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## Ukraine

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### **Memorandum of Understanding on Grain Trade in Ukraine**

**Report Categories:**

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**Report Highlights:**

The Ministry of Agrarian Policy and Food of Ukraine and the local production and milling industry once again came to an agreement on grain export management for the new marketing year. The Memorandum of Understanding is being signed by the Minister and the major industry organizations. Exports of grain are not to be restricted unless the necessary amount of domestic supplies are deemed insufficient, thus indicating a food security risk to the country.

**General Information:**

In August 2014, the Ministry of Agrarian Policy and Food of Ukraine (MinAg) and industry representatives held meetings dedicated to managing grain supplies and trade issues. Once again, the parties came to an agreement on the procedures for monitoring grain availability and export practices. As a result, a Memorandum of Understanding (MOU) is being signed by the Minister and the major industry groups.

According to this MOU, in the new Marketing Year (MY) 2014/15, the MinAg will closely monitor grain supply and export quantities. The industry agreed to report to the Ministry the data on trade executed as well as their intended export quantities. MinAg will make the aggregated grain export data available on a weekly basis to all market players for their reference and planning purposes.

Additionally, the new MOU states that quantities of Ukrainian grain for export with no restrictions will be determined by September 15, 2014. The trade balance will be drafted by the MinAg per consultations with industry. Non-restricted export quantities can be reviewed and modified by November 25, 2014 depending on the final grain production data in Ukraine that is expected to be available by that time.

According to the MinAg, between July 1 and August 27, 2014, Ukraine exported about 2.4 million metric tons (MMT) of wheat, 0.4 MMT of corn, and 1.7 MMT of barley. At the time of this report was drafted, exports of grains were unrestricted.

Preliminary MinAg data also indicates that Ukraine produced a total of 24.4 MMT of wheat, 9.3 MMT of barley, and 547,200 MT of rye in MY 2014/15. The corn harvest began in August which is unusually early. Dry weather conditions in late July and August in most of the Southern and in Central production area caused corn plantings to mature much sooner than usual. Early planting may have also played a role. However, some private producers reported concerns over corn yields and the overall ability of later plantings to produce quality grain due to extended periods of hot and dry weather observed in July and August through significant part of the corn producing regions.

Domestic wheat prices tapered off at the start of the new MY in response to the large harvest, although domestic milling quality wheat prices rebounded somewhat based on rumors that there was a limited supply of food quality wheat available in the market. At the time this report was written, no official data on food versus feed quality wheat quantities produced was available.

**Conclusion:**

FAS-Kyiv suggests a 10-percent increase to wheat and barley production estimates in the PSD for MY 2014/15 compared to the estimates released by USDA in early August. We also recommend about a 20-percent increase to rye production estimates. Similarly, we propose a 20-percent increase in trade estimates for these commodities for the same period. This reflects the availability of greater supplies in the market, while the consumption patterns are not expected to grow due to the present economic situation in Ukraine.