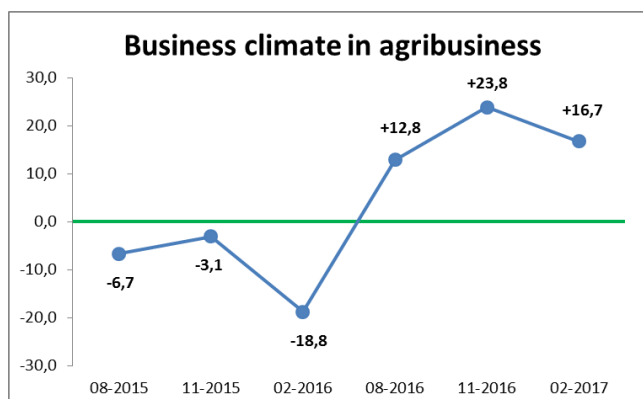




News of the German-Ukrainian Agricultural Policy Dialogue (APD)

Project activities

Agribusiness expectations show modest downside



The sixth survey on “Agri business climate index” (ABI) was conducted in February 2017 by APD and UCAB. ABI analysis represents two indicators: (i) an evaluation of the current economic situation in the sector combined with expectations on the development of the agri sector, that is called agri business climate, and (ii) an estimation of change in the current economic situation since August 2015 (the introduction of ABI) named agri business index.

This time agri business climate was positively evaluated by the producers with +16.8 points, although this is a modest downside in comparison to November 2016. If compared to February 2016, when agribusiness climate was evaluated with -18.8 points, business climate shows considerable improvement. Despite fluctuations in agri business climate that may be caused by seasonal impact, overall development trend of this estimate seems positive.

Nearly all factors surveyed downgraded agri business climate since November 2016 slightly, whereas producers still evaluate their general economic situation as quite good (+30.7 points). Main factors with positive impact are: (i) productivity level (+34.7 points), (ii) access to modern machinery and equipment (+25.6 points) and (iii) access to qualified employees respectively professional knowledge (+25.6 points). Factors with negative effects are: (i) public support (-41.2 points), (ii) impact by general economic situation (-40.2 points), and (iii) access to external capital and resources (-18.3 points). Since the beginning of the survey there is positive estimation of management capabilities of producers and lack of trust in the policy framework. Although “state support” and “general economic situation” are considered by the respondents as factors with negative impact on business climate, their agri business indices are the highest among all of the factors analysed. In particular, business index of “public support” was estimated at the level of 127.2, and of “general economic situation” at the level of 126.3, indicating improvements in evaluation of these

factors in comparison to the base period. The lowest value of agribusiness index was estimated for the factor “access to qualified staff”, 99.3.

This time agri business climate equals +13.0 points in the Center, +17.0 points on the South, +15.0 points on the North-East and +27.6 points in the Western region of Ukraine. Only producers in the Western region have improved their evaluation of business situation since November 2016. The highest value of agri business index is estimated for producers in the Western region at a level of 123.6, followed by those in the Central region with 119.8. Business indices in the North-East and South regions are estimated at a level of 111.1 and 109.7, respectively.

For the third successive time all producers, regardless of the size of their land bank, evaluated business climate positively, whereas evaluation of agri business climate by one of the major producer groups, namely producers with less than 5000 ha agriculture land, is marginal at a level of +0.2 points. There seems to be a clear pattern, that larger producers, such as agricultural holdings and farms with a land bank above 5000 ha evaluate business climate more positively than the rest. This is likely to be related to the access to foreign markets and effects of scale economies. As regards to business index households are improving their evaluation significantly, reaching 139.6 during the current survey, whereas all other producers range their evaluations of the index around 100.

With regard to the evaluation of business climate by producers, grouped according to their specialization, estimate of business climate by animal producers is barely positive, +1.1 points, whereas crop producers have indicated to +12.1 points and producers of mixed output, represented mostly by households, to +24.6 points. Significant drop in evaluation of business climate since November 2016 (+27.4 points at that time) was observed for crop producers. This is likely to be related to seasonal impacts on plant production. Also short term business opportunities might play their role here. - The highest value of business index is estimated for producers with mixed output (139.6). These producers are mainly represented by households. Business indices for animal and crop producers are considerably lower at 99.8 and 100.7, respectively.

Note: “Agri business climate index” (ABI) of Ukrainian agri industry was developed and introduced with common efforts of German-Ukrainian Agricultural Policy Dialogue (APD) and association “Ukrainian Agribusiness Club” (UCAB) on the base of methodology of German ifo-Business Climate Index elaborated by CESifo-Group <http://www.cesifo-group.de>. The analysis is conducted 3 times per year via a survey of 400 agriculture producers and consists of two components: (i) “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. (ii) “Business index” represents the change in the evaluation of the business situation, normalized to the values of the first ABI survey, conducted in August 2015 (values over 100 indicate improvement, and below 100 suggest degradation of business climate). ABI methodology is available under: www.apd-ukraine.de.

Source: APD and UCAB. Date: 01.03.2017