



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

**Date:** 10/24/2005

**GAIN Report Number:** UP5019

## Ukraine

## Sugar

## October Update

## 2005

**Approved by:**

W. Garth Thorburn II, Agricultural Attaché  
U.S. Embassy

**Prepared by:**

Dmitri Prikhodko, Agricultural Specialist

---

**Report Highlights:**

Lower beet sugar production will be insufficient resulted in continued imports of raw cane sugar in MY 2005/2006. After a sharp decline in sugar imports in MY 2004/2005 because of political reasons, Ukraine will have to increase imports and decrease exports in MY 2005/2006 to meet domestic consumption and to re-built stocks.

---

Includes PSD Changes: Yes  
Includes Trade Matrix: Yes  
Unscheduled Report  
Kiev [UP1]  
[UP]

## Executive Summary

Sugar beet production in 2005 is forecasted lower than in 2004 but unchanged from the current USDA estimate. A reduction in sugar beet area planted this year will be partially compensated by higher yields and higher sucrose contents as compared to 2004. Higher domestic sugar production, however, will not allow Ukraine to decrease its dependence on imports. Ukraine significantly reduced raw cane sugar imports in MY 2004/2005 due to political reasons associated with approving a tariff-rate-quota. Although MY 2005/2006 beet sugar production will be slightly higher than FAS-Kiev initially forecasted, it will still be lower than in MY 2004/2005. Therefore, Ukraine will have to increase imports to meet domestic consumption needs and to rebuild stocks in MY 2005/2006.

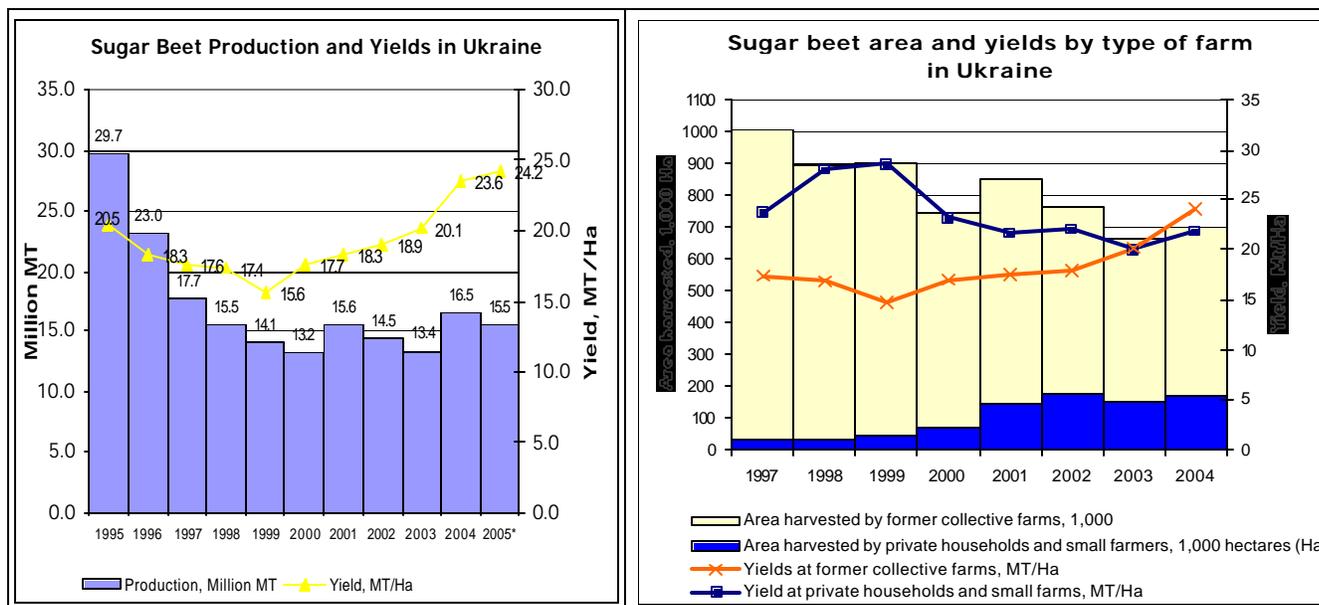
## Sugar Beet Production

Ukraine							
Sugar Beets							
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	
<b>Market Year Begin</b>		09/2003		09/2004		09/2005	MM/YYYY
Area Planted	0	773	754	754	740	674	(1000 HA)
Area Harvested	0	665	700	700	680	640	(1000 HA)
Production	0	13391	16500	16500	15500	15500	(1000 MT)
TOTAL SUPPLY	0	13391	16500	16500	15500	15500	(1000 MT)
Utilization for Sugar	0	13391	16500	16500	15500	15500	(1000 MT)
Utilizatn for Alcohol	0	0	0	0	0	0	(1000 MT)
TOTAL UTILIZATION	0	13391	16500	16500	15500	15500	(1000 MT)

Ukraine's sugar beet production estimate in 2005 remains unchanged. Reduced area planted with sugar beets will be offset by higher than anticipated yields. The area planted in Ukraine continued to shrivel as was expected (GAIN Report [UP 5007](#)). According to final official planting statistics, farmers reduced the area under sugar beets to 674,000 hectares this year – the lowest level registered since 1940 (!).

According to Ministry of Agricultural Policy of Ukraine information as reported by [APK- Inform](#), farmers harvested 10.62 million tons of sugar beets from 429,900 hectares as of October 11, 2005 compared to 9.92 million tons produced from 429,300 hectares by the same date the previous year. Therefore, the trend of increased yields will likely continue in 2005 (refer to the graph below – left side).

While the area under sugar beets has declined dramatically in response to low profitability of the crop in large-scale farms, yields have been steadily increasing since 1999 (see right graph below). The main reasons for increasing yields are believed to be better access to constantly improving hybrids and plant protection technologies. Unlike large farms, private households and farmers have increased sugar beet area; however, they still rely predominantly on hand labor.



Prepared by FAS-Kiev based on the State Statistics Committee of Ukraine data  
 \*2005 – FAS-Kiev forecast

**Beet Sugar Production**

Ukraine							
Sugar, Centrifugal							
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	
Market Year Begin		10/2003		10/2004		10/2005	MM/YYYY
Beginning Stocks	496	496	181	181	181	151	(1000 MT)
Beet Sugar Production	1580	1580	1900	1900	1750	1830	(1000 MT)
Cane Sugar Production	0	0	0	0	0	0	(1000 MT)
TOTAL Sugar Production	1580	1580	1900	1900	1750	1830	(1000 MT)
Raw Imports	495	495	350	180	500	300	(1000 MT)
Refined Imp.(Raw Val)	70	70	100	50	100	50	(1000 MT)
TOTAL Imports	565	565	450	230	600	350	(1000 MT)
TOTAL SUPPLY	2641	2641	2531	2311	2531	2331	(1000 MT)
Raw Exports	0	0	0	0	0	0	(1000 MT)
Refined Exp.(Raw Val)	310	310	200	60	150	50	(1000 MT)
TOTAL EXPORTS	310	310	200	60	150	50	(1000 MT)
Human Dom. Consumption	2100	2100	2150	2100	2200	2100	(1000 MT)
Other Disappearance	50	50	0	0	0	0	(1000 MT)
Total Disappearance	2150	2150	2150	2100	2200	2100	(1000 MT)
Ending Stocks	181	181	181	151	181	181	(1000 MT)
TOTAL DISTRIBUTION	2641	2641	2531	2311	2531	2331	(1000 MT)

Although the estimate for sugar beet production in 2006 remained unchanged, FAS-Kiev suggests increasing the estimate of beet sugar production in MY 2005/2006 based on higher sucrose content compared with the previous year. The Ukrainian Association of Sugar

Producers reported that as of October 10, 2005, 111 sugar beet processing factories produced 614,000 tons of sugar from 5.03 million tons of sugar beets. Approximately the same number of sugar factories that operated in MY 2003/2004 processed 3.87 million tons of sugar beets and produced 431,000 tons of sugar as of October 10, 2004. Estimated sugar output from beets increased from 11% in MY 2004/2005 to 12% this marketing year.

### Consumption

Sugar consumption in MY 2005/2006 will likely decline in response to higher anticipated prices. Sugar prices in Ukraine are not expected to return to levels registered in MY2003/2004 (see Price Section below) following the price shocks during MY 2004/2005. FAS-Kiev decreased MY 2004/2005 consumption level to reflect lower imports. Since there is no reliable way to estimate parallel imports of refined sugar from Poland, Belarus and Russia that occurred in response to high domestic prices, actual direct human consumption and utilization by the food processing industry may have increased.

### Trade

#### Imports

Sugar imports in MY 2005/2006 will likely be lower than the previous forecast due to higher expected production and strong opposition to sugar imports in Parliament that will persist even after March 2006 elections. MY 2005/2006 imports, however, are expected to exceed the revised MY 2004/2005 import level. Strong opposition in parliament was the major reason for reduced MY 2004/2005 imports. Unlike in previous years, legislators refused to adopt a tariff-rate-quota (TRQ) to allow imports of raw cane sugar at a lower rate than a standard EUR300/1MT. In the absence of a legally mandated TRQ, sugar imports declined dramatically while parallel trade increased in response to high prices. The revised MY 2004/2005 import estimate reflects only a reduction in legal sugar imports and does not reflect smuggling.

#### Imports of Raw Cane Sugar into Ukraine (HS 170111)

MY 2002/2004	MT	MY 2004/2005	MT
Oct-03	49,501	Oct-04	10,935
Nov-03	56,285	Nov-04	10,110
Dec-03	75,054	Dec-04	0
Jan-04	51,810	Jan-05	0
Feb-04	48,703	Feb-05	1
Mar-04	27,167	Mar-05	0
Apr-04	42,395	Apr-05	10,611
May-04	18,829	May-05	0
Jun-04	0	Jun-05	0
Jul-04	113,901	Jul-05	0
Aug-04	6,317	Aug-05*	150,000
Sep-04	4,679	Sep-04	0
<b>Total</b>	<b>494,643</b>		<b>181,656</b>

Source: State Statistics Committee of Ukraine

\*FAS-Kiev forecast

After repeated failures in Parliament to approve a TRQ in May-July 2005 and pressured by significant retail sugar price increases, the Cabinet of Ministers developed an innovative import scheme to allow some duty-free imports in August 2005 without a mandate from legislators. Companies affiliated with the State Committee on the Material Reserves of

Ukraine delivered raw cane sugar to Ukraine and refused their ownership rights immediately prior to customs clearance in Ukraine. The Committee, without the necessity to pay import tariffs and 20% VAT, took possession of “nobody’s” product. Ukraine’s Natural Oil and Gas Company *Naftogaz Ukrainy* was ordered by the government of Ukraine (GOU) to pay \$75.5 million for “stabilization of the food market”. Only government owned companies were allowed to import using this method.

Considering the GOU conducted most of MY 2004/2005 imports in August 2005 at zero import tariff rate, **MY 2004/2005 applied tariff rate on raw cane sugar was next to zero**. In MY 2003/2004, import quota was auctioned at a minimum price (EUR 30/MT) on and an additional EUR 60/MT auction fee.

### Exports

The refined sugar export estimate for MY 2004/2005 was reduced to reflect decreased processing of imported sugar and high domestic prices. The ban on tolling imports (for further processing) is expected to continue to hamper Ukraine’s ability to export refined sugar to countries of the Former Soviet Union in MY 2005/2006. Therefore, the export estimate for MY 2004/2005 and MY 2005/2006 were lowered.

Reportedly, the State Committee on the Material Reserves did not sell all the sugar that was produced from refined imported cane sugar. According to GOU reports, 110,000 tons out of the 150,000 tons that were imported in August were sold in the domestic market by September 15, 2005. It is quite likely that GOU will export approximately 20,000-30,000 MT tons of refined sugar to traditional buyers from Former Soviet Union countries in MY 2005/2006. However, at this point it is unlikely that MY 2005/2006 exports will exceed the estimated provided in the PSD table above.

### Monthly Exports of Sugar (HS 1701)

Month	MT	Month	MT
Oct-03	46,067	Oct-04	14
Nov-03	33,144	Nov-04	10,527
Dec-03	65,306	Dec-04	5,148
Jan-04	12,316	Jan-05	2,084
Feb-04	5,262	Feb-05	3,727
Mar-04	38,965	Mar-05	5,752
Apr-04	24,559	Apr-05	2,204
May-04	18,535	May-05	3,905
Jun-04	14,346	Jun-05	2,657
Jul-04	12,118	Jul-05	1,788
Aug-04	14,585	Aug-05*	1,000
Sep-04	1,356	Sep-05*	1,000
<b>MY Total</b>	<b>286,558</b>		<b>39,804</b>

Source: State Statistics Committee of Ukraine

\* FAS-Kiev Estimates

**Exports of Refined Sugar (HS 170199), MT**

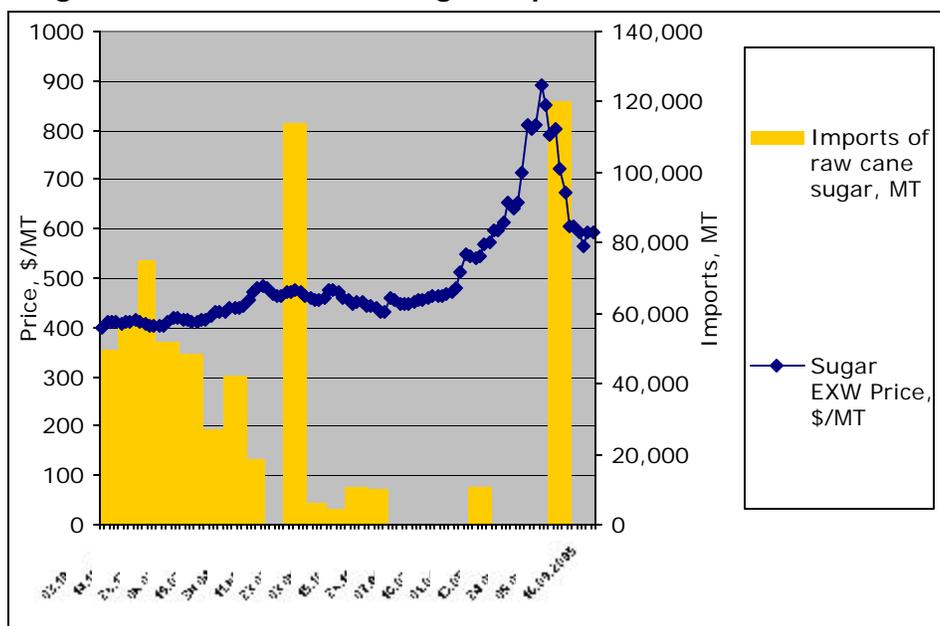
Country	Oct 02-Jul 03	Oct 03-Jul 04	Oct 04-Jul 05
Moldova	70,419	98,500	23,864
Poland	0	0	9,406
Uzbekistan	0	1,009	2,704
Georgia	34,626	38,511	1,302
Kazakhstan	19,747	9,354	400
Russia	0	2,884	44
Latvia	68	36	20
Italy	0	0	20
Others Not Listed	136,977	120,320	38
Grand Total	261,837	270,614	37,798

Source: State Statistics Committee of Ukraine

**Prices and Stocks**

Despite assurances that were made by the Ukrainian Sugar Producers Association regarding availability of nearly 500,000 tons of sugar, supply sharply decreased in May 2005 resulting in significant price hikes. The GOU had no intervention stocks while the Parliament repeatedly refused to allow raw cane sugar imports. Wholesale sugar prices peaked at \$890/MT in mid-July and approached the threshold beyond which sugar imports could have made sense even with paying the prohibitive EUR300/MT import tariff. However, rumors of expected sugar imports by the GOU turned the price trend on the bearish side and was the major price stabilization factor in Ukraine (see the graph below).

**Wholesale Sugar Price and Raw Cane Sugar Imports into Ukraine**



Prepared by FAS-Kiev based on APK-Inform ([www.apk-inform.com](http://www.apk-inform.com)) price information and State Statistics Committee of Ukraine data on imports

There remains to be no reliable information on sugar stocks in Ukraine. GOU does not disclose this information and there is no reporting system to trace industry and trade-held stocks. FAS Kiev decreased estimates for MY 2004/2005 ending stocks to reflect significant end of year price increases that occurred as a result of falling supplies. MY 2005/2006 estimates remained unchanged as higher forecasted imports will facilitate accumulation of stocks.