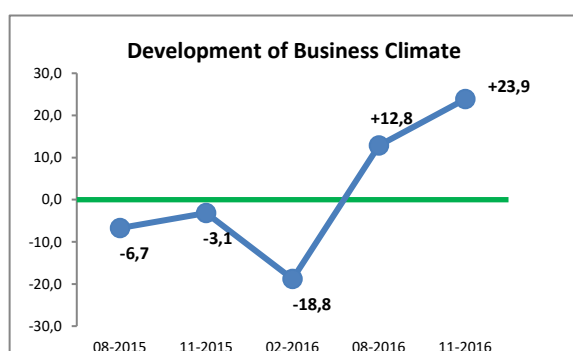




News of the German-Ukrainian Agricultural Policy Dialogue (APD)

Project activities

Further improvement of business climate in the agricultural sector of Ukraine



The fifth survey on “Agri business climate index” (ABI) was conducted in November 2016 by APD and UCAB. ABI includes two estimates: an estimate of the current economic situation in the sector and expectations, called agri business climate as well as an indicator of changes in the evaluation of the current agri business climate, named agri business index.

This time again individual households and producers from the Western region of Ukraine improved their evaluation of agricultural business climate significantly. Some of the main reasons of such an estimate are seen in an improved access to modern machinery, in progressing productivity as well as in favorable cost level.

In November 2016, agri business climate increased for the second time since implementation of ABI, to +23.9 points. Agri business index, which measures change in agri business climate and is estimated on the basis of August 2015, increased from 102.7 in November 2015, passing the drop in February (96.4), to currently 119.8.

Factors, indicated by surveyed producers as those that positively influence business climate, include: (i) access to modern machinery and equipment (+39.6 points), (ii) productivity level (+38.5 points) and (iii) cost level (+35.2 points). Factors with negative effects are: (i) impact of general economic situation (-28.1 points), (ii) public support (-21.2 points) and (iii) access to capital (-8.2 points). – Although state support and the general economic situation are considered by respondents as factors with negative effect on business climate, the agri business index of these two indicators are the highest among all factors analysed: Business index on state support equals to 142.5 and on the general economic situation – 135.5. The lowest level of agri business index is observed for the factor “access to qualified employees” – 96.5.

This time, business climate remains positive in all regions considered. It equals to +28.4 points in the Center, +21.5 points in the South, +18.6 points in the North-East and +25.1 points in the Western region. - In addition, business index of the Central region is the highest among the regions –

128.9. Western region follows with an estimated index of 121.0. Indices of the North-East and the Southern regions are quite close to each other: 112.9 and 111.5, respectively.

All producers, regardless of their size of land bank, indicate improvements of the business climate. The respective estimates range between +15.6 points – given by producers with less than 5000 ha, to +50.3 points – estimated by agricultural holdings. This difference is most likely linked to effects of economies of scale. - As business climate, also the business index for farm enterprises with less than 5000 ha has the lowest value among producer groups – 107.1, whereas households have estimated the business index at a top level of 139.2.

With regard to the evaluation of business climate by producers, grouped according to their specialization, animal producers provided an estimate of +8.2 points, crop producers of +27.4 points and producers of mixed output, represented mainly by households, of +25.2 points. Better business opportunities in crop production seem to continue playing their role. - Again, the highest estimate of business index is observed for producers with mixed output – 139.2. Indices of animal and crop producers are much lower 103.2 and 108.2, respectively.

Note: “Agri business climate index” (ABI) of Ukrainian agro industry was developed and introduced by common efforts of German-Ukrainian agro policy dialog (APD) and association “Ukrainian Agri-business Club” (UCAB) on the base of German general business index supported by a survey of 400 agricultural producers. The analysis is conducted quarterly and consists of two estimates. “Business climate” determines subjective estimation of both current business situation and one year business expectations. Business climate may change from -100 (very poor) over 0 (indifferent) to +100 (very good) points. “Business index” demonstrates estimation of changes of business climate, normalized currently to the beginning of the survey in August 2015 (values over 100 indicate improvement, and below 100 suggest degradation of business situation). General ABI methodology is available under: www.apd-ukraine.de.

Source: APD and UCAB. Date: 08.12.2016