

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Required Report - public distribution

Date: 5/4/2012

GAIN Report Number: UP1216

Ukraine

Sugar Annual

Sugar Annual Report

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Report Highlights:

Domestic beet sugar production in Ukraine has increased to over two million metric tons, creating an exportable surplus. Domestic stocks are high as Ukraine could not export refined beet sugar as expected to Russia due to high import tariffs. Finding export markets for Ukraine is an issue that will have a significant impact on the developments in the industry in the near future. Cane sugar imports to Ukraine are on hold while domestic producers lobby the Government to cancel the cane sugar import quota preferential tariffs. Sugar beet production continues to be a profitable business in Ukraine.

Commodities:

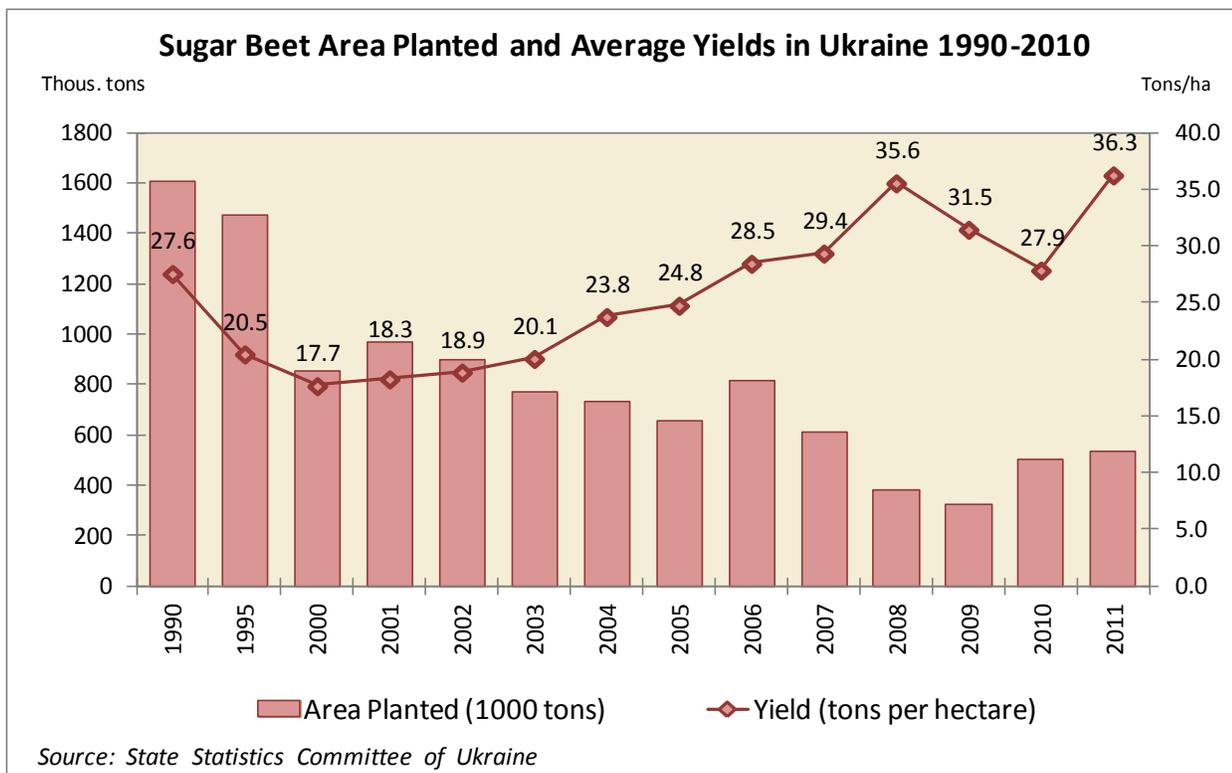
Sugar Beets

Production:

Sugar beet production area is expected to stay relatively unchanged in Marketing Year 2012/13 (MY 2012/13) and approach 550,000 planted hectares (ha), compared to 530,000 ha in the previous year. Ukraine observed an increase in average sugar beet yields mainly due to improvements in the quality of planting seeds. Some of this increase is also attributed to a better use of fertilizer and other chemical treatments.

About one-half of the sugar beet production companies also own sugar refineries and belong to large agri-holdings (corporations). Formation of such vertically integrated businesses allows the owners to benefit from economies of scale, while better investment options are available to the companies that they use to improve production technology and refinery facilities. (For more information on the current trend in the industry developments, please see KAS-Kyiv’s 2011 Annual Sugar Report).

Sugar beet production in Ukraine has approached the level that can fully satisfy domestic demand for refined sugar. Further production increases would be dependent on export markets for refined sugar, or utilization of sugar or sugar beets for production of bio-ethanol. Additional discussion on this topic is provided in the Policy section of this report.



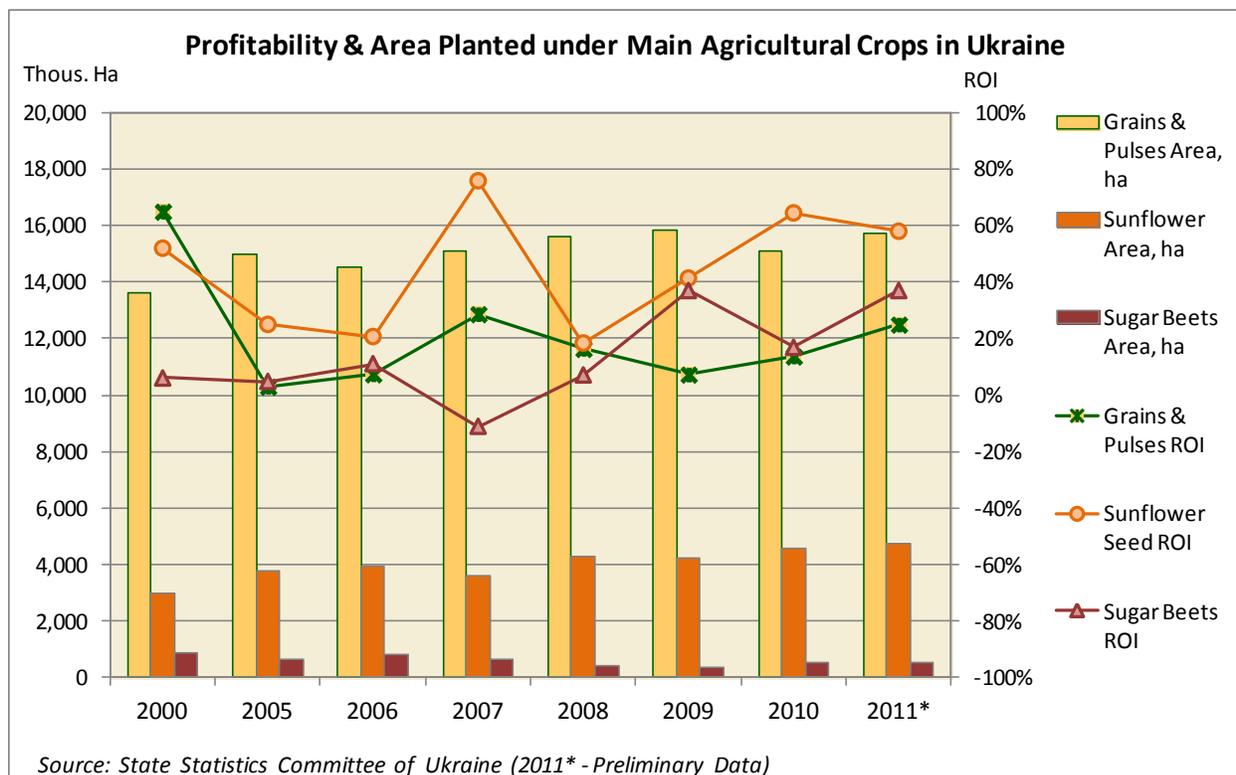
The new season’s yields are expected to be above the 5-year average but lower than that in the previous season. In the summer of 2011, weather conditions and a number of other factors related to production technology resulted in record high yields of sugar beets for Ukraine – 36.3 tons per hectare.

Profitability of sugar beet production remains quite attractive for producers regardless of the increase in fuel and fertilized costs this season. See comparison of profitability for various groups of agricultural crops below.

Table 1. Profitability and Area Planted under Main Agricultural Crops in Ukraine (Hectares, %, Calendar Years)

	1990	1995	2000	2005	2006	2007	2008	2009	2010	2011*
Grains & Pulses Area, ha	14,583	14,152	13,646	15,005	14,515	15,115	15,636	15837	15090	15724
Grains & Pulses ROI	275%	86%	65%	3%	7%	29%	16%	7%	14%	25%
Sunflower Area, ha	1,636	2,020	2,943	3,743	3,964	3,604	4,306	4232	4572	4739
Sunflower Seed ROI	237%	171%	52%	25%	21%	76%	18%	41%	65%	58%
Sugar Beets Area, ha	1,607	1,475	856	652	815	610	380	322	501	532
Sugar Beets ROI	30%	31%	6%	5%	11%	-11%	7%	37%	17%	37%

Source: State Statistics Committee of Ukraine, * - preliminary data



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 transportation and storage losses and occasional minor exports.

Production, Supply and Demand Data Statistics:

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

Sugar Beets Ukraine	2010/2011		2011/2012		2012/2013	
	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)		532		530		550
Area Harvested (1000 HA)		516		510		530
Production (1000 MT)		18,740		18,500		18,800
Total Supply (1000 MT)		18,740		18,500		18,800
Utilization for Sugar (1000 MT)		18,740		18,500		18,000
Utilizatin for Alcohol (1000 MT)		0		0		0
Total Distribution (1000 MT)		18,740		18,500		18,800

Commodities:

Sugar, Centrifugal

Production:

Sugar beet sugar production in Ukraine has increased in MY 2011/12 by about 50 percent year-to-year, and reached 2.3 Million Metric Tons (MMT). It is expected to remain at this level in the next season. This increase for the most part was stimulated by the following factors:

1. Domestic market demand for refined sugar. Domestic production in the last years did not produce enough to satisfy domestic needs and thus some sugar was imported to Ukraine.
2. Consolidation of sugar production by the large agricultural corporations that allows these companies to utilize larger production areas and benefit from the economies of scale of the own sugar production.
3. Ukraine was hoping to open up sugar export markets in Russia and other members of the Customs Union (CU).

Domestic refined sugar prices stayed relatively low in 2011/12 that made sugar production in Ukraine almost unprofitable. As of September 2011, market price of one kilogram (kg) of sugar in Ukraine was on average 8.5 UAH, which translates roughly into \$1.06/kg. However, industry experts project the price to drop to \$0.81-0.88/kg by the end of the current MY. The average breakeven price of sugar for producers in Ukraine in the current season is estimated by the industry experts to be \$810-900 per MT. However, the larger producers, who are

usually a part of the vertically integrated agri-holding companies, enjoy much lower input costs and are said to have positive profit margins. Individual company cost of production and sales data is not available.

The average selling price of refined sugar at the refineries in Ukraine was about \$630/MT in midseason. This price is projected to increase by about 10-15 percent by late spring 2012 due to a customary increase in demand on the local market with the approach of the summer canning season.

Consumption:

Sugar consumption in Ukraine in MY 2011/12 is anticipated to increase by about seven percent, mainly due to an abundant supply in the domestic market from the local production and in part due to the attractiveness of the price, compared to the last season.

Trade:

Imports

Raw sugar imports in Ukraine in the current season remained at minimal levels due to an increase in domestic production. Imports of cane sugar are expected to decrease significantly, compared to the previous year and not exceed 10,000 MT, while a year prior Ukraine imported 245,000 MT cane sugar for refining and sale in the domestic market.

Sugar industry lobbying groups in Ukraine have been advocating for cancelation of the current cane sugar quota import tariffs. In the current season costs of domestic production of sugar from sugar beets has increased due to the growth in energy costs. As a result some smaller sugar producers were pressed had to break even while large corporation still have some safety margin to spare.

There is more sugar produced in Ukraine than the local market can consume and so larger producers are holding stocks, not dumping on to the local markets, to keep the prices at still profitable levels. However, imports of cheaper cane sugar would further the oversupply of sugar and result in complete drop of the retail prices below economically feasible levels for the local producers. Thus, imports of sugar are expected to remain minimal in Ukraine in the current and the following year.

Exports

Because Ukrainian sugar production exceeds its domestic needs at present, Ukraine is looking for markets for its refined sugar. Russia was once a promising destination. However, sugar import tariffs that Russia set for Ukrainian sugar of \$340/MT make this business completely unattractive for Ukraine. So, Ukraine started exporting Georgia, Kazakhstan and some other members of the Commonwealth of Independent States (CIS). In addition, some shipments were recently made to Lebanon and Syria in the Middle East and to Slovakia.

Exportable potential for sugar in Ukraine is estimated at 400,000 – 500,000 MT a year. However, whether or not this potential is realized in the near future depends on the GOU's ability to negotiate agreements with potential

buyers among the CIS countries. Other possible markets for Ukrainian sugar, according to the industry experts, may exist in the Middle East and in the Far East.

Production, Supply and Demand Data Statistics:

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

Sugar, Centrifugal Ukraine	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Oct 2010		Market Year Begin: Oct 2011		Market Year Begin: Oct 2013	
	Revised		Estimated		Forecast	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	80	80	116	52		367
Beet Sugar Production (1000 MT)	1,685	1,540	2,300	2,300		2,360
Cane Sugar Production (1000 MT)	0	0	0	0		0
Total Sugar Production (1000 MT)	1,685	1,540	2,300	2,300		2,360
Raw Imports (1000 MT)	240	245	0	10		0
Refined Imp.(Raw Val) (1000 MT)	120	48	0	38		15
Total Imports (1000 MT)	360	293	0	48		15
Total Supply (1000 MT)	2,125	1,913	2,416	2,400		2,742
Raw Exports (1000 MT)	0	0	0	0		0
Refined Exp.(Raw Val) (1000 MT)	109	1	350	33		450
Total Exports (1000 MT)	109	1	350	33		450
Human Dom. Consumption (1000 MT)	1,900	1,860	1,900	2,000		2,000
Other Disappearance (1000 MT)	0	0	0	0		0
Total Use (1000 MT)	1,900	1,860	1,900	2,000		2,000
Ending Stocks (1000 MT)	116	52	166	367		292
Total Distribution (1000 MT)	2,125	1,913	2,416	2,400		2,742

Commodities:

Sugar Beets

Sugar, Centrifugal

Policy:

Sugar production has been traditionally regulated by the Government of Ukraine. The policy has not changed much in the current marketing season. However, Ukrainian sugar producers hope that the GOU will cancel the tariff rate quota (TRQ) of 260,000 MT on imports of cane sugar that has been hanging like a dark cloud over the domestic producer's profits in the current season. The terms of the TRQ and the process of its administration was discussed in detail in the previous year's Annual Sugar Report by FAS-Kyiv.

There is some possibility that Ukraine may start producing bio-ethanol from sugar beets in the future. This spring, the GOU redrafted legislation on bio-fuel use in the country that may result in significant local demand for bio-ethanol in the local fuel industry.

Ethanol in Ukraine can be produced from corn or from sugar beets/sugar. A number of older alcohol producing plans have not been operating full capacity and may offer an investment opportunity to interested parties should the local demand for ethanol increase significantly. Some remodeling of these facilities would have to be made to accommodate bio-ethanol production technology.

On the other hand, corn production has increased dramatically in Ukraine in the last two years and the GOU is looking for an opportunity to process some of the crop domestically. Bio-ethanol production may be an answer. Economies of this production are still to be examined and discussed by local potential producers but an attractive opportunity is believed to exist, according to the industry experts.

Thus, change in the GOU Policy that may impact sugar beet and sugar production in Ukraine in the not so distant future is possible.

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

Origin	Oct. 2010-Feb. 2011	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Sept. 2011-Feb. 2012	% Change Sept-Feb. 11/12 to Sept.-Feb. 10/11
World	16380.0	2,809.0	2.0	2.0	0.0	56.0	5676.0	-65.3
Belgium	0.0	0.0	0.0	0.0	0.0	0.0	0.0	100.0
Brazil	16347.0	2,809.0	0.0	0.0	0.0	0.0	5614.0	100.0
Colombia	25.0	0.0	2.0	0.0	0.0	53.0	55.0	100.0
Germany	0.0	0.0	0.0	0.0	0.0	0.0	0.0	100.0
Mauritius	3.0	0.0	0.0	2.0	0.0	3.0	7.0	100.0
Paraguay	5.0	0.0	0.0	0.0	0.0	0.0	0.0	100.0
Philippines	0.0	0.0	0.0	0.0	0.0	0.0	0.0	100.0

Source: State Customs Committee of Ukraine

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

Origin	MY 2008/09 (October 08- Sept. 09)		MY 2009/10 (October 09- Sept. 10)		MY 2010/11 (October 10- Sept. 11)		% Change MY 2010/11 to MY 2009/10
	Quantity	% Share	Quantity	% Share	Quantity	% Share	
World	13,695.0	100.00	254,895.0	100.00	244,749.0	100.00	- 3.98
Brazil	13,695.0	100.00	196,215.0	76.98	244,577.0	99.93	24.65
Colombia	0.0	0.00	0.0	0.00	145.0	0.06	0.00
Mauritius	0.0	0.00	13.0	0.01	22.0	0.01	66.98
Paraguay	0.0	0.00	0.0	0.00	5.0	0.00	0.00
Germany	0.0	0.00	0.0	0.00	1.0	0.00	0.00
Guatemala	0.0	0.00	8,269.0	3.24	0.0	0.00	- 100.00
Cuba	0.0	0.00	15,977.0	6.27	0.0	0.00	- 100.00
Argentina	0.0	0.00	34,420.0	13.50	0.0	0.00	- 100.00

Source: State Customs Committee of Ukraine

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

Origin	Oct. 2010-Feb. 2011	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Sept. 2011-Feb. 2012	% Change Sept-Feb. 11/12 to Sept.-Feb. 10/11
World	14382.0	4,597.0	1,513.0	980.0	35.0	34.0	8522.0	-40.7
Austria	0.0	0.0	0.0	0.0	0.0	0.0	0.0	100.0
Belarus	14208.0	4,576.0	1,467.0	938.0	0.0	0.0	8293.0	100.0
Belgium	0.0	0.0	0.0	0.0	8.0	0.0	8.0	100.0
China	0.0	0.0	0.0	0.0	0.0	0.0	0.0	100.0
Denmark	100.0	0.0	0.0	0.0	20.0	20.0	40.0	100.0
France	2.0	0.0	0.0	0.0	0.0	0.0	0.0	100.0
Germany	19.0	0.0	2.0	7.0	0.0	7.0	23.0	100.0
India	6.0	0.0	0.0	0.0	0.0	0.0	0.0	-100.0
Italy	0.0	0.0	0.0	0.0	1.0	0.0	1.0	100.0
Mauritania	1.0	0.0	0.0	0.0	0.0	0.0	0.0	-100.0
Mauritius	0.0	0.0	22.0	0.0	0.0	0.0	22.0	100.0
Netherlands	3.0	0.0	0.0	0.0	5.0	4.0	9.0	200.0
Russia	0.0	0.0	0.0	1.0	0.0	1.0	2.0	100.0
Sweden	0.0	0.0	0.0	1.0	0.0	0.0	1.0	100.0
Switzerland	0.0	0.0	0.0	12.0	1.0	0.0	13.0	100.0
Turkey	0.0	0.0	0.0	0.0	0.0	0.0	0.0	100.0
United Kingdom	40.0	20.0	20.0	20.0	0.0	0.0	100.0	150.0
United States	2.0	1.0	1.0	1.0	1.0	2.0	10.0	400.0

Source: State Customs Committee of Ukraine

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

Origin	MY 2008/09 (October 08- Sept. 09)		MY 2009/10 (October 09- Sept. 10)		MY 2010/11 (October 10- Sept. 11)		% Change MY 2010/11 to MY 2009/10
	Quantity	% Share	Quantity	% Share	Quantity	% Share	
World	58,751.0	100.00	91,057.0	100.00	43,866.0	100.00	- 51.83
Belarus	57,944.0	98.63	90,440.0	99.32	43,493.0	99.15	- 51.91
United Kingdom	407.0	0.69	223.0	0.25	140.0	0.32	- 37.30
Denmark	278.0	0.47	180.0	0.20	120.0	0.27	- 33.33
Germany	13.0	0.02	38.0	0.04	62.0	0.14	63.69
United States	0.0	0.00	0.0	0.00	12.0	0.03	∞
India	0.0	0.00	0.0	0.00	12.0	0.03	∞
Netherlands	0.0	0.00	0.0	0.00	11.0	0.03	0.00
Belgium	2.0	0.00	10.0	0.01	6.0	0.01	- 40.71
France	0.0	0.00	2.0	0.00	4.0	0.01	56.10
Russia	0.0	0.00	0.0	0.00	3.0	0.01	0.00
Sweden	20.0	0.03	0.0	0.00	0.0	0.00	0.00
Switzerland	0.0	0.00	0.0	0.00	0.0	0.00	0.00
Paraguay	9.0	0.02	0.0	0.00	0.0	0.00	0.00
Poland	0.0	0.00	14.0	0.01	0.0	0.00	- 100.00
Colombia	75.0	0.13	149.0	0.16	0.0	0.00	- 100.00
Italy	2.0	0.00	1.0	0.00	0.0	0.00	- 100.00

Source: State Customs Committee of Ukraine

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

Destination	Oct. 2010-Feb. 2011	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Sept. 2011-Feb. 2012	% Change Sept-Feb. 11/12 to Sept.-Feb. 10/11
World	163.0	1,705.0	2,147.0	1,422.0	2,002.0	3,961.0	11890.0	7,194.5
Georgia	1.0	1,701.0	1,056.0	1,185.0	1.0	0.0	4593.0	459,200.0
Kazakhstan	0.0	0.0	0.0	0.0	0.0	1,455.0	1455.0	100.0
Kyrgyzstan	135.0	0.0	0.0	0.0	0.0	331.0	331.0	145.2
Lebanon	0.0	0.0	0.0	0.0	1,000.0	2,127.0	3127.0	100.0
Slovakia	0.0	0.0	1,000.0	44.0	0.0	0.0	1044.0	100.0
Syria	0.0	0.0	0.0	0.0	1,000.0	0.0	1000.0	100.0
Uzbekistan	0.0	0.0	64.0	136.0	0.0	0.0	200.0	100.0
Other	22.0	3.0	28.0	58.0	0.0	46.0	137.0	522.7

Source: State Customs Committee of Ukraine

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

Destination	MY 2008/09 (October 08- Sept. 09)		MY 2009/10 (October 09- Sept. 10)		MY 2010/11 (October 10- Sept. 11)		% Change MY 2010/11 to MY 2009/10
	Quantity	% Share	Quantity	% Share	Quantity	% Share	
World	1,218.0	100.00	33,910.0	100.00	1,164.0	100.00	- 96.57
Moldova	151.0	12.36	3,438.0	10.14	1,015.0	87.23	- 70.48
Kyrgyzstan	116.0	9.51	17,791.0	52.47	131.0	11.26	- 99.26
Cambodia	2.0	0.17	0.0	0.00	4.0	0.35	0.00
St. Kitts & Nevis	0.0	0.00	0.0	0.00	2.0	0.14	0.00
Russia	25.0	2.06	2,959.0	8.72	1.0	0.13	- 99.95
United States	6.0	0.47	4.0	0.01	1.0	0.10	- 73.19
Panama	0.0	0.02	0.0	0.00	1.0	0.09	3446.00
Canada	0.0	0.00	2.0	0.01	1.0	0.08	- 56.38
Virgin Islands (British)	0.0	0.01	0.0	0.00	1.0	0.08	1711.58
Unidentified Country	1.0	0.05	1.0	0.00	1.0	0.08	- 1.79
Germany	0.0	0.00	0.0	0.00	1.0	0.07	∞
Turkey	1.0	0.04	0.0	0.00	1.0	0.05	3077.00
Singapore	1.0	0.05	0.0	0.00	1.0	0.04	42.86
Azerbaijan	121.0	9.94	0.0	0.00	0.0	0.00	0.00
Belarus	0.0	0.00	22.0	0.06	0.0	0.00	- 100.00
Georgia	0.0	0.01	997.0	2.94	0.0	0.00	- 100.00
Cook Islands	0.0	0.00	0.0	0.00	0.0	0.00	0.00
Croatia	0.0	0.00	207.0	0.61	0.0	0.00	- 100.00
Kazakhstan	336.0	27.58	1,368.0	4.03	0.0	0.00	- 100.00
New Zealand	0.0	0.00	0.0	0.00	0.0	0.00	0.00
Lithuania	0.0	0.00	830.0	2.45	0.0	0.00	- 100.00
Tajikistan	0.0	0.00	2,387.0	7.04	0.0	0.00	- 100.00
Turkmenistan	0.0	0.00	324.0	0.95	0.0	0.00	- 100.00
Slovakia	0.0	0.00	22.0	0.06	0.0	0.00	- 100.00
Uzbekistan	458.0	37.59	3,558.0	10.49	0.0	0.00	- 100.00
Other	1.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: State Customs Committee of Ukraine