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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