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Ukraine

Grain and Feed

Annual

2007

Approved by:
Garth Thorburn, Agricultural Attache
U.S. Embassy, Kyiv

Prepared by:
Olena Pereyatenets, Agricultural Specialist

Report Highlights:
Grain and pulse production is expected to increase by 10% over the previous year. Wheat production is expected to increase 20%. The increased grain production is expected to result in increased exports of wheat and corn. Feed and food consumption will remain relatively stable. The Government of Ukraine (GOU) is expected to continue to intervene in the grain markets during marketing year 2007/2008.

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

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Executive Summary

Grain and pulse (wheat, barley, corn, rye, oats and peas) production in Ukraine is projected to increase by 10%. The increase in grain production will be propelled by a 20% increase in wheat production. If the government decides not to implement new export quotas on grains for marketing year 2007/2008, then the increase in production will result in higher exports (wheat, barley and corn). Consumption of grains for feed and food consumption is expected to remain relatively stable.

The Government of Ukraine (GOU) is expected to intervene in the grains markets in marketing year 2007/2008 by:
- Purchasing wheat (mainly milling wheat) by the Agrarian Fund**;**
- Monitoring the volume of grain exports during the first quarter of the marketing year (July-September);
- Monitoring grain prices during the beginning of the marketing year, especially for wheat and barley.

There is a strong possibility that the government will once again introduce export quotas for grains in marketing year 2007/2008, if:
- there is strong demand for Ukrainian grains (wheat, barley) in the international market;
- international traders aggressively purchase grains at the beginning of the season which precipitates a price increase;
- the volume of wheat and barley exports in July-September 2007 is deemed to be too high;
- if prices on the domestic market jumps for wheat, corn and barley.

Wheat

Wheat PSD Table

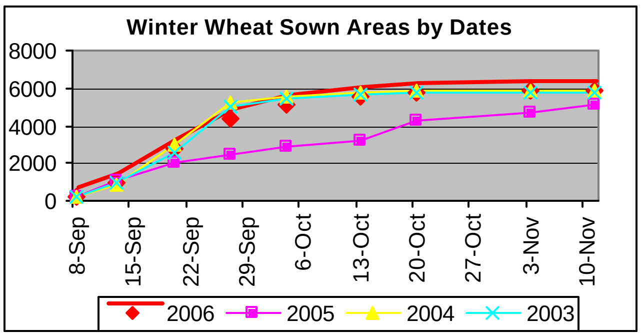
Ukraine										
Wheat										
	2005	**Revised**		**2006**	**Estimate**		**2007**	**Forecast**		**UOM**
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		**07/2005**	**07/2005**		**07/2006**	**07/2006**		**07/2007**	**07/2007**	**MM/YYYY**
Area Harvested	6,570	6,570	6,570	5,500	4,800	5,511	0	0	5,940	(1000 HA)
Beginning Stocks	2,609	2,859	2,609	2,414	2,809	2,414	2,214	1,800	2,071	(1000 MT)
Production	18,700	18,700	18,700	14,000	12,000	13,947	0	0	17,227	(1000 MT)
MY Imports	66	50	66	100	200	10	0	0	10	(1000 MT)
TY Imports	66	50	66	100	200	10	0	0	10	(1000 MT)
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	21,375	21,609	21,375	16,514	15,009	16,371	2,214	1,800	19,308	(1000 MT)
MY Exports	6,461	5,700	6,461	2,800	1,500	2,800	0	0	5,000	(1000 MT)
TY Exports	6,461	5,700	6,461	2,800	1,500	2,800	0	0	5,000	(1000 MT)
Feed Consumption	2,900	3,000	2,900	2,100	2,500	2,100	0	0	2,500	(1000 MT)
FSI Consumption	9,600	10,100	9,600	9,400	9,209	9,400	0	0	9,400	(1000 MT)
Total Consumption	12,500	13,100	12,500	11,500	11,709	11,500	0	0	11,900	(1000 MT)
Ending Stocks	2,414	2,809	2,414	2,214	1,800	2,071	0	0	2,408	(1000 MT)
Total Distribution	21,375	21,609	21,375	16,514	15,009	16,371	0	0	19,308	(1000 MT)

Production

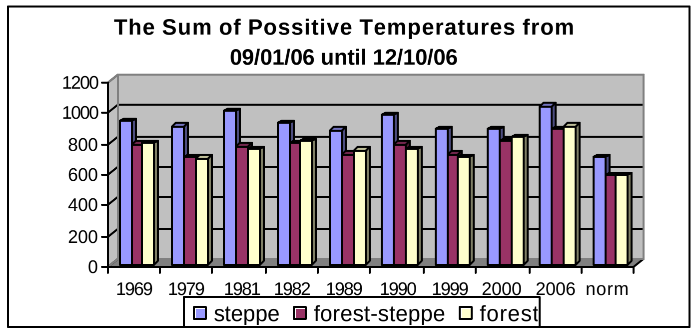
In 2007, wheat production is expected to increase nearly 20%, compared to the previous year. The good harvest is a result of the 12% increase in the winter wheat sown area (0.6 million hectares), minimal winter-kill losses due to the mild winter, lower then expected frosts and higher than average yield expectations.

Favorable weather conditions in autumn 2006 allowed farmers to complete winter wheat sowing, and resulted in a 50% increase over the previous year. Please refer to the graph below which compares the progress of the sown area by date. For 2006, the sown area is relatively average but significantly higher than the level in 2005.

Winter weather conditions in December 2006 through February 2007 were exceptionally mild. The average temperature from September 2006 through the middle of December 2007 was the highest level recorded during the past 30 years (please refer to the **graph below and on the right**).



Source: Ukrainian Ministry of Agriculture



Source: Ukrainian Hydromet Center

Temperatures in January and February were also abnormally high**.** The average nighttime temperature ranged between +2 degrees Celsius to –5 degrees. The average daily temperature ranged between +5 degrees Celsius to -2 degrees. Twice in three months, the temperatures dropped to below –10 to -15 degrees Celsius resulting in frosts. The two frosts caused no damage to the crops due to sufficient snow cover (from 2 to 10 centimeters) during those days. The entire territory of Ukraine except southern Kherson and Odesa had snow cover. Fortunately, the temperatures were not dangerously low in those areas.

According to the Ukrainian Meteorological Center, 91% of the winter crop is categorized as “good” or “satisfactory”. Only 8% is categorized as “weak” as of February 15, 2007. These indicators are good when compared to the past two years (comparisons taken between February 15 to 20):

February 2007 – 91% is in good or satisfactory condition. 8% is weak;
February 2006 – 70% is in good or satisfactory condition. 30% is weak;
February 2005 – 89% is in good or satisfactory condition. 11% is weak;
February 2004 – 98% is in good or satisfactory condition. 2% is weak;

Consumption

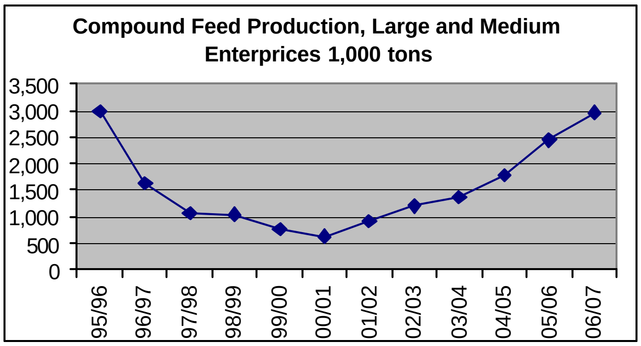
Increased wheat production in 2007 will result in higher wheat consumption when compared to the 2006 marketing year. The larger wheat crop could ease wheat prices this year. Lower prices result in increased wheat usage for compound feed production and stability in flour production.

The charts below clearly show the strong upward trend in compound feed production. The increases began during the 2001/2002 marketing year and production continues to increase by an average of 30% per year. Conversely, flour production is on a downward trend, due to the close linkage between flour production and the wheat harvest, and government subsidies for bread to ensure stable prices.

The increase in consumption of feed wheat is probable due to expansion of poultry production. Monthly poultry inventories increased by 1-5% in **2006**.

Increase in Compound Feed Production

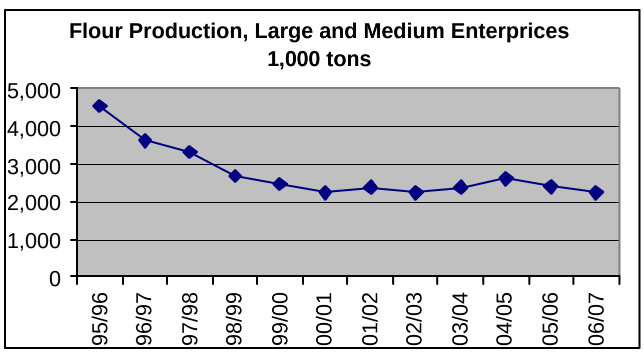
July-June		%
95/96	2,984	
96/97	1,634	-45%
97/98	1,065	-35%
98/99	1,043	-2%
99/00	764	-27%
00/01	630	-18%
01/02	919	46%
02/03	1,203	31%
03/04	1,365	13%
04/05	1,783	31%
05/06	2,439	37%
06/07	2,949	21%



Source: State Statistics Committee of Ukraine
06/07 – FAS Kyiv Estimation

Decrease in Flour Production

July-June		%
95/96	4,534	
96/97	3,611	-20%
97/98	3,322	-8%
98/99	2,675	-19%
99/00	2,471	-8%
00/01	2,241	-9%
01/02	2,373	6%
02/03	2,234	-6%
03/04	2,369	6%
04/05	2,618	10%
05/06	2,401	-8%
06/07	2,238	-7%



Source: State Statistic Committee of Ukraine
06/07 – FAS Kyiv-estimation

Trade

Exports

A surplus of wheat exports is forecasted from July 2007 through June 2008 and total exports should reach 5 million tons due to the estimated increase in the wheat crop by approximately 3.3 million tons over last year. The quality of the 2007 crop is expected to be higher than that of 2006 (in 2006 there was a significant problem with bug damage. The average bug damage accounted for 2-6%. The lowest recorded bug damage was .5% and the maximum was 20%). However, in 2006 wheat crop protein levels were higher resulting in increased levels of milling wheat exports (but not to traditional markets due to the significant bug damage).

The improvement in the quality of the wheat crop is reflected in wheat exports. In the charts below, a decrease in the share of feed wheat exports can be seen for marketing year 2006/2007 when compared to 2005/2006.

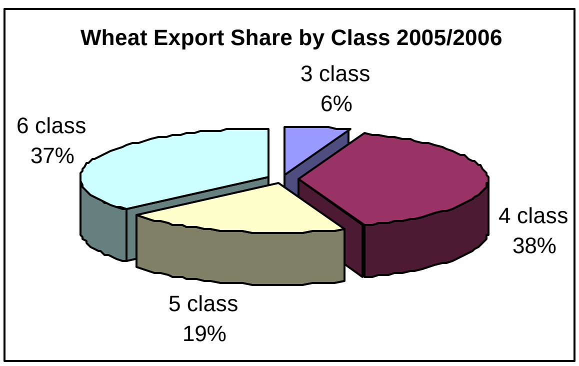
Exports & Share of Milling vs Feed Wheat (1,000 tons)

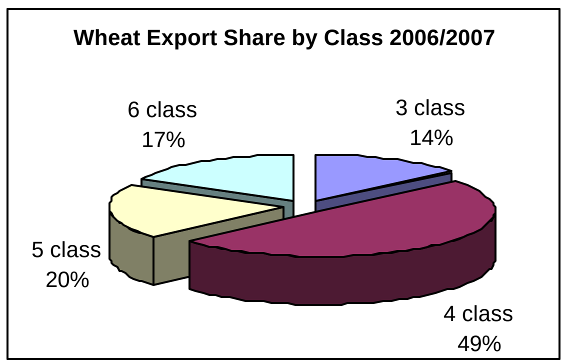
	MILLING WHEAT	FEED WHEAT	TOTAL WHEAT
2005/2006	3,505	2,956	6,461
2006/2007*	1,994	410	2,404
2005/2006 quality share	54%	46%	100%
2006/2007 quality share*	83%	17%	100%

Source: State Statistics Committee of Ukraine
**2006/2007 Wheat Exports and Share by Class for July 06 through February 07*

Milling Wheat Exports by Class (1,000 tons)

	3 class milling wheat	4 class milling wheat	5 class milling wheat	6 class milling wheat	Total WHEAT
2005/2006	359	2,515	1,227	2,360	6,461
%	***6%***	***39%***	***19%***	***37%***	***100%***
2006/2007	349	1,170	475	410	2,404
%	***14%***	***49%***	***20%***	***17%***	***100%***





Source: State Statistics Committee of Ukraine
2006/2007 Wheat Export Share by Class for July 06-February 07

Ukrainian Quality Standards: Main Indicators:

	3 class milling wheat	4 class milling wheat	5 class milling wheat	6 class milling wheat
Test weight, min g/l	730	710	710	Any
Moisture, % min	14.5	14.5	14.5	14.5
Grain admixture	8	10	15	15
Foreign matter, %, max	3	4	5	5
Falling number, min	150	100	100	Any
Raw gluten, %, min	23	18	18	Any
IDK	45-100	20-100	20-100	Any
Protein, DM %, min	12	11	10	Any

Source: Ukrainian Standards Committee

Demand for higher quality Ukrainian milling wheat will increase in African, Middle Eastern and Asian markets. Exports of feed quality wheat will increase in the traditional markets like Spain, Italy and Israel. The table below provides a forecast of wheat exports by region for the next marketing year.

Possible Destinations for Ukrainian Wheat Exports for MY 2007/2008

Destinations	July 05- June 06	July 06- Feb 07	July 07 - June 08 Forecast	05/06, Share	06/07 Share	07/08, Share, Forecast
North Africa	1569	382	1200	24%	16%	24%
Other Africa	543	94	400	8%	4%	8%
EU - 25	1428	797	1100	22%	31%	22%
South-East Asia	1401	530	1100	22%	23%	22%
Middle East	1289	398	1000	20%	17%	20%
South America	37	122	100	1%	5%	2%
Other Countries	193	81	100	2%	3%	2%
Total	**6461**	**2404**	**5000**	**100%**	**100%**	**100%**

Source: State Statistics Committee of Ukraine
07/08 – FAS Kyiv Estimate

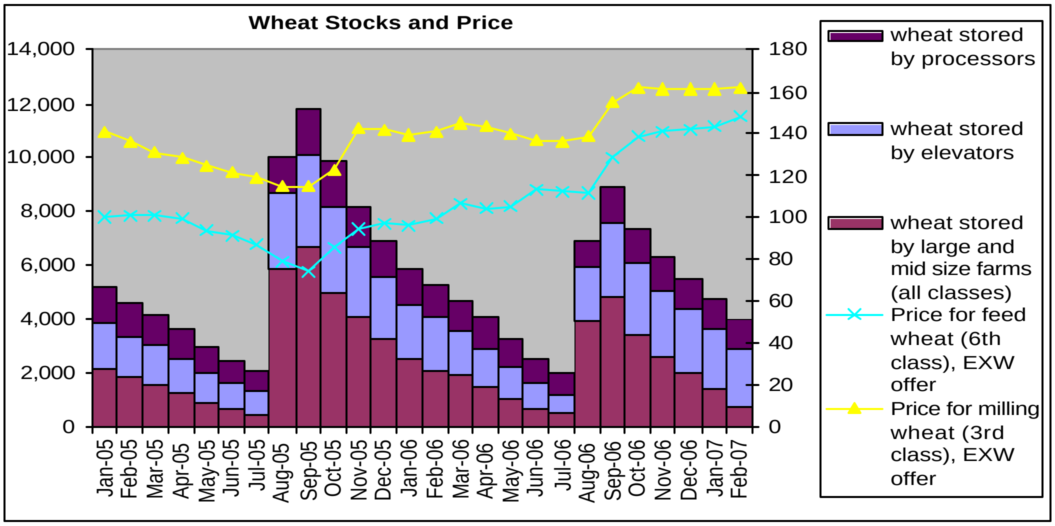
The government reported that wheat exports from July 2006 through February 2007 reached 2,350,000 tons. The wheat quota implemented from January through June 2007 is for 228,000 tons. So, total wheat exports for marketing year 2006-2007 are expected to be 2,578,000 tons, or 2,800,000 tons if the GOU increases the wheat quota for this marketing year. Wheat export quotas remain in place as of the writing of this report.

Imports

Wheat imports for marketing year 2007/2008 will likely remain low, especially due to the expected increase in production of the wheat crop this year.

Stocks

Marketing year 2007/2008 ending stocks will be higher than in marketing year 2006/2007 due to increased wheat supply and unclear government policy (the possibility of new export quotas). Information on monthly wheat stocks held by farmers, elevators and processors is provided below. (Please note: the stock information provided below does not account for wheat stored by small farms and private households which accounted for 18% of all wheat produced in Ukraine in 2005 and 2006.)



Source: State Statistics Committee of Ukraine for Stocks and APK-Inform for Prices
January and February 2007 – FAS Kyiv Estimation

Barley

Production

Barley production is forecasted to decrease when compared to the previous year. Winter barley area (which represents 10-15% of total barley production) increased by 14% over the previous year. The area planted with spring barley is expected to be relatively stable or experience only a slight loss of 9% this year, so production should be slightly lower (approximately 3.3%). The reasons for the spring barley area decrease are:

1) The government's grain policy resulted in large amounts of unsold stocks at farms and elevators. The GOU has not assured producers that export quotas will not be introduced during the next marketing year;
2) International grain traders will not be as aggressive as last year in purchasing barley between July and August 2007 due to unclear government policy. Barley is the first crop farmers attempt to sell in order to get financing for winter crop sowing which begins in September;
3) Farmers are hesitant to take risks given the government's undefined policy and will hedge their risks by sowing less risky crops such as sunflowers, peas and soybeans.

The decrease is not expected harm producers because barley remains a very profitable crop. Prices for the past two years remained high.

Barley PSD Table

Ukraine										
Barley										
	2005	Revised		2006	Estimate		2007	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		07/2005	07/2005		07/2006	07/2006		07/2007	07/2007	MM/YYYY
Area Harvested	4,350	4,350	4,350	5,200	5,000	5236	0	0	4,833	(1000 HA)
Beginning Stocks	991	836	991	1,212	956	1,212	1,182	866	972	(1000 MT)
Production	9,000	9,000	9,000	11,350	10,500	11,340	0	0	10,970	(1000 MT)
MY Imports	80	20	80	20	10	20	0	0	20	(1000 MT)
TY Imports	80	20	80	20	10	20	0	0	20	(1000 MT)
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	10,071	9,856	10,071	12,582	11,466	12,572	1,182	866	11,962	(1000 MT)
MY Exports	3,959	4,000	3,959	4,600	4,500	4,600	0	0	4,000	(1000 MT)
TY Exports	4,926	4,300	4,926	4,300	4,500	4,300	0	0	4,000	(1000 MT)
Feed Consumption	3,200	3,200	3,200	5,100	4,200	5,100	0	0	5,200	(1000 MT)
FSI Consumption	1,700	1,700	1,700	1,700	1,900	1,900	0	0	1,900	(1000 MT)
Total Consumption	4,900	4,900	4,900	6,800	6,100	7,000	0	0	7,100	(1000 MT)
Ending Stocks	1,212	956	1,212	1,182	866	972	0	0	862	(1000 MT)
Total Distribution	10,071	9,856	10,071	12,582	11,466	12,572	0	0	11,962	(1000 MT)

Consumption

The use of barley for feed will slightly increase in marketing year 2007/2008 over the current marketing year, due to increased production and feed demand. Large hog inventories, which are the main consumers of feed barley, continue to increase. In February 2007, hog inventories increased 12% over the level recorded in February 2006.

Barley malt production in marketing year 2006/2007 is expected to increase slightly. The growth in malt production will not be significant in 2007/2008. According to official statistics, malt production remains stable. Production reached 216,000 tons between July 2005 and January 2006, and 215,000 tons between July 2006 and January 2007. Malt production totaled 378,000 tons in marketing year 2005/2006, requiring approximately 480,000 tons of barley. This was an increase of 16% from marketing year 2004/2005.

Exports

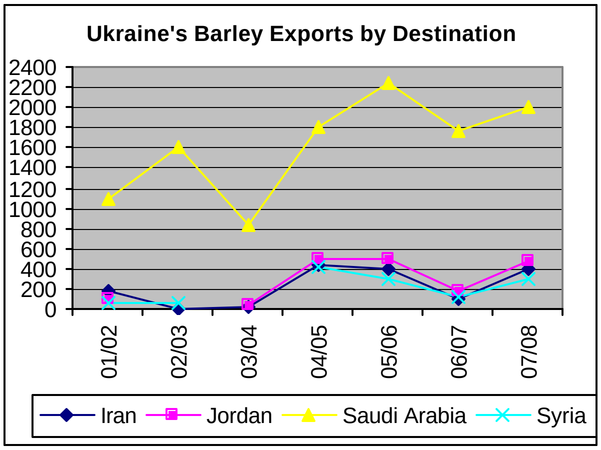
In marketing year 2007/2008, barley exports are expected to decrease to 4.0 million tons, compared to 4.6 million tons for marketing year 2006/2007. This forecast reflects the 3% decrease expected in the 2007/2008 barley crop and the 3% increase in feed and industrial consumption.

Saudi Arabia is expected to remain the main destination point in marketing year 2007/2008, accounting for nearly 60% of Ukraine's barley exports. The remaining exports will be shipped to other traditional markets in the Middle East and North Africa (see table below).

Forecast of Barley Exports by Destination (MY 2007/2008)

Destinations	July 05-June 06	July 06-February 07	July 07 - June 08 Forecast	05/06, Share	06/07 Share	07/08, Share, Forecast
Saudi Arabia	2244	1944	2000	57%	60%	50%
Jordan	491	171	480	12%	5%	12%
Iran	388	109	400	10%	3%	10%
Syria	288	131	300	7%	4%	8%
Israel	83	122	100	2%	4%	3%
Tunisia	82	213	200	2%	7%	5%
Libya	67	151	120	2%	5%	3%
Japan	60	0	0	2%	0%	0%
United Kingdom	55	169	100	1%	5%	3%
Morocco	46	29	50	1%	1%	1%
Algeria	18	62	50	0%	2%	1%
Kuwait	0	77	50	0%	2%	1%
Other Countries	137	32	520	3%	3%	13%
Total	**3959**	**3210**	**4000**	**100%**	**100%**	**100%**

Source: State Statistics Committee of Ukraine
07/08 – FAS Kyiv Estimate

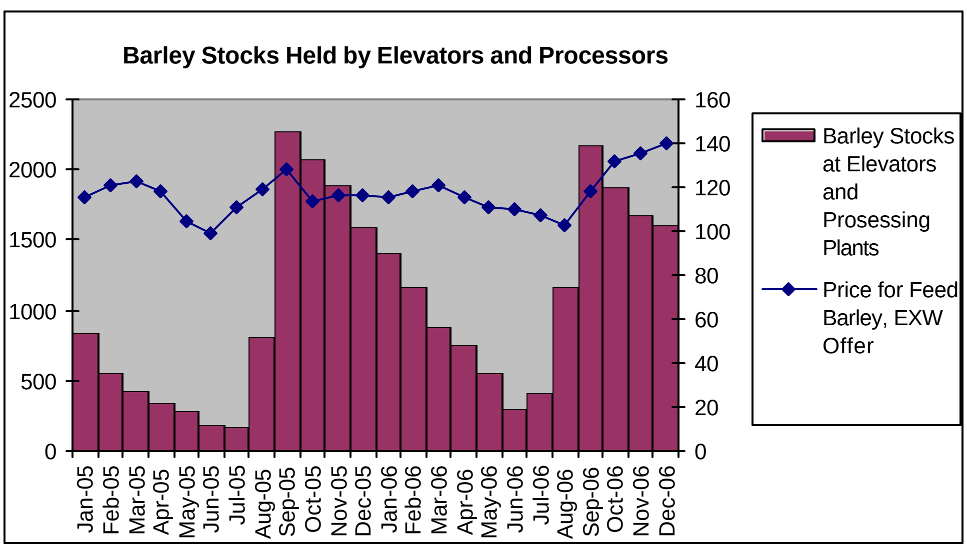


Source: State Statistics Committee of Ukraine
07/08 – FAS Kyiv Estimate

Barley exports increased during marketing year 2006/2007 after the government cancelled export quotas for feed grains. From July 2006 to February 2007, total exports were 3,210,000 tons, and from March 2007 to June 2007, barley exports are expected to reach 1,390,000 tons. Total barley exports for marketing year 2006/2007 are forecast at 4.6 million tons (if there are no changes in policy).

Stocks

Marketing year 2007/2008 ending stocks for barley will decrease due to higher usage and increased demand for Ukrainian barley on the international markets. Monthly barley stocks for the past two marketing years are provided below. (Please note that the graph does not account for barley stored by small farms and private households. These two farm categories accounted for almost 30% of all barley production in 2006.)



Source: State Statistics Committee of Ukraine for Stocks and APK-Inform for Prices

Corn

Corn PSD Table

Ukraine										
Corn										
	2005	Revised		2006	Estimate		2007	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		07/2005	07/2005		07/2006	07/2006		07/2007	07/2007	MM/YYYY
Area Harvested	1660	1660	1660	1700	2100	1720	0	0	1628	(1000 HA)
Beginning Stocks	1324	1202	1324	920	952	937	1070	952	1107	(1000 MT)
Production	7150	7150	7167	6400	7500	6420	0	0	6440	(1000 MT)
MY Imports	10	0	10	0	0	0	0	0	0	(1000 MT)
TY Imports	10	0	10	0	0	0	0	0	0	(1000 MT)
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	8484	8352	8501	7320	8452	7357	1070	952	7547	(1000 MT)
MY Exports	2464	2300	2464	1000	2400	1000	0	0	1800	(1000 MT)
TY Exports	2464	2300	2464	1000	2400	1000	0	0	1800	(1000 MT)
Feed Consumption	4400	4400	4400	4500	4500	4500	0	0	4500	(1000 MT)
FSI Consumption	700	700	700	750	600	750	0	0	700	(1000 MT)
Total Consumption	5100	5100	5100	5250	5100	5250	0	0	5200	(1000 MT)
Ending Stocks	920	952	937	1070	952	1107	0	0	547	(1000 MT)
Total Distribution	8484	8352	8501	7320	8452	7357	0	0	7547	(1000 MT)

Production

Corn production is expected to increase over the previous year due to possible yield increases and lower harvest losses. However, the area planted with spring corn is expected to decrease. The reasons for the decrease in area planted as similar to barley:

1) The government's grain policy resulted in large amounts of unsold stocks at farms and elevators. The export quotas were introduced at the end of the corn harvest, so international traders had only begun to purchase corn and had to stop. The domestic market was unable to absorb the 1.5 million tons of corn surplus. Domestic prices decreased as the world price for corn increased. The difference in domestic and world price was $50-60;
2) There is no guaranteed that the government will not reintroduce the export quotas during the next marketing year;
3) International grains traders will not be as aggressive as last year in purchasing corn in October 2007. The traders will need some guarantee from the government that they will be able to export their corn;
4) Farmers are hesitant to take risks given the government's undefined policy and will hedge their risks by sowing less risky crops such as sunflower, peas and soybeans.

The decrease in area planted with corn is expected to be approximately 7%. The decrease is not expected to be significant, as demand for corn remains strong due to increased exports during the past two years.

Consumption

Consumption of corn for feed in marketing year 2007/2008 is expected to remain unchanged because animal consumption of feed wheat and barley will replace corn. Demand for corn is expected to be stronger on the export market than domestically.

Trade

The traditional export markets for Ukrainian corn is Former Soviet Union countries (FSU) like Russia and Belarus. Their export share usually accounts for approximately 20-25% of total exports. Other traditional destinations are Israel – 10%, Spain – 10%, Tunisia – 10% and Iran – 10%.

For marketing year 2006/2007, exports are forecasted to increase to 1 million tons due to the cancellation of the export quotas in February 2007. By February 2006 approximately 65 to 70% of Ukrainian corn had already been exported. That is why export volumes for March through September 2007 could drive total exports for marketing year 2006/2007 to 1 million tons, especially if traditional markets like Spain, Israel and Iran will continue to demand Ukrainian corn. FSU countries are expected to demand 500,000 tons, including 200,000 tons in Belarus and 200,000 tons in Russia. The other FSU export markets will make up the balance. Corn exports for marketing year 2007/2008 are expected to be 1.8 million tons. The possible destinations are in the table below.

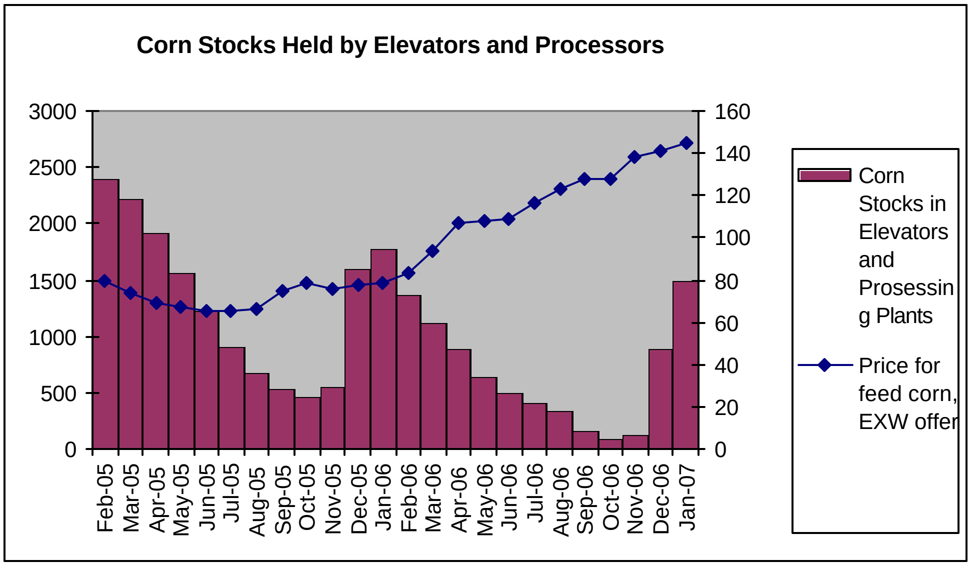
Forecast of Corn Exports by Possible Destinations (MY 2007/2008)

Destinations	Oct 05-Sep 06	Oct 06-Feb 07	Oct 07 - Sep 08 Forecast	05/06, Share	06/07 Share	07/08, Share, Forecast
Belarus	251	81	250	10%	50%	13%
Russia	196	12	200	8%	7%	10%
Spain	297	0	200	12%	0%	10%
Algeria	155	0	150	6%	0%	8%
Egypt	149	25	150	6%	16%	8%
Libya	254	25	200	10%	15%	12%
Tunisia	210	0	150	9%	0%	10%
Iran	169	0	100	7%	0%	7%
Israel	225	0	200	9%	0%	10%
Syria	196	0	150	8%	0%	8%
Other Countries	362	19.7	50	15%	12%	7%
Total	**2464**	**163**	**1800**	**100%**	**100%**	**100%**

Source: State Statistics Committee of Ukraine

Stocks

Ending stocks of corn in marketing year 2006/2007 is forecasted to increase due to lower exports. Ending stocks for marketing year 2007/2008 are currently forecasted to decrease. Higher demand is expected from international markets.



Source: State Statistics Committee of Ukraine for Stocks and APK-Inform for Prices

Rye

Rye PSD Table

Ukraine										
Rye										
	2005	**Revised**		**2006**	**Estimate**		**2007**	**Forecast**		**UOM**
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		**07/2005**	**07/2005**		**07/2006**	**07/2006**		**07/2007**	**07/2007**	**MM/YYYY**
Area Harvested	610	615	610	360	350	360	0	0	320	(1000 HA)
Beginning Stocks	336	344	336	267	294	271	67	139	57	(1000 MT)
Production	1050	1050	1054	600	700	584	0	0	600	(1000 MT)
MY Imports	0	0	0	50	0	5	0	0	0	(1000 MT)
TY Imports	0	0	0	50	0	5	0	0	0	(1000 MT)
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	1386	1394	1390	917	994	860	67	139	657	(1000 MT)
MY Exports	69	50	69	0	5	3	0	0	10	(1000 MT)
TY Exports	49	50	49	0	5	3	0	0	10	(1000 MT)
Feed Consumption	150	150	150	50	50	50	0	0	50	(1000 MT)
FSI Consumption	900	900	900	800	800	750	0	0	550	(1000 MT)
Total Consumption	1050	1050	1050	850	850	800	0	0	600	(1000 MT)
Ending Stocks	267	294	271	67	139	57	0	0	47	(1000 MT)
Total Distribution	1386	1394	1390	917	994	860	0	0	657	(1000 MT)

Production

Farmers reduced the area planted with winter rye in Fall 2006 and rye production is now the lowest in 20 years. The sown area decreased by 7% compared to 2005 and by 50% when compared to the 10 years average. Assuming average yields, rye production will be the lowest since 2003. The gradual reduction in rye production is a result of limited rye bread consumption and weak export demand.

Consumption

Feed, industrial and human consumption of rye are anticipated to decrease in marketing year 2007/2008. Thus, the rye consumption estimate in marketing year 2006/2007 was revised down.

Trade

FAS-Kyiv forecasts that rye exports for the next marketing year will be significantly lower than in marketing year 2006/2007. Lower production in 2007 will result in a bullish price trend and reduce the attractiveness of rye from Ukraine in traditional markets.

Stocks

Rye stocks that have accumulated over the past two marketing years will have to be used for domestic consumption due to lower crop production over the same time period.

Oats

Oats PSD Table

Ukraine										
Oats										
	2005	**Revised**		**2006**	**Estimate**		**2007**	**Forecast**		**UOM**
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		07/2005	07/2005		07/2006	07/2006		07/2007	07/2007	MM/YYYY
Area Harvested	450	450	450	440	480	442	0	0	442	(1000 HA)
Beginning Stocks	23	50	23	18	35	9	18	80	9	(1000 MT)
Production	800	790	791	700	850	690	0	0	700	(1000 MT)
MY Imports	0	0	0	0	0	0	0	0	0	(1000 MT)
TY Imports	0	0	0	0	0	0	0	0	0	(1000 MT)
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	823	840	814	718	885	699	18	80	709	(1000 MT)
MY Exports	5	5	5	0	5	0	0	0	0	(1000 MT)
TY Exports	5	5	5	0	5	0	0	0	0	(1000 MT)
Feed Consumption	650	650	650	550	630	550	0	0	550	(1000 MT)
FSI Consumption	150	150	150	150	170	140	0	0	150	(1000 MT)
Total Consumption	800	800	800	700	800	690	0	0	700	(1000 MT)
Ending Stocks	18	35	9	18	80	9	0	0	9	(1000 MT)
Total Distribution	823	840	814	718	885	699	0	0	709	(1000 MT)

The area planted with oats is expected to be low, but approximately the same level as in the past 2 years. The current level is the lowest in 30 years and is 13% lower than the last 10 year average.

The decrease in horse inventories resulted in a decrease in domestic demand of oats and decreasing prices. Farmers have been switching to more profitable crops like barley and corn.

Peas

Peas PSD Table

Ukraine										
Peas										
	2005	Revised		2006	Estimate		2007	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		07/2005	07/2005		07/2006	07/2006		07/2007	07/2007	MM/YYYY
Area Harvested	0	311	311	0	330	330	0	0	350	(1000 HA)
Beginning Stocks	0	26	26	0	20	20	0	20	27	(1000 MT)
Production	0	620	620	0	650	687	0	0	720	(1000 MT)
MY Imports	0	0	0	0	0	0	0	0	0	(1000 MT)
TY Imports	0	0	0	0	0	0	0	0	0	(1000 MT)
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	0	646	646	0	670	707	0	20	747	(1000 MT)
MY Exports	0	200	200	0	230	250	0	0	270	(1000 MT)
TY Exports	0	200	200	0	230	250	0	0	270	(1000 MT)
Feed Consumption	0	350	350	0	340	350	0	0	360	(1000 MT)
FSI Consumption	0	76	76	0	80	80	0	0	80	(1000 MT)
Total Consumption	0	426	426	0	420	430	0	0	440	(1000 MT)
Ending Stocks	0	20	20	0	20	27	0	0	37	(1000 MT)
Total Distribution	0	646	646	0	670	707	0	0	747	(1000 MT)

Production

Peas have become an important export crop for the past 4 to 5 years. High global demand has kept the sown area more or less stable since marketing year 1999/2000. For marketing year 2007/2008, the sown area for peas is expected to be approximately equal to or slightly higher than last year. Despite high export prices and strong international demand for Ukrainian peas, this crop remains risky. The major problem is rain during the period of harvest, which can make harvesting impossible. That is why farmers have not increased the sown area.

Exports

Exports of peas in marketing year 2007/2008 are expected to increase over marketing year 2006/2007's level.

Peas Exports From Ukraine (HS 071310)

Country	Jul 02-Jun 03	Jul 03-Jun 04	Jul 04-Jun 05	Jul 05-Jun 06	Jul-Dec 06
Spain	70	0	35	55	74
Italy	18	10	16	49	34
India	21	0	38	22	32
Hungary	28	16	73	10	24
Austria	3	0	6	9	15
Netherlands	4	4	0	8	14
Bangladesh	0	0	1	5	11
Belarus	0	1	4	4	5
United Kingdom	1	0	3	3	5
Latvia	0	0	1	3	5
Russia	0	0	1	2	4

Greece	0	0	0	1	2
Armenia	1	1	1	1	1
Pakistan	0	0	12	1	1
Others	19	3	10	5	5
Grand Total	**166**	**35**	**201**	**178**	**232**

Source: State Statistics Committee of Ukraine

Policy (all grains)

The grain policy has changed dramatically since the new coalition government was formed in August 2006. The Minister of Agriculture also is a member of the coalition and has moved policy towards more government intervention and reduced free market measures. The best example was the introduction of export quotas and licensing for grains. This measure was put in place only two months after Ukraine experienced strong exports of grains. The government's policy was also unexpected and took effect immediately which meant the grain traders were unable to meet their contractual obligations, incurred heavy financial losses and were unable to clear stocks.

The export quota system for feed grains was implemented over a 5 month period in marketing year 2006/2007 and was cancelled on Feb 22, 2007. Export quotas still remain for wheat and the export quota size is very small – 228,000 tons.

Export Quota Time-lime:

- On September 28, 2006, the Cabinet of Ministers adopted decree # 1364 imposing export licensing for milling wheat. The approval process for granting licenses was non-transparent and called for a 10-day review period.

- On October 17, the government strengthened their control over the export of grains by implementing export quotas for all grains. Quota levels were arbitrarily low and insufficient to alleviate the backlog of grain sitting in the ports and rail cars. The quota ceilings were as follows:

  400,000 tons for wheat
  600,000 tons for barley
  600,000 tons for corn
  3,000 for rye

- On December 8, the Cabinet of Ministers introduced an export quota of 1,106,000 million tons for grains for marketing year 2006/07, including a 3,000 ton quota for wheat and rye, a 600,000 ton quota for barley and a 500,000 ton quota for corn.

- Decree # 185 (February 13, 2007), granted additional export quotas for grains already in port elevators and/or terminals that were stored before January 25, 2007. Additional export quotas for wheat and meslin (mixture of rye and wheat) totaled 228,000 tons, for barley – 606,000 tons, for maize – 30,000 tons.

- On February 22, 2007, the government canceled barley and corn quotas with Decree # 290

Many sources have attempted to estimate the losses incurred by international grain trading companies due to the export quota policy. The World Bank issued a finding on November 27, 2006 and estimated total export revenue losses through the end of 2006 amounted to $300 million.

The Ukrainian Grains Association estimates that trading companies' losses due to demurrages and non-execution of export contracts reached $100 million.

For marketing year 2007/2008, the government could once again introduce export quotas for grains as was done in marketing year 2006/2007. The Ministry of Agriculture has stated that they do not exclude the possibility of export quotas for grains in marketing year 2007/2008. The official estimation for total grain exports for the next marketing year is 10 to 11 million tons. Mr. A.Rozgon, Head of the Agricultural Market Development Department, told the press on February 20, 2007: "If international exporters will aggressively export grains in the beginning of the season (marketing year 2007/2008) as they did in July through September 2006, the government will once again introduce export quotas."

The Agrarian Fund will conduct grain market interventions. Financing for such interventions is found in the State budget and totals UAH 685 million (or $136 million). This will allow the fund to purchase approximately 1.1 million tons of grains if the average price is $120 per ton. In marketing year 2006/2007, the Agrarian Fund was only able to purchase approximately 400,000 tons of grain due to lack of budget.

The government approved the same budget for winter grain sowing in autumn 2006 as in 2005 and a $3 decrease per hectare in direct farm subsidies for spring crops in 2007. On February 21, 2007, the government approved the following payments to farmers:

- UAH 100/ha ($20/ha) for winter wheat and triticale
- UAH 55/ha ($11/ha) for winter barley
- UAH 50/ha ($10/ha) for winter rapeseeds
- UAH 100/ha ($20/ha) for spring wheat and triticale
- UAH 80/ha ($16/ha) for peas
- UAH 80/ha ($16/ha) for soybeans 1 reproduction, UAH 50/ha ($10/ha) for soybeans 3 reproduction
- UAH 80/ha ($16/ha) for buckwheat and oats
- UAH 50/ha ($10/ha) for spring rapeseeds
- UAH 220/ha ($43.7/ha) for rice
- UAH 640/ha ($127/ha) flaxseed

It is clear that the new State policy is designed to exert more control over domestic grain prices through limiting the volume of exports in marketing year 2007/2008.

Ports Infrastructure for Grains Export and Transit

There is no technical constraints that will prevent or limit the export or transit of grain form Ukraine in the middle term. Panamax-size ports of Odesa, Illichevsk and Yuzhnuy are the primary Ukrainian ports for grains. The table below provides information on grain export volumes by years.

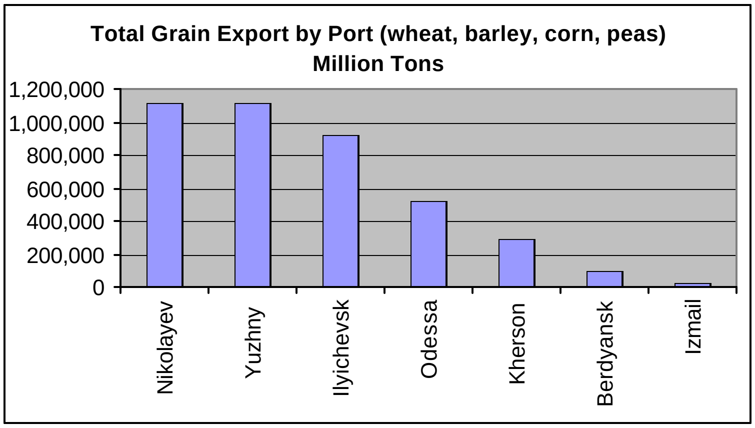
Total Grain Exports by Port (Wheat, Barley, Corn and Peas) in Tons

	02/03	03/04	04/05	05/06	06/07*
Belgorod - Dnestr.	80,076	22,346	21,501	4,201	0
Berdyansk	108,787	8,776	42,120	233,942	92,255
Ilyichevsk	2,238,257	556,527	1,692,022	2,078,073	923,157
Ilyichevsk Fishery	93,098	11,517	63,567	42,609	0
Izmail	40,637	64,976	39,325	40,178	20,949
Kerch - Sea	175,206	19,667	102,210	67,600	0

Kherson	433,342	149,482	521,315	437,947	294,183
Mariupol	0	0	16,305	18,184	3,950
Nikolayev	2,225,299	243,911	1,652,218	2,196,584	1,121,175
Odesa	2,677,904	446,228	2,241,157	2,606,747	526,051
Reny	5,601	3,746	37,224	141,017	0
Ust-Dunaisk	291,087	0	49,099	109,040	0
Yuzhny	1,336,034	599,941	2,493,013	2,626,593	1,119,289
Kiliya	242,045	0	541,445	722,551	3,007
Grand Total	**9,947,374**	**2,127,118**	**9,512,522**	**11,325,266**	**4,104,016**

Source: Global Shipping Agency
06/07 – June 2006 – February 2007

Total Grain Exports by Port (July 2006 - February 2007)



Source: Global Shipping Agency

Wheat Export by Ports (tons)

	02/03	03/04	04/05	05/06	06/07*
Belgorod - Dnestr.	52,648		4,863	4,201	
Berdyansk	66,921		12,058	158,208	53,992
Ilyichevsk	1,829,608		1,162,693	1,175,392	373,958
Ilyichevsk Fishery	93,098		28,186	0	
Izmail	10,337		3,977	6,241	5,001
Kerch - Sea	134,853		21,759	55,094	
Kherson	331,124		203,378	270,739	237,404
Kiliya			0	4,397	3,950
Mariupol	241,185	2,982	67,815	244,437	50,623
Nikolayev	1,586,045		698,942	1,084,510	442,265
Odesa	1,521,039	3,465	950,122	1,226,998	
Reni	5,601		11,693	0	
Sevastopol			140,035		
Ust-Dunaisk	206,962		2,984	0	
Yuzhny	242,045		541,445	722,551	
Grand Total	**6,321,466**	**6,447**	**3,849,950**	**4,952,767**	**1,167,193**

Source: Global Shipping Agency
06/07 – June 2006 – February 2007

Barley Export by Ports (tons)

	02/03	03/04	04/05	05/06	06/07*
Belgorod - Dnestr.	9,292	3,137	6,800	0	
Berdyansk	24,180	0	18,436	32,788	33,219
Ilyichevsk	408,650	556,527	512,136	892,166	544,355
Ilyichevsk Fishery	0	0	0	0	
Izmail	0	0	8,340	3,800	5,941
Kerch - Sea	10,000		70,065	5,250	
Kherson	50,369	48,190	148,051	25,553	14,984
Kiliya			16,305	0	
Mariupol	42,717	0	95,215	37,702	72,970
Nikolayev	485,880	189,283	542,875	439,104	641,483
Odesa	836,440	405,947	837,346	779,050	447,215
Reni	0	0	6,527	0	
Sevastopol		0	147,456		
Ust-Dunaisk	69,500		37,534	0	
Yuzhny	1,025,759	555,622	1,497,860	1,577,472	1,119,289
Grand Total	**2,962,786**	**1,758,707**	**3,944,947**	**3,792,885**	**2,879,457**

Source: Global Shipping Agency
06/07 – June 2006 – February 2007

Corn Export by Ports (tons)

	02/03	03/04	04/05	05/06	06/07*
Belgorod - Dnestr.	15,008	19,209	9,838	0	
Berdyansk	17,686	8,776	11,626	42,674	
Ilyichevsk	0	0	0	0	
Ilyichevsk Fishery	0	11,517	35,381	42,609	
Izmail	5,685	63,326	8,442	15,762	
Kerch - Sea	22,280	19,667	10,386	7,257	
Kherson	13,533	73,204	69,684	44,132	
Kiliya			0	10,670	
Mariupol	0		0	0	
Nikolayev	123,206	47,385	381,529	672,970	
Odesa	320,426	36,816	453,689	583,366	
Reni	0	3,746	19,004	126,217	
Sevastopol			128,188		
Ust-Dunaisk	14,626		0	109,040	
Yuzhny	68,231	44,319	447,549	326,569	
Grand Total	**600,680**	**327,964**	**1,575,317**	**1,981,266**	**0**

Source: Global Shipping Agency
06/07 – June 2006 – February 2007

Peas Export by Ports (tons)

	02/03	03/04	04/05	05/06	06/07*
Belgorod - Dnestr.	3,128				
Berdyansk				273	5,043
Ilyichevsk			17,193	10,515	4,844
Ilyichevsk Fishery					
Izmail	24,614	1,650	18,566	14,376	10,006
Kerch - Sea	8,073				
Kherson	38,317	28,088	100,202	97,523	41,795
Mariupol				3,116	
Nikolayev	30,168	7,244	28,872		37,427
Ochakov		2,027			
Odesa				17,333	78,835
Reny				14,800	
Ust-Dunaisk			8,581		
Yuzhny			6,159		
Kiliya					3,007
Grand Total	**104,300**	**39,009**	**179,573**	**157,936**	**180,959**

Source: Global Shipping Agency
06/07 – June 2006 – February 2007

Transit of Grains by Origin (tons)

	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007
Hungary	86,033	26,875	190,050	112,132	
Kazakhstan	1,301,263	345,986	219,712	84,357	27,700
Moldova	380,982	149,781	232,343	378,966	
Russia	1,237,695	730,035	205,148	311,564	
Total	**3,005,973**	**1,252,677**	**847,252**	**887,018**	**27,700**

Source: Global Shipping Agency
06/07 – June 2006 – February 2007

Statistical Tables

Final Statistics on Grain and Pulse Production in Ukraine (2006)

Crop	Area Harvested	Production	Yield
	1,000 ha	1,000 MT	MT/ha
Total Wheat, including -	5,511	13,947	2,53
Winter Wheat	5,029	12,880	2,56
Spring Wheat	482	1,067	2,21
Total Rye, including -	360	584	1,62
Winter Rye	359	583	1,62
Spring Rye	0,6	1,1	1,77
Total Barley, including -	5,236	11,341	2,17
Winter Barley	419	9,821	2,35
Spring Barley	4,818	10,359	2,15
Corn for Grain	1,720	6,425	3,74
Oats	442	690	1,56
Mixed grains	3,6	7,08	1,96
Millet	114	123	1,08
Buckwheat	360	229	0,64
Rice	22	100	4,60
Peas	327	653	2,0
Beans	20	32	1,57
Sorghum	34	64	1,86
Total Grain and Pulses	14,191	34,258	2,41

Source: State Statistics Committee of Ukraine

Wheat Exports by Country, Year-to Year Comparison (1,000 MT)

Country	Jul 02-Jun 03	Jul 03-Jun 04	Jul 04-Jun 05	Jul 05-Jun 06	Jul-Feb 06
Spain	1,955	5	1,135	709	327
Israel	420	11	470	648	290
Korea, South	311	0	108	405	275
Italy	219	0	478	402	266
Indonesia	209	0	234	372	263
Tunisia	337	0	436	363	154
Algeria	196	0	147	322	128
Morocco	238	0	144	320	112
Bangladesh	0	0	82	318	94
Yemen	0	0	0	309	87
Egypt	261	8	187	307	57
Kenya	48	0	10	242	45
Hungary	340	0	253	205	38
Philippines	0	0	145	199	30
Libya	12	0	21	188	25
Jordan	26	0	34	157	25
Syria	0	0	23	94	25
Mauritania	82	0	71	91	22
United Arab Emirates	0	0	0	83	21
South Africa	102	0	0	69	16
Vietnam	0	0	0	50	13
Nigeria	48	0	15	38	5

Peru	234	0	0	36	5
Netherlands	172	0	7	10	0
United States	28	0	56	6	0
Greece	65	10	24	3	0
Portugal	259	0	0	0	0
Canada	163	0	0	0	0
Belgium	351	0	0	0	0
Brazil	119	0	0	0	0
Other Not Listed	347	13	296	483	78
Total	**6,542**	**47**	**4,377**	**6,427**	**2,404**

Source: State Statistics Committee of Ukraine

Monthly Wheat Exports by Destination (July 2006- February 2007), 1,000 MT

Country	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	TOTAL
Bangladesh	30	32	22	0	66	5	0		154
Spain	22	53	153	0	35	0	0	19	282
India	14	29	119	87	33	27	0		308
Switzerland	0	0	0	0	30	0	0		30
Morocco	0	0	0	0	0	0	0		0
Mozambique	0	0	21	0	0	0	0		21
Peru	0	39	21	34	0	0	0		94
Philippines	0	0	38	0	0	0	0		38
Korea, South	0	0	0	25	0	0	0		25
Libya	0	0	11	0	0	0	0		11
South Africa	0	25	0	0	0	0	0		25
Tunisia	76	51	0	0	0	0	0		128
Egypt	96	20	64	32	0	53	0		266
United Kingdom	8	25	140	114	0	3	0		290
United States	0	0	5	0	0	0	0		5
Yemen	26	0	34	15	0	37	0		112
Algeria	0	0	9	4	0	0	0		14
Israel	10	82	65	57	0	61	0		275
Italy	0	31	51	0	0	4	0		87
Kenya	28	17	0	0	0	0	0		45
Others Lot Listed	13	55	99	20	5	0	0		192
TOTAL	**324**	**460**	**854**	**389**	**169**	**189**	**0**	**19**	**2,404**

Source: State Statistics Committee of Ukraine

Barley Exports by Country, Year-to Year Comparison (1,000 MT)

Country	Jul 02-Jun 03	Jul 03-Jun 04	Jul 04-Jun 05	Jul 05-Jun 06	Jul 06-Feb 07
Saudi Arabia	1,587	831	1,806	2,254	1,895
Jordan	0	46	499	543	213
Iran	0	14	433	388	171
Syria	62	0	428	288	180
Israel	146	54	372	83	164
Tunisia	238	0	195	82	122
Libya	42	17	215	71	109
Japan	121	0	0	60	104
United Kingdom	0	24	8	55	77
Morocco	136	9	93	46	62
Cyprus	160	107	6	27	39
Hungary	32	36	101	27	29

Algeria	90	0	39	18	15
Greece	3	3	44	3	4
Switzerland	23	52	0	2	3
Kuwait	94	68	0	0	0
Italy	15	4	28	0	0
Turkey	0	137	3	0	0
United States	8	6	3	0	0
Others Not Listed	128	107	43	14	24
TOTAL	**2,883**	**1,517**	**4,315**	**3,959**	**3,210**

Source: State Statistics Committee of Ukraine

Monthly Barley Exports by Destination (July 2006- February 2007), 1,000 MT

Country	6-Jul	6-Aug	6-Sep	6-Oct	6-Nov	6-Dec	7-Jan	7-Feb	TOTAL
Saudi Arabia	41	557	757	172	37	150	0	182	**1896**
Tunisia	27	39	35	45	23	43	0	0	**212**
Syria	0	21	47	14	15	25	0	9	**131**
United Arab Emirates	18	20	0	0	0	0	0	0	**38**
United Kingdom	0	29	90	51	0	0	0	0	**170**
Morocco	0	15	15	0	0	0	0	0	**30**
Algeria	15	14	11	23	0	0	0	0	**63**
Iran	0	0	52	57	0	0	0	0	**109**
Israel	3	12	60	26	0	3	0	24	**128**
Jordan	13	101	9	49	0	0	0	0	**172**
Kuwait	41	0	0	36	0	0	0	0	**77**
Libya	7	51	71	10	0	0	0	0	**139**
Others Not Listed	1	4	25	12	0	0	0	2	**44**
TOTAL	**166**	**865**	**1,172**	**495**	**74**	**221**	**0**	**217**	**3210**

Source: State Statistics Committee of Ukraine

Corn Exports by Country, Year-to Year Comparison (1,000 MT)

Country	Oct 02-Sep 03	Oct 03-Sep 04	Oct 04-Sep 05	Oct 05-Sep 06	Oct-Feb 06
Spain	40	7	329	288	54
Libya	33	3	101	254	35
Belarus	32	158	254	252	35
Russia	52	408	202	240	2
Israel	146	4	294	237	0
Syria	6	0	113	196	0
Tunisia	71	0	165	194	3.8
Iran	0	0	517	169	0
Algeria	76	0	103	155	0
Egypt	126	0	54	150	25.3
Portugal	0	0	7	79	0
Malaysia	0	0	0	64	0
United Kingdom	9	17	6	45	0
Georgia	0	3	17	41	2
Hungary	0	85	0	22	0
Turkey	30	42	41	8	0
Poland	0	22	0	0	0
Lithuania	36	60	0	0	3.5
Romania	0	168	0	0	0
United States	0	1	13	0	0
Bulgaria	0	33	0	0	0

Estonia	24	30	0	0	0
Greece	0	77	0	0	0
Others Not Listed	125	118	123	71	0
TOTAL	**807**	**1,236**	**2,339**	**2,464**	**161**

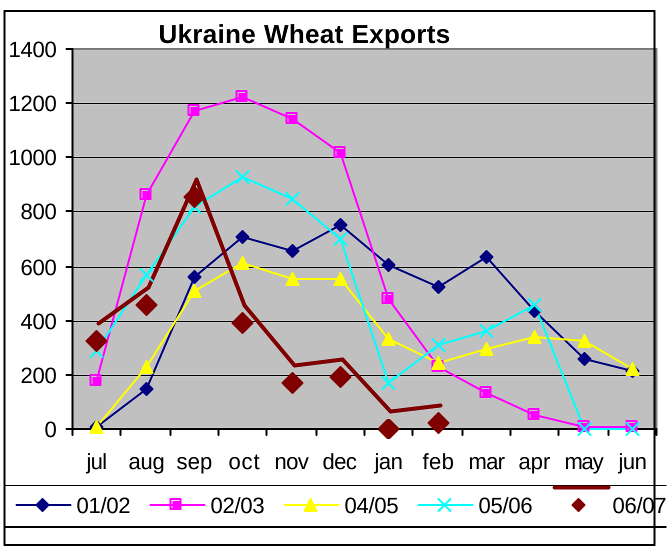
Source: State Statistics Committee of Ukraine

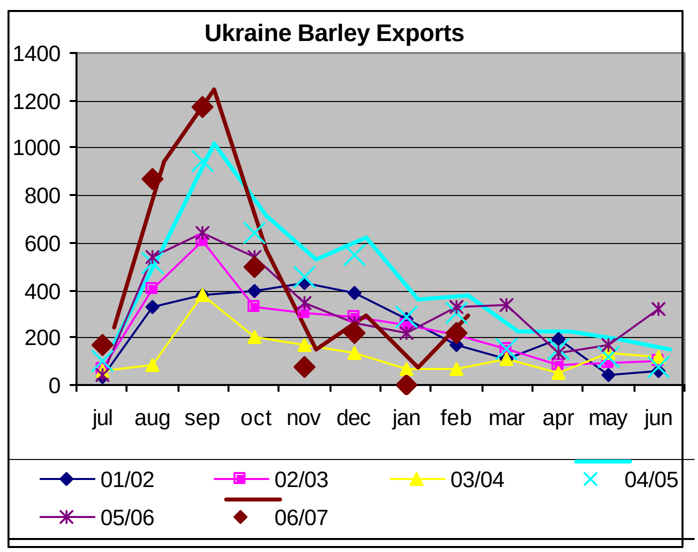
Peas Exports by Country, Year-to Year Comparison (1,000 MT)

Country	Jul 02-Jun 03	Jul 03-Jun 04	Jul 04-Jun 05	Jul 05-Jun 06	Jul-Feb 06
Spain	70	0	35	55	74
Italy	18	10	16	49	34
India	21	0	38	22	32
Hungary	28	16	73	10	24
Austria	3	0	6	9	15
Netherlands	4	4	0	8	14
Bangladesh	0	0	1	5	11
Belarus	0	1	4	4	5
United Kingdom	1	0	3	3	5
Latvia	0	0	1	3	5
Russia	0	0	1	2	4
Greece	0	0	0	1	2
Armenia	1	1	1	1	1
Pakistan	0	0	12	1	1
Uzbekistan	0	0	1	1	1
Turkmenistan	0	1	0	1	1
Azerbaijan	0	0	0	1	1
Kazakhstan	0	0	0	1	0
Lithuania	2	0	3	0	0
Poland	0	0	2	0	0
Others Not Listed	16	1	4	2	5
TOTAL	**166**	**35**	**201**	**178**	**236**

Source: State Statistics Committee of Ukraine

Historical Monthly Wheat and Barley Exports (1,000 MT)





Source: State Statistics Committee of Ukraine