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Implications of EU Accession on the Ukrainian Economy

Focus on selected agricultural policies | Summary report

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Contributing organizations

State Scientific Research Institute of Informatization and Economic Modeling: The institute is an analytical center designated by the Cabinet of Ministers of Ukraine to support the European integration process. The institute specializes in assessing the cost of harmonization of legislation, economic modeling, and policy development in areas such as industrial policy, international trade, and regional development

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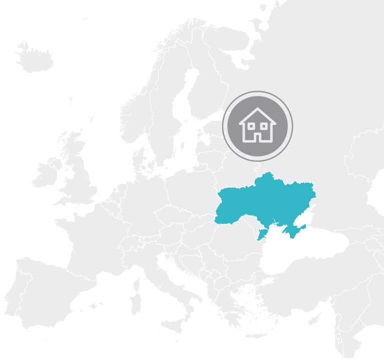


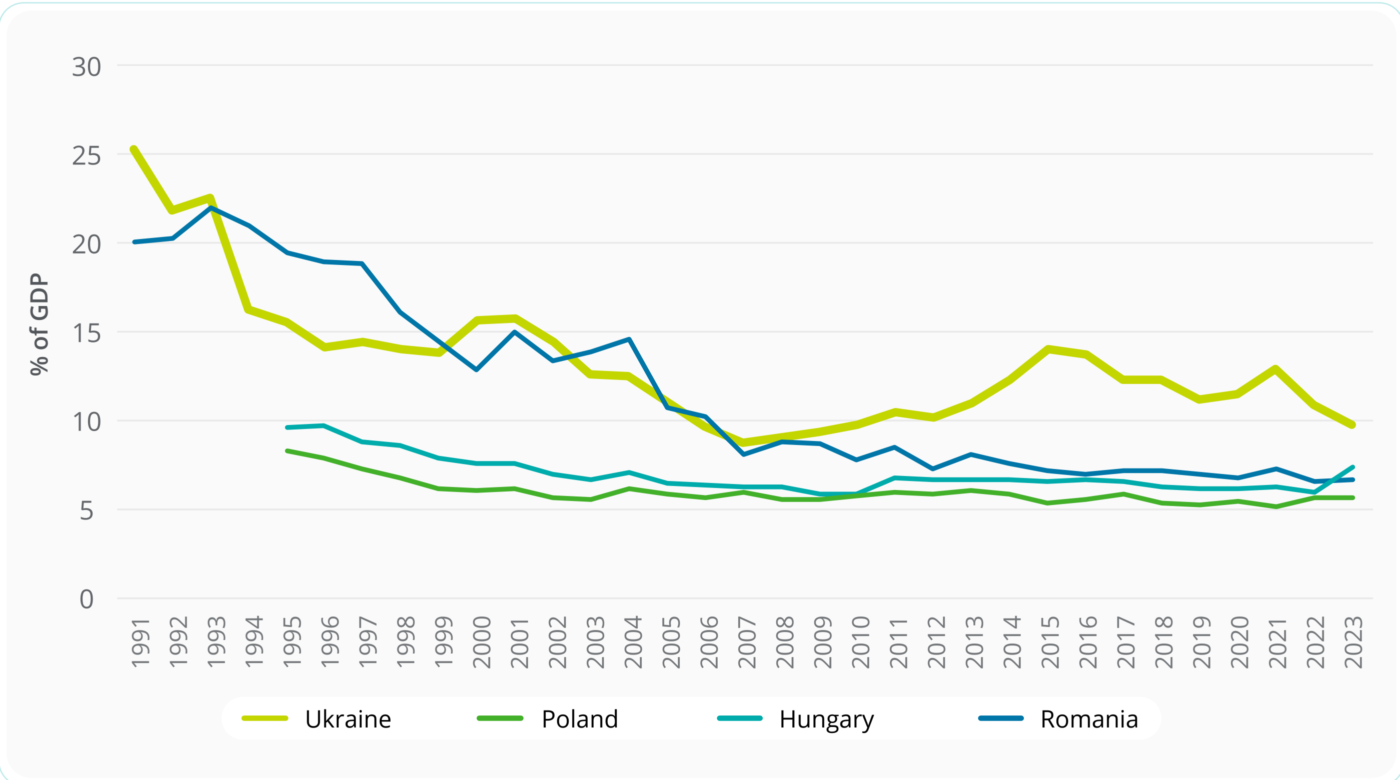
Introduction

Ukraine's bid for EU membership is unfolding amid the ongoing Russia-Ukraine war, breaking every precedent in the Union's enlargement history.

Strategically located between Europe and Russia, Ukraine's integration would expand the EU market, and bring in approximately 41 million consumers, a skilled workforce, and key industrial assets[1]. Ukraine's vast agricultural capacity adds an important dimension. As one of the world's leading grain producers, Ukraine can strengthen Europe's resilience by improving access to food supply, stabilizing food prices, and reinforcing food security in the Union. Yet, the war in Ukraine imposes unprecedented circumstances and complicates the accession process[2].

Damages from the war in Ukraine continue to grow. An updated joint Rapid Damage and Needs Assessment (RDNA) estimates reconstruction and recovery needs at US$524 billion over the next decade[3]. This could be especially true if reconstruction priorities are to follow "build back better" standards as rebuilding in a way that strengthens the green transition, supporting EU integration, and promoting sustainable growth rather than reconstructing previous conditions.

Figure 1: Agriculture, forestry, and fishing, value-added as share of GDP



Source: Deloitte Ukraine, based on World Bank data

The agricultural sector sits at this crossroad of opportunity and challenge. The sector alone, not accounting for processing and agricultural technology, stands as a significant contributor to the nation's economy, accounting for approximately 10% of the GDP over the last decade[4] and representing 59% of total exports as of 2024[5]. The sector is underpinned by almost 30 million hectares of fertile black soil, positioning Ukraine as a leading global exporter of key agricultural commodities such as sunflower oil, barley, wheat, and corn[6]. In 2024, the sector's prowess was demonstrated with the export of 78.3 million tons of agricultural products, valued at US$24.5 billion, surpassing pre-war levels[7].

The Russia-Ukraine war has reshaped the sector. War-related destruction and damage is estimated at US$11.2 billion and losses amount to additional US$72.7 billion[8], straining the sector. Infrastructure gaps and weak rural logistics add cost and bottlenecks. War related migration has put additional strain on the sector, with the population and labor force employed in the sector shrinking significantly, creating the need for further productivity increases via technology upgrades and automation. Upgrading infrastructure and practices to meet EU Common Agricultural Policy (CAP) compliance requirements and higher energy costs could further raise producers' costs following the EU accession.

To translate agricultural strength into an EU-ready sector, Ukraine should have strategic policy responses: predictable transitional measures to absorb compliance shocks, phased introduction of sanitary and phytosanitary standards, and equitable access to CAP funding, particularly for Small and medium-sized enterprises (SMEs). Prioritizing long-term investments in innovation and infrastructure could yield stronger economic gains than direct payments, while building institutional capacity to absorb and distribute funds fairly will likely be important to offset rising costs and maintain competitiveness. Expanding sustainable practices, such as regenerative agriculture techniques already used on a smaller scale, could improve environmental outcomes and, through EU accession, create opportunities to scale these practices and drive long-term growth in Ukraine's agricultural sector.

Impacts of EU Accession

Agriculture, which anchors both GDP and export revenues, stands at the center of future transformation. Moving from the EU–Ukraine Association Agreement and its Deep and Comprehensive Free Trade Area (DCFTA) toward full membership could trigger a series of policy shifts: removal of tariff barriers, access to the EU's global free trade agreements, alignment with EU standards, new flows of CAP funding, and investments in rural infrastructure through cohesion funds. These changes could reshape trade dynamics, alter production structures, and redefine Ukraine's position in both the European and global economies.

Deloitte Ukraine's study estimates the economic impact of EU accession, with a focus on agriculture to analyze Ukraine's growth trajectory, influenced by EU integration, providing a factual foundation for discussions and future negotiations. The economic analysis helps streamline complexity to clearly identify priorities in the EU accession process and focus attention on the regulatory changes required in the agricultural sector, helping to address both, the challenges and opportunities for Ukraine and the EU.

The research methodology combined historical policy reform quantification with computable general equilibrium modeling. Deloitte Ukraine collaborated with the Ukrainian Research Institute for Information and Economic Modeling to estimate the economic effects of EU accession using the GTAP (Global Trade Analysis Project) model a multiregional, multisector computable general equilibrium (CGE) framework[9], which can analyze global economic interactions and simulates how policy changes can impact trade, production, and welfare across interconnected economies. The analysis compares two EU accession scenarios against a baseline in which Ukraine does not join the EU, with the results interpreted as differences relative to this reference scenario. We model EU accession in 2030 and assess impacts in 2035, assuming a peace agreement by 2026 and Ukraine's pre-2022 economic structure[10]. For the first policy scenario, a standard EU accession scenario was designed where Ukraine implements EU policies without significant deviations or exceptions, focusing exclusively on meeting EU requirements. Quantified policy shocks are incorporated into the GTAP model, which then calculates a new economic equilibrium for Ukraine and its trading relationships, delivering key economic parameters as outputs. In the reference scenario, trade relations between Ukraine and the EU are maintained under the conditions outlined in the 2017 Association Agreement.

Sectoral and total model outputs, such as value-added output, trade flows and GDP impacts, were analyzed to assess both individual and combined policy effects.

Removal of Tariff Barriers and Integration into the EU Market

One of the immediate consequences of a potential EU accession will be the removal of tariff barriers that restrict Ukraine's agricultural exports under the DCFTA. Today, sensitive goods such as poultry, dairy, sugar, cereals, and honey face tariff-rate quotas, which tend to run out early. Full EU membership would lift these ceilings and open the EU single market to Ukrainian producers on an unrestricted, duty-free basis.

The impact on trade flows is significant. Crop exports to the EU are projected to increase by 5.15% and livestock exports by 14.2% in 2035 in the scenario with EU accession, against the scenario without accession. While the corresponding increase in imports, 5.5% for crops and 4.11% for livestock. Overall gains in value-added output remain modest, 0.65% for crops and 0.5% for livestock.

Expanded Access to EU Free Trade Agreements

EU membership could also grant Ukraine access to the Union's extensive network of free trade agreements (FTAs) with third countries, including strategic allies such as Canada, South Korea, Singapore, Vietnam, Mexico, Chile, and Mercosur states. These FTAs offer favorable terms, including tariff reductions and harmonized standards, that Ukraine would be able to leverage without negotiating bilateral deals.

The effect on Ukraine's global trade outlook is positive but limited. Average tariff reductions on Ukrainian goods are estimated to average 1.6% in Asian markets and 0.4% in the Americas. Crop exports are projected to rise marginally by 0.3%, livestock exports may decline slightly by 0.3% due to competitive disadvantages in some countries. In practice, this shock broadens Ukraine's market reach, but the overall agricultural gains remain modest given existing trade patterns and competitive pressures.

Transition to EU Food Safety and Quality Standards

Joining the EU will also require Ukraine's agricultural producers to meet strict food safety, veterinary, and phytosanitary standards. Over time, this alignment will reduce non-tariff barriers and give producers smoother access to the single market. In the short run, before the accession, however, the costs are high. Farmers and processors will need to invest in new equipment, upgrade facilities, and adapt supply chains, which could push up operating expenses.

These costs are projected to result in a 2.9% decline in value-added crop output, a 1.38% drop in livestock production, and a 0.9% decrease in food processing output. The adjustment period is also expected to reduce Ukraine's competitiveness, with export volumes falling by 4.3% for crops and 4.4% for livestock, while imports rise by 2.8% and 3.8%, respectively.

The longer-term picture is more positive. Once the transition is complete, alignment with EU standards should improve the quality and reliability of Ukrainian exports, strengthening the country's position as a trusted supplier within the single market. In the meantime, additional support, especially for purely domestic farmers, who might not profit from trade increases but still bear accession costs, is needed.

Disbursements under CAP

One of the biggest economic gains from EU accession could come through access to the CAP Funds. Ukrainian producers could receive an estimated amount of EUR 85 billion in CAP payments, that will be directed toward direct payments and investment incentives aimed at boosting farm income and sustainability[11]. These transfers are projected to drive notable growth in agricultural output, with crop production increasing by 12.7% and livestock output by 3.8%. Export growth is also expected to be significant: crop exports may rise by 21.8%, livestock exports by 20.4%, and processed food exports by 2.8%.

Beyond decoupled direct payments, CAP funding, via Pillar II support, encourages infrastructure modernization, technological upgrades, and the adoption of more sustainable agricultural practices. Economically, CAP II funds prove more advantageous by stimulating investment and enhancing agricultural output. Poland's experience after accession shows how these funds can transform both farm efficiency and rural economies. For Ukraine, the same mechanisms could anchor long-term growth and position agriculture as a driver of broader rural development[12].

Rural Development and Cohesion Funding

Finally, EU cohesion policy could channel substantial investments into Ukraine's rural infrastructure, helping to address long-standing deficits in logistics, transport, and connectivity. These improvements are important for reducing considerable transport costs for agricultural goods and enabling more efficient market access for agricultural producers.

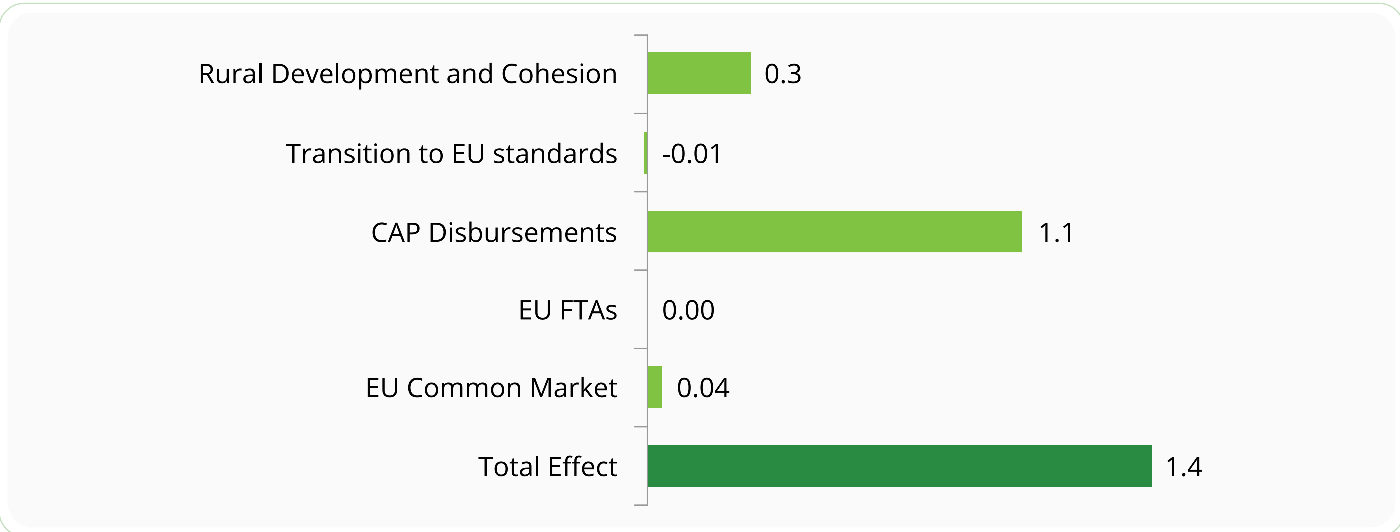
Enhanced infrastructure is projected to yield moderate output increases, 0.9% in crops and 0.2% in livestock, while also supporting export growth: 2.5% for crops, 3.9% for livestock, and 7.4% for forestry and fishing products. Moreover, infrastructure upgrades could generate spillover effects across sectors such as transport and construction, contributing to broader regional development and economic integration.

Main Findings

Despite the comparative advantages, Ukraine's agricultural sector has been under severe strain. War-related disruptions, rising costs, and weak logistics continue to weigh on producers. EU accession can offer a path to shift from challenge management to structural integration, tying Ukrainian agriculture into European value chains and using policy alignment and financial support to help modernize production.

The transition will not be cost-free. Compliance with EU standards will require significant investment and impose short-term losses. Yet, the longer-term benefits, stable market access, access to financial transfers, and infrastructure upgrades, are substantial. The ability to manage this adjustment through sound policy and capable institutions could determine whether Ukraine fully captures the opportunity.

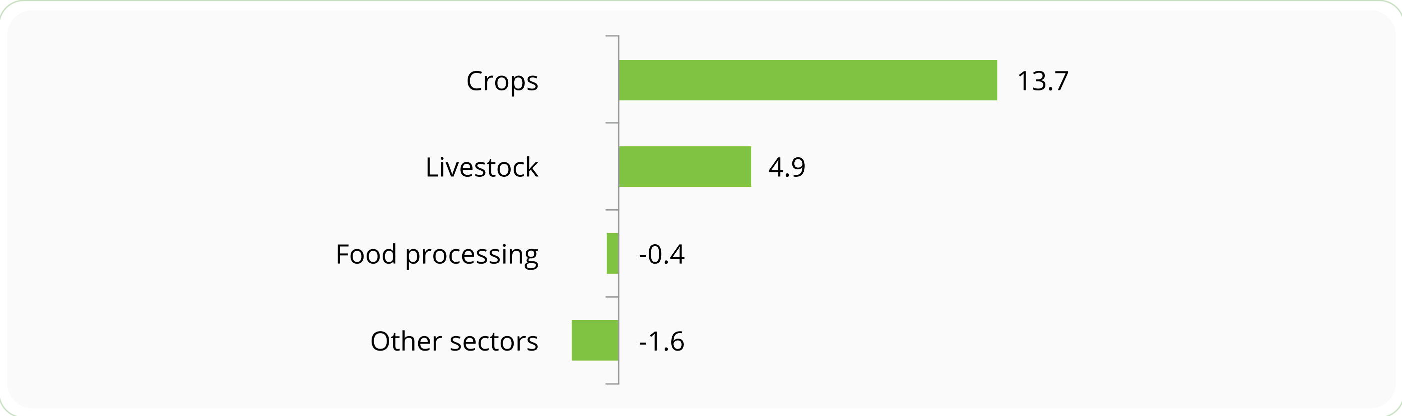
Figure 2: Impact on GDP through EU accession compared to non-accession scenario, (% change, scenario with EU accession by 2035 versus scenario without accession)



Source: Deloitte Ukraine

The numbers highlight the scale of the potential. CAP disbursements alone account for a 1.1% boost. Rural development and cohesion adds 0.3%, while other channels such as the EU market and standards bring smaller effects.

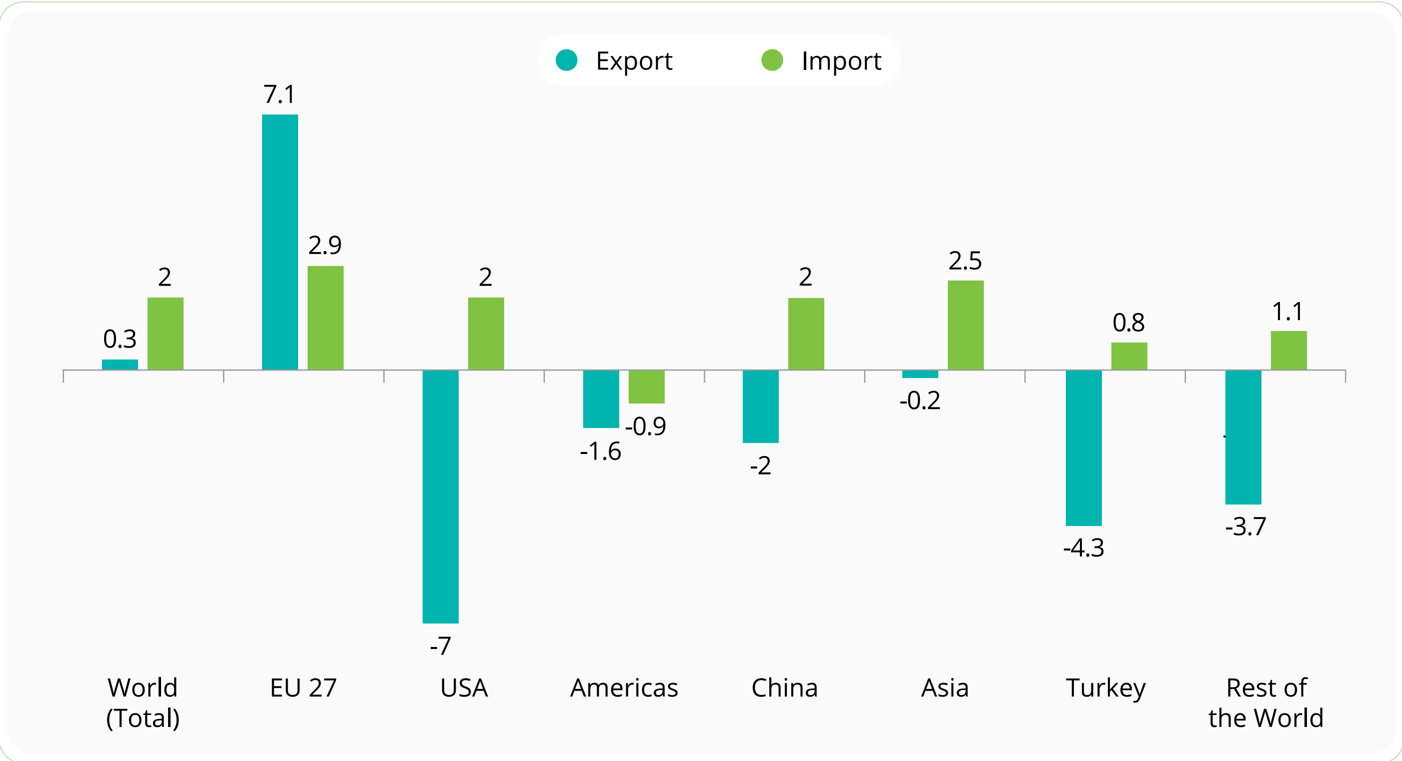
Figure 3: Impact on value-added output through EU accession compared to non-accession scenario, (% change, scenario with EU accession by 2035 versus scenario without accession)



Source: Deloitte Ukraine

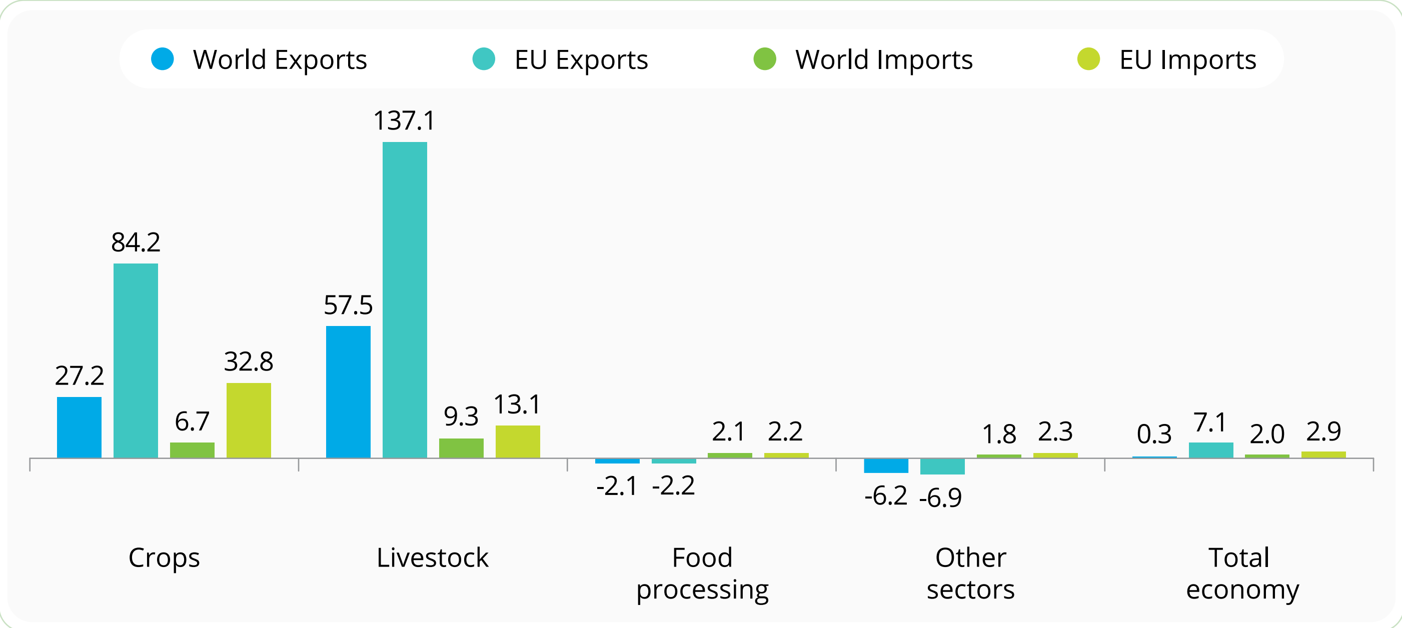
Overall agricultural output is expected to expand sharply, with crop production rising by 13.7% and livestock by 4.9%. These gains stem mainly from CAP direct payments, which can stabilize farm incomes and create incentives for modernization. Taken together, the modeled accession shocks translate into a **1.4% increase in Ukraine's GDP**.

Figure 4: Impact on total trade volumes through EU accession (% change, scenario with EU accession by 2035 versus scenario without accession)



Source: Deloitte Ukraine

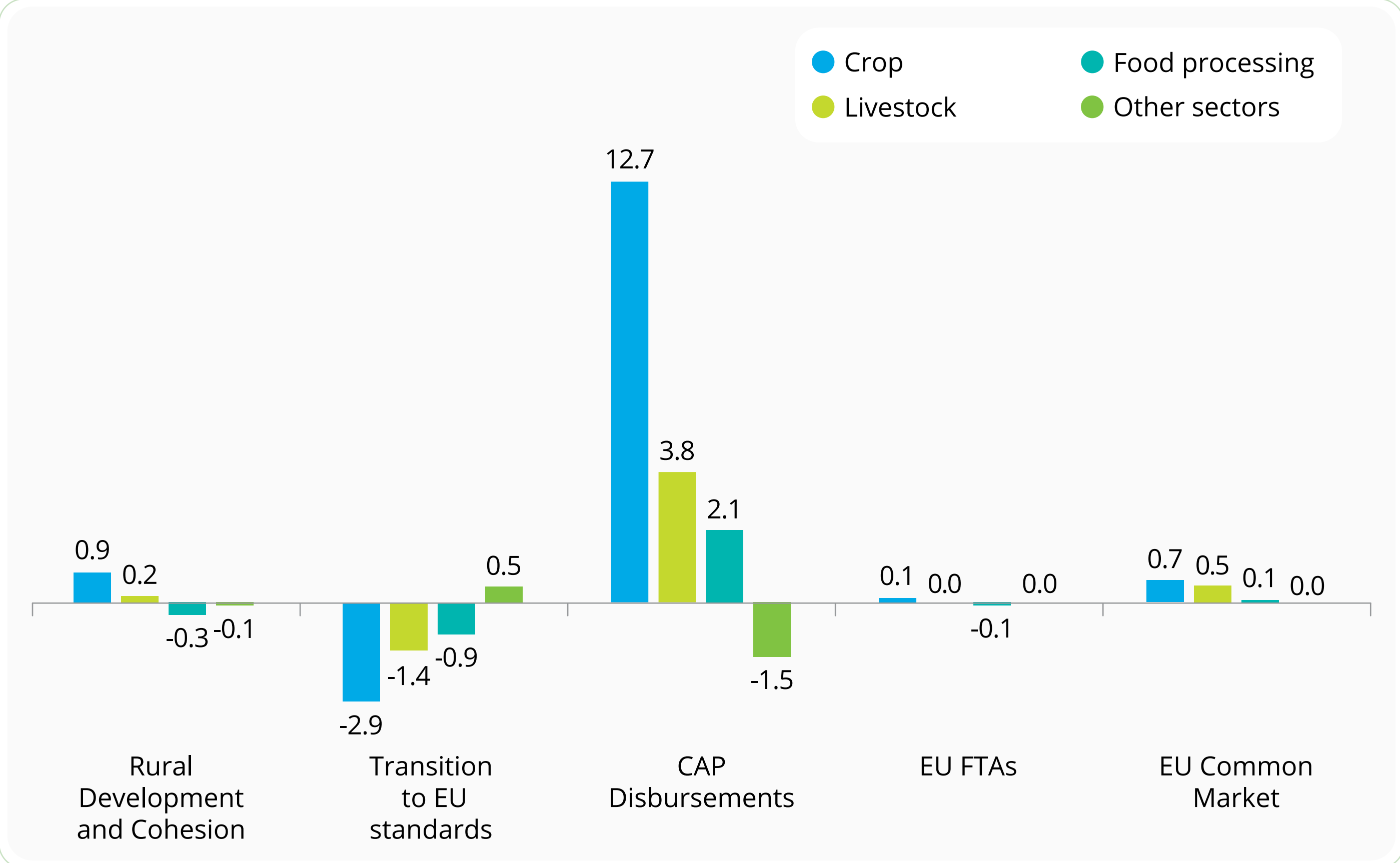
Figure 5: Impact on agricultural goods trade volumes, per sector (% change, scenario with EU accession by 2035 versus scenario without accession)



Source: Deloitte Ukraine

EU accession could expand Ukraine's trade and shifting it to the EU single market. Agricultural exports are the main driver: overall exports are projected to grow by 0.3%, while total exports to the EU will grow by 7.1%, with livestock exports increasing by 57.5% globally and 137.1% to the EU, while crop exports rise by 27.2% globally and 84.2% to the EU.

Figure 6: Impact on value-added output through EU accession compared to non-accession scenario, (% change, scenario with EU accession by 2035 versus scenario without accession)



Source: Deloitte Ukraine

Within this mix, access to CAP Funds stands out as the most powerful driver. CAP support alone is projected to raise crop output by 12.7%, livestock by 3.8%, and GDP by 1.1%. The estimated EUR 85 billion allocation combines two key elements: Pillar I, which provides direct income support, and Pillar II, which finances technology adoption, infrastructure upgrades, and rural development[13]. This blend of immediate stabilization and long-term investment mirrors the trajectory of earlier EU entrants and could deliver lasting productivity gains for Ukraine.

The results are a conservative estimate, as the model does not capture the potential effects of institutional reforms. The analysis isolates the impact of policy chapters, rather than modeling all sectors of EU integration simultaneously, in practice institutional development could significantly amplify the benefits of EU accession. Moreover, institutional reforms can determine whether EU accession delivers lasting benefits. From a developmental perspective, strong institutions are important due to their capacity to reduce uncertainty, lower transaction costs, and enable actors to make credible long-term commitments[14]. Strengthening the rule of law would improve the security of property rights and contract enforcement, supporting investment and trade, and in turn contributing to broader economic growth.

Selected implications for engaged actors

EU accession brings both uncertainty and opportunity. Regulatory adjustments, technological shifts and market changes create challenges, but can also open the door for Ukraine, its businesses, and European actors to create shared value. Those who anticipate and understand these changes can turn them into a competitive advantage, positioning themselves ahead of peers in a rapidly evolving agricultural market.

For Ukrainian Businesses

Consider developing investment plans aimed at improving compliance capabilities (e.g. sanitary and phytosanitary (SPS), traceability, environmental) to meet EU import requirements and qualify for CAP payments: Meeting EU standards can require business-side investments in infrastructure, machinery, retraining, and other practice alignment. Given the upcoming policy changes, it is necessary to map compliance gaps, assess the scale of investment at the individual business level, and develop long-term investment plans aimed at convergence of practice, enabling early compliance and readiness to become a competitive advantage.

Explore downstream integration (e.g. milling, slaughter, packaging) or offer complementary services (logistics, cold-chain, testing) to capture more margin, leveraging CAP enabled funding: Capturing more margins likely requires moving beyond primary production into areas that add value, such as processing or complementary services. While the incremental margin from these activities may be small relative to the investment required, CAP funding can help reduce the cost of capital, making targeted downstream integration or service expansion more feasible and allowing businesses to focus on downstream integration or filling market gaps.

Evaluate pursuing joint ventures with EU investors. Invite equity investors who bring capital, technology and market access, structure deals to benefit from modernization grants and tax incentives: Collaborating with EU investors can provide businesses with the capital, technology, and market knowledge needed to help meet EU standards and compete in European markets. Structuring joint ventures to take advantage of modernization grants, Ukrainian tax incentives, and investor networks can help reduce financial risk, accelerate operational upgrades, and provide better access to export opportunities.

For European Businesses

Explore market entry in Ukraine's expanding market for EU agriculture equipment, and services. Leverage the wave of farm investments by exporting high-value inputs and agri-tech: The modernization of Ukrainian agriculture under CAP could create strong demand for machinery, precision farming tools, and advisory services. EU companies that enter this market early can build lasting relationships with producers and secure long-term contracts as farms adopt new technologies.

Evaluate pursuing joint ventures with Ukrainian producers, to benefit from grant supported modernization, which could further reduce the cost of capital: Collaborating with local Ukrainian producers provides first-mover advantages in an expanding agricultural sector. Collaborations can leverage CAP grants and local incentives to help lower the effective cost of capital, enabling EU businesses to deploy technologies and expand market access with reduced financial risk.

Examine the potential for "Nearshoring" hubs in Ukraine. Explore possibility to set up processing, packaging or light-manufacturing facilities in Ukraine to take advantage of better access to input commodities, lower labor and land costs: Better access to Ukrainian agricultural inputs enables EU firms to source raw materials more reliably and at lower cost, offering a potential competitive advantage. Locating labor-intensive or bulk processing steps closer to supply regions can further reduce production costs, though security, infrastructure, and logistics constraints can require careful site-level evaluation.

For Ukrainian Government

Develop capacity to absorb and equitably redistribute funds: Ukraine is currently developing a national paying agency and an Integrated Administration and Control System (IACS) to manage and distribute CAP funds[15]. Completing and aligning these systems, including dedicated IT infrastructure, with EU standards is important to access funds in the first place, help ensure transparency, reduce corruption risks, and manage funds at scale. On the farmers' side an important support need will be the digitalization of farms, which is important for integrating producers into the digital IACS and enabling effective monitoring and control[16].

Negotiate and establish predictable transitional measures to absorb compliance-related shocks: Future compliance costs will likely be high, but transitional periods, as in previous enlargements, can help phase requirements over time. This would enable producers to spread investments while CAP payments gradually increase, easing adjustment pressures.

Position Sanitary and Phytosanitary measures at later stages of the transitional period: Modeling shows the greatest negative impact through increased capital expenses and transaction costs, that also reduces export competitiveness with third countries.

Help ensure effective access of SMEs to CAP funding by supporting awareness, application, and implementation. While CAP is a common EU policy under which SMEs that meet eligibility criteria typically automatically qualify[17], targeted efforts are needed to help maximize uptake. Promotion, communication, and training through agricultural federations and trade unions can help ensure SMEs are informed and able to apply effectively. Ukraine should also collaborate with other member states to understand how CAP implementation is organized in different contexts, using existing EU programs that support administrative cooperation, such as Technical Assistance and Information Exchange (TAIEX) and European Commission's Reform and Investment Task Force (SG Reform).

Prioritize CAP Pillar II spending (innovation and infrastructure financing), which shows that modeling has greater long-term output effects than Pillar I (direct decoupled payments): Ukraine should prioritize Pillar II of the CAP, which finances investments in productivity, infrastructure, and sustainability, rather than focusing mainly on income support under Pillar I. While politically attractive, Pillar I adds little to value added output, whereas Pillar II can help drive structural transformation and long-term competitiveness.

For the EU

Prioritize sufficient CAP Pillar II distribution (innovation and infrastructure financing) for successful economic integration: Pillar II investments have been shown in enlargement cases to generate stronger long-term output growth than Pillar I income support. The modelling finds that directing funds to innovation, infrastructure, and modernization in Ukraine increases value-added output and GDP, while Pillar I has little impact on structural change.

Support Ukraine in developing institutional capacity to absorb and equitably redistribute funds: DDeveloping paying agency systems, audit mechanisms, and transparent procedures can help speed up fund disbursement and help ensure that support reaches a broad range of producers, rather than being disproportionately captured by large holdings. The EU could support this process by financing cooperation and exchange programs for civil servants, as well as consultancy services, to share knowledge on fund management and oversight. Existing programs that facilitate such cooperation should be expanded to include Ukraine. Strengthening these institutions enhances accountability and builds trust among EU taxpayers and investors that resources are managed effectively.

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[10] This assumption does not imply a prediction of the nature of a possible peace agreement including Ukraine's territorial integrity but is motivated by data availability.

[11] Bruegel, (2024), *The Impact on the European Union of Ukraine's Potential Future Accession*, https://www.bruegel.org/report/impact-european-union-ukraines-potential-future-accession, Accessed 16 June 2025.

[12] Ukraine's potential contributions to the EU budget were not explicitly modeled in this analysis.

[13] Ibid.

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[16] For background information on the functioning and requirements of IACS, please refer to https://agriculture.ec.europa.eu/common-agricultural-policy/financing-cap/assurance-and-audit/managing-payments_en.

[17] For background information on CAP Funding and the allocation mechanism, please refer to https://agriculture.ec.europa.eu/common-agricultural-policy/cap-overview/answers-questions-cap/cap-support_en.

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