BLUEBERRY PRODUCTION IN UKRAINE
The fastest growing segment of Ukraine’s fruit and vegetable sector is blueberry production. According to East Fruit, Ukraine now has at least 700 hectares of new blueberry plantations, equating to a 44% increase in recent years. It is expected that exports are going to see a further rise as those plantations established in 2018-19 will begin to yield their first crops in 2021.

Blueberries have become one of the fastest growing fruits due to their health benefits (antioxidants and phytoflavinoids) and relative accessibility, with an investment thesis built on meeting global rising demand. Most blueberry plantations were established in recent years, production is in its infancy and still lacks the structure and level of organisation of blueberry growers in larger producing countries such as Chile, Spain and Poland. With that being said Ukrainian producers are catching up fast and they have the advantage of the EU market on their doorstep, not to mention direct access to the Black Sea opening export links to Asia. The harvested area in Ukraine over the last 3-4 years has been increasing, as Fig 1.1 shows, at a far greater rate in comparison to those large, well-established EU producers.

With the appropriate GAP certification Ukrainian producers can supply direct to EU markets where there is consistent growth in demand and interest in new varieties. In some cases, Brown & Co are aware that growers are able to transport packed product to the UK in as little as 48hrs.
“Europe’s import of blueberries has increased from 37,000 tonnes in 2014 to 81,000 tonnes in 2018. The market volume increased by 22% from 2017 to 2018...”

(CBI Ministry of Foreign Affairs, 2020)

At the same time, frozen Blueberries are also playing an increasingly important role. According to local media, exports of frozen Blueberries to China during the first four months of 2020 reached a total value of $6m, representing a year on year increase 550% compared to 2019. This makes Ukraine the top supplier of frozen blueberries to China – with a general view that 2020 will set a new record.

Ukraine holds four distinct advantages when it comes to production: relatively low labour costs, relatively cheap land and water, use of latest genetics and market access to the high value markets of the European Union and Asia/ Middle East. Blueberries are typically harvested between June and September, and later maturing varieties such as Elliot and Aurora allow growers to extend their season slightly further than Poland and other large producing nations, particularly those where warmer climates tend to dominate for example Spain and Portugal. This year’s warm early spring has pushed many blueberry crops forward; this has certainly been the case for the UK crop.

When assessing blueberry production as a possible investment it is critical to consider harvest periods, typically when large volumes come on stream from Poland and Germany in June/July and prices received by the grower usually drop significantly. Oversupply can dramatically decrease prices in certain periods: just before the summer of 2019, it was reported that Spanish growers received €2/kg due to excessive volumes on the market, while retail prices were still at €19/kg. General wholesale prices for 12 x 125g packages (1.5 kg) can be €6 to €7 euros on the low side and up to €11 to €15 euros in a good market – presenting some quite dramatic price fluctuations.
Fall Creek Farm & Nursery suggest EU consumption has already risen 23% since 2016, and if growth continues at the same rate some 650,000 tonnes of fruit would be needed to satisfy European demand within five to seven years.

Evidence of this continued growth can be seen in Fig 1.2 with German blueberry imports seeing an average annual increase of 34% over the 6 year period to 2018. This demand trajectory is the key driver behind continued interest in Blueberry production – but in the long run key factors are going to dominate those successful businesses: market access, use of latest genetic improvements and lowest cost of production.
Given labour costs can contribute up to 40% of total OPEX, this is the key cost to compare. Fig 1.3 indicates the relative average labour costs in key European countries and Ukraine is certainly low cost relative to elsewhere. In the long run this is going to increase as it is everywhere but the labour cost vs. logistics calculation certainly works in favour of Ukraine for the foreseeable future.

CAPEX is normally in the region of €60-70k per hectare, not including any land cost as of course this can vary depending on the location chosen. A large proportion of this cost relates to irrigation infrastructure, anti-hail systems and the plants themselves. Depending on the genetics the plants can equate to 20-30% of total CAPEX. Brown & Co’s experience is it takes a good three years to establish and total project lifetime is approximately 12-14 years and possibly sooner before the plants need replacing with typical real world IRR's in the range of 11-16%.

Brown & Co are observing increased interest in production and marketing models at the present time and would welcome any early stage discussion. With agriculture and fresh produce projects likely to receive increased interest generally as investors seek exposure to real, non correlated assets - high value, strong return sectors that are meeting a clear global increase in demand are expected to witness further increases in interest.