



Consulting and Information Company in Organic Sector

Sourcing Organic from Ukraine

**OVERVIEW OF ORGANIC PRODUCTION AND EXPORT VOLUMES
OF ORGANIC PRODUCTS IN UKRAINE**

Ms. Mariia Makhnovets, 25.10.2016

WHY SOURCING ORGANIC FROM UKRAINE IS SO ATTRACTIVE?



- Ukraine with its with favorable climatic conditions, efficient agriculture sector and fertile black soils (25% of world reserves = area of Great Britain) shows high trends in organic market development.
- Ukrainian organic producers and traders (abt. 210 companies registered; 410 thous. ha under crops and 530 thous. ha of wild collection in 2015) have developed to **one of the most important suppliers to fill the gap with organic commodities** as they attract the market by big volumes to competitive prices.
- Consumption of organic goods in Ukraine has risen up to 17 mio. EUR in 2015.



IMPORTANCE OF UKRAINIAN (conv.) AGRICULTURAL GOODS FOR EXPORTS, 2015 (by production volumes and revenues)

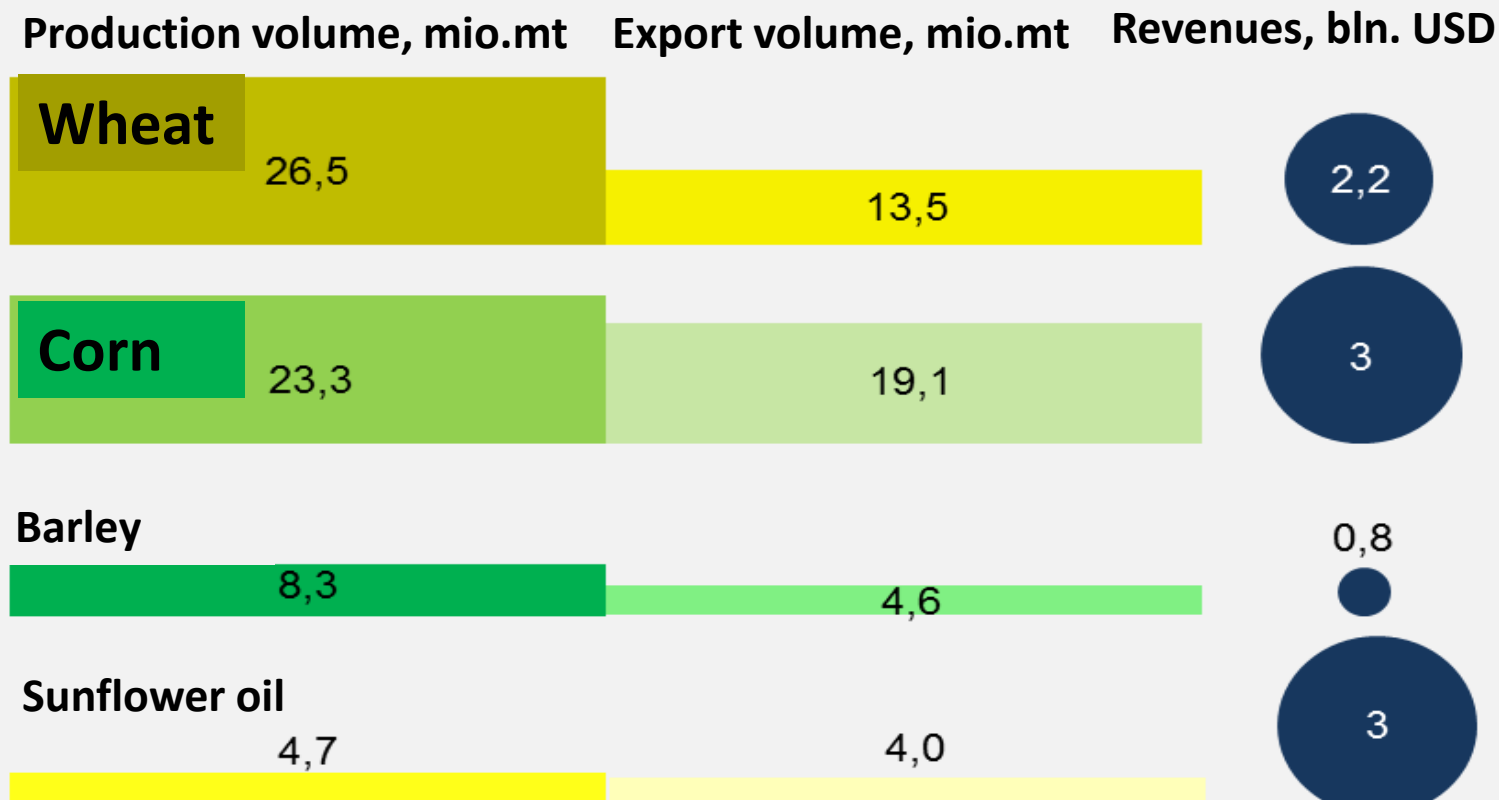
Wheat production is very important for the Ukraine as it's supposed to be a strategic product. Wheat is the second important export cereal from Ukraine (after corn).

Its production was estimated as 26,5 mio. mt. in 2015

Corn production was estimated as 23,3 mio. mt. in 2015

Highest export income in 2015 was generated by sunflower oil, corn and wheat.

2015 год



SHARE OF ORGANIC PRODUCTION IN UKRAINE

Total number of agricultural land in Ukraine, 2015, thous. hectares	Number of certified organic agricultural lands 2015, hectares	1,04 %
42 731,5*	410 550,0**	



* source: DERZHGEOKADASTR Ukraine:
<http://land.gov.ua/info/zemelnyi-fond-ukrainy-stanom-na-1-sichnia-2016-roku-ta-dynamika-ioho-zmin-u-porivnianni-z-danymy-na-1-sichnia-2015-roku/>

** source: Ukrainian Organic Federation, 2015:
<http://organic.com.ua/uk/homepage/2010-01-26-13-42-29>



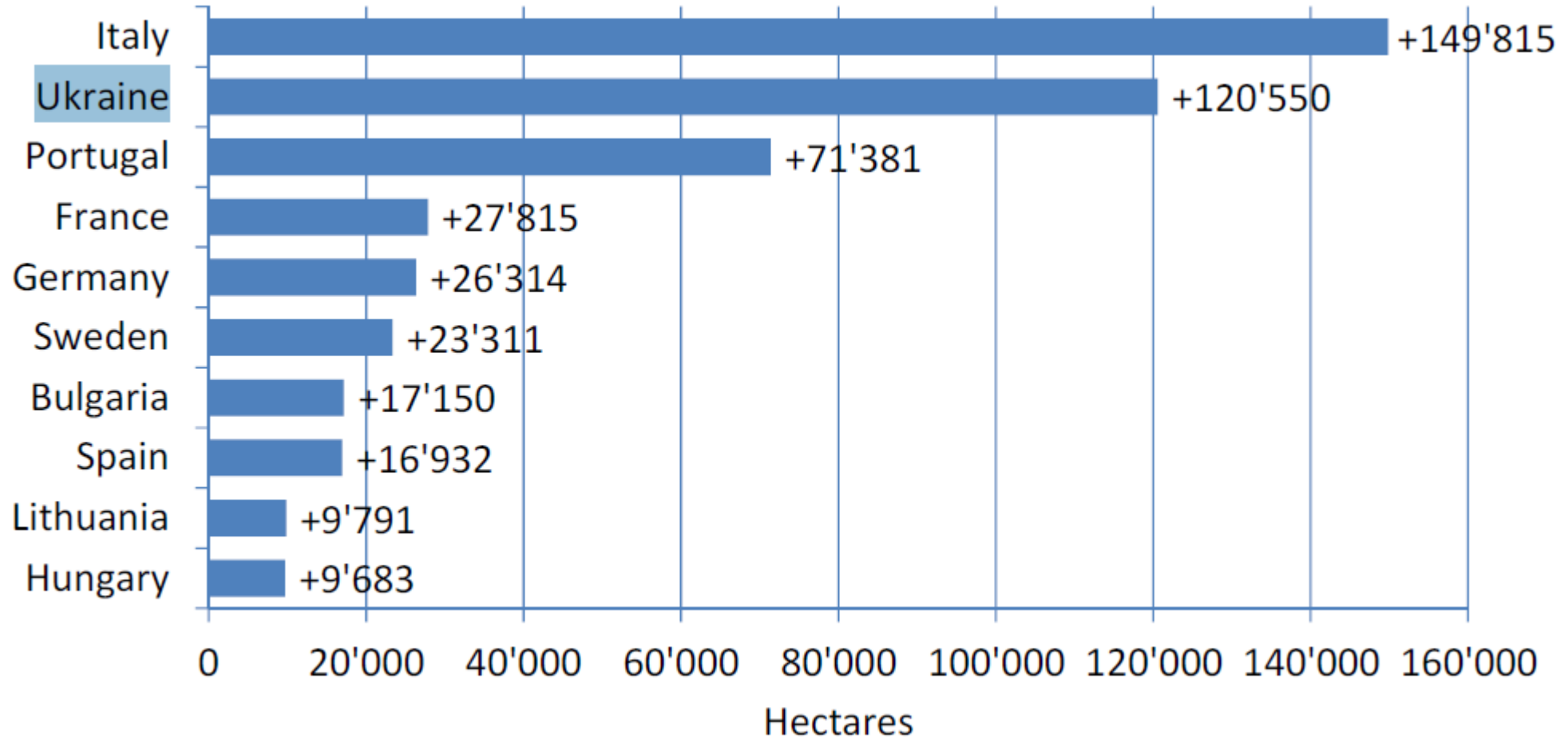
ORGANIC PRODUCTION IN UKRAINE



- In Ukrainian organic agriculture **wheat production mostly dominates**
- The **proportion of area under organic grain crops is about 70%**, the **share of oilseeds - 25%**.
- As for the types of grains that are grown due to organic principles, **the wheat accounts for almost 50%**, along with that **barley and maize also dominate**.
- **25% of the area under oilseed crops is occupied**, in terms of which the sunflower cultivation accounts for two-thirds.
- **As for legumes, it should be noted a significant increase in the proportion of organic soya**, along with this also peas, lupine and vetch.
- In addition, there are also **apples and walnuts** grown in the small volumes. **Organic prunes production** could be an option.
- Some of the companies in the South grow **lavender for essential oils**.
- **Wild berries, mushrooms and medicinal plants** collecting has great value in the Carpathians.
- **For the domestic market organic dairy products and beef** are primarily produced.



10 COUNTRIES WITH THE MOST RAPID AREA GROWTH IN WHICH MANAGEMENT IS CONDUCTED ON ORGANIC PRINCIPLES



Source: FiBL-AMI 2015



THE MAIN COMPETITORS OF UKRAINE ORGANIC SECTOR



- Russia
- Belarus
- Kazakhstan
- Romania
- Italy
- Moldavia
- Bulgaria
- Slovakia
- Czech Republic
- Turkey



Status
01.06.2016

Станом на
01.06.2016



Most of Ukrainian organic farms are located in:

- Odesa region,
- Kherson region,
- Kyiv region,
- Poltava region,
- Vinnytsia region,
- Zakarpattia region,
- Lviv region,
- Ternopil region,
- Zhitomir region.



CROPS PRODUCTION CLASSIFICATION BY REGIONS

- There is more variety in the area of crop production in Ukraine.
- Sunflower production leads in the Eastern regions,
- In the South there is wheat added to sunflower,
- In the West wheat production dominates more together with fruits and berries, and
- In the Northern regions corn is mostly grown.
- And there is only one area in Ukraine where soybeans mostly grown. This is Khmelnytsky region, which is slightly followed by Poltava and Kherson.



HARVEST RESULTS BASED ON 9 MAIN REGIONS (incl. organic)

Name of commodity	TOTAL harvested volume per commodity (incl. organic) 9 regions, thous. mt
Winter wheat (incl. spelt)	10 159,6
Spring Wheat (incl. spelt)	349,7
Winter barley	2 084,3
Spring Barley	2 317,1
Corn	2 914,8
Sunflower seeds	3 262,9
Soybeans	1 102,7
Oats	164,4
Rapeseeds	531,2
Rye	124,1
Peas	250,4
TOTAL, thous. mt	23 261,2
*HARVEST RESULTS, 7th OCTOBER	



- As Ukrainian farm sizes are much larger than those in the EU, **Ukrainian organic cereals can be produced at competitive price levels even when considering higher transport costs.**
- **The harvested wheat quality in Germany (and other producing regions of Central and Northern Europe) doesn't always meet bakery quality** – hence the import share of **organic wheat with higher protein** content is rising considerably in those years.
- About a decade ago organic wheat was imported from overseas, but these **imports have nowadays been shifted to imports from other EU countries and Eastern European origins such as Ukrainian one.**
- **Organic wheat faces strong demand among other cereals and organic bakery-ingredients are an interesting market segment** with higher price levels as the average value per unit is roughly the double in comparison to wheat.



- **The domestic production of organic oilseeds in Central Europe is climatically limited** as the temperature is too low to ripen oilseeds like sunflower and soybeans optimally. **This is reflected in high import shares and a strong dependency on imports from warmer regions.**
- **Ukraine is one of the leading countries in organic oilseeds production** like sunflower soybeans and rapeseeds, and on the **6th place with organic area certified** after China, India, Sudan, Kazakhstan, and US accordingly.
- **Oilseeds are in demand especially for processed organic products.**
- **There are currently three major trends** fuelling this demand: **Increased sales of organic animal products** (hence higher demand of protein crops and press cake for feed); **growing vegetarian and vegan consumption** (higher demand of consumer products suitable for protein replacement); **preference for regional products** (which is not always solvable).
- Therefore there is a big potential for its exports.



ORGANIC DRIED PULSES



- **Dried pulses like feed peas, horse beans, lupines and edible pulses like lentils, chickpeas and beans offer good trading opportunities;** nevertheless in comparison to cereals and oilseeds (soybeans in particular) they are still **underutilized and traded as niche products from Ukraine.**
- Pulses are useful crops in sustainable and especially in organic crop rotations as they fix nitrogen in the soil and should therefore not be neglected.
- **In organic trade there is good potential for pulses, especially as protein source.** The 'vegan' trend in organic markets gives good opportunities for its trade.



ORGANIC BERRIES



- Due to lack of space for growing **organic berries** in the EU there is perspective of their growing in Ukraine.
- **As experience has shown, a business focused on the production of organic berries and their export to the EU shows a profit of up to 200% per annum.**
- Most of Ukrainian organic berries are traded frozen **to Poland and Germany from where they are distributed to other EU member states and Switzerland. Organic blueberry has highest share in organic berries exports from Ukraine.**
- Berries are a very delicate product. In contrast to conventional berries, which shelf life lasts for weeks, organic ones must appear on supermarkets' shelves a day after harvesting. Their shelf life is limited, and quality significantly worsens after transportation.

ORGANIC EXPORT ORIENTED BERRIES



№1 is blueberry



blackberry



mulberry



strawberry



raspberry



foxberry



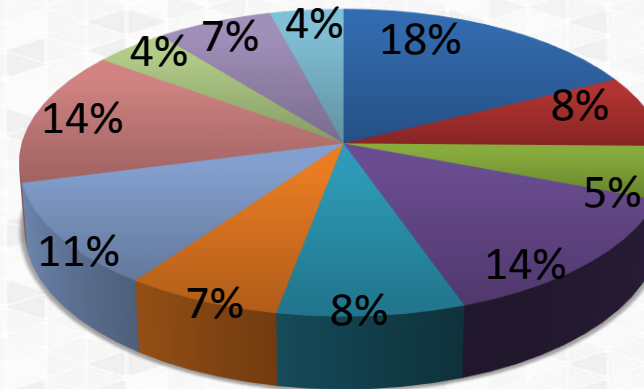
cranberry

Demand of large European importers for organic feed crops. November 2015,% , mt



1. Sunflower expeller 18%
2. Yellow Corn 14%
3. Soybeans 14%
4. Rape seeds 11%
5. Sunflower seeds 8%
6. Rapeseed expeller/meal 8%
7. Flax seeds 7%
8. Feed Peas 7%
9. Soybeans expeller/meal 5%
10. Feed Wheat 4%
11. Lupine 4%

- ✓ 25 500 mt
- ✓ 20 500 mt
- ✓ 20 000 mt
- ✓ 16 000 mt
- ✓ 12 000 mt
- ✓ 11 000 mt
- ✓ 10 000 mt
- ✓ 9 500 mt
- ✓ 8 000 mt
- ✓ 6 000 mt
- ✓ 6 000 mt



- Sunflower expeller
- Rapeseed expeller/meal
- Soybeans expeller/meal
- Soybeans
- Sunflower seeds
- Flax seeds
- Rape seeds
- Yellow Corn
- Feed Wheat
- Feed Peas
- Lupine



MAIN ORGANIC EXPORT DESTINATIONS FROM UKRAINE

Export countries	Shares of export volumes from harvest 2015 were exported to which countries in %
The Netherlands	49,67
Germany	34,36
Great Britain	5,69
Switzerland	4,88
Austria	1,20
Poland	1,19
Romania	0,95
Hungary	0,48
Italy	0,38
Belgium	0,35
France	0,34
Czech Republic	0,21
Israel	0,20
Lithuania	0,07
Malaysia	0,04
UAE	0,01

Source: Organic Standard 2015

The biggest organic feedstuffs importing countries which sourcing from Ukraine due to the survey are those who have entrance to European main ports:

- **The Netherlands**  
- **United Kingdom** 
- **Germany**  
- **France** 
- **Belgium** 
- **Denmark**  
- **Italy**  
- **Spain** 

Source: FiBL&QueS Explorative market research. Organic feedstuff supply from Eastern Europe to Western Europe

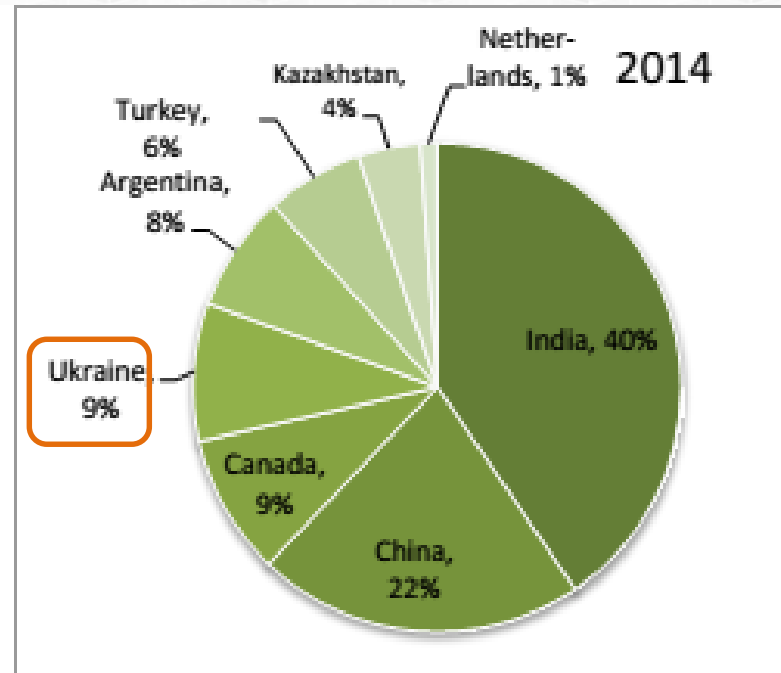
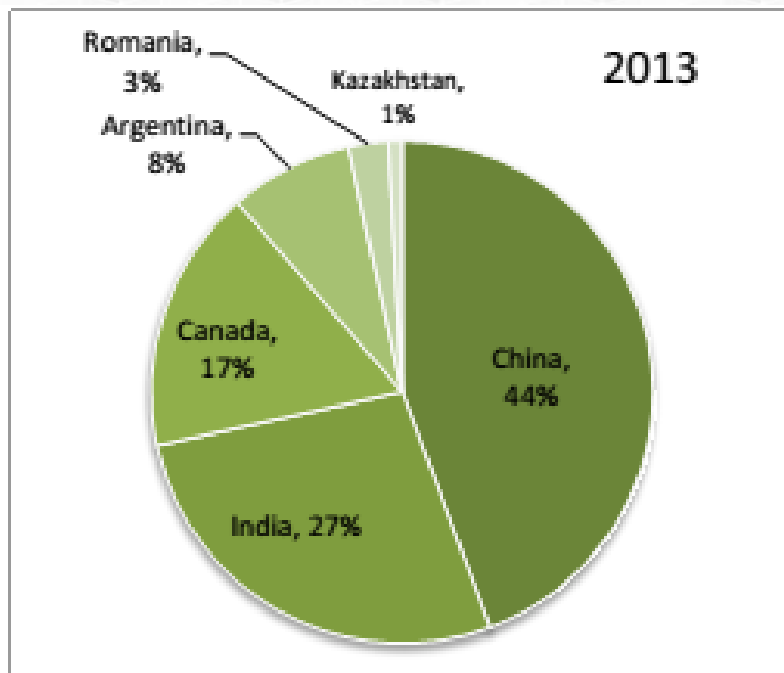
USA AND CANADA ARE BIGGEST COMPETITORS OF EU IN SOURCING ORGANIC GOODS FROM UKRAINE

1. Soybeans are the second-biggest U.S. organic import, with \$184 million shipped last year.
2. **A growing demand for organics**, and the near-total reliance by U.S. farmers on genetically modified soybeans, **is driving a surge in imports from Ukraine.**
3. **Canadian traders has big demand for Ukrainian organic soya and purchase organic corn** for processing or further shipments to USA.
4. **Ukrainian traders think organic market in US and Canada is less strict than European but more complex with documentation issues.**
5. **Ukraine has 56 enterprises NOP certified (29 of which under ETKO control)** and currently offering competitive prices to USA and Canada.
6. The U.S. did not import any organic soybeans from Ukraine until 2014. In 2014 its import value was 16 million US dollars.
7. **Potential countries** that might enter US organic market in future are **Romania, Ukraine, Kazakhstan.**



Organic feed wheat and corn, certified NOP is shipped directly to New Zealand from Ukraine

MARKET VOLUME OF ORGANIC SOYBEANS IMPORTS TO THE USA (BY SOURCING COUNTRIES, IN %):



Source: Organic Trade Association



MAIN ORGANIC PRODUCTS EXPORTED FROM UKRAINE IN 2015

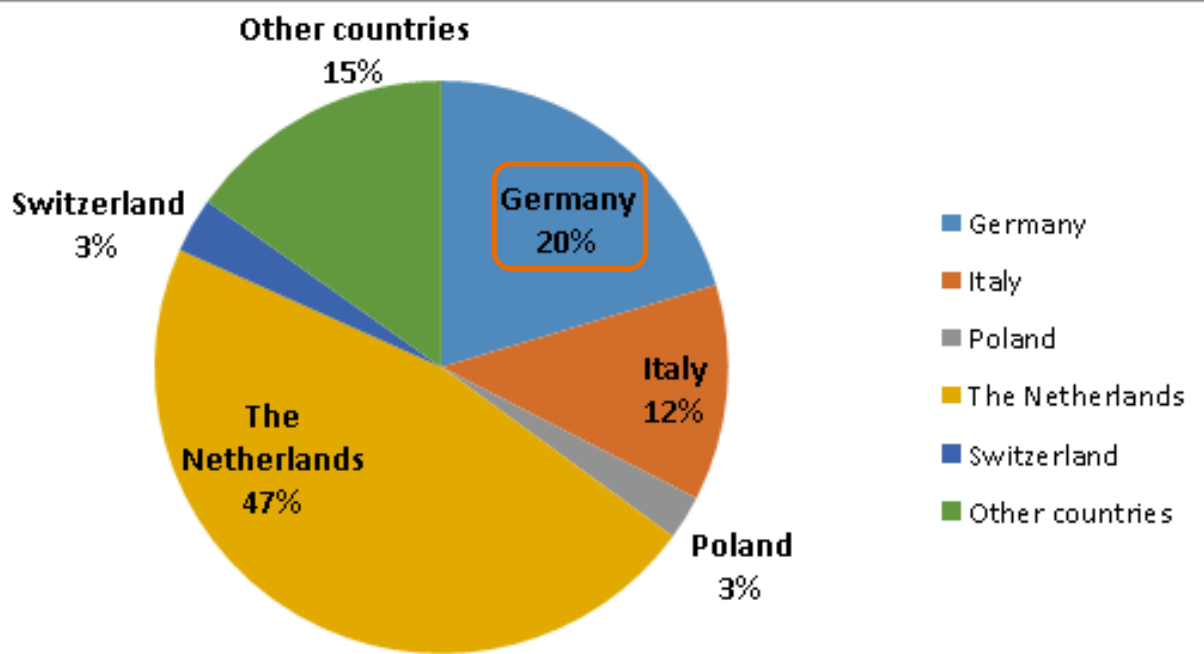


Organic products exported in 2015	Shares of goods exported, %
Wheat (summer + winter)	33,35%
Corn	19,35%
Sunflower seed	9,71%
Barley	7,82%
Dinkel wheat (spelt), hulled+unhulled	6,12%
Soya	5,29%
Rapeseeds	4,68%
Hulled millet	4,60%
Feed wheat	3,17%
Linseeds	1,90%
Blueberry frozen	0,62%
Millet	0,49%
Pumpkin seeds	0,44%
Mustard	0,39%
Oat	0,30%
Apple concentrate	0,34%
Walnut kernels	0,22%
Other products	1,20%

Source: Organic Standard 2015



ORGANIC EXPORTS TO GERMANY



Source: Organic Standard (Jan-Sept 2016)

➤ In January-September 2016 Germany as one of the main importing countries (**2nd place after the Netherlands**) has imported:

- **11882 mt of organic corn**
- **3518 mt of organic soybeans**
- **2751 mt of organic sunflower seeds**
- **1164 mt of organic wheat**
- **911 mt of organic hulled millet**
- **179 mt of organic millet in hull**
- **724 mt of organic barley**
- **690 mt of organic spelt**
- **401 mt of organic lupine**

from Ukrainian organic operators certified with OS.

CHALLENGES OF ORGANIC PRODUCTION IN UKRAINE



- Myths about risks of "in conversion period"
- Low awareness of producers and investors about the situation of the world market for organic products
- General conservatism of investors in the agricultural sector
- Commercial disinterest of technologists in no-chemical industry.
- Lack of skilled professionals, academic and practical training bases
- Low willingness of cooperation between organic operators
- Regional development strategies of agricultural production are still not defined in some regions
- No information about official agri-specialization of the regions.



UKRAINIAN ORGANIC PRODUCTION POTENTIAL



- The potential is **ten times greater than the current capacity**. At the end of 2015, German traders in Ukraine tried to buy 100 thousand tons of organic wheat. Certified organic domestic manufacturers could only collect 10 thous. tons from the total 20 thous. tones produced in Ukraine.
- According to the calculations of experts in organic production **cost of organic crop lower on USD 200-400/ha than costs while using intensive chemical technologies**, most of which (55-65% of total cost), consists of energy-intensive agrochemical products. **Profitability of 1 organic export oriented hectare reaches 1-1,5 thousand dollars** while applying complex agricultural production conditions and comply with optimal growth technologies.
- **"Super foods" crops provide even higher efficiency than classic cereals and legumes.** Niches of organic nuts, berries, herbs, plants, oilseeds and grains " that has become non traditional any more", such as spelt, buckwheat and oats become more and more attractive.
- **Organic hempseeds, amaranth and quinoa, pumpkin seeds** are new to Ukrainian organic production and traded as niche products become attractive for some producers to grow
- **Even production of organic hay for export is many times more cost-effective** than growing non-organic corn or soybeans.



25. - 26.10.2016
Frankfurt a.M

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