Ukraine Facility Platform

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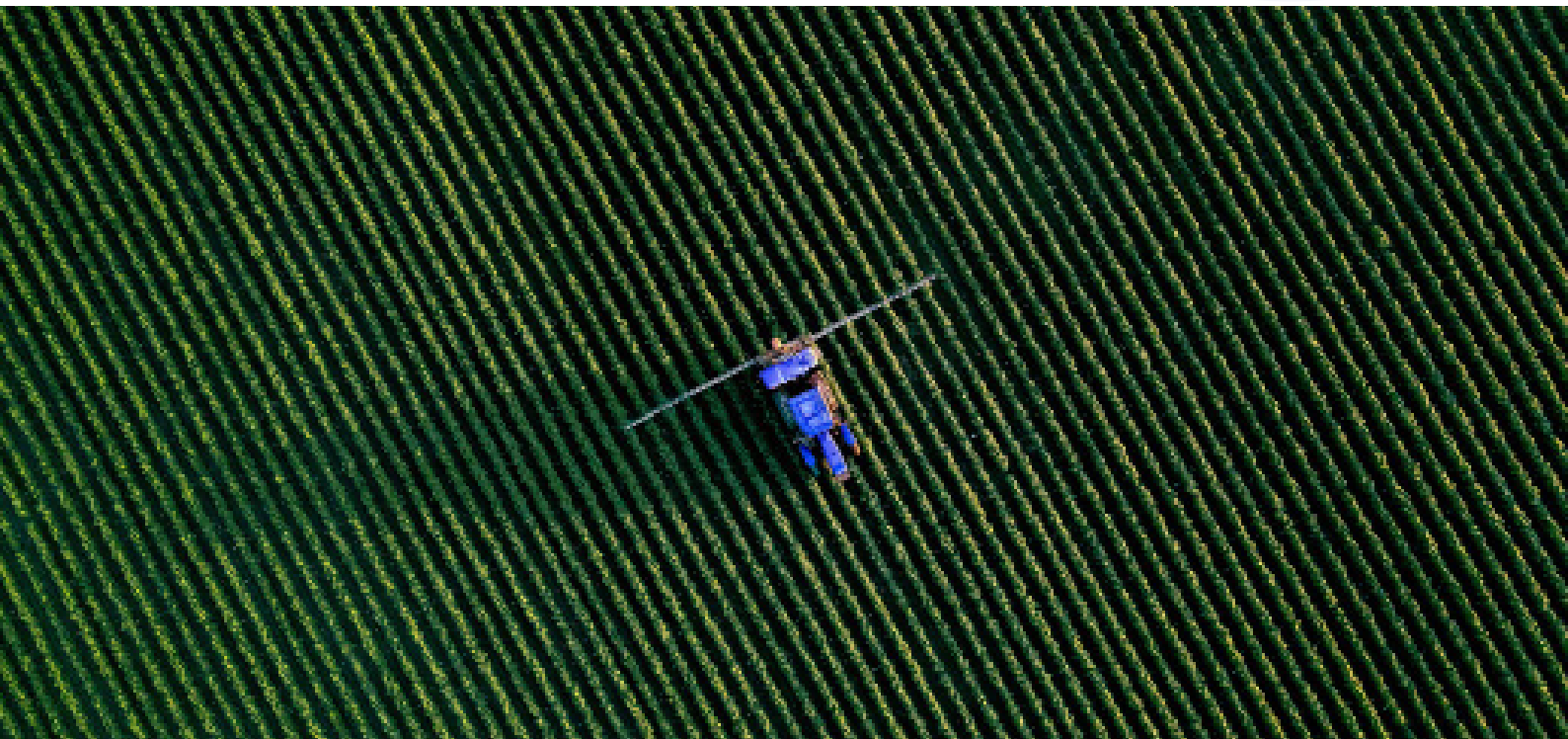
Global Competitiveness and Strategic Autonomy of the EU and Ukraine through collaborative effort in the agrifood sector: Key Areas, Sectors, and Instruments



In this non-policy paper a brief analysis of the current developments in agricultural and food sectors is focused on opportunities arising from the closer economic cooperation between the European Union and Ukraine.

Ukraine was granted EU candidate status in June 2022. Yet as the experience of other countries shows the road from candidacy to full integration is long, bureaucratically demanding, and politically charged. Accession is not simply a matter of ticking boxes. It is a profound restructuring of institutions, regulations, and political priorities – often under the scrutiny of both domestic stakeholders and EU institutions. The process can divide as much as it unites, straining political consensus and testing public patience. Crucially, accession is not the end point. For many countries the real challenges begin after joining the Union, when the pressure to reform is replaced by the responsibilities of membership — and the expectations to contribute, compete, and comply on equal footing.

This non-policy paper offers a focused snapshot of current developments in Ukraine's agricultural and food sectors, exploring how closer economic cooperation with the European Union is already shaping opportunities and raising new questions for the country's integration journey.

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CONTENT

EXECUTIVE SUMMARY

The evolving EU-Ukraine agrifood cooperation is set against a backdrop of global crises, climate disruptions, and geopolitical tensions that have reshaped food security and agricultural policy across Europe.

The EU has launched major reforms to its Common Agricultural Policy (CAP) and broader Green Deal agenda to address systemic vulnerabilities exposed by COVID-19 and the Russian invasion of Ukraine. These reforms aim to strengthen food system resilience, ensure strategic autonomy, and support sustainable agriculture, but face trade-offs between climate ambition and economic competitiveness.

Ukraine – one of the major suppliers of cereals, oilseeds, protein crops, and organic products to the EU – has become indispensable to Europe's food security, particularly during wartime supply shocks. However, integration into the EU agri-system requires deep institutional reform, regulatory harmonization, and enhanced rural and environmental infrastructure in Ukraine.

Ukraine presents unique opportunities for the EU across strategic domains: organic feed, animal nutrition, pulses and protein crops, renewable energy, sustainable raw materials, and dual-use technologies. With vast tracts of fertile land, strong export orientation, and growing innovation capacity in AgTech, BioTech, and FoodTech, Ukraine can evolve from a raw commodity exporter to a co-architect of Europe's bioeconomy and green transition.

Initiatives such as carbon farming, biofuel production, and plant-based protein processing align Ukraine's comparative advantages with the EU's strategic priorities on climate, energy, and regional autonomy. The expansion of cotton and industrial crop trials, coupled with digital transformation and precision agriculture technologies, offers scope for deeper investment partnerships, including in defense-relevant supply chains. Regional integration programs like Interreg and the Three Seas Initiative also provide mechanisms for embedding Ukraine's rural economies into European resilience frameworks.

Despite progress, persistent barriers hinder effective EU-Ukraine agrifood integration. These include gaps in Sanitary and Phytosanitary Measures (SPS) and food safety enforcement, fragmented regulatory alignment, war-related infrastructure damage, weak institutional coordination, digital and customs interoperability deficits, limited R&D integration, and lack of inclusion for conflict-affected and rural communities. Labour shortages and skills mismatches further constrain innovation uptake.

To overcome these challenges, the report recommends a dedicated EU–Ukraine agrifood cooperation and Collaborative Investment Toolkit. This includes early access to pre-accession instruments, fast-tracking digital and climate-smart integration, war-risk insurance, investment in value-added export capacity, and harmonization of quality certification. By addressing these structural bottlenecks and scaling collaborative platforms, the EU and Ukraine can jointly build a more secure, sustainable, and competitive agrifood system for the post – 2025 era.

SECTION 1

NEW NORMAL
OR ERA OF MULTIPLE CRISES
IN THE EU AND BEYOND

The last enlargement "round" of the European Union is already more than ten years old. With Croatia joining the block in 2013, and since the "Brexit" in 2020 European Union has been reshuffling its internal systems, policies, pushing environmental agenda and accelerating its efforts towards deepening economic integration within the Union, enhancing digital transformation, and expanding its influence through various economic partnerships, mostly bilateral trade agreements.

For several years the European Union has been going through the comprehensive reform of the economic policies, including Common Agricultural Policy (CAP). With a starting point of this reform in 2019 after the announcement of the ambitious and multi-sectoral Green Deal and following key element – agriculture specific Farm to Fork (F2F) Strategy in 2020. The main points of the F2F Strategy: reducing of the environmental impact of food production by using fewer pesticides and fertilizers, improving animal welfare, and encouraging organic farming, ensuring fair incomes for farmers and improving transparency throughout the food supply chain, promoting healthy diets and minimizing food waste.

First shock wave of "new normal" in the agrifood sector was felt during the COVID-19 pandemic and related governmental restrictions and macroeconomic disruption in the global and European agrifood systems and value chains. Many factors contributed to the general climate of uncertainty in the EU's agri-food sector during and after the pandemic, with long-term challenges expected in adapting to changing market conditions and consumer behaviour, including supply chain disruptions, prices volatility, trade restrictions to name some of them.

In February 2022 situation had another dramatic turn: full scale Russian invasion in Ukraine put together the deadly puzzle of global triple crisis:

- Energy prices;
- Food security;,
- Financial crisis, including cost of living.

This large-scale war has also exposed significant vulnerabilities in the EU's food security and supply chains and for the first time clearly demonstrated the depth of integration of the Ukrainian agricultural and food sectors into the EU value chains in many sectors. European consumers experienced both physical deficit and following surge of sunflower oil prices by over 50% between 2022 and 2023 with higher demand for the alternatives. The disruption of the Ukrainian wheat exports led to a flow deficit in EU markets, where wheat prices jumped by more than 30% in 2021[2] The consequences of the withdrawal of the Ukrainian exporters of the EU's market were felt far beyond basic foodstuffs: animal feed shortages, including high-quality non-GMO or organic products have been noted in several EU countries not only in 2022, but later as well.

In addition, shifting geopolitical dynamics and rising trade tensions with key partners such as the United States and China are reshaping global trade flows. These changes are already affecting the EU's agricultural exports and imports, exposing vulnerabilities in supply chains and strategic dependencies. In response, the EU must not only strengthen existing partnerships but also diversify its trade relationships and reduce reliance on critical inputs — particularly in sectors essential for food security and sustainable agriculture.

On top of the existing challenges, climate change is emerging as a growing and often underestimated threat for the EU's agricultural sector. Across many member states, extreme weather events – droughts, floods, heatwaves – are becoming more frequent and severe, exposing the sector's deepening vulnerability. While short-term impacts such as reduced yields in key crops like wheat, maize, and barley are already being felt, the long-term risks are even more alarming. Increasing water scarcity and accelerating soil degradation pose serious threats to the sustainability of European farming.

These changes demand urgent adaptation – forcing farmers to rethink traditional practices, invest in new technologies, and confront an environmental reality that is reshaping the very foundations of food production,

1 https://agriculture.ec.europa.eu/system/files/2022-04/short-term-outlook-spring-2022_en_0.pdf

economic stability, and rural livelihoods.

SECTION 2

STRATEGIC RESPONSE IN AGRICULTURE: MAIN PILLARS

In response to the mounting external challenges and persistent internal bottlenecks, such as the complexity of regulatory framework and administrative burden on farmers, the EU has introduced a number of strategic policy documents in the recent years. These frameworks outline key priorities for addressing vulnerabilities in the agrifood sector and shaping its future resilience. From these efforts several core pillars emerge, which form the foundation of the EU's long-term vision for the sustainable development of agriculture, food systems and related sectors.

1. Food security comeback

Both COVID-19 pandemic and Russian aggression against Ukraine brought the importance of food security at all levels of governance back in the limelight of the economic, trade and agricultural policies. Earlier mentioned supply shocks, supply chain interruptions and other direct and indirect negative implications on European agricultural and food markets forced the EU to acknowledge that ensuring stable access to affordable, safe, and nutritious food must remain a top priority in its Common Agricultural Policy and beyond.

This shift is evident in several recent policy and strategic documents. A core pillar of the European Green Deal, Farm to Fork Strategy stating that any sustainable transformation of the food system must "ensure food security, nutrition and public health." The Strategic Dialogue on the Future of EU Agriculture also addresses food security as a foundational element of the EU's agri-food policy and its future vision and calls for coherent EU policy frameworks (CAP, trade, climate, food safety) that explicitly integrate food security considerations[2].

The European Commission in its 2025 Vision for Agriculture and Food explicitly stated that "food security and food sovereignty remain a priority in Europe."[3]

Overall, agriculture is framed not only as a provider of food, but also as a provider of strategic autonomy in food, feed, and biomass.

Also, the CAP Strategic Plans for 2023–2027[4] were assessed and adjusted to reflect the new realities of geopolitical instability. The European Commission stressed that the Common Agricultural Policy should continue to support the viability of farming to secure Europe's food supply, while also helping farmers adapt to crises and market volatility.

The issue of food security is reflected in the EU's Food 2030 research and innovation agenda[5]: the document has been reoriented to focus more strongly on building resilient and climate-smart food systems. In its post-2022 updates, Food 2030 calls for enhanced coordination between research, innovation, and policy to protect food systems from future shocks.

In the context of the June 2025 Enlargement Package and the evolving geopolitical climate, the European Union is reframing strategic autonomy beyond traditional notions of supply security. Now it emphasizes territorial resilience, regional integration, and decentralized preparedness – especially in the domains of food and energy.

The EU is launching pilot "regional autonomy" programs in strategic border and accession areas – specifically in Romania, Poland, and the Baltic States. These pilots focus on:

- development of cross-border agrifood logistics corridors;
- construction and coordination of emergency food and input stockpiles;
- deployment of resilient storage infrastructure for grains, fertilizers, and seeds;
- integration of digital traceability and risk-monitoring systems;
- strengthening of community-based food reserves and rural logistics hubs.

These initiatives are coordinated under macro-regional platforms (e.g., the EU Strategy for the Baltic Sea Region, Three Seas Initiative, Interreg Central Europe) and funded

2 https://commission.europa.eu/topics/agriculture-and-rural-development/strategic-dialogue-future-eu-agriculture_en
3 https://agriculture.ec.europa.eu/overview-vision-agriculture-food/vision-agriculture-and-food_en
4 https://agriculture.ec.europa.eu/system/files/2023-06/approved-28-cap-strategic-plans-2023-27.pdf
5 https://research-and-innovation.ec.europa.eu/research-area/environment/bioeconomy/food-systems/food-2030_en

through a mix of structural funds, Horizon Europe pilots, and national co-financing.

2. Sustainability and Green deal vs. Competitiveness and Resilience

Finding the balance between ambitious goals in the field of green deal and sustainability on the one hand and the necessity to support the competitiveness of agricultural producers (both domestically and internationally) can be seen as one of the important tasks for the policy making in agriculture in the mid-term perspective in the EU.

It is obvious that climate change will continue to be a significant driver of change within the EU agricultural sector. And if no further action is taken to curb greenhouse gas emissions or to mitigate climate change, agricultural losses could worsen significantly and bring in danger the food security in the whole region.

It will be essential for EU policymakers to adopt holistic climate action plans that integrate mitigation and adaptation efforts across all sectors of the agrifood system and do not harm the competitiveness of producers at the same time.

The aforementioned Vision for Agriculture and Food, for example, articulates a balanced, farmer-centric transformation backed by incentives, digitalisation, and international alignment. The Commission proposes shifting from a compliance-heavy model toward a more incentive-based approach that rewards results rather than procedures. This marks a notable change from previous cycles of agricultural regulation, which were often criticized for being overly bureaucratic and out of touch with real-world farming conditions.

The report of the Strategic Dialog on the future of EU Agriculture[6] at the same time is saying that: "Continuing to pursue the green objectives that defined the last mandate into the next remains essential for achieving the EU's goals of enhancing strategic autonomy in the agri-food sector while simultaneously addressing climate and environmental challenges."

3. Strategic autonomy

Food security is explicitly linked to European strategic autonomy, meaning the EU should not rely excessively on external inputs or imports. And even more – across the range of recent EU policy documents and institutional statements mentioned above – agriculture is increasingly viewed not merely as an economic sector, but as a strategic asset, critical to the EU's resilience, security, and sovereignty. Diversification of supply chains, support for regional and local food systems, and circular economy principles are emphasized to build resilience of the food system.

Primarily focused on rural development, the EU Vision for rural areas links rural resilience and strategic autonomy by calling for stronger support for local production systems, food sovereignty, and autonomy in agricultural inputs[7].

It's important to underline that while strategic autonomy in the agri-food sector has gained its rhetorical traction, its practical implementation is still uneven. The EU's CAP reforms have begun to reflect elements of this goal by promoting resilience, sustainability, and local production, yet dependency on imports for protein crops, feed, energy-intensive inputs, and key fertilizers persists.

Strategic autonomy not as a retreat from trade, but as the capacity to ensure that Europe can withstand global disruptions without compromising food availability or sustainability standards.

4. New approach to the economic and trade partnerships

Aligned with above mentioned changes in strategic approaches within the EU's agrifood sector, its trade policy is also shifting from a primarily liberalising agenda to a more geopolitically informed and resilience-oriented approach. Bilateral and regional trade agreements (e.g., with Mercosur, Australia, the ASEAN region) are increasingly used to secure access to reliable

6 https://agriculture.ec.europa.eu/document/download/171329ff-0f50-4fa5-946f-aea11032172e_en?filename=strategic-dialogue-report-2024_en.pdf

7 https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=comnat:COM_2024_0450_FIN

and sustainable food supplies and different inputs, while embedding high environmental and food safety standards.

Amid increasing trade tensions with China and the United States, the EU seeks to de-risk, rebalance and diversify trade in agri-food and other critical sectors not only through expanding FTAs, but also through intensifying the economic relations with Africa, while prioritizing supply chain resilience and food system sustainability over pure liberalization.

The geopolitical importance of agriculture has returned to the forefront of EU trade policy with visibly increased support for like-minded partners, such as Ukraine, Moldova or Balkan States through preferential access and investments in regulatory alignment.

In general, it can be stressed that the commission's recent communication on open strategic autonomy in agrifood highlights this balance: reinforcing EU internal production, investing in innovation and climate resilience, and maintaining global cooperation with strategic partners.

The redefinition of agri-food trade policy within the EU reflects a deeper transformation in its external relations. Food is no longer just a commodity – it is a strategic asset, and it marks a significant shift: from sheer open trade to strategic partnership, from low price to values, and from dependence to autonomy with cooperation.

5. Structural transitions shaping the future of EU agriculture

The future of the EU's agricultural sector is being shaped not only by external disruptions or geopolitical considerations, but by slower-moving, structural transitions that are fundamentally transforming how food is produced, consumed, and valued. These internal shifts are often less visible than crises, yet no less urgent, and their policy implications are becoming increasingly clear.

Aging demographics across the rural landscape represent one of the most persistent challenges. With a significant proportion of Europe's farmers over the age of 55, and relatively few younger entrants, the long-term viability of agricultural production and rural economies is at risk. Despite targeted support under the Common Agricultural Policy, barriers such as land access, financing, and administrative burden continue to limit generational renewal. **Ensuring the future of European farming will require a more ambitious mix of land reform, rural investment, and support for young entrepreneurs entering agriculture, particularly those bringing innovation and sustainability mindsets.**

Simultaneously, the role of consumers in shaping the food system is becoming more pronounced. Across the EU, shifting dietary preferences — toward plant-based proteins, locally produced food, and more sustainable consumption patterns — are starting to influence agricultural production. The Farm to Fork Strategy highlights this shift, emphasizing the need to link food policy with nutrition, health, and environmental sustainability. However, this transformation also raises questions about value chain adaptation, labeling policies, and the distribution of incentives between producers, processors, and retailers.

Market structure further complicates this landscape. Many small and medium-sized farms operate within highly concentrated supply chains dominated by powerful processors and retailers. This imbalance often leads to economic precarity, particularly for producers with limited bargaining power. The EU has taken steps to address these inequalities through rules on unfair trading practices and support for producer organizations, but enforcement and structural rebalancing remain uneven. Ensuring a fairer food system will be essential for maintaining social cohesion, economic viability in rural areas, and long-term trust in agricultural markets.

Underpinning all of these transitions is the accelerating role of technology. While digitalization, precision farming, AI, and agri-biotech are increasingly seen as enablers of more sustainable and resilient food systems, their adoption varies widely across regions and farm sizes.

Policies must ensure that these innovations are accessible, especially to smallholders and newer entrants, and that they support — not replace — livelihoods in farming communities. Technological change, if harnessed inclusively, offers the potential to bridge environmental goals with economic competitiveness.

Taken together, these structural transitions represent a quiet, but powerful reshaping of the European agricultural landscape. Addressing them will require not just targeted fixes, but a cross-cutting and coherent strategy that places fairness, adaptability, and innovation at the core of the EU's agricultural policy. Only through such an approach can the Union ensure that its food systems are not just productive, but future-proof.

The EU Commission's response to these challenges is reflected in its proposal for the post-2027 CAP marks a bold structural overhaul, reshaping how agricultural policy is funded and governed in the EU. At the core of the reform is the integration of CAP into a broader €865 billion National and Regional Partnership Fund (NRPF), where agricultural support is no longer a standalone budget line but embedded in a more flexible and territorial investment framework.

While the Commission ring-fences approximately **€300 billion** within this framework specifically for income support, crisis reserves, and targeted rural measures, the dedicated nature of CAP funding is diluted — especially in relation to environmental objectives, which are now to be fulfilled through broader national plans rather than via direct EU earmarking. The green conditionality threshold has been reduced **from 40% in the current period to 35%**, and that target now applies to the NRPF as a whole rather than the CAP budget specifically.

Meanwhile, the reform introduces mandatory caps on direct payments, setting a ceiling of **€100,000 per farm** and applying degressive reductions for payments **above €20,000**. This is expected to redirect at least **€2.8 billion** over the seven-year period away from large-scale beneficiaries toward smaller and mid-sized farms, young farmers, and agri-environmental schemes.

At the same time, the Commission's "simplification package" promises to cut red tape and reduce inspection burdens — especially for farms under 10 ha — in a move welcomed by farmer groups but criticized by environmental stakeholders. These changes could save up to **€1.5 billion** annually in administrative costs across Member States.

Yet this shift also brings risk: the decentralisation of delivery, combined with weaker environmental safeguards and increased national co-financing obligations (15%–40%), could lead to fragmentation, uneven implementation, and deepening divergences between Eastern and Western European agricultural regions.

Whether these proposals succeed in modernising EU agricultural policy while safeguarding long-term sustainability, climate ambition, and rural cohesion will depend heavily on the outcome of the upcoming negotiations between the Commission, Council, and European Parliament. The next 18–24 months will determine if this reform consolidates CAP's strategy or contributes to further division within the Union's rural community.

SECTION 3

UKRAINE: STRATEGIC PARTNER IN AGRIFOOD

Today, as the EU seeks to bolster its food security, reduce external dependencies and reinforce strategic autonomy, integrating Ukraine's agricultural potential stands out as both a timely opportunity and a complex policy challenge.

Ukraine is already a critical producer of agricultural commodities, supplying the EU with cereals, sunflower oil, honey, protein crops, poultry, organic feed and other agri-commodities and products. Its geographic proximity, production scale, and reform-driven trajectory make it uniquely positioned to complement the EU's agri-food goals.

Several subsectors and fields are particularly well-suited for deeper integration and strategic cooperation:

1. Organic food and feed

As the EU targets 25% of agricultural land to be farmed organically by 2030 (even though recent reports indicate that the EU is unlikely to meet this target under current policies), organic feed emerges as a major bottleneck. Many EU organic livestock producers currently rely on imports of organic soybean cake and cereals, often from distant suppliers like India or China. Ukraine, with a rapidly expanding organic farming sector (currently slightly under 400,000 ha certified as of 2023) and proximity to the EU market, is well-positioned to supply organic cereals, maize, sunflower meal, and soybeans for feed. At the moment, the majority of organic exports from Ukraine to the EU consist of grains, oilseeds, soybeans, protein products, nuts, fruits, and frozen berries, **but there is a growing presence of processed organic products ready for retail among Ukrainian export proposals**. Ready for the retail shelves organic products from Ukraine include fruit juices and beverages, canned or frozen vegetables, organic snacks and cereals, organic ingredients, honey and natural sweeteners.

2. Animal feed

Ukraine plays a pivotal role in Europe's animal feed supply chain. Even before the war, Ukraine was the EU's #1 external source of feed grains: over 50% of EU maize imports came from Ukraine in recent years. Ukraine also supplies high-protein feed ingredients: sunflower meal (a byproduct of oil crushing) and soybean meal exported from Ukraine help feed Europe's livestock with non-GMO protein. As a result of these imports, the EU has managed to stabilize feed supply during a volatile period – a direct contribution to its food security. **Development of this value chain together with European processors or animal producers provides additional opportunities for both sides in agrifood.**

3. Protein crops, pulses and products of their processing

The production of soy protein isolate, concentrates, and other high-tech plant protein ingredients is exactly the type of value-added activity that aligns with both EU strategic autonomy goals and Ukraine's ambition to move up the agri-food value chain.

The EU's alternative protein market is growing rapidly and expected to reach €15–20 billion by 2030, and it imports much of its soy protein isolates and textured vegetable proteins from the USA, Brazil and China. Ukraine's soy processing sector has traditionally focused on producing soybean oil and soybean meal. However, in recent years, several companies have invested in modernizing processing capacity to produce protein-rich feed concentrates. And in 2022–2024 the first steps were made toward producing food-grade soy protein products including soy protein concentrates and isolates. Soy protein isolate is a key ingredient in such products as plant-based meat analogues, ports and clinical nutrition, bakery, dairy substitutes, baby food etc.

To develop Ukrainian production of soy protein concentrate, and soy protein isolate to the industrial scale, EU investments in wet fractionation, ultrafiltration, and spray-drying technology along with R&D in this field are needed.

Also, Ukrainian pulses, the main market for which recently is Asia, including bog importers as China and India, have a potential with some of the products of their processing at the EU market.

The EU protein strategy[8] (reinforced by the Farm to Fork Strategy, Green Deal, and strategic autonomy agenda) seeks locally sourced protein ingredients, particularly non-GMO, low-carbon footprint alternatives. So Ukraine can become an important source of such crops as peas, faba beans, lentils, chickpeas, and lupins or their products of processing. Supplies of these products can fit into EU's goals and priorities as for local protein sources, plant-based diets, recycled by-products, pulse starches, bio-packaging material, gluten-free, soy-free, plant-rich food and others.

To scale up pulses processing together with European partners, cluster development near rail or port hubs (e.g., Odesa, Vinnytsia, Poltava) can be seen as an attractive option.

4. Cotton

The dual-use nature of cotton gives this crop strategic significance far beyond fashion or hygiene. It is part of the defense-relevant bioeconomy, particularly for products that require reliable supply chains and full traceability.

Recent EU's dependence on cotton from politically unstable or distant regions poses risks to supply chain continuity, price stability, and strategic stockpiling in crisis conditions. In this context, re-shoring or near-shoring part of the cotton value chain – even if only partially for defense, medical, and sustainable textile use is a valid strategic autonomy goal.

On the other hand Ukraine has not traditionally grown cotton at scale, but regions in the South of country like Odesa, Kherson, Zaporizhzhia, Mykolaiv have agro-climatic potential for cotton cultivation, especially considering climate change and the need for crop diversification. Cotton trials have been successfully conducted in Kherson oblast (pre-2022), with yields reaching competitive levels under drip irrigation. Recent trials in the Odesa region are also quite promising as for productivity and future development. Early results were promising enough that the Ministry of Agrarian Policy plans to expand cotton cultivation to 30,000 hectares, backed by new legislation to simplify cotton variety registration.

If successful, Ukraine could eventually become a regional source of cotton fiber, reducing the EU's reliance on distant suppliers for textiles and industrial cotton (noting that currently only Greece and Spain grow cotton in the EU).

5. Renewable energy sources

With millions of hectares of farmland and a well-developed gas transport network Ukraine can be a major producer of biomass energy and biofuels for the EU.

In fact, integrating Ukraine into EU's internal market is not only about food – it is also about tapping into a greener resource base.

For instance, Ukraine already exports rapeseed (and rapeseed oil) that the EU uses for biodiesel. This supports the EU's renewable energy targets and energy security. Additionally, agricultural residues and energy crops in Ukraine could be used to produce biomethane at scale – a renewable natural gas that can be injected into pipelines. **Analysts note that Ukraine's agricultural sector, combined with its gas grid, could make it a leading biomethane exporter to the EU, bolstering Europe's energy autonomy. There are already examples of Ukrainian agri-holdings investing in biogas and solar installations on farms.**

Ukraine's contributions to renewable agri-resources – whether biodiesel, biomethane, or industrial crops – could enhance the EU's strategic autonomy in energy and raw materials, complementing the EU's climate goals. **Policies to support joint EU-Ukraine projects in these areas (e.g. green energy investments in rural Ukraine, technology transfer for biofuel production) would accelerate progress for both sides.**

6. Sustainable raw materials for bioeconomy: hemp, flax, corn etc.

The concept of "agriculture beyond

8 https://www.europarl.europa.eu/RegData/etudes/BRIE/2023/751426/EPRS_BRI(2023)751426_EN.pdf

agriculture" includes many additional opportunities for the Ukrainian sector in the process of the EU accession: growing of crops like hemp and flax offer bio-based alternatives aligned with the EU Green Deal and Circular Economy Action Plan. They are used in construction materials (hempcrete, insulation), bioplastics and textile composites, automotive panels, interior parts (e.g. used by BMW and Mercedes), carbon-negative biomaterials or insulations.

7. AgTech and FoodTech

The EU–Ukraine partnership in AgTech presents a wide range of opportunities for collaboration, innovation, and investment. With a focus on digital solutions in upstream sectors, sustainable practices, climate-smart agriculture and traceability, **both parties can contribute to the building back better of Ukraine's agricultural sector while advancing the EU's goals of food security, sustainability, and resilience.**

Ukraine is also emerging as an increasingly relevant partner for the EU - not only as a supplier of raw materials but also as a growing innovation hub in FoodTech. Fields like ingredient innovation, circular foo**d systems or food waste reduction & valorisation are among promising subsectors to collaborate on.**

8. BioTech and PharmaTech

Ukraine is experiencing growing interest in biological or bio-based fertilizers, which are considered more sustainable alternatives to traditional chemical fertilizers. These include products based on microbial inoculants, fungi, bacteria, and algae, which improve soil fertility, promote plant growth, and reduce the environmental impact of agriculture. **Ukrainian research institutes and private companies have been actively developing and testing biological agents to enhance soil health.** These products are being incorporated into the agricultural supply chain, with a focus on improving soil organic matter, increasing crop yield, and reducing dependency on synthetic fertilizers. Ukraine's expanding biotech companies are producing biological pesticides, soil conditioners, and biofertilizers that are aligned with EU's Green Deal and sustainability goals.

Biotech-driven soil health products, such as compost teas, humates, and mycorrhizal fungi, are being developed to restore soil microbiomes and improve soil structure. In particular, the demand for microbial inoculants, which enhance nutrient uptake, nitrogen fixation, and natural pest resistance, is increasing. These inoculants are gaining popularity not only in Ukraine but across EU agricultural markets, where farmers are seeking alternatives to synthetic inputs.

Ukraine is also one of Europe's largest producers of medicinal plants and herbal extracts. These plant-based ingredients are in demand globally for use in pharmaceuticals, nutraceuticals, and natural health products. Key ingredients include, for example, chamomile, echinacea, St. John's wort, lavender, mint and hop. Ukrainian companies are already involved in production of several agricultural raw materials (like poppy, hemp, coriander) used in the production of pharmaceuticals, including bioactive compounds that serve as precursors for synthetic drugs.

All these raw materials can be leveraged for natural and organic pharmaceutical products, which are becoming increasingly popular in the EU market.

9. Dual use technologies and raw materials

The "new normal" of 2025, marked by climate shocks, fragmented trade, and blurred lines between food and national security requires integrated, cross-sectoral responses. Ukraine's dual-use potential, especially in agriculture and defence, presents a unique opportunity for such alignment.

For both Ukraine and the EU, this intersection presents not just challenges but a new frontier of opportunity. Ukraine's recovery, based on innovation and private sector engagement, can play a critical role in strengthening Europe's strategic autonomy if dual-use technologies and value chains are properly integrated and

supported.

Ukraine's agricultural sector is uniquely positioned as a catalyst for dual-use development. Farms across the country are already embedded with precision agriculture technologies – drones (UAVs), satellite imaging systems, AI-based crop monitoring platforms, and IoT sensor networks – that can be repurposed or adapted for defense applications. These include reconnaissance drones, real-time data processing software, thermal imaging for surveillance, remote communication systems, and GPS navigation tools. Ukrainian companies like Aerodrone and other UAV startups have demonstrated the ability to iterate quickly, developing both agricultural and military-grade UAVs in cycles of weeks rather than years, with immediate feedback from frontline or field users.

Moreover, the convergence of raw materials and crop production with defence needs is another crucial dimension. Ukraine grows several crops that have potential dual-use applications, including cotton (used in cellulose-based gunpowder and military textiles), flax (for technical fabrics and composite materials), and corn or sugar beet (as bioethanol sources for military-grade fuel).

10. Regional and local food security and economic resilience

From our point of view, it's important to include Ukraine not only as a key supplier of agricultural products but as the EU's future bio-based buffer country, a stabilizing partner with the capacity to absorb and mitigate regional disruptions in food and energy systems. **By integrating its local agrifood actors, rural municipalities, and logistics hubs into EU-funded regional programs, Ukraine can become not just a supplier of agricultural goods but a co-architect of European food resilience.**

For example, although Ukraine is not part of the Baltic Sea basin, it can partner through associate participation or trilateral regional projects involving Poland, Lithuania, and Romania. Under the current Action Plan, food resilience and rural innovation are priority areas[9]. Ukraine is already participating in differentInterreg programmes (e.g., Interreg NEXT Poland–Ukraine, Romania–Ukraine), so this participation can also be expanded on small projects focused on rural development, agrifood logistics, and circular bioeconomy.

This decentralized cooperation reinforces the EU's open strategic autonomy, supports Ukraine's territorial development, and strengthens community-level preparedness and adaptation - a win-win for both sides in the post-2025 European agrifood space.

11. Carbon farming: a natural alliance

As the EU scales up its climate ambitions through the Green Deal, Soil Health Strategy, and Carbon Removal Certification Framework, carbon farming has emerged as a critical area for delivering on environmental targets while creating new revenue streams for farmers. Ukraine, endowed with some of the most carbon-rich soils in Europe, holds immense potential to become a leader in this field.

Ukraine's black soils ("chernozem") can sequester 1.5-2.5 tonnes of CO_2 per hectare per year under regenerative practices such as no-till farming, cover cropping, diversified crop rotation, and reduced fertilizer use. With over 20 million hectares of arable land, a large share of which is already under conservation-friendly practices due to war-related disruptions, Ukraine is a strategic partner for EU carbon farming development.

Several carbon farming pilot initiatives are already underway in regions like Kharkiv and Vinnytsia, where Monitoring, Reporting and Verification (MRV) systems based on remote sensing, satellite data, and soil sampling are being tested with EU partners. The Carbon+ Ukraine project (2024-2025) offers a valuable blueprint for scaling up these efforts.

Access to the EU's voluntary carbon market could allow Ukrainian farmers to earn €25-€45 per tonne of CO_2 sequestered, equivalent to €30-€80 per hectare annually. This revenue potential creates strong incentives for climate-smart farming while contributing to the EU's climate

9 https://www.euro-access.eu/en/calls/2193/Interreg-Baltic-Sea-Region-Project-Platforms-2025

neutrality goals.

Carbon farming also supports broader EU-Ukraine objectives:

- It reinforces the EU Soil Health Law, which calls for sustainable soil management across member states and future members;
- It aligns with the EIB's Green Agriculture Investment Guidelines, under which carbon sequestration is a key performance indicator;
- It contributes to the development of a resilient rural economy, as carbon farming is labour-extensive and suitable for smallholders, cooperatives, and local initiatives.

SECTION 4

GAPS AND CHALLENGES IN BILATERAL ECONOMIC AND TRADE RELATIONS IN AGRIFOOD

Based on our systematic dialog with both Ukrainian and European stakeholders in the agrifood sector, we identified following critical bottlenecks for the more effective development of the cooperation and investments in this field. Among them are:

1. Regulatory alignment and market access

While Ukraine has made progress aligning with EU sanitary and phytosanitary (SPS) and food safety standards under the DCFTA, significant gaps remain in enforcement, traceability, animal welfare, and pesticide regulation. Complex and evolving EU regulations and high standards pose compliance difficulties for Ukrainian producers and exporters, particularly SMEs, and, on the other hand, endanger the competitiveness of EU producers as well.

2. War risks, weak rule of law, slow permitting processes, and underdeveloped project pipelines

The war continues to create investment uncertainty due to physical security risks and damaged infrastructure. Weak rule of law, including unreliable contract enforcement and slow, untransparent permitting processes, deters EU investors. As a result, pipelines for agrifood and infrastructure projects remain thin, particularly in the fields with long periods of ROI and sustainable inputs.

3. Fragmented institutional coordination of adaptation of Ukrainian regulations to EU legal framework

Despite progress under the DCFTA and Association Agreement, Ukraine's regulatory alignment is hindered by overlapping mandates, poor inter-agency coordination, and lack of a vertical from the central to the local authorities in the implementation of EU aligned legislation. This slows down legal harmonization with the EU and creates unpredictability for businesses and development partners.

4. Limited logistics capacity, incompatible customs systems, high transaction costs both for the exporters and investors

Limited logistics capacity, war-damaged infrastructure, and non-harmonized customs systems result in delays and high transaction costs. Incompatible digital platforms and inconsistent border procedures further reduce trade efficiency and investment attractiveness.

5. Fragmented R&D and innovation ecosystem in Ukraine

Ukraine's agrifood R&D is underfunded, poorly connected to industry, and fragmented. Limited integration into EU research frameworks and regulatory barriers for innovation (e.g. biologicals, digital tools) constrain technology transfer and reduce Ukraine's potential as an innovation partner.

6. Limited Inclusion of Rural, Conflict-Affected, and Underserved Communities

Current cooperation frameworks and investment flows often concentrate in more accessible or established regions, leaving behind rural, conflict-affected, and underserved communities. These areas face the greatest infrastructure and service delivery gaps but also hold significant agrifood potential. Without deliberate efforts to embed social inclusion and regional equity, EU–Ukraine cooperation risks reinforcing disparities. Inclusive design in financing instruments and project targeting is essential to build a resilient, balanced agricultural sector.

7. Weak Climate Adaptation Planning and Integration

Despite Ukraine's exposure to climate

shocks, such as droughts, erratic rainfall, and soil degradation, its national and sectoral planning still lacks a comprehensive adaptation strategy. Most agrifood projects do not incorporate climate risk modeling or resilience metrics, limiting their eligibility for Green Deal-aligned funding. As climate risks increasingly intersect with security and food supply concerns, integrating adaptation into all cooperation and investment frameworks will be essential for futureproofing bilateral relations.

8. Labour Gaps and Skills Mismatches

The war has intensified labour shortages in rural areas, especially among younger and skilled workers. Simultaneously, the skills required for emerging sectors, such as digital agriculture, biotechnology, and renewable energy, are not sufficiently reflected in Ukraine's agricultural training programs. This gap hinders technology adoption, limits farm-level innovation, and restricts Ukraine's ability to compete in value-added markets. Targeted capacity-building and skills transfer programs are urgently needed to bridge this divide.

9. Digital Infrastructure and Data Interoperability Deficits

Digitalization is a key enabler of traceability, climate-smart farming, and market access. But many rural areas in Ukraine still lack sufficient connectivity. At the same time, Ukraine's digital platforms are not yet harmonized with EU agricultural data systems, customs environments, or e-certification schemes. These gaps reduce efficiency, transparency, and investment attractiveness across the agrifood value chain. Aligning digital infrastructure and standards is central to Ukraine's integration into the EU's agri-digital ecosystem.

10. Market Trust and Certification Barriers for Value-Added Products

Despite growing export volumes, Ukrainian producers face challenges in gaining market trust and recognition in the EU for processed, organic, or premium food products. Barriers include limited certification capacity, lack of participation in EU quality schemes (e.g., PDO/PGI), and insufficient branding support. This constrains higher-margin exports and slows the shift from raw materials to value-added trade. Strengthening quality infrastructure and market development mechanisms will be key to unlocking new opportunities.

SECTION 5

EU-UKRAINE AGRIFOOD COOPERATION AND COLLABORATIVE INVESTMENT TOOLKIT: MAIN PILLARS

- To expand EU-backed war risk insurance instruments (via EIB, EBRD, or European Commission guarantees) for agrifood and green infrastructure investments.
- Pre-accession Instruments for agriculture: advocate for early access to IPARD-like funding, tailored to Ukraine. Embed social inclusion and regional equity as horizontal criteria in IPARD-like instruments, project preparation facilities, and cluster development efforts.
- Green Deal-aligned Investment Platforms: Establish EU–Ukraine Sustainability Fund to crowd-in green finance in agri-food and bioeconomy.
- To adjust the permitting and licensing procedures: establish a "single investment window" for agrifood FDI with fast-track status.
- To support Ukraine in establishing Public-Private Project Facilities (PPFs) to generate investable pipelines in infrastructure, AgTech or renewable energy.
- To include Ukraine in the EU Critical Raw Materials and Agri-Resilience Facility to facilitate investment in strategic inputs (e.g. protein crops, bio-packaging).
- Fast-track integration of Ukraine into the EU Common Customs Data Exchange System and EU Single Window Environment for Customs.
- Develop clustered coordination models aligned with EU negotiation chapters (e.g., "food safety and SPS", "climate and agri-environment", "customs and trade").
- EU-Ukraine joint task force to harmonize veterinary and phytosanitary checks, leveraging EFSA expertise.
- Support Ukraine in developing a national climate-smart agriculture strategy, integrating climate risk modeling into project pipelines to unlock eligibility for EU resilience and Green Deal-aligned financing instruments.
- Launch joint EU-Ukraine capacity-building programs for digital agriculture, bioeconomy, and climate-smart skills, including vocational training and rural extension services aligned with accession needs.
- Invest in rural digital connectivity and agri-data systems with a focus on harmonizing Ukraine's platforms with the EU's CAP digital monitoring, traceability, and customs interoperability frameworks.
- Support Ukraine's integration into EU food quality and certification schemes (e.g., organic, PDO/PGI, GI), including assistance for testing labs, certification bodies, and branding support for value-added exports.
- Develop regional green innovation clusters co-located near transport hubs (e.g., Odesa, Vinnytsia, Poltava) to attract EU investment in plant-based proteins, AgTech, circular bioeconomy, and dual-use materials.
- Enable the participation of Ukrainian regions bordering Poland and other EU states in projects with local EU municipalities or cooperatives to pilot smart rural logistics, input sharing, or circular agrifood models within the EUSBSR, Interreg and Three Seas Initiative pilot projects.