



News of the German-Ukrainian Agricultural Policy Dialogue (APD)

Project activities

Business climate in the agricultural sector has worsened significantly



In February 2016 agriculture business climate in Ukraine, evaluated by agriculture producers, was again poor; even worse than during recent survey, implemented in November 2015. Major hampering factors for business development are seen again in the lack of state support for agriculture as well as in the economic framework and the general policy situation. In light of this agriculture business index deteriorated significantly. - These are the results of the third survey on Agriculture Business Index (ABI) implemented jointly by German-Ukrainian Agriculture Policy Dialogue (APD) and business association "Ukrainian Agribusiness Club" (UCAB).

In February 2016 the agriculture business climate of Ukraine indicated to -18.8 points, which is the worst evaluation by agriculture producers since launching of ABI in August 2015. As a consequence business index of the agricultural sector, which represents the trend of business climate situation, decreased from 102.7, in November 2015, to now 96.4.

With regard to the factors, influencing agriculture business climate, the evaluation of agriculture producers indicate to the negative impact by (i) poor state support as well as (ii) unfavorable macroeconomic conditions and (iii) instability of the general political framework in Ukraine (-72.0 points -71.4 points -58.6 points respectively). Positive assessments of the business climate were identified with regard to (i) access to qualified staff as well as (ii) machinery and equipment for agricultural producers (+20.8 points and +18.8 points respectively).

Low evaluation of business climate was expressed by agriculture producers of all analyzed regions of Ukraine. The worst situation is represented in the western and southern regions (-32.3 points and -22.8 points respectively). Although also producers of the central region evaluated the business climate on a quite poor level (-12,9 points), the business index for this region indicated to improvements of business climate in comparison to earlier survey results (105,8).

Currently available series of survey results indicate to a causality relation between the satisfaction with business climate and the size of agriculture producers. In February 2016 small individual producers evaluated the business climate with -36,4 points quite bad, while agriholdings assessed it with +39,4 points much more positive. Farm enterprises range with their evaluations on business climate in between these two groups. From the stand point of view of individual producers the

business climate has deteriorated over recent surveys, thus showing an index of 97,4, while agri-holdings have improved their assessment, which is indicated by an business index of 110,1.

Further, so far available survey results indicate that crop producers usually consider business climate better than others; in February 2016 they evaluate business climate at a level of +2.7 points. All analyzed groups of producers have reduced their evaluation of the business climate in comparison to recent surveys: crop producers to a level of 99.2, business index for individual mixed producer's amounts to 97,4, while the index for livestock enterprises is currently at 94.4 only.

Note: Agriculture Business Index or ABI, was developed by joint efforts of APD and UCAB based on German experiences. ABI is quarterly implemented. Business climate reflexes subjective assessment by agriculture producers of the current situation and the outlook in the course of the coming year, whereas business index represents the trend of business climate. For further details please refer to the methodology of ABI www.apd-ukraine.de.

Source: APD and UCAB. Date: 09.03.2016