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Beyond the Harvest: Modernising Ukraine's Agricultural Processing Sector

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Foreword

Agriculture is at the heart of Ukrainian identity. Every Ukrainian has a connection to it through our land, family histories and the rural communities that have shaped our country for generations. It is one of the key foundations of our economy, society and place in the world.

Agriculture is also central to Ukraine's irreversible path towards membership of the European Union. We are working every day to build solutions that are fair, sustainable and mutually beneficial. Ukraine's accession should not be seen only as an opportunity for Ukrainian agriculture. It is an opportunity for Europe. European agriculture will be stronger with Ukraine than without it.

At the same time, our first responsibility is to Ukraine and to the Ukrainian people. When I look to Poland, I see a powerful example of what is possible. Travelling through the country, I have seen the development, resilience and prosperity of rural communities. Agriculture has been central to that progress. This is what we want for Ukraine: thriving European rural communities, full of opportunity for young people, women, veterans, entrepreneurs and future generations.

Ukraine's opportunity also extends far beyond Europe. We can and must be a key guarantor of global food security, especially for the most vulnerable communities of the world. In April, I had the pleasure of visiting Ghana to open the ministry's first agrohub, an initiative designed to supply Ukrainian grain to the African continent and support countries facing acute food insecurity. Seeing first-hand the impact of our agricultural production beyond our borders was a moment of deep pride.

Our mission is also strategic. Many countries continue to import agricultural produce from Russia. Often, this is not a political statement or an endorsement of Russia's war of aggression against Ukraine. It is a question of availability, affordability and national need. But the result is clear: money continues to flow into the Russian economy, helping to sustain the war machine that threatens the lives of Ukrainians every day.

Ukraine has an opportunity to be a more reliable partner of choice, as a provider of food, and as a partner in tech and knowledge sharing. By strengthening our role in global food security, we can support vulnerable countries, deepen partnerships around the world and reduce the influence of Russian food diplomacy.

Ukraine is one of the world's great agricultural nations. But our ambition must be greater still: to unlock the full potential of Ukrainian agriculture for our people, for Europe and for global food security.

This report outlines the key strategic areas for unlocking value in Ukrainian agriculture and supporting the necessary developments for Ukraine's continued success.

I would like to thank the Tony Blair Institute for Global Change, Dr Andrew Forrest and Minderoo Foundation for their continued support and partnership alongside Ukraine.

Denys Bashlyk, Deputy Minister of Economy, Environment and Agriculture of Ukraine

Executive Summary

Ukraine is already one of the world's most important agricultural producers. The challenge now is to become one of the world's most important agri-food economies.

For decades, Ukraine's agricultural success has been built on the production and export of commodities. Grain, oilseeds and other agricultural products, including dairy production, have established the country as a vital contributor to global food security and provide a major source of export earnings. Even during Russia's full-scale invasion, the sector has demonstrated remarkable resilience. New logistics corridors have emerged, supply chains have adapted and agricultural exports have remained a critical pillar of the Ukrainian economy.

Yet this success story conceals a structural imbalance. Although agriculture accounts for most of Ukraine's exports, only around a quarter of agricultural exports undergo domestic processing. Even within this share, most activity remains concentrated in the earliest stages of transformation. As a result, much of the value generated by Ukrainian agriculture is captured elsewhere through processing, manufacturing, branding and distribution activities that take place beyond Ukraine's borders.

Ukraine's agricultural development therefore cannot be defined by production alone. It must be defined by value creation.

Agricultural processing exists along a spectrum, from basic activities such as grain cleaning and oilseed crushing to the production of ingredients, animal feed, branded food products and specialised consumer goods. As products move further up the value chain, more value, investment and skilled employment are captured domestically, creating stronger linkages between agriculture and the wider economy.

Ukraine already possesses significant processing capacity, particularly in primary processing. The opportunity is therefore not simply to increase the volume of processing, but to deepen it. Moving further up the value chain

would allow Ukraine to capture a greater share of the economic benefits generated by its agricultural strength, while creating more resilient export revenues and stronger foundations for long-term growth.

Ukraine is not the first country to face this challenge. Poland's experience illustrates what is possible. European Union accession helped accelerate investment in processing, food manufacturing and logistics, transforming the country into one of Europe's leading agri-food exporters. Ukraine's circumstances are different, particularly given the scale of wartime destruction, but the lesson remains relevant: long-term competitiveness depends not only on what is grown, but on how much value is created after harvest.

A stronger processing sector would create higher-skilled employment, attract investment, strengthen rural communities and increase the value of exports. It would also support Ukraine's broader strategic objectives. As the country advances towards EU membership, the ability to meet demanding standards in food safety, traceability, sustainability and quality will become increasingly important. Beyond Europe, deeper processing would help diversify export markets, strengthen Ukraine's role in global food security and position the country as a trusted supplier of high-quality agri-food products.

Ukraine possesses many of the foundations required to build a globally competitive processing sector. Yet its advantages have not yet translated into a diversified processing base. Logistics systems remain geared towards bulk commodity exports, financing mechanisms favour short-term production over long-term industrial investment and shortages of specialised skills limit expansion into more sophisticated forms of processing. Russia's war has compounded these challenges through energy insecurity, damaged infrastructure, labour displacement and elevated investment risk.

Overcoming these barriers is one of the central economic challenges of Ukraine's reconstruction. The decisions taken over the coming decade will help determine whether Ukraine remains primarily a supplier of agricultural commodities or emerges as a leading producer of high-value agri-food products.

This paper examines the structural barriers constraining the development of the processing sector and sets out a strategy to unlock investment, strengthen competitiveness and position Ukraine as a global leader in value-added agriculture.

To capture more value from its agricultural strengths, Ukraine should pursue the following strategic priorities:

- **Turn EU compliance into a competitive advantage.** Build digital traceability systems and targeted SME support around EU standards to unlock higher-value processing and expand access to global markets beyond Europe.
- **Scale agrohubs to expand markets.** Transform agrohubs from grain-distribution centres into food-security partnerships that create demand for processed Ukrainian products, deepen strategic partnerships and strengthen Ukraine's role in global food security.
- **Mobilise finance for processing investment.** Establish dedicated guarantee facilities, blended-finance instruments and war-risk insurance solutions that support long-term investment in processing infrastructure.
- **Build a climate-resilient processing sector.** Direct investment towards climate-smart value chains, flexible processing facilities and energy-resilient infrastructure that can adapt to changing production patterns.
- **Transform rural communities into engines of industrial growth.** Strengthen cooperatives, shared infrastructure and rural skills development so that more producers can participate in higher-value processing and integrated supply chains.

Together, these reforms would help Ukraine move beyond commodity exports, attract investment, create skilled employment and position itself as a leading producer of high-value agri-food products.

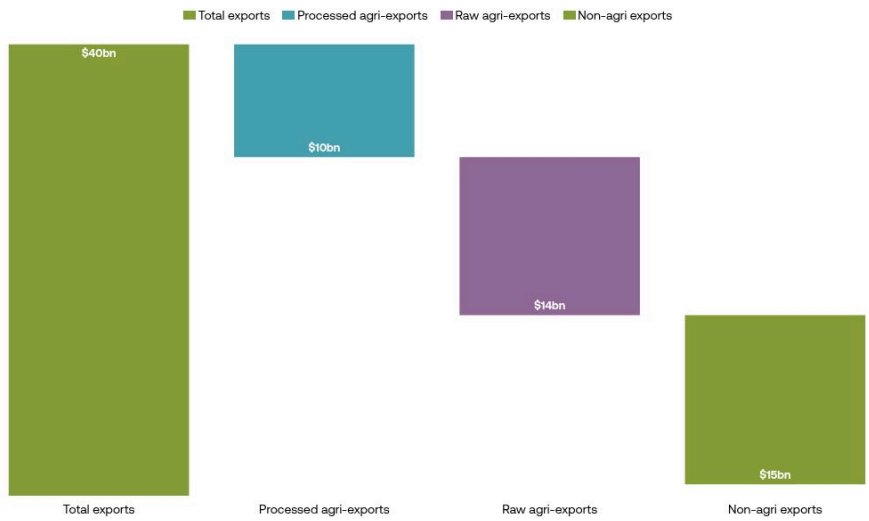
01

Five Barriers to Growing Ukraine's Agri-Processing Sector

Few other sectors have demonstrated the wartime resilience of Ukrainian agriculture. Despite operating in an economy with a loss of more than 1 million workers to mobilisation, sustained attacks on export infrastructure and the occupation of major agricultural regions, the sector generated $24.7 billion in agri-food export earnings in 2024. These figures nearly match pre-invasion levels and account for approximately 61 per cent of Ukraine's total export value.[1]

FIGURE 1

Agri-exports have shown remarkable wartime resilience, accounting for almost two-thirds of Ukraine's export value



Source: OECD, Agricultural Policy Monitoring and Evaluation 2025

Yet beneath this success lies a significant economic imbalance. Only around 26 per cent of Ukraine's agricultural output undergoes domestic processing,[2] and even within this share, the vast majority undergoes only basic transformation such as crushing, drying and milling, while higher-value secondary processing remains comparatively limited. Processed exports are similarly concentrated. Oils and oilcake account for roughly three-quarters of processed export value, while higher-value products such as food preparations, processed dairy, packaged fruit and vegetables, and value-added proteins remain comparatively underdeveloped.[3]

Ukraine produces the raw material that feeds the world, but the transformation of that material into food, and the value it generates, happens outside Ukraine.

The greatest economic returns in modern agriculture are rarely generated through production alone. They are generated through transformation. Every additional stage of processing supports more skilled employment, attracts greater investment, strengthens supply chains and creates stronger links between agriculture and the wider economy. Countries that move further up agricultural value chains capture more benefits from the same hectare of land, the same tonne of grain and the same underlying production base.

The gains are substantial: transforming grain into flour increases value by approximately 200 per cent,[4] while processing soybeans into protein concentrate multiplies value several times further. The International Finance Corporation's (IFC) 2025 investment in Astarta's soy-protein-concentrate plant, for example, is projected to generate $680 million in foreign-exchange earnings from a single facility.[5]

These gains have the potential to reshape the contribution agriculture makes to Ukraine's long-term economic resilience. So why has Ukraine struggled to move further up the value chain?

The answer lies in a set of structural constraints that make it easier to grow, export and trade agricultural commodities than to transform them into higher-value products. These constraints are interconnected and mutually reinforcing. They influence where capital flows, how goods move, which skills are developed and which markets firms can access.

Five barriers are particularly important:

1. Logistics systems remain optimised for bulk commodity exports rather than complex processing supply chains.
2. Financing mechanisms favour short-cycle production over long-term industrial investment.
3. Labour shortages and skills gaps constrain expansion into more sophisticated forms of manufacturing.
4. Energy insecurity and damaged infrastructure raise costs and operational risks.
5. Market-access requirements concentrate export participation among a small number of large firms.

Many of these challenges pre-date Russia's full-scale invasion. Ukraine's agricultural system evolved around the production and export of bulk commodities, and many of the institutions, infrastructure and incentives that support the sector remain geared towards that model.

Logistics Built for Bulk, Not Value

Ukraine's logistics system was built to move raw commodities, not processed food products.

For decades, the sector evolved around the export of bulk agricultural goods such as grain and oilseeds. As a result, logistics infrastructure, transport networks and storage systems are optimised for volume rather than value. Yet higher-value food products require a very different set of capabilities.

They are more time-sensitive, often require cold-chain storage and transport, and depend on higher levels of traceability and coordination across supply chains.

Russia's invasion has intensified these challenges. The disruption of maritime routes and greater reliance on overland exports have created congestion at border crossings and increased transport costs. For commodity exports this is already a significant burden. For processors producing time-sensitive goods, delays can undermine competitiveness entirely. Goods face an average delay of 16 days at the Ukraine–EU border, with some consignments taking up to 30 days,[6] compared to roughly six hours for freight crossing internal EU rail borders.[7] Different rail gauges require transhipment at every western crossing, adding cost and time that a bulk grain exporter can absorb but that a chilled dairy processor simply cannot.

Digital logistics also remain underdeveloped. The electronic waybill system is only partially implemented across domestic supply chains, and paper documentation continues to govern significant parts of the post-harvest movement network. For a processor trying to meet EU traceability requirements, this creates friction at precisely the points where export competitiveness is most sensitive to delay.

Capital Flows to Commodities, Not Processing

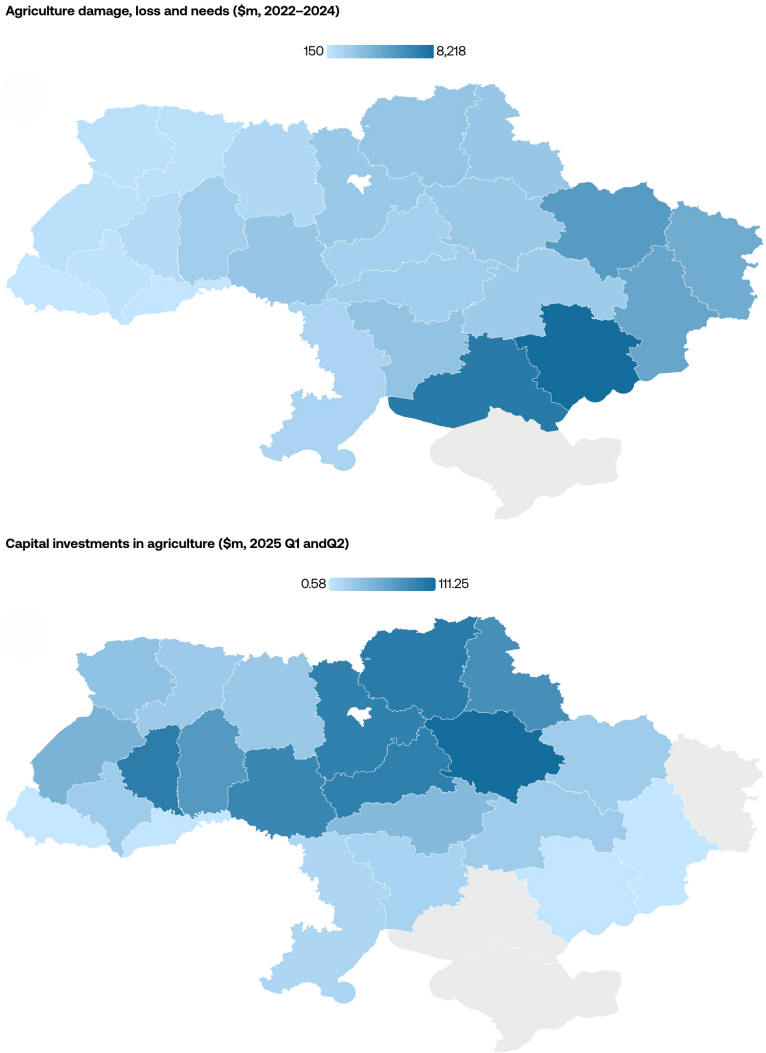
Access to finance remains a significant constraint across Ukrainian agriculture. Yet for agri-processing, the challenge is not simply the availability of capital, but its suitability. Programmes such as 5-7-9%, a state-sponsored financial-assistance programme, channelled 77.5 billion Ukrainian hryvnia (approximately $1.73 billion) towards agri-food activities during martial law,[8] while the Ukraine Investment Framework mobilised €9.4 billion in committed funding by July 2025.[9] However, the constraint is that almost none of this capital is designed around the specific risk profile of a dairy plant in Poltava or a fruit and vegetable processor in Vinnytsia trying to build the infrastructure needed to move Ukraine up the value chain. Processing

assets are fixed, long-cycle and location-specific. Once capital is committed to a facility, it cannot be redirected if conditions change, unlike a commodity flow that can be rerouted to a different port.

Figure 2 maps agricultural war damage against capital-investment flows by *oblast* (Ukraine's regional administrative unit), illustrating one of the most damaging consequences of this dynamic: investment is most scarce precisely where reconstruction needs are highest.

FIGURE 2

Capital investment is most scarce where agricultural-reconstruction needs are highest



Source: UNDP: Fourth Rapid Damage Needs Assessment; Data Bank

In 2023, 54 per cent of Ukrainian farmers were credit-constrained, rising to 67 per cent among medium-sized producers.[10] In processing, where investment requirements extend to long-term equipment and compliance systems, the credit gap is sharper still. The reinsurance-market collapse completes the picture: insured agricultural area fell from 1.164 million hectares in 2021 to 624,000 hectares in 2023, while reinsurance capacity fell from 67.8 per cent to 37.9 per cent, as shown in Figure 3.[11] Without risk-sharing mechanisms, the cost of capital for processing assets becomes prohibitive.

FIGURE 3

Reinsurance capacity fell by almost half between 2021 and 2023

Source: Prokopchuk et al, "Development of agricultural insurance in Ukraine" (2024)

The Missing Workforce for Value-Added Agriculture

Ukraine's population declined by approximately 12 million people between 2021 and 2024 after Russia's full-scale invasion.[12] More than 3.4 million people remain internally displaced, while more than 1 million have been mobilised into the armed forces.[13] In agriculture, 79 per cent of agri-businesses report shortages of skilled technical workers.[14]

For food processors, the challenge goes beyond a lack of workers. Ukraine's agricultural workforce has historically been geared towards grain handling and oilseed crushing, reflecting the country's export structure. As a result, the specialised skills needed for higher-value processing such as dairy manufacturing, food-safety compliance, Hazard Analysis and Critical Control Point management, and operating precision-processing equipment have not developed at scale. This is because the industries that would have required these capabilities never expanded sufficiently.

Labour shortages are further intensified by mobilisation policies, particularly for mid-sized processing companies, which often lack the administrative capacity to secure workforce deferrals and retain key personnel.

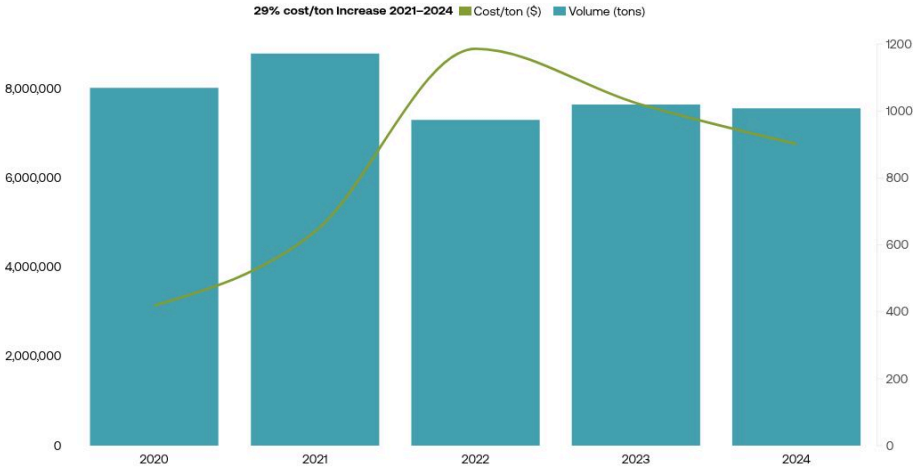
Energy Insecurity and Infrastructure Gaps

Russia's direct assault on Ukraine's energy infrastructure has had a profound impact on agriculture. Agri-food processing depends on continuous electricity, fuel, controlled temperatures, storage, machinery and, in some segments, water and irrigation systems. Yet 81 per cent of agricultural enterprises reported being affected by power outages in 2024, with blackouts reaching 12 to 18 hours per day in some regions.[15] For a grain-storage facility, a power cut is a cost. For a dairy-processing line, it is a production run lost, a sanitation cycle disrupted and potentially a food-safety incident. According to the fifth Rapid Damage and Needs Assessment, Ukraine incurred $88 billion in energy and extractives losses between 2022 and 2025.[16]

Fuel-import dependence has also left Ukraine exposed to volatility. Figure 4 illustrates how fuel costs increased when imports from Russia and Belarus ended, with the cost per tonne rising 29 per cent between 2021 and 2024. The cost increases feed directly into transport, backup generation, drying, storage and plant operations, all key areas for agri-food processing.

FIGURE 4

The cost of fuel has risen steeply since the end of imports from Russia and Belarus



Source: ITC Trade Map 2026

The availability of processing infrastructure is another constraint on the development of Ukrainian agri-processing. War damage has directly degraded storage and productive assets, and has also exposed an already-thin infrastructure base for diversified processing. Agricultural infrastructure has been a direct target for the Russian military, with storage facilities alone accounting for 17 per cent of the $11.2 billion total agricultural war damage.[17] Reports indicate that cold-chain storage has been uniquely affected,

comprising 17 per cent of total storage damage in Kyiv.[18] These are precisely the assets that higher-value processing requires: modern storage, cold-chain facilities, reliable machinery and resilient plant infrastructure.

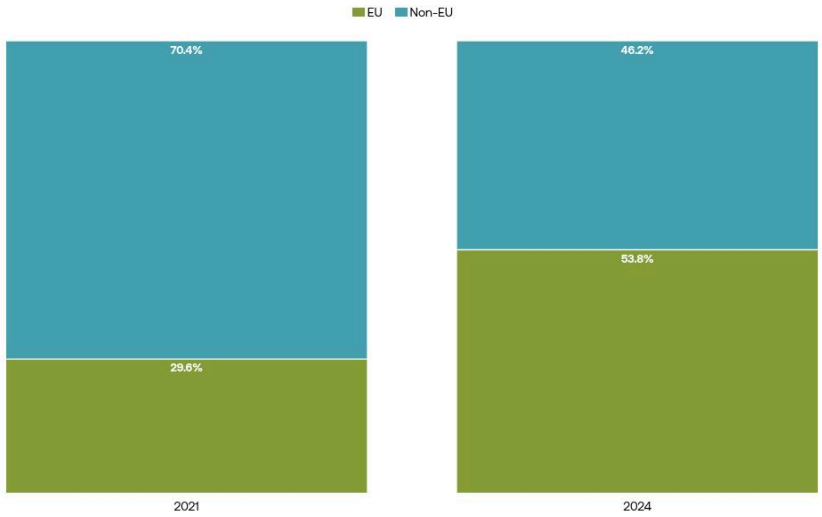
Market Access Concentrated Among the Few

Access to higher-value export markets is determined not only by what Ukraine produces, but also by its ability to meet increasingly demanding market requirements. Measures such as food-safety standards, traceability requirements and certification obligations have become the primary determinants of competitiveness in agri-food trade. For processed products in particular, compliance costs can be equivalent to tariffs of 20 per cent or more, making regulatory readiness a critical factor in export performance.[19]

Ukraine's rapid reorientation towards the EU has increased both opportunity and exposure. The EU's share of Ukrainian exports rose from 29.6 per cent in 2021 to 53.8 per cent in 2024, concentrating trade in one of the world's most demanding regulatory environments.[20]

FIGURE 5

The EU's share of Ukrainian exports rose significantly between 2021 and 2024



Source: ITC Trade Map 2026

While access to the EU creates strong incentives for upgrading standards and moving up the value chain, it also raises the cost and complexity of participating in export markets. Processors must invest in food-safety systems, traceability mechanisms, certification processes and quality-control functions before they can compete internationally.

These requirements become more demanding as products ascend the value chain. Exporting grain requires relatively limited compliance infrastructure compared with exporting dairy products, food ingredients or branded consumer goods. Each additional stage of processing introduces new standards, certification requirements and documentation obligations, increasing both operational complexity and upfront investment costs.

The result is that export participation is highly selective. Large agri-holdings can absorb compliance costs incrementally, while smaller processors face the full cost of market entry as the price of entry. Before the full-scale invasion, 79 per cent of Ukraine's vegetable-oil exports were handled by just six companies.[21]

This dynamic constrains the development of a broader and more competitive processing sector. Firms that can meet export requirements gain access to larger markets and higher margins, while others remain confined to domestic or lower-value segments. Over time, this limits competition, reinforces market concentration and reduces the number of firms able to capture the full value of Ukraine's agricultural production.

02

Unlocking Ukraine's Agricultural Transformation: A Strategy for Value-Added Growth

The constraints described above are mutually reinforcing and they will not unwind through market forces alone. However, they are solvable, and several of the instruments required to address them are already operational or within direct institutional reach. The missing link is the strategic coordination that makes them work as a system. We recommend pursuing the following priorities:

Turn EU Compliance Into a Competitive Advantage

Ukraine's EU accession process is reshaping its agri-food sector regardless of whether policymakers treat it as an opportunity or a burden. While the reintroduction of quotas has increased pressure on some commodity exports, many processed-food categories continue to enjoy more favourable access under the revised trade framework, strengthening the case for moving further up the value chain. The strategic choice is whether to treat EU compliance as the floor of ambition or as its outer limit.

EU food-safety standards are among the highest in the world and include requirements around food safety, hygiene, official controls, labelling, contaminants and product claims. A Ukrainian processor that can genuinely meet them has, in effect, met the threshold for most other high-value markets as well. This should allow Ukraine to access third markets, rerouting exports away from the EU and mitigating EU producers' concerns of being undercut by a wave of Ukrainian goods.

One key area that Ukraine can build upon is digital infrastructure, specifically to support traceability, creating a national digital traceability layer that connects farms, storage, logistics, processing facilities, laboratories and export certification. A clear digital traceability network will also help address barriers to effective logistics of processed goods.

The government can help processors meet compliance guidelines by providing targeted support for small and medium-sized enterprises (SMEs). For example, this could mean deciphering EU compliance for firms before they are asked to invest, while explaining to farmers the benefits of meeting EU compliance for buy-in.

Ukraine can also pursue voluntary standards to improve access to high-value third markets. Australia embeds halal certification in national meat-production legislation, allowing it to export red meat to 17 Muslim-majority countries. Its meat exports to Indonesia, the United Arab Emirates (UAE) and Saudi Arabia alone account for 8 per cent of total meat exports.[22] Ukraine has similar opportunities across certified organic, fair-trade and halal product ranges for the growing North African, Middle Eastern and South-East Asian markets, areas where Russia has cultivated strong trade relationships in certain countries.

Further, unlocking value in processing can help Ukraine showcase the benefits that its agriculture has for the EU, and plant-protein production represents a clear example of how to do this. Ukraine is Europe's largest producer of soybeans, peas and pumpkins.[23] However, the EU has a structural plant-protein deficit, for both human and animal consumption, resulting in high imports from Argentina, Brazil and the United States.[24] European leaders have explicitly identified reducing this dependence as a strategic priority. Building the policy framework to channel this opportunity into domestic processing – including EU-aligned nutrition-claims rules, digital traceability for soy and pulse supply chains, and targeted certification support – would enable Ukraine to become the EU's strategic protein supplier.

The strategic objective is to make EU alignment a springboard for competitiveness. Ukraine needs to meet the core EU food-safety and consumer-protection rules, but it should do so in a way that lowers compliance costs, supports SMEs, strengthens digital traceability and opens markets beyond the EU. If implemented well, this agenda would allow Ukraine to shift from being a supplier of bulk agricultural commodities to a trusted producer of high-value, traceable and protein-rich agri-food products.

Scale Agrohubs to Expand Markets

Ukraine's agrohubs initiative, developed under the wider Food from Ukraine programme, should become a central part of Ukraine's global food-security offer. Agrohubs are a network of storage, processing and distribution hubs in partner countries that can move Ukrainian agricultural goods into humanitarian supply chains, strategic reserves and commercial markets.

But agrohubs should not just be depots for Ukrainian grain. They should become food-security partnerships that help partner countries strengthen their own food systems, while creating new demand for higher-value Ukrainian products. That means moving beyond raw commodities towards flour, fortified flour, sunflower oil, feed ingredients, protein meals, blended foods and nutrition products.

The first priority should be to make Ghana the West Africa pilot. Ghana already has the flagship agrohub and is well placed to act as a regional gateway because of its ports, logistics links, private sector and processing capacity.[25] The hub should begin with storage, quality assurance, transparent pricing and regional distribution. Over time, it should add milling, blending, fortification, packaging, laboratory testing and certification support. This would make Ghana a platform connecting Ukrainian producers with African processors, retailers, donors, logistics firms and investors.

When scaling the project into other West African countries, new agrohubs should operate in the context of hosts' specific needs. In Nigeria, agrohubs should address food-security concerns, with a focus on conflict-hit northern states, food for schools and nutrition programmes, rather than commodity exports that could undercut local producers.[26] In Mauritania, agrohubs should be prioritised for wheat, flour, sunflower oil and fortified foods, given its dependence on imported cereals and exposure to drought and price shocks.[27] In Liberia and Sierra Leone, agrohubs should combine food assistance with investment in storage, SME processing and last-mile logistics, because food insecurity in these countries is closely linked to weak infrastructure and limited local processing capacity.[28]

Ukraine should also seek to develop an East Africa corridor building on its position in West Africa. Sudan, South Sudan, Ethiopia and Somalia face some of the world's most severe food-security pressures.[29] A future hub in Mombasa could serve Kenya, Uganda, South Sudan and parts of Ethiopia. A hub in Berbera could support Somalia and the Horn of Africa, while one in Dar es Salaam could open a southern route into Tanzania and neighbouring landlocked markets.

Each hub should observe a clear procurement hierarchy: local supply first, regional supply second and Ukrainian supply where there is a verified gap. Ukrainian products should be used when local markets cannot meet demand, prices spike, conflict or drought disrupt supply, or humanitarian agencies need reliable external provision. This would help Ukraine avoid the perception that it is simply exporting more grain into vulnerable markets, while still allowing it to respond quickly when food systems fail. This approach is more likely to attract donor support because it aligns with current donor priorities around the procurement of local products, resilience-building, market-based food assistance and local value addition.[30]

The model should also include knowledge and technology transfer. Ukraine can offer expertise in storage management, milling, oilseed processing, food safety, fortification, digital traceability, laboratory testing and SME supply-chain development. This would make the agrohubs more attractive to partner governments, because the offer would be about strengthening local capacity, not just supplying food.

Finally, Ukraine should link the African network to a UAE-based food-security and humanitarian logistics platform. The UAE can provide storage, financing, port infrastructure and onward routes into the Gulf, East Africa and the Middle East. Lebanon offers a near-term opportunity for a support destination from the UAE, because of food-import dependence and limited grain-storage capacity, while Syria would require a more cautious, humanitarian-led approach because of sanctions, infrastructure damage and institutional weakness.[31] Meanwhile, the ongoing situation in Gaza has created an acute need for food assistance and provides a further reason to prioritise the region.[32] A UAE-based hub could buffer the pipeline of aid and food-security programmes against disruptions. [33]

Done well, agrohubs could become one of Ukraine's strongest tools of food diplomacy. They could help Ukraine diversify export destinations beyond the EU, create demand for value-added processing and support partner-country food systems. This would allow Ukraine to be a world leader in supporting the most food-insecure regions of the world, through future-facing strategic partnerships and sustainable support.

Mobilise Finance for Processing Investment

The financial instruments that currently exist in Ukraine were designed, in the main, for primary agricultural producers operating on seasonal cycles. A processing facility in Vinnytsia that needs a 12-year loan to finance a dairy-manufacturing line does not fit cleanly into any existing instrument. Our central recommendation is the establishment of a dedicated Processing Investment Guarantee Facility, capitalised through the Ukraine Investment Framework and co-sponsored by the Ministry of Economy, Environment and Agriculture (MEEA),[34] with a tiered-guarantee structure that deliberately corrects the market's preference for commodity flows over fixed processing investment.

Under this structure, the guarantee covers a share of the loan value, reducing the risk that commercial banks carry on processing investments and making long-tenor lending viable where it currently is not. Analysis of comparable schemes recommends graduated, rather than flat, coverage whereby first-stage processing facilities would receive guarantees covering 50 to 60 per cent of the loan value, matching the cover already provided by Ukraine's EU-World Bank Partial Credit Guarantee Fund (PCGF) and the IFC.[35] Higher-value secondary and tertiary processing would attract 70 to 80 per cent to reflect their longer payback periods. Tenors would run from 12 to 15 years, set beyond the seven- to ten-year limits of existing instruments so the guarantee matches the life of processing assets.[36]

The blended-finance model needs to be standardised, not left as a bespoke arrangement available only to large agri-holdings. The IFC's investment in Astarta demonstrated that processing investment can be financed even during wartime, provided the capital stack is properly assembled: the IFC's

investment includes a $27 million direct loan, $13 million in concessional capital from the Netherlands and EU guarantee coverage.[37] The MEEA should formalise standardised blended-finance templates with the IFC and the European Bank for Reconstruction and Development (EBRD), and establish a Project Preparation Facility to bring processing projects to bankability before they reach the development finance institutions (DFIs).[38] Food4Impact is a €150 million fund backed by a €75 million EU Investment Framework guarantee. It invests directly in Ukrainian agri-food companies, usually with individual investments of €5–15 million.[39] This provides exactly the kind of rapid-deployment vehicle the MEEA should direct towards secondary processing.

Sovereign offtake agreements with Gulf Cooperation Council (GCC) food-security agencies represent the most underexplored instrument. GCC sovereign-wealth funds manage more than $6 trillion in assets, GCC states import up to 85 per cent of their food and GCC investments in Africa alone exceeded $50 billion in 2023.[40] A lender's risk calculus changes fundamentally when a share of a processing facility's future output is committed to a creditworthy sovereign buyer. The MEEA should open formal dialogue with Abu Dhabi's active sovereign investor ADQ and Saudi Arabia's Saudi Food and Drug Authority, or its General Food Security Authority, to develop multi-year purchase commitments for processed categories where Ukraine has clear comparative advantage.

Finally, Ukraine's war-risk insurance infrastructure is being rebuilt but does not yet cover the operational risks that processing enterprises face. In January 2026, Ukraine's Export-Credit Agency activated an enhanced war-risk insurance framework for export-oriented production facilities.[41] The EBRD's Ukraine Recovery and Reconstruction Guarantee Facility has enabled the reinsurer MS Amlin to reenter the Ukrainian market, with policies already extended to agricultural businesses.[42] The MEEA should work with the Export-Credit Agency and the EBRD to extend parametric insurance, paying out automatically on predefined trigger events, specifically to the agri-processing sector.

Build a Climate-Resilient Processing Sector

Ukraine should not build yesterday's processing sector. Processing plants are long-lived investments that bind firms to specific regions, crops, energy systems and supply chains. If Ukraine invests in facilities that depend on crops which may become less reliable in their surrounding regions, reconstruction finance will create stranded assets instead of a higher-value agri-food economy.

Climate risk is already changing Ukraine's agricultural map. Analysis by Helios AI shows that southern-steppe regions such as Mykolaiv face higher heat stress, tighter moisture constraints, shorter growing seasons and greater yield volatility. That weakens the case for highly specialised wheat, barley or maize processing in the south and strengthens the case for drought-tolerant crops, especially sunflower and selected pulses. Central and northern regions face a different trajectory. Vinnytsia may be able to support a broader crop and processing base, whereas Chernihiv and other northern *oblasts* remain stronger candidates for cereals, rapeseed, drying, storage and related processing.[43] Ukraine needs a processing strategy that reflects this regional reality, rather than a single national crop story.

The first priority should be the development of a climate-linked crop and processing map. The map should combine climate modelling, soil conditions, water availability, yield volatility, logistics, energy access, labour supply and market demand. It should guide public investment, donor finance, DFI support and private capital. For investors, it would reduce uncertainty over future inputs. For government, it would make reconstruction spending more disciplined. For regions and *hromadas* (local governments), it would show which processing investments are most likely to remain competitive.

The map should shape investment, not dictate cropping. Climate change will not move in a straight line, and future crop viability will also depend on breeding progress, farm practice, soil conditions, water availability, processing infrastructure and routes to market. The clearest message is that Ukraine's processing strategy should become more regionally differentiated. In hotter and more water-stressed regions, the priority should be flexible

assets that can handle drought-tolerant crops and switch inputs when conditions change. Sunflower is the most obvious near-term opportunity because Ukraine already has production scale, processing capacity and export relationships. Chickpeas, lentils and other pulses may become more relevant, but they should move through trials, seed multiplication, processing tests and offtake validation before public finance treats them as a scaled industrial base.

The second priority is to connect processing investments to breeding and seed systems. Ukraine already has research capacity in drought-resistant sunflower, maize, winter rapeseed and legumes, as well as breeding programmes across wheat, barley, sorghum, soybean, pea, chickpea and alfalfa.[44] Public finance for processing should be linked to local variety development, seed multiplication and grower adoption. A protein plant should have a regional seed and agronomy plan. Oilseed finance should be linked to drought-tolerant sunflower, rapeseed and soybean systems. This would protect value chains where Ukraine already has skills and markets, while reducing reliance on climate forecasts alone. It should also remain aligned with EU rules on genetically modified food and feed, so climate adaptation supports accession rather than creating future market-access problems.[45]

The third priority is flexible processing infrastructure. Ukraine should avoid a new generation of plants locked into one crop, one region or one market. Concessional finance, guarantees and donor-supported reconstruction should favour equipment that can handle multiple inputs and produce multiple outputs. Relevant technologies include twin-screw extrusion, dry fractionation, spray drying, powder-handling systems, multi-oilseed refining, meal upgrading and biomass or residue-use systems. Higher-value assets such as protein-isolate plants, modified starch and fermentation hubs should be supported where projects show multiple potential inputs, credible offtake and a route to certification. Flexibility is the insurance policy against climate uncertainty.

Energy resilience and renewables should sit within the same agenda. Processing needs continuous electricity, heat, cooling, storage and machinery. A grid-dependent processor is exposed to stoppages, spoiled

inputs, disrupted sanitation cycles and diesel-backup costs. Ukraine should therefore make processor-owned renewable energy part of processing competitiveness. The strongest early case is self-consumption. Ukraine has high solar insularity, meaning its level of solar radiation is optimal for solar power, especially in the south.[46] Solar power used on site cuts electricity purchases, protects production during outages and reduces reliance on diesel backup. In the future, surplus-sale rules should be simple, transparent and bankable, with clarity on metering, pricing, settlement, grid connection, aggregation and the legal treatment of storage assets. Ukraine can position itself at the heart of the future of electricity generation, in a sector where technologies such as battery-electric heavy goods vehicles are growing and likely to continue growing with ongoing fuel crises.

Biomass and biofuels should complete the energy offer. Oilseed and cereal processing produce residues that can be used for heat, power and biogas. These streams are already present in Ukraine's agri-food system and can reduce exposure to imported fuel while creating value from waste. Brazil's use of ethanol and biodiesel mandates shows how a major agricultural economy can use domestic biofuels to reduce exposure to fuel shocks.[47] Ukraine should apply the practical lesson: processing policy can strengthen energy security when residue use, biogas, biomass heat and biofuel supply are built into the business model from the start.

The strategic objective is to make Ukraine's processing sector climate-intelligent and energy-resilient. Climate intelligence should guide where plants are built, which inputs they rely on and how easily they can adapt when crop patterns shift. Energy resilience should make those plants less exposed to grid volatility and fuel shocks. Together, these reforms would help Ukraine deepen value-added processing while avoiding stranded assets, protecting reconstruction finance and turning a wartime vulnerability into a long-term industrial advantage.

Transform Rural Communities Into Engines of Industrial Growth

Ukraine's processing strategy will only work if rural areas become places where value is created, not just where raw materials are produced. Processing needs proximity to crops, workers, storage, energy, logistics and local suppliers. If these foundations remain weak, investment will continue to concentrate in a small number of larger firms and better-connected regions, while small and medium producers stay locked into low-margin commodity activity.

Ukraine's 2030 Agricultural Strategy already recognises the need to shift rural policy from subsidy-led support towards investment-driven, place-based development. That shift should now be tied directly to agricultural processing. Rural decline, labour shortages, damaged infrastructure and weak local business ecosystems all reduce the attractiveness of rural areas for processing investment. But Poland's experience after EU accession shows the opportunity.[48] Value-added agri-food exports grew because processing, cold chains and food manufacturing were embedded in rural regions, with the support of the EU, creating integrated production-processing ecosystems rather than separating farms from industry.

The core institution should be the agricultural cooperative. Cooperatives give small and medium producers a practical route to pool volumes, standardise quality, share infrastructure, reduce compliance costs and reach markets that individual enterprises cannot access alone. The 2020 Law of Ukraine "On Agricultural Cooperation" provides the legal basis for joint activity across raw material consolidation, processing, storage, logistics and sales.[49] The priority now is implementation. Cooperatives should be treated as market infrastructure for rural development, not as a social-policy add-on.

The first wave of support should focus on shared assets where the market barrier is high and the return is visible. For fruit and vegetables, shared cold storage should be an early priority because post-harvest losses remain high and longer selling windows can materially improve producer incomes.

Shared laboratories, packaging lines, food-safety support and digital traceability should form the next layer. These services are often too expensive for individual small producers, but viable when organised through cooperatives. They also help smaller firms meet EU market requirements without each producer carrying the full cost of certification, testing and documentation.

Ukraine should create a dedicated cooperative finance window focused on formation, first assets and early compliance. Grants or blended finance should support cold stores, small processing lines, laboratories, packaging equipment, traceability software and shared renewable-energy systems. Eligibility should require active producer membership, a demand assessment, a business plan, basic governance standards and audit obligations. This would give cooperatives a clear route from local organisation to investable processing infrastructure.

Legal and administrative barriers should also be removed. The government should clarify the taxation of patronage dividends, the treatment of ultimate beneficiaries, VAT rules, registration requirements and standard cooperative documents. Templates should be published through accessible platforms such as Ukraine's digital-government platform Diia, and business and advisory networks should be cultivated to reduce the legal cost of forming and operating cooperatives.

Cooperatives should also become platforms for skills and inclusion. They can organise training in food safety, traceability, machinery use, energy efficiency and quality management, while lowering entry barriers for women, veterans, young people and internally displaced persons. They can also make rural energy resilience more viable by spreading the cost of solar, batteries, biogas and local microgrids.

The strategic objective is to make rural Ukraine the foundation of a processing economy. A cooperative-led model would help small and medium producers move from fragmented production into organised value chains, from informal sales into traceable supply and from low-margin

commodity activity into higher-value markets – all while supporting prosperous, modern rural communities to remain the backbone of Ukrainian society.

03

Conclusion

Ukraine's agricultural reconstruction needs a $55.5 billion investment over the next decade.[50] The majority of that capital will need to come from private investors who will, without deliberate policy intervention, gravitate towards the path of least resistance – commodity production – because it is simpler, faster and more liquid. The financial architecture, the trade policy signals, the DFI instruments and the institutional platforms required to redirect that capital towards processing are all present or within reach. What is missing is the strategic coordination that makes them work together.

Ukraine's strongest long-term competitive position in global food markets is not as the world's grain basket. Russia also occupies that position and is actively defending it. Ukraine's strongest position is as a high-standards, traceable, climate-intelligent producer of value-added food: protein concentrates, speciality dairy, premium oils, and certified halal and organic products for the markets that are growing fastest and paying the most. The agricultural sector has earned its reputation for wartime resilience. The question now is whether Ukraine can convert that resilience into structural transformation – turning an economy that feeds the world into one that processes food for it, too.

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