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Interview with **Leonid Kozachenko, President of the Ukrainian Agrarian Confederation.**

Interviewed by Aya Nazarova, Producer, Adam Smith Institute

Leonid Petrovich, on behalf of The Adam Smith Institute, thank you for taking the time to talk with us today!

Sincere thanks for agreeing to speak at our second annual "Agribusiness in Ukraine" International Forum (March 2010), which will bring together all key players in Ukraine's agricultural market sector, to discuss current development issues and future prospects. Today, we would like to hear your opinion on several issues and to share this information with our audience before the start of the Forum:

Question 1: In your opinion, what key factors are currently having the greatest influence on the development of global agricultural markets? How does this affect the development of the agricultural industry in Ukraine, and of Ukrainian companies?

First of all, the main factors that influence the development of global agricultural markets are global warming, the rapid increase in world population, the use of food for bio-fuel production and the rising consumption of livestock products in the countries of Indochina. Of course, this is reflected in the development of Ukraine's agricultural industry, because Ukraine consumes only half of its agricultural produce, exports 40% and keeps around 10% as carry-over stocks. But the most important thing is that Ukraine could triple its production and thereby influence the situation in global agricultural markets.

Question 2: In your opinion, when will we be able to say we have reached (or are reaching) **the turning point** from economic crisis back to stable, sustainable development? And what are the prospects for **post-crisis development for Ukrainian agricultural companies?**

It is difficult to say when we will see the turning point from economic crisis to sustainable, stable development, if we mean the global economy as a whole. If we talk about the agricultural sector of the global economy, I think we will not see a crisis in food production. This is linked to the fact that we are seeing the beginning of a global food crisis, which is due to the causes that I mentioned earlier. Therefore, Ukrainian companies will rely on their own development; they will do everything possible to get more funding in order to maximise the potential of Ukraine's agriculture-food complex.

Question 3: For our second Forum, we are planning **an interactive discussion by industry leaders: Government and Business - effective cooperation.** The panel will include leaders of government and agricultural holdings. One of the themes for discussion will be an appraisal of the effectiveness of government measures to support and stimulate the development of the industry. If you choose to participate in this discussion, what do you think should be **the three main issues** for discussion?

What absolutely must be discussed is how much the state, and by what means, should administer or regulate the domestic prices of agricultural products. Of course, you should also discuss how, when and to what extent the state should restrict the export or import of agricultural products and, of course, what state tax policy should be regarding exempting agricultural enterprises from taxes, and VAT refunds on exported agricultural products.

Question 4: What, in your opinion, are the **3 major challenges** for agribusiness companies in Ukraine for the next 2-3 years?

One of the main challenges is to fight corruption, which, unfortunately, has a very negative impact on business. A second objective is to gain greater access to the world's financial markets. And a third is to develop the infrastructure of their business, both in Ukraine and abroad.

Question 5: How do you assess the prospects for cooperation with countries of the European Union? What is hindering Ukrainian companies in gaining **access to markets in the EU?**

The main problem is European Union trade barriers, as well as the requirement for Ukrainian products to be certified in accordance with EU regulations. There are two key problems that may limit access to EU markets.

Question 6: The industry's infrastructure - what are the current issues that must be addressed to encourage development?

In order to develop Ukraine's agricultural sector infrastructure, investment is required to harmonize the technology and equipment used by Ukraine and the European Union in agricultural production. Ukraine needs to invest not less than USD60 billion in this industry. In order to develop the infrastructure, it will be necessary to significantly change public policy. Without this, it will not be possible to attract the necessary resources into the sector.

Question 7: Which areas of the Ukrainian agricultural sector are attracting the most interest from international investors today?

The main sector is crop production, because Ukraine is the world's leading exporter of grain. You also have oilseed production, mainly of sunflower seed: Ukraine occupies the number one spot in the world in this. Of course, other branches of agriculture, such as milk, meat, vegetables and fruits are also attracting the interest of potential investors. Almost all branches of agricultural production of Ukraine are attractive to investors because they are quite competitive.

Leonid, thank you for your time! We look forward to meeting you at the forum in Kiev in 2010! Our sincere wishes for your continuing success!