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GAIN Report #UP9003

Ukraine

Sugar

February Sugar Update

1999

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Report Highlights:

Ukrainian 1998 sugar beet production was lower than earlier estimated. Sugar output will approximate only 2.0 million tons -- the lowest level since the early 1950's. Most significantly affected will be lower sugar exports which are projected at a record low 200,000 tons -- mainly to Russia and other FSU countries. This level of exports is only a fraction of earlier year exports from Ukraine.

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

Executive Summary

Ukrainian 1998 sugar beet output was only 15.55 million tons due to dry summer weather, much less care given to weed control and another slight decrease in the harvested area. Sugar production will be around 2.0 million tons, the lowest since the early 1950's. Sugar exports are also on a steep decline, estimated now at 200,000 tons for MY 1998/99, mainly because of low competitiveness in foreign markets. Meanwhile, despite increasing ending stocks, Ukraine is importing raw cane sugar for processing in efforts to not totally idle operations in the existing sugar processing plants.

Production

Lower sugar beet yields, attributed in large part to the lack of weed control, resulted in a sugar beet crop of only 15.55 million tons. Many fields were so infested with weeds that it was barely visible that beets were even in the field. Dry weather and a still smaller than earlier estimated harvested area also were factors.

With sugar beet processing nearing completion, the estimate of sugar output is now 2.0 million tons of raw beet sugar. Only 176 out of the 192 existing sugar factories operated during the current season because of sugar beet and other raw material shortages. Most factories which operated this season are experiencing difficulties in making payment for inputs provided by commercial companies and also those provided from state emergency reserves.

Dry weather conditions during the growing and maturity periods did, however, stimulate higher sugar content and resulted in a higher sugar recovery rate in processing than in previous years, especially in Eastern Ukraine. According to the Ukrainian Sugar Association, Ukrtsukor, total beet sugar production from 1998 sugar beets will be 1.89 million tons. An additional 110,000 tons of sugar have been processed from imported raw cane sugar.

Consumption

There is no evidence of feed consumption of sugar in Ukraine; accordingly, the sugar previously listed as domestic feed consumption in the PSD was added to human consumption. In reality, however, actual human consumption is decreasing because of continuing low buying power of the population. Sugar usage for non-food uses in Ukraine -- preparation of different medicine, alcohol, explosives, etc.-- is relatively stable.

Export

High expectations of sugar exports to Russia and other FSU countries did not materialize. This is partially due to the policy of the Government of Ukraine (GOU) which still controls the export of sugar. The GOU reported that licences were issued for about 200,000 tons of sugar to be exported to Russia, or almost to every company that applied for a licence to the Ministry of Foreign Economic Relations. Earlier this year the Russian government agreed to extend a 600,000 ton zero tariff import quota on Ukrainian sugar through March 31, 1999. Actual sugar shipments to Russia, however, have not exceeded 38,000 tons thus far. Those deliveries that have been made are considered GOU debt repayments for natural gas and fuel. Ukraine also exported sugar to Azerbaijan, Turkmenistan, Belarus, Georgia and other FSU countries.

To prevent dumping of Ukrainian sugar in foreign markets, the GOU evidentially established indicative prices. As of December 1998, the indicative export price on sugar was US\$300 per ton. It was established at an even higher level of US\$320 per ton if an export contract foresees barter payment to the Ukrainian supplier. These prices were not revised in January. Some experts believe that the mechanism of indicative export prices is not efficient but rather depresses the trade. Many market operators still try to export at a lower than indicated price.

Imports

Some changes have been adopted in the sugar PSD table to reflect higher refined sugar imports during MY 1996/97 and to nullify cane sugar imports during the same period. Imports of raw cane sugar, however, were realized in 1997. President Kuchma, under pressure from domestic sugar processors, signed a decree dated October 22, 1998 which lowered the import duty on raw sugar to Euro 1 per ton. According to this decree raw sugar imports that can comply for this lower import tariff are the subject to a 300,000 ton quota. The stated purpose for decreasing the import duty was to “ensure domestic consumption and ending stocks”. Thus far Ukraine has imported 110,000 tons of raw cane sugar, mainly from Brazil, Salvador and Cuba.

PSD Table						
Country:						
Commodity:	Sugar Beets					
		1996		1997		1998
	Old	New	Old	New	Old	New
Market Year Begin						
Area Planted	1360	1360	1140	1140	1000	1000
Area Harvested	1260	1260	1000	1000	905	891
Production	23000	23000	17700	17700	16200	15520
TOTAL SUPPLY	23000	23000	17700	17700	16200	15520
Utilization for Sugar	23000	23000	17700	17700	16200	15520
Utilizatr for Alcohol	0	0	0	0	0	0
TOTAL UTILIZATION	23000	23000	17700	17700	16200	15520

PSD Table						
Country:	Ukraine					
Commodity:	Sugar					
		1996		1997		1998
	Old	New	Old	New	Old	New
Market Year Begin		09/1996		09/1997		09/1998
Beginning Stocks	733	733	187	73	371	171
Beet Sugar Production	2935	2935	2032	2032	2060	2000
Cane Sugar Production	0	0	138	0	0	0
TOTAL Sugar Production	2935	2935	2170	2032	2060	2000
Raw Imports	135	0	150	150	50	110
Refined Imp.(Raw Val)	0	175	0	3	0	1
TOTAL Imports	135	175	150	153	50	111
TOTAL SUPPLY	3803	3843	2507	2258	2481	2282
Raw Exports	0	0	0	0	0	0
Refined Exp.(Raw Val)	1420	1620	236	231	330	200
TOTAL EXPORTS	1420	1620	236	231	330	200
Human Dom. Consumption	1800	2150	1630	1856	1610	1800
Feed Dom. Consumption	396	0	270	0	250	0
TOTAL Dom. Consumption	2196	2150	1900	1856	1860	1800
Ending Stocks	187	73	371	171	291	282
TOTAL DISTRIBUTION	3803	3843	2507	2258	2481	2282