USG Agricultural Strategy Framework for Ukraine  
(Updated May 2002)

Summary

A vibrant agriculture is key to the future of Ukraine. The United States Government can assist through the development of a comprehensive policy that focuses on key Ukrainian needs: the development of land markets, expanded access to credit, expanded access to markets, and dealing with the social costs of transformation. While the USG can offer assistance, it is up to the Government of Ukraine to be the catalyst for agricultural reform. Without consistent and active Ukrainian government policies to allow its rural people to assume responsibility for transforming this critical sector, Ukraine’s economic potential will languish. Ukraine has recently made great strides in reform by passing a Land Code, simplifying and supporting the land titling process and reducing its interference in agricultural markets and agricultural commodity movements. As with any long-term process, many laws and regulations still have to be developed or revised, and then implemented consistently. The Ukrainian government will also need to further reduce its inappropriate interference in agricultural issues.

The myriad of structural constraints created by GOU policies impedes private sector development. Yet, in spite of these constraints the private sector continues to grow and create new markets and job opportunities. The goal of USG assistance is to continue supporting private sector development while at the same time working together with the donor community to remove policy based structural constraints.

The USG has already made significant contributions to help develop a private, market driven, agricultural sector. Among the most notable has been support for mass privatization of the formerly state owned food processing industry, grain handling and storage system, input supply and distribution system, and agricultural land privatization. Additionally, the USG has provided an immense amount of training and business development support for individuals and businesses engaged in agricultural production and agribusiness.

The policies proposed in this paper are designed to address issues that cannot all be resolved in the short term. The extent to which these programs can be implemented will depend on the availability of USG funding. However, the U.S. is not the only donor operating in Ukraine. To ensure the maximum benefit from our programs, we need to coordinate closely with these other donors, particularly the World Bank, and need to seek effective ways to stimulate private investment.
**Objective**

To provide assistance to Ukraine in support of the agricultural sector's transition to a market-based economy characterized by viable and competitive private farms and agribusinesses.

**I. State of Agriculture**

a. **Private Agricultural Production**

Following the December 1999 de-collectivization decree issued by President Kuchma, the share of land cultivated by private Ukrainian family farms and plot holders increased from 20 percent to 29 percent. Currently, 1.4 million eligible land owners, out of a total 6.7 million, have received land titles, and of these 700,000 began farming their land independently. The remaining 71 percent of agricultural land is cultivated by large scale farm enterprises (joint stock companies, limited liability enterprises, etc). Many of these however, are still operated by the former state and collective farms managers. Nearly all of these large-scale farming operations now have contractual lease agreements between managers and actual landowners. These new large farms have also benefited from increasing privatization and de-collectivization. In the first quarter of 2002, they managed to grow faster than small farms for the first time since 1991.

Increasingly, state entities are deteriorating and becoming less relevant to Ukrainian agriculture. Small-scale private producers, in many cases women, now contribute more than 70 percent of the value of gross agricultural production in Ukraine. Private farmers pay 98 percent of the taxes they owe, receive practically no subsidies and have little or no debt. Private sector companies such as AGCO and Monsanto began emphasizing sales towards cash-paying small farmers in 1999, after massive defaults by large-scale farms in 1998. Still, large farms continue to have a place in Ukrainian agriculture. Talented managers, in some cases with the backing of Western and local investors, are succeeding in adapting unprofitable former collective farms to market conditions. In parallel the need exists to address issues faced by very small scale subsistence growers, often elderly women.

b. **Women in Agriculture**

Women produce a significant share of Ukraine’s food, particularly non grain-products. An emphasis must be placed on providing rural women with access to information, inputs and know-how/technologies appropriate for low-cost, small scale production. Examples include supporting access to improved seed, education on composting and organic input use, assistance with regional waste collection practices, education on quality standards, and assistance with the establishment of regional direct farmers markets, micro-credit, and increased availability of small-scale agricultural machinery. Additional emphasis on women is required because more than 60% of people involved in the agricultural are women.
c. Food Processing

Food processing is the fastest growth sector in the Ukrainian economy, growing an estimated 30 percent in 2000, 24 percent in 2001 and 8 percent in the first quarter of 2002. Over 40 percent of all foreign direct investment since independence has gone to food processing and 80 percent of farm investment has been in food processing. Despite these encouraging statistics, a number of impediments inhibit growth in this sector: lack of established wholesale purchasing networks, lack of a dependable, quality raw materials supply, increasing import barriers in Russia and the lack of properly enforced food quality standards. Policy makers are increasingly recognizing that food safety standards need to be brought into compliance with European and world standards in order to expand Ukraine access to markets. The process of identifying, drafting and adopting changes to national standards is laborious and has begun. Donor support is needed however, to ensure that efforts are not duplicated and that new regulations are not more regressive than their predecessors.

d. Input Constraints

Most Ukrainian and foreign suppliers established supply and distribution networks designed to deal with large collective farms during the nineties. Moreover, local governments and input suppliers combined to create a system of local monopolies that prevents the growth of competitive markets. As these collective farms were privatized, however suppliers adopted new marketing approaches to sell smaller volumes of inputs to a broader range of small and medium farmers. Since 2000, Western input suppliers and numerous Ukrainian entrepreneurs began opening farm supply stores targeted at small producers. Currently most producers report that purchasing inputs is not a problem.

Prior to 1999, input suppliers provided the bulk of inputs on credit. However, in 1999 they adopted a cash and carry policy and have continued this practice. Private contractual relationships have worked much more effectively than state distribution channels. That said, the absence of supplier credit is constraining the growth of all farms, although there is some evidence that suppliers began providing more credit in 2002.

Although operating inputs are now generally available, Ukrainian farms of all sizes face serious constraints in buying farm equipment because of the lack of long term credit. Government policies to protect local equipment manufacturers have substantially increased equipment prices and limited options for farms with foreign equipment. For example, access to reliable and reasonably priced parts and repairs for foreign equipment is severely limited by import duties on spare parts, as well as the opportunity to buy equipment at prices equivalent to those in nearby countries.
e. **Legislative and Regulatory Barriers**

The majority of existing agricultural legislation and regulation is based on the old collective farm framework. Ukraine made substantial progress in reforming agriculture however, by adopting a new Land Code, which enshrined the right to private ownership of agricultural land. Adoption of the code is an important step to developing a land market, but the necessary legal infrastructure for said market is still missing. Rada passage of a Land Registry Law, Mortgage Law, and amendments to other laws is necessary to ensure that private land ownership improves access to credit and stimulates further growth of private agriculture. Ukrainian agriculture and food sectors also face problems due to over-regulation, non-enforcement or uneven enforcement of standards, and a contradictory and inconsistent regulatory environment. This “mish mash” of communist and market oriented policy practices results in a regulatory environment that significantly limits growth and profit.

f. **Agricultural Policy**

Ukrainian agricultural subsidies are geared toward increasing production, rather than efficiency. For example, the Cabinet of Minister’s program on wheat production for 2001-2005 provides budget support for increased wheat production without regard to the efficiency and profitability of this activity. Farm subsidies have also been manipulated by the GOU to control markets and resources.

Despite this, there are hopeful signs with the development of national food retailing chains like Billa, Euromart, Megamart and others who stock their shelves mainly with Ukrainian processed and fresh products. In the first quarter of 2002 the government announced plans to privatize the state seed production system, purebred livestock farms and the government elevator industry. Additional positive policy measures are government willingness to allow agricultural bankruptcies, and the liquidation of Bank Ukraina, the state owned agricultural bank.

Despite administrative reform at the center, the government continues to interfere at the local level. Competing bureaucratic interests have prevented the government from developing effective institutions to transfer knowledge and reform ideas to a wide audience. Local state land administrations attempt to exact unwarranted fees from beneficiaries of land privatization, regardless of national policy. In addition, government policies are often unfairly influenced by vested interests.

g. **Trade Barriers**

Trade barriers regularly are erected by the Ukrainian government restricting exports and imports of farm commodities, agricultural machinery and food processing equipment. For example, sunseed exports are heavily restricted by the government, and most recently, arbitrary
and pseudo-scientific barriers to the import of US poultry products have been introduced. Ukraine continues to maintain high import duties on consumer-ready food products and bulk agricultural products. Policies are also in place which restricts the internal movement and export of bulk commodities. These and other trade measures have caused significant price distortions in the domestic market and are in place to protect limited vested interests at the expense of the bulk of agricultural producers and urban consumers.

Ukraine has just begun the process of developing national legislation governing the development, import and domestic utilization of biotechnology. Despite this lack of legislation, there are voices among agricultural policy makers calling for restrictions on the import and utilization of genetically modified animal feed. Customs officials regularly harass importers of soybean products and other feed ingredients, claiming wrongly that these products are not allowed in Ukraine.

The U.S. Government is fully supportive of Ukraine's accession to the World Trade Organization (WTO). Nevertheless, there is serious concern among Ukraine's current and potential trading partners that agricultural policy officials do not understand the basic agricultural agreements with which they must comply. There remains a basic lack of understanding among policymakers of the principles of the Agreement on Application of Sanitary and Phytosanitary Measures (the SPS Agreement). It has recently become very clear that Ukrainian veterinarians and agricultural scientists are unfamiliar with the principle of equivalency, a basic WTO precept, and did not know how to conduct scientific risk assessments for food safety.

h. Agricultural Marketing Constraints

Producers face a vast array of impediments to getting product to market. Since the state formerly collected farm output many producers are not familiar with product marketing. The former system was set up for the state to purchase products from large collective farms, therefore newly emerging smaller scale producers are at a great disadvantage today. The lack of skills among farmers regarding product quality, appearance, handling and packaging also impedes ability to move products to market. Despite this, signs that private business is starting to move into this niche are abundant. Within the last two years more than six supermarket chains have started operating in most regions of Ukraine, and more than 85% of the products they sell are made in Ukraine.

Restrictions placed on commodity movement by local and central authorities inhibit the development of a competitive market for goods and services. Within Ukraine, the taxation system encourages local governments to prevent shipment of raw materials out of oblasts or raions for processing because tax revenues from local processing plants are lost. The government has also been slow to adapt Ukrainian grade and standards to existing international norms. This disadvantages farmers looking to export their production.
i. Land Titling and Privatization Issues

All major Ukrainian actors believe that following de-collectivization a number of steps are necessary to complete land privatization. The lack of consistently applied national titling regulations and different procedures between oblasts inhibit the titling process. Government agencies, rather than the private sector attempt to conduct all pre-titling processes (such as land surveys) and control the titling process itself. In addition, government agencies are already crafting laws and regulations that would give the government authority to dictate land use, control land transactions, and severely limit private property rights. There is a clear and pressing need to improve public understanding of the worth, uses and rights inherent in land ownership that would enable the public to counterbalance unwarranted attempts of the government like those listed above to hamper private property rights.

In addition to problems with land titling procedures, the development of a land registry is inhibited because of conflict between the Land Code and the Law on Registry of Immovable Property. According to these two pieces of legislation numerous agencies have the authority to implement different land-use regulations on a single parcel of land. Without a clear line of authority and responsibility, private property use rights are severely restricted. Until a better regulatory environment is developed, the 6.5 million individuals eligible to receive private ownership of agricultural land will have difficulties maximizing benefits from their private land plots. For example without a registry land cannot be mortgaged, bought or sold without difficulty.

USG experience in nearby countries, such as Moldova, shows that land privatization problems can be overcome and that privatization sparks the development of community based input suppliers, community and cooperative based marketing companies, and the growth of agricultural credit. The GOU has indicated it will work with the USG to remove barriers to land privatization. All agree that land titling cannot occur in a vacuum. It must be tied to broader rural development efforts.

j. Farm Debt and Credit

The fact that land cannot be used as collateral limits access to credit. Since banks only lend against collateral, credit flows only to large farms that have assets other than land, rather than to small and medium sized farmers. This lack of access to credit is a crushing problem. Interest rates of 30 percent and ‘long term’ loans of only one and a half years along with collateral requirements for agricultural loans of 200 to 300 percent make it virtually impossible for small farmers to gain access to credit. Irrespective of these difficulties the government moved in early 2000 to provide interest rate subsidies to commercial bank loans to farmers. As a result farms received 800 million Hryvnia, (130 million dollars) of commercial bank loans loans
in 2000, and 5 billion Hryvnia, (900 million dollars) in 2001. Repayment of these loans by private farmers exceeded 95 percent.

The greatest problems remaining are lack of access to credit by small and mid size farms, and the difficulty all farms face obtaining long term loans to purchase farm equipment.

II. Proposed Program

In assisting Ukraine with its market transition, the USG should focus its efforts on the following areas: 1) Development of Land Markets, 2) Expanding Access to Credit, 3) Expanding Access to Markets, and 4) Dealing with the Social Costs of Transformation. Full implementation of this strategy depends on the continued commitment of Ukraine to carry out agricultural reform. The strategy is intended to work in tandem with programs of other donors and the private sector. The program is subject to an annual review that will be hosted by Embassy Kiev.

In each of these areas the USG has identified appropriate priorities subject to the availability of resources. Those USG agencies with specific responsibility for implementation have been indicated as have other donors working in these areas. Each of these programs must include comprehensive, integrated, and sustainable, training components. In all cases, training and education must go hand-in-hand with any technical assistance to ensure the long-term success of the activity. Land titles are pointless unless holders understand their meaning; availability of credit is useless unless producers know how to apply for it; newly created private enterprises are unsustainable if their managers can’t operate under market conditions. Additionally, it is important to recognize that a self sustaining private sector requires an appropriate legislative and regulatory environment. This is why the USG will continue to supporting policy reforms. Further descriptions of donor programs can be found in Appendix B. Close coordination with these projects will prevent duplication of efforts and ensure more effective use of limited USG resources.

1. Development of Land Markets

Inability to use land as collateral limits farmers’ access to credit and other inputs. Furthermore, without clearly defined ownership and an understanding of their rights, farmers have no incentive to maximize productivity of the land. The U.S. has launched a massive land privatization program that will support the issuance of up to 1.8 million land titles. Additionally, we have taken steps to develop private sector capacity to survey, title and privatize land (without government involvement). To follow up on these programs, we recommend the following, bearing in mind that for land markets to work we must link our land initiative to broader rural development needs, including efforts targeted at small scale producers, particularly women:
a. Programs to support land titling, including the creation of the necessary legal and regulatory framework, education of farmers in the rights inherent in a title of ownership, including options to lease land and actual titling. (USAID and World Bank)

b. Programs to promote the creation of land title registries, cadastre, and effective mortgage and collateral systems. (USAID and the World Bank.)

2. Expanding Access to Credit

Lack of access to credit means that farmers are unable to procure necessary inputs, improve infrastructure or expand operations. The result is a farm sector marked by inefficiencies, low productivity, and poor quality production. Our discussions with representatives of Ukrainian financial institutions indicate that they are prepared to consider loans to farms once two basic conditions have been met. First, farms must be restructured into commercially viable and competitive businesses, regardless of their size. Second, banks must be able to accept land as collateral and foreclose in case of default. However, even after legal structures like a law on mortgages are in place, small to medium farms will still be unattractive clients to major financial institutions. Thus, there is a need to support viable commercial models for alternative sources of credit, such as micro-lending, credit unions and credit cooperatives. To address these issues, we propose:

a. Support of the legal and regulatory frameworks necessary to increase access to credit. Such programs will include: exchanges involving key lawmakers and financial and government officials; support for institutions providing policy advice to the government; improved creditor rights; and assistance to develop Ukrainian trade associations that can advocate for policy change. (State, USAID, USDA)

b. The credit needs of the agricultural sector in Ukraine are far beyond available U.S. assistance resources. Therefore, support for direct lending programs will be limited to demonstration projects designed to encourage commercial banks and non-bank financial institutions to provide commercial credit to small and medium producers. (USAID and Embassy PAS)

3. Expanding Access to Markets

The provision of land titles and credit alone will not be sufficient to improve farm productivity or to develop viable, competitive farms. Farmers need to be able to purchase affordable inputs appropriate to their scale of production and have access to dependable markets for their outputs. Moreover, the concept of a market is a developing one within Ukraine, with many small producers still not fully understanding its meaning or significance. With the establishment of functioning markets, investment will begin to flow into the agricultural sector. However, until the government role in the agricultural sector is rationalized, economic reform
cannot fully succeed. In this area we intend to focus on:

a. Improving farmer access to input and output markets by strengthening links between farmers and markets. Targeted technical assistance to link small and medium farmers and the businesses that provide inputs and purchase their output will enhance farmer participation in the growing consumer market, and begin the process of eliminating the shadow economy in the rural sector. (USAID and USDA)

b. Measures to help Ukrainian government officials to better understand the market distorting effect of the government's "over-intervention" in agricultural market. This will include exchanges and education programs regarding issues such as appropriate farm support programs. At the same time, we want to refocus government involvement in appropriate areas such as market information systems, grades and standards, farm statistics, and regulatory frameworks. Another appropriate task for the government is to remove internal and external barriers to trade. We will assist the Ukrainian government to harmonize agricultural trade policies with the WTO, including: food safety, SPS regulations, biotechnology and IPR issues, and tariff harmonization. (USAID, Commerce and USDA)

c. Practical, demonstrable, and replicable faculty exchanges, university-to-university cooperation (including long-term links with U.S. land grant colleges) and other programs to improve agricultural advisory and extension services and agricultural curricula, as well as training programs on agribusiness management, business planning, accounting and marketing principles. (USDA, USAID)

d. Supporting Ukraine's WTO accession process. Mission offices periodically identify legislation or regulations that can be reviewed and amended in order to comply with WTO requirements. This process will continue and further opportunities to cooperate with other donor projects will be identified. (USAID, Commerce, USDA)

4. Dealing with the Social Costs of Transformation

Because the old collective farm system was so inefficient, efforts to reform it have led to high levels of rural unemployment and under-employment as well as other negative social consequences. Addressing these social issues is critical to Ukraine's overall development. Unfortunately, these problems are immense and we have only a limited ability to respond. Still, a number of U.S. assistance programs geared to the general economy can help address these issues. These programs include:

a. An effort to assist in reform of the country’s pension system. This does not include funding of the pension system itself. (USAID)
b. PVO direct feeding programs for vulnerable groups such as orphans and the elderly and the disadvantaged. (USDA)

c. Small business development programs that provide alternative employment opportunities for the rural unemployed. (USAID and USDA)
d. Micro-financing. (USAID, West-NIS Enterprise Fund, EBRD)

III. FY 2002 U.S. Assistance Program

An integrated program to deal with the Ukrainian agricultural sector’s complex problems is necessary despite limited USG resources. The following is an indication of the types of resources expected to be available in FY 2003 for each of our four priority program objectives:

**Land market development**: Land-titling and associated education projects (USAID).

**Expanding access to credit**: PVO support for lending institutions (USDA and USAID) and pilot micro-lending programs (USAID and USDA).

**Improving access to markets**: Assistance to the Presidential Commission on Agricultural Policy Reform (USAID); assistance to State Statistics Committee of Ukraine (USDA); University-to-University linkages helping develop the role of educational institutions in extending agricultural technology and the formation of human capital (USAID and USDA); small and medium farmer linkages to markets (USAID); Farmer-to-Farmer programs (USAID); Faculty Exchange Programs (USDA); AgLink (USDA); assistance related to Ukrainian accession to the WTO (Commerce – CLDP and USDA); and promotion of business contacts (Commerce – BISNIS and USDA).

**Dealing with the social costs of transformation**: PVO feeding programs (USDA); pension reform (USAID); small business development programs (USAID); economic development program for small municipalities (USAID) and micro-financing programs (USAID and West-NIS Enterprise Fund, EBRD).

In addition, some programs contribute to several of these goals. These include, USDA’s Cochran Fellowship Program and PVO monetization programs, the Commerce Department’s SABIT internship program and the State Department’s International Visitors Program and Democracy Committee Small Grants Program.

Additional funds may become available during the year from the proceeds of government-to-government commodity assistance, performance funds or other sources.

IV. Other Actors
U.S. Private Sector

The U.S. private sector plays an active and important role in the investment, input, marketing and processing of agricultural commodities in Ukraine. American investors have converted to cash sales and begun to develop local distributor/dealer networks targeting emerging private farmers. The combined domestic sales of these investors total close to $100 million per year and account for 25 percent of non-Ukrainian produced agricultural inputs.

U.S. companies operate throughout Ukraine in a wide-variety of product areas. U.S. investments in food processing include milk, sunflower seeds, soybean and eggs. American farmers and agribusinesses also perform important work training Ukrainian agriculturalists in U.S. marketing, management and production techniques. By their example, U.S. private companies demonstrate the tangible benefits of modernizing the agricultural sector and can often be more persuasive with reluctant policymakers than publicly funded U.S. consultants.

International Donor Community

The World Bank is working on two major programs in agriculture—land registry and land titling. The land titling program will be a major multi-year effort, which is conditioned on the adoption by Ukraine of an acceptable Land Code. World Bank officials would like to see this program supplemented by USG technical assistance, and stress the need for the two programs to be closely coordinated. In addition, the European Bank for Reconstruction and Development's (EBRD) microcredit bank lending program has lent money to agricultural processors in the past. With an additional infusion of capital expected this year, some funds will continue to go to the agricultural sector in the form of microcredit loans. EBRD is also attempting to launch a major agricultural loan to private commercial banks that would provide a financial guarantee for a warehouse receipt system.

The main bilateral assistance providers, aside from the U.S., are Canada, Germany, Great Britain, the Netherlands and Sweden. Germany focuses on macro-policy as well as development of agribusiness advisory services. The amount of their assistance is approximately $2.5 million. The German Government also provides significant credit resources for purchase of German agricultural technology and equipment. The British are currently targeting agricultural extension, development of agricultural cooperatives and policy reform and provide about the same level of resources as the Germans. Canada, Sweden and the Netherlands provide about $1-$2 million annually for the livestock and dairy sectors. Other countries such as France, Spain, Greece, Italy and others use their assistance resources to support agribusiness investments in Ukraine. Trade based assistance encourages the growth of the private sector, but is not effective in encouraging structural reforms.
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APPENDIX A

USG ASSISTANCE 1992 TO 2000

The USG has been actively involved in providing development assistance to the Ukrainian agricultural sector since 1993. The central agencies involved have been US EXIM Bank, USDA and USAID.

EXIM BANK

EXIM Bank has provided loan guarantees on at least four separate occasions, for provision of consumable production inputs and agricultural equipment, whose value was approximately $700 million. Despite a temporary halt in Ukrainian operations, EXIM is currently exploring the possibility of providing short and medium term credit facilities to qualified Ukrainian commercial banks.

USDA/FOREIGN AGRICULTURAL SERVICE

USDA commodity programs provided Ukraine from 1993 – 1997, a total of 673,000 tons of agricultural commodities whose value was $138,000,000. The commodities delivered included Soybean meal, oil, rice, canned foods, wheat flour, and powdered milk. The deliveries were as follows:

- PL480 Title 1 642,600 tons for $81,000,000
- Food For Progress 25,000 tons for $49,700,000
- Section 416 5,400 tons for $7,300,000

PVO’s involved with the projects included Land O’ Lakes, Counterpart International, Agudath Israel of America, Global Jewish Assistance Relief Network, and City Hope.

USDA PROJECTS

USDA projects, primarily funded by the department’s Emerging Markets Program, stressed that the role of the state was to support the smooth operation of the market, not to try to control or manage it. In this regard, USDA established projects to improve the supply and accuracy of market information for producers and market analysis and statistics on the private sector for policymakers. USDA also initiated a training activity to address the need for consistent, transparent and enforceable grades and standards. USDA’s projects, totaling about $2 million, resulted in Ukraine’s first steps toward the development of a sustainable national market information and statistics system geared towards the private producer.

- Commodity Market Analysis Project, USDA/ERS (1996-2000) USDA funding
- Agricultural Market News Project, USDA/AMS (1996-98) USDA Funding
- Plot Holder Statistics, USDA/NASS (1997-99) USDA Funding
- Grades and Standards, USDA/AMS (1997-2000) USAID Funding
- Extension/Cooperative Development, USDA/CSREES, USAID Funding

USDA PROGRAMS

The Cochran Fellowship Program has provided short-term training for 258 Ukrainians since 1992. The program accepts 24 applicants a year. The training programs provide short-term
agricultural experience for selected mid- and senior-level specialists from the public and private sectors concerned with agricultural trade, management, marketing, and policy. In 2000, 21 participants from Ukraine were trained in: retail and wholesale trade, banking and finance, soy-processing and marketing, agribusiness management, plant protection and border inspection, veterinary inspection, and dairy marketing. The program has been very successful in building relationships with leaders within the Ukrainian agricultural sector and assisted in technology transfer by educating government officials and private farmers. The Cochran Alumni Club has sponsored meetings in conjunction with emerging private farmers associations that are forming within Ukraine.

The Faculty Exchange Program has provided six months training at the leading U.S. Land Grant Universities for 36 Ukrainian professors. The program accepts 6 applicants per year. Each participant develops three new or revised courses in their subject area during the program for introduction at their home institution. As a result, over 100 new/revised courses in market economics have been introduced throughout Ukraine. Participants have played a role in the Land O' Lakes project, the Louisiana State/USAID private farmers extension service and other extension activities. One participant was named Director of the Agricultural Extension Department at the National Agrarian University.

USAID has provided developmental assistance through a number of activities, independently designed and implemented by as many as eleven separate contractors and grantees that also include USDA. USAID’s overall objective is to promote and support the transformation of Ukrainian agriculture into a private sector-based, market-oriented engine of growth for the overall economy. These activities sought to advance market-based agricultural reforms on a national basis through a combination of support for private farms and agri-businesses and policy dialogue. By FY 01, USAID had provided 70 million dollars of assistance.

USAID Agricultural Contractors and Grantees

From 1992 to the present, USAID has financed 15 projects in the agricultural sector. Total funding amounted to $91,964,550, and following the implementation of the planned DCA Credit Guarantee and Market Development program will reach $109,864,550. A summary of each current project and those under development is provided below.

Rural Development Finance Program – Development Credit Authority Guarantee (2002 – 2007 ($9,000,000) Under development

USAID/Kyiv will provide a 50% guarantee to several banks to partially guarantee a series of loans amounting to $9 Million made to various agricultural lenders, especially small producers. The activity has three goals. First it will allow the access to financing to small producers who are responsible for the bulk of fresh produce in Ukraine. Second, it will also provide the banks with the opportunity to deal with the small producers, hence building a much-needed experience of banks in that area. Third it will enhance financing for input supply companies to pass on supplier credits to small producers. Sustainability and track record of financing will be established, leading to sustained lending to that sector after the DCA guarantees are pulled out. The use of
credit as a funding mechanism provides the Agency with a powerful tool to achieve its development goals. Credit projects enable the choice of the most appropriate financial instrument - loans, loan guarantees, grants, or a combination thereof - thus, enhancing the Agency's efficiency and effectiveness.

**Integrating Commercial Family Farms into the Formal Marketing System in Ukraine 2002 – 2006 ($8,900,000) Under Development**

The goal of the Integrating Commercial Family Farms Project (ICFFP) is to integrate small and medium sized commercial farms into the formal market economy through the development of opportunities, skills and abilities of these farmers to meet market demands. Direct collaborative relationships between farmers and processors, retailers or wholesalers will be developed in up to six representative oblasts across Ukraine. The project is to be implemented over four years via a cooperative agreement with the implementer selected through full and open competition.

**LSU Agricultural Center - "Improving Income of Private Ukrainian Agricultural Producers Through Agricultural Extension" (Cooperative Agreement), 2002 – 2005 ($3,200,000)**

The project’s goal is to improve the income of private Ukrainian agricultural producers by assisting them through an agricultural extension program. This project plans to achieve this by increasing agricultural productivity at the small farmer and Household Plot Owner (HPO) levels. The two major components of the project are 1) extension and 2) information systems. The project will be managed by the LSU Project Office to replicate the successful Vinnitsa extension model in Cherkassy and Khmelnitsky oblasts, while strengthening the programs in Vinnitsa. In addition, this project will further the mobilization of local resources observed during the current Vinnitsa project to ensure sustainability of the program in each of the three oblasts beyond the three-year cooperative agreement.

**Chemonics- Ukraine Land Titling Initiative (Contract) 2001 – 2003 ($14,500,000)**

The project will accomplish two performance requirements. They are: (A) "By streamlining the regulatory process, enable the issuance of at least 1.8 million land titles¹ to legitimate rural land owners to complete the process of rural land privatization, and at least 13,500 land titles associated with enterprises to lay the foundation for an urban land market. (B) The contractor will establish, in conjunction with the GOU [Government of Ukraine] and the World Bank, a working group to review existing land and water legislation and implementing regulations for issuance of land titles. The working group will develop environmental regulations it deems are necessary to ensure environmentally sound land titling." Additionally, the project team will carry out related public education efforts to ensure that the new private landowners have meaningful rights that can provide real economic benefit, and that cannot be easily co-opted by former collective farm bosses and others who have historically held power throughout Ukraine.

**UNDP – Agricultural Policy for Human Development (Grant) 2000 –2004 ($1,600,000)**

¹ Land titles in Ukraine are called State Acts.
USAID provided a grant to the United Nations for the Agriculture Policy for Human Development Project (APHD) to develop a strong, sustainable, multi-donor supported capacity to understand agricultural issues, formulate and evaluate market oriented policy alternatives and assist in the coordination of policy decisions and policy implementation in Ukraine’s agro-food sector. APHD builds on the success of the previous technical assistant effort – the Ukraine Agricultural Policy Project (UAPP), which was been funded by USAID. Both the previous and the current activity support an “agricultural policy unit” that works closely with the Government of Ukraine. The project has had notable success in putting forward major policy initiatives. These include: a) the Presidential Decree of December 1999, that made land privatization and dissolution of collective farms government policy; b) the Cabinet of Ministers resolution in February 2000 to stop state provision of production inputs; c) the Cabinet of Ministers resolution of March 2000 to provide interest rate subsidies; d) providing support for the adoption of the land code in October 2001; and, e) introduction of a bill to introduce crop insurance. Currently, the project is working on developing other major reform policies that include complete privatization of the state elevator company, the seed production system, and the state purebred livestock system, development of warehouse receipts, crop insurance and budgetary support for rural villages to provide social services.

**RONCO - Agricultural Land Share Project (ALSP) (Contract), 1995-2000 ($18,185,946)**

RONCO Corporation managed ALSP during the period October 1995 through December 2000. The project supported the restructuring of collective agricultural enterprises (CAEs) and the provision of individual land titles. Project implementation from October 1995 through May 1997 reflected the pilot development of farm restructuring and land titling procedures. Nation-wide implementation was initiated during the period May 1997 through December 2000. Major milestones attained included: 1) 922 CAEs restructured into 1,331 new legal entities and 16,842 subsidiary peasant farms; 2) 224,657 land titles issued with ALSP financial assistance; 3) private sector consulting companies formed in 18 Oblasts that provide fee-for-service legal, financial, and farm management advice to support farm restructuring and private farm management development; 4) 29 private and parastatalland survey companies in 19 Oblasts identified, trained and met project-determined standards in issuing land titles; 5) more than 92,000 individuals received formal training, primarily in land titling and farm management, for farm leaders and local regional and national government officials. The total project budget was $18,185,946.

**CNFA - Agribusiness Partnerships, AP-I and AP-II Phases (Cooperative Agreement), 1992-2000 (API - $16,000,000 and APII - $17,164,105)**

The project with CNFA was to promote private agricultural support services in input supply, marketing and processing, and private, joint-venture partnerships in Ukraine. These ventures combine the private investment and managerial and technical skill of American businessmen, and the input of Ukrainian partners, to transfer technologies and stimulate the growth of a private agricultural support industry and demonstrate the effectiveness of private sector solutions to agricultural production and marketing issues. Thirty-one (31) agribusiness partnerships were approved over the life of the project (AP-I phase, 1992-1998, - nine partnerships; AP-II phase, 1996-2000, - 22 partnerships, including private farm commercialization programs). API project budget was $16,000,000 AP-II project budget was $17,164,105.
LSU Agricultural Center - Private Farmer Training Center (Cooperative Agreement),
1998 – 2001 ($2,662,268)

The project’s goal is to develop a Center for private farmer training and outreach and to provide
training for the private farmers in Vinnytsia Oblast. The Center has set up 26 raion (county)
extension agencies covering the entire oblast. The project aims to develop an agricultural
extension service in Ukraine with strong involvement of agricultural universities. Ukrainian
partners in the project include Vinnytsia State Agricultural University and the "International
Center for Scientific Culture - World Laboratory", Ukrainian Branch. Project budget:
$2,662,268.

IPR/ISU- Agriculture Policy Project (Cooperative Agreement) 1997-2000 ($5,000,000)

USAID improved Ukrainian policy capacity through support for the Secretariat of the
Presidential Commission on Agrarian Reform and the Agrarian Policy Analysis Unit in the
Ministry of Agrarian Policy. The Project played a key role in the creation of a policy
development mechanism. The major objective of the project was to provide analysis of key
policy issues, to develop and expand the capacity of institutions to conduct analysis, and to inject
that analysis into government decision making. The Project was central in the preparation,
adoption and coordination of initial implementation measures for 30 laws approved by the
Cabinet of Ministers, the President or the Rada. In addition, the project provided assistance and
background analysis for over 200 reform-oriented pieces of legislation; worked closely with the
GOU and the IMF on agriculture conditions for IMF support; provided information and
analytical advice on Ukrainian agriculture to Ukrainian policy makers and 750 other users. The
project budget was $5,000,000.

CNFA Farmer to Farmer Volunteer Project in West NIS (Grant) 1999- 2003 ($2,000,000)

The Program plans to utilize the services of 400 volunteers over a 4-year period in cooperation
with the American Farm Bureau Federation and VITA. Volunteers provide short term technical
assistance to agricultural enterprises, cooperatives, individual groups and private associations at
the national and regional levels in the areas of production, processing, marketing and
institutional development, access to credit, business planning, and cooperative development.
The project budget is $2,000,000.

Alliance - Volunteers in Overseas Cooperative Assistance (ACDI/VOCA) (Cooperative
Agreement) 1999-2002 ($7,500,000)

Business Support Alliance, a consortium of volunteer technical assistance providers, provides
technical assistance to small and medium scale agricultural enterprises in the areas of production,
post-harvest handling, processing, marketing, extension and institutional development, while
promoting private agribusiness development and support for private farming. The project budget
is $7,500,000.

Chemonics - Commodity Exchange Project (Contract) 1995-1999 ($7,100,000)
USAID, through a contract with Chemonics, provided support to nine private, independent commodity exchanges, the National Association of Commodity Exchanges and the National Grain Association. This program supported the development of marketing of agricultural commodities and attempted to develop uniform, insured forward contracts so that traded agricultural commodities could serve as collateral for farms, enabling them to secure credit for seasonal farm production. While only a small fraction of commodities were traded on the commodity exchanges, a much larger number of “bids and offers” were made through the exchanges, which enabled them to be effective in bringing Ukrainian prices in line with world prices. The project budget was $7,100,000.


The goal of this initiative was to help privatize Ukraine’s grain elevators and demonopolize agro-industrial parastatal organizations that threatened the development of a private agricultural market in Ukraine. In particular, the activity promoted the demonopolization of Khlib Ukrainy, Ukragromashinvest, Ukragrochim and Ukragrotechservice and several other state monopolies and holding companies. The activity consisted of providing policy advice, enterprise consulting, training, and objective data analysis to the State Property Fund, Khlib Ukrainy, the Antimonopoly Committee, the Ministry of the Agro-Industrial Complex and dozens of grain storage enterprises. By the end of the activity, significant progress was achieved in creating private ownership of Ukraine’s grain storage and processing industry: 98% (433) of the grain elevators subject to privatization had begun the privatization process and 65% (351) were privatized. The project budget was $700,000.

**Land O’Lakes /ACDI VOCA – Regional Agribusiness Development (Cooperative Agreement), 1996 – 1999 ($3,400,000)**

The Project’s purpose was to improve the profitability of private agribusiness in Western Ukraine, support the development of private farmers’ associations, promote trade and provide training to financial institutions and enhance access to credit. As a result, over 100 profitable trade/investment linkages were created; 10 private business and agriculture associations were established or strengthened; 20 Ukrainians were trained as agribusiness consultants; over 20 business plans were completed and over 10 loans obtained for project partners; trade linkages between Polish and Ukrainian firms were created; extensive training at several credit unions and a major commercial bank were conducted and training programs developed; trade fairs and seminars were supported in West Ukraine, Hungary, and Poland; and cross border operations/information exchange between Ukrainian commercial banks and Polish Banks were created. The project budget was $3,400,000.

**USDA – Commercial Agriculture Development (Cooperative Agreement), 1996-1998 ($3,700,000)**

The USDA Private Farmer Commercialization project worked with private farmer groups and attempted to link them with sources of technical assistance and production inputs. The project
resulted in creating four private farmer cooperatives in Odessa Oblast. In addition, project team members assisted in the organization of 10 groups of private farmers that were in various stages of evolving into cooperatives. The project budget was $3,700,000.

**VOCA - Farmer to Farmer (Grant) 1992 to 1998**

The USAID centrally-funded FTF program provided an average of 90 short-term volunteers each year giving technical assistance and training in agribusiness development, marketing, food processing, livestock development and farm management to private farmers and small agribusinesses. Since the program was centrally funded, it cannot be determined with any degree of exactitude the specific amount spent in Ukraine. However, based on level of effort, it is estimated that around $5.5 million was dedicated to Ukraine.

**Iowa International Development Foundation (IIDF) - Soybean Processing (Grant), 1993 ($752,231)**

In 1993, IIDF, along with the Center for Agricultural and Rural Development, a division of Iowa State University, established an Agribusiness Center in Bila Tserkva, Kyiv Oblast as a for-profit American-Ukrainian joint venture. Ukrainian partners were the agricultural enterprise "Ross", and Institute of Agrarian Economy. The purpose of the White Church Agribusiness Commercial Center was: 1) to organize and develop a profitable soybean production and processing joint venture business in Ukraine, (2) to introduce a complete line of modern soybean processing equipment to Ukraine and (3) to develop a location from which Iowa companies could show, demonstrate and sell products and services. The amount of the grant was $752,231.

**Global Steel - Potato Storage (Cooperative Agreement) 1993 ($600,000)**

In 1993, Global Steel of Colorado Springs, Colorado, U.S.A. constructed a 5,000-ton potato storage facility (Kyiv Oblast) under a cooperative agreement with USAID. The facility was constructed in cooperation with the Ukrainian Potato Institute (UPI), a division of the Ukrainian Academy of Agricultural Sciences. The facility was used by the UPI for the storage of seed potatoes and for training in storage management. Technical assistance for the project was provided by the Postharvest Institute for Perishables of the University of Idaho. The facility was transferred to UPI in 2000. The amount of the grant was $600,000.

**U.S. PEACE CORPS**

Provides long-term American volunteers to work in economic development projects that include agriculture. There have been approximately five agricultural assignments.

**PUBLIC AFFAIRS SECTION (PAS) OF THE US EMBASSY IN UKRAINE (previously USIS)**

Junior Faculty Development Project – sent 5 junior Ukrainian faculty to study curriculum development in the US, and the NIS College and University partnership program supported faculty and student exchanges between Iowa State University and the National Agricultural University of Ukraine. A US Fulbright Professor taught Veterinary Medicine at Bila Tserkva Agricultural University.