

Galeks-Agro: Winning the organic way

Background



In 2008, Oleksandr Yushchenko visited the Biofach trade fair and felt inspired after meeting dozens of organic producers in person. Upon his return home in Ukraine, he decided to set up his own organic business and, that same year, Galeks-Agro was born. From the beginning, the company's purpose has been to produce and trade high quality organic agricultural produce for export. Galeks-Agro's core business is to produce and trade cereals and leguminous crops. In 2014, the company also established an organic dairy processing unit, known as Organic Milk Ltd. Linking animal husbandry with arable farming is needed to improve soil fertility and sustainable production practices.

Galeks-Agro's production unit covers almost 6'000 hectares of organic arable lands in the Novohrad-Volynskyi district of the Zhytomyr region, in northwestern Ukraine. The company mainly currently exports its organic cereals to Switzerland, Germany, the Netherlands and Hungary. The company's owner, Oleksandr Yushchenko, started off as a successful manufacturer of luxury furniture. His factory, known as "Mirt" in Novohrad-Volynskyi, delivers furniture not only to Ukrainian customers, but also to Western Europe. Having a successful and sustainable business, Oleksandr decided to start in organic farming, too. From the very beginning, the enterprise was aimed at a virtuous cycle: plant cultivation – animal husbandry – processing. Everything was implemented gradually. First, they invested in equipment for the cultivation of land and started farming. In 2010, the first dairy complex opened, hosting 500 dairy cows. In 2012, the second complex opened with a further 300 dairy cows. And in 2014, Ltd "Organic Milk" was founded, able to process 30 tons of milk per day. Galeks-Agro employs about 200 people and is now eyeing the meat processing industry.

Oleksandr was mainly driven to take up organic production thanks to his desire to challenge himself and do better than several of his former classmates, many of whom had become directors of agribusinesses and would complain that life and business was difficult in the village as there were no proper economic conditions. As a result, Oleksandr decided to prove that agriculture can be profitable. In February 2008, on his way back home from the Biofach, he bought his first tractor in Germany. That same year, he began to rent 1,600 hectares of land which had not been used for agriculture for 20 years. As the land had not been cultivated for such a long time, the conversion period only lasted one year.

Oleksandr is convinced that organic production is not a business, but a philosophy. "When dealing with organic, you cannot put income first", he stresses. By only chasing profit, you can

never reach job satisfaction. Organic agriculture is a hard, but very worthy job. Oleksandr believes that people should resist applying chemicals to land and instead preserve what nature has given. During the Soviet times 30 years ago, people were forced to cultivate fields using highly toxic chemicals that resulted in soil half decomposing in 15-20 years. The main reason for him to go organic was to take care of the soil and ensure a clean environment, fresh air and pure water.

Galeks-Agro is now among the leading organic export companies in Ukraine, shipping spelt, winter wheat, millet, oat, barley, buckwheat, soy, maize and honey abroad. The company sells primarily in Switzerland, which buys millet, wheat, spelt and gradually other crops. Buckwheat is mainly sold in Ukraine itself. All Galeks-Agro products are certified not only to EU standards (Organic Standard and IMO certification bodies), but also by the Swiss standard Bio Suisse, which is adopted by Swiss farmers for organic farming. Few Swiss traders or processors buy organic products which do not carry the Bio Suisse logo.

Every year, Galeks-Agro is visited by numerous buyers interested in the company's production. These visits are very important for both sides. For the company, it is important to show that production is completely traceable and of high-quality. For the buyers, it is important to see the whole production chain with their own eyes to ensure the product's quality and safety. For this reason, different excursions are organized around the whole enterprise, starting with the organic fields and finishing with the processing units. The company usually requires an advance payment from buyers, but every deal can be agreed in different ways. Also, the bought product can be stored at the enterprise's units before it is shipped.

Challenges

Oleksandr's organic project was initially funded through profits from his furniture business. For two years the agricultural company was unprofitable, but now Galeks-Agro can finance its production and expansion by itself. As the company sells a significant part of the products abroad and has exchange earnings, it can access credit in foreign currency at 8-9% per annum - much cheaper than doing so with national currency. As for the help from the authorities, Oleksandr remarks that the authorities do not care much about organic farming and its advantages. Organic production is the work of enthusiasts who should not rely on help from authorities. Very often, the provision of support to organic agriculture is discussed, but as of today there is no support provided neither to a new beginner, nor to older pioneers of the organic movement.

Whenever needed, the Swiss-Ukrainian "Organic market development in Ukraine" (FiBL) project has been ready to provide good advice. Trainings and visits to farms with specialists from the FiBL are often organized, during which the company staff can learn what can be improved. Organic experts such as Eric Meili, Dairy Advisor, and Jiri Urban, Policy Adviser, often visited the firm and provided recommendations on organic dairy husbandry and crop production in workshops and training sessions for the company's staff. Meanwhile, the quality of the company's product is controlled by inspectors from Organic Standard, who take samples from each shipment of the company. Buyers also invite a local inspector to take a further sample from the shipment. This dual inspection helps to prove the product's high quality and maintains the exporter's good reputation as well as the buyer's trust.

The way ahead

Shoppers will be hard-pressed to find Galeks-Agro goods in supermarkets as the company currently produces small amounts of retail products. It now plans to process grains and organize its own network of small organic shops. All along, Oleksandr keeps his rule of thumb to heart: it is possible to succeed even in a hopeless situation, but only if the head thinks, the hands do, and the heart calls.