should be 0.6 UAH/kg.

In recent years the consumption of carrots has been featuring stable positive dynamics. The consumption of raw carrots has been growing along with the demand for carrots on the part of processing factories.

Cultivation of carrots is distributed among many regions of Ukraine. The bulk of production (up to 28%) takes place in Kharkiv, Kyiv and Volyn regions. Kharkiv and Volyn regions showed the highest level of overproduction. Luhansk, Zaporizhzhya, Zakarpattia and Ivano-Frankivsk regions had the highest lack of carrots of own cultivation.

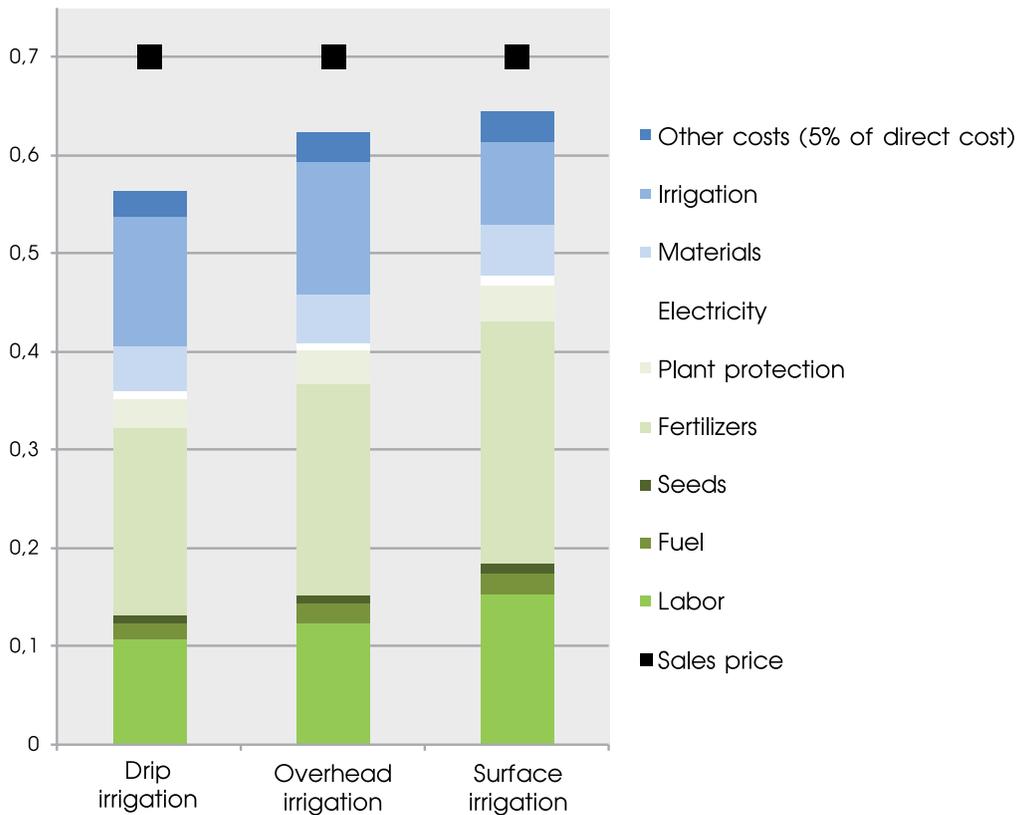
In 2008-2011 cabbage and onion were among the least stable crops in terms of profitability and price fluctuation. These crops may be cultivated and stored without large efforts and significant expenses, and many farmers are up to it. That is why prices are so unstable. Unfortunately, Ukrainian farmers are still building their production plans on prices of the last season and disregard price forecasts for the next season. That is why prices for cabbage and onion may reach 6.5-8.0 UAH/kg in one year and drop down to 0.30-0.45 UAH/kg the next year. Therefore cabbage and onion cultivation is a risky business in Ukraine.

Cultivation of carrots in Ukraine



Source: estimates of Ukrainian Agribusiness Club, data of the State Statistics Service of Ukraine

Comparisons of cabbage production cost in relation to different systems of irrigation, UAH/kg

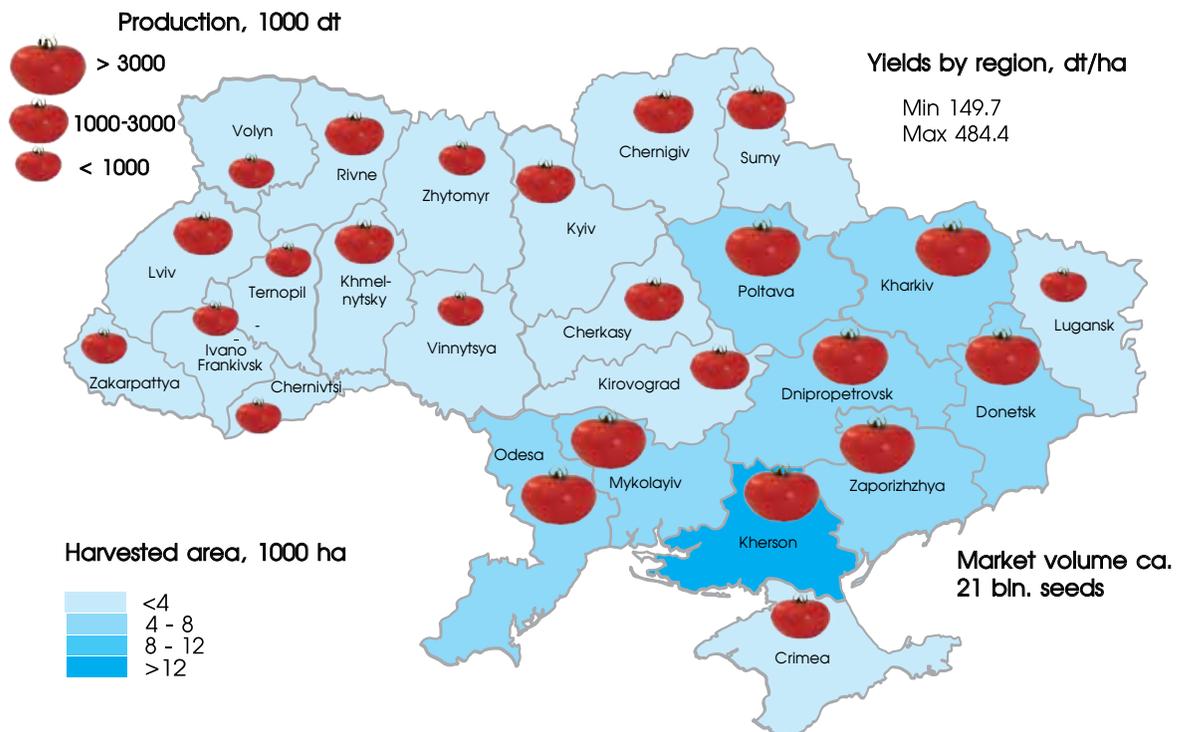


Source: AgriSurvey study "Efficiency of Vegetable Production in Ukraine", 2012

Cultivation of tomatoes on open land is increasing. In 2008-2011 tomatoes were among the most profitable crops enjoying a stable growing retail market and increasing volumes of export.

Kherson region is traditionally Ukrainian a leader in tomato cultivation (32% of national output and growing). Odessa region supplies approximately two times less, but together these two regions cover nearly half of the internal demand for tomatoes. These regions, despite high development of tomato processing and high local consumption, are the major suppliers of tomatoes to other regions. Their combined share in inter-region supplies makes up about 70%. The highest deficit of tomatoes of own cultivation is reported from Luhansk, Volyn and Lviv regions.

Tomato cultivation in Ukraine



Source: estimates of Ukrainian Agribusiness Club, data of the State Statistics Service of Ukraine

Ukrainian experience shows that an enterprise cultivating vegetables on 100-150 ha may enjoy 43-46% profitability, with the use of available material and technical resources. The role and weight of professionals in production of vegetables is growing every year. Professionals apply modern technologies, best selection and technical novelties, and they know how to store and to process their produce.

Meat

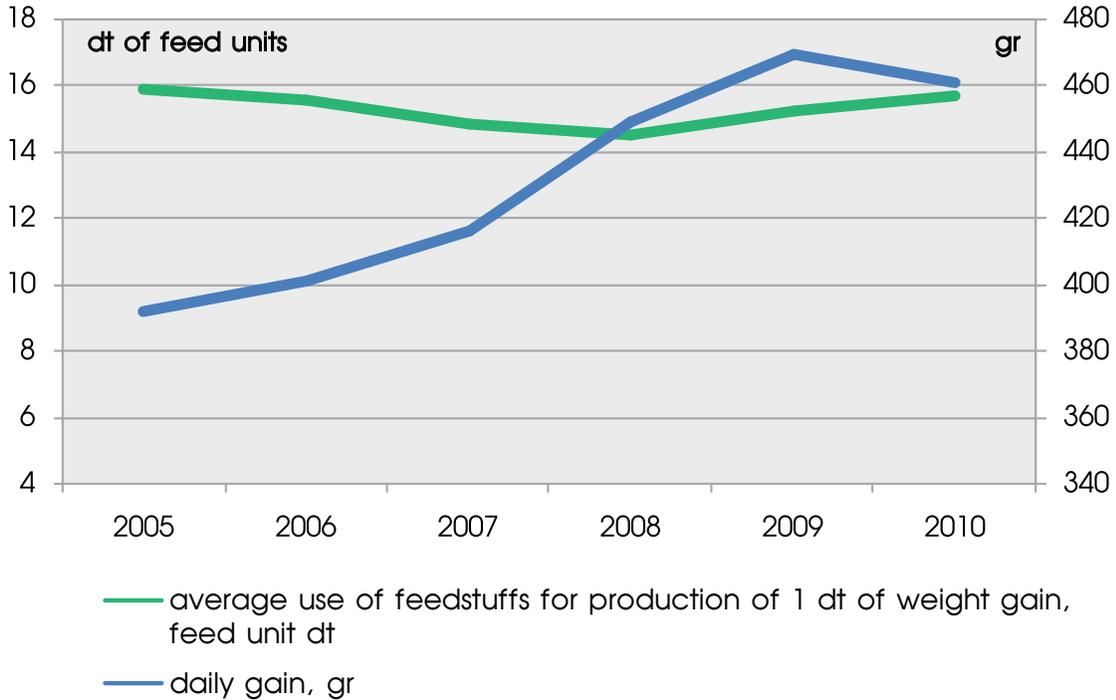
Average daily weight gain (ADBWG) is an important indicator of animal productivity. Recent years in Ukraine featured positive dynamics of average gains. For cattle, this indicator made up 461 g in 2010 or 17.6% above the level of 2005; that indicates improvement of feed and rations of animals.

For pig, ADBWG in 2010 made up 375 g or 33.5% above the level of 2005.

Cattle for meat production are usually kept on silage feeding and are subject to all-the-year-round housing. Despite relatively low production cost of beef in Ukraine, market

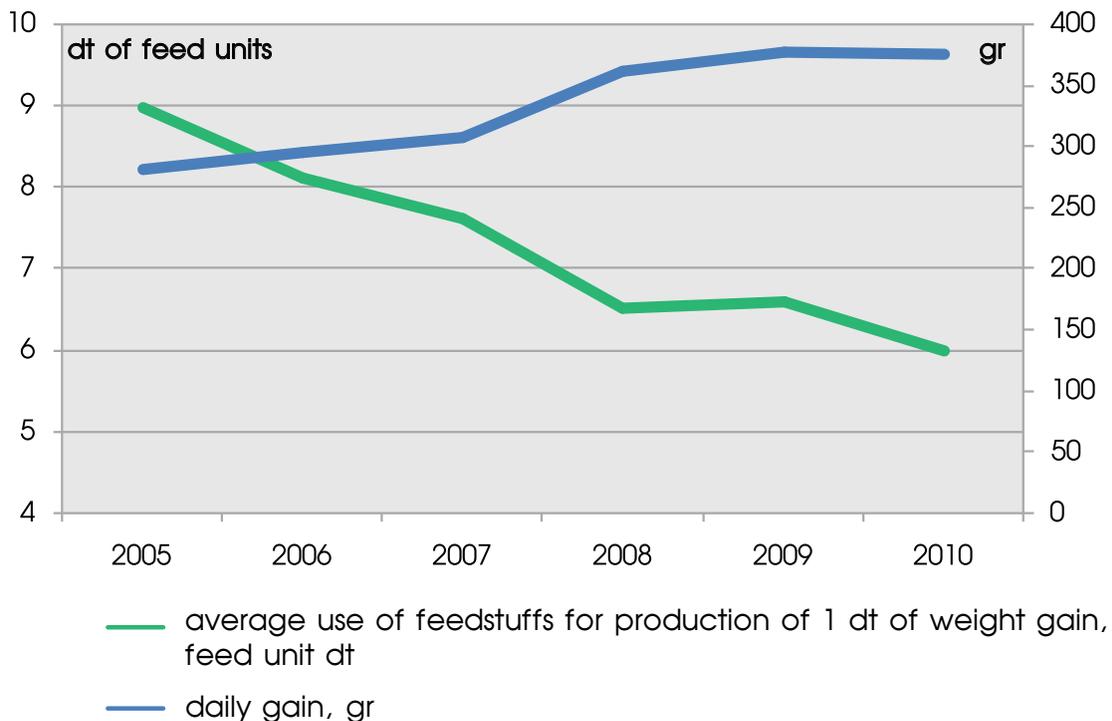
prices do not cover the cost. For many companies breeding cattle for meat is unprofitable, and they practice it only in combination with milk production.

Dynamics of average daily weight gain of cattle



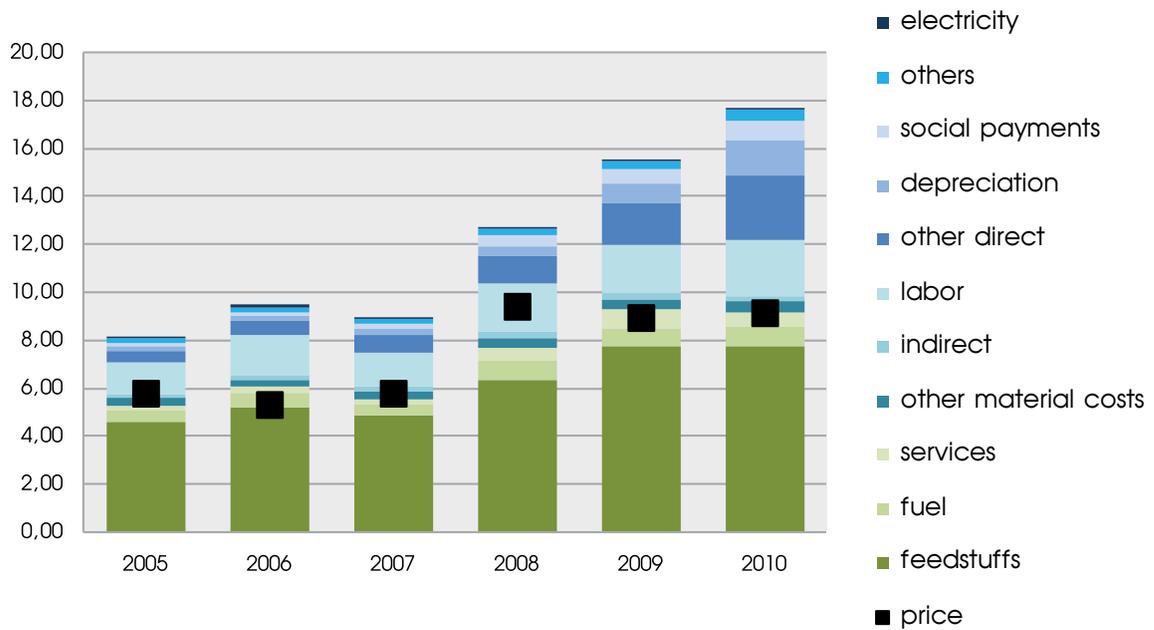
Source: State Statistics Service of Ukraine

Dynamics of average daily weight gain of pig



Source: State Statistics Service of Ukraine

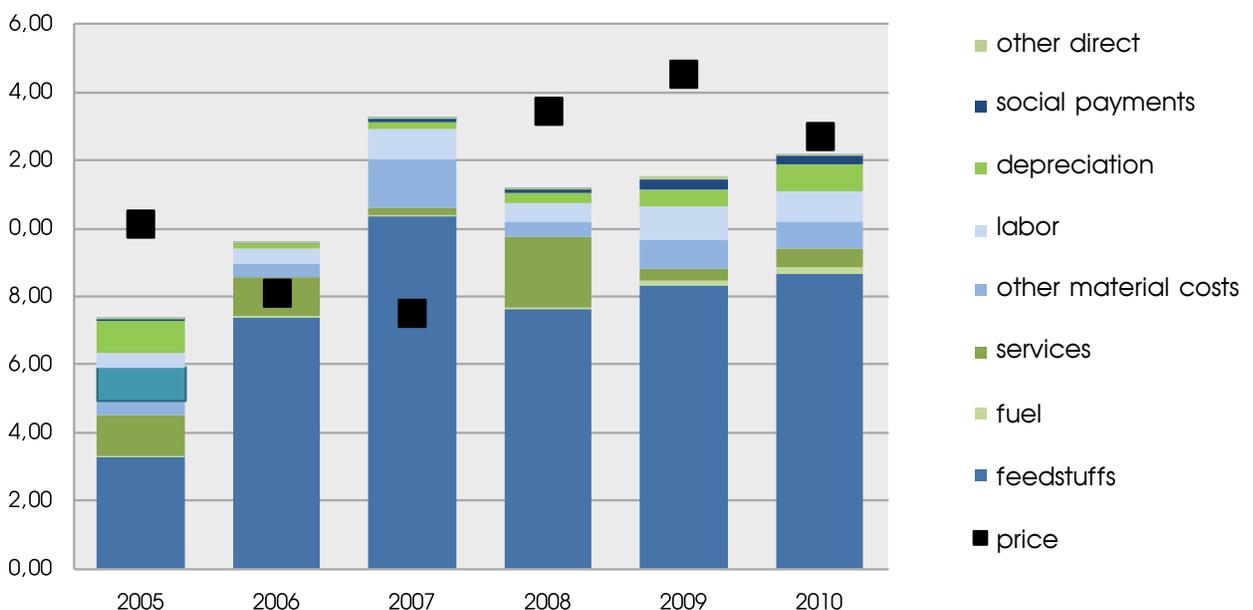
Structure of beef production cost, silage feed, live weight, UAH



Source: AgriSurvey study "Largest Livestock Holdings of Ukraine: Development and Perspectives", 2011

Starting from 2008, profitability of pig breeding has been positive and it largely contributed to the development of the segment. However, the increase in feed prices and comparatively low procurement prices for pig of the second grade (mostly grown with the help of old technology) led to reduction of profitability in the second half of 2011. As a result, small producers with livestock of 300-1000 heads in 2011 withdrew from the market, unable to compete with larger enterprises. The decline in production at small farms pushed prices for pigs up and that had a positive effect on the profitability of surviving pig breeding enterprises.

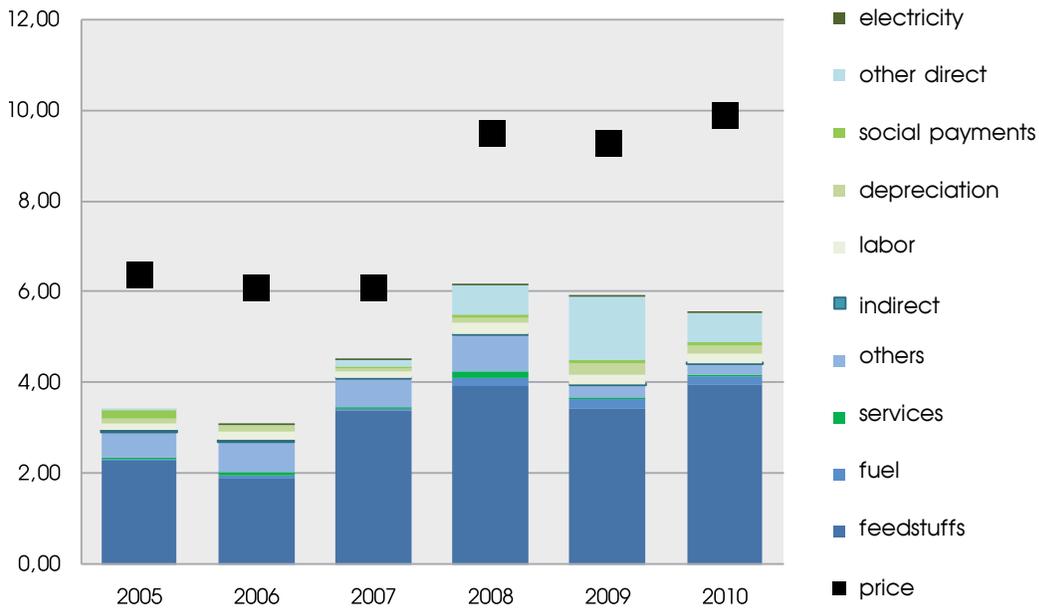
Structure of pig breeding cost (second grade, traditional housing), live weight, UAH



Source: AgriSurvey study "Largest Livestock Holdings of Ukraine: Development and Perspectives", 2011

Prices for poultry in Ukraine are growing faster than its production cost. Reduction of demand for meat in 2009-2011 had only positive influence on the poultry market because demand for cheaper kinds of meat, first of all chicken, became stronger, and poultry breeders could increase sales prices.

Structure of poultry breeding cost (chicken, Cobb500), live weight, UAH

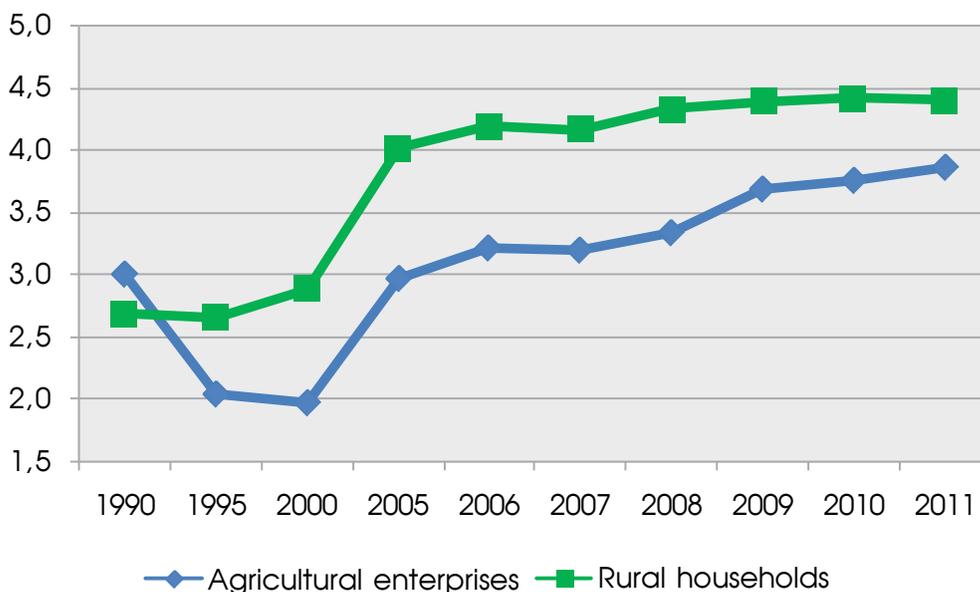


Source: AgriSurvey study "Largest Livestock Holdings of Ukraine: Development and Perspectives", 2011

Milk

Starting from 2000, the productivity of cows in Ukraine is unfailingly growing. While households have not reached any improvements in terms of productivity of their cows, agricultural enterprises have nearly caught up with households.

Milk yield, t/head



Source: State Statistics Service of Ukraine



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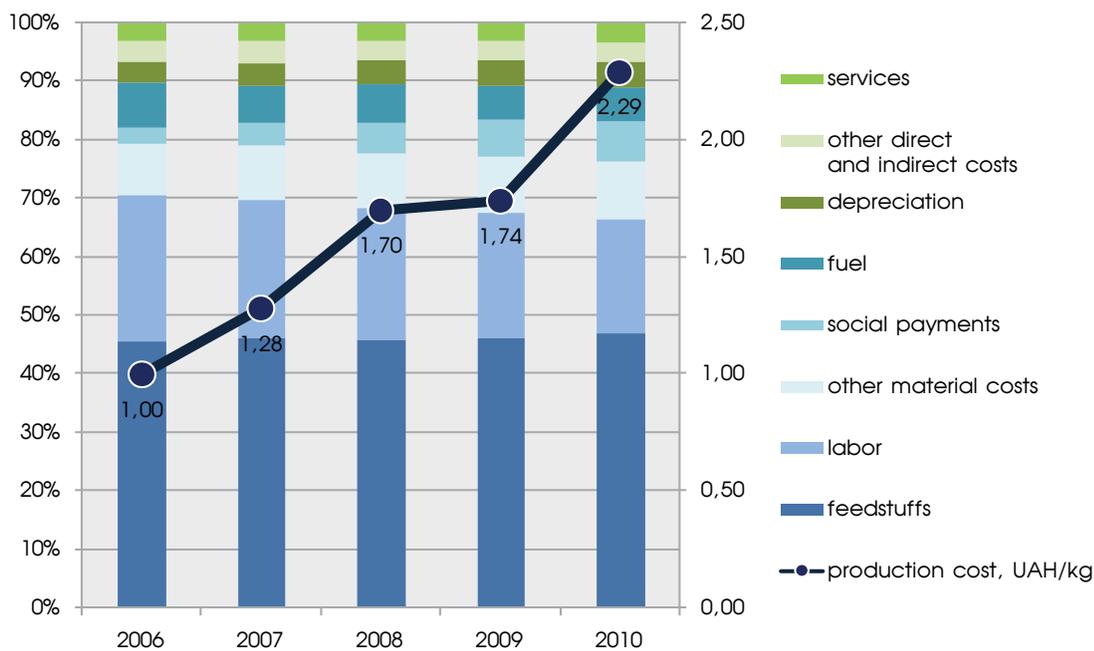
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Before 2012 the growth rate of milk prices was quite high and in general corresponded to the rate of augmentation of prices for material and technical resources of agricultural production. This factor supported investors in their willingness to pour money into large-scale production of milk, and in order to optimize the structure of production cost modern technologies were introduced. The said investment projects, though unable to reach profitability attained in crop growing, still were attractive enough from an economic point of view.

The bulk of milk production cost is falling upon feed (45-47%) and labor cost (13-23%). Between 2005 and 2010 overall expenses of agrarians for these items grew by 2.3 and 3.1 times respectively, and that resulted in an increase of milk production cost by 2.5 times.

Total milk production cost and its structure



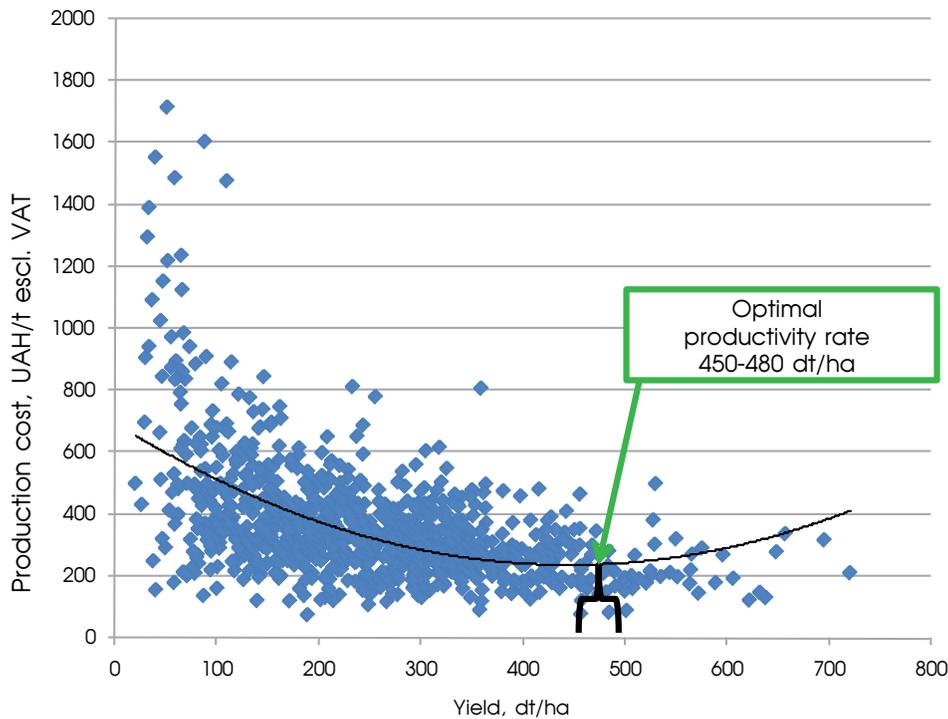
Source: estimates of Ukrainian Agribusiness Club, data of State Statistics Service of Ukraine and market operators

Nevertheless, a serious increase in procurement prices for milk led to a situation when prices for dairy products in Ukraine reached or almost reached European level while the purchasing power of the population was still relatively low. Therefore, further price growth is not to be expected since products of Ukrainian origin are not competitive as compared with imported products. In this situation all projects aiming at improvement of milk production efficiency are of high importance, not to mention considerable midterm support policy for the segment.

Sugar beet

Despite the fact that in 2011 the average yield of sugar beet reached a record in the history of independent Ukraine (363 dt/ha), this figure is still far from optimal. According to estimates of experts of Ukrainian Agribusiness Club, the optimal range of yields of sugar beet in Ukraine is 450-480 dt/ha or 25-30% above the level of 2011 and 40% above the average yield of sugar beet over the past five years. This suggests that, although the cultivation of sugar beet in Ukraine has been profitable for the past four years, potential for improving efficiency of beetroot cultivation has not been exploited yet.

Interdependency of sugar beet production cost and yield, 2010



Source: AgriSurvey

It should also be noted that, in addition to improvement of seed materials and investments in agricultural machinery and equipment, a significant role in enhancing the effectiveness of sugar beet production was played by a consolidation of cultivation areas and formation of the so-called "central belt of sugar beet production". So, in 2011 four regions – Vinnitsa, Poltava, Ternopil and Khmelnytsky - produced 50% of the gross harvest of sugar beet.

Geography of sugar beet production in Ukraine, 2011



Source: estimates of Ukrainian Agribusiness Club, data of State Statistics Service of Ukraine



About Ukrainian Agribusiness Club

General Information

Ukrainian Agribusiness Club (UCAB) is a business association, which represents the interests of major companies of the Ukrainian agri-food sector. Since its foundation in 2007 UCAB has not only become one of the best known and most influential branch organizations in Ukraine, but also gained respect in many other countries of the world.

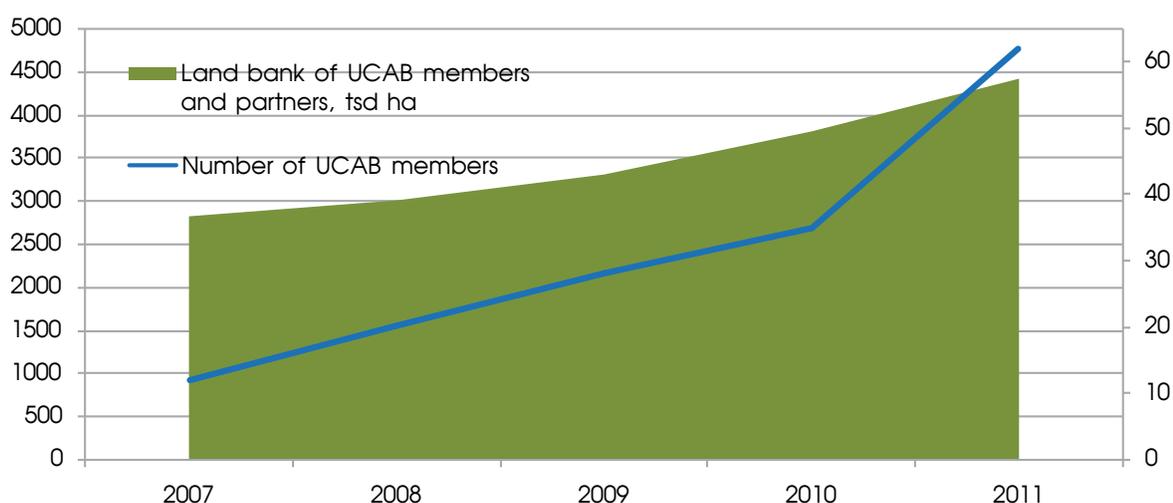
UCAB mission: maximum support to agricultural and resource companies in their further development with the objective to fully realize the potential of the agri-food sector of Ukraine.

UCAB vision: UCAB is the largest professional association of Ukrainian agri-food sector, progressive-minded and represented in most regions of the country, offering a wide range of services for agribusiness.

UCAB membership enables considerable enhancement of business efficiency and assists creation of the favorable business environment.

A clearly understandable concept of UCAB activities, adherence to the interests of agribusiness, competence of personnel as well as proactivity and actuality of UCAB's work are reflected in its dynamic development. Over the past five years UCAB membership grew by 5.5 times and the total land bank cultivated by UCAB members by 1.6 times.

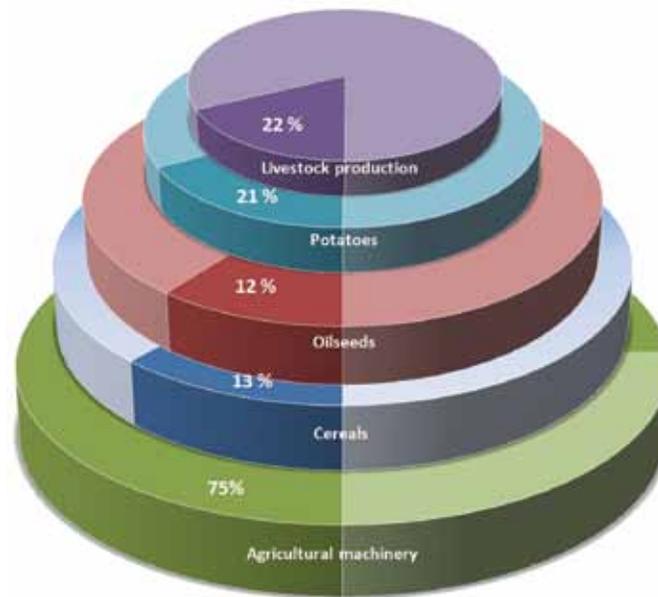
Dynamics of UCAB membership and UCAB members land bank



Source: UCAB

Agricultural enterprises being members or partners of UCAB cover the entire agricultural sector and in most cases hold leading positions in each direction.

Share of UCAB members and partners in agricultural production and on market of agricultural machinery



Source: UCAB

Our activities cover the main sectors of the agri-food industry including input supply, production and processing of finished food products. The aim of our work is to promote efficient agribusiness in Ukraine and refers to all of its processes, from recruitment and search of investment opportunities, up to practical tasks such as the increase of agricultural companies' efficiency, and the development of proposals on improvement of agricultural policy in Ukraine.

UCAB activities have good media coverage. Many sectoral national and local media rate highly the opinions and positions of our experts whose competence covers agrarian policy, development of markets, functioning of agricultural companies etc. All that makes UCAB the most cited organization in Ukrainian agribusiness, in print, as well as, in electronic media.

Services and Projects

UCAB activities aim at the improvement of social, economic and political conditions for a better functioning of the agri-food sector, they include political lobbying as well as a complete set of services, like market surveys, comparative analysis of production efficiency, search, selection and professional training of personnel, event organization etc.

AgriLobby

Representing interests of national agribusiness before national and local authorities, participating in preparation and promotion of national programs and projects, state standards in the field of agriculture, analysis of draft laws and draft by-laws.

Volodymyr Lapa,
UCAB Director General, AgriLobby Project Coordinator
lapa@agribusiness.kiev.ua



AgriEfficiency

The project aims at improvement of efficiency and profitability of agricultural enterprises in Ukraine. It includes two components: comparative analysis of activities of agricultural enterprises and organization of workshops for transfer and exchange of practical experience of successful enterprises.

Taras Vysotskyi,
Expert on Agricultural Markets, AgriEfficiency Project Coordinator
vysotskyi@agribusiness.kiev.ua



AgriEvent

This project offers a full range of services for the organization of business, corporate and private events. It includes search, selection and renting of premises, transport services, catering etc.

Anatoliy Tsyrukun,
AgriEvent Agency Director
info@agrievent.com.ua



AgriFinance Consult

This project focuses on the analysis of production and financial indicators of Ukrainian agricultural enterprises. Collected data are used for development of new evaluation tools, which may be used by banks for financing farmers. The ultimate aim of the project is development of a toolkit for risk management in agricultural production. As a result, agricultural producers will gain better access to finance.

Roman Slaston,
Expert on Agricultural Markets,
AgriFinance Consult Project Coordinator
slaston@agribusiness.kiev.ua



AgriJob

Recruiting agency providing services in the field of search and selection of personnel for all sectors of agri-food industry in Ukraine, Russia and European countries.

Eleanora Evchenko,
AgriJob Agency Director
evchenko@agrijob.com.ua



AgriLink

This project focuses on building links between the agricultural communities in Ukraine and abroad. It provides information and advice to foreign companies that are going to start agribusiness in Ukraine, assists in the search for business partners or other useful contacts in politics, administration and business.

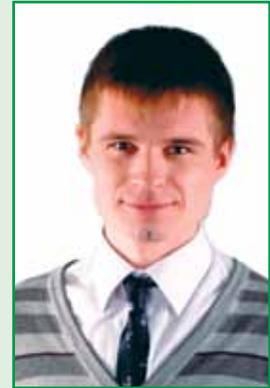
Karen Fisher,
Deputy Director General on International Relations,
AgriLink Project Coordinator
fisher@agribusiness.kiev.ua



AgriSchool

This project focuses on the lack of skilled personnel for modern agricultural production; it contributes to solving this problem by way of improving qualification of specialists of the agri-food industry.

Oleksandr Verzhikhovskiy,
UCAB Director Executive, AgriSchool Project Coordinator
verzh@agribusiness.kiev.ua



AgriSurvey

Full range of multi-client and individual marketing studies and surveys for agribusiness. Qualitative and quantitative marketing studies, including expert interviews, phone and personal polling, questioning and analysis of data with different methods.

Taras Gagalyuk,
Expert on Agricultural Markets, AgriSurvey Agency Director
gagalyuk@agribusiness.kiev.ua



Committees

Committees were set up with the purpose of systemizing different activities of UCAB. A committee is a group of UCAB experts and representatives of UCAB members entrusted with monitoring, spreading of information and lobbying in a certain field of agricultural production and input supply.

Currently there are two successfully operating UCAB committees: Agricultural Machinery and Technologies Committee and "European Farmers Club" Committee.

Agricultural Machinery and Technologies Committee

The Committee was set up on initiative of key players of Ukraine's agricultural machinery market (UCAB members) in order to facilitate the improvement of business environment, development of suggestions regarding enhancement of organization and conducting trade fairs, coordination of information exchange among Committee members etc.

Taras Vysotskyi,
Committee Coordinator
vysotskyi@agribusiness.kiev.ua



"European Farmers Club" Committee

The Committee was set up in order to unite the most efficient farmers operating in Ukraine and to give them a platform for exchange of information, making contacts, giving advice, organizing meetings and workshops, representing interests of members etc.

Karen Fisher,
Committee Coordinator
fisher@agribusiness.kiev.ua



Our contacts:

Association "Ukrainian Agribusiness Club"
20A, Velyka Zhytomyrska Str.
Kyiv, 01001, Ukraine
info@agribusiness.kiev.ua
www.agribusiness.kiev.ua

IV. International conference

Doing Agribusiness in Ukraine: Prospects for 2013

December 6, 2012, Kyiv

Among the subjects to be discussed are:

- ✓ Governmental policy in the field of agriculture, food supply and land relations
- ✓ Agricultural commodities markets of 2013
- ✓ Possibilities of financing of agribusiness
- ✓ Inputs' provision of agricultural enterprises in 2013 and others

FIVE KEY REASONS TO ATTEND THE CONFERENCE:

- ✓ the sole event dwelling upon doing agribusiness in Ukraine
- ✓ 500+ contacts with top managers of the agribusiness
- ✓ 15+ top level international speakers
- ✓ 9+ hours of discussion with experts and professionals from the agribusiness
- ✓ a unique opportunity to present you and your business most efficiently

+38 044 272-23-28

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