

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Ukraine

### Sugar Annual

### Sugar Annual Report

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**Report Highlights:**

In marketing year 2012/13, sugar beet planted area decreased by 13 percent but overall production stayed at a level similar to the previous season. Sugar production in Ukraine has been fully satisfying domestic market needs in the last two years and has reached 2.1 million metric tons in MY 2012/13. Refined beet sugar production is projected to decline by about 20 percent in the next season due to the lack of export markets and unattractive domestic market prices for the product. As a result, sugar beet planted area for MY 2013/14 is projected to decrease by almost 25 percent from 450,000 million hectares in 2012 to 350,000 hectares in 2013.

**Commodities:**

Sugar Beets

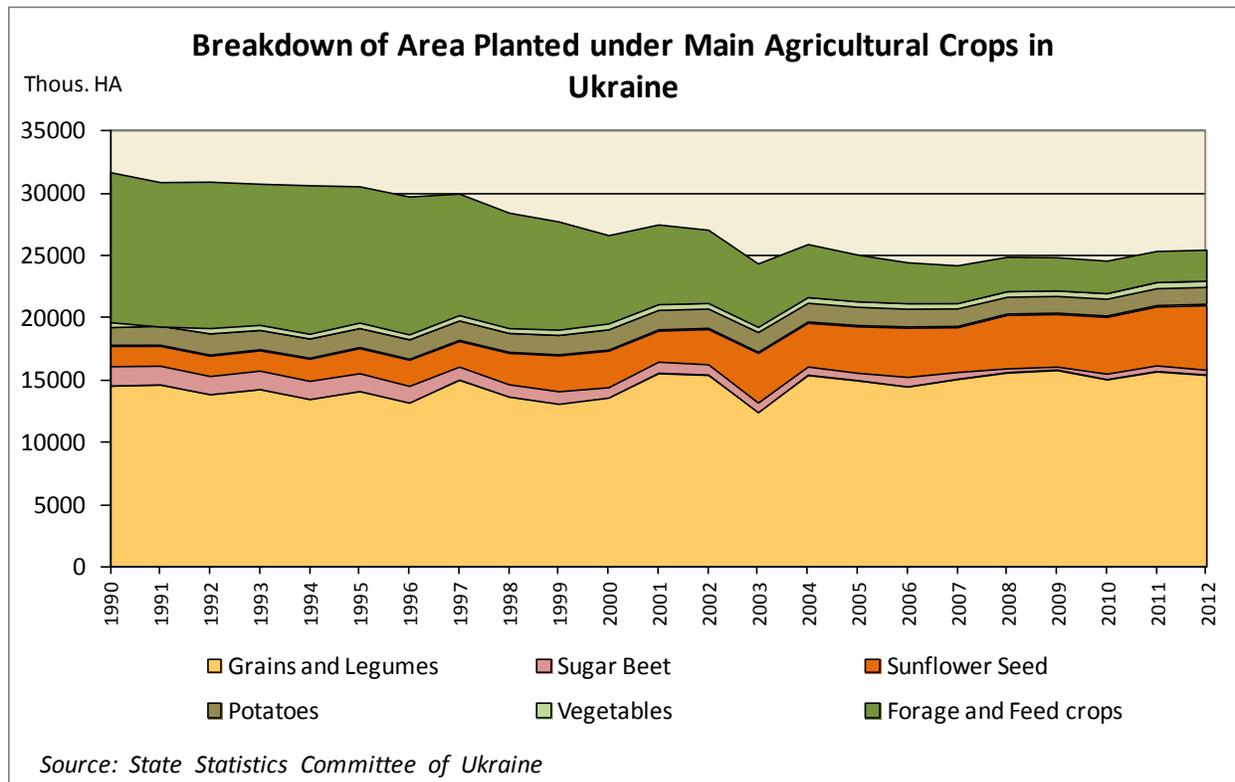
**Production:**

Sugar beet production area has been on the declining trend in Ukraine over the last two decades and is expected to drop by about 25 percent to about 350,000 hectares (ha) in the Marketing Year (MY) 2013/14 compared to the previous planting season.

The main factors that stimulate the recent decline in area under sugar beet production are:

- Lack of export markets for Ukrainian refined beet sugar
- Domestic market oversupply with sugar and larger stocks
- Decline in the domestic market price of sugar
- Increasing fertilizer costs

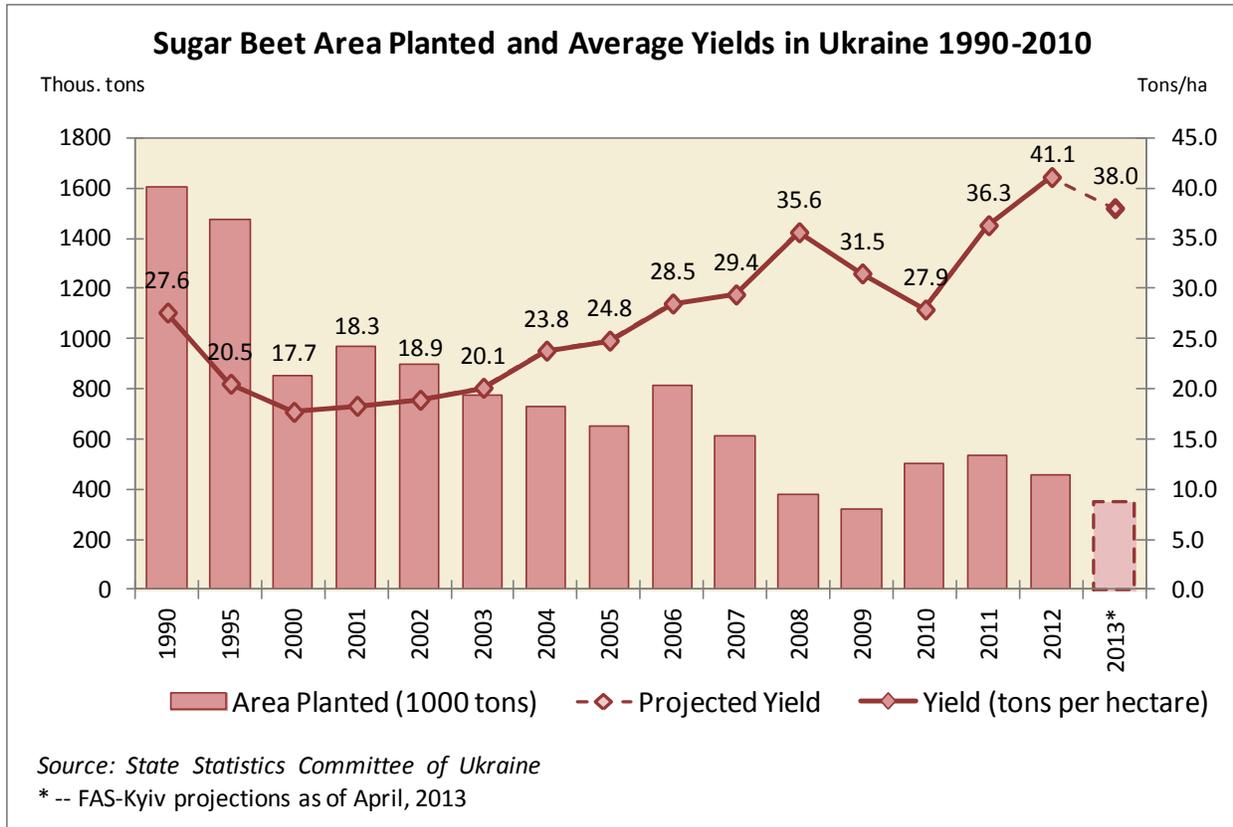
Despite relatively good profitability of sugar beet production in Ukraine, area under this crop is on the decline due to the unfavorable domestic market conditions for beet sugar. In recent years, Ukraine produced an abundant harvest of sugar beets but failed to secure export markets for refined sugar. This led to domestic market oversupply with refined sugar and a subsequent drop in domestic sugar beet and sugar prices. In addition, an increase in fertilizer costs in Ukraine in the recent years may also have a negative effect on sugar beet production, especially in the case with the smaller producers who may revert to other, more profitable crops like soybeans, corn, sunflower, wheat. The general trends in areas planted under major crops in Ukraine are shown on the graph below.



About 70 percent of all sugar beet planted area belongs to the large producers – corporations that enjoy the benefits of vertical integration in their business models. These ‘agriholdings’ operate their own sugar refineries and other related businesses (chocolate factories, etc.). They do not project a decline in their area planted with sugar beets in the new season. However, the methods of agricultural production they employ are becoming more and more advanced. Some producers have started using precision agriculture practices and report less fertilizer use and higher productivity. These large producers have also been investing in higher quality seeds and thus report higher yields.

Also, updated equipment at sugar refineries and concentration of more sugar beet production areas near the refineries contributed to an overall increase in effectiveness of sugar production in Ukraine in the recent years.

The cost of production of sugar beets in Ukraine in 2012 was reported to be roughly \$ 1600/ha, while corn production costs were half that amount - \$800/ha, for soybeans - \$ 550/ha, wheat - \$500/ha, and for sunflower - \$440/ha.



The graph above shows the official data on sugar beet production and yield. FAS-Kyiv projects the new season’s average yield for sugar beets to be slightly above the last 5-year average at about 38 tons/ha. But the overall sugar beet production is expected to decline as a result of the lower area.

**Consumption:**

Sugar beets in Ukraine were not used for alcohol production, and this information is reflected in the PSD table below. Sugar beets produced in the country were fully utilized for sugar production less some transportation and storage losses. No exports of sugar beets were reported from Ukraine in the last few years.

**Production, Supply and Demand Data Statistics:**

## USDA Official and FAS-Kyiv Forecast Production Supply and Demand Statistics

Sugar Beets Ukraine	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		Market Year Begin: Oct 2013	
	Revised		Estimate		Forecast	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	530	530	550	459		350
Area Harvested (1000 HA)	510	510	530	449		340
Production (1000 MT)	18,500	18,500	18,800	18,441		13,000
Total Supply (1000 MT)	18,500	18,500	18,800	18,441		13,000
Utilization for Sugar (1000 MT)	18,500	18,500	18,800	18,441		13,000
Utilizatr for Alcohol (1000 MT)	0	0	0	0		0
Total Distribution (1000 MT)	18,500	18,500	18,800	18,441		13,000

**Commodities:**

Sugar, Centrifugal

**Production:**

Beet sugar production in Ukraine has dropped by almost ten percent in my 2012/13 and is expected to decline even further in MY 2013/14 as a result of a reduced sugar beet production in the country. The domestic market has become oversaturated with own produced refined sugar due to lack of export markets and an abundant supply of sugar beets.

Domestic prices for refined sugar in the current marketing year have been sliding down from about \$ 0.68 per kilogram in the fall 2012 to an undesirably low level of roughly \$ 0.63 per kilogram in early April 2013. Average sugar prices are expected to remain low until the end of the season due to oversupply on the domestic market with an occasional price increase around Easter holidays and at the start of the summer canning season.

The average wholesale refined sugar price in Ukraine was roughly \$ 621 per Metric Ton (MT) in September 2012 and dropped down to about \$ 558 / MT in December 2012 and \$ 533 / MT at the end of February 2013. In comparison, wholesale sugar prices in January 2012 were at about \$ 663 / MT and \$ 597 / MT in June 2012. Sugar producers have been struggling to break even this season while still carrying large ending stocks from the previous marketing year.

Next year's sugar production is projected to decline once again by about 20 percent to 1.7 MMT. The large stocks and the lack of export markets have made sugar business unprofitable in Ukraine in the last two years. However, larger vertically integrated companies that operate sugar beet production and have related confectionary business may still be able to stay above the surface. Smaller producers on the other hand are facing negative balances and prospects of losing their business.

**Consumption:**

Consumption on refined sugar in Ukraine has been relatively steady and fluctuates between 1.7 and 1.9 Million Metric Tons (MMT) depending on the economic situation and size of consumer's disposable income which has been on the positive side in the last two years in Ukraine. Domestic confectionary industry enjoyed the abundant supply of domestically produced sugar as well as continuously declining sugar prices. Overall consumption of sweets in the country has been observed to go up somewhat, especially during various holidays.

**Trade:**

In the current season Ukraine has been exporting to a number of neighboring countries, the members of the Commonwealth of Independent States (CIS) like Kazakhstan, Kyrgyzstan, Georgia, and Moldova. Some Ukrainian sugar has also been sold to the Middle East and the closest EU neighbors (For a complete list of export destinations see tables in the end of this report).

Negotiations with Russia – the most attractive export market for Ukrainian sugar that holds a lot of potential – did not result in any significant sales in the recent years. As a result, Ukraine has been struggling to secure large export markets for its refined beet sugar.

It is expected that in MY 2013/14 Ukraine will continue trading sugar to the CIS countries but export quantities would remain similar to the current MY.

Imports of raw cane sugar to Ukraine have been minimal if non-existent in the last few years. Domestic sugar beet production has completely satisfied the domestic demand for sugar and has created some oversupply, thus imports of cane sugar became unnecessary.

**Production, Supply and Demand Data Statistics:****USDA Official and FAS-Kyiv Forecast Production Supply and Demand Statistics**

Sugar, Centrifugal Ukraine	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		Market Year Begin: Oct 2013	
	Revised		Estimated		Forecast	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	52	212	367	645		629
Beet Sugar Production (1000 MT)	2,300	2,300	2,360	2,100		1,700
Cane Sugar Production (1000 MT)	0	0	0	0		0
Total Sugar Production (1000 MT)	2,300	2,300	2,360	2,100		1,700
Raw Imports (1000 MT)	10	3	0	5		5
Refined Imp.(Raw Val) (1000 MT)	38	9	15	5		0
Total Imports (1000 MT)	48	12	15	10		5
Total Supply (1000 MT)	2,416	2,524	2,742	2,755		2,334
Raw Exports (1000 MT)	0	0	0	0		0
Refined Exp.(Raw Val) (1000 MT)	33	179	35	326		326
Total Exports (1000 MT)	33	179	35	326		326
Human Dom. Consumption (1000 MT)	2,000	1,700	2,000	1,800		1,800
Other Disappearance (1000 MT)	0	0	0	0		0
Total Use (1000 MT)	2,000	1,700	2,000	1,800		1,800
Ending Stocks (1000 MT)	367	645	707	629		208
Total Distribution (1000 MT)	2,416	2,524	2,742	2,755		2,334

**Commodities:**

Sugar Beets

Sugar, Centrifugal

**Policy:**

Ukrainian sugar producing industry has a tradition of being regulated by the government. Sugar has been viewed as a strategic food product and thus sugar beet production and refined sugar prices have been strictly monitored and controlled by legislation. Usually, once a year, the State updates the minimum allowed level of wholesale sugar price as well as the sugar beet price. For the MY 2013/14 these prices were set at \$ 584.71 / MT and \$ 42.26 / MT respectively. While in the current season the whole sale sugar price was first set at \$ 738.75 / MT and then adjusted to \$ 637.50 / MT due to the oversupply in the market and a subsequent depressing situation.

**Author Defined:****Statistical Tables****Raw Cane Sugar Imports to Ukraine by Origin, by Month, MT (HS 170111)**

Origin	Oct. 2011-Jan. 2012	Oct-12	Nov-12	Dec-12	Jan-13	Oct. 2012-Jan. 2013	% Change Sept-Jan. 12/13 to Sept-Jan. 11/12
World	2813.0	7.0	31.0	39.0	1.0	78.0	-97.2
Colombia	2.0	0.0	25.0	27.0	0.0	52.0	2,500.0
Mauritius	2.0	4.0	3.0	8.0	0.0	15.0	650.0
Brazil	2809.0	2.0	3.0	4.0	0.0	9.0	-99.7
Mauritania	0.0	1.0	0.0	0.0	1.0	2.0	100.0

Source: State Customs Committee of Ukraine

**Raw Cane Sugar Imports to Ukraine by Origin, MY, MT (HS 170111)**

Origin	MY 2009/10 (October 09- Sept. 10)		MY 2010/11 (October 10- Sept. 11)		MY 2011/12 (October 11- Sept. 12)		% Change MY 2011/12 to MY 2010/11
	Quantity	% Share	Quantity	% Share	Quantity	% Share	
World	254,895.0	100.00	244,749.0	100.00	2,917.0	100.00	-98.8
Brazil	196,215.0	76.98	244,577.0	99.93	2,809.0	96.30	-98.9
Colombia	0.0	0.00	145.0	0.06	79.0	2.71	-45.5
Mauritius	13.0	0.01	22.0	0.01	26.0	0.90	18.2
United Kingdom	0.0	0.00	0.0	0.00	1.0	0.04	100.0
Germany	0.0	0.00	1.0	0.00	1.0	0.03	0.0
Cuba	15,977.0	6.27	0.0	0.00	0.0	0.00	0.0
Argentina	34,420.0	13.50	0.0	0.00	0.0	0.00	0.0
Guatemala	8,269.0	3.24	0.0	0.00	0.0	0.00	0.0
Paraguay	0.0	0.00	5.0	0.00	0.0	0.00	-100.0

Source: State Customs Committee of Ukraine

**Refined Sugar Exports from Ukraine by Destination, by Month,  
MY 2011/12, MT (HS 170199)**

Destination	Oct. 2011-Jan. 2012	Oct-12	Nov-12	Dec-12	Jan-13	Oct. 2012-Jan. 2013	% Change Sept-Jan. 12/13 to Sept-Jan. 11/12
World	7276.0	3,293.0	3,726.0	7,440.0	7,554.0	22013.0	202.5
Syria	1000.0	0.0	1,768.0	3,016.0	0.0	4784.0	378.4
Georgia	3943.0	65.0	160.0	1,801.0	2,544.0	4570.0	15.9
Kazakhstan	0.0	1,077.0	407.0	1,085.0	1,276.0	3845.0	100.0
Moldova	9.0	1,923.0	1.1	0.1	0.0	3090.0	34,233.3
Kyrgyzstan	0.0	0.0	0.0	944.0	2,068.0	3012.0	100.0
Turkmenistan	12.0	0.0	0.0	0.0	1,199.0	1199.0	9,891.7
Uzbekistan	200.0	203.0	203.0	405.0	201.0	1012.0	406.0
Poland	0.0	21.0	63.0	62.0	168.0	314.0	100.0
Italy	0.0	0.0	0.0	0.0	62.0	62.0	100.0
Hong Kong	0.0	0.0	0.0	0.0	35.0	35.0	100.0
Spain	0.0	0.0	0.0	22.0	0.0	22.0	100.0
Lithuania	0.0	0.0	0.0	0.0	0.0	21.0	100.0
Hungary	0.0	0.0	20.0	0.0	0.0	20.0	100.0
Czech Republic	0.0	0.0	0.0	20.0	0.0	20.0	100.0
Panama	2.0	1.0	0.0	1.0	0.0	2.0	0.0
United States	3.0	1.0	0.0	0.0	0.0	1.0	-66.7
Bulgaria	20.0	0.0	0.0	0.0	0.0	0.0	-100.0
Romania	40.0	0.0	0.0	0.0	0.0	0.0	-100.0
Slovakia	1044.0	0.0	0.0	0.0	0.0	0.0	-100.0
Lebanon	1000.0	0.0	0.0	0.0	0.0	0.0	-100.0
Other	3.0	0.0	0.0	0.0	0.0	0.0	-100.0

Source: State Customs Committee of Ukraine

## Refined Sugar Exports from Ukraine by Destination, MY, MT (HS 170199)

Destination	MY 2009/10 (October 09- Sept. 10)		MY 2010/11 (October 10- Sept. 11)		MY 2011/12 (October 11- Sept. 12)		% Change MY 2011/12 to MY 2010/11
	Quantity	% Share	Quantity	% Share	Quantity	% Share	
World	1,164.0	100.00	1,108.0	100.00	165,263.0	100.00	14,097.9
Kazakhstan	0.0	0.00	0.0	0.00	118,179.0	71.51	100.0
Kyrgyzstan	131.0	11.26	396.0	35.74	12,770.0	7.73	9,648.1
Georgia	0.0	0.00	653.0	58.90	8,780.0	5.31	100.0
Moldova	1,015.0	87.23	33.0	3.00	6,345.0	3.84	525.1
Lebanon	0.0	0.00	0.0	0.00	4,453.0	2.69	100.0
Uzbekistan	0.0	0.00	0.0	0.00	4,122.0	2.49	100.0
Turkmenistan	0.0	0.00	0.0	0.00	3,981.0	2.41	100.0
Syria	0.0	0.00	0.0	0.00	2,404.0	1.45	100.0
Hungary	0.0	0.00	0.0	0.00	1,200.0	0.73	100.0
Slovakia	0.0	0.00	0.0	0.00	1,064.0	0.64	100.0
Croatia	0.0	0.00	0.0	0.00	850.0	0.51	100.0
Turkey	1.0	0.05	1.0	0.09	376.0	0.23	37,500.0
Ghana	0.0	0.00	0.0	0.00	260.0	0.16	100.0
Russia	1.0	0.13	2.0	0.15	181.0	0.11	18,000.0
Greece	0.0	0.00	0.0	0.02	125.0	0.08	100.0
Poland	0.0	0.00	0.0	0.01	43.0	0.03	100.0
Romania	0.0	0.00	0.0	0.00	40.0	0.02	100.0
Bosnia & Herzegovina	0.0	0.00	0.0	0.00	22.0	0.01	100.0
Bulgaria	0.0	0.00	0.0	0.01	20.0	0.01	100.0
Tajikistan	0.0	0.00	0.0	0.00	19.0	0.01	100.0
United States	1.0	0.10	2.0	0.22	8.0	0.00	700.0
Panama	1.0	0.09	4.0	0.34	8.0	0.00	700.0
Israel	0.0	0.04	5.0	0.41	2.0	0.00	100.0
Other	11.0	0.0	9.0	0.0	5.0	0.0	-54.5

Source: State Customs Committee of Ukraine

**Refined Sugar Imports to Ukraine by Origin, by Month, MY 2011/12, MT (HS 170199)**

Origin	Oct. 2011-Jan. 2012	Oct-12	Nov-12	Dec-12	Jan-13	Oct. 2012-Jan. 2013	% Change Sept-Jan. 12/13 to Sept-Jan. 11/12
World	7125.0	47.0	37.0	33.0	83.0	200.0	-97.2
Denmark	20.0	40.0	0.0	20.0	20.0	80.0	300.0
Slovakia	0.0	0.0	0.0	0.0	62.0	62.0	100.0
Germany	9.0	6.0	9.0	12.0	0.0	27.0	200.0
Switzerland	13.0	0.0	17.0	0.0	0.0	17.0	30.8
India	0.0	0.0	6.0	0.0	0.0	6.0	100.0
United States	4.0	1.0	1.0	1.0	0.0	3.0	-25.0
Belgium	8.0	0.0	3.0	0.0	0.0	3.0	-62.5
Sweden	1.0	0.0	1.0	0.0	0.0	1.0	0.0
Finland	0.0	0.0	1.0	0.0	0.0	1.0	100.0
United Kingdom	60.0	0.0	0.0	0.0	0.0	0.0	-100.0
Belarus	6981.0	0.0	0.0	0.0	0.0	0.0	-100.0
Italy	1.0	0.0	0.0	0.0	0.0	0.0	-100.0
Mauritius	22.0	0.0	0.0	0.0	0.0	0.0	-100.0
Netherlands	5.0	0.0	0.0	0.0	0.0	0.0	-100.0
Russia	1.0	0.0	0.0	0.0	0.0	0.0	-100.0

Source: State Customs Committee of Ukraine

## Refined Sugar Imports to Ukraine by Origin, MY, MT (HS 170199)

Origin	MY 2009/10 (October 09- Sept. 10)		MY 2010/11 (October 10- Sept. 11)		MY 2011/12 (October 11- Sept. 12)		% Change MY 2011/12 to MY 2010/11
	Quantity	% Share	Quantity	% Share	Quantity	% Share	
World	91,057.0	100.00	43,866.0	100.00	7,681.0	100.00	-82.5
Belarus	90,440.0	99.32	43,493.0	99.15	7,265.0	94.58	-83.3
Denmark	180.0	0.20	120.0	0.27	240.0	3.12	100.0
United Kingdom	223.0	0.25	140.0	0.32	60.0	0.78	-57.1
Germany	38.0	0.04	62.0	0.14	35.0	0.46	-43.5
Mauritius	0.0	0.00	0.0	0.00	25.0	0.33	100.0
United States	0.0	0.00	12.0	0.03	14.0	0.18	16.7
Switzerland	0.0	0.00	0.0	0.00	13.0	0.17	100.0
Netherlands	0.0	0.00	11.0	0.03	13.0	0.17	18.2
Belgium	10.0	0.01	6.0	0.01	11.0	0.14	83.3
Russia	0.0	0.00	3.0	0.01	2.0	0.03	-33.3
Sweden	0.0	0.00	0.0	0.00	2.0	0.02	100.0
France	2.0	0.00	4.0	0.01	1.0	0.01	-75.0
Italy	1.0	0.00	0.0	0.00	1.0	0.01	100.0
China	0.0	0.00	0.0	0.00	0.0	0.00	100.0
Colombia	149.0	0.16	0.0	0.00	0.0	0.00	100.0
India	0.0	0.00	12.0	0.03	0.0	0.00	-100.0
Mauritania	0.0	0.00	1.0	0.00	0.0	0.00	-100.0
Poland	14.0	0.01	0.0	0.00	0.0	0.00	100.0
Turkey	0.0	0.00	1.0	0.00	0.0	0.00	-100.0
Austria	0.0	0.00	1.0	0.00	0.0	0.00	-100.0

Source: State Customs Committee of Ukraine