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## Ukraine

### Retail Food Sector

### Retail Chains on the Rise

### 2006

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**Report Highlights:**

Ukraine is one of the largest retail markets in Europe with 47 million people, and it continues to develop quickly. Overall economic growth and an increase in disposable incomes fueled growth in this sector. Food product sales reached \$7.7 billion in 2005. U.S. products are not strongly represented on supermarket shelves, but the situation could change upon Ukraine's WTO accession. American products can be successful in some niche markets in Ukraine: high-value, premium-class products (high-quality meat products, expensive seafood, alcoholic beverages), low-priced specialty food products (special infant dairy food, diabetic foods), inexpensive food for young people associated with a "Western" lifestyle (muesli, popcorn, instant beverages), semi-prepared products and components for preparing ethnic dishes, and microwaveable products.

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**SECTION I. MARKET SUMMARY**

Ukrainian retail trade in food products has developed rapidly over the past few years. This growth has been driven by a strong economy (except for 2005) and by an increase in consumers' incomes. In 2005, Ukraine experienced an economic slow-down. GDP growth for that year was only 2.6%, reaching \$83.9 billion dollars. Per capita income was \$1,790. Between 2000 and 2004, the Ukrainian economy grew at a much faster rate of 8.4%. These high growth rates are a result of significant reforms that were implemented during the mid 1990's. For 2006, GDP growth rate is expected to exceed 6%. The number of middle and high-income consumers is also on the rise (population's income grew to 370 billion UAH (\$73 billion) in 2005, compared with UAH 270 billion (\$51 billion) in 2004. Ukraine is becoming more integrated in the global economy and the average Ukrainian lifestyle is also changing drastically. More Ukrainians are traveling abroad and influenced through the mass media and advertising.

According to official statistics, the value of retail trade in foodstuffs in 2005 reached \$7.6 billion, a 37% growth over the previous year. Some industry experts estimate the growth to be 40-50%, taking into account street retail trade and sales of meat, fruits and vegetables in open-air markets (bazaars), which are not included in official statistics. All studies show a rapid growth rate for this modern retail sector with strong development of local food retail chains and entry of foreign retail giants. Approximately 7% of total investments in 2005 were directed to the retail sector. According to official statistics, the annual retail turnover of food products reached only \$163 per capita in 2005 because a substantial part of the population remains at the subsistence level.

**Table 1. Selected Trade Indicators (million USD\*)**

Index	2001	2002	2003	2004	2005
Retail Trade Volume	6,409	7,447	9,380	12,698	18,424
Food products retail trade volume	3,230	3,574	4,277	5,575	7,664
Consumer price index for food products, %	107.9	97.7	110.9	115.3	110.7

Source: State Statistics Committee of Ukraine

\* The numbers in the table do not include private trade and open-air market trade.

\*\*Official yearly average NBU hryvnya-to-dollar rate was used to convert Ukrainian hryvnyas (UAH) to U.S. dollars.

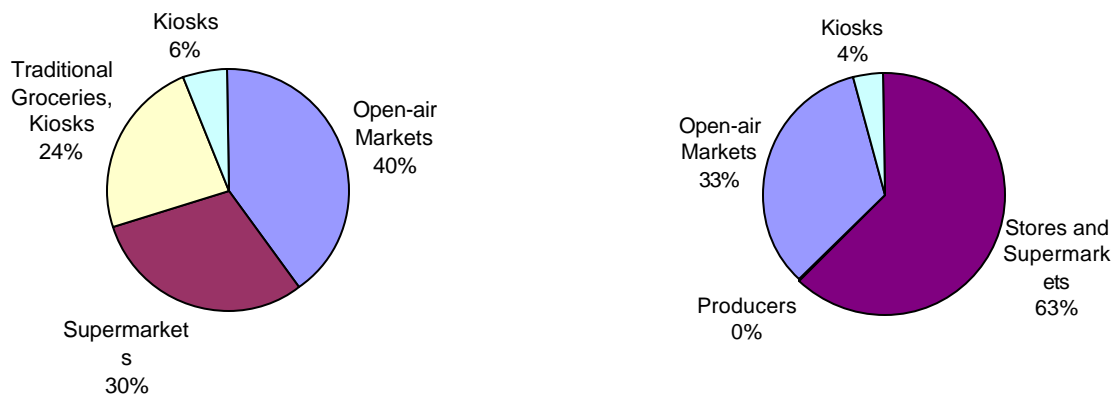
According to the largest retailers, the structure of food product sales by product origin is the following: Ukrainian products – 80%, imported products – 20%. The share of imported goods is relatively low and limited by innovative and high value added products. The share of imported products would be higher if products sold via open-air markets and smaller retail outlets were captured. These outlets are where a substantial amount of unofficial imported product is sold. Larger cities and densely populated urban areas account for the largest share of retail trade turnover (Kyiv city captures 15% of the market, Dnipropetrovsk region – 9%, Donetsk region – 8%, Kharkiv region – 8%, and Lviv region – 6%).

**Table 2. Pattern of Food Product Sales, (million USD)**

Index	1999		2000		2001		2002		2003	
	USD mn	%	USD mn	%	USD mn	%	USD mn	%	USD mn	%
Domestically produced goods	2,693	92.3	2,558	93.2	3,018	93.5	3,351	93.6	3,956	92.5
Imported items	225	7.7	187	6.8	210	6.5	229	6.4	321	7.5

Source: State Statistics Committee of Ukraine

Ukraine's food product retail sector continues to develop and has a strong growth potential. Despite the growing number of supermarkets, open-air markets remain the most popular retail outlet. In Kyiv, which captures approximately 1/5 of the food-product market and where 1/6 of the country's hypermarkets and supermarkets are located, open-air market sales account for between 30-35% of prepared food-products and 90-95% of fresh meat. Open-air outlets account for approximately 50% of national retail sales for the entire country for the same period.

**Ukraine's Retail Trade Structure 2003 vs. 2005**

Source: Industry Experts' Estimate for 2003, State Statistics Committee for 2005

Supermarket chains in Ukraine are developing rapidly, increasing their share of retail sales and driving out previously popular forms of retail trade. Despite the current small share, hyper- and supermarkets are expected to account for 40% of retail food sales in the near term; convenience stores/discounters will capture 10-15% share, open-air markets 30%, traditional stores (groceries, over-the-counter trade stores) 10-15%, and other outlets 10%.

"La Furshet" supermarket chain is a good example to demonstrate the rapid growth of the industry. La Furshet consisted of 15 outlets in 2002, and have plans for a total of 70 by the end of 2006. Nearly 550 mini-, super-, and hypermarkets were operational in Ukraine in 2001. That number increased to approximately 616 stores in 2002, and exceeded 690 stores in 2003. The payback period for the average retail outlet is 3 to 5 years in Ukraine (for 2004) compared to 10-15 years in EU countries. In 2006, some large chains began CAP software installation to optimize logistics and promotion programs.

Many Ukrainian supermarkets launched discount programs to encourage frequent buyers, low-income consumers or retirees. Some (La Furshet <http://furshet.ua/> and Megamarket <http://www.megamarket.ua>) offer on-line services with office or home deliveries. Others

practice telephone shopping. Full-scale western-style loyalty programs are yet to be introduced in the market.

The largest chains have their own kitchens, mini-bakeries and processing shops. These departments allow chain stores to offer customers a variety of ready-made food products and semi-finished products. This includes various ready-made salads, bakery products, packaged meat cuts, fish and frozen semi-finished products. Supermarkets are also used as anchor stores in shopping centers and malls. In Ukraine shopping centers usually include boutiques, movie theaters, cafes, and restaurants (often connected to the food court). Due to the slow development of shopping centers, many retailers have rented out space to other non-food vendors.

Ukraine is one of the most populated countries in Europe. A steady increase in personal incomes over the past few years has had a positive impact on the development of the retail sector (an increase of 33.4% in the first half of 2006). Individual income growth rates and the growth in the retail sector coincide. During the past 3 years, large European retailers (Metro, Billa, and Spar) entered the Ukrainian market to benefit from the strong growth. Usually, retailers enter markets in large urban areas, followed by expansion into smaller cities and towns. Although local supermarket chains still outpace foreign companies in terms of the number of outlets, foreign outlets have much better logistics, tested market-entry strategies, excellent personnel-training techniques, well-established connections to suppliers and solid financial support. Well-established and quickly growing local retail networks are attractive to foreign investors. The A.T. Kearney's Global Retail Development Index (GRDI) for 2005 gives Ukraine 87 points (out of 100) and ranks it in 4th place on the list of countries where international retailers are recommended to do business.

**Advantages and Problems for US Exporters**

<b>Advantages</b>	<b>Problems</b>
Population of 46.8 million people, growing number of consumers who can afford purchasing high-quality food products	Despite general income growth, majority of consumers continue to save money on food or rely on home produced foodstuffs
Demand for higher quality food products is growing	Many customers have a prejudice against imported food products due to the boom in imports of low-quality food products in early 1990's.
Ukraine's retail sector is on the rise, which creates a number of opportunities to the perspective U.S. exporters.	Frequently changing trade legislation and policies often impact trade. Import tariffs remain very high.
Urban life style changes increase demand for semi-finished and ready-to-cook products	Rapid development of local manufacturers of ready-to-cook products creates tough competition for similar imported goods
American-made food and drinks are still new for the majority of the population, but rather popular among the younger generation;	Growing number of domestically produced generic products; lack of knowledge towards American products
In general retailers are opened to new products in order to attract customers	Strong competition with suppliers of similar products from Russia and European Union
Existence of large importers experienced in importing food products to Ukraine	High corruption, difficulties in finding a reliable partner or distributor

**SECTION II. ROADMAP FOR MARKET ENTRY****ENTRY STRATEGY**

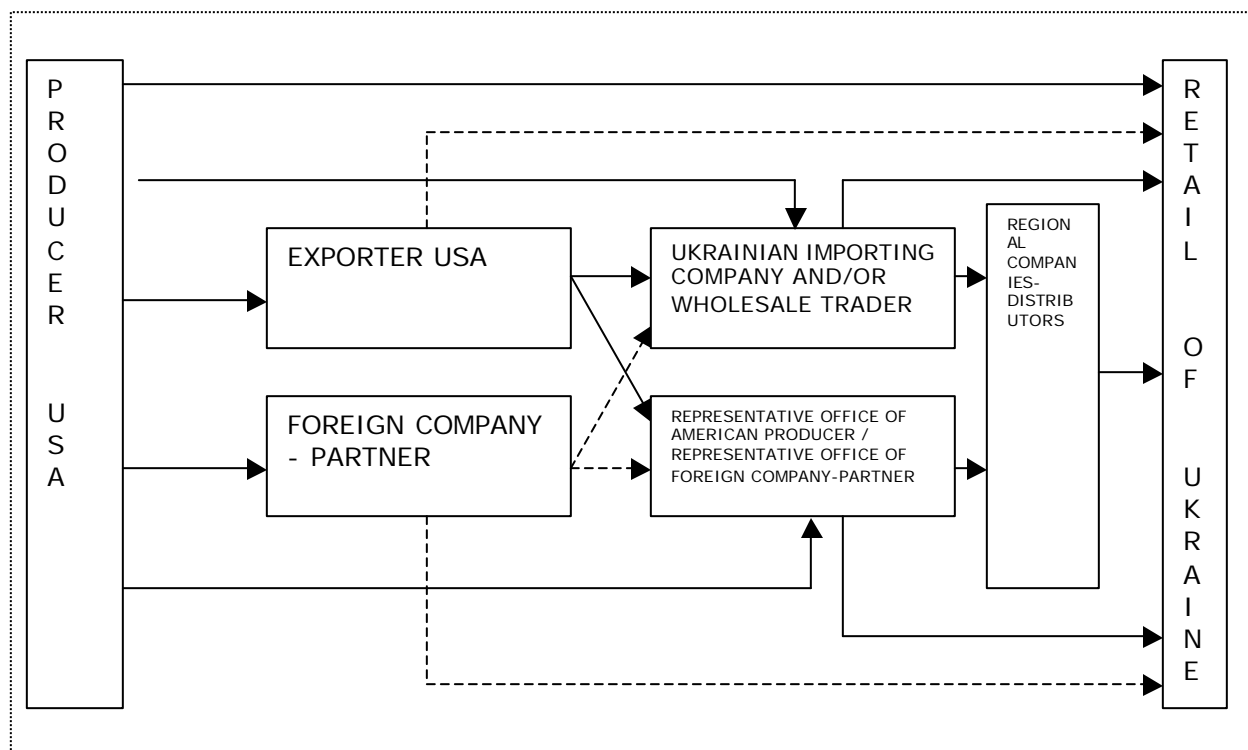
Every company must choose its own market-entry strategy that is dependant on preliminary market research results and the type of promoted product. The strategy is also dependant on the company's financial strength. However, some basic strategy trends exist for products entering the Ukrainian market:

- A perspective entrant is advised to estimate market perspectives of the product with respect to consumer preferences and incomes, local competition and sales channels (marketing research from a specialized consulting firm may be required).
- A visit to a food-product fair in Ukraine may be very helpful. These events can provide a market snapshot, as well as to identify perspective importers and wholesale vendors. Usually only large companies participate in these fairs.
- Meetings with representatives of state regulatory bodies in order to obtain additional information on import requirements. Companies are advised to use services provided by their embassies, consultants and foreign partner companies already doing business in Ukraine.
- In order to make the first delivery, usually a large local import company is chosen. The company has to have a good reputation and experience in customs clearance, and must have storage facilities and a developed distribution network. Make sure the company has experience working with Western suppliers and has experience in arranging regular supplies of food products. Western companies that strive to supply directly, circumventing Ukrainian mediators, often sustain losses due to lack of local market knowledge. A large domestic import company is usually bettered adjusted to local conditions, with established trade ties and contacts in state structures. Ukraine remains a country where personal contacts play an important role in business.

- Should exporting company decide to open a representative office, it should be located in Kyiv, where government authorities are concentrated or in other large cities.
- Ukrainian import duty rates for food products are very uneven. Import duties for unprocessed goods or goods in large packages are often zero. Often these commodities require only minimal processing (frying, adding salt, packaging for retail trade). Duties for packaged and ready for sale products are quite high. Many companies test the market with finished products, and then look to process and package locally if the product is a success. This way they manage to reduce custom clearance costs. Many importers package tea, muesli, chocolates, chips, roast nuts and coffee beans in Ukraine. Packaging or production is often conducted in Russia or other Commonwealth of Independent States (CIS) countries. The commodity can be imported from these countries under Free Trade Agreements (FTA). FTAs are in place for 11 CIS countries. However, a potential importer should weight transportation and certification costs.
- Supermarket entry costs varies greatly in Ukraine. Charges include a company's entrance fee, a shelving fee for each commodity, designated shelf fees, and a fee for positioning a pallet in the sales area. Entrance fees, designated shelves and pallets would amount to approximately \$100-250 each. Some payments are made once, and others are monthly charges. The exporter should be ready to pay the retailer a percentage of the trade turnover (calculated from sales or per 1 meter of shelf space). These payments are also made on monthly, quarterly or annual basis. There will be some payments associated with retail chain marketing costs, advertising booklets and in-store promotion actions. The total sum for all services and fees will range from \$1,000 to \$1,500, per commodity per store. All fees are negotiable.

## MARKET STRUCTURE

## Food Retail Distribution Channels



## Distribution Channels

The vast majority of importers/distributors have offices in Kyiv or in the large Black Sea port of Odessa. Portside offices are often used solely for customs clearance procedures. Following arrival at port, the product is then shipped to Kyiv. From Kyiv the consignment is then distributed to the regions or directly delivered to regional distributors. Some importing companies purchase goods on CIP Kyiv terms and then customs clear in Kyiv. Truck deliveries from Western European ports are much more expensive and rarely practiced. Typically large importers supply a number of commodities to Ukraine. Some companies have exclusive contracts for distribution of food products in Ukraine, however there are cases of several distributors having the right to distribute a single product. Often Ukrainian representative offices finalize agreements to be the exclusive supplier of goods to certain regional distributors. Retailers can cancel a direct supply contract with the representative office when it is unprofitable for a regional distributor to supply the retailer. There are several companies in Ukraine that pretend to be national distributors capable of regular deliveries of goods to retail trade companies all over Ukraine, however, these companies don't have such an efficient or far reaching distribution system.

## Types of Retailers

As reported by the State Statistics Committee of Ukraine, the number of retail trade companies selling food products reached 101,400 in 2005. Over past few years, the number of retailers was on the decline (5%-10% annually), while the average floor space increased 4-7% annually. Many small food shops continue to go out of business.



**Table 3. Number of Retail Trade Food-Product Companies by Type of Outlet**

Indicator	2001		2002		2003	
	Number	Floor space, ths, sq.m,	Number	Floor space, ths, sq.m,	Number	Floor space, ths, sq.m,
Total	47,330	4,185	41,754	3,655	38,422	3,578
Food stores with expanded stock list*	-	-	37,615	3,386	34,286	3,294
Including:						
Groceries, supermarkets	-	-	596	447	652	536
Hypermarkets	-	-	20	72	38	148
Specialized	-	-	4,139	270	4,136	285
Self service	2,772*	376*	1,548	352,800	1,563	490,161

\*including mixed stores (with different assortments)

Source: State Statistics Committee of Ukraine

Given the quickly growing number of super- and hypermarkets, experts estimate market share at less than 30%, but growing quickly. Traditional retailers in big cities are losing their clientele due to new and improved services that are provided by big retailers. Open-air markets and kiosks cannot compete due to low quality products (this is a major channel for uncertified and counterfeit goods), while traditional grocery stores cannot offer the wide assortment of products and at low prices. Supermarkets are not driving out open-air wholesale markets and Soviet-type stores, but forcing them to modernize equipment and marketing techniques.

### Supermarkets, Hypermarkets

Their staff privatized the majority of retail outlets during the first wave of Ukrainian privatization in early 1990's. Large trade centers with a self-service system (the Soviet counterpart to supermarkets) built in the Soviet Union ceased to exist after the first year of Ukraine's independence. Later, individuals or businesses purchased many food stores. In order to survive, the overwhelming majority of these stores sold both non-food and food products.

The stabilization of the national economy helped to create the current retail structure. The first domestic supermarket chains emerged to satisfy the new and growing demand. These stores began to match western standards floor space, product assortment, and quality of service.

According to the State Statistics Committee, there were 38 hypermarkets (and shopping centers) in Ukraine in 2003, or 90% (18) more than the previous year. The floor space of an average Ukrainian hypermarket was 3,895 square meters. The number of supermarkets (universal self-service stores) increased by 9% (56) in 2003. The average floor space of a Ukrainian supermarket totaled 822 square meters. The first Ukrainian mall – "Karavan" (is still classified as hypermarket by the State Statistics Committee) was built in Ukraine in 2004 with a total area of 13,000 square meters and total floor space of 8,000 square meters. According to Karavan's management, they built the hypermarket hoping to sell it to foreign operators/investors (supposedly to Auchan or Tesco), if these companies ever enter the Ukrainian market. The small floor space of many Ukrainian supermarkets is a result of limited capital and limited availability of buildings suitable for such operations. Only Western

investors and very few Ukrainian companies are capable of full-scale construction projects from the ground up.

According to supermarket owners, stock lists of smaller stores include 25–30,000 items. 80–90% of these items are of Ukrainian origin. Dairy and fish products, meat, bakery and spirits are widely represented. Supermarkets often cut their margins to attract as many customers as possible. The largest chain supermarkets use almost 1,000 different suppliers represented by large wholesale companies, producers and importers. Local chains are adopting foreign practices and standards, and introducing production quality control departments and distribution centers. Many supermarkets are open round-the-clock.

Foreign chains Billa (Austria), Metro Cash and Carry (Germany), Perekrestok (Russia) and SPAR (the Netherlands – sold to Russian Perekrestok in 2005) entered the Ukrainian market during 2001-2005. Initially they opened their outlets in Kyiv as the most promising center for retail trade. Later they began a regional expansion project to other large cities. Russian Pyaterochka (who purchased Karusel chain) is also planning to open supermarkets by mid 2006. Other international giants - Tesco (Great Britain), Auchan and Carrefour (France) are carrying out market research in Ukraine. Also, domestic retail chains are developing rapidly: Fozzy discounters and Silpo supermarkets (Fozzy Group), La Furshet supermarkets (Garantiya-Trade LLC.), Velyka Kishenya supermarkets (Quiza-Trade LLC.), and ATB supermarkets (ABT Corp.). Experts estimate that the growth in the number of new sales outlets increased approximately 200% in 2002–2003.

There are several factors contributing to the rapid success of hypermarkets and supermarkets in Ukraine. First, retail chains guarantee higher quality goods. Second, the majority of chains offer attractive prices through improved logistics and substantial supplier discounts in return for guaranteed large procurements. These advantages attracted customers from traditional wholesale open-air markets and grocery stores. Third, supermarkets guarantee comfortable shopping conditions (free parking, etc.), additional discounts for regular customers (discount cards), and additional services for goods purchased (home deliveries, Internet shopping, etc.).

Due to the rapid market development and abundance of retail niche markets, local retail chains have had little competition from foreign companies. In particular, as reported by the State Statistics Committee of Ukraine, there were 123 such trade companies (109 supermarket and 14 hypermarkets) in 2003 in Kyiv. Concomitantly, trade analysts estimate the Kyiv market can sustain 350–400 supermarkets. Today, Kyiv commands approximately one-fifth of all retail trade in food products conducted by specialized and non-specialized stores, as reported by official statistics. Meanwhile, according to Fozzy Group (the largest retailer) these supermarket chains are only satisfying 15-20% of all demand. These analysts claim that the large retailers already captured 25-35% in Ukraine and up to 50% in Kyiv. Operators agree that the market for larger stores will continue to develop in the near-term. Now supermarkets do not compete with each other, but with traditional open-air markets. The latest trend in supermarket development is to locate these trade outlets in shopping malls, which reduces construction costs and attracts additional customers. Construction of movie theaters also opens new possibilities for supplying the “American way of life” (popcorn, soft drinks and different snacks).

There are different ways for supermarkets to develop. La Furshet chain has bought out former Soviet self-service stores and renovated the space into modern supermarkets. It is also rapidly expanding into other regions of Ukraine. As of 2004, the company had 30 supermarkets, with stores in Cherkassy, Kirovohrad, Lutsk, Poltava, Simferopol, and Odessa. Other companies are opening new stores and buying already existing chains (Velyka Kishenya bought out Begemot supermarkets in 2004). The consolidation process greatly

intensified in 2005. Euromarkt, Da! Market, TikoMarket, Eizhachok, Spar-Ukraine, Vam, Maxi and Jaroslavna have ceased to exist. Other companies have concentrated on improving service quality and the availability of products (the trade chain MegaMarket). The table below lists major retail operators in Ukraine.

**Table 4. Hypermarkets and Supermarkets Chains in Ukraine (3 and More Outlets)**

Retailer Name and Outlet Type	Ownership	Sales in 2005* million US dollars	No. of outlets as of 2005 (middle of 2006)	Locations	Purchasing Agent Type
Sil'po supermarket	Fozzy Group (Ukraine)	Over 500	80 (110)	Nation -wide	Direct/importer
Fozzy, discounter			3 (3)	1–Vyshneve, 1 – Odessa 1 – Borispil rajon	
Furshet, supermarket	LLC «Garantiya-Trade» (Ukraine)	350	58 (62)	Nation-wide	Direct/wholesaler/importer
PIK, Supermarket	CJSC KS Trading (Ukraine)	Over 70	20	Central-Eastern Ukraine	Direct/wholesaler/importer
Velyka Kishenya, supermarket	Quiza Trade LLC (Ukraine)	277	27	Nation-wide	Direct/importer
Billa, supermarket	Billa-Ukraine (Reve Group Austria,)	Over 100	9	Nation-wide	Direct/importer
Pakko, supermarkets	Pakko Corp. (Ukraine)	110	8	Western Ukraine	Direct/importer
Vopak, Cah&Carry			24		
Rainford, supermarket (8), Cash & carry (7)	Rainford Group (Ukraine)	N/a	15	Dnepropetrovsk/Krivoy Rog/Dneprodzerzhinsk	Direct/wholesaler/importer
Tavriya-V, supermarket (5), hypermarket (2)	Tavriya-V LLC (Ukraine)	70	7	Odessa/Illychevsk	Wholesaler/Direct/importer
Rorus trade center «Family», supermarket (6), trade center (2)	Pivdenny Bank (Ukraine)	40	7	Odessa, Herson	Direct/wholesaler/importer
Perekrestok-Ukraine	Trade House Perekrestok CJSC (Russia)	Over 50	5	3 – Kyiv 1 – Brovary 1 – Cherkasy	Direct/importer/wholesaler

Retailer Name and Outlet Type	Ownership	Sales, US dollars	No. of outlets	Locations	Purchasing Agent Type
Target, supermarkets	Managing companies: Kibela, Ornatus, Apia (Ukraine)	20	3	Kharkov/Poltava/Sumy/Kupyansk	Wholesaler/direct
ECO-market, supermarket	«Bayadera» (Ukraine)	Over 60	20	Kyiv/Odessa/Sumy/Cherkassy	wholesaler/direct/importer
KIT, supermarket	Kit LLC. (Ukraine)	44	11 (14)	Zaporizhia region	wholesaler/direct/importer
YUCI, supermarket	Private company "Aquamarine"	N/A	4	Kharkov	wholesaler/direct/importer
Intermarket, Cash&Carry	Intermarket	130	2	Drogobych/Truskavets/Bozislav	wholesaler/direct/importer
Arsen, supermarket			2		
Mega-Market, supermarket	Founder - Victor Yushkovskiy (Ukraine)	N/A	5	Kyiv	Direct/importer
Big Spoon, supermarket	N/A (Ukraine)	19	10	Central Ukraine	wholesaler/direct/importer
Alen, supermarket	"Alen" LLC (Ukraine)	N/A	5	Sevastopol	wholesaler/direct/importer
Natalka-Market, supermarket	"Natalka-Market" CJSC	N/A	5	Odessa	wholesaler/direct/importer
Metro, discounter	Managing company «Metro Cash and Carry Ukraine» ("Metro AG" Germany)	425	8	Kyiv, Odessa, Dnepropetrovsk, Donetsk, Harkiv	direct/importer

\*Sources: Alliance Capital Management, the Ukrainian weekly newspaper Business, expert estimates, FAS/Kyiv estimates

## Kiosks and Gas Marts

The number of kiosks, which were popular trade outlets in early 1990's, has gradually diminished. The typical kiosk operates 24 hours a day and sells cheap alcohol, cigarettes and a limited number of food products. Limited floor space (usually 8-25 square meters) and a relatively wide stock list (on the order of 100-200 kinds of goods), as well as minimal required capital and operation costs ensures their existence. Competition from larger private stores and supermarkets that offered lower prices resulted in a reduction in the number of kiosks. They survived at road intersections, bus stops, underground stations, near open-air markets, in bedroom communities, and in rural areas. Kiosks offer a variety of the cheapest living essentials including food products. Lately, kiosks are becoming more specialized. For example, producers of meat and bakery products have opened kiosks to sell their own products near public transportation stops.

The number of modern gas stations continues to grow rapidly in Ukraine. According to official statistics, 817 stores and kiosks, and 241 restaurants/cafes were operational in gas stations as of April 2004. Approximately 10-15% of all Ukrainian gas stations have stores that sell packaged food products. This includes mainly soft drinks, cookies, chocolates, and various snacks. These 500-800 gas station stores account for 1-2% of all food stores. The service-store network is under development and is not viewed as a major revenue source by gas station managers. The developing network has good prospects and may increase its share of retail sales.

**Table 5. Kiosks and Gas Stations in Ukraine\***

	2001	2002	2003	2004	2005
Number of kiosks (stalls)	24,116	22,469	21,499	20,200	19,400
Share of kiosks in convenience goods market, %	8	7	6	5	3
Number of gas stations	4,396	4,688	5,053	5,225	5,500

## Traditional Convenience Stores (Self-Service Groceries)

Chain grocery stores are not yet very common in Ukraine, although becoming more so. The Fozzy Group is developing a network of Fora grocery stores (24 outlets in 2005). The trade and industrial group, Rainford, also has a network of 32 "convenience stores". Their competitor in the Dnipropetrovsk region, ATB Corporation, has a network of 69 stores, although these stores are quite close to supermarkets in size. Usually groceries are located in suburbs and offer a narrow product range and have limited floor space. These new groceries are quickly replacing the Soviet-style food stores with over-the-counter trade. The average floor space varies from 300 to 500 square meters. Stock lists include an average of 1,500 and 3500 items. Grocery outlets have become rather popular among pension-age consumers who prefer to shop close to home. Retirees often make small purchases throughout the week. These outlets also target consumers with below average incomes and who generally purchase goods daily. These products tend to have a short shelf life (bread, dairy products, fruits and vegetables, etc.). Market analysts note that convenience stores lack regular customers and their market share is small. Nevertheless, grocery stores are very successful in small Ukrainian towns.

**Table 6. The Largest Convenience Store Chains in Ukraine**

Chain Name	Owner/managing company	Type of the company	Trade outlet type	Number of outlets	Location
Dnepryanka	Fozzy Group (Ukraine)	Direct / importer	Grocery / Discounter	13	Nation-wide
Fora				39	
ATB	Corporation «ATB» (Ukraine) There are also discounters working under the same brand	Direct/wholesaler/importer	Convenience store	157	Nation-wide
Rainford	Trade and industrial group «Rainford»	Wholesaler / importer	Grocery / Convenience store	Over 30	Central Ukraine and Simferopil
Barvinok	Intermarket CJSC	Wholesaler/direct/importer	Grocery	14	Western Ukraine
Kurazh	Atlant LLC	Wholesaler/direct/importer	Grocery	4	Lugansk
Rukavychka	TPK Lvovkholod (Ukraine)	Wholesaler/direct/importer	Grocery	11	Western Ukraine
Obzhora	N/A	Wholesaler/importer	Grocery	8	Donetsk city
Kopeyka	Vit Almi LLC (Ukraine)	Wholesaler/importer	Convenience store	5	4 – Odessa 1 – Izmail

\*Sources: Alliance Capital Management, the Ukrainian weekly newspaper Business, FAS Estimates

### Traditional Outlets – Independent Grocery Stores and Open-Air Markets

Soviet-style stores with over-the-counter sales (traditional groceries) are quite common in Ukraine. Some of these groceries are situated in central districts selling food products to office employees during the workweek and to the few number of downtown dwellers. These stores have often been taken over by chain convenience store companies and converted into modern self-service convenience stores. Other traditional grocery stores survived in suburban communities in large cities. These stores are likely to leave the market due to fierce competition with supermarkets and modern convenience stores. They are losing clientele due to their small product line, higher prices, clumsy service, and unprofessional vendors. In order to survive, many offer round-the-clock operations and lease some floor space to sellers of industrial goods (DVD and CD sales) and services (photo development). Some are operating successfully in distant small districts of large cities and small provincial towns where the construction of supermarkets or modern chain convenience stores is economically unjustified.

Grocery stores, especially those operating 24 hours a day, can be of certain interest to potential U.S. exporters. These outlets may become outlets for cheap food products, manufactured abroad with a long shelf life: alcohol drinks, assorted snacks, confectionery products, meat goods, canned goods, goods for elderly people. The overwhelming majority

of these stores (except small ones with 150-200 square meter floor space) procure products through wholesale companies. Smaller ones buy products in Cash&Carry stores or from large wholesale open-air markets.

As reported by the State Statistics Committee of Ukraine, there were 2,866 open-air markets (bazaars) of all types in Ukraine in 2005, including almost 500 food-product open-air markets. Twenty-six food open-air markets are located in Kyiv. At the same time, mixed open-air markets (rynoks) trading in both foodstuffs and non-food goods prevail in Ukraine (account for approximately 55% of the total number of markets of all types in Ukraine). The largest number of food-product open-air markets in Ukraine are concentrated in the most populated regions. Typical Ukrainian open-air markets would include a space for farmers, while over-the-counter kiosks sell packed and processed products. The open-air market kiosks zone would trade in low and middle cost products. Many people think that food products in traditional open-air markets are cheaper than in supermarkets. Elderly consumers are also confident in the high quality of products offered at these wholesale open-air markets.

According to experts' estimates, in 2005, approximately 40-45% of trade in food products in Ukraine were sold through this channel. For meat products this indicator reached 90%. These trade outlets are leading sellers of vegetables, fruits, meat, honey and dried fruits. At the same time, sales of dairy products, sunflower oil, and alcoholic drinks are gradually moving from open-air markets to outlets of other types. Open-air markets provide poor customer service, lack storage equipment and often sell low quality products for a price that is often higher than in supermarkets.

Improvement of service standards in open-air markets would lead to a marginal increase in competitiveness, but long-term prospects are still not very promising. Some renovated central open-air markets for food products in large cities were transformed into traditional elite supermarkets offering high-quality products. Bessarabskiy and Volodymyrskiy bazaars in Kyiv are good examples. These open-air markets located in the historical part of the city serve as shopping destinations for foreigners living in Kyiv and the Ukrainian elite. This category of markets can be interesting for American exporters of specialty meat products, seafood, semi-finished goods, microwaveable foods, mixtures of exotic dried fruits, nuts, confectionery goods, alcohol drinks, and traditional U.S. consumer food products, which ordinary supermarkets find inconvenient to stock due to low demand.

**Table 7. Number of Markets (bazaars) Offering Consumer Goods in Ukraine**

	2000	2001	2002	2003	2004	2005
Total	2,514	2,715	2,863	2,891	2,869	2,866
Food products	634	772	666	597	N/a	N/a
Non-food products	511	608	725	708	N/a	N/a
Mixed	1,369	1,335	1,472	1,586	N/a	N/a

Source: State Statistics Committee of Ukraine

It is quite likely that the number of traditional groceries, kiosks, and bazaars will decrease in the future, while the number of hypermarkets, supermarkets and self-service convenience stores would grow. Open-air markets together with "vegetable-fruit" stalls will compete strongly with modern stores in retail sales of fruits and vegetables. The number of kiosks will likely also diminish.

## MARKET TRENDS

### Private Label

This marketing tool is not yet well developed in Ukraine. The largest Ukrainian supermarket chain - La Furshet was the first to move in this direction. The company already produces and packages more than 100 goods under the La Furshet label. Fozzy group (Selpo branded products) and Metro C&C are also using private labels.

### Modern Trade Promotion Methods

Chain stores regularly train their personnel and experiment with product layout, in order to maximize profits from one square meter of floor space. Many supplier companies have their own display schemes (for example, "Hipp GmbH" infant food producer. In store new product tasting and promotion campaigns are also quite frequent.

Many supermarkets are equipped with television screens for demonstrating various commercials promoting goods and services. Traditional poster and panel advertisements are also popular. The largest supermarkets issue their own advertising booklets and discount coupons. They also practice direct-mail distribution of these booklets to potential customers and publish advertisements devoted to products or one specific country. In particular, one such edition published by Furshet was devoted to products of German origin. These methods can be applied to U.S. product advertisement.

Loyalty programs dedicated to specific brands have been launched in 2006. The goal of these programs is to create long-term brand loyalty between consumer and manufacturer. Producers attempt to reduce marketing costs by developing marketing campaigns that represent more than one company. The main incentive tool used by program members is targeted coupons.

Digital technologies, such as mobile marketing, are widely used for Sales Promotion purposes. Scratch cards is a tool that enables producers to link promotions with retail outlets. There are a number of in-store marketing technologies, which were purchased from the United States in 2006. Among them are in-store couponing (operated by Coupon Management System company from the Prospects Group) and on-floor stickers (operated by Floorgrafics, USA). Different refunds and rebates schemes have been tested by Prospects Company over the past three years.

### Market Power

In the early days of the Ukrainian retail (2000 – 2002) sector, producers of food and agricultural products could dictate to supermarkets terms for positioning, marketing and payments of goods. Food products were viewed as anchor commodities attracting consumers to new supermarkets. The situation changed rapidly in 2003-2004, when retail chains acquired a significant market share in larger cities, attracting middle and high-income consumers. Retailers quickly realized that control over targeted consumers gave them control over producers. Producers of hard liquors, vodka and dairy products publicized these new problems, while many other suppliers preferred to keep these issues quiet. Most problems were related to retailer recommended prices and price discounts, some to product placement and associated fees. The threshold used to introduce products in Ukrainian supermarkets remains quite low if compared to Western chains, but it seems excessively high to many Ukrainian producers.



## SECTION III. COMPETITION

The Government of Ukraine took a number of steps to protect domestic producers of food product in the mid-1990. This resulted in high import tariffs and a complicated system of sanitary and phytosanitary requirements. The economic crisis of 1998 abruptly decreased individual incomes and drove consumers to purchase cheaper domestically produced products. All of these factors contributed to the robust development of the domestic food-products industry. Production of dairy and meat products (sausages, smoked foods), soft drinks, mineral water, juices, beer, confectionery, various appetizers, and chilled chicken meat is on the increase. Introduction of high import duties made legal imports of many foreign food products unprofitable, while the Ukrainian market remained open to food products originating in Russia and other CIS countries. The Free Trade Agreement among CIS countries facilitated trade. Russian-made products were charged only the value-added tax, which make their price comparable to similar Ukrainian products. Many imports from EU and the United States cannot compete on price with CIS goods.

**Table 8. Main Delivery Sources and Volumes of Specific Product Imports to Ukraine**

Product Category	Major Supply Sources	Strength of Key Supplying Countries	Advantages and Disadvantages of Local Suppliers
Poultry Net Imports: 142 ths. tons  US 64 ths. tons	1. USA 46% 2. Germany 16% 3. UK 11%	USA MDM and offal is much cheaper; Brazilians have price advantage in whole birds supplies, EU in geographical proximity	Production is intensively growing. Producers can supply chilled product; supply of domestic chicken is insufficient.
Pork Net Imports: 46 ths. tons  US 1 ths. tons	Brazil 62% China 19% Poland 12%	Much lower prices, stable quality	Highly inefficient pork production in private households and in majority of industrial farms; Some production rebound in 2006 based on renewed technologies.
Beef Net Imports: 31 ths. tons  US – No Supplies	Brazil 61% Argentina 19% Georgia 15%	Much lower prices, stable quality	Highly inefficient beef production in private households and in industrial farms, lack of beef cattle and lack of high-quality beef
Fish and Seafood Net Imports: 371 ths. tons  US 1 ths. tons	Norway 45% Iceland 7% Russia 6% Estonia 5% United States 5%	Norway supplies the wide range of products and secures regular deliveries. Norwegian exporters use state promotion programs	Outdated cold storage facilities and fleet, outmoded processing facilities, problems with securing quotas for fishing in international waters
Fresh vegetables Net Imports:	China 19% Poland 15% Spain 9% Netherlands 8%	High stable quality of vegetables produced in Western European	A lot of people grow vegetables on their household plots; Bigger farms lack modern storage

20 ths. tons US 0 ths. tons			Western European countries, low prices for the products originated from the CIS states	farms lack modern storage and processing facilities; stable supplies of the produce to the retail trade networks are complicated
Frozen vegetables Net Imports: 3 ths. tons US 0 ths. tons	Poland Sweden Belgium	64% 17% 7%	Polish companies dominate on the market due to high quality, recognition of trademarks and distribution system	Inefficient production; growing demand in large cities
Fruits fresh and dried Net Imports: 652 ths. tons US 1 ths. tons	Ecuador Turkey Egypt Moldova	34% 22% 6% 6%	Countries of South America, Spain, Georgia, and Azerbaijan supply citrus fruits at right price/quality ratio	Essential volume of smuggling especially from Poland and the CIS states as well as lack of storage facilities; low cost of local production
Tree nuts (peanuts excluded) Net Imports: 8 ths. tons US 1 ths. tons	Turkey Azerbaijan Germany USA	39% 17% 15% 5%	Turkey mainly supplies hazelnut and pistachios at low prices, Azerbaijan – hazelnut, and the USA - almonds	Lack of large-scale industrial production of nuts; Intensively developing confectionery industry
Canned vegetables and fruits Net Imports: 138 ths. tons US 0 ths. tons	Uzbekistan Russia Netherlands	20% 16% 12%	Well established trade relations and well known trademarks; abundance of smuggled import; Hungary (vegetables) and Spain (olives) dominate on the market	Local producers quickly update the facilities availability of cheap raw materials, traditional local brands
Fruit juices and concentrates Net Imports: 50 ths. tons US 112 tons	Netherlands Russia Moldova	21% 20% 10%	Western countries supply products of very high quality. Russian products are of low price and good quality	Local production of apple concentrate, tomato paste, and berries partially satisfy domestic demand; high dependence on imported concentrates; High competition with ready-made Russian juice; growing demand for juices, healthy drink image of juice
Rice Net Imports: 127 ths. tons US 111 tons	Egypt Vietnam India	60% 11% 10%	Vietnam and China are competitive due to low prices. India and the USA boast with high quality, meanwhile	Local industry satisfies only half of domestic consumption; high product price and low quality, stable demand

			high prices position American rice in premium segment	
Beer  Net Imports: 32 million liters  US 0 liters	Russia 93% Germany 2% Czech Rep. 1%		Broad assortment of Russian-made reasonably priced beer (zero import duty due to FTA).	Steady demand for locally produced product, modern production facilities, broad assortment, good quality, and low prices.
Wine  Net Imports: 23 million liters  US 8 ths. liters	Moldova 70% Hungary 10% Georgia 12% France 2% USA <1%		CIS origin wine is reasonably priced and has traditional brands. Western Wines are occupy the upper segment and perceived as high quality ones	Steady demand for locally produced wines; production experience; broad assortment and low prices; poor positioning of high quality vintage wines; traditional preference to sweetened wines
Liqueurs, other hard alcohol drinks  Net Imports: 5.2 million liters  US 16 ths. liters	Azerbaijan 31% Georgia 30% Armenia 9%		Good quality, reasonable prices for traditional Armenian, Georgian and Bulgarian cognacs; High demand for not traditional beverages (tequila, whisky, rum, and gin).	High quality and broad assortment of locally manufactured alcohol drinks; dependence on imported cognac spirits; black market of hard alcohol drinks; low quality of low price segment product.
Pet food  Net Imports: 31 ths. tons  US 6 ths. tons	Hungary 27% Russia 26% USA 18%		Exports of well- known pet food trademarks from Russia dominate in low segment. U.S. brands are perceived as high quality ones	Traditionally high number of home pets, large market potential; low demand for industrially produced pet food

Sources: State Statistics Committee of Ukraine, DZI informational bases, expert estimates

## SECTION IV. BEST PRODUCT PROSPECTS

## Category A: Products Present on the Market With Good Sales Potential

Product	2005 Market volume	2005 Import volume	Average growth of import over the last 3 years	Import taxes	Main factors hindering import development	Attractiveness of the market for the USA
<b>Poultry</b>	426 ths. tons	137 ths. tons	70%	30% but no less than € 1.5 per 1 kg for poultry parts; 10% but no less than € 0.4 per 1 kg for whole birds; € 0.7 per 1 kg for leg quarters;	High customs duties; Former Free Economic Zones remain the only import outlet; Competition with Brazilian and EU producers; Quick growth of domestic production; Perception of U.S. product as cheap and of low quality.	U.S. product has well-established positions; Low prices attract a lot of buyers. Local producers will not be able to satisfy the demand in near future. U.S. product has the right price/quality ratio compared to Brazil and EU product.
<b>Beef</b>	542 ths. tons	42 ths. tons	Over 900%	10% or € 0.6 per 1 kg for Carcasses, Halves and quarters; 20% for offal; € 1 per 1 kg of beef cuts.	Veterinary certificate pending; High import duties, consumer unawareness of U.S. high quality beef; Sizable domestic production	Insignificant specialized beef production; Constantly growing beef prices; Niche markets for meat delicacies (steak, etc.) and meat offal; Fast HRI development.
<b>Pork</b>	534 ths. tons	52 ths. tons	Over 250%	10% or € 0.6 per 1 kg for Carcasses, Halves and quarters; € 1 per 1 kg for other cuts and offal.	Veterinary certificate pending; High import duties; Gradual recovery of local production; Competition from Brazilian pork and Polish smuggled pork.	Shortage of pork in the country; high prices; Demand for stable deliveries of both cheap and high quality product.
<b>Fish and Seafood</b>	605 ths. tons	371 ths. tons	24%	0 – 5% for all frozen fish; 10%	Regular deliveries of high quality produce from	Growing demand for higher quality seafood

				for prepared fish, live fish, Mackerel, Trout, some Crustaceans, Anchovy, Salmon and Lobsters.	Norway; Shortage of suitable trade equipment at retail trade outlets; Deficit of proper storage facilities with below -20C temperature.	from consumers; Very modest assortment in the market; Skyrocketing demand from supermarkets and HRI sector.
<b>Dried fruits and nuts (exclude. peanuts)</b>	115 ths. tons	8.1 ths. tones	20%	0% in packages less than 10 kg (20% but no less than € 0.2 per 1 kg in packages less than 10 kg; € 0.1 per 1 kg of dried fruits excluding raisins) + VAT in the amount of 20%+ 0.2% for customs services	<i>Sharp competition with Iran and Turkey. Desire of packers to save on raw stock, procuring low quality stock from Iran, Uzbekistan, and Afghanistan</i>	Intensive development of confectionery industry and start of retail sale of rare dried fruits (exceed world prices by 3 – 6 times). High quality of U.S. product; Development of premium-class confectionery products
<b>Canned fruits and vegetables</b>	413 ths. tons	88 ths. tons	Less than 1%	€ 1 per 1 gross kg +VAT in the amount of 20%+ 0.2% for customs services	High competition from EU products; Smuggling; Cheap canned food niche occupied by Ukrainian trademarks. The majority of population is inclined to supply its own needs with home-made canned fruits and vegetables	High and growing demand for value added imports at the expense of, and gradual rejection of home-produced products; High-quality product niche is not completely filled.
<b>Rice</b>	375 ths. tons	127 ths. tons	25%	10% but no less than EUR 0.03 per 1 kg	Availability of locally produced product; large imports of cheap Vietnamese rice; high competition from other	Market for high-quality American rice as premium class product; emerging niche markets for parboiled rice, brown rice, wild

					cereals	rice, rice with different additives, etc.
<b>Wine and spirits</b>	250 million liters	28.7 million liters	Over 150%	€ 2-3 per 1 liter of wine, € 7.5 per 1 liter of 100% alcohol for hard liquors + excise tax (UAH 1.6 per 1 liter of champagne, UAH 0.8 per 1 liter of wine, UAH 16 per 1 liter of 100% alcohol)	High import duties, tough competition with Ukrainian-made spirits and drinks produced in the CIS states	Relatively high level of alcohol drink consumption; Demand for exotic drinks (whiskey, gin, rum, bourbon).
<b>Pet food</b>	46.0 ths. tons	31.4 ths. tons	7%	€ 0.05 per 1 kg	Large supply of Russian-made cheap pet food; Smuggling; Strong tradition of feeding pets with table scraps; Long registration and certification procedures.	Traditionally large number of home pets; Increased population incomes followed by growing demand for ready to use pet food. Comparatively low import duty

### Category B: Products Not Present in Large Quantities but with Good Sales Potential

- Premium-class food products: meat specialties (meat for further cooking – steaks, fillet, etc.), smoked meat, cheese;
- Exotic seafood, ready-made high-quality canned fish;
- Cereals: muesli, instant porridge, ready-made rice, different sorts of ready-made packed rice;
- Food for diabetics;
- Specialized infant food, canned vegetables and infant fruit food;
- Exotic drinks/juices (from exotic fruits, energy drinks, vitamin drinks, root beer), drink concentrate, traditional drinks with different additives (tea/hot chocolate with additives);
- Semi-prepared goods, ready-made frozen food, microwaveable food;
- Packed food ingredients of high quality for cooking (brown sugar, sugar powder, high-quality spices, etc.)
- High-quality beer snacks (a rapid increase in beer consumption over the last several years and stable forecasts regarding beer consumption growth in the future).
- The future aging of the population creates a niche market for this category of costumers. The low current incomes of this category make this market profitable only in the future.

**Category C: Products Not Present Because They Face Significant Barriers (with barriers indicated)**

- Mid range ready-to-eat meat products (smoked meat, sausages, hotdogs) – high import duties (30%, but not less than 1.2 EUR/kg + 20% VAT) – high competition of similar Ukrainian products;
- Inexpensive imported chocolates - high import duties (0.5 EUR/kg + 20% VAT) – high competition from similar Ukrainian products;

## SECTION V. ATTACHMENTS

## Product Structure of Retail Trade Turnover

	1995	2000	2001	2002	2003	1995	2000	2001	2002	2003
	UAH mln*					%				
All commodities	11,964	28,757	34,417	39,690	49,993	100	100	100	100	100
Foodstuffs	7,546.5	14,930	17,337	19,068	22,806	63.1	51.9	50.4	48	45.6
Meat and products	1,198	1,788	2,114	2,253	2,735	10	6.2	6.1	5.6	5.5
Meat (including poultry)	420.6	659.6	862.4	960.8	1,148	3.5	2.3	2.5	2.4	2.3
Sausages	728.8	1,073	1,184	1,209	1,474	6.1	3.7	3.4	3	3
Meat cans	48.6	55.2	67.8	83	112	0.4	0.2	0.2	0.2	0.2
Fish and sea food	244.6	453.3	556.6	640	813	2.1	1.5	1.6	1.6	1.6
fish	126.4	236.6	296.3	360	469	1.1	0.8	0.9	0.9	0.9
herring	58	97.3	111.1	108	138	0.5	0.3	0.3	0.3	0.3
Fish cans	60.2	119.4	149.2	171	205	0.5	0.4	0.4	0.4	0.4
Vegetable and fruit cans	118.8	160.9	205.7	270	368	1	0.6	0.6	0.7	0.7
fats	477.9	543.3	644.3	706	809	4	1.9	1.9	1.8	1.6
butter	293.7	242	258.5	262	281	2.4	0.8	0.8	0.7	0.6
oil	70.2	114.2	148.8	168	215	0.6	0.4	0.4	0.4	0.4
Other fats	114	187.1	237	275	311	1	0.7	0.7	0.7	0.6
Milk and dairy	352.9	626.6	745.1	857	1,044	2.9	2.2	2.2	2.2	2.1
Cheese and brinsen	116.5	187.8	240.5	285	403	1	0.7	0.7	0.7	0.8
eggs	136.5	231.7	289.8	338	369	1.1	0.8	0.9	0.9	0.7
sugar	261.9	253.9	251.2	279	315	2.2	0.9	0.7	0.7	0.6
confectionery	561.1	1,231	1,444	1,622	1,797	4.7	4.3	4.2	4.1	3.6
tea	35.9	100.3	113.4	142	185	0.3	0.3	0.3	0.3	0.4
coffee	24.4	129.1	165.4	221	308	0.2	0.4	0.5	0.5	0.6
salt	20	28.5	27.6	27	31	0.2	0.1	0.1	0.1	0.1
Bread and bakery	1,330.2	1,898	1,769	1,457	1,466	11.1	6.6	5.2	3.7	2.9
Flour, cereals, and pasta	357	587.6	532.8	529	686	3	2	1.5	1.3	1.4
flour	118.7	257.1	217.1	198	257	1	0.9	0.6	0.5	0.5
Cereals and beans	122.5	180.7	173.7	191	241	1	0.6	0.5	0.5	0.5
pasta	115.8	149.8	142	140	187	1	0.5	0.4	0.3	0.4
potato	71.2	72.4	80.8	109	152	0.6	0.3	0.2	0.3	0.3
vegetables	174.4	166.3	185.6	220	286	1.5	0.6	0.5	0.5	0.6
Fruits, berries, and melons	104.7	143.2	166.7	191.9	302	0.9	0.5	0.5	0.5	0.6
Tobacco articles	111.6	1111	1,501	1,851	2,457	0.9	3.9	4.4	4.7	4.9
Other foodstuffs	1,595	4,613	5,515	6,145	7,256	13.3	16	16	15.5	14.6

\*Exchange rate UAH 5.3 - \$1

Source: State Statistics Committee of Ukraine



**Structure of Household Expenditures***(annual average as calculated for one household\*\*)*

	2003			2005			2006*		
	All households	Including those residing in		All households towns	Including those residing in		All households towns	Including those residing in	
		towns	Rural area		towns	Rural area		towns	Rural area
<b>All expenses, UAH</b>	2947	2947	3103	4502	4718	4034	5581	5792	5114
%									
Total consumer expenditures	93.3	94.3	90.6	92,8	93,1	91,9	92,4	93,3	90,3
Foodstuffs (including eating out, alcohol, and tobacco items)	62.7	60.4	68.2	62,4	60,3	67,3	60,5	59,1	64,7
Non-foodstuffs and services	30.6	33.9	22.4	32	34,8	25,3	33,6	36,3	26,4
Payment for housing, utilities and services	8.7	9.9	5.6	8	8,9	5,6	7,7	8,6	5,3

Source: Households Income Survey, State Statistics Committee of Ukraine

\*Forecast

\*\* Average household in 2005 is 2.61 individuals

**Structure of Total Household Expenditure in 2003, by Total per capita Expenditure***(in average per month as calculated for one household)*

	All house holds	With average per capita expenditures per month, UAH										
		Up to 60.0	60.1 – 90.0	90.1– 120.0	120.1 – 150.0	150.1 – 180.0	180.1 – 210.0	210.1 – 240.0	240.1 – 270.0	270.1 – 300.0	300.1 – 360.0	More than 360.0
<b>All expenses, UAH</b>	736,8	173.5	317	409	461.8	525.1	564.5	609.2	659.8	693.9	758.7	1,102.4
<b>%</b>												
Total consumer expenditures	93,3	97.0	97.6	96.8	97	96.7	95.9	95.3	95.4	94.8	94.4	89.9
Foodstuffs ( )	62,7	81.4	76.6	73.5	71.3	70.8	67.5	65.9	65.8	65.1	63.2	56.6
Non- foodstuffs and services	30,6	15.6	21.0	23.3	25.7	25.9	28.4	29.4	29.6	29.7	31.2	33.3
Housing, utilities and services	8,7	5.1	9.3	9.5	10	9.6	10.5	10.2	9.6	9.2	8.9	7.2
-Incl. Benefits and subsidies	1,3	0.2	0.8	1.2	1.5	1.3	1.8	1.5	1.5	1.4	1.5	1.0
-Incl. Non- foodstuff total expenditures	6,7	3.0	2.4	3.2	3	3.3	4.1	4.7	4.6	5.2	5.6	10.1

*Source: Households Income Survey, State Statistics Committee of Ukraine***Foodstuffs Consumption (per capita per year, kg)**

	2001	2002	2003	2004	2005
Meat and products (as calculated by meat including lard and by-products)	34	40	47	48	53
Dairy and milk (as calculated by milk)	208	226	229	242	260
Eggs, pieces	192	204	204	216	252
Fish and seafood	17	17	17	19	22
Sugar	40	37	38	43	43
Oil	24	24	24	23	23
Potato	133	124	119	121	115
Vegetables and melons	108	114	108	104	109
Berries, fruits, and grape (without processing for wine)	26	29	30	32	37
Bread and bakery (bread, pasta calculated by flour, flour, cereals, beans)	128	128	124	125	120

*Source: Households Spending and Resources Survey, State Statistics Committee of Ukraine*

**Foodstuffs Consumption by Household (in average per month as calculated for one person, kg)**

	2000			2002			2003		
	All households	Including those residing in		All households	Including those residing in		All households	Including those residing in	
		towns	Rural area		towns	Rural area		towns	Rural area
Meat and products	3.3	3.3	3.2	3.3	3.5	2.8	3.9	4.2	3.2
Milk and dairy	17.1	15.4	20.5	18.8	17.6	21.2	19.1	18.6	20.1
Eggs, pieces	18	20	16	17	18	17	17	19	15
Fish and seafood	1.3	1.4	1.1	1.4	1.5	1.2	1.4	1.5	1.1
Sugar	3.5	3.5	3.5	3.1	3.1	3.1	3.2	3.3	3.2
Oil and other vegetable fats	1.8	1.9	1.6	2	2	1.8	2	2.2	1.8
Potato	10.4	9	13.1	10.3	8.6	13.7	9.9	8.2	13.2
Vegetables and melons	9.5	9.7	9.3	9.5	9.3	9.9	9	9	8.9
Fruits, berries, nuts, grape	2.5	2.7	1.9	2.4	2.6	1.8	2.5	3	1.8
Bread and bakery	10.7	10.5	11.2	10.7	10.4	11.3	10.3	9.8	11.2

Source: Households Income Survey, State Statistics Committee of Ukraine

**Foodstuffs Consumption by Household in 2003, by Total per capita Expenditure***(in average per month as calculated for one person, kg)*

	All households	With average per capita total expenditures per month, kg										
		Up to 60.0	60.1 – 90.0	90.1 – 120.0	120.1 – 150.0	150.1 – 180.0	180.1 – 210.0	210.1 – 240.0	240.1 – 270.0	270.1 – 300.0	300.1 – 360.0	More than 360.0
Meat and products	3.9	0.4	1	1.4	1.9	2.5	2.8	3.3	3.8	4.1	4.7	6.5
Milk and dairy	19.1	3.3	7.2	10.7	12	14.8	15.9	17.1	19	20.5	22.7	27.4
Eggs, pieces	17	2	9	11	12	15	16	17	18	18	20	22
Fish and seafood	1.4	0.4	0.4	0.5	0.7	0.9	1	1.2	1.4	1.5	1.7	2.4
Sugar	3.2	0.9	1.2	1.7	2.1	2.4	2.7	3	3.3	3.6	3.8	4.6
Oil and other vegetable fats	2	0.8	1	1.2	1.4	1.6	1.8	1.9	2.1	2.2	2.4	2.8
Potato	9.9	4.9	7.5	8.5	8.9	9.5	9.9	9.6	10	10.8	10.5	10.6
Vegetables and melons	9	2.4	3.9	4.9	5.8	6.5	7.3	7.8	8.9	9.5	10.5	13.2
Fruits, berries, nuts, grape	2.5	0.5	0.7	0.9	1	1.5	1.7	2	2.4	2.7	3.1	4.7
Bread and bakery	10.3	5.9	6.5	7.5	8.4	9.1	9.3	10	10.6	10.9	11.5	12.4

*Source: Households Income Survey, State Statistics Committee of Ukraine*