Voluntary - Public

Date: 9/14/2009

GAIN Report Number:

Ukraine

Post: Kiev

Livestock and Products Voluntary Annual Report

Report Categories:

Livestock and Products

Approved By:
Ann E. Murphy, Agricultural Attaché
Prepared By:
Alexander Tarassevych, Agricultural Specialist

Report Highlights:
Production of meat products in Ukraine remains in crisis. Some rebound in pork production in 2009 is expected in reaction to a 2008 bumper crop of grains. Beef production will continue to decline. Accession to the WTO and the consequent trade liberalization had a positive impact on pork exports to Ukraine. WTO accession and following trade liberalization had positive impact on exports of pork products to the country. Many U.S. producers discovered a new market and U.S. exports are expected to grow in 2009 and 2010.

General Information:

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

Section I. Narrative

Executive Summary

After WTO accession over a year ago, Ukraine became in 2008/09 a rather big regional importer of pork. An insignificant increase in domestic production will not be able to satisfy growing demand in 2009. Real income declines caused by the world economic crisis was mitigated through GOU social cushion policies and had limited impact on growing imports in 2009. In 2010 the crisis influence is expected to be more profound due to scarce budget resources and a weakening tax base. Pork production in 2009 is expected to grow due to availability of cheap feeds and local currency devaluation.

Production of beef is expected to decline in 2008/09 and in 2010 despite an evident milk shortage on the domestic market. The price of beef will continue to be depressed by increased slaughter. Exports will be limited to the Russian market while imports will be generally offsetting exported quantities.

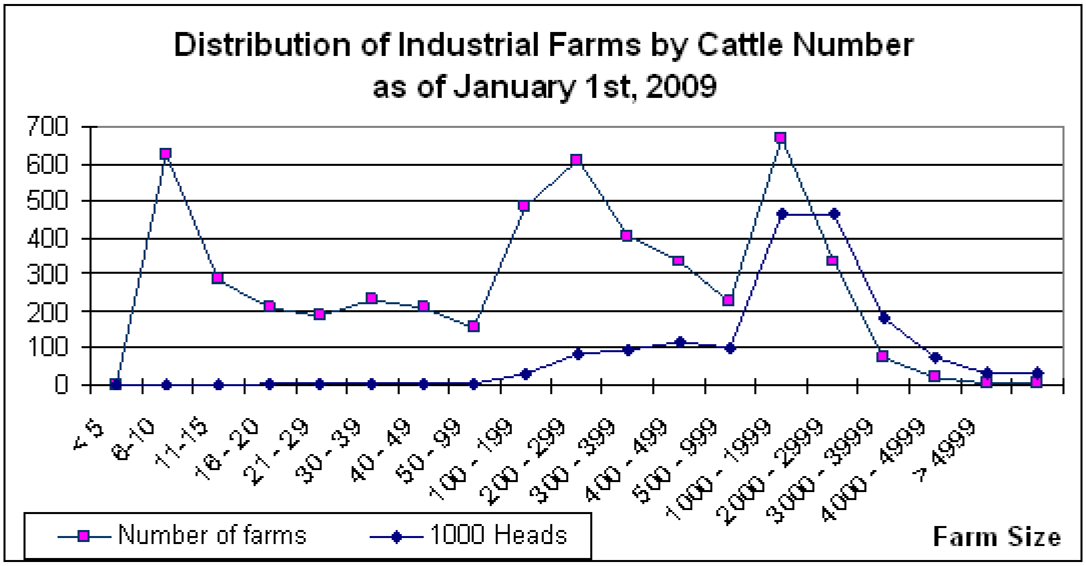
Production

Production of both swine and cattle was influenced by the 2008 bumper crop. The total grain crop reached a record high 53.3 million tons. The second best crop was registered in 1991 (51 million tons) during Soviet times. The bumper crop was a result of significant investments in crop production as well as extremely favorable weather conditions. This crop came after a significant surge in food prices all over the world and following export restrictions imposed by the GOU. All these led to significant carry-over grain stocks and cheep feeds.

Due to crisis developments the government was not able to insure an uninterrupted flow of subsidies into animal enterprises. Historically, industrial livestock, swine and poultry producers were the biggest receivers of state assistance. Moreover, the foregone budget revenue support system (Value Added Tax exempts) was dismantled in late 2008 due to inconsistency with WTO rules. Industrial farms were still able to get their subsidies through the routine VAT compensation procedure, but private households were left out in the cold. The new WTO compatible system covering producers in both industrial and household sectors came in place in the early spring of 2009. This remains the only reliable support tool as government payments are infrequent, come toward the end of the year, and may be cut short due to falling budget revenues.

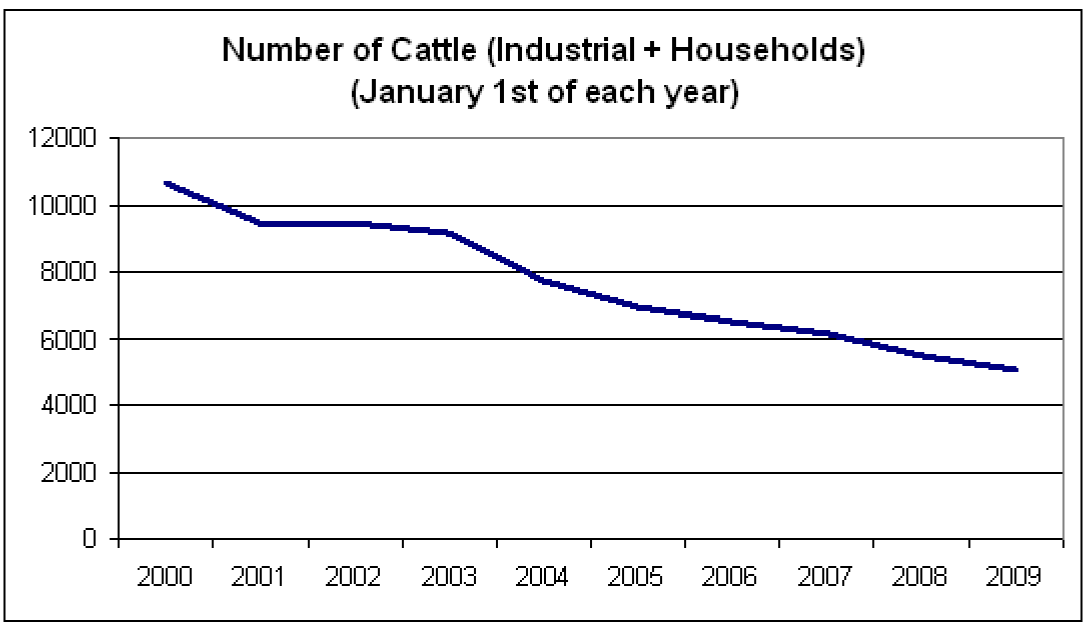
Beef

The industry continues on a long and slow downward trend since 1991. The vast majority of Ukraine's cattle population is dairy or dual-purpose animals with almost 80% of cattle concentrated in the hands of households (usually 1 or 2 animals per household). Production practices in households are primitive with intensive use of hand labor and low-quality cheap milk as a final product. Subsistence farming is not viewed as milk or beef business, but rather a source of milk for the family. Beef is considered a final product only for young male animals. Specialization of industrial farms is low.



Source: State Statistics Committee of Ukraine

Almost all the beef produced in the country is either veal or culled dairy animals slaughtered after their last lactation, or because of low productivity and diseases. In 2008 the number of cattle was in decline in accordance with expectations. The number of animals fattened for slaughter was somewhat above expected levels due to cheap feeds. In 2009/10 the trend is expected to continue, although the rate of decrease will be smaller.

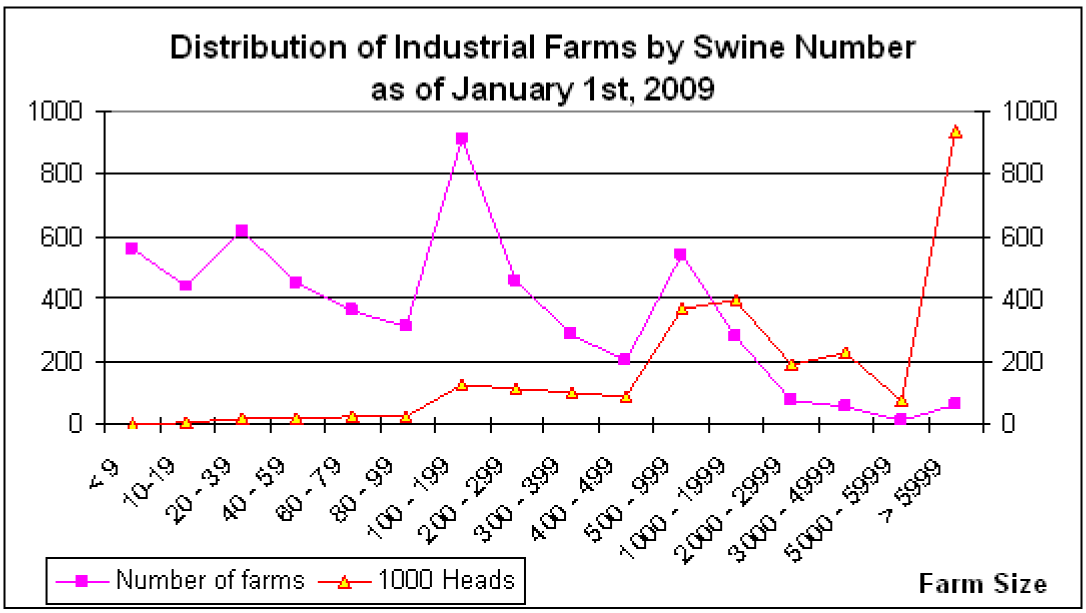


Source: State Statistics Committee of Ukraine

In 2009 the Ukrainian dairy industry crossed a symbolic threshold – the production of dairy products in the country became insufficient to satisfy domestic demand. The amount of beef produced is still sizable: animal slaughter results in increased beef production and low prices. This prevented imports in the past or even granted some net exports in the 90's through 2000. Even in 2009 exports are expected to be just a bit short of imports. At the same time this situation will not last forever. At some point Ukraine will become a beef importer. Given relatively low incomes and the relatively high price of beef in comparison with pork and poultry, imports probably are not going to be significant. Cattle and cow inventories for 2008 are changed in the PSD table to reflect official changes in Ukrainian State Statistical Committee preliminary calculations and official year-end statistics.

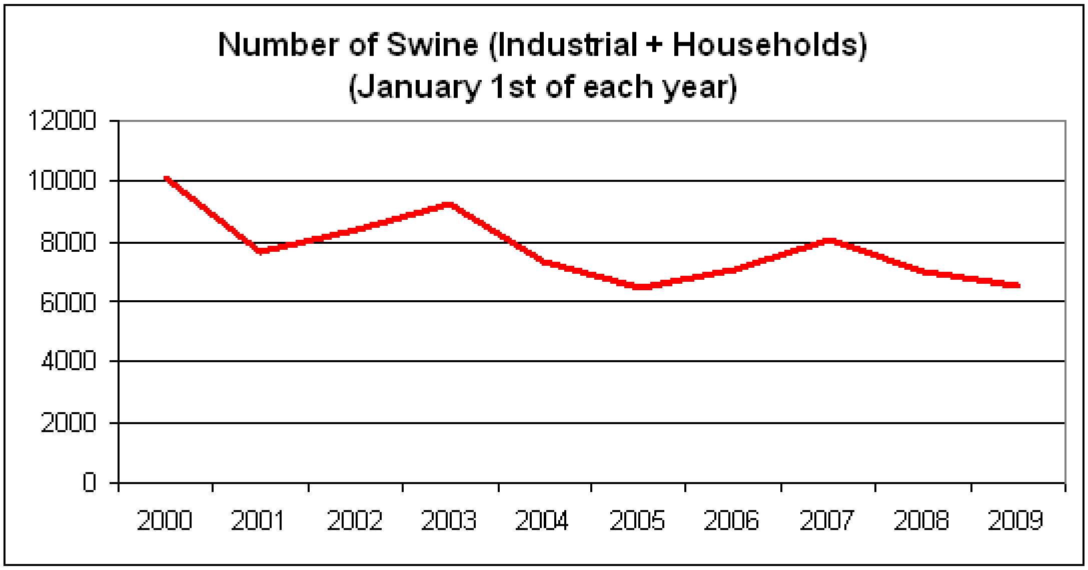
Swine

The production of swine in Ukraine is slightly more efficient than production of beef. Only around 60% of swine inventories are concentrated in household sector with remaining 40% in big industrial farms. But even in the industrial sector the swine inventory is concentrated in mid-size farms.



Source: State Statistics Committee of Ukraine

Due to faster growth rate and quicker capital turnover the industry swiftly responded to the growing world price for pork and to cheep feed available in the country. Pork production in 2009 is expected to stabilize while the number of animals will grow insignificantly.

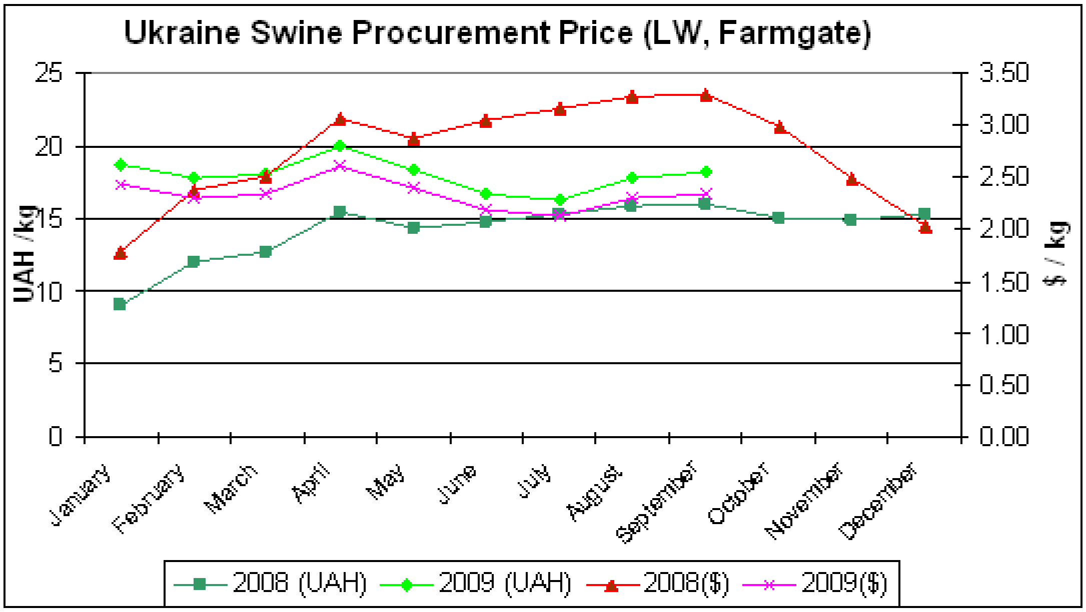


Source: State Statistics Committee of Ukraine

What growth there is will come from industrial farms. Subsistent farming is expected to be slow to respond to market changes due to low efficiency of enterprises and general orientation to family needs rather than to market demand.

The 2010 forecast is not very optimistic. The 2009 crop is expected to be slightly above average, and the world economic crisis' delayed impact is expected to influence demand.

The price of pork in Ukraine remained relatively stable in 2008-09 in local currency (UAH) equivalents, but during the abrupt currency devaluation at the end of 2008 the domestic industry received significantly less money in US dollars. Imports of inputs in the swine industry is not significant, so Ukrainian producers became more competitive in their battle with imported product.



Source: Ukrainian Agrarian Business Club Association, FAS own estimates

State Regulations

On the internal policy side Ukraine attempted to strengthen internal sanitary requirements for meat products produced in households. The new regulation will be difficult to follow by the household sector. The new requirements contained in Paragraphs 33 and 35 of the Law On Safety and Quality of Food Products and Raw Materials would become effective on January 1st 2010. Slaughter of market animals in unregistered slaughterhouses would be banned. The beef and pork derived from household slaughter would also be banned for sale on open-air markets. Requirements would reshape the domestic meat market significantly since the majority of the meat from household slaughter is sold through open-air markets with veterinary postmortem inspection only. Since it is unclear weather these regulations would come into power as scheduled, there is a good chance that they will be postponed until 2015. Strong opposition against the new rules came from small business, regional state administrations and rural municipalities.

On the import side there were no significant import regulation changes in the reporting period, but there are some new requirements that may be enforced after January 14th of 2010. These new requirements may limit trade in meat and meat products significantly. On May 20th 2009 the State Committee for Veterinary Medicine adopted Order No. 149 containing the following requirement "Import of raw animal products, feed additives, premixes, feeds for livestock and other products of animal origin into Ukraine’s territory is permitted only after the preliminary inspection of the epizootic situation; requirements are set for production facilities, processing, storage conditions and other requirements in the countries the product originates from. The inspections are to be carried out in accordance with existing legislation by specialists of the Veterinary Service. An official conclusion issued by the Veterinary Medicine Service of Ukraine must be issued." It is not clear whether Veterinary Service will be requiring individual enterprise inspections and what criteria will be used to conduct those inspections. Moreover the WTO notification of this new requirement has not been sufficiently clear.

Trade

Imports of pork and beef in 2008 /09 were influenced by two major factors: Ukraine's WTO accession in May of 2008 and the world economic crisis (significant impact felt since October of 2008). The impact of WTO accession influenced meat imports via decreased import duties and liberalized veterinary/sanitary barriers. These two factors had a positive influence on imports. The world economic crisis led to significant currency devaluation and an economic downturn with a consequent real income drop for Ukrainians. It had a negative impacted on trade. The balance of these two factors shaped trade in 2008/09 and will continue to influence trade flows in 2010.

Trade in beef products will remain insignificant due to the considerable excessive number of beef animals. Extra meat coming from slaughtered animals depresses the market. The momentum of the industry is significant and trade in beef is not expected to grow until the number of animals in the country stabilizes.

It must be noted that changes in the trade environment happened after long years of severe trade restrictions and a long-term gradual increase in per capita income. Many people were ready to consume more meat products as the Ukrainian economy recovered after long economic downturn of the 90s. Inefficient domestic production was not able to provide the population with product to meet demand, at the same time that the import market was closed through protectionist measures of the GOU. All these formed a significant unsatisfied demand that led to an import surge after WTO accession. The magnitude of the demand was unclear due to unprecedented changes in the trade regime. The new PSD table adjusts import numbers in accordance with official statistics.

The impact of the currency devaluation and an expected 18% GDP drop in 2009 is yet to influence import patterns. Its negative impact on trade in 2008/09 was overestimated. The new forecast numbers are adjusted to follow 2008 trends. Despite significant economic hardships in the end of 2008-2009 the GOU chose to maintain the same social protection level and kept salaries in the public sector unchanged. These actions were politically inspired, but had direct implications for meat imports: trade remained at a rather high level throughout the end of 2008 – early 2009. At the same time long-term effects from currency devaluation and the economy drop are expected to be more profound in 2010, thus trade forecast is not as bright as for 2008.

Section II Statistical Tables

Ukraine Beef and Veal PSD Table, 1000 MT CWE (1,000 Head)*

Animal Numbers, Cattle Ukraine	2008			2009			2010
	Market Year Begin: Jan 2008			Market Year Begin: Jan 2009			MYB: Jan 2010
	USDA Official Data		New Post Data	USDA Official Data		Post Forecast	Post Forecast
Total Cattle Beg. Stks	5,491	5,491	5,491	5,156	4,970	5,079	4,950
Dairy Cows Beg. Stocks	3,096	3,096	3,096	2,919	2,900	2,856	2,780
Beef Cows Beg. Stocks	56	56	56	55	55	54	50
Production (Calf Crop)	2,945	2,900	2,902	2,710	2,710	2,670	2,600
Intra-EU Imports	0	0		0	0	0	
Other Imports	3	1	3	3	1	3	3
Total Imports	3	1	3	3	1	3	3
Total Supply	8,439	8,392	8,396	7,869	7,681	7,752	7,553
Intra EU Exports	0	0	0	0	0	0	
Other Exports	2	0	2	1	1	2	2
Total Exports	2	0	2	1	1	2	2
Cow Slaughter	0	0	0	0	0	0	
Calf Slaughter	0	0	0	0	0	0	
Other Slaughter	3,227	3,327	3,256	3,025	3,025	2,715	2,621
Total Slaughter	3,227	3,327	3,256	3,025	3,025	2,715	2,621
Loss	54	95	59	85	85	85	80
Ending Inventories	5,156	4,970	5,079	4,758	4,570	4,950	4,850
Total Distribution	8,439	8,392	8,396	7,869	7,681	7,752	7,553
CY Imp. from U.S.	0	0	0	0	0		
CY. Exp. to U.S.	0	0	0	0	0		
Balance	0	0	0	0	0	0	0
Inventory Balance	-335	-521	-412	-398	-400	-129	-100
Inventory Change	-11	0	-11	-6	0	-8	-3
Cow Change	-7	0	-7	-6	0	0	0
Production Change	-6	0	-6	-8	0	-8	-3
Production to Cows	93	92	92	91	92	92	92
Trade Balance	-1	-1	-1	-2	0	-1	-1
Slaughter to Inventory	59	61	59	59	61	53	53
TS=TD			0			0	0

**These are not USDA official numbers*

Ukraine Beef and Veal PSD Table, 1000 MT CWE (1,000 Head)*

Meat, Beef and Veal Ukraine	2008	2009	2010
	Market Year Begin: Jan 2008	Market Year Begin: Jan 2009	MYB: Jan

							2010
	USDA Official Data		**New Post**	**USDA Official Data**		**Post**	**Post**
			Data			**Forecast**	**Forecast**
Slaughter (Reference)	3,227	3,256	3,256	3,025	2,715	2,715	2,621
Beginning Stocks	15	15	15	15	15	15	15
Production	475	480	480	442	400	400	385
Intra-EU Imports	0	0	0	0	0	0	0
Other Imports	27	20	27	14	18	25	24
Total Imports	27	20	27	14	18	25	24
Total Supply	517	515	522	471	433	440	424
Intra EU Exports	0	0	0	0	0	0	0
Other Exports	24	17	24	7	12	17	17
Total Exports	24	17	24	7	12	17	17
Human Dom. Consumption	478	483	483	449	406	408	392
Other Use, Losses	0	0	0	0	0	0	0
Total Dom. Consumption	478	483	483	449	406	408	392
Ending Stocks	15	15	15	15	15	15	15
Total Distribution	517	515	522	471	433	440	424
CY Imp. From U.S.	0	1	1	0	2	2	2
CY. Exp. To U.S.	0	0	0	0	0	0	0
Balance	0	0	0	0	0	0	0
Inventory Balance	0	0	0	0	0	0	0
Weights	147	147	147	146	147	147	147
Production Change	-12	-12	-12	-8	-17	-17	-13
Import Change	108	108	108	-48	-10	-7	71
Export Change	-52	-52	-52	-71	-29	-29	143
Trade Balance	-3	-3	-3	-7	-6	-8	-7
Consumption Change	-5	-5	-5	-7	-16	-16	-13
Population	0	0	0	0	0	0	0
Per Capita Consumption	0	0	0	0	0	0	0
TS=TD			0			0	0

**This are not USDA official numbers*

Ukraine Beef and Veal Import Trade Matrix*

Time Period		Units:	1000 MT
Exports for:	**2007**		**2008**
U.S.	0	U.S.	0
Others		Others	
Brazil	5.2	Brazil	14.4
Argentina	3.0	Argentina	2.3
Hungary	0.6	Australia	1.2
Total for Others	8.8		17.9
Others not Listed	0.4		1.7
Grand Total	9.2		19.6

Data Source: State Statistics Committee of Ukraine

** Ukraine's Imports in Product Weight Equivalent*

Ukraine Beef and Veal Export Trade Matrix*

Time Period		Units:	1000 MT
Exports for:	**2007**		**2008**
U.S.	0	U.S.	0
Others		Others	
Russia	33.6	Russia	16.7
Georgia	0.3	Georgia	0.2
Total for Others	33.9		16.9
Others not Listed	1.5		0.1
Grand Total	35.4		17.0

Data Source: State Statistics Committee of Ukraine

** Ukraine's Imports in Product Weight Equivalent*

Ukraine Swine PSD Table (1,000 Head)*

Animal Numbers, Swine Ukraine	**2008**			**2009**			**2010**
	Market Year Begin: Jan 2008			**Market Year Begin: Jan 2009**			**MYB: Jan 2010**
	USDA Official Data		**New Post**	**USDA Official Data**		**Post**	**Post**
			Data			**Fore cast**	**Forecast**
Total Beginning Stocks	7,020	7,020	7,020	6,440	6,000	6,526	7,150
Sow Beginning Stocks	535	535	433	513	444	440	500
Production (Pig Crop)	6,528	6,528	6,619	6,250	5,465	6,600	7,000
Intra-EU Imports	0	0	0	0	0	0	0
Other Imports	86	55	86	75	65	75	80
Total Imports	86	55	86	75	65	75	80
Total Supply	13,634	13,603	13,725	12,765	11,530	13,201	14,230
Intra EU Exports	0	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0	0
Total Exports	0	0	0	0	0	0	0
Sow Slaughter	0	0	0	0	0	0	0
Other Slaughter	6,524	6,933	6,524	6,250	5,030	5,416	6,550
Total Slaughter	6,524	6,933	6,524	6,250	5,030	5,416	6,550
Loss	670	670	675	550	550	635	680
Ending Inventories	6,440	6,000	6,526	5,965	5,950	7,150	7,000
Total Distribution	13,634	13,603	13,725	12,765	11,530	13,201	14,230
CY Imp. from U.S.	0	0	0	0	0	0	0
CY. Exp. to U.S.	0	0	0	0	0	0	0

Balance	0	0	0	0	0	0	0
Inventory Balance	-580	-1,020	-494	-475	-50	624	-150
Inventory Change	-13	0	-13	-8	0	-7	10
Sow Change	-13	0	-13	-4	0	2	14
Production Change	-7	0	-7	-4	0	0	6
Production to Sows	12.	12.	15.3	12.	12.	15.	14.
Trade Balance	-86	-55	-86	-75	-65	-75	-80
Slaughter to Inventory	93	99	93	97	84	83	92
TS=TD			0			0	0

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

Meat, Swine Ukraine	2008			2009			2010
	Market Year Begin: Jan 2008			Market Year Begin: Jan 2009			MYB: Jan 2010
	USDA Official Data		New Post Data	USDA Official Data		Post Forecast	Post Forecast
Slaughter (Reference)	6,524	6,524	6,524	6,250	5,416	5,416	6,550
Beginning Stocks	22	22	22	50	22	22	22
Production	550	590	590	525	490	490	570
Intra-EU Imports	0	0	0	0	0	0	0
Other Imports	238	183	238	50	140	180	160
Total Imports	238	183	238	50	140	180	160
Total Supply	810	795	850	625	652	692	752
Intra EU Exports	0	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0	0
Total Exports	0	0	0	0	0	0	0
Human Dom. Consumption	760	773	828	613	630	670	730
Other Use, Losses	0	0	0	0	0	0	0
Total Dom. Consumption	760	773	828	613	630	670	730
Ending Stocks	50	22	22	12	22	22	22
Total Distribution	810	795	850	625	652	692	752
CY Imp. from U.S.	0	4	5	0	10	13	16
CY. Exp. to U.S.	0	0		0	0		
Balance	0	0	0	0	0	0	0
Inventory Balance	28	0	0	-38	0	0	0
Weights	84	90	90	84	90	90	87
Production Change	-8	-8	-8	-5	-17	-17	16
Import Change	190	190	190	-79	-23	-24	-11
Export Change	-100	-100	-100	0	0	0	0
Trade Balance	-238	-183	-238	-50	-140	-180	-160

**These are not USDA official numbers*

Consumption Change	12	12	12	-19	-18	-19	9
TS=TD			0			0	0

**These are not USDA official numbers*

Ukraine Pork Import Trade Matrix*

Time Period		Units:	1000 MT
Exports for:	**2007**		**2008**
U.S.	0	U.S.	4
Others		Others	
Brazil	61.4	Poland	79.3
Russia	0.4	Brazil	45.0
France	0.4	Germany	27.0
Germany	0.3	Belgium	10.4
Netherlands	0.3	Netherlands	6.9
Belarus	0.1	Spain	3.9
Spain	0.1	Canada	2.6
Seychelles	0.1	Hungary	2.0
Total for Others	62.9		176.9
Others not Listed	0.1		2.4
Grand Total	63.0		183.3

Data Source: State Statistics Committee of Ukraine

** Ukraine's Imports in Product Weight Equivalent*

Ukraine Pork Export Trade Matrix*

Time Period		Units:	1000 MT
Exports for:	**2007**		**2008**
U.S.	0	U.S.	0
Others		Others	
Moldova	1.2	Moldova	0.1
Total for Others	0		0
Others not Listed	0		0.1
Grand Total	1.2		0.2

Data Source: State Statistics Committee of Ukraine

** Ukraine's Imports in Product Weight Equivalent*