THE FUTURE OF UKRAINE'S GRAIN SECTOR

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At the end of IX-th century Ukraine was the breadbasket of Europe. Almost half of the world's grain was exported from the Black Sea and Danube region (Graph 1).

This period in agriculture for Ukraine was its golden era. Ukraine's techniques for variety selection and grain production were known and distributed all over the world; including imports into Canada and USA (Graph 2).

Unfortunately, the October Revolution of 1917 destroyed that dominance in the world and for nearly 100 years deprived Ukraine from being a world leader in grain production. Only in the year 2000, after 10 years of intensive reforms, which resulted from Ukraine becoming an independent state, has the world recalled Ukraine's illustrious past and started looking for answers to the questions: will Ukraine be able to revive its grain leadership positions? Is there a solid foundation to support its revived position? Will this be a stable position or is it temporary?

Many things have been accomplished in Ukraine to provide answers to these questions, with positive results. Within the last two years, Ukraine has achieved solid gross production volumes, and is sixth among the major grain exporters in the world. However, there is still potential to improve those results (Graph 3).

Sunflower is also a very important crop for Ukraine. Extremely favorable climatic conditions promote high yields with good seed quality (Graphs 4 and 5).

Regarding production and export of milk, meat and vegetables, I would venture to say, that Ukraine is ranked among the ten major producers and exporters (Graphs 6 and 7).

What contributed to such a success? First of all, the implementation of land reform, which resulted in land becoming private property. Beginning, August 1, 2005,it will be possible to sell land and to use it as collateral for obtaining long-term credits (Graph 8).

The Presidential Decree "On immediate measures aimed at accelerating the reform of the agrarian sector" as of December 3, 1999 was quite efficient, as it provided for the liquidation of former collective farms and establishment of new private enterprises (Graph 9).

Government distancing from administrative and command management along with significant liberalization of relations among private companies had, also, a great impact.

Recently, the commodity trade exchange has been developed and its importance and use is being accelerated. In May 2003 the trade in agricultural futures will be launched on a newly developed futures exchange. The fundamentals are being established for the introduction of collateral or mortgage banking, and other elements of a market infrastructure are being introduced that are commonly found in developed countries (Graph 10).

Although, it took Ukraine 9 years to implement and establish all of these changes. However, agricultural production decline in Ukraine has ceased, and its revival and a sustained development is being realized (Graph 11).

Competitiveness of Ukrainian grain

Ukrainian wheat, barley, and other grains are competitive: in the last three years their profitability rate was 65, 43 and 23% respectively. The 2002 sharp profitability decline was conditioned mainly by unfavorable market conditioned caused by a number of factors, both external and domestic.

Low production costs have traditionally enabled grain traders to offset existing infrastructure inefficiencies, namely high cost of storage, transportation and other expenses.

Agricultural inputs in 2002 were only 1% more expensive as compared to previous years. This suggests that there were no significant changes in production cost. However, soon we may witness an increase in the cost of production, mainly because of the farmers will have to replace the obsolete stock of equipment, pay more for leased land and energy, and encounter new types of expenses, such as crop insurance.

Although added cost may seem substantial, Ukrainian grain will still be competitive and profit-making, provided that the market conditions are at least not worse than in 2001.

Competitiveness will also depend on policy decisions directed at reducing market transaction costs from the farm gate to the ports.

For instance, now a trader would have to pay in average USD32 to export 1 metric ton of grain (that is, to change the price basis from ex-works to FOB). According to some estimates, this is 4 to 5 higher than, for example, in Germany.

This sum includes all tariffs related to railroad transportation, quality standards, veterinary certificates, ecological testing, inspections, elevator handling fees, freight forwarder's margin, and port fees.

Simple comparisons of ex-works and FOB prices prove that these costs are the major factor in the difference between the FOB and farm-gate price.

There already exist good indicators that transaction cost is likely to be decreased. Private companies have been actively investing in grain storage and port handling facilities.

Generally, the long-term competitiveness of Ukrainian grain will be subject to the following factors: (1) pricing; (2) improved or at least same efficiency of production; (3) Government policies that facilitate trade and lower transaction cost.

Taking into consideration Ukraine's unique endowment of 40 % of the world's highly fertile black soils and favorable climate, it is possible to affirm that increased input use will provide for the growth of grain production.

Now, in Ukraine the application of mineral fertilizers to one hectare of arable land is 4-5 times less than in Germany or France. The difference in pesticide application is even higher. As a result, in Ukraine the average yield of wheat from one hectare is twice as less as in Germany and France.

Within 3-5 years the gradual growth of production and export of animal products will lead to the 5-6% annual increase in grain sale in the domestic market. At the same time provided there is a respective government policy it would be possible to purchase cheap forage grain from Russia for feedstuff production along with the rise of high quality milling wheat exports from Ukraine.

One of the factors hindering the sharp increase in grain export will be the augmentation of grain processing into bio-ethanol to be used for the production of petrol, both in Ukraine and other European countries. Thus, according to the plan approved by the Government, the capacities for the monthly production of 15 thousand tons of ethanol will be created during the next two years.The existing capacities could provide only for the production of about 3.6 thousand tons monthly.

So, the maximum rise of Ukrainian grain exports up to 15 million tons could be forecasted for the next 3-5 years. And there are factors indicating that the quality of grain exported from Ukraine will be improved (Graph 12).

The realization of that forecast may fail provided the Government or multinational traders, that control about 80% of the grain exports from Ukraine, undertake unpredictable actions (Graph 13).

Regarding the production of sunflower and rape, and the exports of those crops and products of their processing, I would say that insignificant, though stable, growth could be expected (Graphs 14 and 15). According to the results of the last year, sunflower seed output increased by half compared to the year 2001. And the tendency of the production volume augmentation and the quality improvement will continue.

Ukraine is becoming a sound food producer, and our major task is to learn how to improve rules of the game so as to make them suitable for our partners and being in conformity with the current policy of the food provision globalization.

London Corn Trade Association,

2, LIME STREET SQUARE, LONDON, E.C.

M. J. CRADOCK, SECRETARY.

1888.

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Montreal, May 1999

Bryce John Sallans, who was a plant pathologist with Agriculture Canada, from 1928 to his retirement in 1967, died on February 16 in Victoria, B.C.

Bryce was born in 1901 in Argentina, where his father Rev. W. B. Sallans was a Methodist missionary. The family returned to Canada in 1905 and lived at a number of locations in Manitoba, Saskatchewan, and British Columbia. Bryce obtained his B.S.A. in general agriculture in 1921 from the University of Manitoba, and B.A. in biology from Brandon College. He received his M.Sc. in botany from the University of Saskatchewan, and Ph.D. in plant pathology from the University of Wisconsin.

He had a long and fruitful career in agricultural research from his first temporary appointment in 1926 to his retirement, virtually all at Saskatoon. He worked mainly with cereal diseases and was an international authority in cereal root rots. As Head of the Plant Pathology Section from 1962-66 he played an important role in coordinating a comprehensive program on crop diseases.

Dr. Sallans held membership in numerous scientific and professional organizations. He was a charter member of the Agricultural Institute of Canada, a charter and honorary member of the Canadian Phytopathological Society, and an honorary member of the Canadian Seed Growers' Association.

Bryce was recently predeceased [illegible] brothers. Bill, with Agriculture Canada in Vancouver, and [illegible], who was Director, Prairie Regional Laboratory, National Research Council, Saskatoon. He is survived by his wife Margaret and three married daughters. □

Ben Lomond and Ben Lawers, both comparatively dwarf but challenging and picturesque mountains. Through the winter months, when people have more time to relax and chat, we visited the somewhat aloof people of the Island of Skye, saw the almost tropical gardens of Inverewe situated as far north as Hudson Bay, but warmed by the Gulf Stream drift, and talked with oil executives developing the North Sea fields. A person, just back from a management position in Rhodesia and starting a speciality fish products business in southern Scotland with government subsi- himself in the eyes of his mates and the more sportsminded masters. His summer excursions through the British Isles added still further to his very profitable year.

Possibly the feeling of mutual warmth which enveloped us through our stay in Scotland was best expressed by 40 P.R.C. staff members who on their own time attended and apparently enjoyed an illustrated presentation of a Canadian's impressions of Scotland.

Events such as these, all contributed greatly to a very stimulating year. □

Steve Symko Receives Canada Council Grant

Steve Symko of the Ottawa Research Station has been awarded a Canada Council Grant to write a monograph entitled, "Contribution of Ukrainian Wheat for Canadian and World Agriculture".

This study will probably be the

"IT'S MY OPINION!"

Land Use

In the column "From the DG's desk" January 1974 issue Dr. B.B. Migicovsky has focused attention on the food crisis that is evidenced by starvation in parts of the world and by high prices and shortages of some items in fortunate countries such as Canada. We are pleased to note that the development of "more effective policies for land use" was among the Research Branch initiatives suggested for contributing towards the alleviation of the food crisis. In our opinion sound provincial and national policies on land use are vital both to the agricultural industry and to the public at large. A rationale for the designation of land for the production of food crops and animals and for other uses such as urban growth must be developed. The Research Branch can make a major contribution in this area as specialists in crops, animals, climate, soil and land are available.

A rational land use policy for Canada should be based, in part, upon the fact that the combination of good soil and favorable climate for productive agriculture occurs over a very limited area. Much of this best agricultural area is in zones of high population density such as southern Ontario, the upper St. Lawrence Valley, and the Lower Fraser River Valley

An agronomist bids 'his babies' goodbye

OTTAWA — Stephen Symko is [illegible]ing retired today, and it's a [illegible]d day for agricultural research in [illegible]anada.

This Ukrainian-Canadian botanist [illegible]s made some global breakthroughs improving the strains of barley and [illegible]eat, but he leaves his work unfinish[illegible] and with no idea who will carry it [illegible]

The cutbacks, freezes and bilingual [illegible]quirements that the federal government has imposed on all federally-[illegible]ded scientific research apply to [illegible]icultural research, too, and Symko [illegible]ards it as a sad reflection on his [illegible]opted country, in a hungry world. [illegible] feels we abandon food research at [illegible] peril.

For 27 years, he has worked in the [illegible]eals Section of the Central Experimental Farm here, in the very [illegible]oratories and fields used more [illegible]n half a century ago by Dr. [illegible]liam Saunders and his son Sir [illegible]arles Saunders, to evolve the Mar[illegible] strain of wheat that made Western Canada the breadbasket of the world.

Symko feels the memory of these great Canadians is being betrayed, and to work out his frustrations he's thrusting his energies into a book about the Ukrainian contribution to Canadian and world agriculture, which he's writing in English and Ukrainian.

Why Ukrainian? Because, as Symko explains, it was from his native Ukraine that the parent strains came to produce Red Fife, which the Saunders crossed with Hard Red Calcutta to produce Marquis.

It wasn't only wheat that came from the Ukraine—farmers themselves came to work the Canadian land, bringing with them energies, knowledge and techniques that have served Canada well. In Symko's view, Ukrainian-Canadians don't have to take a back seat to anybody.

He's a plain-spoken man who speaks perfect French and heavily-accented English—when he talks about manure, he calls it "sheet". At 65, he can do more work with a garden spade than most men of whatever age. His garden of hybrid lilies on a tiny Ottawa city lot is now a mass of incredible bloom, and his hybrid tomatoes are so huge he has to use two-by-fours to stake them.

Symko's most important work in the field of cereals has been in barley and wheat.

In barley, he evolved a new method of crossing wild and winter barley that speeded up breeding programs enormously, and his is now the dominant technique used in commercial barley breeding in this country.

In recent years, his major preoccupation has been Triticale, the cross between wheat and rye that has caught the imaginations of agricultural scientists throughout the world.

Most experiments elsewhere have involved spring wheat. Symko has concentrated on winter wheat, overcoming many difficulties in his determination to capture the best qualities of wild rye into a hybrid strain that would give a high yield with great resistance to disease.

He thinks he is on the verge of more breakthroughs, but his pleas for an extension of his time have gone unheeded and he's being put out to pasture. Not only that, there is no assurance that his botanist post will be filled, or that anybody will take over his projects, since Symko says half his colleagues have left the Cereal division.

Like all farmers, Symko is used to frustrations—he has had more than his share since leaving his home in Daknie, in the Western Ukraine, to attend the University of Louvain in Belgium, in 1931. He graduated as an agronomist in 193[illegible], and took over the management of a Belgian-owned potato farm in Poland.

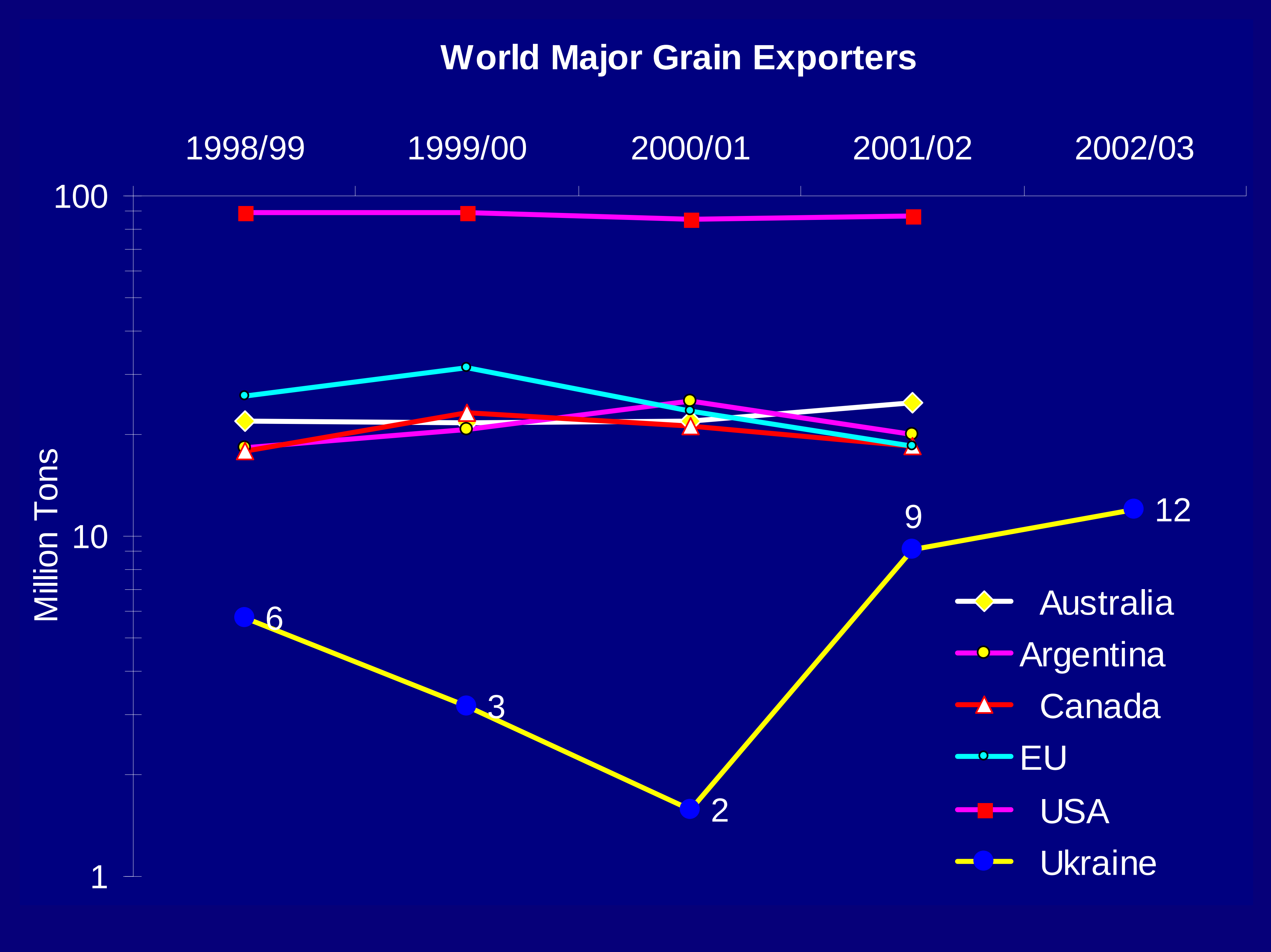
Neighboring Polish farmers were stealing him blind, so he returned to the Ukraine and became the principal agronomist for his native province of Galicia, concentrating on the search for new varieties of wheat and rye.

He continued his work during the German occupation, evolving a high yield of winter wheat known as Halychanka. When the Russians routed the German invaders, Symko headed west with his wife and three children, carrying 300 spikes of his winter wheat in a cloth bag.

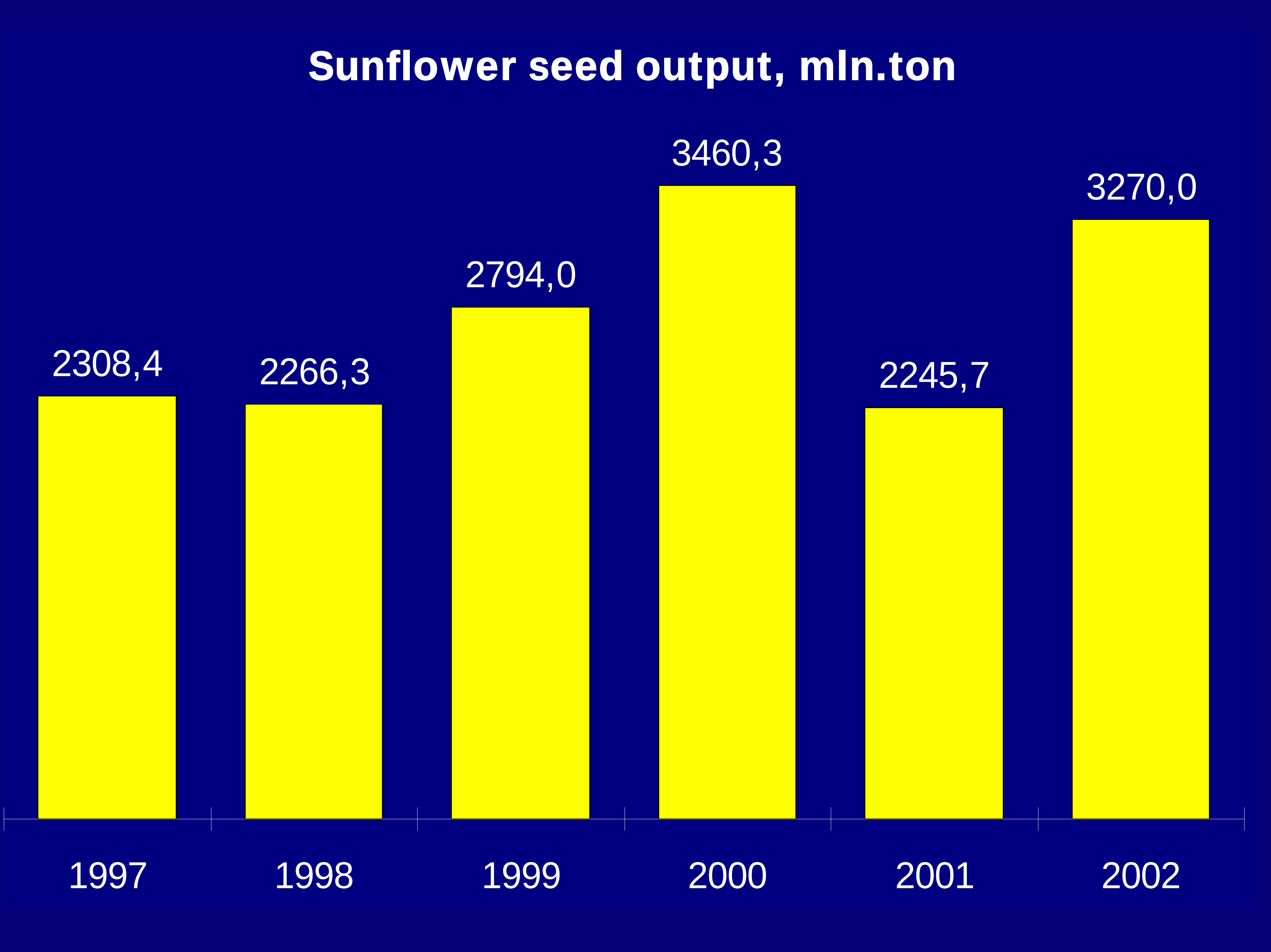
After assorted hardships, he led his family back to Belgium, working at Louvain in plant breeding and genetics. The Belgians wanted him to go to the Congo, but he chose Canada instead, and with a ticket provided by the International Refugee Organization they wound up in December, 1948, on a farm outside Prince Albert, Sask.

The temperature was 36 below zero, so Symko engineered a move to Winnipeg, and the next year he joined the Central Experimental Farm in Ottawa as a worker at 65 cents an hour.

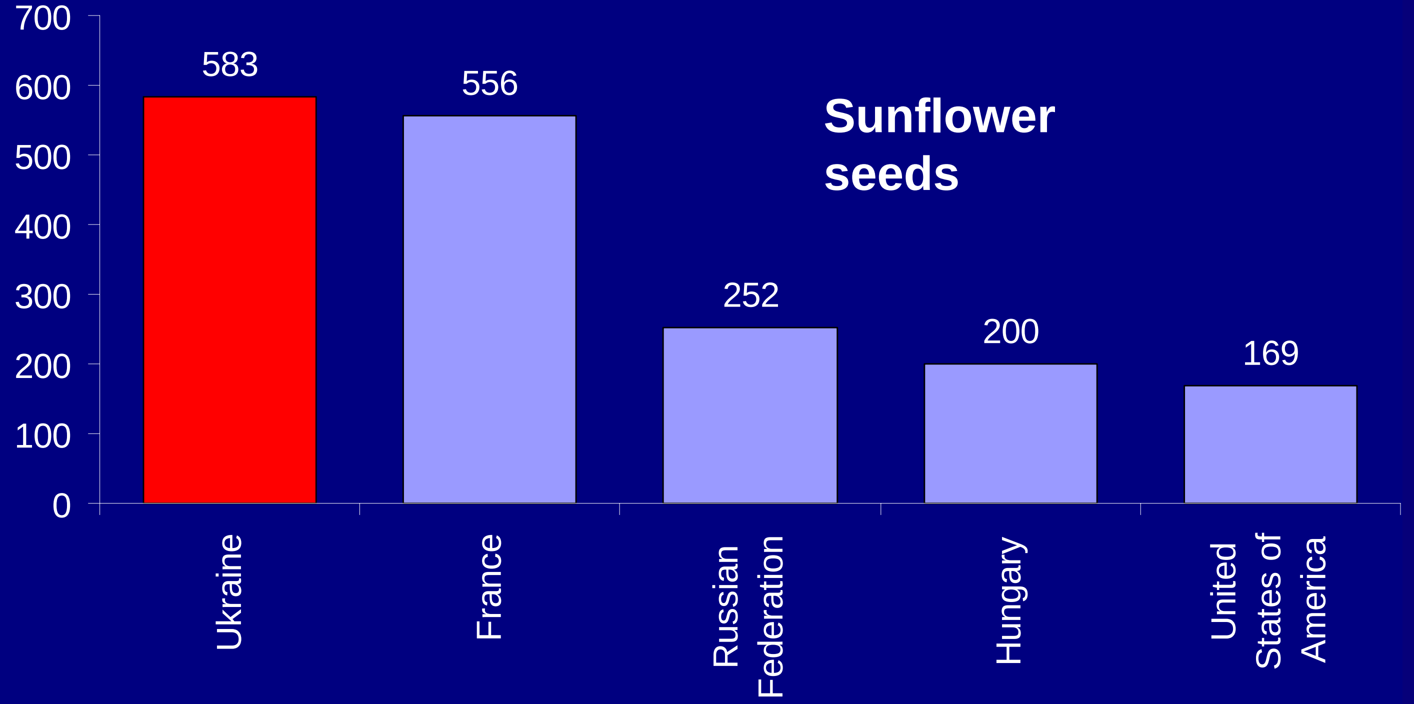
One of his sons is a physicist, two others are construction engineers, and a daughter is a graduate of the Julliard School of Music in New York. But his real babies, he says sadly, are the cereals—"and now I must abandon them."

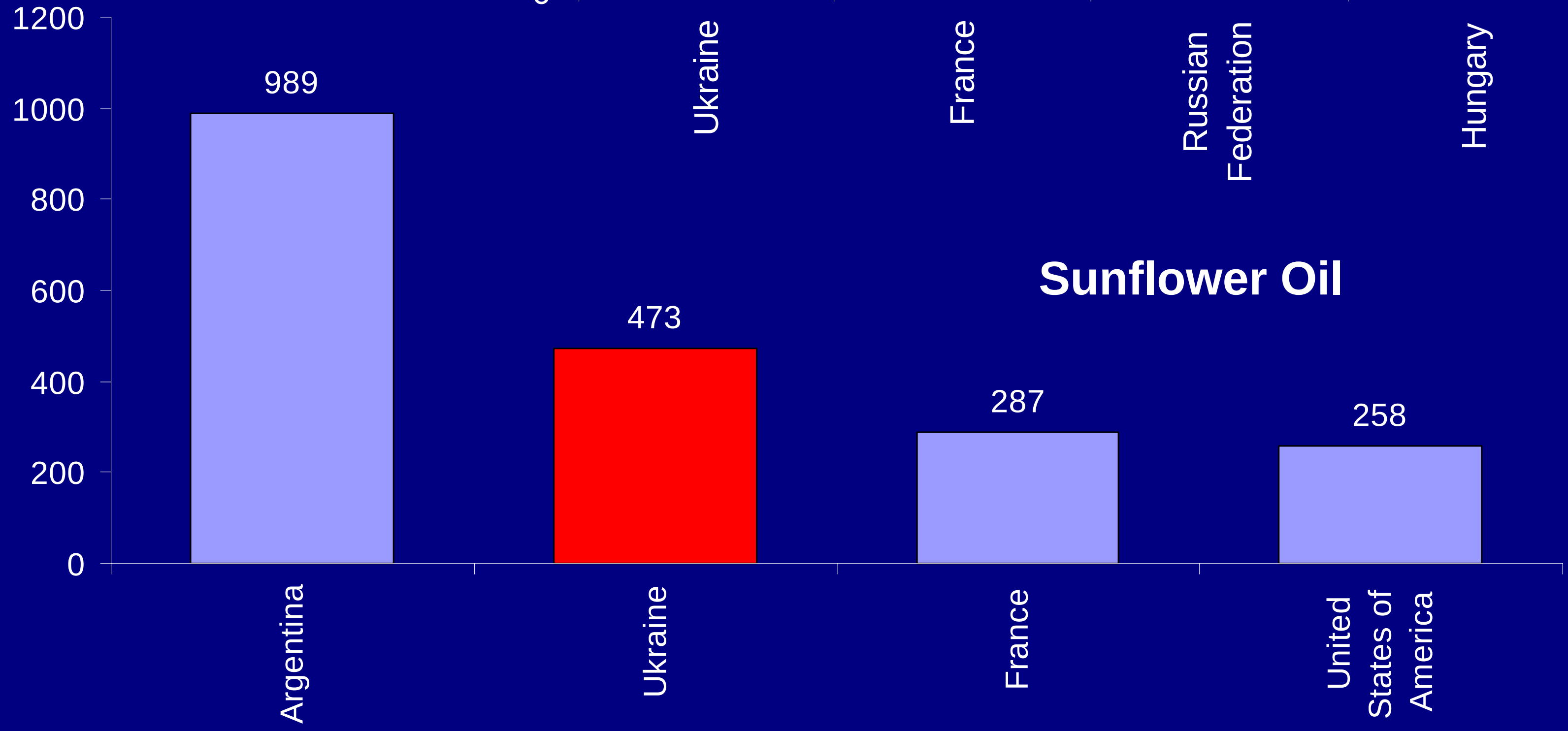


World Major Grain Exporters
1998/99
1999/00
2000/01
2001/02
2002/03
100
10
1
Million Tons
6
3
2
9
12
Australia
Argentina
Canada
EU
USA
Ukraine

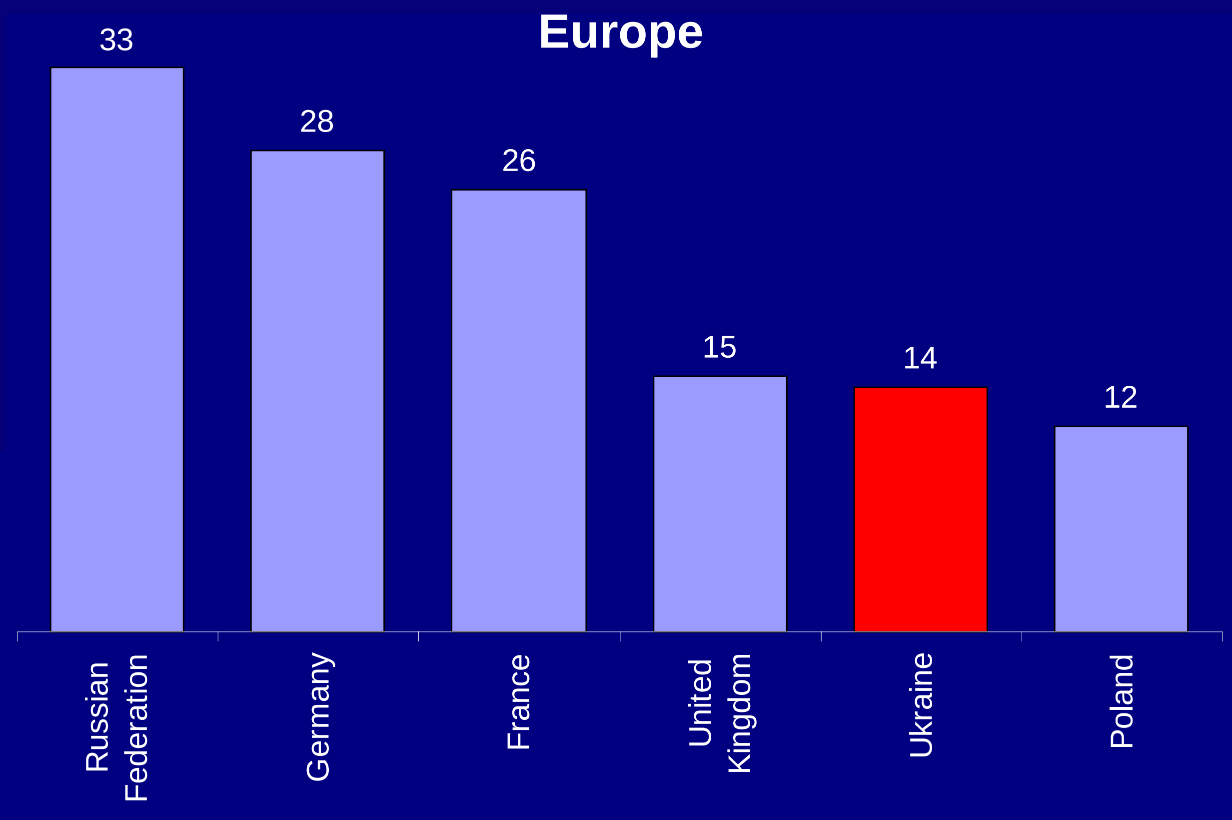

Sunflower seed output, mln.ton
2308,4
2266,3
2794,0
3460,3
2245,7
3270,0
1997
1998
1999
2000
2001
2002

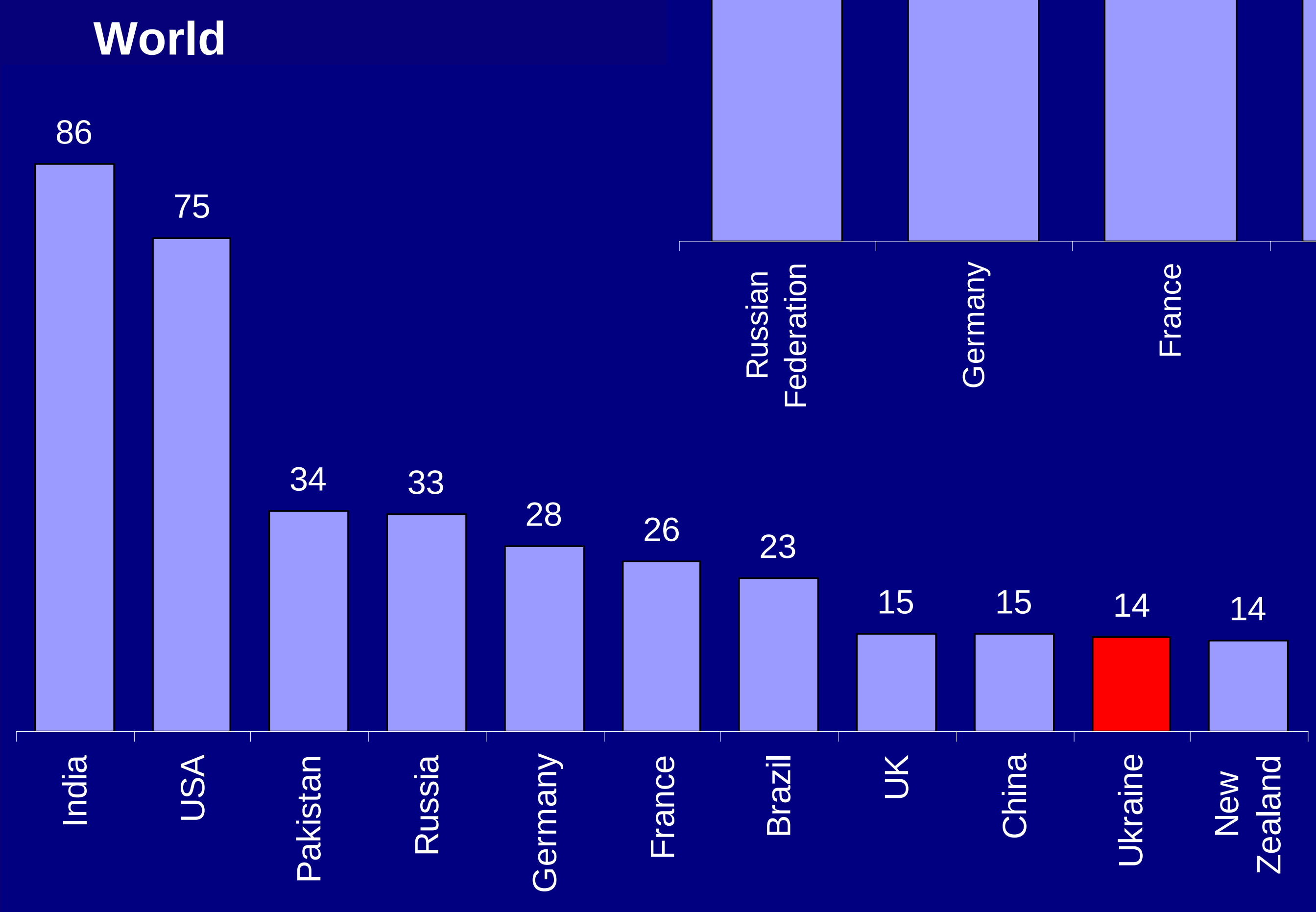
World Major Sunflower Seeds and Sunflower Oil Exporters, thou. ton



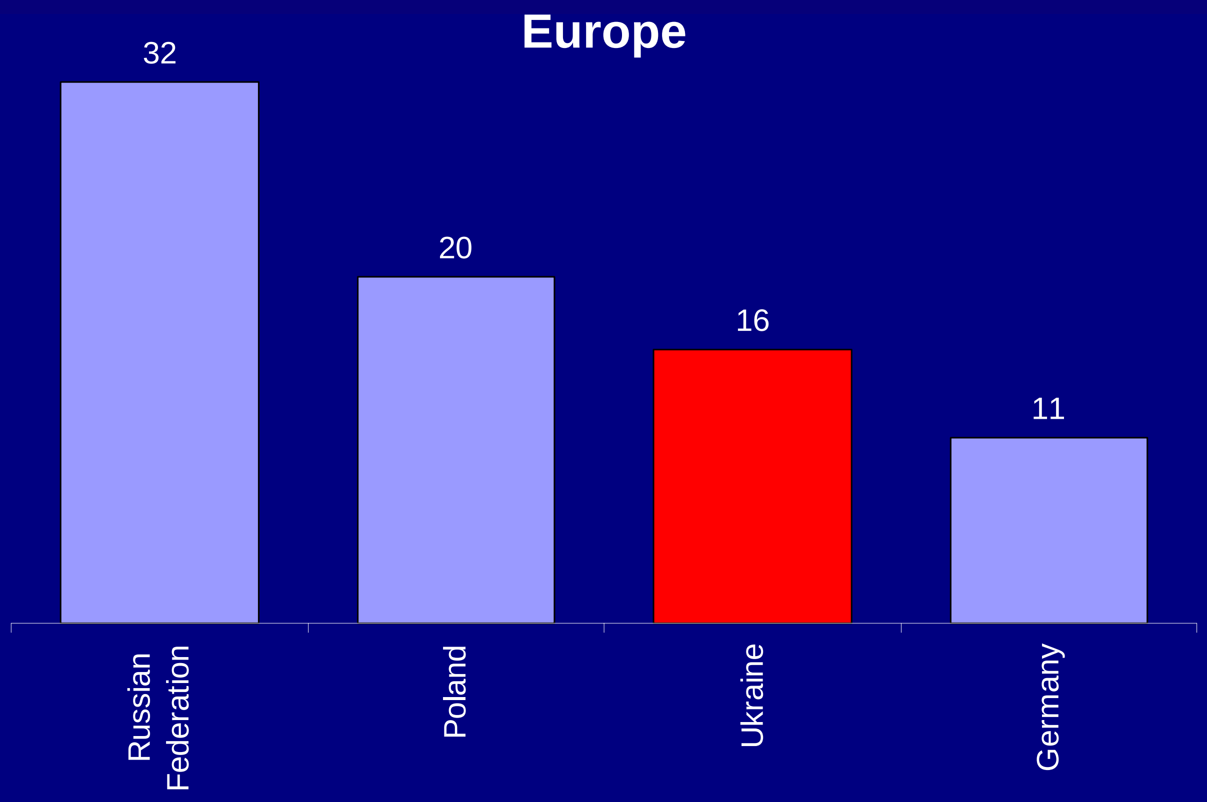


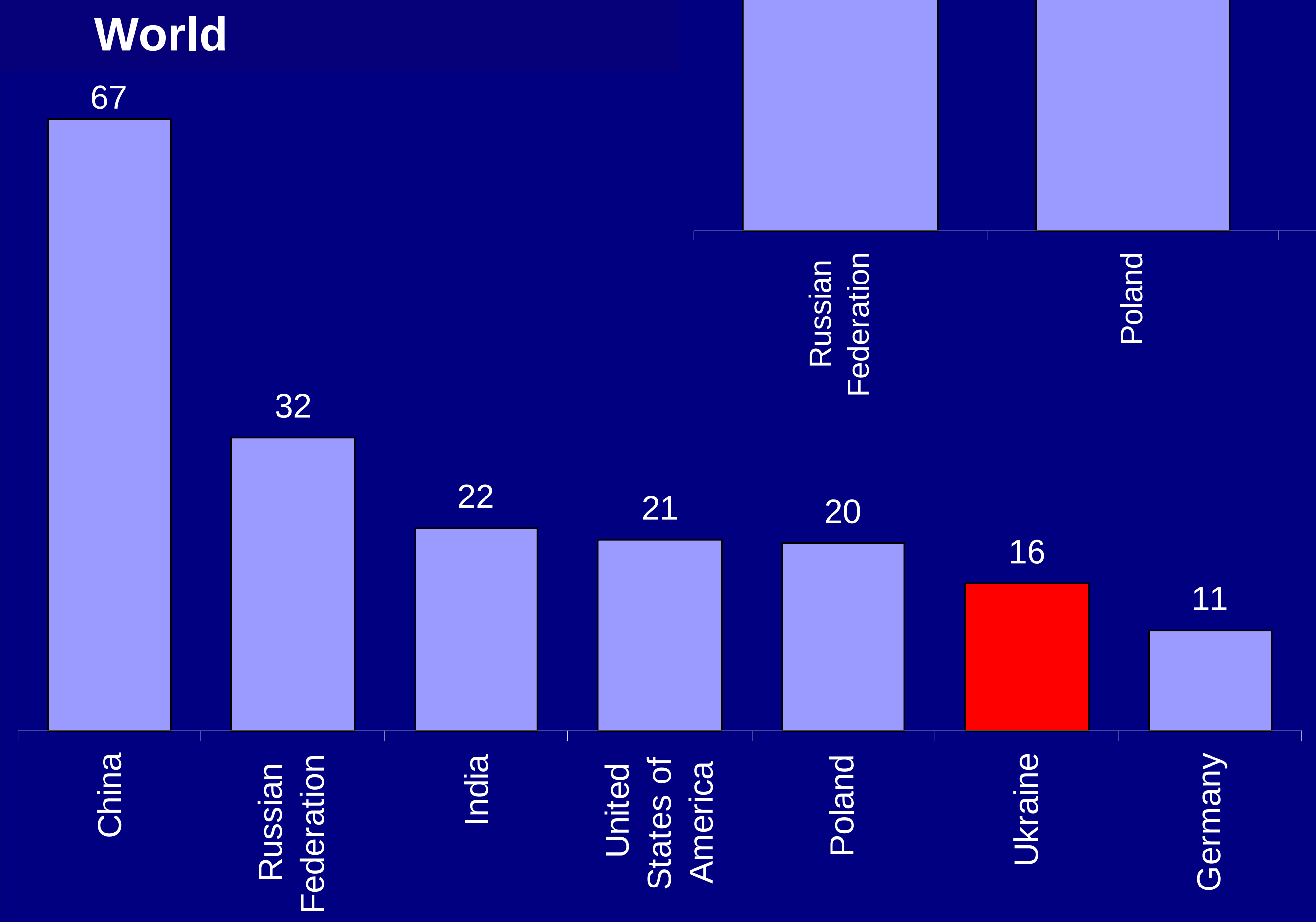
Leading Producers of MILK, mln. ton



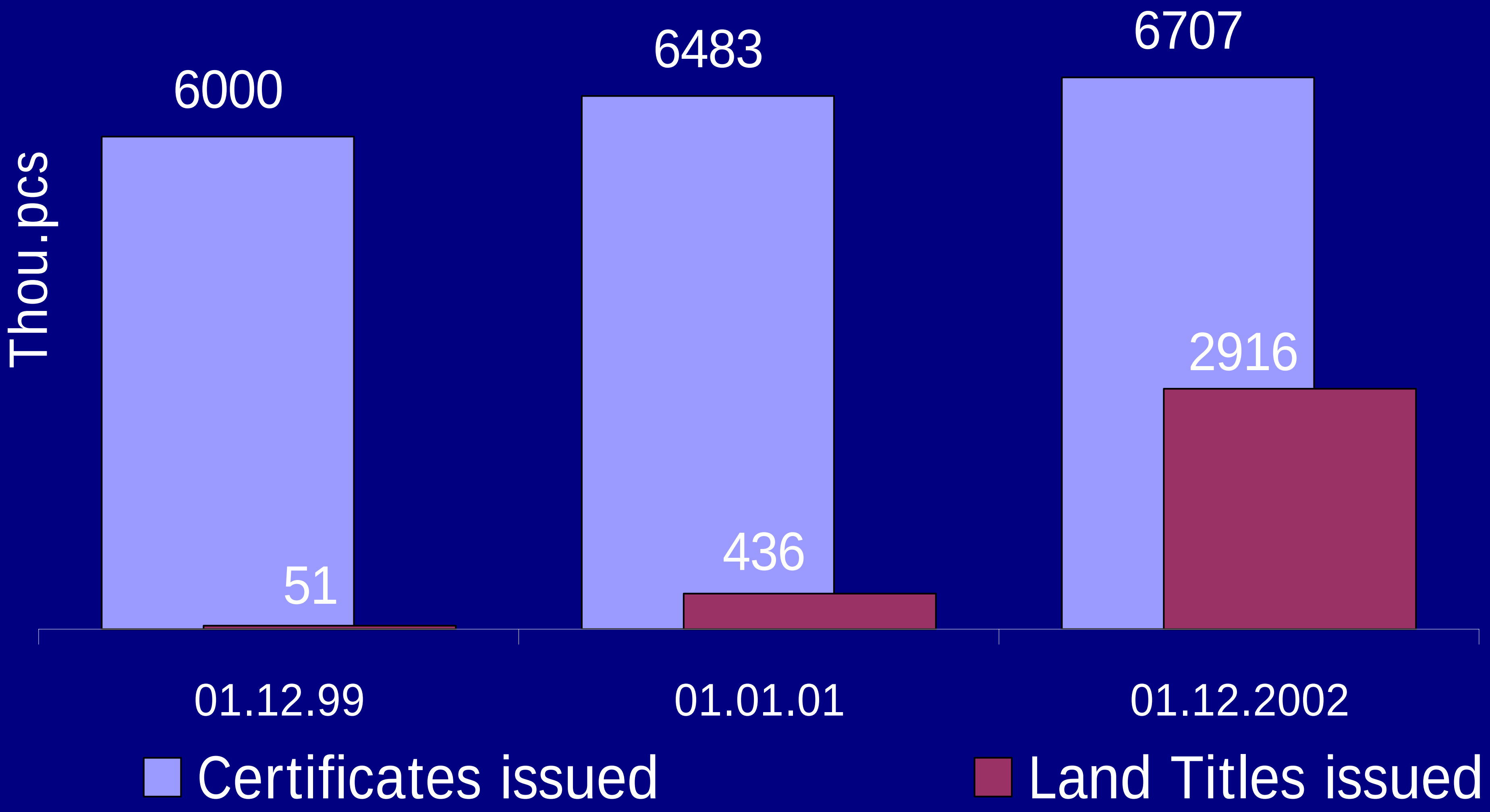


Leading Producers of Potatoes, mln. ton

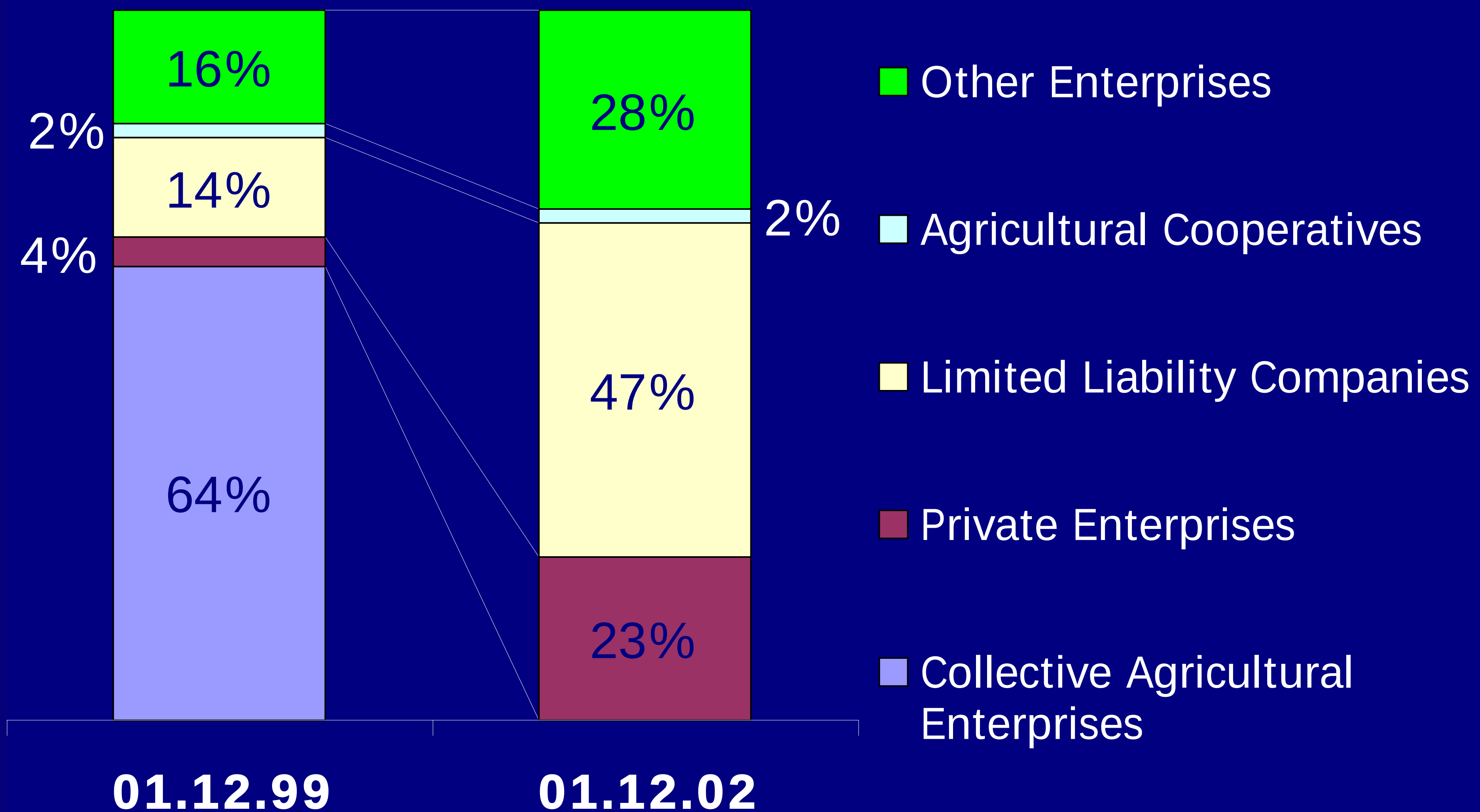




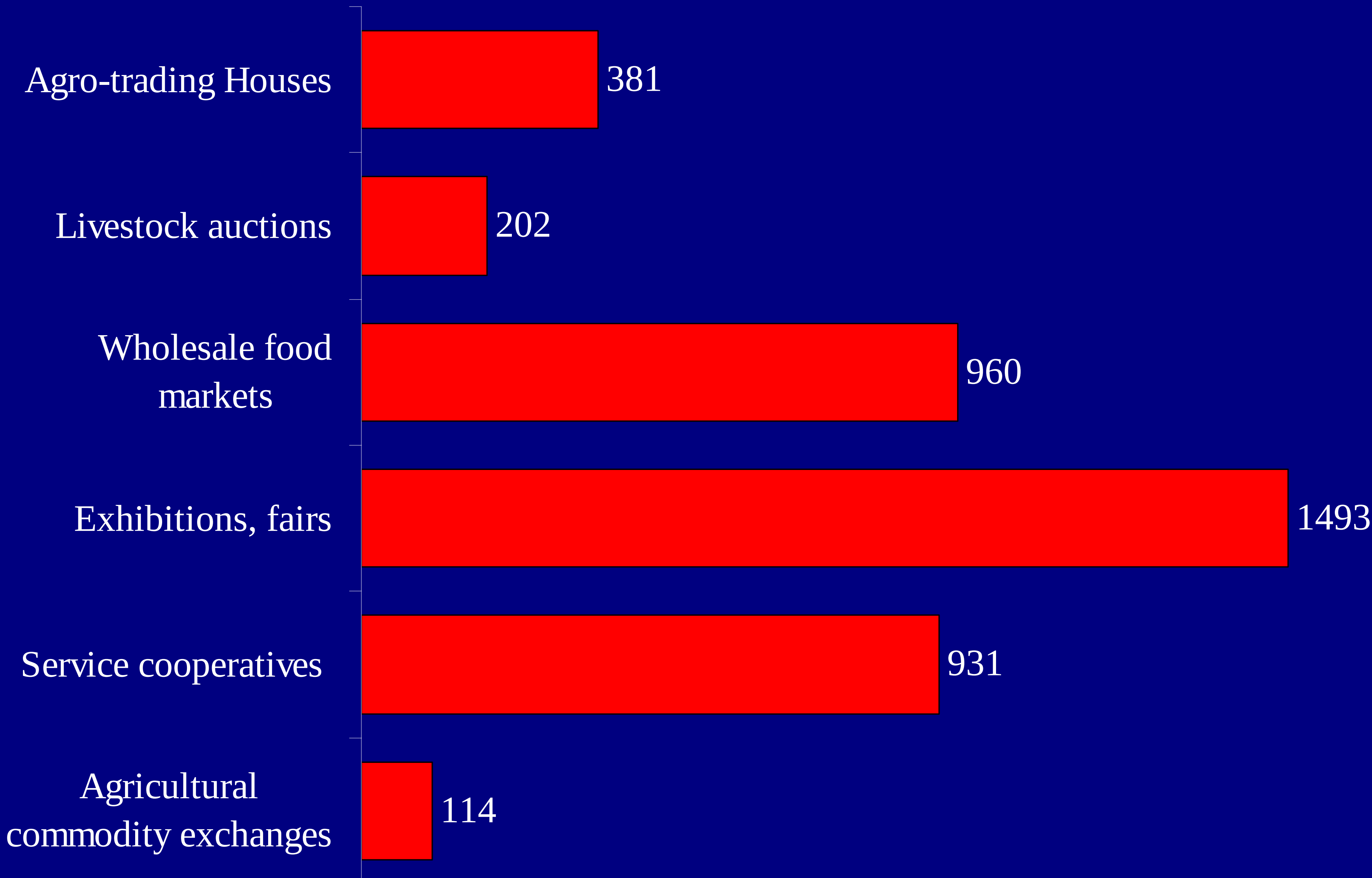
Evolution of Issuance of Land Certificates and Land Titles

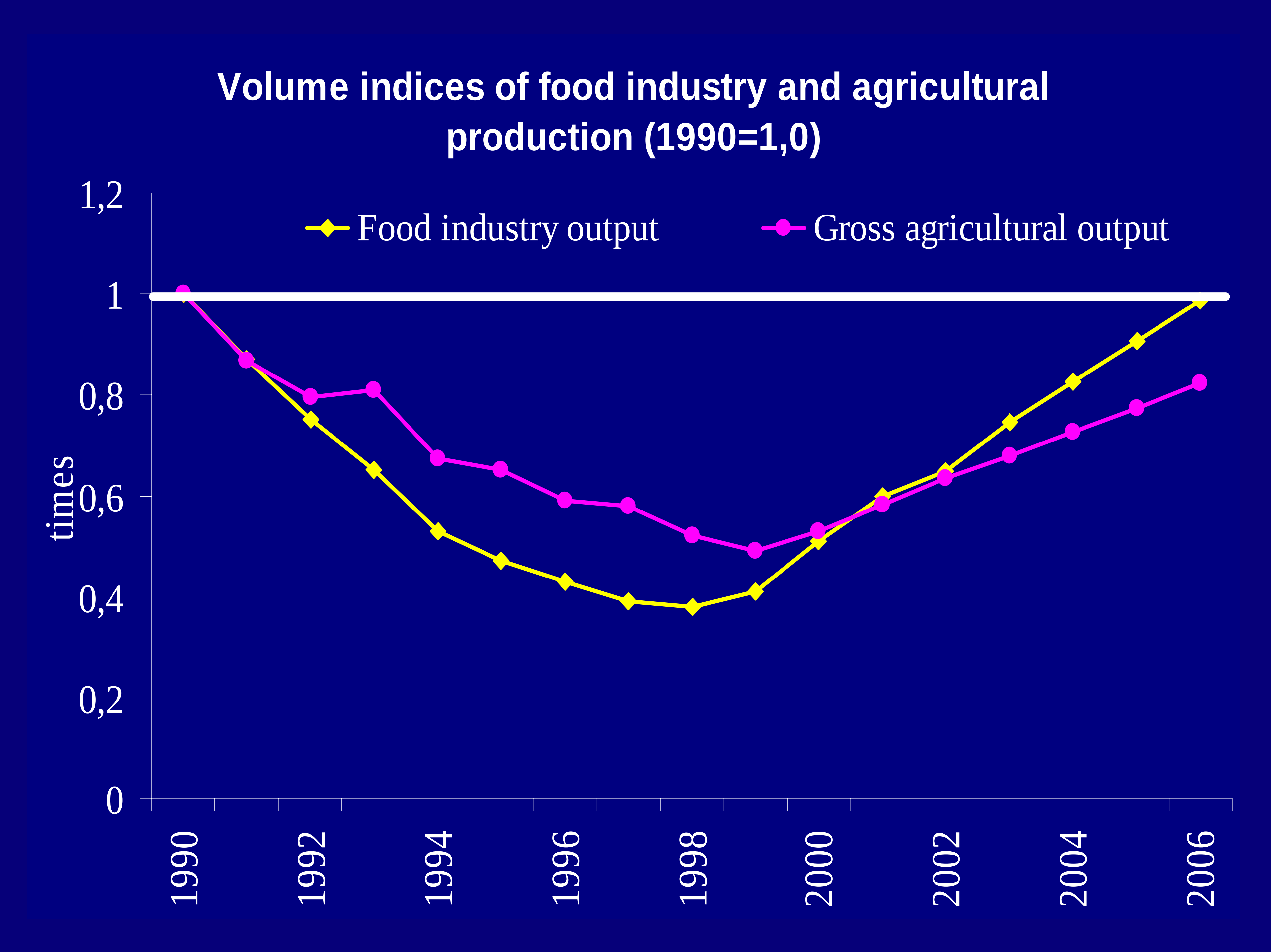


Structure of Registered Agricultural Enterprises Established in the Process of Agrarian Reform in Ukraine



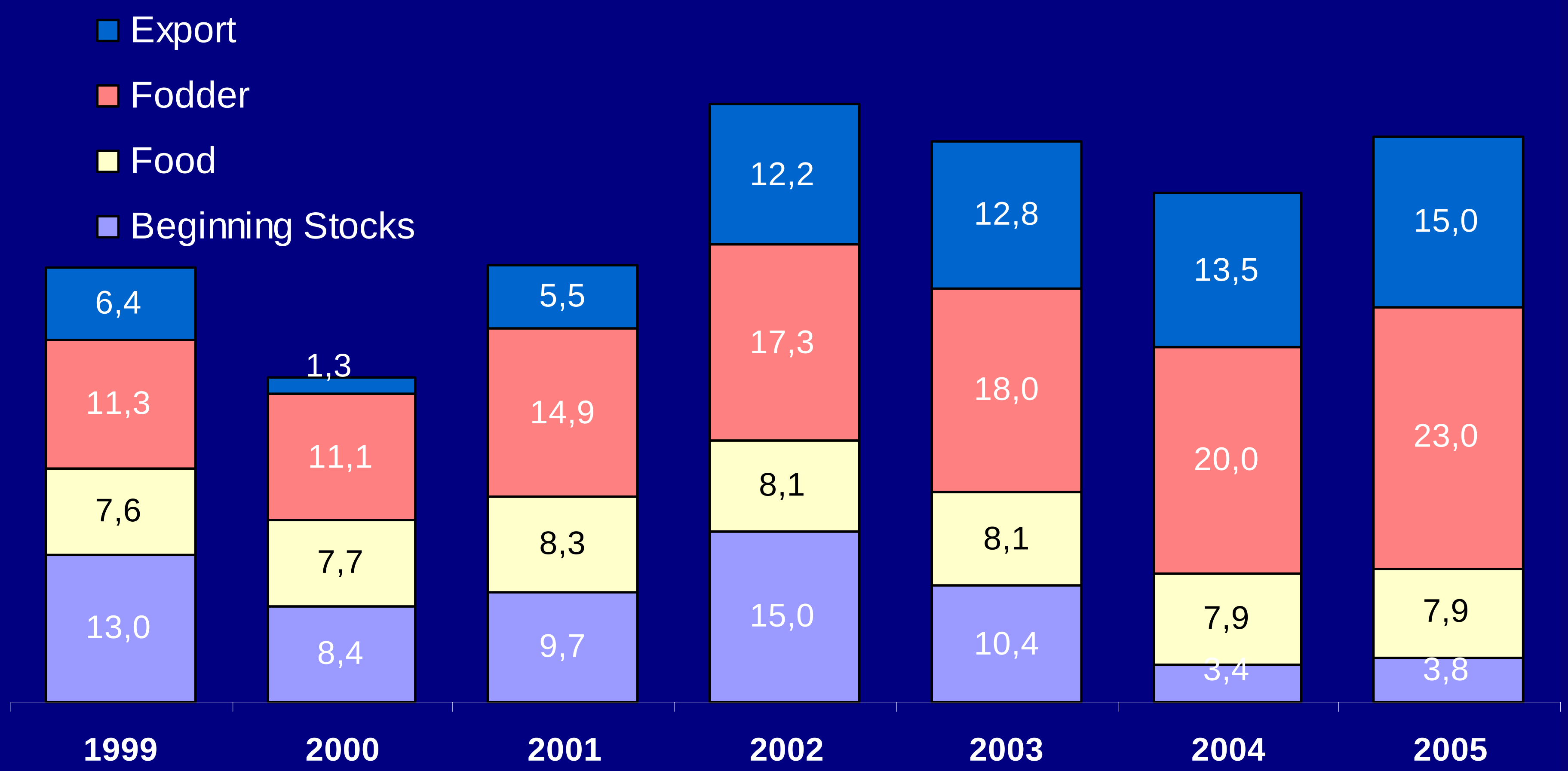
Agrarian market infrastructure facilities





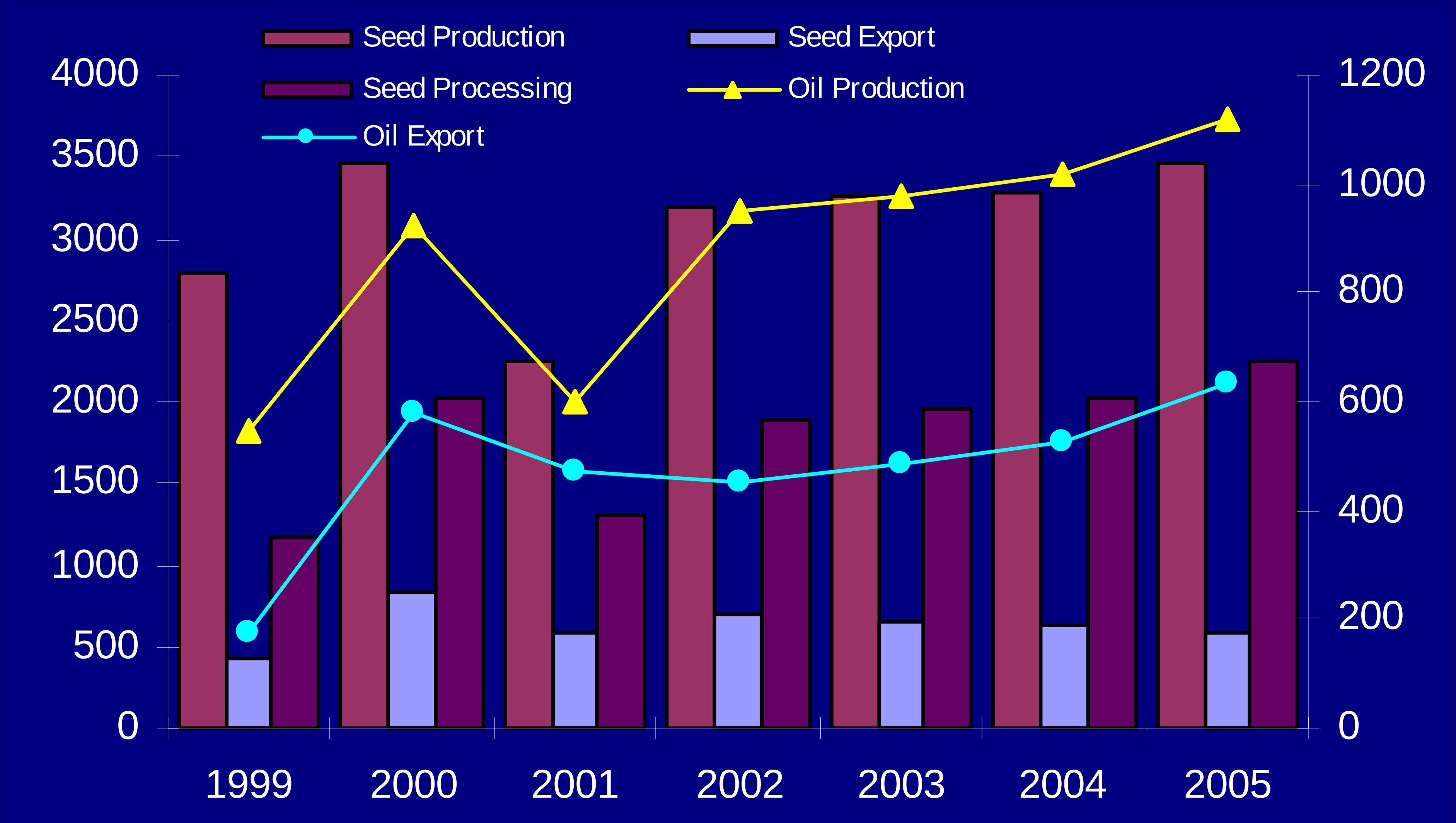
Volume indices of food industry and agricultural production (1990=1,0)
Food industry output
Gross agricultural output
times
1,2
1
0,8
0,6
0,4
0,2
0
1990
1992
1994
1996
1998
2000
2002
2004
2006

Forecast of grain use by major areas in Ukraine (calendar year), mln. ton



Forecasted structure of grain exports by categories of traders

Forecast of sunflower seed and oil market development in Ukraine, thou. ton



Forecast of rapeseed and oil market development in Ukraine, thou. ton