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Ukraine

Grain and Feed

July Grain Update

1999

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Report Highlights:

Ukrainian 1999 grain and pulses production is being drawn down to 24 million tons because of hot and dry weather conditions, severe deficits in the usage of plant protection chemicals, and fuel shortages. This would be the lowest crop since Ukrainian independence in 1991. Growing government interference in the movement of grain is further complicating payment for private sector input suppliers and foreign privatization efforts. Feed availability will become more scarce and force further livestock slaughter. MY 1998/1999 grain exports reached a record 5.6 million tons. Wheat bartered with Russia for fuel did not go to Russia but was sold to the international market for immediate cash.

Includes PSD changes: Yes

Includes Trade Matrix: No

Unscheduled Report

Kiev [UP1], UP

Executive Summary

The estimate of Ukraine's 1999 grain (wheat, barley, corn, rye, oats, buckwheat, millet, and rice) and pulses production is being drawn down again to a lower 24 million tons. This would be the lowest harvest since 1991. Domestic food needs will still be assured and no additional grain imports should be required. Government of Ukraine (GOU) interference in the movement of grain and the domestic market is growing as officials try to recoup the costs for inputs supplied to agriculture and to assure low prices to consumers. The decline in grain output will result in lower grain exports and seriously affect collective farm livestock operations, forcing them to slaughter even more animals. MY 1998/99 grain exports were a record as grain was exported in payment for provided agricultural inputs. Grain bartered for gas and oil with Russia was sold directly to commercial companies in Ukraine for export to other international destinations.

Production

An unusually extended period of hot and dry weather this summer led to early grain maturity this year. Unlike an ordinary harvesting campaign, 1999 harvesting started simultaneously in Central and Southern Ukraine. Ministry of Agriculture officials describe the small grains harvest as being 7-19 days earlier than last year. Farmers harvested 13.3 million tons of grain as of July 26, 1999. According to Ukrainian Agrarian Exchange experts, the 1999 grain crop will not exceed 25.5-26 million tons.

The main problems that hinder Ukrainian grain production are the low usage of plant protection chemicals, fuel and agricultural machinery shortages. Ukraine has never produced enough agricultural chemicals to cover domestic needs even during Soviet times. Imports of agricultural chemicals in 1999 decreased almost three times from that in 1998. Western experts estimate that a 50% decrease in plant protection supplies will lead to a 3.5 million ton loss in grain output under normal conditions. Another negative factor affecting this year harvesting is a rapid diesel fuel price increase which doubled during the second decade of July. Since then government officials have taken actions to guarantee fuel supplies to farmers under governmental programs. The share of the government in fuel deliveries to agriculture reached 40-50% this summer.

The estimated harvested area for wheat was increased based upon official preliminary statistics. Statistics officials explained that these data more accurately reflect the area in the private sector. Another reason is that the freezing temperatures in May did not affect wheat as extensively as farmers reported to the government with the hope of receiving additional inputs. The estimate of wheat output was left unchanged, resulting in lower yields. Wheat quality is down and test weights down a minimum 25% less than average. It is expected that only 35-37% of wheat will qualify as food grain this year.

Lower grain output will force collective farms to reduce livestock inventories further. Collective farm managers complain that grain still in the field does not belong to the farm but to the government to whom they owe eight million tons from this year's harvest. This grain is very likely to be confiscated which will leave the collective farm with very limited concentrate feed for livestock feeding in MY 1999/00.

The drought conditions and serious infestations of noxious weeds most severely affected spring barley and corn, where very little chemicals have been applied. Harvested areas of both crops have been reduced, with the most serious

reductions expected in barley and corn yields. The area in rye was reduced based on official statistics. Oat yields will be significantly lower because farms are focusing on wheat harvesting while oats is standing in the field and shelling out rapidly.

Small area increases have been recorded in buckwheat and millet. Both crops are important for human consumption in Ukraine, especially for people with low incomes. It is now estimated that the buckwheat crop will approximate 0.4 million tons, and millet 0.35 million tons.

Consumption

Grain for human consumption is not projected to decrease in MY 1999/00. Average annual grain use for bread in Ukraine is 4-4.5 million tons. Grain products have become a major component in the diet of Ukrainians and the GOU is expected to take actions to assure low bread prices.

Grain for livestock and poultry feeding will be down almost three million tons from that available last year. This is occurring just as poultry and hog numbers have bottomed out and an increase in numbers was beginning. Cattle numbers on the collective farms will continue to decline significantly while numbers still may show some increase among village and subsidiary plot holders.

Trade

Wheat exports during May-June 1999 continued at a rapid pace (851,000 tons -- 21% above the same period in 1998). Total MY 1998/99 exports reached 4.295 million tons of primarily feed quality wheat, most to international destinations outside the Former Soviet Union (FSU). Wheat flour exports, however, were down -- only 43,400 tons compared to 152,700 tons in MY 1997/98. According to industry sources, this grain was exported by several Ukrainian and international grain traders. Russian fuel and gas suppliers who received grain as payment immediately sold the grain to exporters within Ukraine. The largest amounts were shipped through Black Sea ports to Israel, Turkey and South Korea. Ukraine has not continued grain exports to FSU countries except to Belarus. Grain deliveries to FSU countries are limited now to specific government to government agreements.

Barley exports also continued at a higher than earlier estimated pace. A total 796,000 tons of barley was exported thus during MY 1998 /99, up from 547,000 tons during MY 1997/98. Corn exports during October 1998 - June 1999 totaled 339,000 tons -- 21% down from the same period in MY 1997/98.

As much as grains are needed in Ukraine for any hoped for sustained increase in cattle, hogs and poultry numbers, grains are being exported in payment of inputs supplied to farmers by both government and private sector sources. Some experts believe that Ukraine will have to import grain in MY 99/00 because of the low 1999 crop. To deny these statements, Ministry of Agriculture officials announced that farmers have already harvested three times more grain than the minimal required for domestic needs.

The President of Ukraine on June 18, 1999 signed a law that established a temporary zero import duty on corn for industrial processing. The goal is to meet the interests of corn processors who could not find desired quality corn in the domestic market and were not willing to pay a 30% ad valorem import tariff (but not less than EUR. 20 per a metric

ton) on imported corn. A zero import duty is effective only through September 1, 1999, and will not affect the earlier reported MY 1998/99 corn import estimate.

Policy

Production volumes remain the main focus of the GOU in agriculture. The highest ranking government officials and member of the Parliament still believe that government is responsible for and must assure an adequate supply of agricultural machinery, fuel, fertilizers, plant protection chemical and other agricultural inputs. The President of Ukraine dismissed Agricultural Minister Borys Supikhanov for serious drawbacks in preparations for the 1999 harvest campaign. The Prime Minister fired the director of state owned grain monopoly *Khlib Ukrainy*.

It is expected that the GOU will increase control over grain and oilseed handling, commodity markets and price regulation. Local administrations already have taken actions to prevent the free movement of grain and stated that farmers are obligated first to pay their debts to the government. Special teams are monitoring grain deliveries to controlled local grain receiving stations and elevators.

PSD Table						
Country	Ukraine					
Commodity	Wheat				(1000 HA)(1000 MT)	
	Revised	1997	Preliminary	1998	Forecast	1999
	Old	New	Old	New	Old	New
Market Year Begin		07/1997		07/1998		07/1999
Area Harvested	6508	6508	5638	5638	5700	5900
Beginning Stocks	1991	1727	2487	2036	724	570
Production	18404	18404	14937	14937	14000	14000
TOTAL Mkt. Yr. Imports	93	5	100	7	100	5
Jul-Jun Imports	93	5	100	7	100	5
Jul-Jun Import U.S.	2	0	0	0	0	0
TOTAL SUPPLY	20488	20136	17524	16980	14824	14575
TOTAL Mkt. Yr. Exports	1600	1700	4200	4360	2500	2500
Jul-Jun Exports	1600	1700	4200	4360	2500	2500
Feed Dom. Consumption	5700	5700	4000	3450	3300	3300
TOTAL Dom. Consumption	16401	16400	12600	12050	11600	11500
Ending Stocks	2487	2036	724	570	724	575
TOTAL DISTRIBUTION	20488	20136	17524	16980	14824	14575

PSD Table						
Country	Ukraine					
Commodity	Barley				(1000 HA)(1000 MT)	
	Revised	1997	Preliminary	1998	Forecast	1999
	Old	New	Old	New	Old	New
Market Year Begin		10/1997		10/1998		10/1999
Area Harvested	3704	3704	3567	3567	3600	3500
Beginning Stocks	302	163	1402	715	797	195
Production	7407	7407	5870	5870	6100	5000
TOTAL Mkt. Yr. Imports	0	0	0	0	0	0
Oct-Sep Imports	0	0	0	0	0	0
Oct-Sep Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	7709	7570	7272	6585	6897	5195
TOTAL Mkt. Yr. Exports	500	655	750	830	750	500
Oct-Sep Exports	541	655	700	830	750	500
Feed Dom. Consumption	3575	3700	3500	3500	3500	2600
TOTAL Dom. Consumption	5807	6200	5725	5560	5725	4350
Ending Stocks	1402	715	797	195	422	345
TOTAL DISTRIBUTION	7709	7570	7272	6585	6897	5195

PSD Table						
Country	Ukraine					
Commodity	Corn				(1000 HA)(1000 MT)	
	Revised	1997	Preliminary	1998	Forecast	1999
	Old	New	Old	New	Old	New
Market Year Begin		10/1997		10/1998		10/1999
Area Harvested	1350	1350	910	910	1200	1000
Beginning Stocks	427	85	1340	1109	440	308
Production	5340	5340	2300	2301	3400	2000
TOTAL Mkt. Yr. Imports	9	10	0	8	0	5
Oct-Sep Imports	9	10	0	8	0	5
Oct-Sep Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	5776	5435	3640	3418	3840	2313
TOTAL Mkt. Yr. Exports	593	546	400	360	500	200
Oct-Sep Exports	593	546	400	360	500	200
Feed Dom. Consumption	2071	1800	1300	1500	1800	1200
TOTAL Dom. Consumption	3843	3780	2800	2750	3200	1900
Ending Stocks	1340	1109	440	308	140	213
TOTAL DISTRIBUTION	5776	5435	3640	3418	3840	2313

PSD Table						
Country	Ukraine					
Commodity	Rye				(1000 HA)(1000 MT)	
	Revised	1997	Preliminary	1998	Forecast	1999
	Old	New	Old	New	Old	New
Market Year Begin		07/1997		07/1998		07/1999
Area Harvested	696	696	696	702	650	600
Beginning Stocks	239	100	362	88	282	115
Production	1348	1348	1140	1140	1100	950
TOTAL Mkt. Yr. Imports	0	0	0	0	0	0
Oct-Sep Imports	0	0	0	0	0	0
Oct-Sep Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	1587	1448	1502	1228	1382	1065
TOTAL Mkt. Yr. Exports	25	20	20	9	10	10
Oct-Sep Exports	25	20	20	9	10	10
Feed Dom. Consumption	50	500	50	400	50	50
TOTAL Dom. Consumption	1200	1340	1200	1104	1200	950
Ending Stocks	362	88	282	115	172	105
TOTAL DISTRIBUTION	1587	1448	1502	1228	1382	1065

PSD Table						
Country	Ukraine					
Commodity	Oats				(1000 HA)(1000 MT)	
	Revised	1997	Preliminary	1998	Forecast	1999
	Old	New	Old	New	Old	New
Market Year Begin		07/1997		07/1998		07/1999
Area Harvested	553	553	549	549	550	550
Beginning Stocks	157	180	157	192	7	48
Production	1062	1062	740	741	1000	700
TOTAL Mkt. Yr. Imports	0	1	0	0	0	0
Oct-Sep Imports	0	1	0	0	0	0
Oct-Sep Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	1219	1243	897	933	1007	748
TOTAL Mkt. Yr. Exports	0	30	0	0	0	0
Oct-Sep Exports	0	30	0	0	0	0
Feed Dom. Consumption	925	850	775	750	775	600
TOTAL Dom. Consumption	1062	1021	890	885	890	720
Ending Stocks	157	192	7	48	117	28
TOTAL DISTRIBUTION	1219	1243	897	933	1007	748