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Ukraine

Grain and Feed

Grain and Feed Annual

2008

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Report Highlights:
Grain and pulse production is expected to increase by 20% over the previous year and will result in an increased export surplus of wheat, barley and corn. Feed and food consumption is predicted to remain relatively stable. The export quotas limiting exports of grain are expected to remain in place through marketing year 2007/2008. The Government of Ukraine (GOU) is again expected to intervene in the grain markets during marketing year 2008/2009.

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Kiev [UP1]
[UP]

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Executive Summary

Grain and pulse (wheat, barley, corn, rye, oats and peas) production in Ukraine are expected to increase by about 20%. The increase in grain production will be propelled by a 36% increase in wheat production. If the government decides not to implement new export quotas on grains for marketing year 2008/2009, then the increase in production will result in higher exports (wheat, barley and corn). Consumption of grains for feed and food is expected to increase slightly due to increase of poultry inventories.

The Government of Ukraine (GOU) can intervene in the grains market in marketing year 2008/2009 by:

- Purchasing wheat (mainly milling wheat) through the Agrarian Fund**;**
- Monitoring and possibly controlling the volume of grain exports during the first quarter of the marketing year (July-September);
- Monitoring and regulating grain prices during the beginning of the marketing year, especially for wheat and barley.

Most grain experts expect the GOU will continue to intervene in the grain market for several reasons. First, the presidential elections will take place in 2009 and grain is always a political issue. Second, candidates always use prices for sensitive items like meat and bread as political issues so there will be an attempt to lower prices for these commodities leading up to the election. Third, GOU is strongly convinced that by keeping grain prices lower, they will be able to insure stable meat and bread prices and put downward pressure on inflation.

Wheat

Wheat PSD Table

Ukraine										
Wheat										
	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		07/2006	07/2006		07/2007	07/2007		07/2008	07/2008	MM/YYYY
Area Harvested	5500	5511	5511	6000	5940	5951	0	0	6700	(1000 HA)
Beginning Stocks	2414	2414	2414	1428	2071	1161	1478	2408	2108	(1000 MT)
Production	14000	13947	13497	13900	17227	13937	0	0	19000	(1000 MT)
MY Imports	80	10	80	350	10	10	0	0	10	(1000 MT)
TY Imports	80	10	80	350	10	10	0	0	10	(1000 MT)
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	16494	16371	15991	15678	19308	15108	1478	2408	21118	(1000 MT)
MY Exports	3366	2800	3330	1500	5000	500	0	0	5000	(1000 MT)
TY Exports	3366	2800	3330	1500	5000	500	0	0	5000	(1000 MT)
Feed Consumption	2100	2100	2100	3100	2500	3100	0	0	3600	(1000 MT)
FSI Consumption	9600	9400	9400	9600	9400	9400	0	0	9700	(1000 MT)
Total Consumption	11700	11500	11500	12700	11900	12500	0	0	13300	(1000 MT)
Ending Stocks	1428	2071	1161	1478	2408	2108	0	0	2818	(1000 MT)
Total Distribution	16494	16371	15991	15678	19308	15108	0	0	21118	(1000 MT)
Yield	2.54	2.530	2.45	2.32	2.90	2.34	0	0	2.84	(MT/HA)

Production

In 2008, wheat production is expected to increase by nearly 36%, over the previous year. The expected good harvest will be a result of the 10% increase in the winter wheat sown area (0.7 million hectares), minimal winter-kill losses due to the mild winter, lower then expected frosts and higher than average yield expectations.

Winter weather conditions in December 2007 through February 2008 were exceptionally mild. The average temperatures from September 2007 through mid February 2008 were 2 degrees higher then the historical average.

Temperatures in January and February were also abnormally high**.** The average nighttime temperature ranged between +2 degrees to –5 degrees Celsius. The average daily temperature ranged between +5 degrees to -2 degrees Celsius. Only once in three months did the temperature drop to –10 to -15 degrees Celsius resulting in a frost during the night. The frost caused minimum damage to the crops due to sufficient snow cover (from 2 to 5 centimeters) during those days. The estimated losses in the winter wheat sown areas are expected to be about 5%.

According to the Ukrainian Meteorological Center, 90% of the winter crop is categorized as "good" or "satisfactory". Only 10% is categorized as "weak" as of February 2008. These indicators are good when compared to the past four years (the comparisons were taken between February 15 through 20):

February 2008 – 90% is in good or satisfactory condition. 10% is weak;

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 2008 will result in slightly higher wheat consumption when compared to marketing year 2007/2008.

The charts below clearly show the strong upward trend in compound feed production. The increases began during marketing year 2001/2002 and production continues to increase by an average of 30% per year. Compound feed production in July-November 2008 increased 24% over the same period last year.

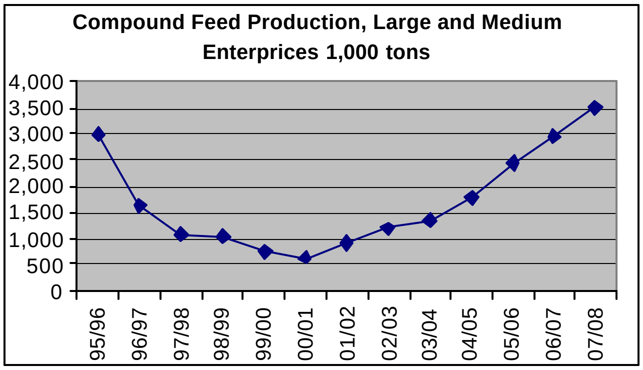
Flour production has been on a downward trend for the past two years due to the close linkage between flour production and the wheat harvest, and the government's control over bread prices.

Flour production increased 8% in marketing year 2007/2008. This means the industry's consumption of wheat will remain relatively stable for marketing years 2007/2008 and 2008/2009.

The increase in consumption of feed wheat is probable due to expansion of poultry production. Monthly poultry inventories increased by 1-5% in 2007.

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	2,959	21%
07/08	3,510	19%

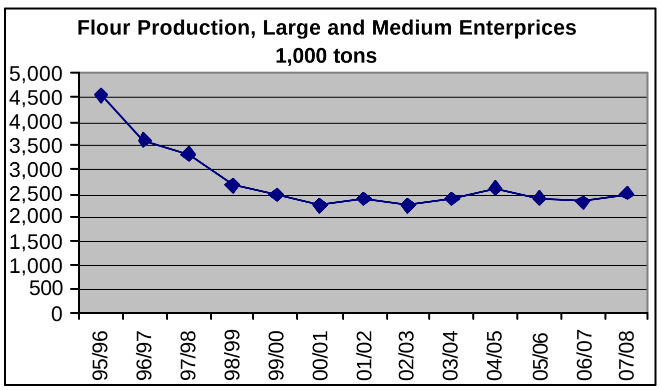


Source: State Statistics Committee of Ukraine

07/08 – 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	2,322	-3%
07/08	2,497	8%



Source: State Statistic Committee of Ukraine
07/08 – FAS Kyiv-estimation

Trade

Exports

A surplus of exportable wheat is forecasted from July 2008 through June 2009. Total exports should reach 5 million tons due to the estimated increase in the wheat crop by approximately 5.0 million tons over last year. This forecast assumes GOU will not reintroduce export quotas on grains for marketing year 2008/2009.

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.

Wheat export quotas remain in place as of the drafting of this report.

Possible Destinations for Ukrainian Wheat Exports for MY 2008/2009

Destinations	July 05- June 06	July 06-Jun07	July 07 - June 08 Forecast	July 08 - June 09 Forecast	05/06, Share	06/07 Share	07/08, Share, Forecast	July 08 - June 09 Forecast
North Africa	1500	699	63	1300	23%	21%	13%	26%
Other Africa	440	184	88	400	7%	6%	18%	8%
EU - 25	1329	611	60	1100	21%	18%	12%	22%
South-East Asia	1344	254	50	1100	21%	8%	10%	22%
Middle East	1291	682	97	900	20%	20%	19%	18%
South America	94	0	0	0	1%	0%	0%	0%
Other Countries	463	901	141	200	7%	27%	28%	4%
Total	**6461**	**3,330**	**500**	**5000**	**100%**	**100%**	**100%**	**100%**

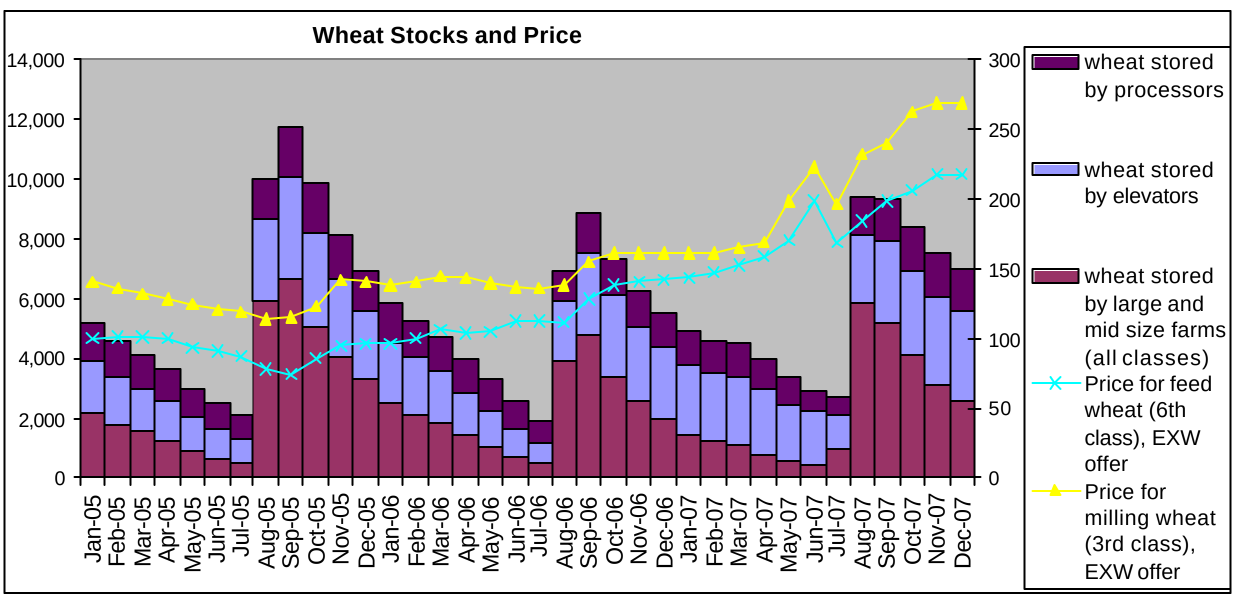
Source: State Statistics Committee of Ukraine
07/08, 08/09 – FAS Kyiv Estimate

Imports

Wheat imports for marketing year 2008/2009 will likely remain low, especially due to the expected increase in production of the wheat crop this year.

Stocks

Marketing year 2008/2009 ending stocks will be higher than in marketing year 2007/2008 due to the increased wheat supply and unclear government policies (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, 2006 and 2007.)



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 increase 50% over the previous year. Winter barley area (which represents 10-15% of total barley production) increased by 28% over the previous year. Winter barley yields are expected to be historically high due to the mild winter weather. Conversely, the area planted with spring barley is expected to decrease by 19% due to the high sown area of winter crops. Another reason for the lower spring barley area is the switch by farmers to crops with higher profitability like sunflower, rapeseeds and soybeans.

Barley PSD Table

Ukraine										
Barley										
	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		07/2006	07/2006		07/2007	07/2007		07/2008	07/2008	MM/YYYY
Area Harvested	5200	5236	5236	4400	4833	4079	0	0	4200	(1000 HA)
Beginning Stocks	1193	1212	1193	960	972	950	480	862	250	(1000 MT)
Production	11350	11340	11340	6000	10970	5980	0	0	9000	(1000 MT)
MY Imports	20	20	20	20	20	20	0	0	0	(1000 MT)
TY Imports	20	20	20	20	20	20	0	0	0	(1000 MT)
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	12563	12572	12553	6980	11962	6950	480	862	9250	(1000 MT)
MY Exports	5103	4600	5103	1000	4000	700	0	0	3000	(1000 MT)
TY Exports	2910	4300	2910	2000	4000	700	0	0	3000	(1000 MT)
Feed Consumption	4800	5100	4800	3800	5200	4100	0	0	4100	(1000 MT)
FSI Consumption	1700	1900	1700	1700	1900	1900	0	0	1900	(1000 MT)
Total Consumption	6500	7000	6500	5500	7100	6000	0	0	6000	(1000 MT)
Ending Stocks	960	972	950	480	862	250	0	0	250	(1000 MT)
Total Distribution	12563	12572	12553	6980	11962	6950	0	0	9250	(1000 MT)
Yield	2.18	2.17	2.17	1.36	2.27	1.47	0.00	0.00	2.14	(MT/HA)

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. Barley malt production in marketing year 2007/2008 is expected to increase slightly. According to official statistics, malt production remains stable.

Exports

In marketing year 2008/2009, barley exports are expected to increase to 3.0 million tons, compared to the predicted 1.0 million ton level for marketing year 2007/2008.

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 2008/2009)

Destinations	July 05- June 06	July 06- Jun07	July 07 - June 08 Forecast	July 08 - June 09 Forecast	05/06, Share	06/07 Share	07/08, Share, Forecast	July 08 - June 09 Forecast
Saudi Arabia	2,254	3,466	100	1,800	57%	68%	14%	60%
Jordan	543	222	100	400	14%	4%	14%	13%
Iran	388	109	50	250	10%	2%	7%	8%
Syria	288	215	50	200	7%	4%	7%	7%
Israel	83	157	50	50	2%	3%	7%	2%
Tunisia	82	213	50	50	2%	4%	7%	2%
Libya	71	151	50	50	2%	3%	7%	2%
United Kingdom	55	177	1	50	1%	3%	0%	2%
Morocco	46	68	50	50	1%	1%	7%	2%
Algeria	18	62	50	50	0%	1%	7%	2%
Kuwait	0	137	0	0	0%	3%	0%	0%
Other Countries	131	125	149	50	3%	2%	21%	2%
Total	**3,959**	**5,103**	**700**	**3,000**	**100%**	**100%**	**100%**	**100%**

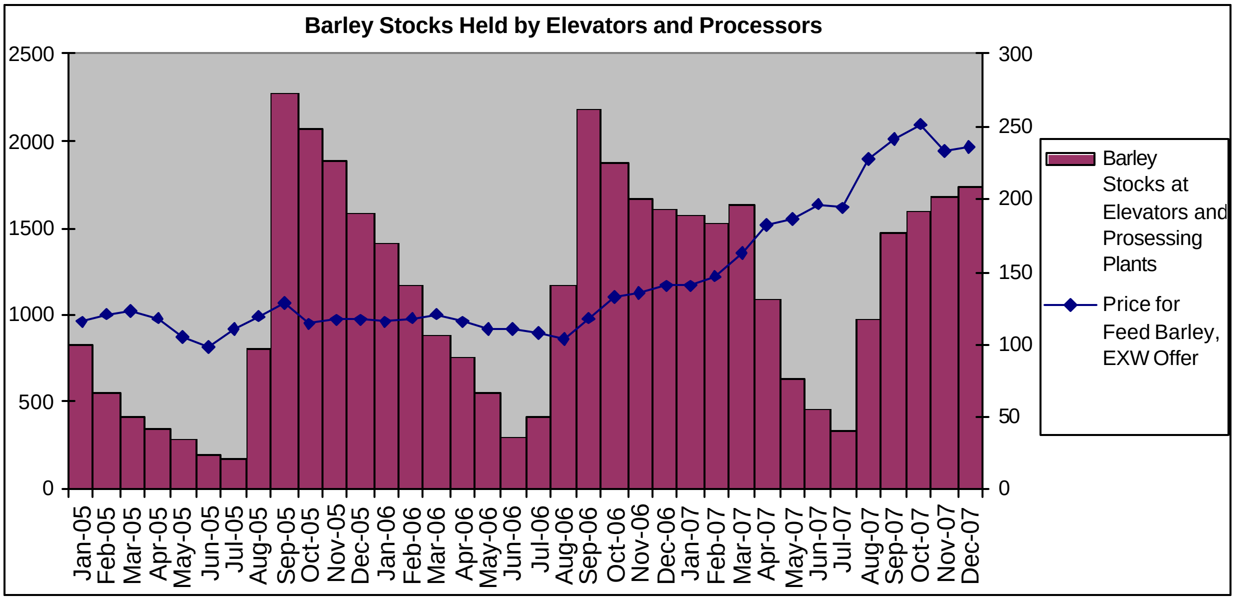
Source: State Statistics Committee of Ukraine

07/08, 08/09 – 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 reached 5,103,000 tons. Total barley exports for marketing year 2006/2007 reached 5.1 million tons. Barley exports could almost reach 1 million tons if the GOU cancels export quotas in the near future which is unlikely. If the GOU doesn't cancel export quotas, actual exports are expected to only reach 700,000 tons.

Stocks

Marketing year 2007/2008 ending stocks for barley will decrease due to the low crop. Next year barley stocks will depend upon the government's export policy. (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 2007.)



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

Corn

Corn PSD Table

Ukraine										
Corn										
	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		10/2006	10/2006		10/2007	10/2007		10/2008	10/2008	MM/YYYY
Area Harvested	1700	1720	1720	1900	1628	1902	0	0	1650	(1000 HA)
Beginning Stocks	922	937	922	1069	1107	1015	1369	547	1959	(1000 MT)
Production	6400	6420	6425	7400	6440	7424	0	0	7000	(1000 MT)
MY Imports	24	0	24	0	0	20	0	0	20	(1000 MT)
TY Imports	24	0	24	0	0	20	0	0	20	(1000 MT)
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	7346	7357	7371	8469	7547	8459	1369	547	8979	(1000 MT)
MY Exports	1027	1000	1106	1500	1800	800	0	0	2500	(1000 MT)
TY Exports	1027	1000	1106	1500	1800	800	0	0	2500	(1000 MT)
Feed Consumption	4500	4500	4500	5000	4500	5000	0	0	5200	(1000 MT)
FSI Consumption	750	750	750	600	700	700	0	0	700	(1000 MT)
Total Consumption	5250	5250	5250	5600	5200	5700	0	0	5900	(1000 MT)
Ending Stocks	1069	1107	1015	1369	547	1959	0	0	579	(1000 MT)
Total Distribution	7346	7357	7371	8469	7547	8459	0	0	8979	(1000 MT)
Yield	3.76	3.73	3.74	3.89	3.96	3.90	0.00	0.00	4.24	(MT/HA)

Production

Corn production is expected to decrease due to possible sown areas decreases. The reasons for the decrease in area planted as similar to barley. The government's grain policy resulted in large amounts of unsold stocks at farms and elevators. Export quotas were introduced before the corn harvest and the domestic market was unable to absorb the 1.5-2 million tons of corn surpluses.

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 increase slightly because poultry inventories are going up. Though, demand for corn is expected to be stronger on the export market than the domestic market.

Trade

The traditional export markets for Ukrainian corn are 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 2007/2008, exports are forecasted to be 1 million tons if the GOU cancels export quotas. Corn exports for marketing year 2008/2009 could reach 2.5 million tons, but again, only if the government does not implement new export quotas. Export destinations are found in the table below.

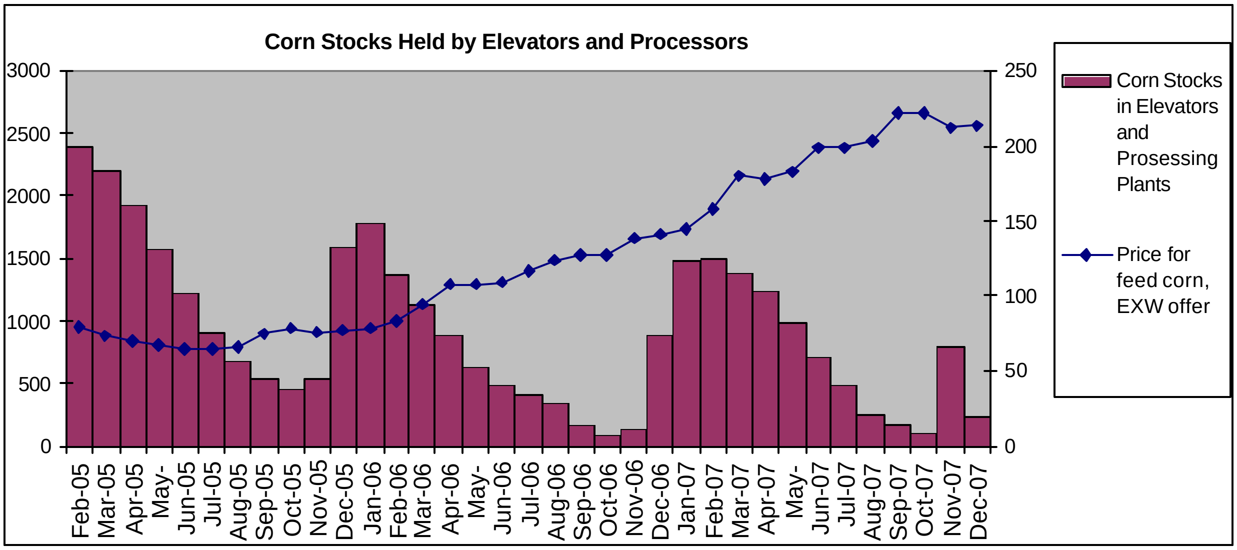
Forecast of Corn Exports by Possible Destinations (MY 2007/2008)

Destinations	Oct 05-Sep 06	Oct 06-Sep 07	Oct 07 - Sep 08 Forecast	July 08 - June 09 Forecast	05/06, Share	06/07 Share	07/08, Share, Forecast	July 08 - June 09 Forecast
Belarus	252	243	100	250	10%	24%	13%	10%
Russia	240	63	50	250	10%	6%	6%	10%
Spain	288	48	50	250	12%	5%	6%	10%
Algeria	155	6	0	150	6%	1%	0%	6%
Egypt	150	196	100	150	6%	19%	13%	6%
Libya	254	25	50	250	10%	2%	6%	10%
Tunisia	194	19	50	150	8%	2%	6%	6%
Iran	169	58	50	150	7%	6%	6%	6%
Israel	237	0	100	250	10%	0%	13%	10%
Syria	196	0	100	200	8%	0%	13%	8%
Other Countries	329	368	150	450	13%	36%	19%	18%
Total	**2,464**	**1,027**	**800**	**2,500**	**100%**	**100%**	**100%**	**100%**

Source: State Statistics Committee of Ukraine

Stocks

Ending stocks of corn for marketing year 2007/2008 is forecasted to increase due to lower exports. Ending stocks for marketing year 2008/2009 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										
	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		07/2006	07/2006		07/2007	07/2007		07/2008	07/2008	MM/YYYY
Area Harvested	360	360	360	350	320	337	0	0	442	(1000 HA)
Beginning Stocks	267	271	267	72	57	37	62	47	40	(1000 MT)
Production	600	584	584	550	600	563	0	0	740	(1000 MT)
MY Imports	5	5	5	0	0	0	0	0	0	(1000 MT)
TY Imports	5	5	5	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	872	860	856	622	657	600	62	47	780	(1000 MT)
MY Exports	0	3	69	10	10	10	0	0	70	(1000 MT)
TY Exports	0	3	69	10	10	10	0	0	70	(1000 MT)
Feed Consumption	50	50	50	50	50	50	0	0	50	(1000 MT)
FSI Consumption	750	750	700	500	550	500	0	0	620	(1000 MT)
Total Consumption	800	800	750	550	600	550	0	0	670	(1000 MT)
Ending Stocks	72	57	37	62	47	40	0	0	40	(1000 MT)
Total Distribution	872	860	856	622	657	600	0	0	780	(1000 MT)
Yield	1.67	1.62	1.62	1.57	1.88	1.67	0.00	0.00	1.67	(MT/HA)

Production

Farmers increased the area planted with winter rye in Fall 2007 and rye production is now expected to increase. Assuming the yields are higher than average, rye production will be about 0.7 million tons.

Consumption

Feed, industrial and human consumption of rye are anticipated to increase in marketing year 2008/2009. The rye consumption estimate in marketing year 2007/2008 was revised down.

Trade

FAS-Kyiv forecasts that rye exports for the next marketing year will be significantly higher than in marketing year 2007/2008. This estimate assumes the government will not reintroduce export quotas.

Stocks

Rye stocks are stable, no change compared to last year.

Oats

Oats PSD Table

Ukraine										
Oats										
	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		07/2006	07/2006		07/2007	07/2007		07/2008	07/2008	MM/YYYY
Area Harvested	440	442	442	400	442	356	0	0	380	(1000 HA)
Beginning Stocks	18	9	18	18	9	8	18	9	13	(1000 MT)
Production	700	690	690	550	700	545	0	0	580	(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	718	699	708	568	709	553	18	9	593	(1000 MT)
MY Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
TY Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
Feed Consumption	550	550	550	400	550	390	0	0	420	(1000 MT)
FSI Consumption	150	140	150	150	150	150	0	0	150	(1000 MT)
Total Consumption	700	690	700	550	700	540	0	0	570	(1000 MT)
Ending Stocks	18	9	8	18	9	13	0	0	23	(1000 MT)
Total Distribution	718	699	708	568	709	553	0	0	593	(1000 MT)
Yield	1.59	1.56	1.56	1.38	1.58	1.53	0.00	0.00	1.53	(MT/HA)

The area planted with oats is expected to be average, approximately the same level as in the past 2 years. The current level is equal to the average for the past 10 years.

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

Peas

Peas PSD Table

Ukraine										
Peas										
	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		01/2006	01/2006		01/2006	01/2006		01/2006	01/2006	MM/YYYY
Area Harvested	0	330	330	0	350	280	0	0	330	(1000 HA)
Beginning Stocks	0	20	20	0	27	10	0	37	10	(1000 MT)
Production	0	687	687	0	720	300	0	0	670	(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	707	707	0	747	310	0	37	680	(1000 MT)
MY Exports	0	250	267	0	270	40	0	0	230	(1000 MT)
TY Exports	0	250	267	0	270	40	0	0	230	(1000 MT)
Feed Consumption	0	350	350	0	360	180	0	0	350	(1000 MT)
FSI Consumption	0	80	80	0	80	80	0	0	80	(1000 MT)
Total Consumption	0	430	430	0	440	260	0	0	430	(1000 MT)
Ending Stocks	0	27	10	0	37	10	0	0	20	(1000 MT)
Total Distribution	0	707	707	0	747	310	0	0	680	(1000 MT)
Yield	0	2.08	2.08	0.00	2.06	1.07	0.00	0.00	2.03	(MT/HA)

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 2008/2009, the sown area for peas is expected to be 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 harvest period, 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 extremely low compared to last year due to the poor crop. Next year exports are expected to increase to about 230,000 tons.

Peas Exports From Ukraine (HS 071310)

Country	Jul 02-Jun 03	Jul 03-Jun 04	Jul 04-Jun 05	Jul 05-Jun 06	Jul 06 - Jun 07	Jul 07 - Feb 08
Spain	70	0	35	55	24	3
Italy	18	10	16	49	37	8
India	21	0	38	22	83	9

Hungary	28	16	73	10	16	3
Austria	3	0	6	9	21	3
Netherlands	4	4	0	8	5	1
Bangladesh	0	0	1	5	5	1
Belarus	0	1	4	4	3	1
United Kingdom	1	0	3	3	32	4
Latvia	0	0	1	3	0	0
Greece	0	0	0	1	6	1
Pakistan	0	0	12	1	12	3
Others Not Listed	16	1	4	2	12	5
TOTAL	**166**	**35**	**201**	**178**	**262**	**42**

Source: State Statistics Committee of Ukraine

Policy (all grains)

GOU grain policy is driven by several regulations:

1) Export grain quotas;
2) State Reserve (Agrarian Fund) purchases with minimum and maximum price regulations;

Over the past two years, the Minister of Agriculture has increased government intervention and reduced free market measures. Export quotas and licensing for grains have been in place during the entire 9 months of the current marketing year and continue to be in place.

In marketing year 2007/2008, the GOU imposed export quotas for grains for the second consecutive year. The decree was officially published on June 26, 2007 and imposed a 3,000-ton export quota for each of the grains (wheat, barley, corn and rye) beginning July 1, 2007. This policy actually served as an export ban until the quota limit was increased because of the extremely small size of the quotas. For more details please click on the following link: http://www.fas.usda.gov/gainfiles/200707/146291597.doc

On September 26, 2007, the Cabinet of Ministers of Ukraine took the next step by adopting Decree #1179, which was officially published on October 2, 2007. The decree increased the quota for each of the grains (wheat, barley, corn and rye) through March 31, 2008. The total size of the new export quota was 1,203,000 tons which is much lower than the grain traders predicted. You can read more on the following link:
http://www.fas.usda.gov/gainfiles/200710/146292625.doc

Many experts have attempted to estimate the damages and losses incurred by international grain trading companies as a result of the export quota policy. Most estimates range between $200 -$300 million. The Ukrainian Grains Association estimates that Ukrainian agricultural producers lost approximately $1.3 billion due to the policy.

During the end of marketing year 2007/2008, the government on several occasions announced they would cancel the quotas. However, the quotas remain in place. The GOU once again is delaying this decision to avoid increases in grain prices. For marketing year 2008/2009, the government committed to cancelling the quota and this action should be taken by July 4, 2008.

The Ministry of Agriculture is going to purchase wheat and rye through the Agrarian Fund for the State Reserve from the 2008/2009 harvest. The total quantity of grain to be purchased for the State Reserve is 803,000 tons of wheat and 78,000 of rye. This action was published on the Ministry of Agriculture's web-site on March 17. The prices are also indicated but could change as harvest time approaches.

The government approved the same budget level for marketing year 2008/2009 as the previous year for winter grains. The GOU introduced oats subsidies ($20 per hectare) and sugar beets production for domestic processing ($110 per hectare). The GOU increased subsidies for peas, buckwheat and millet by $4 per hectare. On February 22, 2008, 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 100/ha ($20/ha) for peas and millet
- UAH 80/ha ($16/ha) for soybeans 1 reproduction, UAH 50/ha ($10/ha) for soybeans 3 reproduction
- UAH 100/ha ($20/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
-

These subsidies are paid if the farmer insured a minimum of 20% of the spring crop with an insurance company. Alternatively, a producer can receive the subsidy if 20% of the milling wheat and rye is sold on the domestic market.

Port Infrastructure for Grain Export and Transit

There are no technical constraints that will prevent or limit the export or transit of grain form Ukraine in the mid-term. Panamax-size ports in 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) (tons)

PORTS	02/03	03/04	04/05	05/06	06/07	07/08*
Belgorod - Dnestr.	80,076	22,346	21,501	4,201	7,757	
Berdyansk	108,787	8,776	42,120	233,942	63,722	1,019
Ilyichevsk	2,238,257	556,527	1,692,022	2,078,073	1,505,525	24,377
Ilyichevsk Fishery	93,098	11,517	63,567	42,609	n/a	
Izmail	40,637	64,976	39,325	40,178	32,090	
Kerch - Sea	175,206	19,667	102,210	67,600	102230	
Kherson	433,342	149,482	521,315	437,947	576,806	14,260
Mariupol	0	0	16,305	18,184	70,097	
Nikolayev	2,225,299	243,911	1,652,218	2,196,584	1,591,419	74,343
Odesa	2,677,904	446,228	2,241,157	2,606,747	2,051,835	105,754
Reny	5,601	3,746	37,224	141,017	5467	
Ust-Dunaisk	291,087	0	49,099	109,040	n/a	
Yuzhny	1,336,034	599,941	2,493,013	2,626,593	2,062,611	62,077
Kiliya	242,045	0	541,445	722,551	32,209	
Sevastopol	n/a	n/a	n/a	n/a	705,060	
Grand Total	**9,947,374**	**2,127,118**	**9,512,522**	**11,325,266**	**8,806,828**	**281,830**

Source: Global Shipping Agency
07/08 – July 2007 – February 2008

Wheat Exports by Ports (tons)

	02/03	03/04	04/05	05/06	06/07	07/08*
Belgorod - Dnestr.	52,648		4,863	4,201	2,997	
Berdyansk	66,921		12,058	158,208	27,678	
Ilyichevsk	1,829,608		1,162,693	1,175,392	632,667	14,346
Ilyichevsk Fishery	93,098		28,186	0		
Izmail	10,337		3,977	6,241	8,571	
Kerch - Sea	134,853		21,759	55,094	87,588	
Kherson	331,124		203,378	270,739	455,495	
Kiliya			0	4,397	7,150	
Mariupol	241,185	2,982	67,815	244,437	46,014	
Nikolayev	1,586,045		698,942	1,084,510	339,139	
Odesa	1,521,039	3,465	950,122	1,226,998	873,086	16,546
Reni	5,601		11,693	0	3,354	
Sevastopol			140,035		296,221	
Ust-Dunaisk	206,962		2,984	0		
Yuzhny	242,045		541,445	722,551	419,144	6,600
Grand Total	**6,321,466**	**6,447**	**3,849,950**	**4,952,767**	**3,199,104**	**37,492**

Source: Global Shipping Agency
07/08 – July 2007 – February 2008

Barley Exports by Ports (tons)

	02/03	03/04	04/05	05/06	06/07	07/08*
Belgorod - Dnestr.	9,292	3,137	6,800	0	2,606	
Berdyansk	24,180	0	18,436	32,788	28,297	
Ilyichevsk	408,650	556,527	512,136	892,166	852,831	10,031
Ilyichevsk Fishery	0	0	0	0		
Izmail	0	0	8,340	3,800	5,941	
Kerch - Sea	10,000		70,065	5,250	10,731	
Kherson	50,369	48,190	148,051	25,553	25,831	3,186
Kiliya			16,305	0	17,739	
Mariupol	42,717	0	95,215	37,702	24,083	
Nikolayev	485,880	189,283	542,875	439,104	856,771	19,211
Odesa	836,440	405,947	837,346	779,050	912,039	31,190
Reni	0	0	6,527	0		
Sevastopol		0	147,456		408,839	
Ust-Dunaisk	69,500		37,534	0		
Yuzhny	1,025,759	555,622	1,497,860	1,577,472	1,643,467	49,322
Grand Total	**2,962,786**	**1,758,707**	**3,944,947**	**3,792,885**	**4,789,175**	**112,940**

Source: Global Shipping Agency
07/08 – July 2007 – February 2008

Corn Exports by Ports (tons)

	02/03	03/04	04/05	05/06	06/07	07/08*
Belgorod - Dnestr.	15,008	19,209	9,838	0		
Berdyansk	17,686	8,776	11,626	42,674	2,705	
Ilyichevsk	0	0	0	0	9,079	
Ilyichevsk Fishery	0	11,517	35,381	42,609		
Izmail	5,685	63,326	8,442	15,762	7,572	
Kerch - Sea	22,280	19,667	10,386	7,257	3,911	
Kherson	13,533	73,204	69,684	44,132	61,067	
Kiliya			0	10,670	5,233	
Mariupol	0		0	0		
Nikolayev	123,206	47,385	381,529	672,970	381,754	52,559
Odesa	320,426	36,816	453,689	583,366	184,861	58,018
Reni	0	3,746	19,004	126,217	2,113	
Sevastopol			128,188			
Ust-Dunaisk	14,626		0	109,040		
Yuzhny	68,231	44,319	447,549	326,569		6,155
Grand Total	**600,680**	**327,964**	**1,575,317**	**1,981,266**	**658,295**	**116,732**

Source: Global Shipping Agency
07/08 – July 2007 – February 2008

Peas Exports by Ports (tons)

	02/03	03/04	04/05	05/06	06/07	07/08*
Belgorod - Dnestr.	3,128				2,154	
Berdyansk				273	5,043	1,019
Ilyichevsk			17,193	10,515	10,948	
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	34,410	11,074
Mariupol				3,116		
Nikolayev	30,168	7,244	28,872		13,755	2,573
Ochakov		2,027				
Odesa				17,333	77,497	
Reny				14,800		
Ust-Dunaisk			8,581			
Yuzhny			6,159			
Kiliya					2,087	
Grand Total	**104,300**	**39,009**	**179,573**	**157,936**	**155,900**	**14,666**

Source: Global Shipping Agency
07/08 – July 2007 – February 2008

Transit of Grains by Origin (tons)

	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008*
Hungary	86,033	26,875	190,050	112,132		-

					194,990	
Kazakhstan	1,301,263	345,986	219,712	84,357	904,004	1,120,638
Moldova	380,982	149,781	232,343	378,966	189,552	0.5
Russia	1,237,695	730,035	205,148	311,564	241,950	1,969,464
Unknown	-	-	-	-	-	102,178
Total	**3,005,973**	**1,252,677**	**847,252**	**887,018**	**1,530,496**	**3,192,280**

Source: Global Shipping Agency

07/08 – July 2007 – February 2008

Transit of Grains by Origin (tons) – MY 2006/2007

		PORT										
ORIGIN	**CARGO**	**Ilyi chevsk**	**Izmail**	**Kerch**	**Kherson**	**Kiliya**	**Odessa**	**Reni**	**Sevas topol**	**Ust-Dunaisk**	**Yuzh ny**	**Grand Total**
Hungary	barley							3,112				3,112
	corn							87,124		25,631		112,754
	peas					7,317						7,317
	wheat							36,772		35,035		71,807
Hungary Total		-	-	-	-	7,317	-	127,007	-	60,666	-	194,990
Kazakhstan	barley						171,608				2,900	174,508
	wheat	258,578			180,681		253,165		28,674		8,399	729,496
Kazakhstan Total		258,578	-	-	180,681	-	424,773	-	28,674	-	11,298	904,004
Moldova	barley						5,432	45,177				50,608
	corn		8,056					10,256				18,312
	peas							16,749				16,749
	wheat							103,882				103,882
Moldova Total		-	8,056	-	-	-	5,432	176,064	-	-	-	189,552
Russia	barley	46,297		387							79,958	126,642
	wheat	39,500		75,809								115,309
Russia Total		85,797	-	76,196	-	-	-	-	-	-	79,958	241,951
Grand Total		344,375	8,056	76,196	180,681	7,317	430,204	303,071	28,674	60,666	91,256	1,530,49

Source: Global Shipping Agency

Transit of Grains by Origin (tons) 2007/2008 – July 2007-Febryuary 2008 MY

		PORT							
ORIGIN	**CARGO**	**Berdyansk**	**Ilyichevsk**	**Kherson**	**Mariupol**	**Nikolaev**	**Odessa**	**Yuzhnyy**	**Grand Total**
Kazakhstan	barley			10,319		19,880	39,144	87,472	156,814
	wheat		161,033	161,849		167,310	312,061	161,570	963,823
Kazakhstan Total		-	161,033	172,168	-	187,190	351,205	249,042	1,120,638
Moldova	wheat						454		454
Moldova Total		-	-	-	-	-	454	-	454
Unknown	barley		22,765						22,765
	rye				2,489				2,489
	wheat		28,643	9,645	27,103		10,679		76,070
Unknown Total		-	51,408	9,645	29,592	-	10,679	-	101,324
Russia	barley		21,930			20,881	48,274	152,486	243,571
	corn			4,289					4,289
	triticale	3,496							3,496
	wheat	30,211	505,984	54,054		241,426	301,658	585,173	1,718,507
Russia Total		33,707	527,914	58,343	-	262,307	349,932	737,659	1,969,864
Grand Total		33,707	740,354	240,156	29,592	449,497	712,271	986,702	3,192,280

Source: Global Shipping Agency

Statistical Tables

Final Statistics on Grain and Pulse Production in Ukraine (2007)

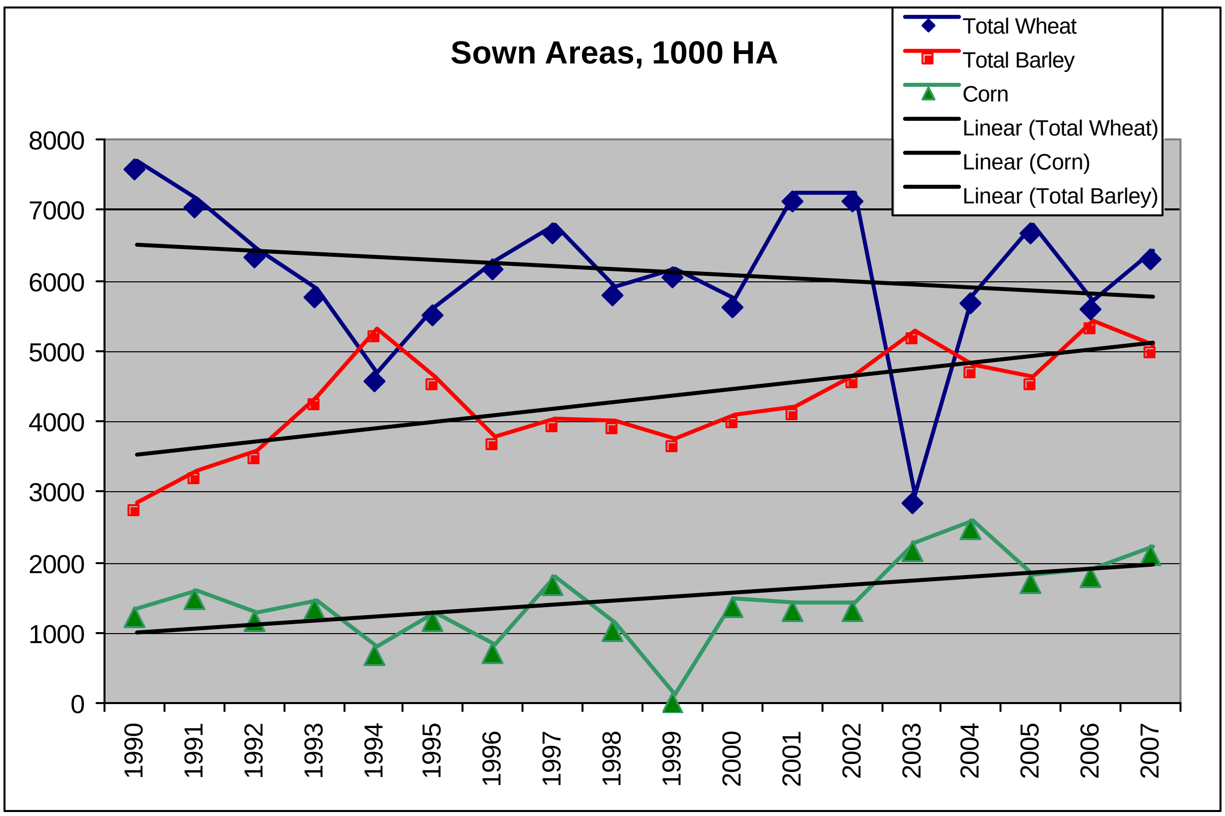
Crop	Area Planted	Area Harvested	Production	Yield
	1,000 ha	1,000 ha	1,000 MT	MT/ha
Total Wheat, including -	**6287.8**	**5951.3**	**13937.7**	**2.34**
Winter Wheat	5816.7	5,516	13,173	2.39
Spring Wheat	471.1	435.1	765	1.76
Total Rye, including -	**350.1**	**337.4**	**562.5**	**1.67**
Winter Rye	349.2	336.5	561.2	1.67
Spring Rye	0.9	0.9	1.3	1.51
Total Barley, including -	**4975.3**	**4088.4**	**5980.8**	**1.46**
Winter Barley	558.6	481.6	875	1.82
Spring Barley	4416.7	3,607	5,106	1.42
Corn for Grain	2087.2	1,903	7,421	3.90
Oats	403.8	356	544.4	1.53
Millet	122	91.6	84.3	0.92

Buckwheat	351.9	310.1	217.4	0.7
Rice	21.1	21.1	108	5.11
Peas	368.2	246.8	268	1.09
Beans	20.5	20.2	30.8	1.52
Sorghum	72.4	51.9	78.1	1.51
Total Grain and Pulses	15114.9	13,428	29,295	1.14

Source: State Statistics Committee of Ukraine

The graph below shows historical decrease in wheat sown areas and increase in barley and corn sown areas.

Historical Sown Areas on Wheat, Barley and Corn and Trend Lines



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 06 - Jun 07	Jul 07 - Feb 08
Spain	1,955	5	1,135	709	421	
Israel	420	11	470	648	497	47
Korea, South	311	0	108	405	25	0
Italy	219	0	478	402	95	10
Indonesia	209	0	234	372	2	0

Tunisia	337	0	436	363	232	7
Algeria	196	0	147	322	14	0
Morocco	238	0	144	320	4	0
Bangladesh	0	0	82	318	190	0
Yemen	0	0	0	309	150	0
Egypt	261	8	187	307	439	6
Kenya	48	0	10	242	141	38
Hungary	340	0	253	205	14	0
Philippines	0	0	145	199	38	0
Libya	12	0	21	188	11	0
Jordan	26	0	34	157	0	0
Syria	0	0	23	94	35	0
Mauritania	82	0	71	91	18	0
United Arab Emirates	0	0	0	83	0	0
South Africa	102	0	0	69	25	0
Vietnam	0	0	0	50	0	0
Nigeria	48	0	15	38	0	0
Peru	234	0	0	36	94	0
Netherlands	172	0	7	10	0	0
United States	28	0	56	6	17	0
Greece	65	10	24	3	24	0
Portugal	259	0	0	0	0	0
Canada	163	0	0	0	0	0
Belgium	351	0	0	0	57	0
Brazil	119	0	0	0	0	0
Other Not Listed	347	13	296	483	789	2
Total	**6,542**	**47**	**4,377**	**6,427**	**3,330**	**111**

Source: State Statistics Committee of Ukraine

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

Country	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-08	Feb-08	TOTAL
Bangladesh	0	0	0	0	0	0	0	0	**0**
Spain	0	0	0	0	0	0	0	0	**0**
India	0	0	0	0	0	0	0	0	**0**
Switzerland	0	0	0	0	0	0	0	0	**0**
Morocco	0	0	0	0	0	0	0	0	**0**
Mozambique	0	0	0	0	0	0	0	0	**0**
Peru	0	0	0	0	0	0	0	0	**0**
Philippines	0	0	0	0	0	0	0	0	**0**
Korea, South	0	0	0	0	0	0	0	0	**0**
Libya	0	0	0	0	0	0	0	0	**0**
South Africa	0	0	0	0	0	0	0	0	**0**
Tunisia	7	0	0	0	0	0	0	0	**7**
Egypt	6	0	0	0	0	0	0	0	**6**
United Kingdom	0	0	0	0	0	0	0	0	**0**
United States	0	0	0	0	0	0	0	0	**0**
Yemen	0	0	0	0	0	0	0	0	**0**

Algeria	0	0	0	0	0	0	0	0	**0**
Israel	44	3	0	0	0	0	0	0	**47**
Italy	10	0	0	0	0	0	0	0	**10**
Kenya	38	0	0	0	0	0	0	0	**38**
Others Lot Listed	0	1	1	0	0	0	0	0	**2**
TOTAL	**106**	**4**	**1**	**0**	**0**	**0**	**0**	**0**	**111**

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-Jun 07	Jul 07-Feb 08
Saudi Arabia	1,587	831	1,806	2,254	3,466	7
Jordan	0	46	499	543	222	3
Iran	0	14	433	388	109	0
Syria	62	0	428	288	215	18
Israel	146	54	372	83	157	0
Tunisia	238	0	195	82	213	0
Libya	42	17	215	71	151	0
Japan	121	0	0	60	0	0
United Kingdom	0	24	8	55	177	1
Morocco	136	9	93	46	68	0
Cyprus	160	107	6	27	3	0
Hungary	32	36	101	27	0	0
Algeria	90	0	39	18	62	0
Greece	3	3	44	3	16	0
Switzerland	23	52	0	2	0	0
Kuwait	94	68	0	0	137	0
Italy	15	4	28	0	0	0
Turkey	0	137	3	0	0	14
United States	8	6	3	0	0	0
Others Not Listed	128	107	43	14	105	0
TOTAL	**2,883**	**1,517**	**4,315**	**3,959**	**5,103**	**43**

Source: State Statistics Committee of Ukraine

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

Country	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-08	Feb-08	TOTAL
Saudi Arabia	0	0	0	0	0	0	0	0	**0**
Tunisia	0	0	0	0	0	0	0	0	**0**
Syria	0	0	0	0	0	0	0	16	**16**
United Arab Emirates	0	0	0	0	0	0	0	0	**0**
United Kingdom	0	3	0	0	0	0	0	1	**4**
Morocco	2	0	0	0	0	0	0	0	**2**
Algeria	0	0	0	0	0	0	0	0	**0**
Iran	0	0	0	0	0	0	0	0	**0**

Israel	7	0	0	0	0	0	0	0	**7**
Jordan	0	0	0	0	0	0	0	0	**0**
Kuwait	0	0	0	0	0	0	0	0	**0**
Libya	0	0	0	0	0	0	0	0	**0**
Turkey	0	0	0	0	0	0	0	14	**14**
Others Not Listed	0	0	0	0	0	0	0	0	**0**
TOTAL	**9**	**3**	**0**	**0**	**0**	**0**	**0**	**31**	**43**

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 06-Sep 07	Oct 07-Feb 08
Spain	40	7	329	288	48	27.5
Libya	33	3	101	254	25	0
Belarus	32	158	254	252	243	5
Russia	52	408	202	240	63	9.2
Israel	146	4	294	237	0	0
Syria	6	0	113	196	0	0
Tunisia	71	0	165	194	19	0
Iran	0	0	517	169	58	0
Algeria	76	0	103	155	6	0
Egypt	126	0	54	150	196	0
Portugal	0	0	7	79	0	0
Malaysia	0	0	0	64	0	0
United Kingdom	9	17	6	45	3	0
Georgia	0	3	17	41	41	0
Hungary	0	85	0	22	6	0
Turkey	30	42	41	8	240	0
Poland	0	22	0	0	0	0
Lithuania	36	60	0	0	7	8.2
Romania	0	168	0	0	0	0
United States	0	1	13	0	0	0
Bulgaria	0	33	0	0	3	16.5
Estonia	24	30	0	0	2	0
Greece	0	77	0	0	4	23.3
Latvia -	0	0	0	120	0	4.5
Armenia -	0	0	26	0	9	3
Others Not Listed	125	118	123	71	54	4
TOTAL	**807**	**1,236**	**2,339**	**2,464**	**1,027**	**102**

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 06 - Jun 07	Jul 07 - Feb 08

Spain	70	0	35	55	24	3
Italy	18	10	16	49	37	8
India	21	0	38	22	83	9
Hungary	28	16	73	10	16	3
Austria	3	0	6	9	21	3
Netherlands	4	4	0	8	5	1
Bangladesh	0	0	1	5	5	1
Belarus	0	1	4	4	3	1
United Kingdom	1	0	3	3	32	4
Latvia	0	0	1	3	0	0
Russia	0	0	1	2	0	0
Greece	0	0	0	1	6	1
Armenia	1	1	1	1	1	0
Pakistan	0	0	12	1	12	3
Uzbekistan	0	0	1	1	1	0
Turkmenistan	0	1	0	1	1	0
Azerbaijan	0	0	0	1	1	0
Kazakhstan	0	0	0	1	0	0
Lithuania	2	0	3	0	1	0
Poland	0	0	2	0	0	0
Others Not Listed	16	1	4	2	12	5
TOTAL	**166**	**35**	**201**	**178**	**262**	**42**

Source: State Statistics Committee of Ukraine