



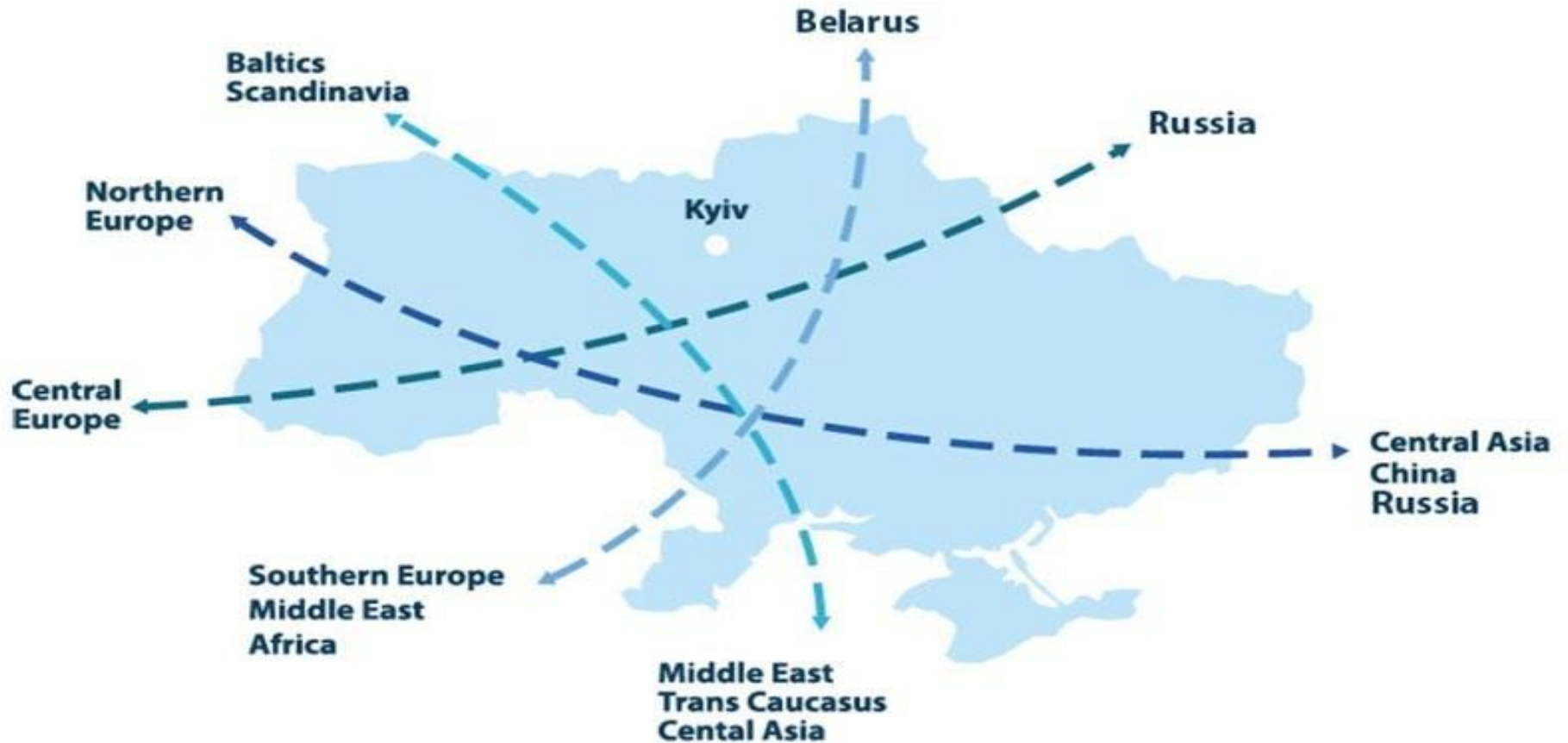
The political and economic situation in Ukraine

Danish Farmers Abroad Conference, June 19th, 2014

Royal Danish Embassy in Ukraine, Kyiv



Strategic geographical location



Macroeconomy of Ukraine

- Geographically located on the crossroad of the Europe – Russia – Central Asia – Middle East trade routes
- Market of 45,5 mln people, (Forbes has shown that there are 2 more members in Ukrainian top 10 “over 1 bln USD” people in 2013 comparing to 2012)
- 5 cities with the population more than 1 mln (Kyiv, Donetsk, Lviv, Odesa, Dnipropetrivsk)
- GDP per capita 3867 USD, Denmark - 56,326, Russian Federation -14,037
- High dependence on gas supplies from Russia
- The economical part of the EU-Ukraine agreement is to be signed on June 27th



Political situation in Ukraine:

New President Poroshenko's priorities

- Preservation and strengthening of Ukraine's unity: a peace-plan for eastern Ukraine
- Reform and re-equipment of the Ukrainian army
- pre-term parliamentary elections
- return of Crimea under Kyiv authority
- signing the economic part of the Association Agreement (June 27)
- introduction of visa-free regime with the EU for Ukraine (from January 2015)



Political situation in Ukraine: challenges

- Anti-terrorism operation
- Russia–Ukraine gas negotiations





Economic situation in Ukraine

- Banking sector has been weakened by political turmoil and uncertainties, local currency devaluation, and a lack of liquidity.
- Economic activity during April 2014 continued to be negatively affected by political unrest. Industrial production in Ukraine decreased the most noticeably.
- Agriculture was the only sector of Ukraine`s economy showing stable growth. During January-April 2014 the index of agricultural production was equal to 105.1%
- GDP of Ukraine is to stabilize till the end of 2014. Thus, since 2015 GDP will start to grow (forecast is made by EBA in Ukraine and Dragon Capital).

Most perspective sector of the UA economy: Agro Production and Food Processing

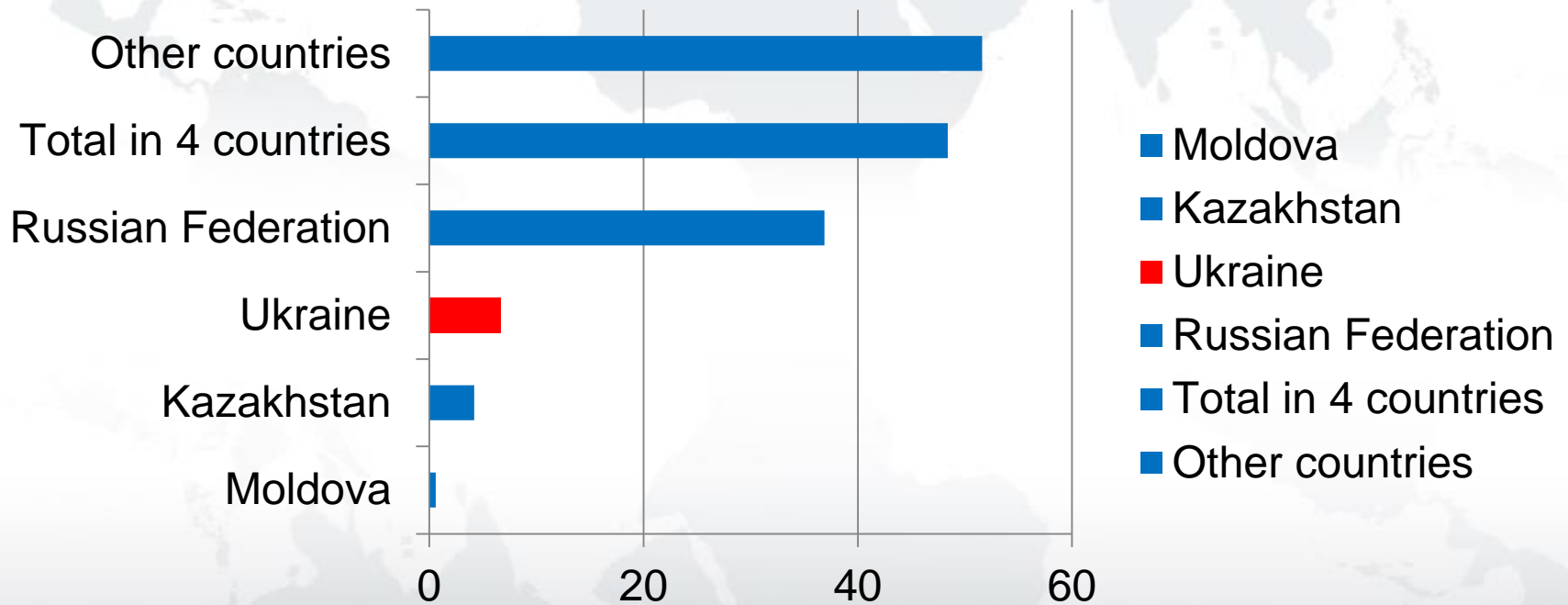
- 1/2 of national export
- Rich black soils covering 44% of the territory ; 50 m ha of arable land in Ukraine
- top 5 exporter of grains, largest exporter of sunflower oil. High profitability of farming business in Ukraine (80% of agro companies are profitable in Ukraine).
- Ideal geographic location of Ukraine close to its major off takers (Europe, Middle East, Turkey, North Africa, China) with easy access to sea
- Ukraine's most fertile black soils are available for long term lease for the world's most attractive price
- Agro land is not for sale; unstable legal environment
- A lack of modernization within the agricultural sector means you will get even better result rolling out new technologies
- Relatively low cost of labor, agro land rent and some other resources
- Very favorable taxation conditions in agro sphere aimed to attract investments



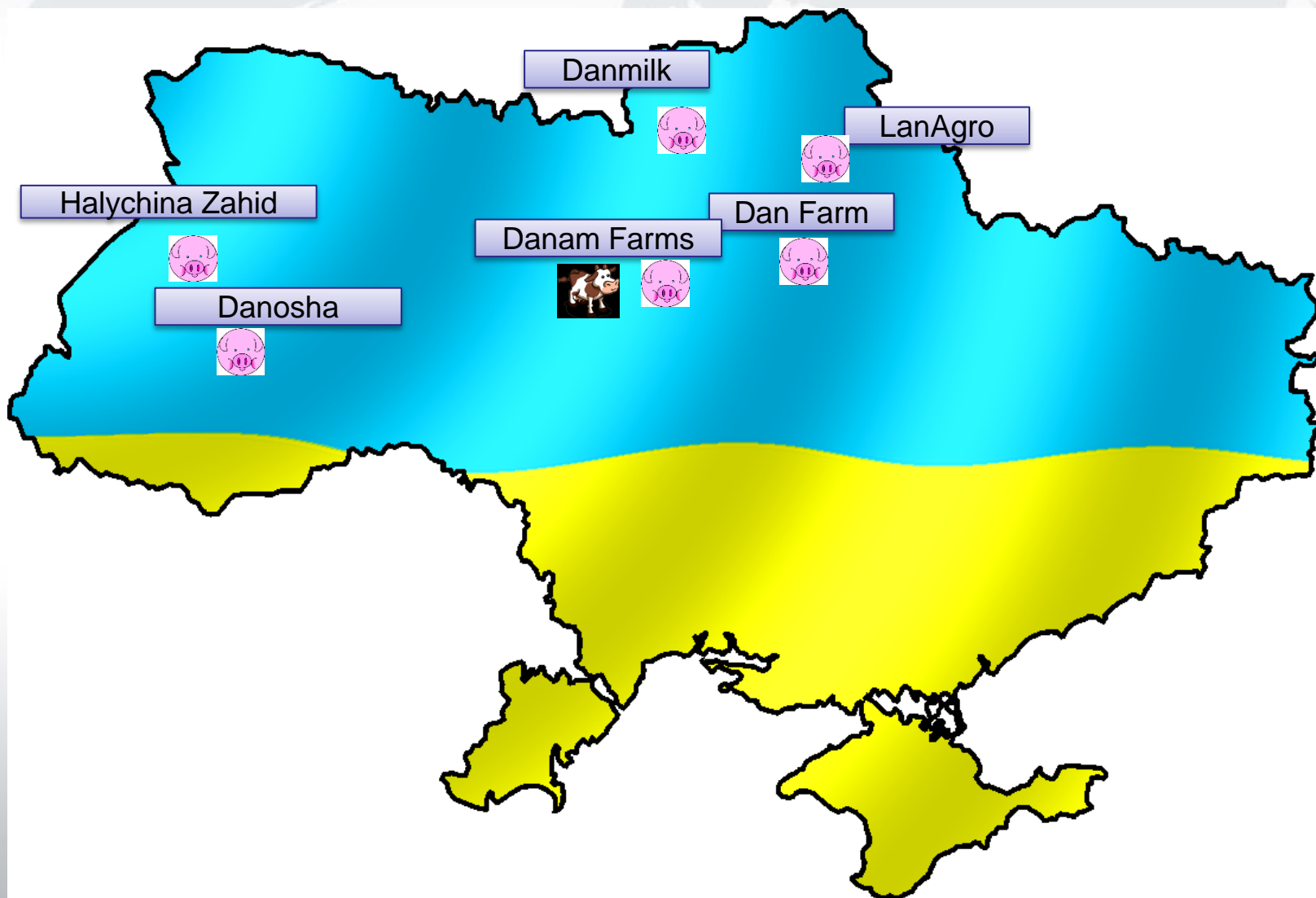


World black soil area, %

Series 1



Danish Farm Business on the map of Ukraine



Practical Issues of Danish Agri Companies in Ukraine

- Untransparent procedure of obtaining the permissions on usage of underground waters/ resources. High fines for absence of permission.
- Existing sanitary norms do not imply the actual ecological effect of farm production on environment. The norms shall be adjusted to the ones existing in Europe.
- Difficulties with finding the land plots for farming due to close distance of the old abandoned farms to the villages. The law doesn't allow to construct the farms on the land plots which are owned by sharers
- Too many controlling authorities and revisions
- Bureaucracy in regions and corruption





Thank you!

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