



exporters. In fact for some Western-made products, high quality has been enough to offset the attractions of lower prices on goods that have been locally produced.

Canada began exporting to Ukraine in 1992, and by 1994 agri-food exports totalled \$2.32 million, over 86% of which was value-added goods. Although bilateral trade with Ukraine remains modest, the level of interest within the Canadian exporting community continues to increase.

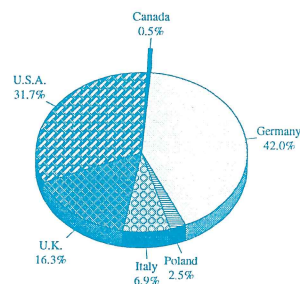
EXPORT OPPORTUNITIES:

The most active companies in Ukraine's agri-food sector are from the following countries: the USA, Poland, Germany, Hungary, and Switzerland. Exports of consumer oriented agricultural products from the United States increased dramatically from a mere US\$1.25 million in 1992, to almost US\$17.3 million in 1993. As well, the European Union has

urgently required by Ukraine, and are currently imported. These trends suggest that, as the market opens up, there is potential for both trade and investment in agri-food products, technology, and Canadian expertise. The most promising export opportunities for Canada are in: animal genetics, seed, pesticides and fertilizers, chocolates and confectionery, non-alcoholic beverages, and baby food.

- **Animal Genetics:** In 1993, Canada exported over \$1.5 million worth of semen and breeding cattle to Ukraine. This is likely to continue as Ukraine works to improve their cattle herds.
- **Seed:** There is an opportunity for Canadian seed to play a significant role in the rebuilding of Ukraine's crop production over the coming years.
- **Pesticides and Fertilizers:** As Ukraine's crop production increases, there will also likely be an increased demand for imports of pesticides and fertilizers to preserve the growth of the crops.
- **Chocolates & Confectionery:** Ukrainians have an appetite for Western chocolates and confectionery, importing almost \$100,000 worth from Canada in 1994, up from \$1,300 in 1993.
- **Non-Alcoholic Beverages:** Canada exported \$313,000 worth of mineral water and \$28,000 of other non-alcoholic beverages to Ukraine in 1994, making it our second largest export.
- **Baby Food:** In 1994, Canada's top agri-food export to Ukraine was grain-based baby food, at almost \$1.5 million. It was also the fastest growing export, up from almost nothing in 1993.

Foreign Investment in Agriculture and Food Processing in Ukraine



labour and low wages make the agri-food sector an attractive area for direct investment and establishment of joint ventures.

Ukraine offers investors a huge domestic market, while being strategically located to provide access to the sizable European market.

Total Canadian investment in Ukraine was just over US\$110 million in 1994 for a share of 3.1% of total foreign investment. However, investment in agriculture and food processing was low, at less than US\$300,000, far from Germany's US\$21 million and the US\$16 million invested by the U.S.

With the stabilization of the economy, a move toward a more market-oriented economy, the implementation of reform program and the renewal and revival of some economic activity, Ukraine is increasingly being viewed as an export market well worth exploring.

INVESTMENT OPPORTUNITIES:

Because of a lack of investment and the maintenance of the now archaic and non-efficient food processing factories, there is an increased requirement for production and processing technology and equipment. This provides a strong opportunity for the establishment of joint ventures focussed on the manufacture of agri-food processing equipment and machinery, and improving the food distribution system. Joint venture farms and food processing facilities are also a potential investment opportunity.

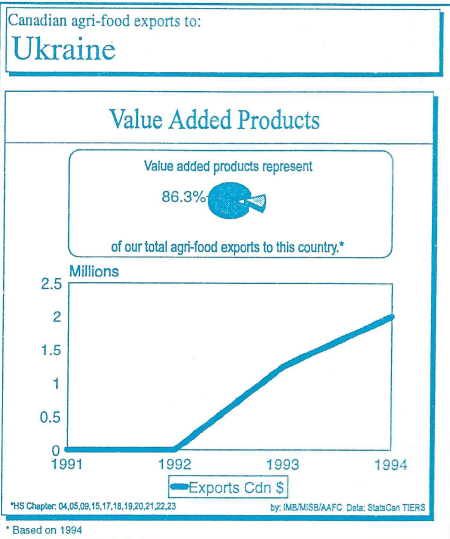
Ukraine's proximity to the Black Sea, rich soil, comparatively moderate climate, skilled

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shown strong interest in Ukraine with almost \$40 million worth of non-grain agri-food exports in 1992.

In 1994, Canada's agri-food exports to Ukraine included pure-bred breeding cattle and bovine semen, baby food, sweet biscuits, waffles and other bakery products, chewing gum and chocolate confectionery, mineral water and other non-alcoholic beverages, and pet food. Along with the cash sales that Canadian companies have made, there have been a number of joint ventures and investments to modernize and improve the Ukrainian agri-food sector. Farm inputs (fertilizers, seeds, plant health products, farm machinery and spare parts) and veterinary pharmaceutical are also