



DISCUSSION PAPER

UKRAINE'S AGRICULTURE

NOT A THREAT TO THE EU

IRYNA KOSSE





**OPEN SOCIETY
FOUNDATIONS**



UKRAINE'S AGRICULTURE: NOT A THREAT TO THE EU

Policy paper prepared within the framework of 'Strengthening Ukrainian expert voice in the European Union and EU member states and partners' project, supported by a grant from the Foundation Open Society Institute in cooperation with the Open Society Foundations.

Author:

- **Iryna Kosse**, Leading Research Fellow, IER

CONTENTS

1. Introduction	4
2. Economic and food security benefits of Ukrainian agricultural exports	5
Economic benefits for Ukraine	
Food security for the European Union	
Global food security implications	
3. Challenges facing EU farmers and the impact of Ukrainian agricultural imports	10
Market saturation and price pressure	
Production standards and competition	
Regional disparities and long-term market changes	
Food security and domestic production concerns	
4. Regulatory alignment and future trade policy	12
Importance of regulatory alignment	
Future trade policy: beyond the Autonomous Trade Measures (ATM)	
Challenges for post-ATM (Autonomous Trade Measures) regime	
Pathways to a sustainable trade partnership	
5. Sustainability and innovation in agriculture	16
Role of sustainability in EU-Ukraine agricultural trade	
Encouraging sustainable farming practices in Ukraine	
Innovation in agriculture: opportunities for collaboration	
6. Pathways for long-term agricultural cooperation	18
Fostering regulatory cooperation and standard alignment	
7. Conclusion and recommendations	19
Conclusion	
Recommendations	

1. Introduction

Ukraine's agricultural sector is a cornerstone of its economy and is increasingly vital in European and global food security. As one of the world's largest exporters of key agricultural products such as wheat, corn, sunflower oil, and poultry, Ukraine has established itself as a critical supplier to the European Union (EU) and beyond. This agricultural relationship, bolstered by the EU's position as Ukraine's largest trading partner, is essential for both Ukraine's economic resilience and the EU's stable food supply.

The trade partnership between Ukraine and the EU has grown significantly in recent years, with Ukraine supplying essential commodities that help stabilize food prices within the EU and fill gaps during production shortfalls. This relationship has provided Europe with a reliable source of agricultural products and supported Ukraine's economy, particularly during the ongoing war. In 2023, Ukraine's agricultural exports to the EU reached USD 11.7 bn, accounting for 53% of Ukraine's total agricultural exports, underscoring the EU's crucial role in sustaining Ukraine's agricultural trade during the war.

At the same time, the deepening trade relationship has required Ukraine to align its agricultural practices with EU standards, driving improvements in quality, sustainability, and competitiveness. Through regulatory alignment, including compliance with sanitary and phytosanitary (SPS) standards, Ukraine's agricultural products have become more competitive globally, further enhancing the country's export potential.

However, this relationship is not without its challenges. Concerns have arisen among some EU member states regarding the impact of Ukrainian agricultural imports on local producers, particularly in sectors like poultry and cereals, where competition has led to fears of market saturation. Balancing these concerns with the benefits of trade is crucial to ensuring a mutually beneficial partnership between Ukraine and the EU.

As Ukraine continues its integration into the EU market, addressing these challenges while fostering opportunities for both sides will be crucial to the future of the EU-Ukraine agricultural trade relationship. This paper explores the economic and food security benefits of Ukrainian farm exports, the potential challenges EU farmers face, and the pathways to a balanced and sustainable trade partnership moving forward.

2. Economic and food security benefits of Ukrainian agricultural exports

Economic benefits for Ukraine

Ukraine's agricultural sector has long been the backbone of the national economy, contributing approximately 10% to its GDP and employing around 14% of the workforce. Despite the ongoing war, agriculture remains among the few sectors generating significant foreign currency earnings. In 2023, Ukraine's agricultural exports to the EU reached USD 11.7 bn, a 24.5% increase compared to the previous year, and made up 53% of the country's total agricultural exports (see Table 1).¹ This trade is vital in sustaining Ukraine's economy by funding critical imports, supporting the national currency, and maintaining rural employment.

As Ukraine's largest trading partner, the EU offers a stable and growing market for Ukrainian agricultural goods. Despite a slight decrease in total agricultural exports from Ukraine (from USD 23.3 bn in 2022 to USD 22.1 bn in 2023), exports to the EU increased from USD 9.4 bn to USD 11.7 bn. Commodities such as wheat, corn, sunflower oil, and poultry are key exports, providing much-needed foreign revenue while helping to diversify Ukraine's export portfolio. This economic partnership is especially crucial during wartime when other sectors of the economy have been disrupted. The agricultural sector's resilience has thus been pivotal in mitigating the financial damage caused by the war.

Table 1. Ukraine-EU Agricultural Trade Data

Year	Total Ukrainian agrifood exports	Exports to EU	EU share
2019	USD 22.2 bn	USD 7.5 bn	33.8%
2020	USD 22.4 bn	USD 6.5 bn	29.0%
2021	USD 27.9 bn	USD 8.0 bn	28.7%
2022	USD 23.3 bn	USD 9.4 bn	40.3%
2023	USD 22.1 bn	USD 11.7 bn	53.0%

Sources: State Statistics Service of Ukraine, State Customs Service of Ukraine.

The DCFTA has provided Ukraine with improved access to the EU market through reduced tariffs and increased quotas for many agricultural products (see Table 2). Wheat, maize, and barley all saw significant increases in their duty-free quotas. Several processed products, including tomatoes, apple juice, and grape juice, saw their tariffs eliminated, going from substantial rates (14.4% to 22.4%) to 0%. The improvements cover a wide range of agricultural products, from raw commodities (grains) to processed goods (juices) and animal products (poultry, eggs). The quotas have been increased gradually over time. The figures shown are for 2021, reflecting the continued evolution of the agreement.

¹ <https://cepr.org/voxeu/columns/restarting-ukraines-agricultural-exports>

Table 2. DCFTA examples: improved EU market access for Ukrainian agricultural products

Product	Pre-DCFTA	Post-DCFTA	Impact
wheat	quota: 950,000 t	quota: 1,000,000 t (2021)	increased quota by 50,000 t
maize	quota: 400,000 t	quota: 650,000 t (2021)	increased quota by 250,000 t
barley	quota: 250,000 t	quota: 350,000 t (2021)	increased quota by 100,000 t
poultry meat	quota: 16,000 t	quota: 70,000 t (2021)	significant quota increase
eggs	quota: 1,500 t	quota: 3,000 t (2021)	doubled quota
honey	quota: 5,000 t	quota: 6,000 t (2021)	increased quota by 1,000 t
processed	tariff: 14.4%	tariff: 0%	eliminated tariff
apple juice	tariff: 18%	tariff: 0%	eliminated tariff
grape juice	tariff: 22.4%	tariff: 0%	eliminated tariff

Sources: European Commission²; European Parliament³.

This strong trade relationship in the agricultural sector underscores the interconnectedness of the Ukrainian and EU economies. It highlights why discussions about Ukrainian agricultural imports are so important - they're not just about potential competition but also about maintaining and developing a mutually beneficial economic partnership. The challenge for policymakers is to balance the interests of EU producers with the benefits of this trade relationship and the broader strategic goals of EU-Ukraine cooperation.

Food security for the European Union

Beyond its economic significance for Ukraine, Ukrainian agricultural exports are integral to ensuring European food security. The EU heavily relies on Ukraine for several critical agricultural products, with Ukraine supplying 80% of the EU's sunflower oil imports, 9% of its wheat imports, and over 50% of its corn imports. These imports help fill critical gaps in the EU's food supply, particularly during domestic production shortfalls caused by adverse weather conditions or global market disruptions.

Ukrainian exports often complement EU production cycles, helping to ensure the year-round availability of certain products in the EU market (see Table 3). By filling supply gaps, Ukrainian exports can help stabilize prices for these commodities in the EU market. The complementary cycles can reduce the need for long-term storage of some products in the EU and contribute to a more resilient and diversified agricultural supply chain. It's important to note that these

² "EU-Ukraine Deep and Comprehensive Free Trade Area (DCFTA)" <https://trade.ec.europa.eu/access-to-markets/en/content/eu-ukraine-deep-and-comprehensive-free-trade-area>

³ Association agreement between the EU and Ukraine. European Implementation Assessment [https://www.europarl.europa.eu/RegData/etudes/STUD/2020/642844/EPRS_STU\(2020\)642844_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2020/642844/EPRS_STU(2020)642844_EN.pdf)

patterns can vary yearly based on weather conditions, global market dynamics, and policy changes. However, the general trend of complementarity between Ukrainian exports and EU production cycles has been a significant factor in the agricultural trade relationship.

Table 3. Examples of Ukrainian agricultural exports complementing EU production cycles

Product	EU production peak	Ukrainian export peak	Complementarity
sunflower oil	spring-summer	fall-winter	Ukraine supplies during EU off-season
wheat	summer	fall-winter	Ukraine extends availability post-EU harvest
rapeseed	summer	fall	Ukrainian exports follow the EU harvest
corn (maize)	fall	winter-spring	Ukraine provides supply when EU stocks deplete
honey	spring-summer	fall-winter	Ukrainian honey is available during EU low-production months
frozen berries	summer	fall-winter	Ukraine supplies during EU off-season
walnuts	fall	winter-spring	Ukrainian exports extend availability
poultry meat	year-round, peaks in summer	winter-spring	Ukraine helps meet demand during EU production lows

Sources: European Commission⁴, FAO⁵, USDA⁶.

Some Ukrainian agricultural exports to the EU are raw materials used by European food processing industries, contributing to the EU's food manufacturing sector (see Table 4).

⁴ "EU Agricultural Outlook for Markets and Income 2020-2030", 2020 <https://op.europa.eu/en/publication-detail/-/publication/e7824a90-5c65-11eb-b487-01aa75ed71a1/language-en>

⁵ <https://cropcalendar.apps.fao.org/#/home>

⁶ <https://fas.usda.gov/sites/default/files/2022-04/Ukraine-Factsheet-April2022.pdf>

Table 4. Ukrainian agricultural exports used in EU food processing industries

Ukrainian export	Use in EU food processing	Resulting products	Impact on EU food manufacturing
sunflower seeds	oil extraction	cooking oils, margarine, salad dressings	primary input for edible oil production
rapeseed	oil extraction, biodiesel production	cooking oils, biodiesel fuel	supports both food and renewable energy sectors
wheat	flour milling, bakery products	bread, pasta, pastries	essential for the EU bakery and pasta industries
corn (maize)	starch production, animal feed	corn syrup, cornstarch, livestock feed	crucial for sweeteners and animal husbandry
soybeans	oil extraction, protein isolates	soy milk, tofu, meat alternatives	supports growing plant-based food sector
berries (frozen)	juice production, confectionery	fruit juices, jams, yogurts	enables year-round berry product manufacturing
eggs and egg products	baking industry, prepared foods	cakes, mayonnaise, pasta	important for various processed food products
honey	confectionery, health foods	cereals, energy bars, natural sweeteners	contributes to natural and healthy food sectors

Sources: European Commission⁷; FoodDrinkEurope⁸, USDA Foreign Agricultural Service⁹.

The agricultural trade relationship is part of a broader strategic partnership between the EU and Ukraine, with implications beyond economic benefits.

By providing essential commodities at competitive prices, Ukrainian agricultural exports have played a crucial role in stabilizing food prices within the EU. This trade is particularly important in periods of inflation or when European production is affected by climate change. Ukrainian agricultural products contribute to affordable food for European consumers and foster a stable and resilient food supply chain for the region.

⁷ "Agri-food trade statistical factsheet: European Union - Ukraine", 2023 https://agriculture.ec.europa.eu/system/files/2023-05/agrifood-ukraine_en_0.pdf

⁸ <https://www.fooddrinkurope.eu/resource/data-trends-of-the-european-food-and-drink-industry-2023/>

⁹ "EU Oilseeds and Products Annual Report" <https://fas.usda.gov/data/european-union-oilseeds-and-products-annual-4>

Global food security implications

Ukraine's role as a global food supplier extends far beyond Europe. The country is a major exporter of grains and oilseeds to regions such as Africa and the Middle East, which depend heavily on these supplies for food security. Disruptions to Ukrainian exports, such as those caused by the war, have demonstrated how critically linked global food security is to Ukraine's agricultural sector. For these regions, Ukrainian grain exports help prevent food shortages and price spikes, underscoring the country's pivotal role in the international food system.

By maintaining its agricultural exports, Ukraine supports its own economy and helps stabilize global food markets. This positions Ukraine as a key player in addressing global food insecurity, particularly in vulnerable regions. As the war continues, ensuring uninterrupted agricultural trade with Ukraine remains essential for the EU and the broader international community.

The economic and food security benefits of Ukrainian agricultural exports are profound. For Ukraine, the EU provides a crucial market that sustains its farm sector and contributes to the nation's resilience during wartime. For the EU, Ukrainian agricultural imports help stabilize food prices, ensure supply security, and enhance the competitiveness of the agrifood sector. Furthermore, Ukraine's role in the global food system highlights the need for continued, unimpeded trade. As Ukraine and the EU face future challenges, this agricultural trade relationship remains vital to economic stability and food security.

3. Challenges facing EU farmers and the impact of Ukrainian agricultural imports

Market saturation and price pressure

One of the primary concerns of some EU member states, particularly those with large agricultural sectors, is the potential for market saturation due to increased Ukrainian imports. Sectors such as poultry, cereals, and oilseeds have been susceptible to this issue. For example, Ukrainian poultry exports to the EU accounted for 16-20% of total EU poultry imports in 2022, raising concerns about oversupply and downward pressure on prices.

The influx of cheaper agricultural products from Ukraine, especially in these sensitive sectors, has led to fears that EU farmers may struggle to compete, particularly in regions with tight profit margins. Countries geographically closer to Ukraine, such as Poland, Hungary, and Romania, have been vocal about these concerns. The risk is that a saturated market could drive down prices for EU producers, forcing them to operate under increasingly difficult economic conditions.

On the other hand, these imports from Ukraine have helped stabilize food prices within the EU, particularly during domestic production shortfalls caused by drought or global supply chain disruptions. By filling gaps in the EU market, Ukrainian agricultural products contribute to maintaining a consistent and affordable food supply for European consumers. This supply becomes even more significant in the current geopolitical context, where inflation and supply chain uncertainties threaten food availability and pricing.

There are significant opportunities for both sides to benefit from a well-structured trade relationship that balances these concerns with consumer benefits, competitive pressures, and future cooperation in agriculture, sustainability, and innovation.

Production standards and competition

Another major concern is the perceived difference in production standards between Ukraine and the EU. While Ukraine has made significant progress aligning with EU sanitary and phytosanitary (SPS) standards, some EU farmers and policymakers argue that Ukrainian agricultural producers may still benefit from less stringent environmental and animal welfare regulations. This discrepancy can create an uneven playing field, allowing Ukrainian products to be sold at lower prices in the EU market, potentially undercutting EU producers who face higher compliance costs.

For example, Ukrainian poultry producers may not face the same strict animal welfare regulations as their EU counterparts, leading to competitive advantages in terms of production costs. Similarly, the environmental regulations governing pesticide use and emissions may be more relaxed in Ukraine, which some argue could distort competition.

On the other hand, introducing Ukrainian products can foster healthy competition, potentially driving innovation and efficiency improvements among EU producers. Lower-cost raw materials from Ukraine could benefit EU food processing industries, potentially making them more competitive globally and supporting jobs in these sectors. Integrating Ukrainian imports into EU supply chains can increase resilience against local or regional disruptions, enhancing overall food security. A wider range of products from different sources gives EU consumers more choices, which is generally seen as a positive in market economies.

Regional disparities and long-term market changes

The effects of Ukrainian imports are not evenly felt across the EU. Countries geographically closer to Ukraine tend to be more directly impacted by increased imports, particularly in agricultural sectors where they have significant domestic production. Poland, Hungary, and Romania, for instance, have expressed concerns about the long-term impact of Ukrainian imports on their own agricultural sectors.

There is also the fear that temporary measures, such as the Autonomous Trade Measures (ATM) introduced to support Ukraine during the war, could lead to permanent shifts in trade patterns. If Ukrainian agricultural products continue to flow into the EU market at their current pace, it could lead to structural changes in the EU's agricultural landscape, potentially disadvantaging local producers in the long run.

Food security and domestic production concerns

While Ukrainian agricultural imports contribute positively to food security in the EU, there are concerns that an overreliance on external imports could undermine the EU's domestic food production capacities. Some EU member states argue that maintaining strong domestic production is essential for ensuring long-term food security, particularly in light of recent global supply chain disruptions caused by the COVID-19 pandemic and the war in Ukraine. The challenge is to balance supporting Ukrainian imports and protecting the EU's agricultural sector from overexposure to foreign competition.

The challenges facing EU farmers due to increased Ukrainian agricultural imports are multifaceted. Concerns about market saturation, price pressure, and differing production standards reflect legitimate worries about the competitiveness of EU producers. While Ukrainian imports contribute to food security and price stability in the EU, it is essential to carefully manage the balance between supporting Ukraine and protecting EU farmers. Any future trade policies should address these concerns through safeguards, sector-specific quotas, and continued regulatory alignment efforts.

4. Regulatory alignment and future trade policy

Importance of regulatory alignment

As Ukraine deepens its economic integration with the European Union, regulatory alignment in agriculture is critical for maintaining and expanding trade. Over the past few years, Ukraine has made significant strides in aligning its agricultural production standards with the EU's, particularly in sanitary and phytosanitary (SPS) measures, food safety, and environmental sustainability.

Compliance with EU standards has enhanced the competitiveness of Ukrainian agricultural products in the European market. For example, Ukraine's adoption of Hazard Analysis and Critical Control Points (HACCP) systems in food production and its alignment with the EU's maximum pesticide residue levels have contributed to greater trust in the quality and safety of Ukrainian products. This alignment has facilitated smoother trade and improved the reputation of Ukrainian goods globally.

However, complete regulatory alignment is still an ongoing process. Some disparities remain in areas such as animal welfare standards¹⁰ and environmental practices. These differences must be addressed to ensure fair competition between EU and Ukrainian producers and strengthen the credibility of Ukrainian agricultural products in the EU market.

Future trade policy: beyond the Autonomous Trade Measures (ATM)

The current ATM regime, which temporarily removes tariffs and quotas on Ukrainian agricultural products, has supported Ukraine's economy during the war. However, this regime is set to expire in June 2025, raising concerns about the future of Ukraine-EU agricultural trade. Without the ATM, Ukraine will revert to the Deep and Comprehensive Free Trade Area (DCFTA) terms, which offers less preferential access to the EU market.

The Autonomous Trade Measures (ATM) regime is a special trade arrangement implemented by the European Union to support Ukraine's economy (see Figure 2). It provides Ukraine with preferential access to the European Union market. The core feature of the ATM regime is the elimination of tariffs on Ukrainian industrial and agricultural products entering the EU market. This regime goes beyond the Deep and Comprehensive Free Trade Area (DCFTA) provisions of the EU-Ukraine Association Agreement. The ATM covers a wide range of products, including both industrial and agricultural goods. However, some sensitive agricultural products remain subject to tariff rate quotas, meaning duty-free access is limited to a specific volume.

¹⁰ Law of Ukraine "On the Protection of Animals from Cruel Treatment" (amended in 2017)

Figure 2. Ukraine-EU Autonomous Trade Measures (ATM) regime

Implementation date	• October 2017, extended and expanded in June 2022, May
Duration	• Currently in place until June 2025
Key Feature	• Eliminates tariffs and quotas on Ukrainian industrial and
Scope	• Covers most products, with a few exceptions
Main Benefits for	<ul style="list-style-type: none"> • Tariff-free access to EU market • Increased competitiveness of Ukrainian goods • Boosted export volumes • Support for Ukraine's economy during war
Exceptions	• Some products still subject to tariff rate quotas (e.g., certain
Complementary to	• Deep and Comprehensive Free Trade Area (DCFTA) of the

Source: European Commission

Challenges for post-ATM (Autonomous Trade Measures) regime

The extension and expansion of the ATM in 2022 and May 2024 represent part of the EU's broader effort to support Ukraine's economy in the face of Russian aggression. By providing virtually unrestricted access to the EU market, these measures help sustain Ukraine's export-oriented sectors. While currently temporary, these measures are part of ongoing discussions about Ukraine's economic integration with the EU. They may pave the way for more permanent arrangements in the future.

The ATM regime thus represents a significant boost to Ukraine-EU trade relations, offering Ukrainian producers a valuable competitive advantage in one of the world's largest markets. This arrangement has been crucial in maintaining Ukraine's export capabilities and supporting its economy during challenging times, underlining the EU's commitment to Ukraine's economic stability and development.

The potential expiration of the ATM regime in June 2025 does introduce a significant element of uncertainty for Ukraine's agricultural sector and the broader economy. This uncertainty stems from the possibility that tariffs or quotas could be reintroduced on Ukrainian exports to the EU (see Table 5). This change could reduce the competitiveness of Ukrainian agricultural products in the EU market, affecting export volumes and revenues. In the absence of the ATM, trade relations would likely revert to the terms of the DCFTA. While still preferential, these terms are less favorable than the current ATM regime, potentially impacting Ukraine's export performance.

Table 5. Potential scenarios after ATM expiration for Ukraine-EU trade

Scenario	Description	Potential impact on ...
ATM extension	EU decides to extend the ATM regime	continued tariff-free access, stability for Ukrainian exporters
reversion to DCFTA	trade reverts to terms of the DCFTA	some tariffs and quotas reintroduced, a potential decrease in competitiveness
new trade agreement	negotiation of a new trade arrangement	depends on terms, could maintain some benefits of ATM
partial ATM continuation	some sectors remain tariff-free, others revert to DCFTA	mixed impact, some sectors more affected than others
EU accession progress	advancement in the EU membership process affects trade terms	potentially more favorable long-term outlook but short-term uncertainty

The impact of ATM expiration would likely vary across different agricultural sectors. Some products that are more sensitive to EU producers might face more significant tariffs or quotas, while others might see less dramatic changes. The uncertainty about post-ATM trade conditions makes it difficult for Ukrainian producers and exporters to plan for the long term. This uncertainty could affect investment decisions and potentially slow down the modernization of the agricultural sector.

Ukrainian agricultural producers may need to prepare for multiple scenarios, including the possibility of reduced market access. This preparation might involve diversifying export markets or focusing on higher-value products to offset potential tariffs. Given the importance of agricultural exports to Ukraine's economy, any significant change in trade terms could have broader economic impacts, affecting GDP growth, employment in rural areas, and foreign currency earnings.

To ensure a smooth transition, the EU and Ukraine must negotiate long-term trade agreements that balance the needs of both parties (see Table 6). New trade agreements between the EU and Ukraine should strive for a balance that supports Ukraine's economic development and European aspirations while addressing legitimate concerns within the EU about market disruptions and maintaining high standards. This process requires creative solutions, flexibility, and a long-term perspective on the mutual benefits of deeper economic integration. Regular dialogue, impact assessments, and adjustment mechanisms should be built into any new agreements to ensure they remain balanced and beneficial for both parties over time.

Table 6. Balancing EU and Ukrainian interests in new trade agreements

Aspect	EU interests	Ukrainian interests	Potential compromise
market access	protect sensitive agricultural sectors	maintain tariff-free access to the EU market	gradual liberalization with safeguards

product standards	ensure high food safety and quality standards	ease the burden of compliance for Ukrainian producers	technical assistance and transition periods
quota levels	limit imports in sensitive sectors	increase or eliminate quotas	sector-specific approach with periodic reviews
environmental standards	align Ukrainian practices with the EU Green Deal	balance environmental goals with economic needs	joint initiatives and green transition support
labor standards	ensure fair competition and social protection	maintain competitive advantage	phased implementation of labor standards
intellectual property	strong protection for EU geographical indications	develop and protect Ukrainian brands	mutual recognition and protection mechanisms
investment protection	secure environment for EU investors	attract EU investment while protecting strategic	balanced investment protection clauses
dispute resolution	robust mechanism aligned with EU legal norms	equal footing in dispute resolution	independent arbitration mechanism

Sources: European Commission¹¹, own conclusions

Pathways to a sustainable trade partnership

The long-term sustainability of the EU-Ukraine agricultural trade relationship will depend on continued cooperation in regulatory alignment, innovation, and environmental sustainability. By focusing on shared goals such as improving food security, protecting the environment, and promoting fair competition, both parties can create a trade framework that benefits their respective agricultural sectors while addressing the challenges of increased integration.

Future trade policies should also prioritize flexibility, allowing for periodic reviews and adjustments to quotas, tariffs, and standards to ensure that the evolving needs of both markets are met. By fostering a dynamic and adaptable trade relationship, the EU and Ukraine can continue to build on the progress made under the ATM regime, ensuring a prosperous future for both economies.

Regulatory alignment and future trade policy are crucial to ensuring the continued success of the EU-Ukraine agricultural partnership. Both sides can benefit from a stable and sustainable trade relationship by harmonizing standards, balancing market access, and addressing environmental and labor concerns. As Ukraine continues its path toward EU integration, trade agreements that reflect the interests of both parties will be essential in navigating the challenges and opportunities that lie ahead.

¹¹ "Trade Policy Review - An Open, Sustainable and Assertive Trade Policy", 2021 https://ec.europa.eu/commission/presscorner/detail/en/qanda_21_645

5. Sustainability and innovation in agriculture

Role of sustainability in EU-Ukraine agricultural trade

As climate change and environmental degradation continue to pose significant risks to global agriculture, sustainability has become a central theme in the EU's agricultural policies, particularly in alignment with the European Green Deal. For Ukraine, sustainable farming practices are a requirement for accessing the EU market and a strategic advantage in ensuring long-term agricultural productivity and competitiveness.

The EU has already promoted sustainability across its agricultural sector through initiatives such as the Farm to Fork Strategy, which aims to make food systems fair, healthy, and environmentally friendly. As a major agricultural exporter to the EU, Ukraine must adapt to these sustainability goals by adopting greener practices. This shift presents both challenges and opportunities, requiring investment in new technologies, regulatory changes, and a focus on sustainable development.

Encouraging sustainable farming practices in Ukraine

Sustainable farming is increasingly seen as a way to boost productivity, enhance resilience to climate change, and reduce environmental impacts. Ukraine is already taking steps towards this goal, such as reducing pesticide use, promoting organic farming, and implementing more sustainable pest management strategies:

1. organic farming. Ukraine has made progress in organic farming, with its organic farmland expanding significantly in recent years. By aligning its organic standards with the EU, Ukraine has opened new markets for its organic products, which command premium prices and align with European consumer preferences. Policy incentives, training, and investment in organic farming infrastructure can further support this trend.
2. animal welfare improvements. Adapting to EU animal welfare standards has led to a change in farming practices. This change aligns with EU consumer preferences and often results in higher-quality animal products.
3. precision agriculture. Precision farming, which uses technology to optimize crop yields while minimizing environmental impacts, is another area where innovation can drive sustainability. Technologies such as drones, satellite imagery, and sensors can help Ukrainian farmers manage resources more efficiently, reducing water and fertilizer use while improving productivity. Cooperation between the EU and Ukraine in this area could lead to shared innovation, knowledge transfer, and greater adoption of these techniques.
4. traceability and transparency. EU requirements for product traceability have led to the implementation of advanced tracking systems in Ukrainian agriculture, like Globus-Agro¹² or Dozor.¹³ According to the 2021 survey,¹⁴ the average percentage of applied

¹² <http://agro.skt-globus.com.ua/>

¹³ <https://dozor.tech/service/agrarnyy-sektor>

¹⁴ <https://www.agroberichtenbuitenland.nl/binaries/agroberichtenbuitenland/documenten/publicaties/2021/11/5/ukraine-precision-farming-study/Precision+farming+Ukraine.pdf>

precision farming technologies was 51.2%. This traceability improves supply chain management and builds trust with EU buyers and consumers.

5. climate-resilient crops. The EU and Ukraine are facing the impacts of climate change on agriculture, including unpredictable weather patterns, droughts, and flooding. Investing in climate-resilient crop varieties, such as drought-resistant grains or pest-resistant oilseeds, can help both parties mitigate the risks posed by changing environmental conditions. Collaborative research and development (R&D) programs could be vital in fostering such innovations.

Innovation in agriculture: opportunities for collaboration

Innovation is at the heart of transforming agriculture to meet the demands of the 21st century, particularly in the face of environmental challenges. For Ukraine and the EU, fostering innovation in agriculture can lead to more efficient, productive, and sustainable farming systems:

1. technological advancements. The EU's focus on agricultural innovation, particularly in areas such as artificial intelligence (AI), machine learning for crop management, drone technology for monitoring, and precision application of inputs or vertical farming, presents opportunities for collaboration with Ukraine. AI-powered tools for crop management, automated farming equipment, and smart irrigation systems can help Ukrainian and EU farmers increase efficiency and reduce waste.
2. knowledge transfer. The process of aligning with EU standards has facilitated significant knowledge transfer, with Ukrainian farmers and agribusinesses learning from EU best practices. This transfer has raised the overall skill level within the Ukrainian agricultural sector. For example, with support from Swiss-Ukrainian cooperation projects, the Ukrainian Organic Farmers Association conducted extensive training programs on organic certification, soil health management, and organic pest control.¹⁵
3. market diversification. Meeting EU standards has secured access to the EU market and made Ukrainian products more attractive to other international markets that recognize EU standards, thus diversifying export opportunities.
4. investment attraction. The improved standards and alignment with EU regulations have made Ukrainian agriculture more attractive to foreign investors, bringing in capital and further driving modernization.
5. rural development. The push for higher standards has led to investments in rural infrastructure and human capital, contributing to broader rural development in Ukraine.
6. sustainable energy in agriculture. Transitioning to renewable energy sources in agriculture, such as biofuels and solar-powered equipment, can contribute to reducing the sector's carbon footprint. With its vast agricultural lands, Ukraine has the potential to produce biofuels, which could serve both its domestic market and the EU. Integrating renewable energy into farming practices would align with the EU's broader goals under the European Green Deal.
7. public-private partnerships (PPPs). Public-private partnerships can play a crucial role in driving agricultural innovation. The EU has a history of fostering PPPs in agritech, food processing, and sustainable farming practices. Encouraging similar collaborations in Ukraine could lead to the development of new agricultural technologies, improved infrastructure, and enhanced market access for innovative products.

¹⁵ <https://www.fibl.org/en/themes/projectdatabase/projectitem/project/493>

6. Pathways for long-term agricultural cooperation

The EU and Ukraine have developed a robust trade partnership, especially in agriculture, which has been instrumental in sustaining Ukraine's economy during the ongoing conflict. As Ukraine continues its path toward deeper integration with the EU, long-term trade relations must move beyond temporary measures like the Autonomous Trade Measures (ATM) and focus on building a stable, mutually beneficial agricultural partnership:

1. negotiating comprehensive trade agreements. The expiration of the ATM in 2025 presents both a challenge and an opportunity for the EU and Ukraine to negotiate long-term trade agreements beyond crisis-driven measures. These agreements should provide stable, predictable market access for Ukrainian agricultural products while addressing EU farmers' concerns about market disruptions and competition.
2. building resilience into trade policies. Future trade policies should focus on making the agricultural trade relationship resilient to external shocks, whether caused by geopolitical events, climate change, or global market fluctuations. These policies could include flexible tariff-rate quotas (TRQs), seasonal market access, and mutual commitments to food security.

Fostering regulatory cooperation and standard alignment

Regulatory cooperation will continue to play a pivotal role in the long-term success of the EU-Ukraine agricultural partnership. Aligning standards, particularly in environmental sustainability, food safety, and animal welfare, will benefit both regions by ensuring that agricultural products meet the high demands of global consumers and policymakers:

1. aligning environmental standards. Ukraine must align its agricultural sector with European environmental standards as the EU moves forward with its Green Deal. This alignment includes sustainable pesticide use, carbon footprint reduction, and biodiversity conservation. Close regulatory cooperation will ensure that Ukraine's agricultural sector continues to have access to the EU market while contributing to global sustainability goals.
2. mutual recognition of certifications. Ensuring mutual recognition of agricultural certifications, such as organic and fair-trade labels, will help Ukrainian products gain easier access to European markets and increase consumer confidence. This mutual recognition can be extended to other certifications, such as those related to sustainable farming practices or geographical indications.
3. strengthening sanitary and phytosanitary cooperation. The ongoing harmonization of sanitary and phytosanitary (SPS) standards is essential for smooth trade flows. Building on the existing alignment, the EU and Ukraine should continue to work on removing remaining technical barriers to trade, ensuring that food safety standards remain high while facilitating more efficient trade.

7. Conclusion and recommendations

Conclusion

The agricultural trade relationship between Ukraine and the European Union has proven to be a critical lifeline for both economies. For Ukraine, agricultural exports play a vital role in sustaining its war-torn economy, contributing to GDP, rural employment, and foreign currency earnings. For the EU, Ukrainian imports are essential in ensuring food security, stabilizing food prices, and providing affordable raw materials for key sectors such as food processing.

However, the future of this partnership must be built on careful balancing: supporting Ukraine's economic recovery and integration with the EU while addressing the concerns of European farmers about market disruptions and competition. Cooperation in areas such as regulatory alignment, sustainability, and innovation will be essential in fostering a partnership that benefits both sides in the long term.

Recommendations

To ensure the continued success and sustainability of the Ukraine-EU agricultural trade relationship, the following steps are recommended:

1. develop comprehensive long-term trade agreements. Move beyond temporary measures like the Autonomous Trade Measures (ATM) and negotiate comprehensive trade agreements that balance market access for Ukraine while protecting sensitive EU agricultural sectors through flexible mechanisms such as tariff-rate quotas (TRQs) and safeguard clauses.
2. enhance regulatory and standard alignment. Continue efforts to harmonize sanitary and phytosanitary (SPS) standards, food safety regulations, and environmental sustainability measures. This includes mutual recognition of certifications (e.g., organic, fair trade) and aligning labor and animal welfare standards.
3. promote agricultural innovation and technology transfer. Support the transfer of modern agricultural technologies between the EU and Ukraine, focusing on precision farming, AI-driven crop management, and sustainable energy use in agriculture. Establish joint research initiatives and public-private partnerships (PPPs) to foster innovation.
4. create a permanent agricultural dialogue mechanism. Establish a permanent platform for dialogue between EU and Ukrainian policymakers, agricultural experts, and industry stakeholders. This platform can address emerging issues, coordinate policy responses, and ensure that trade relations remain balanced and mutually beneficial.
5. ensure flexibility and periodic reviews. Include mechanisms for periodic reviews and adjustments in trade agreements to address changing market conditions, emerging technologies, and sustainability targets. This ensures that trade policies remain responsive to the evolving needs of Ukraine and the EU.
6. foster sustainable and circular economy models in agriculture. Encourage the development of circular economy models that minimize waste and promote the reuse of agricultural byproducts. This can include initiatives to reduce food waste, improve recycling processes, and explore bioenergy production from agricultural residues.

By focusing on innovation, sustainability, and cooperation, the EU and Ukraine have the opportunity to build a resilient agricultural partnership that not only strengthens both economies but also contributes to global food security and environmental sustainability. This relationship can serve as a model for regional cooperation in a changing world through continued collaboration, thoughtful policy-making, and a shared commitment to agricultural progress.



INTERNATIONAL
RENAISSANCE
FOUNDATION



info@prismua.org



http://prismua.org/en/



/PrismUA