

It is a matter of survival

Board member of the Ukrainian Agribusiness Club (UCAB), **Dr. Alex Lissitsa**, on the situation of the Ukraine's agricultural situation, the people's and the industry's fight for survival, and his hopes during the times of war.

Dr. Lissitsa, please tell us about the purpose of the Ukrainian Agribusiness Club you founded 15 years ago.

At that time, it was my idea to bring together the big agricultural companies and form a platform for an exchange of their experiences and to synchronize their positions to take a common stand when facing the government.

Who are its members?

At the beginning there were just Ukrainian agricultural companies which were later joined by foreign companies, the first one having been the German KWS. In the meantime, the club has 130 members, among them the country's 70 largest agricultural companies which are cultivating almost seven million hectares of land which is equivalent to about a quarter of Ukraine's agricultural area. The range of members also includes the upstream and downstream sectors, including processing. The Ukraine's largest poultry producer also joined us.

What are the functions of this association and other agricultural organizations during the war

Having overcome the first shock of the attack, during the first weeks the organizations assumed almost only humanitarian duties. We of the Ukrainian Business Club were also involved in handling the food transports from Germany to Ukraine initiated by the German government. This covered more than 270 truckloads. We assisted in dispensing the food in occupied towns and wherever else needed. During the summer, we received many enquiries from the armed forces. We procured military supplies, i.e. bulletproof vests and helmets, as well as body bags which I purchased in Germany. We always managed

to raise the necessary funds and arrange for transport of all kinds of equipment. Currently, there is no time for classic lobby work.

You are the principal of a large agricultural holding company. How is the company positioned and how does it fare since the war began?

We are cultivating around 120,000 hectares and have a silo installation with a total storage capacity of 550,000 tons. We operate a dairy cattle installation with a herd of 1,000 cows. Except for one, all of our plants had been occupied during the first four days of the war. We had no access to our offices, to our accounts, to our technical equipment, and to almost all of our silos.

Who were the occupying forces?

Some of the soldiers were from Siberia, from ethnic groups from remote parts of Russia. In part, they took brutal action, beginning with thefts via wanton destruction, and rapes. On the third day they were already short of food and water. Whatever they needed, they just took!

Was there excessive violence?

Yes! There have been deaths, also among our staff members.

What were your duties?

At the beginning of the attack, I was in Kiev and then drove towards Lviv. My working day began with the simple question in the chat with 36 lead employees as to who is no longer alive. Someone was missing every day. This was a serious challenge for all of us. The battles were in the north of Kiev, near the frontier to Chernihiv. During the 44 days this area was occupied, our dairy cattle plant was completely cut off from any supplies. On his way to the plant, which was one of the most advanced in the country, the veterinarian was murdered. There was no electric power. Our staff tried to milk the animals by hand. A sale of the milk was no longer possible, so it was given away in the villages. When we returned after the Russians had left, our herd was practically no longer existent. Some animals had died, others were sick. We had no choice but to slaughter the remaining animals. The dairy cattle plant was closed for good on

1st of September. We also had to close down a silo installation with 100,000 tons of corn at the periphery of Chernihiv. The plant from the time of the Soviet Union was hit by 46 missiles and is heavily damaged but is still standing. We managed to save 76,000 tons of maize. With the aid of the Ukrainian army, we succeeded in removing all missiles.

How is transport working?

Around my hometown Chernihiv flows the Desna river. The railroad bridge crossing it has been destroyed. In the meantime, it was largely repaired and is back in use. However, only trains pulling five or six instead of previously 55 carriages can cross the bridge to prevent it from collapsing. We were able to remove quite a lot, but we still have maize from 2021.

Are the fields being cultivated again?

In this region we have about 32,000 hectares which were partly mine-infested. Moreover, the Russians are leaving mines at all possible locations, from country roads to forests and fields. It took another four months to clear the fields of the scrap missiles, as it was hard to tell whether they had exploded or not.

Are the fields completely cleared?

In the summer, we had believed that, with the help of the Ukrainian armed forces we had completed this task. We had then intended to harvest about 3,000 hectares of wheat, until our army told us that they had mined this region. We now know the location of these mines so that our staff members are now aware where they may go and where not.

At present, Ukraine is being covered with missile and drone attacks. How are you experiencing this?

Our mobile phones have a program giving air raid warning. The last time this happened was today, 12th October at 12.49 hours. The raid lasted four hours until 16.20 hours. These missiles and drones are incoming from any possible direction. Two missiles were brought down today near Chernihiv. Everybody needs to find shelter now. Preparations must be quick as it is a giant task to take care of the technical equipment in case of an air-raid alarm.

As far as I know, you had a staff of 2,000 when the war began. What is the current state?

About 200 were recruited right at the beginning. At first, agricultural companies were exempted from mobilization for six months, but this time is over now. Also, it did not apply to staff with special training or under 35 years of age, but these are also being drafted now. In the meantime, more than 350 of our staff are with the army. These numbers vary from day to day. Especially in our frontier region it is very difficult to find any workers. We are now resorting to pensioners still capable of doing field work.

Did you succeed so far in keeping the company operating?

Yes, the company is operating, although in August I had considered going into standby operation as we did not know where to place the crop. At that time, we exported 10,000 to 15,000 tons per month. Normally, it is between 80,000 and 100,000 tons. All storage facilities were full. We had considered to stop cultivation and instead, in the next five to six years to concentrate on storage management and just to sell produce. However, we finally decided to keep up our normal work. We cannot stop working the fields while the army is fighting at the front. According to official statistics, 63% of foreign currency in September of 2022 were generated by the agricultural sector. This means that the entire national economy is depending on our work. This also played a role in our decision. We are also an example for many other companies in the country. If we had shut down production, this would have been a devastating signal. So, we are continuing at full speed.

What does this mean?

This means, for example, that we are almost doubling the cultivation of winter wheat from 17,000 hectares last year to 33,000 hectares this year.

Why are you doing this?

For two reasons. On the one hand, we do not necessarily need to purchase seeds but can make use of our stock. On the other hand, there will be a shortage of winter wheat in Ukraine next year. Our farmers will not be able to repeat last year's sowing of around six million hectares of winter wheat with a yield of

just more than 30 million tons. Seven to eight million tons thereof were for domestic use, the balance for export. According to current figures, the crop area this year is no longer six million hectares, but only 1.8 million. At a best-case average crop of five tons per hectare, this results in a total harvest of nine million tons. We will have to see, how the winter will be and how much fertilizer will be available in the spring. I do not believe, however, that Ukraine will have any wheat to export next year. This could reduce the global market by around 10% in 2023. This is what I mean by saying that our agriculture is in a catastrophic condition.

What is the economic state of the companies?

The solvency of the Ukrainian farmers is now as bad as it has not been for many years. The fact that we managed to cultivate the fields in spring was only possible on account of last year's excellent results. In 2021, many companies had peak harvests and peak results. This is used up now. Meanwhile, we are selling our grain below price. It is good, that the "Grain Deal" brought some movement into the market as there was almost zero export in the first months after the war started. But we are definitely selling at loss.

What is the reason?

This is largely due to the enormous costs of transport, both by rail or by truck. Before, the costs for rail transport from Chernihiv to Odessa were 25 Dollars per ton. We now have to calculate 75 Dollars. The wheat prices even in Odessa went down considerably as insurance and freight became more expensive. At a price in Ravenna of 320 Euros per ton, we have 210 Dollars in Odessa. Taking off 75 Dollars for transport from these 210 Dollars, we get a result of 130 to 140 Dollars per ton. The overall costs here, however, amount to 170 to 180 Dollars per ton. This means, at the end I am short by 40 Dollars.

How are you coping with this situation?

It is a matter of how to survive. In the past seven months I learnt for myself that war does not follow any logic. I have a time schedule or a planning horizon of two weeks. This means, within two weeks I have to do whatever is possible, as I do not know whether, after these two weeks, the Grain Deal with the Russians will still work. Putin wants to sell more fertilizers and grain from Russia and announced that the

Grain Deal will not be extended, unless the partners fulfill his conditions. Now, already, we cannot charter any ships for November, as nobody knows how things will be going. This means we have to sell now, whatever is possible.

Is it possible for the companies to obtain credits?

It is becoming more difficult, as the banks no longer have all that much money, and the Ukrainian banks no money at all. Farmers can only get Ukrainian bank credits if the state provides security. The cover is 150 million Dollars. The sums required, however, are more than 10 billion Dollars. So nothing goes. With foreign banks operating in Ukraine it is possible to make agreements about deferral of payments for last year's credits. New credits are not available at all. In the meantime, even foreign banks are demanding by and by that credits be served again. The interest rate rose from 2.5 to 5% last year to about 5% this year. This is still quite good. Other companies are already "happy" to be offered 14 or 15%.

You just visited the World Bank in Washington. What was your objective?

The World Bank normally finances states. Below that, it is the International Finance Corporation (IFC) which finances businesses. I urgently requested the IFC in Washington to engage in the Ukrainian agricultural sector. I gained the impression that I was met with their understanding, as there will be huge international problems once Ukraine can no longer export any wheat. If this would also apply to summer cultures and Ukraine would completely fail as a supplier, this would cause a global catastrophe. Just consider that countries such as Jemen are currently dependent on Ukrainian wheat by 100%.

What are the magnitudes we are talking about in order to enable Ukraine to export grain and oil seeds in the year 2023?

We are now talking about 20 million hectares which need to be cultivated. Assuming that between 700 or 800 Dollars financing will be needed per hectare, this amounts to a shortfall between 14 and 16 billion Dollars.

The agricultural structure in Ukraine varies considerably. It ranges from holdings as in your case via companies with up to 2,000 hectares down to domestic units. What is the current situation of the individual sectors?

This varies considerably and is not primarily dependent on the size or the structure, but on the region. The companies near the Russian border all have problems and are fighting for survival. The situation in the south and the east is catastrophic. In west Ukraine matters are still rather good. But everybody's problem concerns solvency. The crucial point in the spring will be capital procurement. The small and medium companies, i.e. up to 2,000 hectares, for different reasons have never used bank credits but got their financing through farm supply companies, i.e. 30% in advance and 70% after harvesting. This system no longer works.

How do you see the role of the Ukraine government with a view to the agricultural sector?

Normally, I blame the government with quite lot of things and give them hard discussions. But what could I blame them for at this stage. Within the past seven months, they had to make corrections to the household eight times and raise the expenditures for the armed forces. This has to be taken from somewhere. There is no cause for complaint. There is no money, and we have to depend on international aid. We are to get by with what we have, and this is not all that much. The Ukrainian Hryvnia was devalued by 40%. All incomes are 40% less than at prewar times. But nobody is complaining of asking for higher wages or more money. Everybody is saying that we now have to do something for Ukraine. This is the current priority.

How are is the rural and urban food supply being managed?

The problems at the beginning of the war have been solved, also thanks to the Federal German government. In the meantime, it has improved considerably. All provisions needed are available. We of the Agribusiness Club early this year started an initiative by the name "Borschtsch", distributing many donations and more than 150,000 packages of different seeds to household farmers. In the meantime, people have made small harvests in their gardens or on small plots of land. Household farming takes an

important role in the supply of vegetables and fruit. Without this source, things would have been even worse. One must not forget that Chernihiv is Ukraine's gherkin growing area, Kherson the tomato growing area, and Mariupol the cherry growing area.

What is your main worry when thinking about the post-war reconstruction?

At this stage I have no idea how to get young people to move back to the countryside. I do not know, how many staff will return from the war. Will we have to continue with pensioners only; I simply do not know. We already converted the entire company to "Precision Farming" and "Digital Farming". Will we have the people necessary to operate the modern equipment? Nobody can say at this stage. Before the war, my favourite town of Chernihiv had a population of close to 300,000. Now there are just 100,000. Will there be 200,000 more? Will the infrastructure have to be rebuilt? There are thousands of questions which cannot be answered at this stage. However, I tend to recommend to the government to already consider a reasonable immigration program for Ukraine, not only the return of Ukrainians who fled from the war, but also people from other countries who we will have to encourage to come to our country.

What gives you hope in these days that the future will be positive?

My staff members are giving me this hope. Every day at 5:30 in the morning, I have an online consultation. When they go to the fields every day under these conditions and tell me that that day there had "only" been 200 or 250 missiles, i.e. nothing to worry about, yesterday there were more, that is when I gain hope. One month ago, I visited a plant in Sumy on the border to Russia, where first we had a brief discussion at the silo installation when the silo manager said we should go and eat something. He had prepared everything for a fish soup. Seven kilometers off the Russian border there is a small river with lots of fish. So we drove there, caught some fish, and cooked fish soup. While sitting together and discussing the world, politics, God, and the situation, the Russians started firing at us. When I said that, maybe we should go somewhere else, he only said not to worry, the mortars can only do five kilometers, whereas we were seven kilometers away. Then they began firing heavier missiles and he observed: "Don't worry, they travel much further!" The people have adapted to circumstances and go to work,

knowing that they might not come home. But they are doing their job for the family, the country, and their company; and this gives me hope. I also gain hope from the way the Ukraine has grown together, albeit due to a war. But the way the people are interacting and helping each other, this is amazing!

Thank you very much for the interview and all the very best to you!