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## Ukraine

### EXPORT PROMOTION PROGRAMS

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**Report Highlights:**

Ukraine's agricultural exports have been stimulated by the highly competitive food and agricultural product export markets. Due to the lack of funding, Government of Ukraine expenditures for export promotion in 2005 will not exceed 0.01% of export value. Industry associations are predominantly focused on issues related to the domestic market and lobbying efforts.

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## Executive Summary

Currently, the Government of Ukraine (GOU) cannot afford to establish an effective export promotion program for food, fisheries and forestry products. Ukraine has no programs that are similar to USDA's Market Access or Foreign Market Development Programs. Promotion activities are limited to Ministry of Agricultural Policy's participation in the Green Week Show in Germany. Industry associations have focused exclusively on resolving domestic trade policy issues (high railroad tariffs, delays securing value-added tax refunds on exported products, quality, standards and technical regulations, safety issues, etc.) and do not conduct export promotion programs.

Ukraine is not yet a member of the World Trade Organization (WTO) but accession is expected in the near future and will require reductions and discipline in currently used price distorting support programs. Therefore, it is likely that the GOU will develop export promotion programs that fall under "green box measures".

## Section I. National Strategy

Ukraine's food and agricultural exports have increased as a result of the highly competitive world markets for grains, vegetable oils, and dairy and meat products. In January-August 2005, the country exported \$2.4 billion worth of agricultural products (HS heading 1-24), compared to \$2.1 billion in January-August 2004, and \$1.6 billion in January-August 2003. Such impressive export performance, however, has been achieved without a government strategy and absent of government or industry export promotion efforts.

Although the executive branch and industry associations have declared export promotion of agricultural and food products as their top priority, very little funding is available to promote exports. The only export promotion program that was conducted in 2005 was participation in the Green Week Show in Berlin. The GOU spent UAH 1.8 million (\$360,000) on participant fees, related travel and transportation expenses. There are no industry funded export promotion programs.

The GOU has been trying to join the WTO for over a decade. The level of price distorting agricultural support programs decreased from \$1.3 billion in 1994-1996, to \$80 million in 1997-1999, and rebounded to \$1.1 billion in 2000-2002. After Ukraine accedes to the WTO and begins to implement reduction commitments for price distorting programs, the GOU will likely begin to focus more attention on export promotion programs. The government will most likely consider export promotion programs as "green box" measures 3 to 4 years after Ukraine accedes to the WTO.

## Section II. Organizations

Lack of strong financial support from industry members and cooperative efforts with the government prevent industry organizations from establishing their own promotion programs. Regulatory changes in Ukraine are frequent and affect the domestic grains, oilseeds, dairy, livestock and poultry products markets. Therefore, industry associations are mostly focused on resolving domestic transportation problems, unfair competition, and timely reimbursement of the value-added tax, quality, food safety and other issues that have an indirect influence on exports.

The following are the most influential industry organizations in Ukraine that might be involved in future export promotion programs.

**Ukrainian Grain Association** is probably one of the most well established privately funded industry associations in Ukraine with more than 60 members including Ukrainian, international grain and feed trading companies, and elevators and freight forwarders. The association was established in 1998. ([http://uga-port.org.ua/cgi-bin/valmenu\\_portal.sh?1p0000.html](http://uga-port.org.ua/cgi-bin/valmenu_portal.sh?1p0000.html))

**Ukrainian Oilseed Processors Association** represents all major oilseed crushers and exporters of vegetable oils and meals. The association is very active in lobbying for domestic policies that benefit oilseed processors. In 1999, the association lobbied for introduction of a 23% export duty. The industry negotiated to reduce the export duty to 17% in June 2001 and provides market and technical information support to its members in addition to lobbying efforts. (<http://www.ukroilprom.kiev.ua/qw.php?page=about>)

**Ukrainian Sugar Producers Association** represents all sugar producing factories in Ukraine and is actively involved in distributing domestic sugar production quotas and aggressively lobbies to ban imports of raw cane sugar. Since Ukraine is a net sugar importer, this association will not implement an export promotion program in the near future. ([www.ukrsugar.kiev.ua](http://www.ukrsugar.kiev.ua)).

**Ukraine's Poultry Union Association.** Known as the Poultry Union, the association unites producers involved in poultry meat and eggs production. It was founded by regional (oblast) poultry associations and by major producers. Altogether 78 companies are members of the Association and account for 83% of broiler meat and 78% of chicken eggs in Ukraine. The declared goal of the Union is to lobby for producers' interests at the state level as well as represent member companies at the international level. Within the Union is a special committee for marketing and foreign markets promotion. So far, the Poultry Union does not concentrate on international markets because exports of poultry products from Ukraine are insignificant. Some smaller members accuse the Union of lobbying exclusively for the interests of the two largest poultry meat producers who initiated the creation of the Union. They are Myronivsky Khleboproduct ("Nasha Riaba" brand) and Complex Agromars ("Gavriliivsky Kurchata" brand). The Poultry Union discriminates against foreign companies by charging member fees that are 3 times higher than fees charged to local members. According to FAS/Kiev's own calculations the budget of the Union is 875,000 UAH (\$172,000). ([www.ptaha.kiev.ua](http://www.ptaha.kiev.ua)).

**Production Scientific Union of Poultry Industry – PSU "Ukrptahoprom".** The predecessor to the old Soviet Department for Poultry Industry, Ukrptahoprom continues to be very bureaucratic and is operated like a "state institution". It is currently funded by industry member fees and has a broad membership base of 684 poultry farms (82 industrial poultry producers, 150 – egg producers, 86 – parental flock producers and 5 processing companies). Ukrptahoprom does not conduct promotions abroad and is viewed by many industry participants as a highly inefficient organization. This inefficiency eventually led to the creation of Ukraine's Poultry Union. (<http://www.ptaha.kiev.ua>).

**National Association of Meat Product Producers "Ukrmiaso".** Founded in 1995 by a group of meat processing plants, Ukrmiaso's members range from large to mid-sized industrial meatpacking companies. Smaller companies usually do not choose to become members of the association. Ukrmiaso lobbies for the industry at the state level and theoretically can participate in export promotion programs abroad. However, Association members that were questioned by FAS/Kiev were unable to recall such activities. They appreciate the role of the association as an industry lobbyist but utilize the organization mostly as an information source. There are over 100 members representing all regions (oblasts) of the country.

**Union of Dairy Processing Enterprises.** There are 56 members in the Union. The Union represents the largest dairy processing enterprises in Ukraine - the most export oriented industry. So far the Dairy Union does not promote Ukrainian dairy products abroad. The Union lobbies for the industry's domestic interests, often demanding preferential treatment and subsidies for the industry.

**National Association of Dairies of Ukraine "Ukrmolprom".** The Association has 435 members, but this membership is often informal. Ukrmolprom is a predecessor of the old Soviet Department for Dairy Industry. The Association is often criticized for having a large bureaucracy and lack of efficiency which led to the creation of the Union of Dairy Processing Enterprises, a much more efficient lobbying body.

**Other Associations.** There are other public and quasi-public associations that attempt to influence domestic policy and assist their membership to market their products. The list includes National Union of High Breed Livestock Breeders, Union of State High Breed Enterprises, Association of Meat Cattle Breeders, Association of Industrial Meat Producers, Ukraine's Equine Association, Bee Keepers Union, etc. These organizations are relatively small and unlikely to be engaged in export promotion activities.

The larger public organizations outlined above are often engaged in providing technical assistance activities aimed at market expansion which includes international expansion as well. However, these organizations do not directly sponsor events, but provide speakers and other assistance to commercial companies that arrange such events. Costs associated with these types of activities are extremely difficult to estimate.

**Check-off Programs.** The Market of Milk and Dairy Products Development Fund operate the only check-off program in Ukraine. The Fund is legislated by the Law On Milk and Dairy Products and obligates a payment of 0.2 kopeks per kilogram of milk produced and processed. The total amount paid could be as high as 30.4 million UAH (\$ 6.0 million dollars). According to the law, the fund is to be supervised by the Ministry of Agricultural Policy. Currently this law is not enforced, the fund does not exist and check-off money is not collected.