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Ukraine

Grain and Feed

U.S. wheat could land in Ukraine before November 2003.

2003

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Report Highlights:

This marketing year Ukraine will require an estimated 2.5 million tons of imported wheat, the highest volume since MY 1987/1988. The temporary cancellation of import duties for wheat and rye provides a narrow window of opportunity for U.S. wheat to enter the Ukrainian market.

Includes PSD changes: Yes
Includes Trade Matrix: No
Unscheduled Report
Kiev [UP1], UP

Executive Summary

The outlook for 2003 wheat production in Ukraine has been steadily deteriorating throughout the year. It is now estimated that Ukraine will import 2.5 million tons of milling quality wheat in MY 2003/2004. U.S. wheat is currently in a position to land in Ukraine at competitive prices. The Parliament of Ukraine voted on July 9, 2003 to lift the existing import duties on wheat and rye until November 1, 2003. Ukraine traditionally imports wheat from Kazakhstan and the Russian Federation under duty-free trade agreements. In addition to the United States, MY 2003/2004 milling wheat could also be supplied to Ukraine by the European Union, Hungary and, to a lesser extent, Turkey.

Production

The wheat production estimate has been reduced, reflecting lower area and yields. According to current official information, nearly 60% of winter wheat planted has perished as of early July 2003. Farmers increased area planted with spring wheat up to 470,000 hectares this year as compared with 289,000 planted in 2002. Despite this increase in spring plantings, the total combined winter and spring wheat area to be harvested in 2003 will be the lowest on record!

Wheat yields in 2003 are expected to be the lowest in 20 years. Dry weather conditions, which began in the spring as plants resumed vegetation, prevailed throughout the major wheat producing areas of Ukraine. Poor plant density has also negatively affected yields. The first harvest reports from Southern Ukraine indicate that yields are 50% lower than yields during the same time period last year.

Barley production in 2003 is also forecasted lower despite higher area planted. Late planting and extremely dry weather conditions hampered crop development and contributed to the lower yield estimate. The area under corn harvested for grain is forecasted higher; however, the corn production estimate remains unchanged.

Consumption

Lower grain production in 2003 will result in a decline in human and feed consumption in 2003/2004. Wheat utilization for bread, flour, pasta, groats, semolina and other food products in MY 2003/2004 is estimated at 8% lower than in MY 2002/2003. This reflects the price rise resulting from expectations of a reduced supply of milling quality wheat.

Feed wheat and barley availability will also decline for the Ukrainian dairy, livestock and poultry industry. This should result in further cattle slaughter. Decreased feed wheat availability will be partially compensated for by higher corn consumption in MY 2003/2004 which will soften the negative impact of high wheat prices on vertically integrated poultry operations.

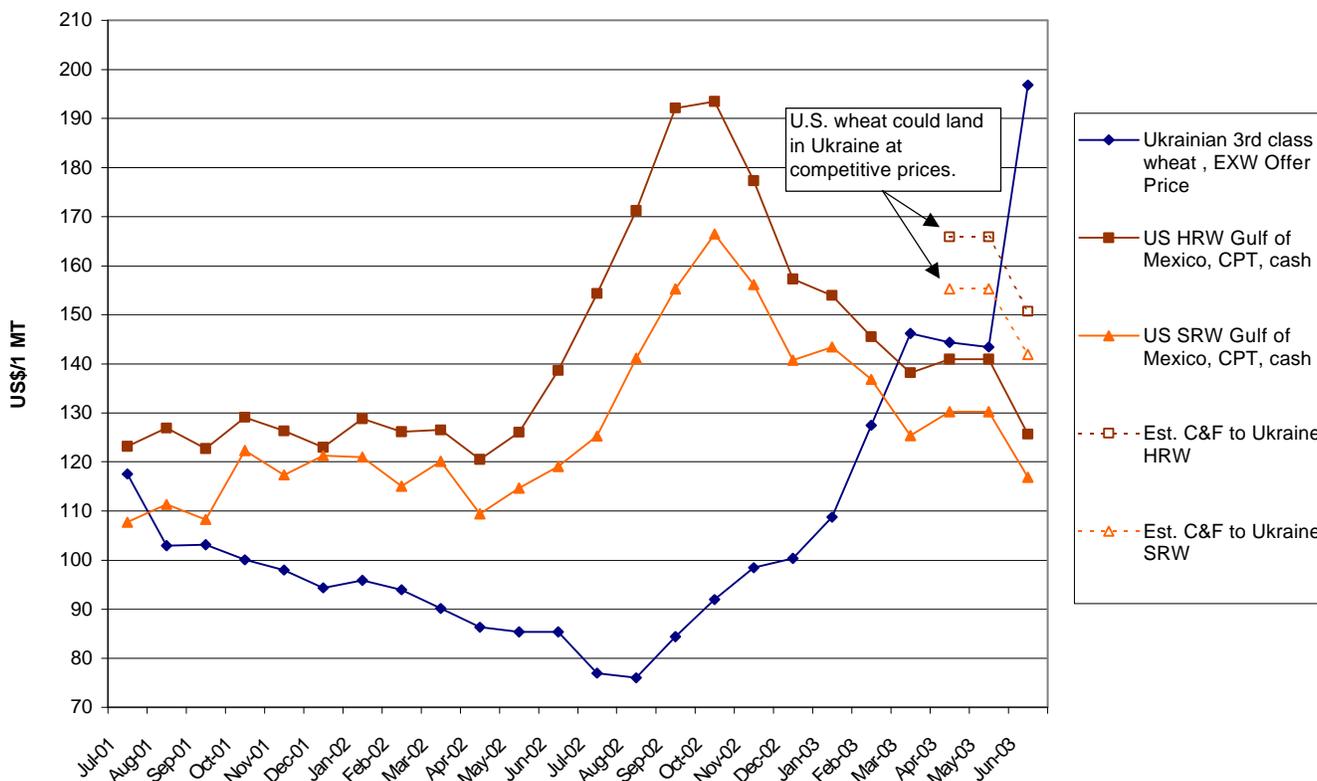
Trade

Post lowered the wheat, barley and corn export estimates for MY 2003/2004 based on current low production expectations. MY 2002/2003 exports were adjusted to reflect the most recently available trade data.

Towards the end of MY 2002/2003, Ukraine began to import milling quality wheat. The major supplier was the Russian Federation. Wheat imports from Russia and Kazakhstan are not subject to an import duty under

bilateral free trade agreements. Uncertainty over the availability of low-priced wheat from these two traditional suppliers prompted removal of the existing import duties on wheat and rye. The Parliament of Ukraine voted on July 9, 2003 to rescind the EUR 40 and EUR 20 per 1 MT import duties for wheat and rye, respectively, until November 1, 2003. The President of Ukraine is expected to sign this law quickly. U.S. suppliers now have a narrow window of opportunity during MY 2003/2004 to supply wheat to Ukraine.

Ukrainian and U.S. Wheat Prices in MY 2001/2002-MY 2002/2003



Data Source: APK-Inform (www.apk-inform.com)

Prices as of the last Friday of each month. Freight rates and handling charges were calculated at \$25/1 MT.

The most recent shipments of U.S. wheat to Ukraine were 100,000 MT in 1994 and 400,000 MT in 1993.

Current prices indicate that U.S. wheat could competitively land in Ukraine, despite the fact that Ukraine’s domestic milling wheat price is anticipated to drop following the harvest. Other potential wheat suppliers who could take advantage of the lifting of the import duty are the European Union, Hungary and, to a lesser extent, Turkey. Competitive

Stocks

Post revised downward wheat ending stocks for MY 2002/2003 based on available trade and price information (see graph above).

Wheat PSD Table

PSD Table						
Country	Ukraine					
Commodity	Wheat					
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		07/2001		07/2002		07/2003
Area Harvested	6882	6882	6750	6750	3500	3200
Beginning Stocks	450	461	3761	3081	5136	2981
Production	21349	21349	20550	20550	7200	6000
TOTAL Mkt. Yr. Imports	92	75	525	450	1000	2500
Jul-Jun Imports	92	75	525	450	1000	2500
Jul-Jun Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	21891	21885	24836	24081	13336	11481
TOTAL Mkt. Yr. Exports	5486	5504	6700	6700	1000	200
Jul-Jun Exports	5486	5504	6700	6700	1000	200
Feed Dom. Consumption	2200	3800	2500	4500	1600	2000
TOTAL Dom. Consumption	12644	13300	13000	14400	11800	10800
Ending Stocks	3761	3081	5136	2981	536	481
TOTAL DISTRIBUTION	21891	21885	24836	24081	13336	11481

Barley PSD Table

PSD Table						
Country	Ukraine					
Commodity	Barley				(1000 HA)(1000 MT)	
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		07/2001		07/2002		07/2003
Area Harvested	3921	3921	4150	4150	4500	5000
Beginning Stocks	846	471	1326	971	1396	1041
Production	10186	10186	10350	10350	9200	8000
TOTAL Mkt. Yr. Imports	94	17	20	20	20	20
Oct-Sep Imports	95	18	20	20	20	20
Oct-Sep Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	11126	10674	11696	11341	10616	9061
TOTAL Mkt. Yr. Exports	2800	2803	3000	3000	2000	2000
Oct-Sep Exports	3150	3135	2700	2700	2500	2000
Feed Dom. Consumption	5200	5200	5400	5400	5900	4400
TOTAL Dom. Consumption	7000	6900	7300	7300	7800	6500
Ending Stocks	1326	971	1396	1041	816	561
TOTAL DISTRIBUTION	11126	10674	11696	11341	10616	9061

Corn PSD Table

PSD Table						
Country	Ukraine					
Commodity	Corn					
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		10/2001		10/2002		10/2003
Area Harvested	1123	1123	1200	1190	1800	2000
Beginning Stocks	944	704	940	723	770	623
Production	3641	3641	4200	4170	5500	5500
TOTAL Mkt. Yr. Imports	4	18	30	30	0	10
Oct-Sep Imports	4	18	30	30	0	0
Oct-Sep Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	4589	4363	5170	4923	6270	6133
TOTAL Mkt. Yr. Exports	349	340	1000	900	1300	1000
Oct-Sep Exports	349	340	1000	900	1300	1000
Feed Dom. Consumption	2700	2700	2800	2800	3700	3700
TOTAL Dom. Consumption	3300	3300	3400	3400	4400	4400
Ending Stocks	940	723	770	623	570	733
TOTAL DISTRIBUTION	4589	4363	5170	4923	6270	6133