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## AGRICULTURE OF UKRAINE DURING THE WAR: PRESENT AND DEVELOPMENT PROSPECTS

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**Abstract.** It was determined that agriculture in Ukraine is one of the leading branches of the economy. The products of Ukrainian agricultural producers covered not only the needs of the domestic market, but were also exported to the Middle East, Asian and African countries. The study presents the structure of producers of agricultural products in Ukraine, describes the consequences of the full-scale invasion of the Russian Federation for all types of producers of agricultural products, highlights the actions of the Ukrainian authorities aimed at overcoming the negative consequences for agriculture caused by the war, analyzes the prospects for the implementation of the New Agrarian Policy announced by the government of Ukraine.

**Key words:** agriculture, full-scale invasion, agricultural holdings, farmers, personal peasant farms, New agrarian policy.

### Introduction.

Agriculture is one of the priority sectors of the economy of Ukraine. It provides food for its multi-million population, and supplied food to the countries of Africa, Asia, and the Middle East.

The relevance of the study is an attempt to understand the consequences of the full-scale invasion of the Russian Federation for various types of agricultural producers, an analysis of the policy of the Ukrainian government in the agricultural sector of the economy, and an outline of the prospects that may await the agriculture of Ukraine.

The essence of the research problem is to focus attention on the risks involved in maintaining the course on export-oriented agriculture in the New Agrarian Policy.

Purpose: to analyze the state and development prospects of Ukrainian producers of agricultural products.

The object of research is the processes taking place in the agriculture of Ukraine during the war.

### The main text

Agriculture in Ukraine is one of the main areas of economic development. Large areas of fertile land, a moderate climate, investment of resources and investments, implementation of reforms, implementation of state programs - all this contributed to a significant increase in the volume of agricultural products, which made it possible not only to saturate the domestic market, but also to significantly export to the countries of the Middle East, Asia, African continent. Over the years, such a structure of the agrarian sector of the economy has been formed in Ukraine.

The full-scale invasion of the Russian Federation on the territory of Ukraine caused enormous damage to all segments of the economy. 18% of the territory of the state was captured, the occupiers exported a significant amount of agricultural



machinery and grain to the Russian Federation . Large areas of agricultural land in the liberated territories are dangerous for cultivation due to the risk of encountering mines and explosive devices. Due to the destruction caused by the strikes on the grain terminals, the blockade of the Black Sea water area, significant difficulties arose with the export of grain. Due to the blockade of the Ukrainian-Polish border, problems arose with the export of Ukrainian grain by road transport. The struggle for the priority of state support and resources between agricultural holdings and small agricultural producers has only intensified, exacerbating the already difficult prospects for the future of agriculture in Ukraine [1].

Historically, agricultural production in independent Ukraine is divided into two groups: large and small. After the October coup of 1917, the land and means of agricultural production were taken from the owners in favor of newly created associations for joint cultivation of the land - collective farms and state farms. However, the residents of the villages were left with homesteads for running a subsidiary household. After Ukraine's declaration of independence, the conditions were created for the transformation of small homestead production into commercial family farms. At the beginning of the land reform, the land of collective farms and state farms was distributed among the employees of these structures, which gave the latter the right to own a certain plot of land (the so-called share). The new owners faced a problem: what to do next? Access to resources and conditions for farming (techniques, finance, relations with suppliers and consumer markets, legal support for activities) disappeared due to the collapse of the previous structure of agricultural production , and new ones were just beginning to form in the conditions of the emergence of market relations in the 90s of XX century. Because of these and other difficulties, only a small part of share owners decided to develop a farm or cultivate the land themselves. The vast majority of share owners leased their land allotments to newly created (on the site of collective farms and state farms) agricultural enterprises and farmers.

At the beginning of the 20th century, fertile lands in Ukraine attracted the attention of domestic and foreign businessmen who wanted to invest in them. In order to prevent the accumulation of land in the hands of financial and industrial groups and individual businessmen, taking into account public opinion, in 2001 the government introduced a ban on the sale of agricultural land, the ban was extended several times over the course of two decades. However, this did not stop the accumulation of land by legal entities and individual individuals. Land and means of production of former forced associations of peasants, as well as leased soils took under their control large producers of agricultural products, which were called agrohholdings . They organized a closed cycle: production, storage, processing, sale on the domestic market and export. The largest agricultural holdings control 8% (2.6 million hectares) of agricultural land [2].

There is no clear classification of farms in Ukraine. According to the data of the Institute of Economics and Forecasting of the National Academy of Sciences of Ukraine, 31 thousand 800 farms and 3.9 million personal peasant farms are registered. It is necessary to understand that these figures are not fixed, but change due to various factors. The average size of a farm is 50-100 hectares. They cultivate



about 15% of arable land (private and leased) and produce 8.7% of domestic agricultural products [3].

Personal peasant farms produce 37.4% of products intended for domestic consumption. If taken by area, they cultivate 30% of agricultural land. Cultivated areas in personal peasant farms are as follows:

- from 1 to 5 ha - 85%;
- from 5 to 10 hectares - 9%;
- more than 10 hectares - 6%.

The percentage of agricultural products produced in personal peasant farms: potatoes - 95%; vegetables - 85%; fruits and berries - about 80%; milk - 75%; meat - more than 35%.

On March 31, 2020, the Verkhovna Rada of Ukraine adopted amendments to the Land Code. Transitional stages before the introduction of the land market were approved. At the first (started on July 1, 2021), an individual could become the owner of up to 100 hectares of agricultural land. This was done so that small producers could purchase land. After 2024, access to the market will be granted to legal entities. Individuals and legal entities will be able to purchase up to 10,000 hectares. Foreign individuals and legal entities are prohibited by law from buying Ukrainian land [6].

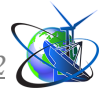
Both small and large producers of agricultural products faced problems caused by the full-scale invasion of Russia on the territory of Ukraine. However, large industrial agribusiness accounts for the largest share of losses. Infrastructure, elevators, farms, product storage and machinery are targets for Russian missiles and drones. Power system shocks pose a danger to industrial livestock and poultry farming. For example, in May 2022, more than 4 million chickens and about 700,000 chicks died due to a blackout due to an airstrike at the Chornobayiv poultry farm, the largest in Europe [4].

The most difficult tests fell on agribusiness, which is focused on the production of oil and grain crops intended for export. The mass media reported (and these facts were documented) about the removal of grain from captured territories, the burning of fields, the shelling of elevators and terminals, the mining of land and agricultural production facilities [5].

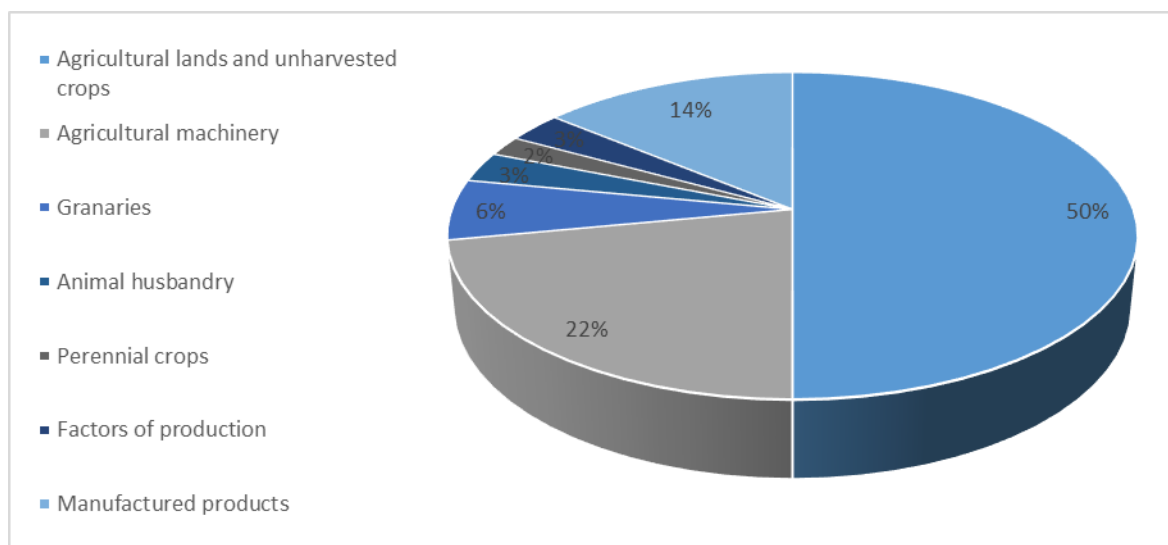
Enormous damage to the export of Ukrainian grain was caused in the first months of the war, when the Black Sea fleet of the Russian Federation blocked Ukrainian ports through which 95% of Ukrainian grain intended for sale in Africa, Asia and the Middle East was sent for export. This paralyzed the export-oriented segment of agriculture and caused a food crisis.

Only on July 27, 2022, with the mediation of the UN and Turkey, the export of grain from three ports was resumed: Odesa, Chornomorsk, and Southern. However, a year later, Russia unilaterally withdrew from the grain agreement. Due to the enormous efforts of the Ukrainian military and diplomats, the export of Ukrainian grain was partially restored [6].

Globalized neoliberal agricultural production, due to its narrow specialization and dependence on international markets for food, fuel, and mineral fertilizers, has demonstrated significant vulnerability to world-level shocks (COVID-19, Russia's war against Ukraine). The ability of Ukrainian agricultural holdings to stay afloat is



threatened not only by the destruction of logistics, infrastructure and means of production as a result of military operations, but also by the methods of organizing their work. Due to the dispersion of the business of one agricultural holding throughout the territory of Ukraine, at the beginning of the war, the activity of even those large agricultural enterprises, whose lands were not in the war zone, was paralyzed. For example, cultivation equipment and tools were stored in several places, closer to the fields, seeds, herbicides, pesticides, and fertilizers - in a centralized warehouse, from which delivery was made by the company's motor vehicles directly to the places, professional workers were delivered from one region to another (such as from Odesa regions in Cherkassk or Vinnytsia, in which the harvest begins later). Logistical difficulties in the first months of the war led to a partial paralysis of the work of agricultural holdings . The lack of fuel, which was previously supplied from Russia and Belarus [9], also added to the difficulties.



**Fig. 1. The structure of damage to agriculture by territory as a result of the military invasion of the Russian Federation , %**

Source: built by the author based on [23].

According to the FAO report "The Impact of War on Agriculture and Livelihoods of Rural Residents in Ukraine", farms and private peasant households were not as painfully affected by the full-scale invasion. This can be explained by the fact that small producers, compared to large ones, are not so integrated into global economic processes (less dependent on resources from outside and international trade). Equipment, warehouses, equipment are in one place. Those engaged in processing mainly sell their products at local trading platforms. The workforce doesn't need a ride. All of the above, as well as mutual support, allowed small producers of agricultural products to adapt to new circumstances.

In order to guarantee internal food security in the conditions of war, the executive and legislative branches of government carried out a set of measures. In April 2022, the Law of Ukraine "On Amendments to Certain Legislative Acts of Ukraine to Ensure Food Security in Martial Law" was adopted in order to solve problems with land lease contracts. The fact is that a large number of farmers, due to the unstable situation, chaos, emigration of landowners caused by the full-scale



invasion of the Russian Federation on the territory of Ukraine, as well as lack of finances, could not renew their land lease contracts. In order to comprehensively solve the problems, the legislator decided: to extend lease contracts for a period of one year, to set the amount of rent up to 8% of the value of the land plot. The procedure for registering land allotments on the ground was simplified, and the possibility of free transfer of community and state land to those willing to run a family farm was provided. In order to simplify the procedure for the lease of state and communal lands for the accommodation of evacuated enterprises and displaced persons, in May 2022 the Law of Ukraine "On Amendments to Certain Legislative Acts of Ukraine Regarding the Peculiarities of Regulation in Martial Law" was adopted. A state program for the relocation of agricultural enterprises from war zones to Chernivtsi, Zakarpattia, and Lviv regions has also been launched. In order to support grain producers, the government of Ukraine suspended customs duties on grain storage materials, simplified the rules for registering agricultural machinery and trucks. The action of the state credit program "Affordable loans 5-7-9%", intended for small producers of agricultural products, was extended to medium and large agribusiness. According to the terms of lending, an agricultural enterprise can receive a loan of up to 90 million hryvnias (2.4 million US dollars) for the implementation of investment projects or debt refinancing. The costs of this program were financed by the World Bank. The purpose of the Program is to attract the flow of private investments into the agriculture of Ukraine. However, due to a number of reasons, owners of farms cultivating up to 1,000 hectares of land could not participate in this program. The Ministry of Agrarian Policy and Food of Ukraine, with the support of the European Union, presented a program to support small producers of agricultural products during martial law. Farmers with up to 120 hectares of land can receive UAH 3,100 (USD 84) per hectare. Those who raise up to 100 cattle can receive up to UAH 5,300 (USD 143) per head. There are also programs for horticulture (for planting green areas on new plots of up to 25 hectares) and for the construction of greenhouses (up to 2 hectares) [7].

On June 23, 2023, Ukraine was granted the status of a candidate for membership in the European Union. As for agriculture, there were no other conditions, except for the continuation of the implementation of the Association Agreement between Ukraine and the European Union ratified in 2014. The percentage of implementation by Ukraine of the agreements reached within the framework of the Agreement by the beginning of 2023 was 60%. It is necessary to continue the work on improving the quality of products, their standardization, develop organic agriculture and limit the use of genetically modified products. It should be emphasized that the standardization and registration of agricultural products will remove the incentive of many small producers to engage in agricultural production.

**Summary and conclusions.** Summarizing, we can conclude that the actions of the Ukrainian government in the field of agriculture were a response to force majeure circumstances that arose as a result of the full-scale invasion on February 24, 2022. The results of the response proved the effectiveness of the actions of the Cabinet of Ministers of Ukraine in the current circumstances to support large agribusiness, but showed less effectiveness in relation to small food producers.





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