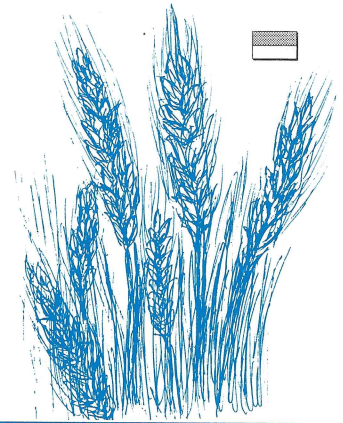




# Neglected Breadbasket of Europe

## Agricultural Sector in Ukraine in Need of Major Reform

by Dennis Kowalsky



*Ukraine's agricultural sector has historically been referred to as the "bread basket of Europe" but events have prevented Ukraine's agri-food sector from realizing this potential. An agricultural sector with the richest soil in the world is so unproductive that it can barely produce enough food for its own population. After 70 years of Soviet central planning in agriculture, followed by 5 years of independence where very little has changed, Ukraine's agri-food sector can best be described as a 'basket case'.*

During Soviet times, agriculture was not only neglected, but was exploited in order to build up other industries. An agricultural policy of intense farm collectivization and central planning, which lacked basic incentives for farm workers, lowered the productivity. Absentee management that was totally unaccountable for its actions made all decisions concerning farming operations. It was believed that the agricultural sector could sustain itself because of the productivity of the soils, as well as the well-educated, hard-working people in the agricultural industry. The result was a nation that neglected to modernize its technology for something as basic as the production of food.

### Present Situation - Post-Independence

Since the collapse of the Soviet Union, Ukraine finds itself with a dysfunctional agricultural sector lacking the basic elements of an agricultural infrastructure. There are no commodity marketing systems, no financial credit systems for farmers, and no agricultural extension system that can teach farmers modern farming practices. Its agricultural marketing and financial system functions as an ineffective barter system on the brink of chaos. Agriculture is still neglected with the current

belief being that the large collective/state farms can be rapidly privatized into modern economically efficient collective agricultural enterprises (CAE's). The majority of the collectives in Ukraine have been privatized by the obscure privatization process of issuing shares to the workers on the farms. What seems like a workable idea, in reality, has not worked that well. The CAE's are still controlled by the same unaccountable people who managed the collective farms during Soviet times, using the same out-dated farm technology and farming practices. The only change is that the CAE's are less subsidized and less productive. With their decreased productivity, many collectives are now unable to pay their farm workers for extended periods of time. This, in turn, results in a shortage of farm labour, making a bad situation even worse. The deterioration of the CAE's is visible by their poor crops, weed-infested fields and the state of disrepair of farm buildings and machinery. Most striking of all is the increasing amount of farm land that is left idle because of labour, fuel and equipment shortages.

### Private Farmers in Ukraine - a Positive Sign

Amongst all of this 'pseudo-privatization' and deterioration of the collectives is a positive sign: the small but significant number of individual private farmers. Established five years ago, they now number over 35,000 and farm about 3% of Ukraine's farm land. Although their numbers are increasing more slowly, the amount of land that they are farming is still increasing. In addition to experiencing the same problems that the CAE's are, private farmers are restricted in the amount of land that they can own, are experiencing opposition from the collectives and the general population who are opposed to individual private farms entrepreneurship.

The success of these private farmers can be attributed to their farm management skills. Most are well-educated and experienced, having been employed as agronomists/engineers on the state/collective farms. They have learned through experience that the best method for operating a farm is to intensively manage all aspects of their farming operations from the basic production (soil preparation, seeding) to the marketing of their farm commodities. Though private farmers were originally granted only 50 to 100 hectares of farm land, many have combined their land holdings and resources, forming large agri-firms to more effectively manage their farms.



*In Ukraine today: the old and the not-so-new.*

### Farm Technology in Ukraine

Farm technology in Ukraine, is out-dated and is perhaps the single biggest reason for low productivity. The most basic problem for Ukraine's private farmers is the lack of technology for proper soil management. Because Ukraine has such rich soil, soil management was never believed to be an important issue. Decreasing agricultural productivity has changed that view. Many years of improper farming practices have depleted the soil of its organic content and made the soil susceptible to erosion. The common practice is to remove all straw after harvesting, then preparing the soil for planting by deep ploughing, turning over and exposing the bare soil. This practice also dries out the soil, leaving it susceptible to drought. The