

## Agribusiness in Ukraine: prospects for foreign investors

### Introduction

#### 1. Areas of investment in the recovery of the agri-sector

• Product storage infrastructure• Restoring livestock production• Modernisation of greenhouse facilities• Setting up processing plants• Niche crops and organic production• Updating agricultural machinery• Consulting and engineering services• Logistics and transport• Restoration of land reclamation and water resources• Overcoming the consequences of hostilities

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Despite the huge losses caused by the war, Ukrainian agribusiness remains a key sector of the economy and holds significant investment potential.

#### 1. Areas of investment in the recovery of the agricultural sector

##### Product storage infrastructure

Among the most promising areas are the large-scale construction and reconstruction of elevators and grain storage facilities, as well as storage facilities for vegetables, fruits, and berries; production and supply of equipment (grain dryers, conveyors, air conditioning systems, etc.) and materials (e.g., PE hoses) for storing crops.

##### Restoring livestock production

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Renovating and building modern farms (primarily dairy farms), equipping them with technologies for keeping and feeding livestock, ventilation systems, milking equipment, milk refrigerators, etc. is another area of interest to investors. It is also necessary to upgrade the breeding stock - supplying high-quality genetic material for herd reproduction.

### **Modernisation of greenhouse facilities**

Another area of focus is the reconstruction of existing greenhouses and the construction of new ones (both glass and film tunnel greenhouses) with the introduction of energy-saving technologies. This includes the installation of modern heating, drip irrigation, lighting, and microclimate automation systems that reduce dependence on gas. Such investments will help expand the year-round production of vegetables and greens, compensate for losses from destroyed farms and reduce energy costs.

### **Setting up processing plants**

In this area, small and medium-sized processing facilities for vegetables and fruits (juices, purees, concentrates), shock freezing lines for berries and horticultural products, industrial hemp processing plants, and meat and dairy products (frozen, canned, etc.) are all highly promising.

### **Niche crops and organic production**

Ukraine has favourable conditions for growing berries (blueberries, raspberries, blackberries), medicinal plants, spicy herbs, etc. Ukrainian legislation also allows for the cultivation and processing of medical cannabis. Investments in niche crops and their processing (drying, extracts, teas, medicinal oils) can be very profitable.

Another promising area is organic farming, which involves the introduction of environmentally friendly growing technologies and supply of organic seeds.

### **Updating agricultural machinery**

The supply of agricultural machinery and spare parts, including leasing, is also a promising area.

For investors, this is an opportunity to enter the machinery market or organise local production and assembly of units.

### **Consulting and engineering services**

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The most popular areas include agrotechnological consulting and training (new crop varieties, precision farming, etc.), management consulting (business planning, marketing), legal services and engineering for enterprise design.

EU compliance certification services will be in particular demand as Ukraine integrates into European markets.

### **Logistics and transport**

It is important to build logistics hubs in the west and centre of the country, and to expand rail and road transport capacity for grain exports.

Specialised transport services such as refrigerated transport, bulk (liquid and dry) food transport (tankers, milk trucks, grain trucks, etc.) hold promise as viable ventures.

### **Restoration of land reclamation and water resources**

A separate niche is investments in the restoration of irrigation and water supply systems. The destruction of the Kakhovka hydroelectric power station dealt a catastrophic blow to the irrigated lands of southern Ukraine.

Clean-up projects for contaminated water bodies and water intake sources are needed, as well as construction of new treatment facilities in the de-occupied territories. Reclamation networks also need large-scale upgrades, including the clearing of destroyed irrigation canals, installation of pumping stations, and modern field irrigation systems.

Such infrastructure projects can be supported by the government and international donors, opening up opportunities for public-private partnerships.

### **Overcoming the consequences of hostilities**

Humanitarian demining of agricultural land is another particularly relevant area, without which the resumption of agricultural production is impossible. In addition to demining, other related services are also in demand: dismantling fortifications, removing wreckage from machinery, clearing rubble from destroyed farms.

Investors can contribute both technology (special equipment for demining, survey drones) and services, such as setting up facilities for ammunition disposal or construction waste recycling.

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## 2. Acquiring an agricultural asset in Ukraine

The majority of agricultural land in Ukraine is in private ownership and is leased to agricultural companies in small plots.

For this reason, the best option for a foreign investor is to acquire an existing agricultural company with a well-managed land portfolio. Starting a business from scratch is only advisable in industries that are less land-dependent (e.g., building an elevator or a livestock complex).

In crop production, however, the acquisition of a local operator provides access to an established land portfolio and operational infrastructure.

Foreign investors are free to acquire corporate rights in Ukrainian companies that lease land. However, there is currently a restriction in place: until decided otherwise via a dedicated referendum, foreign companies are not allowed to acquire agricultural companies that own agricultural land. This means that foreigners can only invest in businesses that lease land (which is actually the vast majority of agricultural companies) or in related assets (elevators, processing plants, etc.). These legislative peculiarities should be taken into account when choosing a target asset and structuring a deal.

Acquisition of an agricultural company in Ukraine is structured in line with the standard M&A framework yet requires consideration of local nuances. The typical procedure consists of several stages, as described below.

### Defining the strategy and search criteria

The investor first outlines its business model: the type of activity (crop production, livestock breeding, storage, processing), target scale, amount of capital to be invested, desired land area, infrastructure, control level (acquisition of 100% of the company or a part thereof).

At the same stage, general legal restrictions (such as the aforementioned ban for foreigners to buy companies owning agricultural land) are also checked.

Having defined the strategy, the investor sets clear criteria for finding a target company such as the desired location (soil, climate, logistics), size of the land portfolio, availability of elevators, machinery, financial performance, etc. The criteria should not be narrowed too much - only the key parameters necessary to filter the range of potential targets should be specified.

### Search and initial target selection

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The search for agricultural companies that meet the criteria usually takes place in two stages. First, a broad list is compiled based on open data: ratings and registers of agricultural companies, industry publications, information from agricultural associations, and expert contacts.

This method allows for covering mainly medium and large farms for which public information is available. Many small farms (up to ~5,000 ha) are not reported publicly, so information about them is collected through local consultants, regional administrations, banks, etc.

### **Establishing contacts with owners**

At this stage, the investor confidentially contacts the owners of the selected Ukrainian agricultural companies to find out whether they are interested in selling.

If there is mutual interest, the parties exchange basic information and intentions. A Letter of Intent (LOI) is usually concluded, setting out the framework for negotiations without establishing legal obligations. The main goal of this stage is to agree on the feasibility of the transaction in principle and proceed with detailed negotiations.

### **Negotiations and deal structure**

When a specific Ukrainian agricultural company is selected as a target, negotiations begin on the price, payment terms, transaction format (purchase of shares in the authorised capital, part of the property complex, etc.), and due diligence.

In the process of negotiations, foreign investors should take into account the type of the target company. In Ukraine, there are professionally run medium and large agricultural firms with experienced management and transparent accounting, the process of acquiring which is clearer, and negotiations are conducted in a straightforward manner.

At the same time, many farms remain old-style "family businesses" where owners are wary of complex M&A instruments, prefer cash payments, and involve numerous relatives as co-owners. In such cases, negotiations are much more complicated; it is advisable to have a Ukrainian advisor or partner on the team who has local knowledge and can build trust between the parties. A successful negotiation should result in a Term Sheet, a document that sets out the agreements reached and may contain obligations of the parties.

It should specify the key terms and conditions such as the parameters of the asset to be acquired and the agreed price; the algorithm of actions if Due Diligence reveals discrepancies (price adjustment, seller's obligations to eliminate problems, etc.); payment structure and schedule (including the possibility of paying part of the price after a certain period as a guarantee); confidentiality provisions and grounds for withdrawal from the transaction.

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## Legal Due Diligence

After signing the Term Sheet, the investor usually conducts a comprehensive Due Diligence of the selected agricultural company which includes manufacturing, financial and legal due diligence.

Land contracts are reviewed (whether they are properly executed, whether the lease terms and conditions declared by the seller are valid, whether the leased plots are located in production areas, etc.), the condition of machinery, the presence of debts, litigation, compliance with environmental regulations, etc.

If necessary, additional specialised checks are carried out, such as the owners' reputational audit, ecological soil examination, and pesticide use history. The purpose of due diligence is to identify all potential risks and hidden issues prior to the acquisition, either to demand that they be eliminated or reflected in the price.

## Pre-sale preparation

Under Ukrainian reality, this stage is often an essential part. Before the deal is completed, the seller (by agreement with the buyer) may streamline the company's corporate structure and documents: bring the charter into compliance with current legal requirements, remove 'toxic' or inactive co-owners from the founders' list, restructure debts, and obtain the necessary permits (for example, the Antimonopoly Committee's merger clearance). Such actions are aimed at ensuring that the investor receives a "clean" and understandable asset ready for a transparent ownership transfer.

## Preparing for the deal closure

At this stage, the parties prepare all the necessary documents for the transfer of rights: share or property sale and purchase agreements, corporate resolutions, powers of attorney, and notifications to creditors.

Other preparatory actions are also taken, in particular, the buyer accumulates funds (if necessary, attracts external financing), the parties open separate accounts for settlements, etc. All the terms and conditions agreed upon earlier should be reflected in the texts of the agreements.

## Closing the transaction

The acquisition of an agricultural company is formally completed in three steps:

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signing of the prepared agreements by the parties;

making mutual settlements (payment of funds in accordance with the terms of the agreement);

state registration of changes regarding the new owner in the state register.

It is important to note that the right of control over a Ukrainian company is transferred not at the time of payment, but from the moment of state registration of the new owners. This registration can take from several days to weeks, so often a part of the payment (a deposit) is withheld until it is completed to protect the buyer. Only after the entries in the register are updated, is the transaction considered to be closed.

### **Establishing de facto control**

The purchase of an agribusiness does not end with legal formalisation – the investor needs to integrate the acquired company into its business structure.

This usually involves changing the leadership and key managers, auditing personnel, reviewing contracts with suppliers and customers, assessing manufacturing technologies, etc. Particular attention should be paid to working with local communities and landowners. The new owner should hold meetings, explain its plans, and possibly retain part of local staff for a gradual transition, which minimises social tensions and ensures the sustainability of the production process. Given the right relationships with communities, an investor can not only preserve the existing land portfolio but also increase it in the future by obtaining a pre-emptive right to lease new plots.