Hard frost, hard times in the former “breadbasket of Europe”
Andrew Sheppard

Last winter was mighty harsh in Ukraine. Temperatures plunged below zero in early December and stayed there almost without respite to the end of March. Daily temperature ranges of -10 to -15°C were the norm. On occasion, the air temperature rose to zero for a few hours, whereupon rain would fall, forming citywide ice rinks. Winter finally closed in the first week of April with several days of heavy snowfall. All in all, it was a depressing time, and very hard on people, their property and crops.

Crop loss was exacerbated by a mild autumn. That encouraged lush growth which quickly succumbed to the winter frost. Losses of autumn sown wheat, the backbone of the agricultural economy, were estimated as being as high as 60 per cent; less in the south, even higher in the north. Re-drilling got underway as soon as the spring finally arrived. However, with a July/August harvest, the growing season for the re-drilled crops (in many cases switched to barley) was necessarily very short and hot, dry weather in May and June has further diminished the potential for recovery. As the harvest gets underway official estimates of a 25 per cent reduction from last year’s total grain crop of 36m tonnes to around 27m tonnes look seriously over-optimistic. One respected analyst suggests 22m tonnes, with the autumn sown wheat crop contributing less than 4m tonnes, an 80 per cent reduction on last year. In Soviet times the annual harvest was in excess of 50m tonnes.

To ensure sufficient supplies of flour and bread, Ukraine will need to import wheat and the Ukrainian parliament (Verkhovna Rada) has already voted to suspend import duties. There will still be barley, maize (the maize crop, sown later and harvested later, is said to be doing well) and possibly some lower grade wheat for export, but the country is nevertheless likely to become an overall net importer of cereal grains. In 2002-03, exports were 11 million tonnes and in 2001-02 nine million tonnes, quantities that moved the EU to impose an import quota system.

One suggestion made to me during my visit in April was that the bad winter will be used to excuse the inefficiency of the collective and cooperative farms. Twelve years after the collapse of communism, and despite much progress in other aspects of the economy, the huge farms, typically with several hundred workers (and an even greater number of pensioners and other dependents to be provided for), still remain very much in place. Land reform has been much talked of, and the United States has made some attempt to link land reform to aid, but so far there has been little progress.

Supply of agricultural inputs is a major problem, with many (perhaps most) farms unprofitable, and the supply of credit from both private companies and the state having largely dried up. In the mid to late 1990’s, multinational companies such as BASF, Ciba Geigy, Bayer, and Du Pont sought to build market share for fertiliser and crop sprays with offers of seedtime to harvest credit. To their dismay, when the time came for payment, the farm managers said, sorry, yields were poor, we have not been paid and we cannot pay you. Harvest yields declined year by year during that period, very largely because of the diminishing availability of inputs.

With the Ukrainian currency, the Hryvnia, in its infancy (born 1996; still colloquially referred to as the rouble) and a major devaluation in 1998, such off-farm sales as were made were largely on a barter basis. Fuel purchases and wages were given priority for any available cash. Even so, it was not uncommon to see farm employees and their families selling sacks of sugar

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1 Variously, “the breadbasket” of Europe, of Russia and of the Soviet Union
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and wheat on the roadside – seeking to turn into cash their own payment in kind – and that is still the case.

In 2000, the above named chemical companies largely withdrew from the Ukrainian market, but, in company with 18 others, formed a joint supply organisation. In that way they have retained market presence ready for better times and presumably also found a way of not competing with each other in a way that would be damaging to themselves. In the home countries of most of those companies the word cartel would soon be used with reference to such an arrangement.

Clearly, at least some fertiliser is available. Travelling this spring through the wheat and sugar beet country to the south of Kiev I saw an aeroplane being loaded with fertiliser for aerial distribution. Spreading fertilizer in that way is an inefficiency in itself, but the total amount available for the land area concerned was probably so small that rathermore than intended in one part of a field and considerably less in another will not make much difference to overall yield. At least it was spread, and fast.

For the most part, seed is simply home-grown grain, re-used year after year, with no introduction of new stock or new varieties. Besides being outdated, the Soviet era varieties will not be suited to the low input agriculture now forced on farm managers. It was with considerable pride that I was shown a sample of seed wheat from a demonstration farm. On examination, I found the seed sample to have many shrivelled grains, broken grains and a significant admixture of weed seeds. In the UK, the same sample would have been unsaleable as seed and would have incurred severe deductions from the standard price if sold for animal feed. Wheat that I saw in a barn on a collective farm, destined for consumption by the farm pigs, had so much soil and dirt mixed with it I could only feel sorry for the pigs – and it is no wonder the pigs take twice as long to reach bacon weight in Ukraine as they do in the UK.

The area of sugar beet cultivated is significantly less in 2003 than in 2002 (minus 16 per cent). However, with a crop that is still growing well, that will not necessarily be translated into a reduced output of sugar. The reason for reduced plantings is said to be spring drought, but the unfavourable payment terms of the monopolist sugar processors may have made farm managers view sugar beet less favourably than formerly, notwithstanding the Ukrainian Ministry of Agriculture target of eight per cent increase over last year. The processors take 40 per cent of the sugar yield as their own payment, returning much of the balance for the farm to sell or otherwise dispose of as it can. The farms often barter sugar against “purchases”, hand it over to the state to repay loans, or give it to staff in part-payment of wages.

One growth area is the production of sunflower oil. Ukraine is expected to produce 1.1 million tonnes in the current marketing year, a 45 per cent increase on 2001-02. There are many oil extraction plants in Ukraine and they are well distributed throughout the main sunflower growing areas. Their total production capacity is about 1.4 million tonnes, so the cropped area could increase further, but would depend on export markets, domestic consumption being only about 40 per cent of current production.

For want of cash, fuel for farm tractors, harvesters and lorries is often under-purchased. That has unfortunate effects on the timeliness and thoroughness of mechanised field operations, and horses are still commonly used for light haulage around the farms. Fears that the war on Iraq would increase the price of fuel, which in practice mostly comes from Russia and Kazakhstan, were not realised. However, Russia imposed a planned price hike on April 1st. It is something of a curiosity to the western visitor that prices of oil and gas are regarded by the Ukrainian government as a matter for negotiation with suppliers, rather than something that varies according to world markets, or at least regional supply and demand. Even more curious is that the Russians, with virtually all the market strength, are prepared to enter into those

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negotiations. Apparently the mentality of the command economy takes rather more than a
decade to be substantially changed.

One area in which the price mechanism does seem to be functioning normally is with
buckwheat. Buckwheat is the most commonly used cereal for the ubiquitous kasha. However,
kasha can be made with almost any cereal or cereal derivative, primarily wheat, oats, barley,
semolina, tapioca and various pastas. Shortly before Easter, supplies of buckwheat virtually
dried up. The shelf space normally allocated to buckwheat in a supermarket I visited had been
taken over by kibbled wheat. Presumably that had taken the place of buckwheat in the
Ukrainian diet, temporarily at least. Later, in another supermarket, I saw a limited quantity of
buckwheat - at twice the usual price.

In early July, the news is that buckwheat has reached three times its former price, and that flour
has doubled in price and bread prices have also risen; a great problem for pensioners, low paid
workers, and the many without stable, full-time work. They are numbered with the millions in the
world, mostly the third world, who subsist on less than $1 a day. The average monthly
income in Ukraine is $71. It is no wonder, therefore, that the increased prices triggered a mass
demonstration outside the Verkhovna Rada building in Kiev. Whether or not real political
unrest develops will depend on price movements following the arrival of the new harvest.

Of course, a short crop is not necessarily bad news for the farms or, in the longer term, for
Ukraine. A lower yield, sold at a much higher price, could prove the tonic so much needed by
the over-stretched farm accounts. The resulting profit could then be used to renew machinery
and buy sufficient quantities of the necessary inputs for next year, whilst the government is
goaded into accepting that change to the structure of land ownership cannot be postponed any
longer.

Ukraine plans to join the World Trade Organisation, perhaps next year. A foretaste of the kind
of situation that may be forced upon Ukraine by WTO membership is provided by the
controversy this spring over imported chicken drumsticks, “dumped” by the United States.
Newspaper reports concentrated on the human health aspects of the growth promoting drugs
and chemicals still used by the US poultry industry. Expressions of concern that such cheap
imports would kill off the nascent Ukrainian poultry industry even before it got off the ground
were more muted, but obviously that is a serious consideration. The harvest shortfall and high
grain prices will in any case deal a blow to chicken and other livestock production.

The wider economy appears to be booming in parts, particularly in Kiev. In that city, tower
 cranes bestriding new apartment and office blocks are almost as commonplace as in London.
Older buildings are being face-lifted and refurbished, the already excellent Metro extended in
several directions.

On the streets, the many German and “world” cars appear to have got the upper hand over the
Ladas, and not all the West European vehicles have been bought second-hand (or stolen) and
 driven from Germany. Some have been bought new in Ukraine. The nouveau riche,
commonly regarded as, confused with, possibly in actuality, “the mafia”, favour large black
4x4’s – Jeeps, Range Rovers, Toyotas. A rather fine, almost vintage Landrover I saw, duly
painted shiny black, suggests that almost any four wheel drive vehicle with the right badging
can be chic, provided it is black.

Other towns and cities are mostly not sharing in the new prosperity to any great extent. Buses
and trolleybuses are in a sorry state, old buildings remain shabby, new construction is a rarity.
Factory complexes, formerly supplying the entire Soviet Union with agricultural machinery,
chemicals, or other industrial goods, now stand empty. Others operate at a rather small
proportion of their capacity in former times (as the Soviet period is customarily referred to).
Even in the provinces, the last snow had hardly melted before the process of clearing the debris of winter began. Many commercial and some domestic premises were given a lick of paint, and frost damaged roads repaired. Gangs of women with buckets of weak limewash and rudimentary brushes whitened the kerbs and the first metre above ground of lampposts and roadside trees.

The road repair work adds to the hazards of driving, and not just whilst the work is actually in progress. One team digs out the loose tarmac with a pneumatic drill. The resulting holes are then left, unmarked, for as much as a couple of weeks before another team arrives to fill them in.

I noted soldiers helping shovel the broken tarmac into lorries. A Ukrainian friend surmised that this was probably because their regiment needed money, or that the regiment was providing labour to the municipal authority by way of clearing a debt. Either way, the implication is that the military, like the farms, are short of cash. Confirmation of that came when I saw soldiers using a horse and cart, very similar to the ones used on farms, as cross-town transport. The young soldier driving the cart was doing so with all the assurance and competence of one brought up to it – as I guess he was, in a farm village perhaps not too far away.

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Loading wheat

Milking cows

A cooperative fam agronomist inspects a crop of sugar beet

Milk for Kiev, 80km distant

Different combine harvester attachments for different crops