



Leibniz Institute of Agricultural Development
in Central and Eastern Europe

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P R E S S R E L E A S E

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Challenges to the agricultural sector in Russia, Ukraine and Kazakhstan

Outcomes of a forum at AGRITECHNICA

Halle (Saale), 19 November 2013 – A forum on ‘Challenges and chances of large-scale farming in Russia, Ukraine and Kazakhstan’ was held as part of the conference series ‘Technology & Management’ at AGRITECHNICA in Hannover on 14 November 2013. IAMO researchers and members of the German-Ukrainian Agricultural Policy Dialogue discussed opportunities and risks for large-scale structures in agricultural production in these countries. The forum was chaired by Achim Schaffner, Head of the Economics Department at DLG (German Agricultural Society), and examined the subject under scientific, political and practice-oriented aspects.

In his introductory paper, IAMO researcher Martin Petrick explained that, e.g., in Russia some three quarters of all arable land was under cultivation by large farms while area percentages of large-scale farming in Ukraine and Kazakhstan were below 50 per cent in recent years. Even though large businesses displayed a lower land productivity compared to smaller units, such as family and household farms, their present total output was markedly higher than at the turn of the millennium. The stabilization of crop farming after the transition crisis can be attributed to improvements of political and macro-economic framework conditions, a more favorable land-capital-labor ratio, the modernization of machine parks and booming food prices. Agroholdings, supported by government subsidies and non-agricultural venture capital, were welcomed by local populations due to the large-scale farming tradition in the region, but were facing major challenges in terms of skilled labor shortages, local management as well as deficits in the local institutional set-up. Martin Petrick used the example of livestock husbandry to point to the considerable untapped development potentials. Cattle populations in Russia and Kazakhstan grossly decreased in recent years and were now predominantly kept by household farms. Even massive government subsidies yielded only limited

effects to increase bovine herds and overcome the deficits in processing chains. ‘Solving the structural problems in these countries requires political support to upgrade transport infrastructures, the establishment of sustainable local-level institutions as well as national agricultural research and extension services’, said Martin Petrick.

Mariya Yaroshko, German-Ukrainian Agricultural Policy Dialogue (APD), subsequently outlined current trends in Ukrainian agriculture and agricultural policy. The agricultural sector in Ukraine, due to its productive soil, low payroll, favorable taxation and convenient location for international markets, has a high performance potential and should thus be considered an attractive target for international investors. However, general political framework conditions, highly volatile legislation and an inefficient administration partially subject to corrupt practices as well as a lack of qualified labor and poor infrastructure are hampering the development of sustainable agricultural production. The ratification of the EU-Ukraine Association Treaty and a Deep and Comprehensive Free Trade Area (DCFTA) would not only provide concrete economic opportunities for Ukrainian agriculture but also have major political significance. It is likely that a convergence to fundamental political values of the EU would strengthen trust among national and international investors and traders. ‘It would be best for Ukraine to sign the treaty with the EU and at the same time further extend bilateral partnerships with traditional business partners’, Mariya Yaroshko summed up.

The general tenor of the forum was that large-scale agriculture in Russia, Ukraine and Kazakhstan has the potential for a high performance. The agricultural sectors in these countries, however, are facing considerable future challenges in terms of improving and solidifying political and institutional framework conditions as well as funding schemes and the availability of know-how and expertise.

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Further information

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Leibniz Institute of Agricultural Development in Central and Eastern Europe (IAMO)

www.apd-ukraine.de - German-Ukrainian Agricultural Policy Dialogue (APD)

About IAMO

The Leibniz Institute of Agricultural Development in Central and Eastern Europe (IAMO) analyses economic, social and political processes of change in the agricultural and food sector, and in rural areas. The geographic focus covers the enlarging EU, transition regions of Central, Eastern and South Eastern Europe, as well as Central and Eastern Asia. IAMO is making a contribution towards enhancing understanding of institutional, structural and technological changes. Moreover, IAMO is studying the resulting impacts on the agricultural and food sector as well as the living conditions of rural populations. The outcomes of our work are used to derive and analyse strategies and options

for enterprises, agricultural markets and politics. Since its foundation in 1994, IAMO has been part of the Leibniz Association, a German community of independent research institutes.

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