



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 4/25/2007

GAIN Report Number: UP7010

Ukraine

Sugar

Annual

2007

Approved by:

Garth Thorburn, Agricultural Attaché
U.S. Embassy, Kiev

Prepared by:

Olena Pereyatenets, Agricultural Specialist

Report Highlights:

In 2007, beet sugar production in Ukraine is expected to decrease due to the decrease in the area planted with sugar beets. The increase in sugar production in 2006 will be used to satisfy the expected increase in sugar consumption for marketing year 2007/2008. If Ukraine is successful in acceding to the WTO by the end of 2007, or early 2008, then cane sugar imports will increase substantially.

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

Table of Contents

Executive Summary	3
Sugar Beet Production	3
Sugar beets PSD Table	5
Sugar Beet Trade	5
Beet Sugar Production	6
Sugar PSD Table	6
Consumption.....	7
Trade.....	7
Imports	7
Imports of Raw Cane Sugar (HS 170111), 1,000 Tons	7
Imports of Refined Sugar Raw (HS 170199), 1,000 Tons.....	7
Exports.....	8
Exports of Refined Sugar Raw (HS 170199), 1,000 Tons	8
Stocks	8
Policy	8
Statistical Tables	9
Area Planted and Rate of Return for Investments in Grain, Sugar Beet and Sunflower Seed Production from 1990-2006	9
Household Consumption of Sugar and Products Containing Sugar in Ukraine from 2002-to- 2005 (kilo per 100 households)	10
Imports of Sugar into Ukraine (HS1701)	10
Imports of All Sugar by HS Category into Ukraine*	11
Sugar Exports From Ukraine (HS 1701)	11
Monthly Sugar Exports from Ukraine *	12

Executive Summary

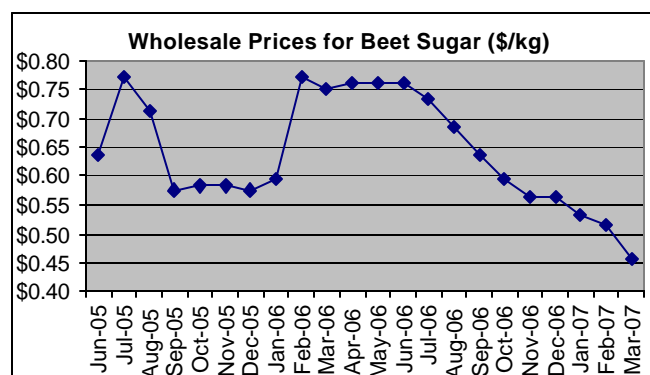
In marketing year 2006/2007, sugar beet and sugar production reached the highest level in 10 years. This record level of sugar production in marketing year 2006/2007 resulted in an excess supply of sugar. Ukraine does not export sugar and is unable to consume all of the 2,850,000 tons of raw sugar produced this year. As a consequence, ending stocks in marketing year 2006/2007 will be highest in the past 10 years. Ukrainian farmers will likely decrease the sugar beet sown area because of the high stocks and the predicted lower price of sugar in marketing year 2007/2008. Also, the profitability of sugar beets is expected to decrease in marketing year 2007/2008.

Sugar Beet Production

Sugar beet production in 2006 increased by 36% and was a result of the increase in the spring sown area and higher yields. In 2006, the sown area for sugar beet crops increased by almost 25% over 2005 levels because in 2005 the winter crop sown area was reduced due to unfavorable weather conditions. Another reason for the increase was because profitability for sugar beets improved during marketing year 2005 (please refer to the table below).

Profitability of Main Agricultural Crops

	Grain	Sunflower seeds	Sugar beets
2000	64.8	52.2	6.1
2001	43.3	68.7	1.5
2002	19.3	77.9	-8.6
2003	45.8	64.3	6.2
2004	20.1	45.2	-0.8
2005	3.1	24.3	4.8
2006*	6.9	23.4	11



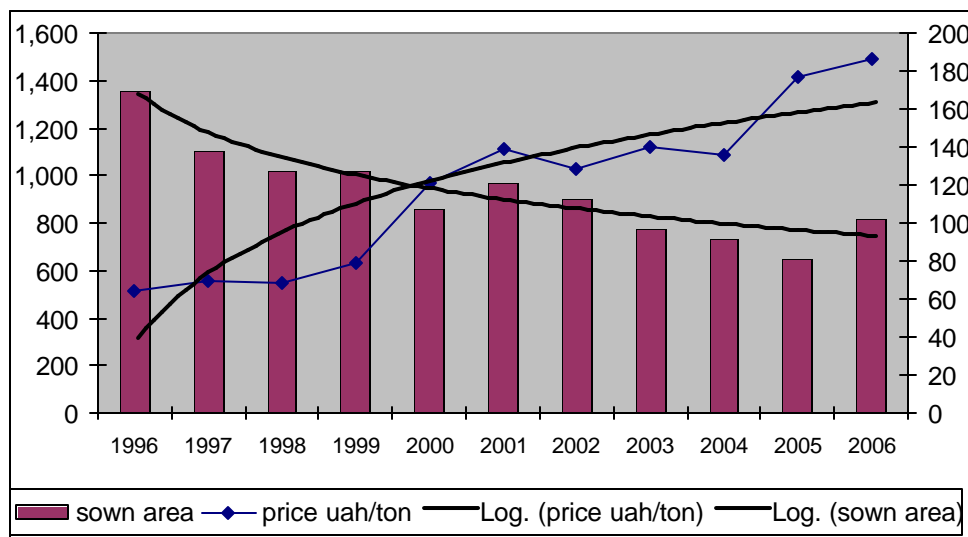
Data source: State Statistics Committee of Ukraine and National Sugar Association

*2006 is preliminary numbers from State Statistics Committee

In 2007, the sugar beet sown area will likely decrease despite the jump in sugar beet profitability recorded in 2006. (Please note: the 2006 profitability figure in the table above [left] could be revised in the future and seems high given the current low price of beet sugar). Other factors that will contribute to the decrease in the sugar beet sown area are: a high winter wheat sown area; a lower total spring sown area compared to 2006; lower profitability for marketing year 2007/2008 because of the decrease in sugar prices; sugar beet and sugar overproduction in marketing year 2006/2007; significant stocks of sugar at the processing plants and farms (farmers are usually compensated with sugar as payment for sugar beets that they delivered to the sugar processing plants).

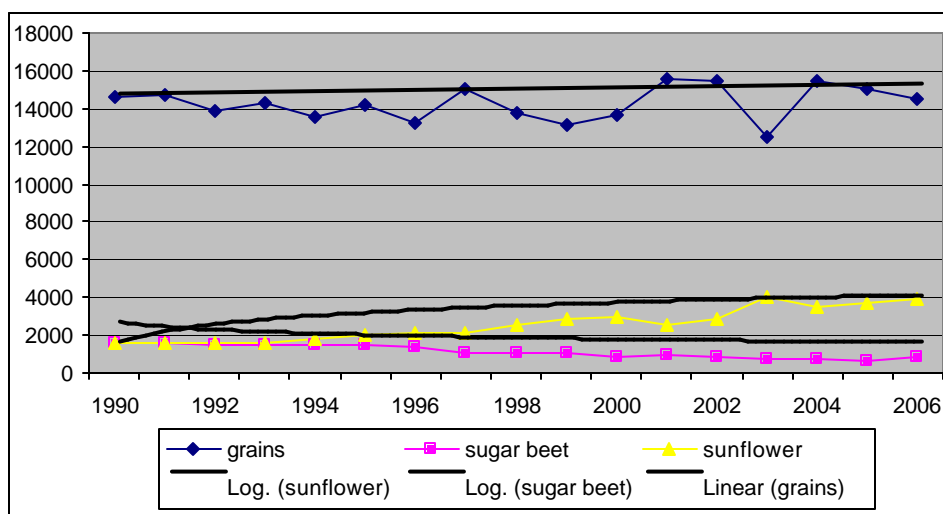
The table below shows the downward trend line in the sugar beet sown area over the past decade. This decrease actually began in 1990 and the correlation between the decrease in the sown area and the increase in sugar beet prices is high. The unfavorable winter crop area in 2005, the higher profitability of sugar beet production in 2005, and the significant increase in the sown area of the spring crop in 2006 resulted in the temporary increase in the sown area in marketing year 2006/2007. In 2007, some of the area that was traditionally sown with sugar beets will now grow sunflower, soybeans, spring barley and corn (please refer to the graph, "Sown Areas for Major Crops").

Sugar Beet Sown Area and Sugar Beet Prices (Unit: 1,000 Hectares and UAH/tonne)



Source: State Customs Committee of Ukraine

Sown Areas for Major Crops (Unit: 1,000 Hectares)



Source: State Customs Committee of Ukraine

Sugar beets PSD Table

Ukraine										
Sugar Beets										
	2006	Revised		2007	Estimate		2008	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		09/2005	09/2005		09/2006	09/2006		09/2007	09/2007	MM/YYYY
Area Planted	674	825	674	730	680	825	0	0	680	(1000 HA)
Area Harvested	640	788	640	700	645	788	0	0	645	(1000 HA)
Production	15500	22420	15500	16000	14835	22420	0	0	14835	(1000 MT)
Total Supply	15500	22420	15500	16000	14835	22420	0	0	14835	(1000 MT)
Utilization for Sugar	15500	22420	15500	16000	14835	22420	0	0	14835	(1000 MT)
Utilizatr for Alcohol	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Distribution	15500	22420	15500	16000	14835	22420	0	0	14835	(1000 MT)

Sugar Beet Trade

Until May 2005, no sugar beets were imported into Ukraine because of the prohibitively high import duty (50%, but not less than 125 Euro per 1 metric ton). The Parliament (Rada) reduced the import duty to 20% *ad valorem* in May 2005. The first imports of sugar beets (HS Code 121291) arrived in Ukraine for processing in September 2005. Total imports of sugar beets in September through January 2005 reached 113,000 tons. Import volumes for October 2006 through January 2007 decreased to 17,156 tons.

Sugar Beet Imports (HS121291), Tons

Country	Oct 05-Sep 06	Oct 06-Jan 07
Belarus	71,389	14,778
Poland	24,984	2,378
Lithuania	19,993	0
Total	116,366	17,156

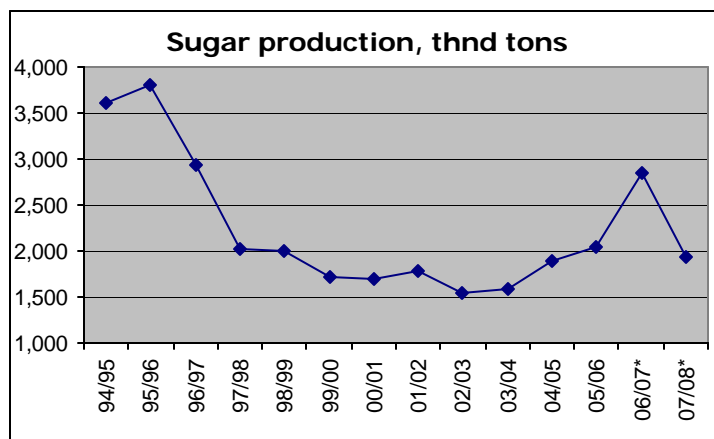
Source: State Customs Committee of Ukraine

Sugar beet production increased 36% in 2006 and was the highest level since 1994. As a consequence, sugar beet imports decreased because of the good sugar beet crop. The total volume of sugar beet imports from Belarus, Poland and Lithuania in 2006 was only 15% of the volume recorded a year earlier.

For marketing year 2007, the sugar beet sown area is likely to decrease to historically low levels. Sugar beet imports will be possible but will not be significant.

Beet Sugar Production

Production of beet sugar in marketing year 2006/2007 was revised up by 39% over marketing year 2005/2006 as a result of higher sugar beet production. As of January 2007, sugar processing plants had processed 95% of the sugar beet crop and produced 2,816,000 tons of sugar for the 2006/2007 marketing year. Final sugar production for marketing year 2006/2007 is estimated at 2,850,000 tons. This is the highest production level since marketing year 1996/1997.



Source: State Customs Committee of Ukraine
06/07 and 07/08 – FAS-Kiev Estimation

Sugar PSD Table

Ukraine										
Sugar, Centrifugal										
	2006	Revised		2007	Estimate		2008	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		10/2005	10/2005		10/2006	10/2006		10/2007	10/2007	MM/YYYY
Beginning Stocks	144	178	144	164	888	91	144	913	751	(1000 MT
Beet Sugar Production	1850	2850	2054	1900	1935	2850	0	0	1935	(1000 MT
Cane Sugar Production	0	0	0	0	0	0	0	0	0	(1000 MT
Total Sugar Production	1850	2850	2054	1900	1935	2850	0	0	1935	(1000 MT
Raw Imports	300	10	39	250	260	10	0	0	260	(1000 MT
Refined Imp.(Raw Val)	50	10	35	50	50	10	0	0	50	(1000 MT
Total Imports	350	20	74	300	310	20	0	0	310	(1000 MT
Total Supply	2344	3048	2272	2364	3133	2961	144	913	2996	(1000 MT
Raw Exports	0	0	0	0	0	0	0	0	0	(1000 MT
Refined Exp.(Raw Val)	30	10	31	20	20	10	0	0	20	(1000 MT
Total Exports	30	10	31	20	20	10	0	0	20	(1000 MT
Human Dom. Consumption	2150	2150	2150	2200	2200	2200	0	0	2250	(1000 MT
Other Disappearance	0	0	0	0	0	0	0	0	0	(1000 MT
Total Use	2150	2150	2150	2200	2200	2200	0	0	2250	(1000 MT
Ending Stocks	164	888	91	144	913	751	0	0	726	(1000 MT
Total Distribution	2344	3048	2272	2364	3133	2961	0	0	2996	(1000 MT

Consumption

Consumption of sugar will likely continue to increase at a slow growth rate during marketing year 2007/2008 because of increased demand by the food processing sector. Ukrainians continue to consume sugar, primary refined sugar, and often use sugar in home canning. Historical data for sugar, consumption for substitutable products and consumption of sugar by households in Ukraine is provided in the Statistical Tables Section.

Trade

Imports

Imports of raw cane sugar will likely decrease in marketing year 2006/2007, compared with marketing year 2005/2006, primarily due to beet sugar overproduction. The import of raw cane sugar may increase in marketing year 2007/2008, especially if Ukraine is able to join the WTO in late 2007 or early 2008. After WTO accession, the annual calendar year import quota for cane sugar will total 260,000 tons. This amount was approved on March 7, 2007 with the passage of decree # 404. If Ukraine becomes a WTO member, then it is expected that Ukraine will import up to 260,000 tons of cane sugar in 2007 despite the high carry over that is predicted for marketing year 2007/2008. Importers prefer to import raw cane sugar to Ukraine because the profitability of cane sugar is much higher than for beet sugar.

Imports of Raw Cane Sugar (HS 170111), 1,000 Tons

Country	Oct 03-Sep 04	Oct 04-Sep 05	Oct 05-Sep 06	Oct 06-Jan 07
Brazil	269	159	26	3
El Salvador	20	0	12	0
Guatemala	39	0	1	0
United States	22	0	0	0
Peru	14	0	0	0
Anguilla	10	0	0	0
Estonia	53	0	0	0
Germany	0	0	0	0
Belarus	21	0	0	0
Colombia	2	0	0	0
Cuba	45	0	0	0
Total	495	159	39	3

Source: State Customs Committee of Ukraine

Imports of Refined Sugar Raw (HS 170199), 1,000 Tons

Country	Oct 03-Sep 04	Oct 04-Sep 05	Oct 05-Sep 06	Oct 06-Jan 07
Kazakhstan	6	14	33	2
Poland	14	12	1	0
Denmark	0	0	1	0
Lithuania	16	26	0	0
United States	0	9	0	0
Georgia	13	0	0	0
Estonia	2	0	0	0
Russia	10	0	0	0
Total	62	61	35	3

Source: State Customs Committee of Ukraine

Exports

The forecast for sugar exports in marketing year 2007/2008 has increased compared to the revised marketing year 2006/2007 estimates. The export estimate for marketing year 2005/2006 has been adjusted to coincide with Ukrainian State Customs Committee data.

Exports of Refined Sugar Raw (HS 170199), 1,000 Tons

Country	Oct 03-Sep 04	Oct 04-Sep 05	Oct 05-Sep 06	Oct 06-Jan 07
Kazakhstan	10	0	14	1
Azerbaijan	56	0	10	0
Georgia	43	1	5	0
Moldova	107	36	1	0
Poland	0	10	1	0
Russia	3	0	0	0
Estonia	2	0	0	0
Virgin Islands	1	0	0	0
Afghanistan	4	4	0	0
Armenia	12	0	0	0
Uzbekistan	1	3	0	0
Slovakia	10	0	0	0
Tajikistan	1	0	0	0
Turkey	59	0	0	0
Kyrgyzstan	2	0	0	0
Total	311	55	31	1

Source: State Customs Committee of Ukraine and FAS-Kyiv

Stocks

Despite existing legislative provisions that are currently in place, the government has been unable to create an effective sugar intervention mechanism that affects stocks because of insufficient funds allocated in the state budget that would be necessary to purchase government stocks.

Marketing year 2006/2007 stocks will be unusually high because of the good crop, the measured increase in consumption and a very low level of exports. High stocks for marketing year 2006/2007 are expected to generate high stock levels in marketing year 2007/2008 as well.

Policy

GOU policy for the sugar market has the following goals:

- 1) To regulate sugar beet sown areas (to avoid sugar overproduction or deficits)
- 2) To provide a positive level of profitability to sugar beet growers and sugar producers

To achieve these goals, the GOU sets the minimum price for sugar beets and sugar once a year. The table below shows the historical minimum prices by year that were set by the GOU.

GOU Established Minimum Prices for Sugar and Sugar Beets, Quotas "A" and "B"

Date of the GOU decree	MY	Sugar beet price	Sugar price	Quota A* – domestic market	Quota B** – international market
12/25/2001	2002/2003	UAH 165/ \$33	UAH 2370/ \$470	1800	
12/25/2002	2003/2004	UAH 165/ \$33	UAH 2370/ \$470	1800	
02/04/2004	2004/2005	UAH 165/ \$33	UAH 2370/ \$470	1800	
12/21/2005	2005/2006	UAH 142/ \$28	UAH 2370/ \$470	1790	
02/20/2006	2006/2007	UAH 163/ \$32	UAH 2375/ \$471	1840	185
03/07/2007	2007/2008	UAH 170/ \$34	UAH 2500/ \$495	2040	

*Quota "A" – the quota for sugar production for the domestic market by Ukrainian plants

**Quota "B" – the quota of sugar production earmarked for export to international markets

Source: The Cabinet of Ministers of Ukraine

On December 13, 2006, the President of Ukraine signed a law establishing an annual cane sugar import quota. The significance of this law is that for the first time a substantial amount of cane sugar will be able to enter the country without special government approval. The annual quota will be set at 260,000 tons. The law will be implemented upon Ukraine's accession to the WTO. The in-quota duty rate will be 2% of the costumes value and the out-of-quota duty rate will be assessed at 50% of the costumes value.

Statistical Tables**Area Planted and Rate of Return for Investments in Grain, Sugar Beet and Sunflower Seed Production from 1990-2006**

	1990	1995	2000	2001	2002	2003	2004	2005	2006*
Area Planted with Grains and Pulses, 1,000 Hectares	14,583	14,152	13,646	15,586	15,448	12,495	15,434	15,005	14,600
Rate of Return for Grains, % Change	275%	86%	65%	43%	20%	46%	20%	3%	7%
Area Planted with Sunflower Seed, 1,000 Hectares	1,636	2,020	2,943	2,502	2,834	4,001	3,521	3,743	3,970
Rate of return for Sunseed, % Change	137%	171%	52%	69%	78%	64%	45%	24%	23%
Area Planted with Sugar Beets, 1,000 Hectares	1,607	1,475	856	970	897	773	732	652	825
Rate of Return for Sugar Beets, % Change	30%	31%	6%	2%	-9%	6%	-1%	5%	11%

Data source: State Statistics Committee of Ukraine.

*-preliminary estimate

Household Consumption of Sugar and Products Containing Sugar in Ukraine from 2002-to-2005 (kilo per 100 households)

	2002	2003	2004	2005	Change 2005 from 2004, %
Sugar	8.857	8.404	8.954	8.639	-4%
Other types of sugar and sugar substitutes	6	5	5	6	18%
Jam	46	41	50	54	8%
Natural Honey	272	190	250	330	32%
Chocolate	Na	92	102	109	7%
Caramel	626	592	662	653	-1%
Marmalade	99	135	171	212	24%
Other Sweets	24	34	50	57	14%
Chocolate candies	na	388	503	702	40%
Ice cream	185	360	416	501	20%

Data source: State Statistics Committee of Ukraine's Sample Survey of Households' Incomes and Expenditures.

Note: The 2005 estimate for the number of Households is 17,537,685

Imports of Sugar into Ukraine (HS1701) (1,000 Tons)

Country	Oct 03-Sep 04	Oct 04-Sep 05	Oct 05-Sep 06	Oct 06-Jan 07
Kazakhstan	5	13	30	3
Brazil	269	159	26	2
El Salvador	20	0	12	0
Guatemala	39	0	1	0
Poland	13	11	1	0
Denmark	0	0	1	0
Lithuania	15	24	0	0
United States	22	8	0	0
Estonia	55	0	0	0
Peru	14	0	0	0
Russia	16	0	0	0
Anguilla	10	0	0	0
Georgia	12	0	0	0
Belarus	21	0	0	0
Colombia	2	0	0	0
Cuba	45	0	0	0
Total	559	215	71	5

Imports of All Sugar by HS Category into Ukraine*

MY 03/04	Refined Sugar (HS Code 170199)	Raw Cane Sugar (HS 170111)	MY 04/05	Refined Sugar (HS Code 170199)	Raw Cane Sugar (HS 170111)	MY 05/06	Refined Sugar (HS Code 170199)	Raw Cane Sugar (HS 170111)	MY 06/07	Refined Sugar (HS Code 170199)	Raw Cane Sugar (HS 170111)
Oct-03	1,492	49,501	Oct-04	1,021	10,935	Oct-05	1,449	17,000	Oct-06	381	0
Nov-03	4,858	56,285	Nov-04	13,214	10,110	Nov-05	660	7,805	Nov-06	71	0
Dec-03	9,781	75,054	Dec-04	5,049	0	Dec-05	4,656	13,742	Dec-06	1,890	737
Jan-04	2,576	51,810	Jan-05	7,043	0	Jan-06	6,418	3	Jan-07	15	1,920
Feb-04	3,026	48,703	Feb-05	4,023	1	Feb-06	774	0	Feb-07	2,357	2,657
Mar-04	13,319	27,167	Mar-05	2,246	0	Mar-06	380	0	Mar-07		
Apr-04	7,600	42,395	Apr-05	308	10,611	Apr-06	5,488	8,000	Apr-07		
May-04	3,132	18,829	May-05	10,398	0	May-06	1,633	0	May-07		
Jun-04	5,073	0	Jun-05	737	0	Jun-06	6,476	4,500	Jun-07		
Jul-04	3,481	113,901	Jul-05	2,126	0	Jul-06	784	7,680	Jul-07		
Aug-04	319	6,317	Aug-05	7,497	125,917	Aug-06	2,311	0	Aug-07		
Sep-04	2,437	4,679	Sep-05	2,688	1,080	Sep-06	992	0	Sep-07		
Total	57,094	494,641	Total	56,350	158,654	Total	32,021	58,730	Total	10,000	9,208

Data Source: State Statistics Committee of Ukraine (*As is basis).

**Sugar Exports From Ukraine (HS 1701)
(1,000 Tons)**

Country	Oct 03-Sep 04	Oct 04-Sep 05	Oct 05-Sep 06	Oct 06-Jan 07
Kazakhstan	9	0	13	1
Azerbaijan	52	0	9	0
Georgia	40	1	5	0
Moldova	99	33	1	0
Poland	0	9	0	0
Russia	3	0	0	0
Estonia	2	0	0	0
Virgin Islands	1	0	0	0
Afghanistan	3	4	0	0
Armenia	11	0	0	0
Uzbekistan	1	3	0	0
Slovakia	9	0	0	0
Tajikistan	1	0	0	0
Turkey	54	0	0	0
Kyrgyzstan	2	0	0	0
Total	286	50	28	1

Data Source: State Statistics Committee of Ukraine

Monthly Sugar Exports from Ukraine *
(1,000 Tons)

MY 03/04	HS 1701	MY 04/05	HS 1701	MY 05/06	HS 1701	MY 06/07	HS 1701
Oct-03	46	Oct-04	0	Oct-05	1	Oct-06	0
Nov-03	33	Nov-04	11	Nov-05	2	Nov-06	1
Dec-03	65	Dec-04	5	Dec-05	2	Dec-06	0
Jan-04	12	Jan-05	0	Jan-06	2	Jan-07	0
Feb-04	5	Feb-05	4	Feb-06	7	Feb-07	1
Mar-04	39	Mar-05	6	Mar-06	6	Mar-07	
Apr-04	25	Apr-05	2	Apr-06	1	Apr-07	
May-04	19	May-05	4	May-06	1	May-07	
Jun-04	14	Jun-05	3	Jun-06	0	Jun-07	
Jul-04	12	Jul-05	2	Jul-06	2	Jul-07	
Aug-04	15	Aug-05	7	Aug-06	0	Aug-07	
Sep-04	1	Sep-05	6	Sep-06	2	Sep-07	
Total	286	Total	50	Total	28	Total	10,000

*Data Source: State Statistics Committee of Ukraine (HS 1701) (*As is basis)*