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Ukrainian agriculture needs reliable information systems

Lack of reliable official statistics is one of the major problems faced by Ukrainian agriculture and food-processing sectors. This has a significant negative impact on farm's productivity, efficiency and incomes in the sector. Also, the information on subsidies (who receives what and how much) is not transparent in Ukraine thereby increasing the risk of corruption. Currently a reliable and freely accessible information system using modern technologies is not expensive. And having political support, Ukraine could easily use international assistance to implement the following key information systems in Ukraine:

- A) Market information system,
- B) Farm information system,
- C) Subsidies information system.

Market Information System: An obvious example is the lack of official market statistics on grain supply and demand forecast. This helps the Government to justify discretionary steps in policy making, like the introduction of minimum prices or grain export quotas in early July. There are several private agricultural market information agencies in Ukraine, providing slightly different data on grain supply and demand statistics (see Table). It is difficult to give a preference to a specific source. It remains uncertain whether the Ukrainian Government would be able to do this, since the Ministry of Agricultural Policy of Ukraine has never published in time accurate supply and demand statistics for the marketing year for each grain crop. However, almost all developed countries release those statistics according to international standards. One of the internationally respected standards is the format of the United States Department of Agriculture (USDA) that is publishing supply and demand statistics for almost all countries (including Ukraine) for free. Implementation of this model in Ukraine would minimize the risk of food shortages, undesirable state interventions and political manipulations.

Farm Information System: As Ukrainian policies support EU accession, sooner or later it would need to implement the Farm Accountancy Data Network (FADN), a farm information system implemented in all 27 EU member states. It is available for free and informs on farm incomes, productivity and trends of different farm-types. It is based on typical farms in specific regions. The information on technical coefficients as well as financial and economic indicators of those farms is collected, analysed and disseminated. Researchers and analysts use this database to address specific policy issues. Policy makers use this information to facilitate policy discussions and to inform the public on the state of farming.

Subsidies Information System: The third recommended component would be farm subsidies statistics. The recently established www.farmsubsidy.org web site might be an example for Ukraine to follow. On this website one may find detailed free information on those who are getting the subsidies and the amounts they are receiving. It covers most of the EU-27 countries and is favoured by the European Commission. Such a system would greatly increase fiscal transparency and accountability in the agriculture and food sector.

Information is valuable. Throughout the world it is accepted that information constitutes one of the most decisive factors/inputs for efficiency, productivity growth and income generation. So this is an area where the government could support the sector at reasonable costs.

Wheat Supply and Demand Balances, m t

| | 2007/08 MY, F | 2006/07 MY | 2005/06 MY |
|---------------------------------|------------------|---------------|---------------|
| UkrAgroConsult estimates | | | |
| Opening stocks | 1.9 | 2.0 | 1.3 |
| Acreage, m ha | 6.0 | 5.2 | 6.5 |
| Crop | 13.3 | 13.8 | 17.9 |
| Imports | 0.0 | 0.0 | 0.0 |
| SUPPLY | 15.2 | 15.8 | 19.2 |
| Food Industry | 5.7 | 5.8 | 5.8 |
| Feed Usage | 3.4 | 3.5 | 3.0 |
| Seeds | 1.2 | 1.2 | 1.1 |
| Exports | 2.1 | 3.1 | 6.5 |
| Losses | 0.6 | 0.8 | 0.9 |
| DEMAND | 13.0 | 14.4 | 17.2 |
| Ending stocks | 2.2 | 1.4 | 2.0 |
| USDA estimates | | | |
| Opening stocks | 2.2 | 2.4 | 2.6 |
| Acreage, m ha | 6.0 | 5.5 | 6.6 |
| Crop | 13.0 | 14.0 | 18.7 |
| Imports | 0.0 | 0.0 | 0.0 |
| SUPPLY | 15.2 | 16.5 | 21.4 |
| Food Industry and Seeds | 9.4 | 9.4 | 9.6 |
| Feed Usage | 2.1 | 2.1 | 2.9 |
| Exports | 1.5 | 2.8 | 6.5 |
| DEMAND | 11.5 | 11.5 | 12.5 |
| Ending stocks | 2.2 | 2.2 | 2.4 |

Source: UkrAgroConsult; USDA; F – forecast; MY – marketing year

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Quarterly trends

| National accounts** | | Q1 04 | Q2 04 | Q3 04 | Q4 04 | Q1 05 | Q2 05 | Q3 05 | Q4 05 | Q1 06 | Q2 06 | Q3 06 | Q4 06 | Q1 07 |
|-----------------------------------------------|------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| GDP | UAH bn | 67.0 | 78.6 | 99.4 | 100.1 | 84.3 | 97.5 | 119.4 | 123.6 | 105.4 | 124.1 | 150.4 | 157.7 | 133.1 |
| GDP (real) | % yoy | 12.9 | 12.7 | 14.3 | 9.1 | 4.9 | 3.4 | 1.4 | 1.7 | 4.1 | 6.8 | 6.9 | 9.5 | 8.0 |
| Households consumption (real) | % yoy | 15.0 | 18.0 | 9.7 | 12.5 | 14.3 | 17.7 | 17.0 | 17.1 | 20.2 | 18.2 | 11.8 | 9.9 | 14.7 |
| State consumption (real) | % yoy | 1.7 | 1.3 | 3.9 | 0.9 | 6.1 | 0.0 | 1.0 | 4.0 | 9.6 | 5.8 | 5.8 | 1.0 | 0.8 |
| Gross fixed capital formation (real) | % yoy | 19.1 | 22.6 | 23.8 | 16.8 | -2.3 | -0.5 | 0.2 | 0.3 | 19.9 | 19.3 | 17.9 | 18.3 | 24.4 |
| Exports of goods and services (real) | % yoy | 19.1 | 21.1 | 14.3 | 11.7 | -0.6 | -14.0 | -12.7 | -15.5 | -14.9 | -9.6 | 3.2 | 1.0 | 4.9 |
| Imports of goods and services (real) | % yoy | 16.9 | 10.9 | 7.2 | 8.7 | 2.8 | 3.2 | 3.9 | -0.9 | 10.7 | 0.9 | 8.3 | 6.4 | 12.9 |
| Agriculture, hunting, forestry (real)* | % yoy | -4.7 | 0.2 | 35.6 | 11.3 | 5.8 | 8.3 | 2.6 | -7.2 | 3.8 | 2.8 | -5.6 | 8.1 | 4.8 |
| Manufacturing industry (real)* | % yoy | 21.5 | 15.0 | 9.9 | 6.9 | 7.0 | 1.8 | -1.1 | 2.0 | -1.5 | 6.1 | 7.3 | 7.2 | 15.0 |
| Construction (real)* | % yoy | 31.4 | 23.3 | 11.9 | 23.3 | -8.4 | -11.3 | -8.5 | -7.5 | 0.1 | 0.8 | 1.4 | 4.2 | 13.3 |
| Trade, repair services (real)* | % yoy | 25.0 | 17.4 | 13.9 | 2.5 | -2.1 | -10.7 | -11.7 | -11.9 | 6.2 | 16.4 | 20.0 | 21.9 | 14.3 |
| Transport (real)* | % yoy | 12.7 | 14.9 | 12.5 | 6.4 | 6.6 | 5.7 | 2.8 | 7.8 | 4.9 | 7.7 | 9.4 | 5.3 | 7.0 |
| Balance of payments | | | | | | | | | | | | | | |
| Current account balance | USD bn | 1.4 | 2.3 | 2.1 | 1.1 | 1.6 | 0.6 | 0.4 | -0.1 | -0.8 | 0.0 | 0.5 | -1.4 | 1.3 |
| Current account balance | % of GDP | 11.4 | 15.8 | 11.0 | 5.7 | 10.1 | 3.2 | 1.7 | -0.4 | -3.7 | 0.0 | 1.7 | -4.3 | 5.0 |
| Trade balance in goods | USD m | 933 | 1552 | 774 | 482 | 1020 | -236 | -1131 | -788 | -1353 | -935 | -884 | -2022 | -1753 |
| Trade balance in services | USD m | 133 | 198 | 749 | 157 | 188 | 392 | 1035 | 191 | 219 | 506 | 1054 | 347 | 50 |
| Current transfers | USD m | 475 | 758 | 720 | 623 | 626 | 694 | 745 | 780 | 622 | 790 | 851 | 910 | 789 |
| Direct investment (FDI) | USD m | 333 | 614 | 420 | 344 | 247 | 365 | 477 | 6474 | 1053 | 1389 | 1636 | 1258 | 1162 |
| Portfolio investments | USD m | 449 | 149 | 1313 | 156 | 397 | 923 | 90 | 1347 | 4 | -141 | 370 | 3350 | 1818 |
| Gross international reserves | USD bn | 7.9 | 9.6 | 12.1 | 9.5 | 12.0 | 13.1 | 14.3 | 19.4 | 17.3 | 17.6 | 19.1 | 22.3 | 23.5 |
| Exchange rate, UAH/USD | aop | 5.33 | 5.33 | 5.31 | 5.31 | 5.30 | 5.10 | 5.05 | 5.05 | 5.05 | 5.05 | 5.05 | 5.05 | 5.05 |
| Fiscal indicators | | | | | | | | | | | | | | |
| Consolidated fiscal revenues | % of GDP | 27.2 | 26.9 | 26.3 | 25.9 | 32.1 | 35.1 | 31.5 | 31.0 | 31.2 | 31.7 | 31.9 | 32.8 | 33.3 |
| Personal income tax | % of GDP | 4.4 | 4.1 | 3.8 | 3.8 | 4.3 | 4.4 | 3.9 | 4.2 | 4.4 | 4.6 | 4.1 | 4.1 | 5.1 |
| Enterprise profits tax | % of GDP | 3.9 | 4.0 | 4.1 | 6.1 | 4.8 | 5.9 | 5.3 | 6.3 | 3.4 | 4.6 | 4.3 | 6.7 | 3.8 |
| Value-added tax | % of GDP | 6.2 | 5.7 | 5.1 | 4.1 | 8.6 | 9.2 | 7.9 | 7.3 | 9.2 | 9.2 | 9.7 | 9.3 | 10.4 |
| Excise tax | % of GDP | 2.1 | 2.1 | 2.0 | 1.8 | 2.0 | 2.0 | 2.0 | 1.7 | 1.8 | 1.7 | 1.5 | 1.5 | 1.8 |
| Consolidated fiscal expenditures | % of GDP | 25.3 | 26.5 | 26.8 | 35.2 | 28.3 | 36.4 | 28.1 | 41.7 | 30.9 | 32.8 | 29.4 | 36.6 | 28.4 |
| Current expenditures | % of GDP | 22.4 | 22.7 | 21.7 | 27.2 | 26.5 | 33.6 | 24.0 | 34.2 | 28.9 | 29.7 | 24.9 | 29.2 | 26.9 |
| Capital expenditures | % of GDP | 2.9 | 3.8 | 5.1 | 8.0 | 1.8 | 2.7 | 4.1 | 7.5 | 1.9 | 3.2 | 4.5 | 7.4 | 1.6 |
| Consolidated fiscal balance | % of GDP | 1.9 | 0.4 | -0.5 | -9.3 | 3.7 | 1.0 | -5.0 | 6.2 | -0.4 | 1.1 | -2.4 | 4.0 | -4.8 |
| Privatisation receipts | % of GDP | 1.5 | 3.7 | 3.5 | 1.0 | 0.2 | 0.6 | 0.6 | 16.0 | 0.1 | 0.1 | 0.1 | 0.1 | 0.5 |
| Labour market | | | | | | | | | | | | | | |
| Average wage (real) | % yoy | 19.9 | 18.6 | 14.7 | 15.4 | 15.0 | 19.0 | 19.6 | 26.4 | 23.8 | 22.6 | 18.8 | 11.3 | 11.5 |
| Household income (real) | % yoy | 11.7 | 16.3 | 11.3 | 16.6 | 24.0 | 28.0 | 19.4 | 18.9 | 22.1 | 18.6 | 20.3 | 16.3 | 11.1 |
| Unemployment rate (ILO methodology) | % cum | 9.3 | 8.3 | 8.1 | 8.7 | 8.7 | 7.1 | 5.2 | 7.8 | 7.9 | 6.8 | 6.4 | 6.8 | 7.4 |
| Banking system | | | | | | | | | | | | | | |
| Monetary aggregate M0 | % yoy cum | 29.1 | 25.6 | 37.1 | 27.9 | 28.2 | 39.1 | 31.1 | 42.2 | 36.2 | 25.3 | 23.7 | 24.5 | 22.9 |
| Monetary aggregate M2 | % yoy cum | 45.4 | 44.8 | 51.5 | 32.3 | 38.9 | 37.4 | 31.3 | 53.9 | 39.2 | 36.6 | 36.7 | 34.3 | 38.6 |
| Household deposits in national currency | % yoy cum | 69.4 | 67.3 | 67.9 | 26.2 | 28.3 | 31.6 | 30.4 | 90.8 | 54.6 | 41.1 | 39.7 | 37.3 | 50.7 |
| Household deposits in foreign currency | % yoy cum | 67.0 | 61.7 | 55.2 | 54.3 | 51.8 | 45.4 | 46.4 | 59.1 | 54.5 | 66.2 | 64.3 | 57.5 | 52.3 |
| Com. bank credits in national currency | % yoy cum | 56.8 | 52.1 | 44.3 | 29.4 | 28.3 | 32.6 | 43.4 | 58.7 | 59.8 | 53.7 | 49.0 | 52.3 | 52.4 |
| Com. bank credits in foreign currency | % yoy cum | 63.6 | 56.2 | 43.5 | 32.2 | 33.1 | 36.8 | 47.1 | 66.3 | 72.0 | 82.1 | 90.4 | 95.4 | 98.9 |
| Long-term com. bank credits | % yoy cum | 141.7 | 102.7 | 82.7 | 57.1 | 49.5 | 53.0 | 70.1 | 84.6 | 87.6 | 86.7 | 76.6 | 79.5 | 84.1 |
| Long-term com. bank credits | % of total | 47.4 | 49.3 | 50.9 | 54.2 | 54.4 | 56.1 | 59.7 | 61.8 | 63.1 | 63.4 | 63.5 | 64.9 | 65.8 |
| Average lending rate on national cur. credits | % p.a. | 17.2 | 16.6 | 17.0 | 17.6 | 17.0 | 15.4 | 15.4 | 16.4 | 15.8 | 15.5 | 14.6 | 15.1 | 14.0 |
| Average lending rate on foreign cur. credits | % p.a. | 12.2 | 12.1 | 12.6 | 12.2 | 12.1 | 11.0 | 11.3 | 11.7 | 11.5 | 11.3 | 11.3 | 11.5 | 11.5 |

SOURCES: National Bank of Ukraine, State Committee of Statistics, State Treasury, Ministry of Finance, IER estimates

* change in value added

** 2006 figures are preliminary

° preliminary

Notes:

yoy year on year change

p.a. per annum