

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Grain and Feed Update

Report Categories:

Grain and Feed

Approved By:

Ann E. Murphy, Agricultural Attaché

Prepared By:

Oleksandr Artiushyn, Agricultural Specialist

Report Highlights:

Harvesting of early grains is almost complete in Ukraine, bringing to Ukrainian farmers another good crop of wheat and barley. Grain export sales continue at a relatively good pace. New wheat standards led to a reclassification of Ukrainian wheat.

General Information:

The Ministry of Agrarian Policy of Ukraine (MAPU) reports that Ukrainian agricultural companies and farmers have already harvested over 37 million tons of grains (excluding corn) from 6.8 million ha with average yield estimated at 2.82 tons per ha. Harvesting of buckwheat and millet continues with respectively 28% and 53% of planted area harvested. Some farmers have already started planting winter grains, but the figures are marginal (about 40 thousand ha in total). Ukraine exported over 3.6 million tons of grains in July-August 2009. Introduction of a new wheat standard provoked some concern among producers, but the convergence of wheat standards to international practices may have some positive impact in long run.

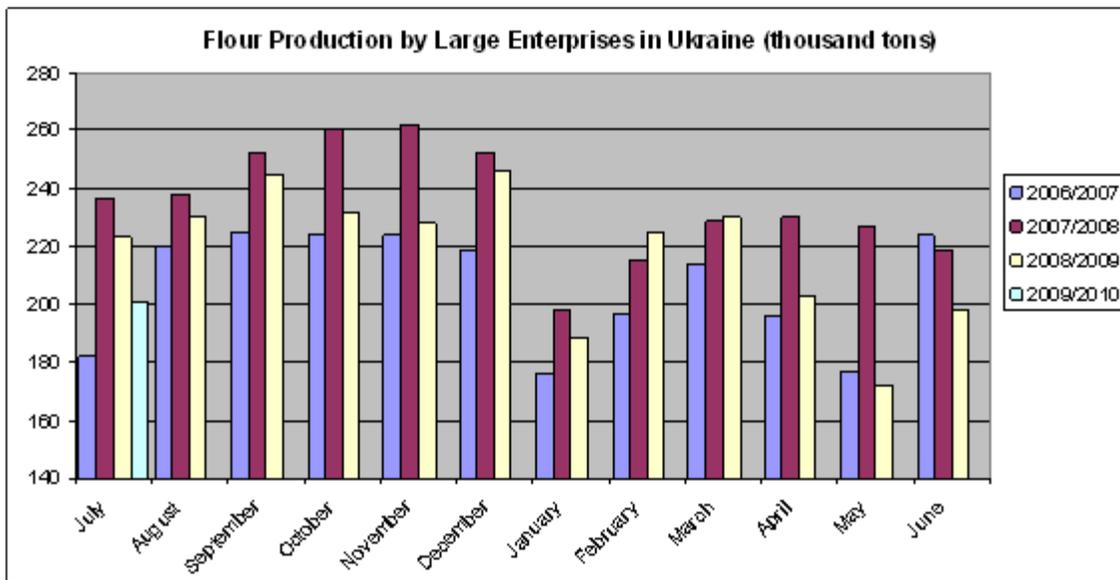
Production:

By August 25, 2009, based on operative data of the Ministry of Agrarian Policy of Ukraine (MAPU), Ukrainian agricultural companies and farmers had harvested 21.7 million tons of wheat and 12.7 million tons of barley with average yields of 3.2 tons per ha (-16% year over year) and 2.53 tons per ha (-21% year over year), respectively. The decrease in average yield is partially attributed to less favorable weather conditions for the 2009 grain crop (including a period of dry weather and some frosts in April), as well as to lower use of agricultural inputs, due to the financial constraints related to the credit crunch.

Consumption:

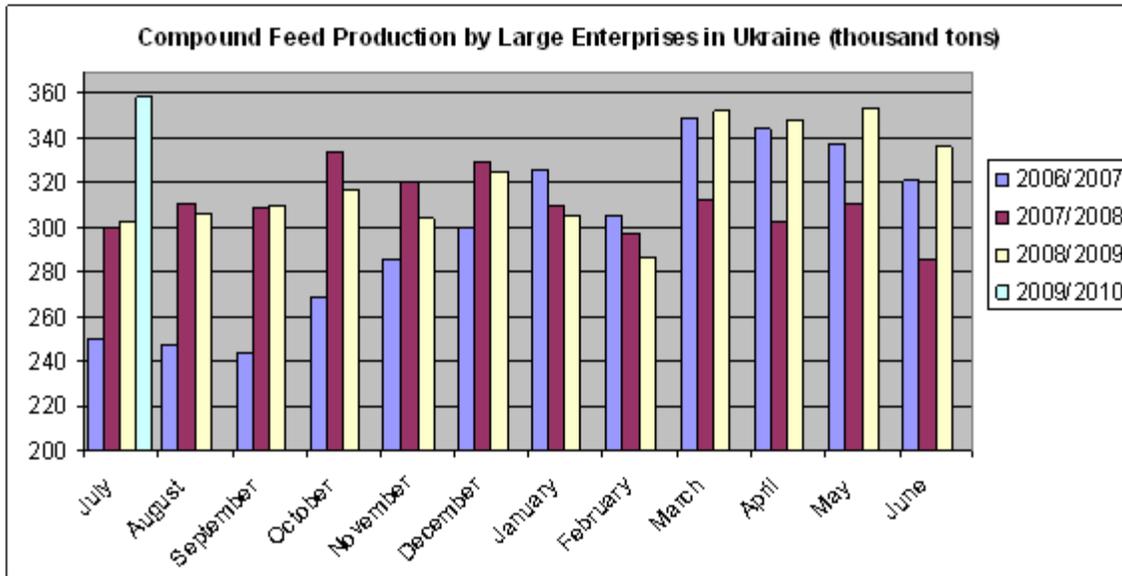
Large and medium Ukrainian mills produced approximately 200,000 tons of flour in July 2008, which is 13% less than in July 2008, including 186,000 tons of wheat flour and 15,000 tons of rye flour. In MY 2008/2009, flour production by large and medium enterprises decreased to 2.6 million tons, which is 8% less than in MY 2007/2008.

Production of bread and bread products decreased by 7% to 153,000 tons in July 2009, compared to July 2008. In the 2008/2009 marketing year, bread production went down to 1.8 million tons, which is 7% less than bread production in MY 2007/2008. Being conservative with wheat export estimates for the 2009/2010 marketing year, we expect wheat consumption to stay close to the last year's level despite a decrease in the wheat crop, partially thanks to high carry-over wheat stocks.



Source: State Customs Committee of Ukraine

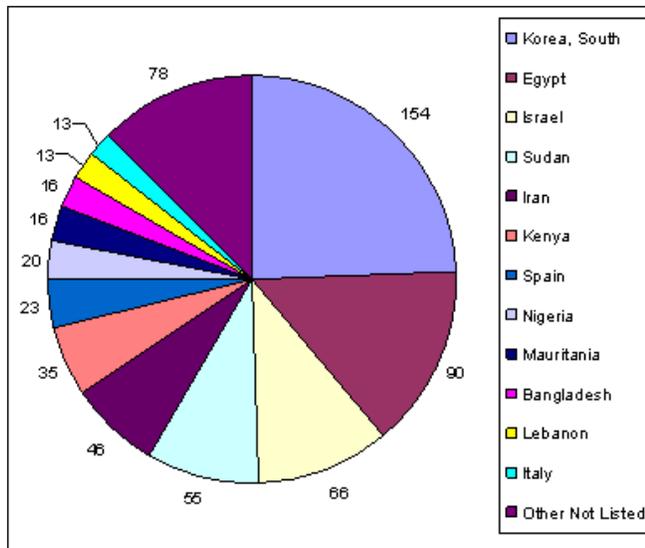
Compound feed production totaled 359,000 tons in July 2009, which is 10% more than compound feed production in July 2008, thanks to high carry-over stocks. About 3.9 million tons of compound feed was produced in Ukraine by large and medium enterprises in the 2008/2009 marketing year, which is 4% less compared to what was produced in the 2007/2008 marketing year.



Source: State Customs Committee of Ukraine

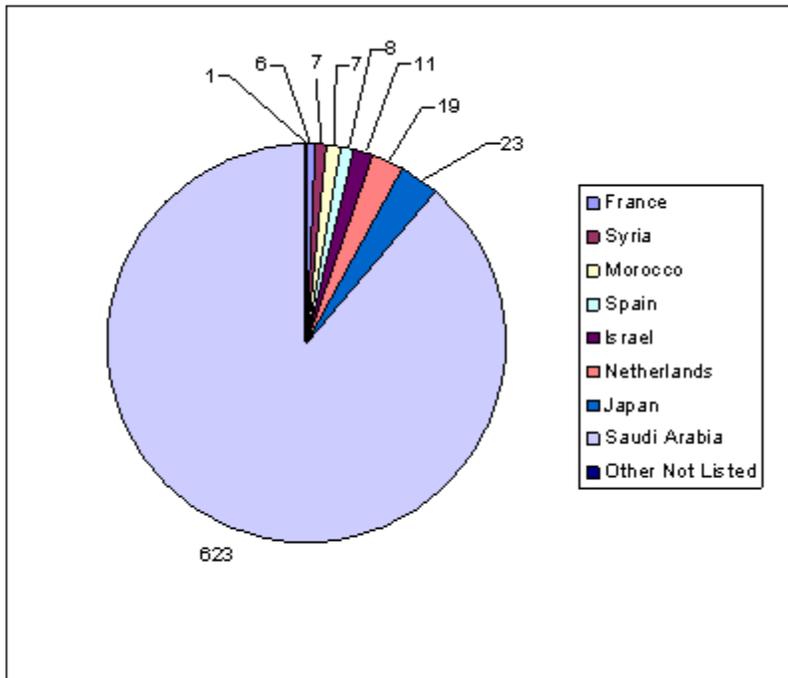
Trade:

Based on preliminary data, Ukraine has already exported over 3.6 million tons of grains since the beginning of the 2009/2010 marketing year (July-August), including 1.9 million tons exported in August 2009. Wheat exports increased to about 1.1 million tons in August 2009, bringing the total marketing year wheat exports (July-August) to 1.7 million tons. Barley exports in July-August 2009 were 1.5 million tons, including approximately 0.7 million tons of August's barley shipments. Corn exports declined in August 2009 to approximately 0.1million tons from 0.25 million tons exported in July 2009.

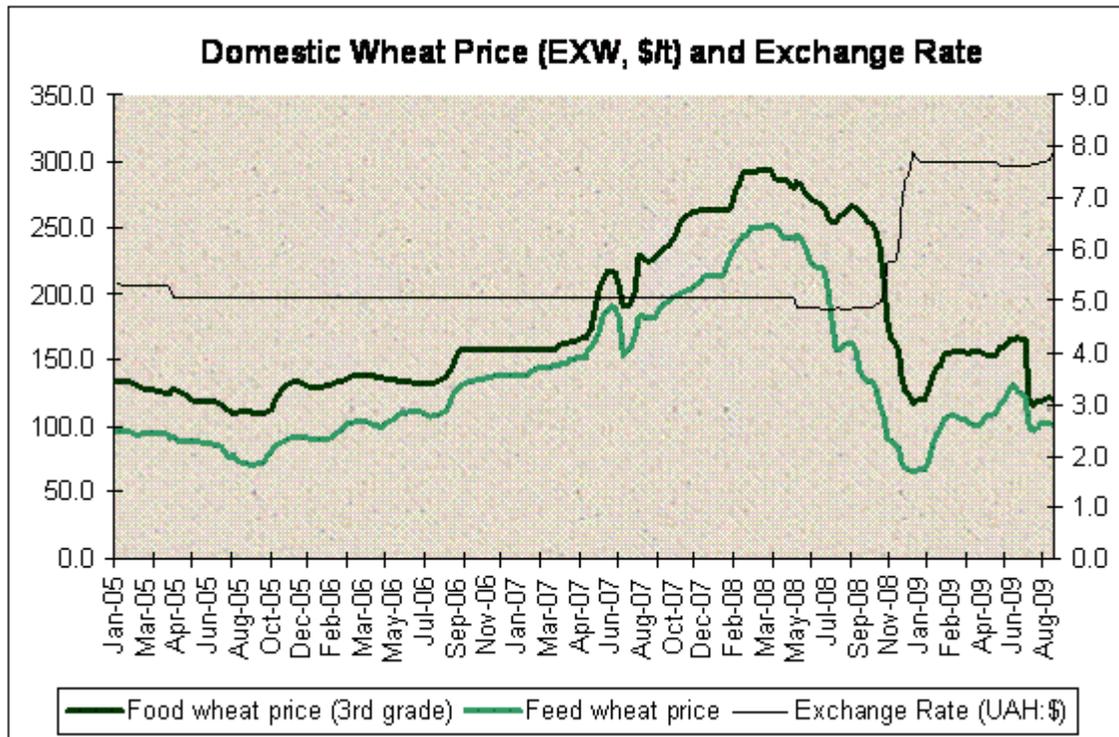


Wheat Exports in July 2009 by Countries of Destination, 1,000 tons

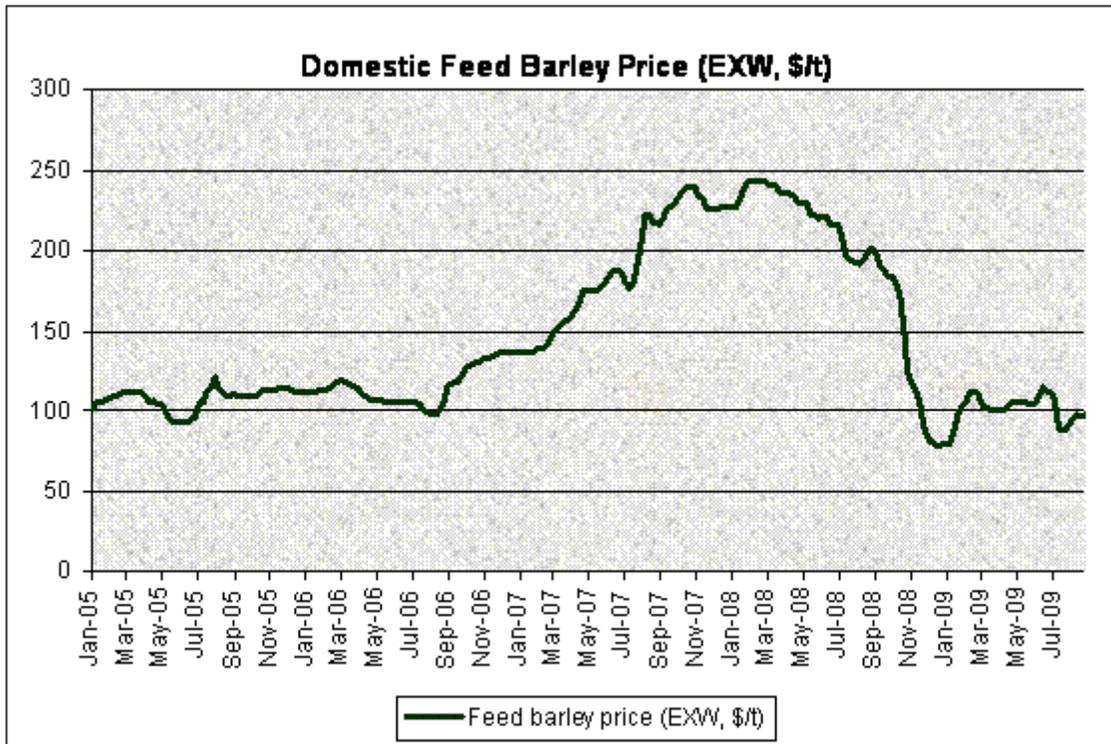
Source: State Customs Committee of Ukraine (preliminary data)



Barley Exports in July 2009 by Countries of Destination, 1,000 tons
 Source: State Customs Committee of Ukraine (preliminary data)

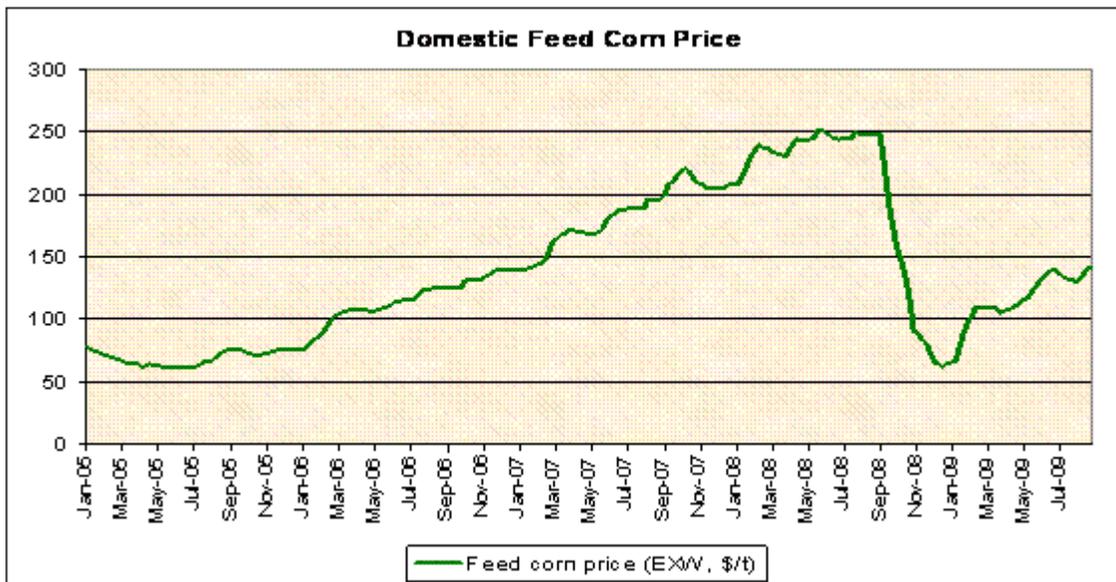


Source: Informational Agency APK-Inform



Source: Informational Agency APK-Inform

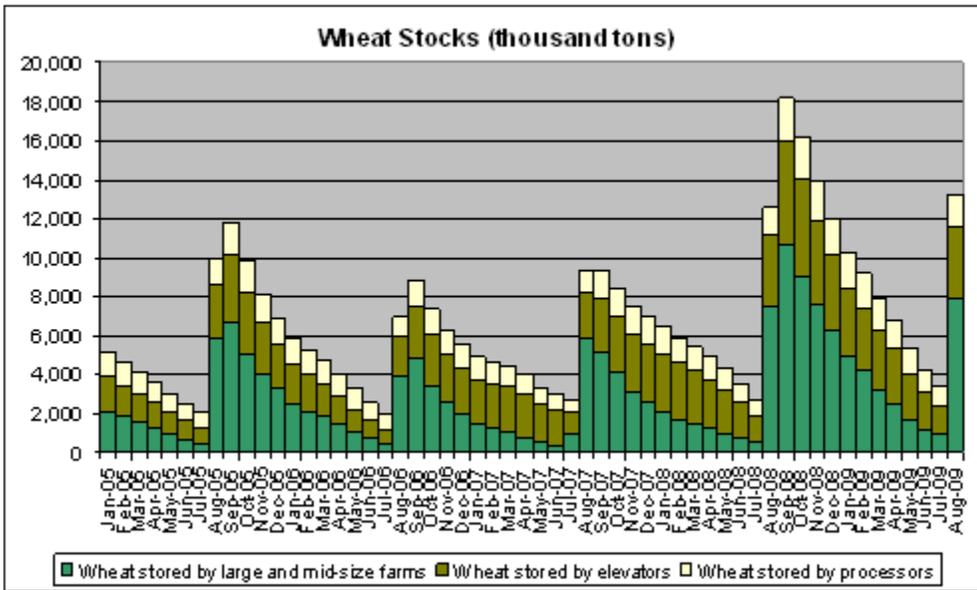
Domestic prices of most major grains are currently pressured by the new crop supplies, as well as by the continuation of local currency devaluation. Wheat prices were also affected by changes in wheat standard.



Source: Informational Agency APK-Inform

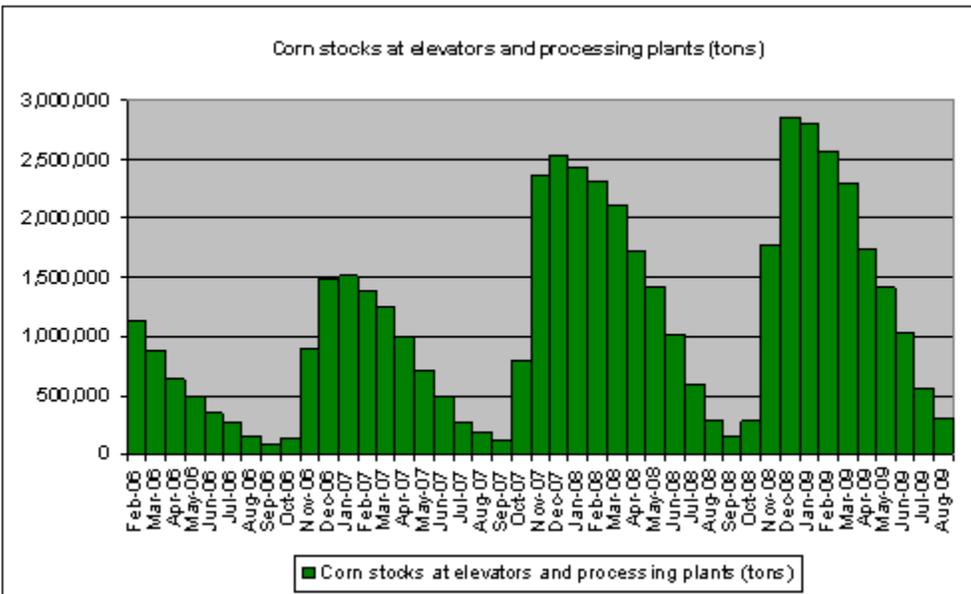
Stocks:

Grain crop that is harvested in 2009 started replenishing grain stocks, i.e. volumes of grains stored by farmers, elevators and processors, which already increased to 21.2 million tons as of August 1, 2009 (this stock information does not account for grains stored by small farms and private households which accounts for up to 20% of all grain produced in Ukraine).



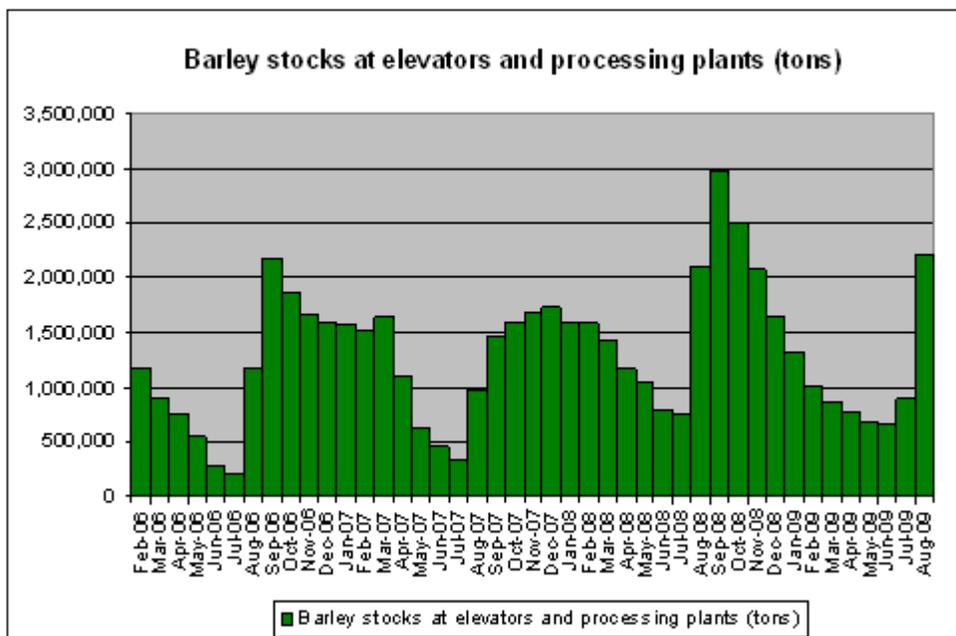
Source: State Statistics Committee of Ukraine

As of August 1, wheat stocks held by farmers, elevators and processors stood at 13.2 million tons, including 7.9 million tons stored by agricultural enterprises, and barley stocks were estimated at 5.7 million tons, including 3.5 million tons stored by agricultural enterprises.



Source: State Statistics Committee of Ukraine

As of August 1, corn stocks held by farmers, elevators and processors stood at 0.7 million tons, including 0.4 million tons stored by agricultural enterprises. Ending stocks of most major grains are expected to decrease in the 2009/2010 marketing year, based on a decrease in production and considering the continuation of liberalized grain exports.



Source: State Statistics Committee of Ukraine

Policy:

One of the most significant changes for the wheat market in Ukraine was the adoption of the new wheat standard (DSTU 3768:2009), which came into force from the beginning of the 2009/2010 marketing year. The standard applies to common wheat (*Triticum aestivum* L.) and durum wheat (*Triticum durum* Desf.) used for food and nonfood purpose and for trade. It is said that the standard of Ukraine for wheat is developed considering actual situation of grain industry of Ukraine, perspectives of its development and requirements for wheat in domestic and international markets. It is said that this standard is harmonized with Directive (EC) 687/2008 dated 28.07.2008 (clauses 3.1.2, 3.1.4, 3.1.7, 3.2.2, 3.2.4, 3.5.1, 3.5.2, 3.5.3, quality indexes for Class 4 (Table 1)) and with ISO 7970:2000 (Annex C.). The normative references to Safety Requirements and Environmental Protection, quality determination and testing methods were also updated. Currently, wheat is divided into two groups (“A” for food wheat and “B” for food/feed wheat) and 6 classes (classes 1, 2 and 3 for food wheat (Group “A”), classes 4, 5 for food/feed wheat (Group “B”) and class 6 for mostly feed use), compared to previous classification into 6 different classes, of which only class 6 was considered feed wheat. Certain changes in requirements are considered very strict by some farmers. It should be noted that the reclassification of wheat has already led to some misunderstandings among grain market participants.

The GOU adopted Resolution #848 dated July 23, 2009, which approved the new Order of Issuing Quality Certificate for Grains and Grain Products. According to the Law of Ukraine “On Grain and Grain Market of Ukraine”, the quality certificate has to be issued for all grain exports and imports. The bylaw came into force on August 21, and deals with all grains and grain products except bread and pasta products.

Grain policies stay relatively liberal in the 2009/2010 marketing year, as there are no export bans or restrictions. The Government of Ukraine (GOU) continues watching over the costs of grain transportation and other logistic services, including railway tariffs, silo and port services in order to decrease infrastructure cost for grain exporting. For example, the GOU recently canceled its bylaw on sanitization of railcars. Antimonopoly committee of Ukraine is working on competitiveness on the market for grain storage services noting that some grain storing companies may be fined for breaking competitiveness law. The GOU is also seeking funds (up to \$1 billion) for the development of agricultural cooperatives, part of which is said to be spent on the countrywide development of on-farm storage capacities. Collecting from the government of reimbursements of value-added tax (VAT) paid for exported commodities remains among the most difficult problems for most grain trading companies.

Statistical Tables

Wheat Exports by Country, Year-to Year Comparison (1,000 MT)

Country	July 04 - June 05	July 05 - June 06	July 06 - June 07	July 07 - June 08	July 08 - June 09
Spain	1,135	709	421	31	2,882
Korea, South	108	405	25	0	1,228
Philippines	145	199	38	0	1,134
Egypt	187	307	439	76	1,126
Bangladesh	82	318	190	53	1,125
Israel	470	648	497	156	853
Tunisia	436	363	232	100	455
Italy	478	402	95	65	354
Jordan	34	157	0	99	351
Kenya	10	242	141	38	237
Libya	21	188	11	13	218
Portugal	0	0	0	0	210
Pakistan	0	0	0	28	201
Turkey	13	0	28	46	193
Iran	0	0	0	0	192
Netherlands	7	10	0	3	187
Syria	23	94	35	14	144
Algeria	147	322	14	0	119
Djibouti	0	21	0	0	118
Morocco	144	320	4	0	114
United Kingdom	23	40	294	6	91
Azerbaijan	0	0	0	59	89
Vietnam	0	50	0	0	82
Unknown	0	7	0	0	75
Lebanon	4	10	5	0	75
Saudi Arabia	1	0	0	0	68
Indonesia	234	372	2	0	59
Greece	24	3	24	47	54
Somalia	0	0	0	0	53
Mauritania	71	91	18	0	49
Belarus	22	62	10	19	47
Uganda	0	0	10	0	41
Nigeria	15	38	0	0	38
Poland	3	0	0	18	37
Belgium	0	0	57	0	37
Afghanistan	0	0	0	0	30
Other Not Listed	540	1050	744	38	349
Total	4,377	6,427	3,330	911	12,715

Source: State Statistics Committee of Ukraine

Monthly Corn Exports by Destination (July 2008- May 2009), 1,000 MT

Country	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Total
Iran	0	0	84	122	109	107	1	166	73	662
Egypt	5	70	101	177	91	162	226	91	70	993
Israel	0	6	10	24	18	108	64	88	25	343
Syria	14	24	44	36	125	113	71	72	95	595
Japan	0	0	0	41	3	11	39	68	33	194
Tunisia	0	28	29	23	27	56	45	61	28	296
Kenya	0	0	0	6	0	18	33	26	0	83
Hungary	0	1	3	0	0	1	0	26	24	56
Spain	0	0	55	25	41	32	0	23	28	204
Netherlands	3	3	28	21	0	5	4	22	4	91
Libya	0	21	0	11	43	86	3	17	11	192
Turkey	3	1	4	11	10	28	30	16	12	114
Algeria	0	27	18	15	62	58	42	11	12	246
Korea, South	0	0	0	0	0	0	59	9	58	126
Lebanon	0	2	14	0	14	0	0	8	11	49
Belarus	7	23	28	10	25	30	21	4	3	151
Cyprus	0	1	0	3	6	1	12	3	0	25
Latvia	0	2	2	3	0	0	0	2	0	10
Lithuania	1	0	2	1	2	1	1	2	6	17
Azerbaijan	4	5	5	7	6	0	1	2	1	33
Georgia	0	8	2	0	0	3	0	2	4	20
Uzbekistan	0	2	4	1	1	1	1	2	1	13
Russia	12	0	2	0	1	1	2	2	8	28
Estonia	2	1	3	1	2	0	0	1	1	12
Germany	0	0	0	0	11	24	0	0	0	35
Gibraltar	0	0	0	0	0	7	13	0	12	32
Jordan	0	0	0	0	25	36	0	0	0	61
Portugal	0	0	0	0	28	24	0	0	0	52
Morocco	0	0	7	6	26	31	35	0	0	104
United Kingdom	0	0	0	0	1	9	0	0	1	11
Vietnam	0	0	0	0	0	50	37	0	0	87
Sudan	0	0	0	0	0	0	53	0	0	53
Other Not Listed	0	6	7	7	2	6	1	0	5	34
Total	53	232	454	552	681	1010	796	723	525	5024

Source: State Statistics Committee of Ukraine

Barley Exports by Country, Year-to Year Comparison (1,000 MT)

Country	July 04 - June 05	July 05 - June 06	July 06 - June 07	July 07 - June 08	July 08 - June09
Saudi Arabia	1,806	2,254	3,466	520	2,555
Iran	433	388	109	48	1,277
Syria	428	288	215	86	834
Jordan	499	543	222	99	312
Israel	372	83	157	44	229
Kuwait	0	0	137	0	123
Cyprus	6	27	3	74	121
Libya	215	71	151	3	120
Tunisia	195	82	213	43	105
Qatar	0	0	0	0	98
United Arab Emirates	0	0	39	0	84
Algeria	39	18	62	0	77
Netherlands	0	0	10	0	57
Switzerland	0	2	0	6	51
Kazakhstan	2	0	0	0	51
Morocco	93	46	68	14	48
United Kingdom	8	55	177	7	44
Lebanon	25	5	0	6	39
Oman	0	0	0	0	34
Spain	0	0	0	0	34
Turkey	3	0	0	51	26
Other Not Listed	192	99	73	46	50
Total	4,315	3,959	5,103	1,045	6,371

Source: State Statistics Committee of Ukraine