



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 6/02/1999

GAIN Report #UP9011

Ukraine

Grain and Feed

June Grain Update

1999

Prepared by:

Larry L. Panasuk

U.S. Embassy

Drafted by:

Dmitri S. Prikhodko

Report Highlights:

The initial projection of Ukraine's 1999 grains and pulses production is being drawn down to 27.3 million tons to reflect declines in expected harvest areas for wheat, barley and corn and yield reductions because of early May freeze damage to developing winter wheat. Lower usage of fertilizers and chemicals for weed control will also hinder crop yields. Grain exports in 1998/99 continue higher than earlier estimated. MY 1999/00 exports also are projected lower because of possible government interference to assure domestic grain needs.

Includes PSD changes: Yes

Includes Trade Matrix: No

Unscheduled Report

Kiev [UP1], UP

Executive Summary

Ukraine 1999 grain (wheat, barley, corn, rye, oats, buckwheat, millet and rice) and pulses production is currently projected at a lower 27.3 million tons, reflecting expected lower harvest areas for wheat, barley, corn and rye. Increasing areas of land are not being cultivated, including irrigated land in the south, because of the farm indebtedness and lack of funds with which to finance farming inputs. This decline in grain output will be reflected in slightly reduced domestic production of valued added products such as starch, alcohol and other products. Commercial companies providing farming inputs, however, are continuing to export grains at a high pace. MY1999/00 exports are projected to be lower because of pressures to retain grains for domestic usage.

Production

Prospective grain production in 1999 is being driven by very uncertain and varying yield prospects. First, winter grain plant vigor and color in many areas appear weak. Much of this is attributed to a continuing decline in the usage of fertilizers in soils which are cropped every year. There is no summer fallowing in Ukraine. In addition, farm agronomists state that plants in many more southerly areas are in a weakened condition because of the absence of a good ground freeze last winter. The first heavy snow in early November occurred before any real cold weather. This was followed by a warmer than normal winter which resulted in fungi diseases in the western areas of Ukraine and generally weak but heavy plant populations in other areas this spring.

Second, freezing temperatures twice during the first two weeks of May did in fact damage even winter wheat which was in the early boot stage of development at the time. Damage is now evident by yellow flag leaves in varying percentages of the plant populations and in others where the entire plant is yellow and non-productive. The areas observed in this condition are south Cherkassy and Kirovohrad Oblasts. Non-government reports include freeze damage in the northeast oblasts of Sumy and Kharkiv.

The lack of weed control appears an even greater problem this year, even in small grains, which will hinder optimum plant development and yields. Row crops are particularly weedy with little evident of chemical usage.

According to the State Statistics Committee of Ukraine, winterkill occurred on 10.1% of the total winter grain area. This is 4.4% lower than the same indicator in 1998. Spring wheat plantings of up to approximately 270,000 hectares will not fully compensate for the decreased winter grain area.

The area in barley was reduced because of smaller fall plantings of winter barley, officially estimated at 315,000 hectares. The official area estimate of 1999 spring barley is 2.6 million hectares. This area does not include private farms and subsidiary plot holdings. In addition, sources report that farmers over seeded barley on damaged wheat fields. Traditional official sources report this as mixed grain. For purposes of this report, this wheat-barley mix is identified as barley since the grain will be used for animal feeding.

Corn was among the most severely damaged in the repeated freezes. According to different estimates, around 54,000 hectares of corn were killed; therefore, the initial estimate in corn was decreased to 1.2 million hectares.

Inputs

Ukrainian agriculture faces very serious problems with the supply of inputs because of continuous government interference in farm supply distribution and farmer inability to pay for domestically produced or imported

inputs. Government programs cover only some 20 percent of total agricultural chemical and fertilizer needs. Commercial input providers have significantly reduced supplies this year because of accumulated debt and no plan for debt recovery, except to lease land not being farmed and take on the actual business of farming.

The situation with machinery is not much better. Currently there are only 90,000 tractors in Ukraine whose value has not been fully depreciated. Some 300,000 tractors have worn out completely. Ukraine also is experiencing significant shortages of harvesting equipment. In 1999 there will be 4,500 (6%) fewer grain combines and 2,900 (7%) fewer fodder harvesters.

Consumption

Grain utilization for spirits and corn for oil and other products is expected to decrease. Low consumer purchasing power continues to keep bread and cereal product consumption rather high, especially for pensioners and other needy people who cannot afford meat, fruits and other than the basic vegetables. The GOU is expected to take actions which will guarantee low bread prices for the masses, including direct price controls, higher grain procurement into State Reserves and even export limitations.

Exports

Grain exports in the current marketing year continue at a higher than earlier estimated pace. A total of 3.4 million tons of wheat was exported during July 1998 - April 1999. Official sources recorded an unexpected significant increase in wheat exports of 629,000 tons in March and 557,000 tons in April. Wheat flour exports in MY 1998/99, however, are on a steep decline. Only 37,400 tons of wheat flour were exported during July 1998 - April 1999, down from 148,200 tons during the same period in 1997/98. Ukraine has been losing its historical markets for value-added products in the countries of the Former Soviet Union and is now exporting feed wheat to Great Britain, Hungary, South Korea, Israel and Turkey. Barley exports have gone mostly to Israel and Great Britain.

MY1999/2000 exports of wheat, barley and corn are currently projected to approximate 2.8 million tons.

Policy

Some tax benefits for farmers were introduced this year. These include the single (fixed) agricultural tax and the value-added tax (VAT) refund system. The single agricultural tax of 0.5 percent of the value of agricultural land will replace many taxes previously paid by farmers. Since agricultural land is not a marketable commodity, land value is based on surveys conducted as of July 1, 1995. Farmers will not even be required to pay the single tax in cash or other money forms but are allowed payments in-kind based on a fixed price of 220 hryvnas (\$55) per ton of wheat in 1999. Unfortunately, this agreement to accept tax payments in the form of commodities runs contrary to previous GOU intentions to limit barter transactions in agriculture.

Most recently the President of Ukraine ordered the firing of the director of the state-owned grain monopoly, *Khlib Ukrainy*, for a lack of financial discipline, misuse of funds and an illegal increase in grain prices. *Khlib Ukrainy* has been assigned the responsibility of carrying out GOU policy in the grain market.

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	5600
Beginning Stocks	1991	1727	2487	2036	1124	580
Production	18404	18404	14937	14937	15500	14500
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	16724	15085
TOTAL Mkt. Yr. Exports	1600	1700	2500	3600	2000	2000
Jul-Jun Exports	1600	1700	2500	3600	2000	2000
Feed Dom. Consumption	5700	5700	3700	4200	3800	4000
TOTAL Dom. Consumption	16401	16400	13900	12800	13724	12500
Ending Stocks	2487	2036	1124	580	1000	585
TOTAL DISTRIBUTION	20488	20136	17524	16980	16724	15085

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	3200
Beginning Stocks	302	163	1402	715	857	195
Production	7407	7407	5870	5870	6800	6100
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	7657	6295
TOTAL Mkt. Yr. Exports	500	655	515	720	750	500
Oct-Sep Exports	541	655	575	720	750	500
Feed Dom. Consumption	3575	3700	3700	3900	3500	3500
TOTAL Dom. Consumption	5807	6200	5900	5670	5900	5400
Ending Stocks	1402	715	857	195	1007	395
TOTAL DISTRIBUTION	7709	7570	7272	6585	7657	6295

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	1300	1200
Beginning Stocks	427	85	1340	1109	440	218
Production	5340	5340	2300	2301	3700	3200
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	4140	3423
TOTAL Mkt. Yr. Exports	565	546	300	350	500	300
Oct-Sep Exports	546	546	300	350	500	300
Feed Dom. Consumption	2101	1800	1400	1800	1800	1800
TOTAL Dom. Consumption	3871	3780	2900	2850	3200	2900
Ending Stocks	1340	1109	440	218	440	223
TOTAL DISTRIBUTION	5776	5435	3640	3418	4140	3423

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	630
Beginning Stocks	239	100	362	88	282	115
Production	1348	1348	1140	1140	1200	1100
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	1482	1215
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	350
TOTAL Dom. Consumption	1200	1340	1200	1104	1200	1050
Ending Stocks	362	88	282	115	272	155
TOTAL DISTRIBUTION	1587	1448	1502	1228	1482	1215