

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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POLICY

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Livestock and Products Update

Report Categories:

Livestock and Products

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Report Highlights:

Weakening red meat prices resulted in somewhat lower production estimates for 2014 for both pork and beef. Ukraine will continue to import significant quantities of pork, while exports of beef and pork to traditional markets in Russia will remain rather risky and limited. EU suppliers will not be able to expand their market presence without an Association Agreement. Total red meat production is expected to be slightly above the 2013 number. All imports may be hurt by a weakening Ukrainian currency.

General Information:

Data included in this report is not official USDA Data. Official USDA data is available at <http://www.fas.usda.gov/psd>

Executive Summary

The traditional fall price reduction caused by increased slaughter in households expanded into 2014. A gradual pork price decrease started in September 2013 and by February 2014 the price stabilized at 17.3 UAH/kg LWT. (\$1.94 /kg) which is 15-17 percent below summer price. Although not drastic, this decrease is expected to impact production decisions and the industry's 2014 performance.

Data in the PSD table were updated to reflect official production statistics for 2013 and preliminary foreign trade statistics. The animal number forecast for 2014 remains somewhat above the 2013 number, but beef and pork end of the year numbers were decreased in comparison to earlier forecasts. Most of the factors outlined in the [Livestock and Product Annual GAIN Report](#) will continue to affect production and trade.

Ukraine's macroeconomic performance remains extremely turbulent. With five consecutive quarters in recession the country is battling currency crisis when this report is drafted. The new "comfort level" at currency exchange is yet to be established, but it is clear that national currency devaluation will put additional burden on the importers.

Section I. Narrative

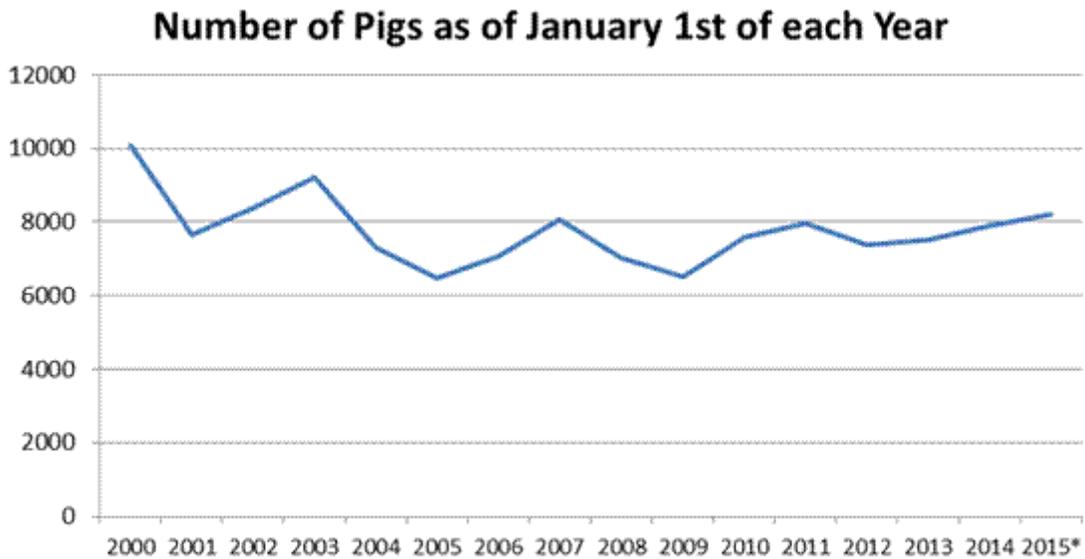
Production

Swine

Prices for pork will remain the major factor guiding industry performance in 2014. Ukraine's domestic swine farm gate price is decreasing for the fifth consecutive month with some signs of stabilization in February 2014. This 15-17 percent decrease resulted in a growth slowdown in late 2013. In 2014 this trend is expected to continue despite a 2013 bumper grain crop that pushed down feed prices. The 2012/13 MY grain crop was the largest in the history of Ukraine with over 63 million tons. The price drop for all major feed crops (corn, barley and feed wheat) provided swine breeders with an abundant and cheap supply of inputs.

Swine ending inventories for 2013 were correctly estimated in the 2013 annual report and coincided

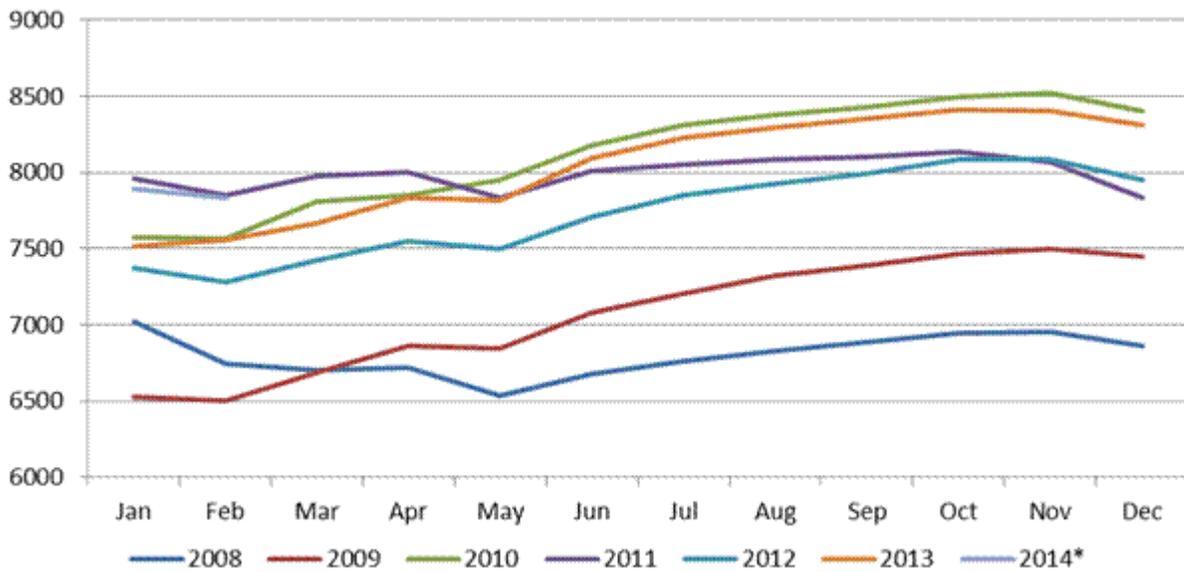
with the official data. Minor changes were made in trade numbers to reflect new trade data. The 2014 ending inventories were reduced to reflect the recent price decline and smaller production incentives. However FAS/Kyiv believes that investments made into the industry earlier will, along with cheaper feeds, continue to boost production. Swine numbers are expected to be above the 2013 level. The slaughter number for 2014 was increased to reflect lower end of the year inventory. This forecast is based on current market price situation and does not envisage further pork price drops.



Source: State Statistics Service of Ukraine
**forecast*

Similarly to the 2013 Annual Report, the new 2014 forecast envisages further production increases. Competition with pork imports is expected to be lower due to weak domestic currency that lost nine percent of its market value in January-February 2014.

Number of Pigs on Farms of All Types, by Month

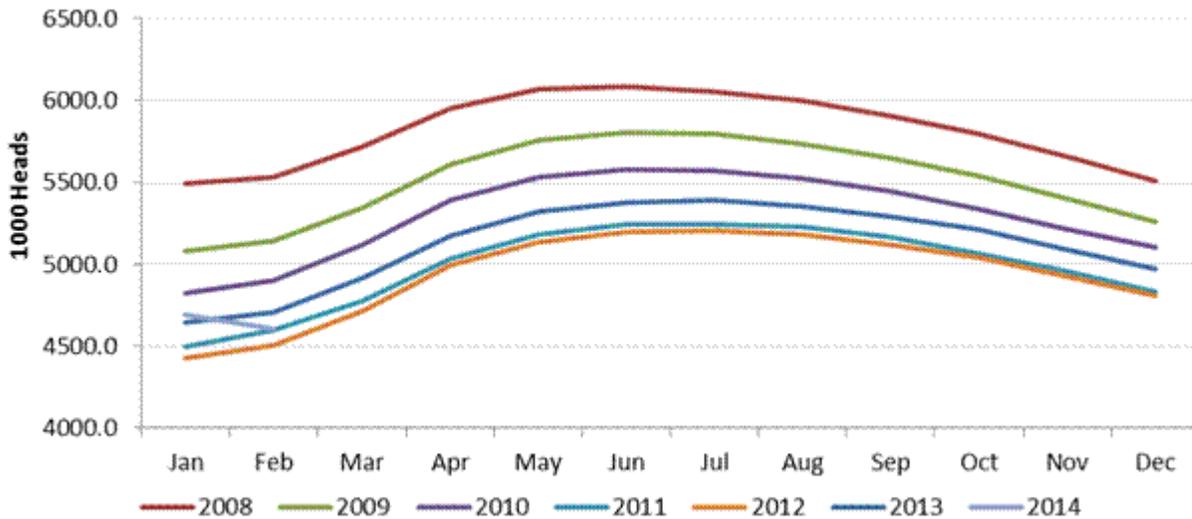


Source: State Statistics Service of Ukraine

Cattle

The animal number forecast for 2013 made in the Annual Livestock and Products Report was decreased insignificantly to match official statistics. The forecast for 2014 is reduced to reflect a new downward trend exhibited by the industry in late 2013 -2014. There is a chance that the cattle industry will resume the production decline after some stabilization in 2012-13.

Ukraine's Cattle Number



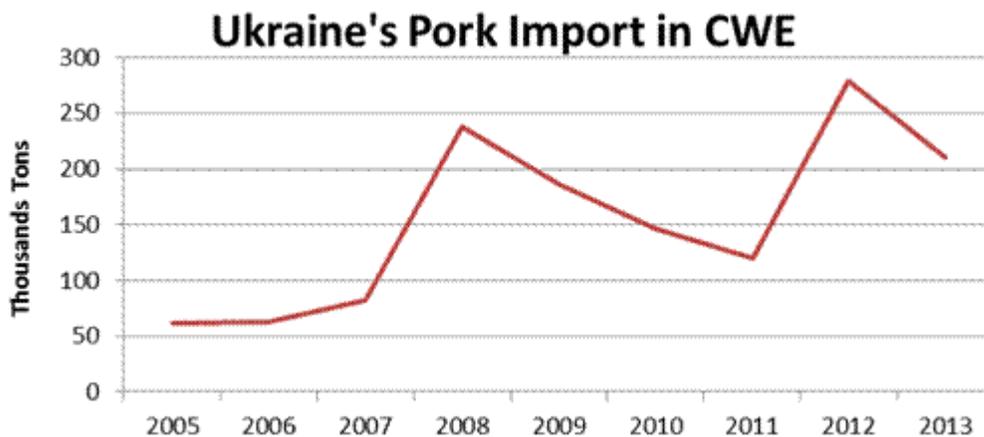
Source: State Statistics Service of Ukraine

Trade

After a record-high 2012, pork imports in 2013 remained below 2012 level mostly due to limitations imposed on major trading partners. Brazil's share in trade dropped by almost 35 percent, while Germany and Poland each lost almost 40 percent of trade. These limitations allowed trade growth for non-traditional suppliers like U.S., which became the fourth largest supplier with almost eight percent of the Ukrainian pork market.

The situation is expected to continue in 2014, although many meat traders see good market prospects for the U.S only in the absence of massive imports of Brazilian pork, which is more price-competitive.

A significant nine percent currency depreciation observed in January and February of 2014 may have a negative impact on trade. The National Bank of Ukraine imposed significant restrictions on currency exchange when this report was drafted, so it is nearly impossible to evaluate a balanced currency exchange rate and forecast long-term impact at this point.



Source: State Customs Service of Ukraine preliminary statistics

The updated PSD table envisages stable pork imports to Ukraine in 2014. This forecast reflects current policies, which are expected to remain in place.

The biggest red meat trade uncertainty of 2014 was resolved in the end of November of 2013. Ukraine did not sign an Association Agreement with the European Union which would have enabled a Deep and Comprehensive Free Trade Agreement (DCFTA). Under the DCFTA, Ukraine would have received 40,000 MT quota in the EU, while EU producers would receive a reciprocal 20,000 MT TRQ in Ukraine. For beef Ukraine would not establish a TRQ, while EU would provide a 12,000 MT TRQ. See table in the attachment for specific HS Codes distribution.

Ukrainian producers spent some resources over last years in preparation for the EU market exports; although none of Ukrainian producers would be able to utilize the TRQs immediately. Industry experts

estimated time period needed for pork exports around 3-5 years and for beef exports – 10-15 years. Lack of EU market access did not influence the 2014 number or other PSD indicators.

Section II. Statistical Tables

Ukraine Cattle PSD Table (1,000 Head*)

Animal Numbers, Cattle Ukraine	2012		2013		2014	
	Market Year Begin: Jan 2012		Market Year Begin: Jan 2013		Market Year Begin: Jan 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Total Cattle Beg. Stks	4,426	4,426	4,646	4,646	4,770	4,694
Dairy Cows Beg. Stocks	2,675	2,582	2,655	2,554	2,650	2,545
Beef Cows Beg. Stocks	35	35	36	36	36	36
Production (Calf Crop)	2,604	2,604	2,590	2,590	2,590	2,500
Total Imports	3	3	3	3	3	3
Total Supply	7,033	7,033	7,239	7,239	7,363	7,197
Total Exports	2	2	3	3	3	3
Cow Slaughter	0	0	0	0	0	0
Calf Slaughter	0	0	0	0	0	0
Other Slaughter	2,336	2,336	2,416	2,492	2,510	2,564
Total Slaughter	2,336	2,336	2,416	2,492	2,510	2,564
Loss	49	49	50	50	50	50
Ending Inventories	4,646	4,646	4,770	4,694	4,800	4,580
Total Distribution	7,033	7,033	7,239	7,239	7,363	7,197
1000 HEAD, PERCENT						

**These are not USDA official numbers*

Ukraine Beef and Veal PSD Table, 1,000 CWE (1,000 Head)*

Meat, Beef and Veal Ukraine	2012		2013		2014	
	Market Year Begin: Jan 2012		Market Year Begin: Jan 2013		Market Year Begin: Jan 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference)	2,336	2,336	2,416	2,492	2,510	2,564
Beginning Stocks	15	15	15	15	15	15

Production	389	389	420	430	440	450
Total Imports	5	5	5	4	5	5
Total Supply	409	409	440	449	460	470
Total Exports	23	23	27	25	26	26
Human Dom. Consumption	371	371	398	409	419	429
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	371	371	398	409	419	429
Ending Stocks	15	15	15	15	15	15
Total Distribution	409	409	440	449	460	470
1000 HEAD, 1000 MT CWE, PERCENT, PEOPLE, KG						

**These are not USDA official numbers*

Ukraine Swine PSD Table (1,000 Head*)

Animal Numbers, Swine Ukraine	2012		2013		2014	
	Market Year Begin: Jan 2012		Market Year Begin: Jan 2013		Market Year Begin: Jan 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Total Beginning Stocks	7,373	7,373	7,577	7,577	7,890	7,890
Sow Beginning Stocks	472	472	488	488	520	520
Production (Pig Crop)	8,538	8,538	9,163	9,163	9,580	9,580
Total Imports	225	225	200	225	180	200
Total Supply	16,136	16,136	16,940	16,965	17,650	17,670
Total Exports	1	1	0	0	0	0
Sow Slaughter	0	0	0	0	0	0
Other Slaughter	7,941	7,941	8,400	8,450	8,700	8,830
Total Slaughter	7,941	7,941	8,400	8,450	8,700	8,830
Loss	617	617	650	625	650	640
Ending Inventories	7,577	7,577	7,890	7,890	8,300	8,200
Total Distribution	16,136	16,136	16,940	16,965	17,650	17,670
1000 HEAD, PERCENT						

**These are not USDA official numbers*

Ukraine Pork PSD Table, 1,000 CWE (1,000 Head)*

Meat, Swine Ukraine	2012		2013		2014	
	Market Year Begin: Jan 2012		Market Year Begin: Jan 2013		Market Year Begin: Jan 2014	

	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference)	7,941	7,941	8,400	8,450	8,700	8,830
Beginning Stocks	22	22	22	22	22	22
Production	701	701	790	795	820	830
Total Imports	281	281	220	210	210	200
Total Supply	1,004	1,004	1,032	1,027	1,052	1,052
Total Exports	29	29	4	6	20	5
Human Dom. Consumption	953	953	1,006	999	1,010	1,025
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	953	953	1,006	999	1,010	1,025
Ending Stocks	22	22	22	22	22	22
Total Distribution	1,004	1,004	1,032	1,027	1,052	1,052
1000 HEAD, 1000 MT CWE, PERCENT, PEOPLE, KG						

**These are not USDA official numbers*