United States Department of Agriculture
Foreign Agricultural Service

GAIN
Global Agricultural Information Network

Required Report: Required - Public Distribution **Date:** August 30, 2021

Report Number: UP2021-0033

Report Name: Livestock and Products Annual

Country: Ukraine

Post: Kyiv

Report Category: Livestock and Products

Prepared By: Oleksandr Tarassevych

Approved By: Lisa Ahramjian

Report Highlights:

While the total number of Ukrainian livestock remained on its downward trend in 2021, the swine herd exhibited some signs of recovery after low prices and low production in 2020. Both trends are expected to continue in 2022. African swine fever remains a threat, although the number of registered outbreaks decreased significantly. The consumption of pork is recovering, while the consumption of beef continues to decrease as Ukraine's export markets offer better prices for both live cattle for slaughter and beef. However, both exports are forecast to decline in 2021-22 due to lower livestock inventory. Pork imports are expected to grow, inspired by increased demand due to growing incomes and the slow reaction of domestic producers.

Executive Summary:

Ukraine's livestock inventory continued to decrease in 2020 through the first half of 2021. The majority of Ukrainian animals are dairy-purpose and some are inefficient dairy producers (especially in household sector), which leads to a gradual, sustained decrease in livestock numbers. No changes in this trend are expected in 2022. Despite a three decade-long contraction in the number of animals, beef production continues to exceed the domestic demand. Ukrainian consumers increasingly rely on poultry and, to some extent, to pork as major sources of protein. Cattle for slaughter and beef exports are expected to remain significant in 2022. However, decreased animal inventory will lead to a gradual decline of both.

The swine inventory stabilized in 2020, ending a 6-year downward trend. Accordingly, pork production is expected to increase in 2021. Contrary to expectations, the spread of COVID-19 had little impact on consumption: domestic consumption remained strong and import flows were uninterrupted. Disposable incomes grew significantly in 2020-21, which increased demand for pork and became the main reason for the production rebound. Imports also grew due to the inability for domestic production to meet this increased demand. The growth in swine inventory and pork production are expected to continue in 2022, although the growth is expected to be rather weak. Industry surveys show limited optimism as significant risks associated with the potential spread of the Delta variant of COVID-19's on the human health side and African Swine Fever (ASF) on the animal health side. None of large producers reported operation closures due to COVID-19 impacting their workers.

The spread of COVID-19 resulted mainly in a re-distribution of domestic red meat sales channels. Sales at open-air markets suffered greatly during the lockdowns, as did sales to hotels, restaurants, public schools, and other public establishments. Open market closures impacted mainly households, which heavily relied on this channel. Instead, sales through organized retail increased notably. In addition, the growth of online sales and food delivery services reshaped the organized food retail industry in 2020-21.

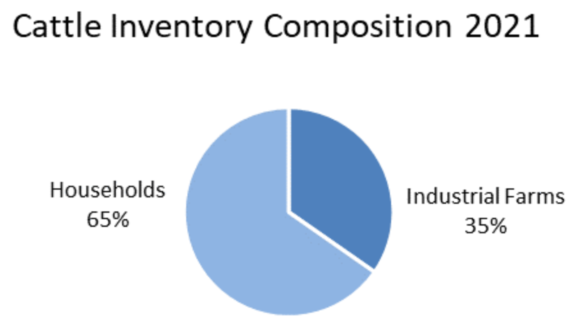
The number of officially registered ASF cases continued to decline in 2021. However, the few registered suggest that the virus continues to circulate in wild animals throughout the territory of Ukraine. Virus introductions remain to be the major concern for large industrial facilities despite tightened biosecurity measures.

Cattle

Production

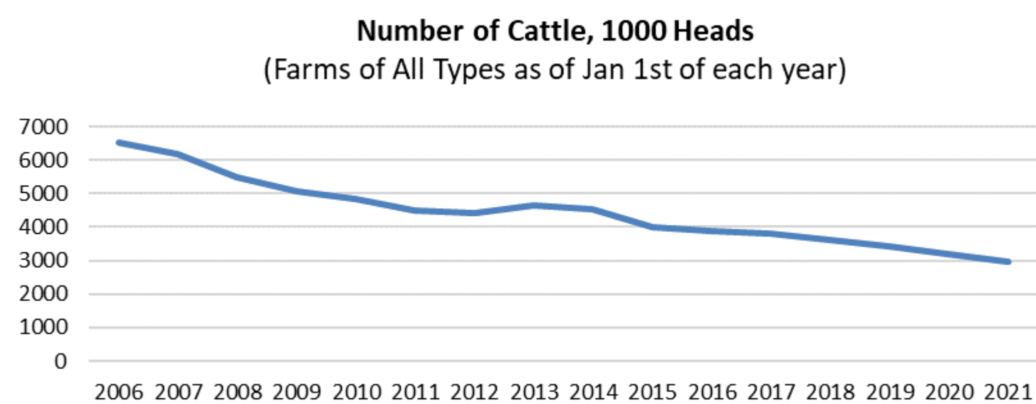
The Ukrainian livestock population consists predominately of dairy and dual-purpose animals and concentrated largely in rural households. The livestock inventory therefore heavily depends on the dairy market situation and milk prices. As shown in the chart below, 35 percent of Ukraine's herd is managed by industrial farms. However, a majority of those farms remain livestock operations to support rural communities even though they are not profitable. The share of large, profit-oriented industrial dairy farms is growing, although its impact on the cattle population is insignificant. Post is not aware of any large beef production projects implemented in Ukraine.

Two thirds of Ukraine's cattle population is managed by households. A considerable share of their milk and beef is sold through open-air markets, which remain the predominant channel for red meat sales despite COVID-19 market closures. Production of both milk and beef in households remain subsistent or inefficient.



Source: State Statistics Service of Ukraine

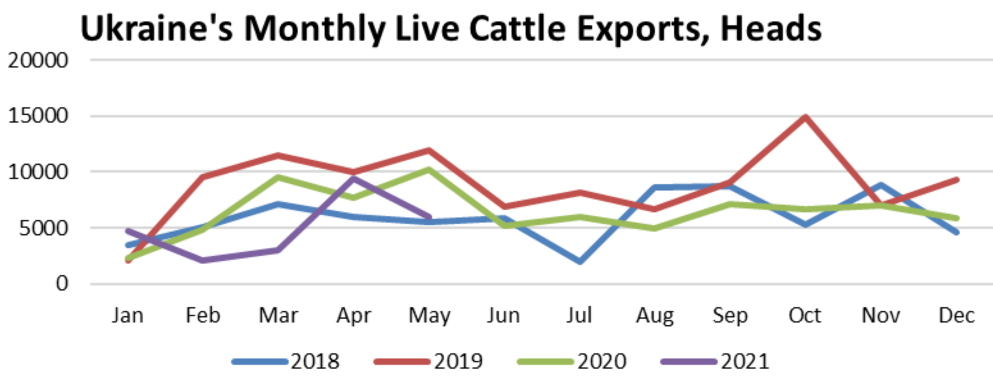
Industrial dairy farms focus on profitable milk production. These operations sell young dairy males and a small number of females to households after weaning for low-intensity, grazing-based feeding. The majority of Ukrainian beef is produced by these household operations. These animals are generally slaughtered at a relatively low weight and young age. The livestock inventory remains on a slow, gradual decline in both household and industrial sectors.



Source: State Statistics Service of Ukraine

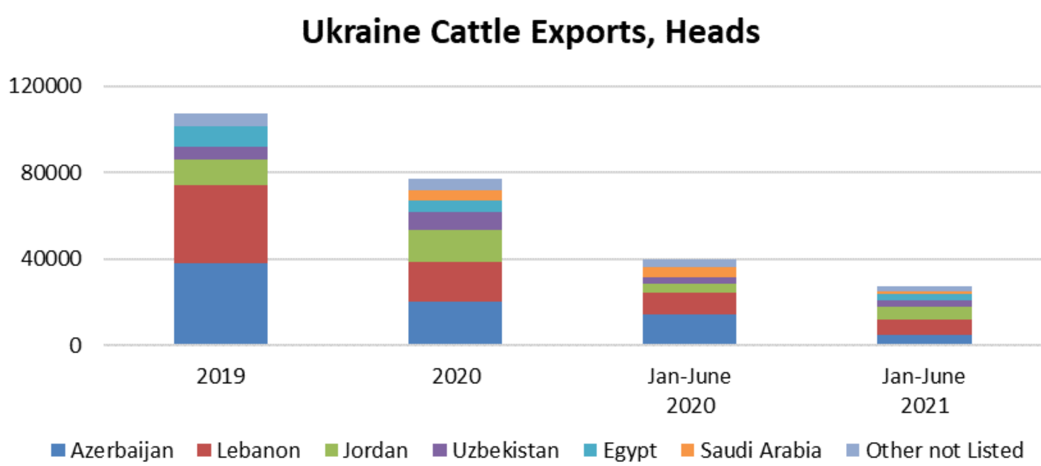
<u>Trade</u>

In recent years, Ukraine developed markets for live cattle in Central Asia, the Middle East, and North Africa. Demand for Ukrainian cattle for slaughter is expected to remain strong in the remaining months of 2021-22. Live animal exporters will compete with beef exporters for shrinking Ukrainian livestock supplies. The slow reduction of animal numbers is expected to result in gradual export contraction in 2021-22.



Source: Trade Data Monitor

Due to logistical limitations, Ukraine exports live cattle predominately to two major regional markets: Central Asia and the Middle East. Azerbaijan and Uzbekistan will remain important Central Asian destinations despite logistical problems with meat transit through Russian territory. In 2020, the Kingdom of Saudi Arabia joined Azerbaijan, Lebanon, Libya, Syria, and Jordan as important export destinations.

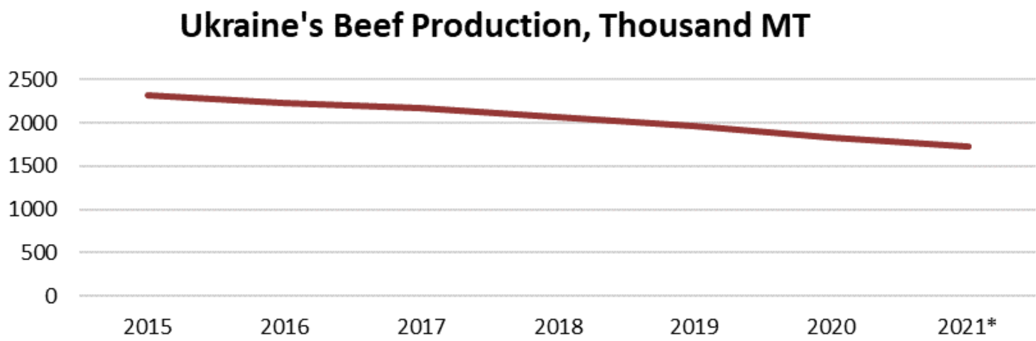


Source: Trade Data Monitor

Beef

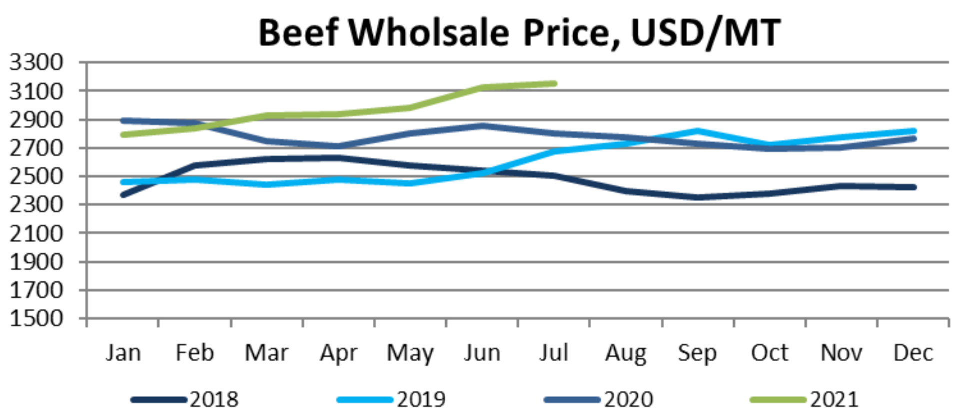
Production

Beef production continues to decrease due to the long-term downward trend in the number of cattle. No significant trend change is expected in 2021 or 2022.



Source: State Statistics Service of Ukraine, RosStat, FAS own calculations.
** Forecast*

Beef prices remain remained strong in 2020 and climbed to a 10-years maximum in 2021. This growth is expected to have a limited impact on production or animal retention rate since the Ukrainian beef market remains auxiliary to the dairy one.



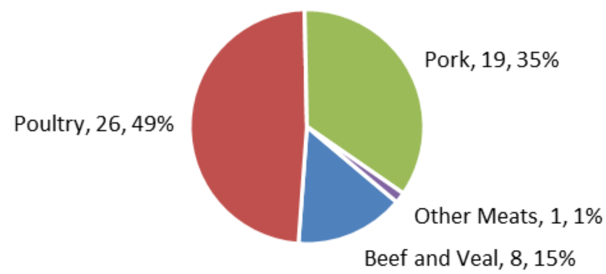
Sources: State Statistics Committee of Ukraine, National Bank of Ukraine, FAS/Kyiv

Post's PSD animal numbers and slaughter for 2020 were corrected to reflect official statistics.

Consumption

Beef consumption is expected to contract despite a notable disposable income rebound in 2021. As of August of 2021, real disposable incomes reached an all-time high. Despite this growth, Ukraine remains a low-middle-income country according to World Bank classification and the majority of Ukrainians concentrate on cheaper proteins, such as poultry and pork.

Per capita Meat Consumption in Ukraine in 2020, kg

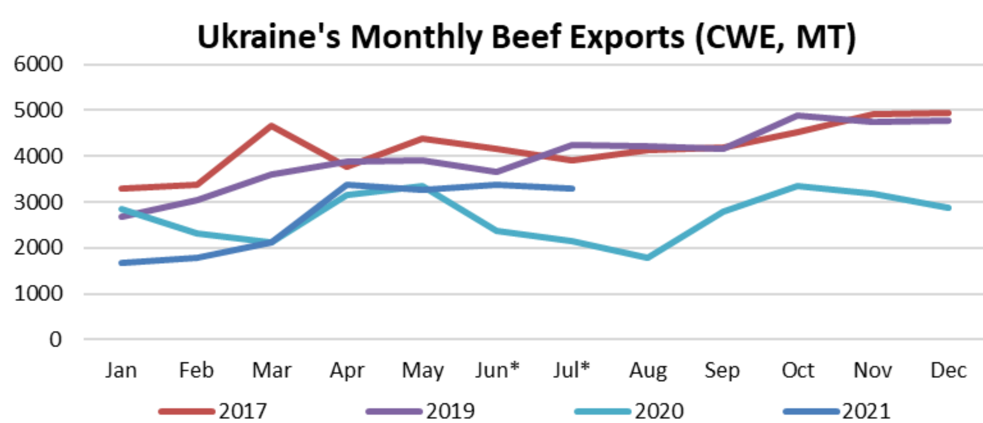


Source: State Statistics Service of Ukraine

Growing beef prices do not facilitate consumption growth either. Foreign demand for Ukrainian beef remains strong, making Ukrainian consumers compete with consumers in Kazakhstan, Lebanon, Jordan, Azerbaijan, and most recently China. Increasing export demand drives up beef price and depresses domestic consumption significantly.

COVID-19 had a limited impact on overall beef consumption. However, it had a rather significant impact on distribution among beef sales channels in 2020-21. Many public establishments (hotels, restaurants, child-care facilities, and schools) decreased consumption, while retail chains rushed in with an increase in demand that compensated for that loss. The closure of open-air markets in early 2020 undermined one of the most important meat sales channels, resulting in a short-term consumption drop. However, the market was quick to recover when COVID-19-related limitations were abolished.

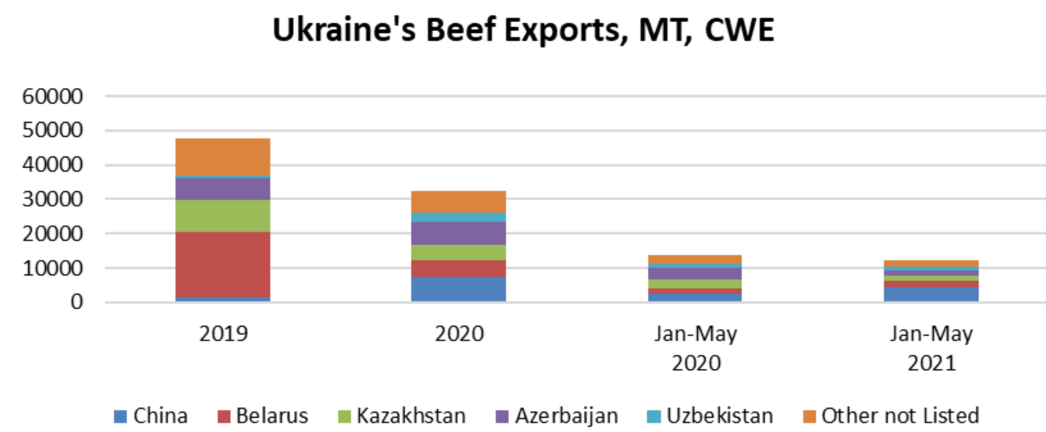
Exports



Source: Trade Data Monitor
** Forecast*

For decades, Ukraine's beef exports were focused on the Russian market. After the import ban started in 2016, Belarus replaced Russia as the major export destination. The replacement was rather technical, since Belarus is a member of Eurasian Customs Union with free trade flows of products with Russia.

However, in 2020, Belarus lost its role as the dominant importer of Ukrainians beef when Ukrainian exporters developed new markets in Central Asia. China became Ukraine's top export destination in 2021 after gaining market access in 2020 despite COVID-19 problems.



Source: Trade Data Monitor

Despite import Tariff Rate Quota (TRQ) availability, Ukraine does not export beef to the European Union. This is because there are no Ukrainians processors approved to export to the EU market. Beef markets in Central Asia set less restrictive food safety requirements, which are suitable for most Ukrainian exporters. More advanced facilities may export to the newly-established Chinese market after successfully undergoing audits.

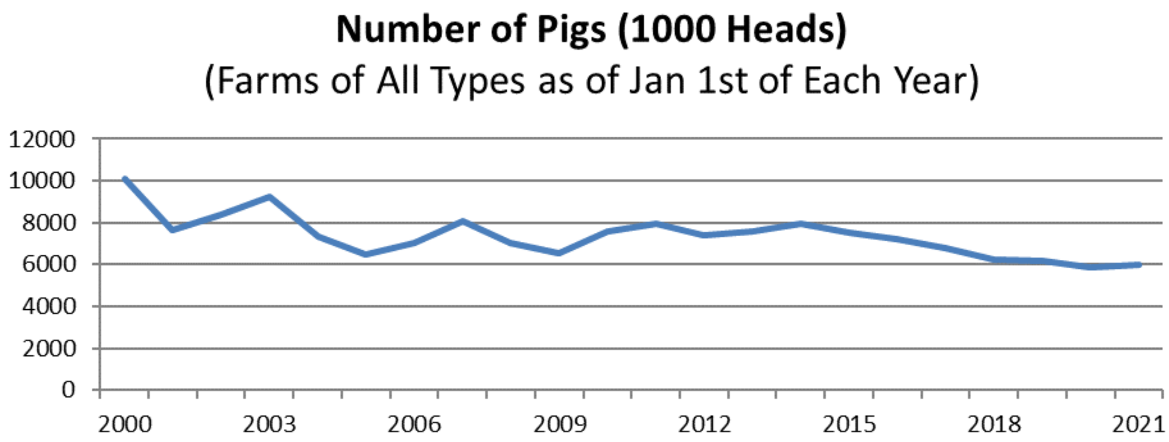
Imports

As disposable incomes rise, Ukraine is gradually increasing imports of premium-quality beef, with the EU and the United States as the major suppliers. Initially, the demand was coming from the Ukrainian HRI industry, but in recent years it also expanded to the upper-middle and upper segment retail stores. Although some trade disruption occurred in the first half of 2020, it quickly recovered after COVID-related restrictions were eased. Imports are forecast to continue to grow in 2021-22. The United States is one of the major suppliers of chilled beef cuts and Ukraine's imports of U.S. beef have increased more than 6-fold over the past five years, reaching $1.5 million in 2020. Imported U.S. beef cuts range from premium cuts offered at U.S.-caliber steakhouses to affordable cuts beginning to appear in middle class supermarket chains.

Swine

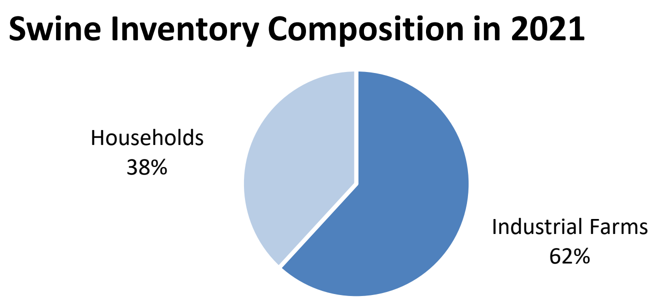
Production

After reaching an all-time low in 2020, Ukrainian swine inventories stabilized and somewhat increased in 2021. Producers remain cautiously optimistic as pork prices climbed throughout the first half of 2021. Accordingly, the number of pigs is expected to gradually increase in 2022 despite obvious production risks associated with ASF on animal health side and COVID-19 on human health side.



Sources: State Statistics Service of Ukraine

Industrial production dominates in Ukrainian pork sector, with the share of large, specialized pork producers increasing over time. Efficient pork production is concentrated on less than 150 large farms, most of which increased their inventory in 2021. Ukrainian household production remains substantial, with the majority of pork sold domestically through the open-air market channel.



Sources: State Statistics Service of Ukraine

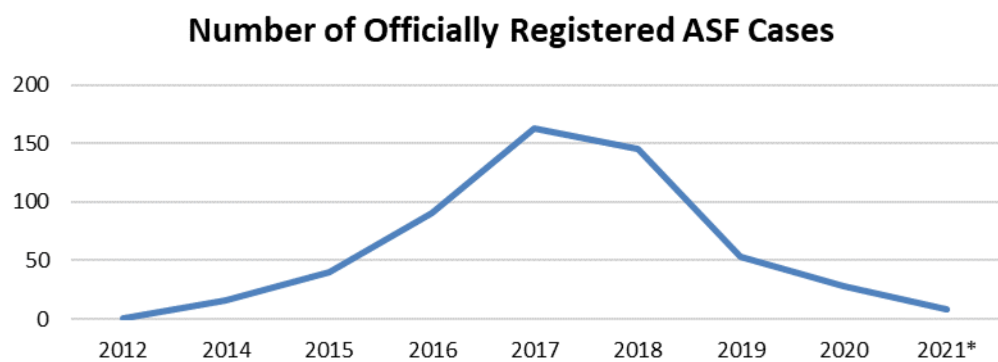
Post is not aware that COVID-19 impacted Ukraine’s industrial swine production or processing sector. None of large producers reported operation closures due to the disease outbreak impacting their workers. However, many households had to stop production or delay animal slaughter due to the closure of open-air markets, which were their main sales channel in 2020. Although some local authorities relaxed restrictions imposed by the central government and some meat stalls remained open, a lot of household-produced pigs entered official retail sales channels, competing with industrially produced pork and depressing prices. This resulted in less than expected swine inventory recovery in 2020. Re-opening of open-air markets in late 2020 restored traditional trade flows and product distribution. This situation is not expected to impact production in 2021 or 2022 despite increased presence of the Delta variant of COVID-19 in the second half of 2021. The Ukrainian government adopted a “flexible adaptive quarantine” approach, with restrictions varying depending on the number of COVID-19 cases and healthcare system load in different regions. This approach avoids country-wide lockdowns and preserves business activities.

Animal Disease Situation

Despite significant decrease in number of officially registered outbreaks, ASF remains the largest production risk to large industrial pork producers and (to some extent) to households. There is no government-funded compensation program for large businesses that suffered from ASF outbreaks, although households are getting compensated. Commercial insurance is available, but high risks perceived risks by insurance providers make the premiums too expensive for the vast majority of Ukrainian swine producers. Households are more flexible: swine breeding is often one of their auxiliary activities and after compensation, farmers can easily exit and then enter the swine business again.

Although the Ukrainian swine industry is engaged in negotiations with local veterinary authorities on the creation of production/processing compartments, no such compartments were created as of August of 2021. This limits the potential exports of Ukrainian pork and restricts swine production growth.

Due to lower biosecurity measures, the majority of outbreaks are at households. Control over wild fauna outbreaks are impossible due unpredictable migration of wild pigs. Sporadic ASF outbreaks in proximity to large industrial producers create risk factors that are beyond the control of those producers. The imposition of quarantine with follow-up animal depopulation may result in abrupt business stoppage or even bankruptcy of biosecure industrial farms, even when they have no registered disease at their facility.

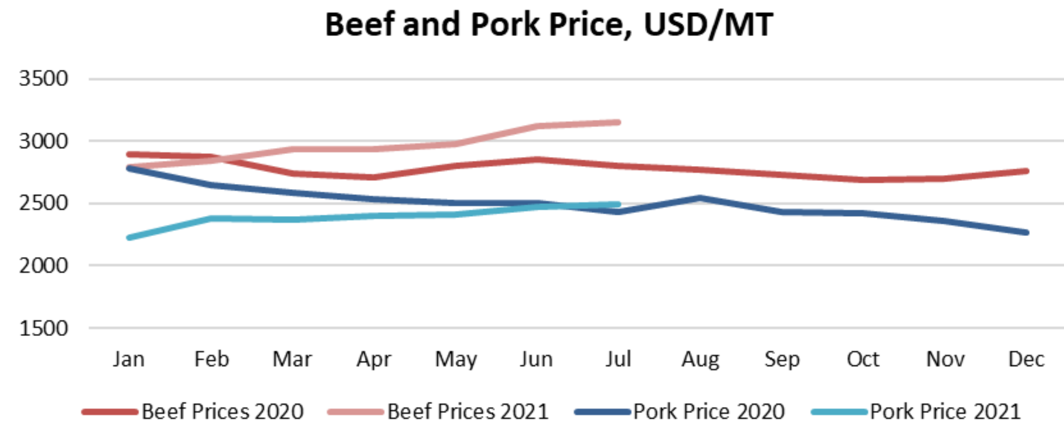


Source: http://www.asf.vet.ua, SSUFSCP, Institute for Laboratory Diagnostics and Veterinary-Sanitary Expertise
**January -August of 2021*

The number of registered ASF outbreaks forms a bell-shaped curve which is typical for contagious disease. Although the number of registered cases decreased greatly in 2021, they continue to be registered in different scattered regions. This suggests that the ASF virus continues to circulate in wild pigs and that production risks remain in place.

Consumption

Pork remains Ukraine's second most popular protein after poultry and is responsible for 35 percent of meat consumption. This is partially due to beef becoming increasingly more expensive as world market prices got reflected domestically. While almost insignificant in the past, the spread between the consumption of these two proteins grew in 2020 and continues to increase in 2021, suggesting that demand for pork vs beef will continue to grow.



Sources: State Statistics Service of Ukraine

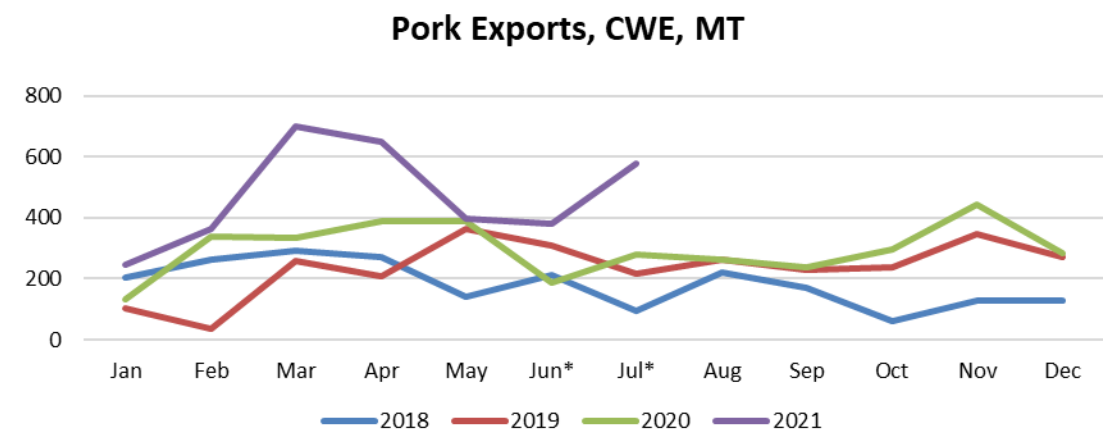
Pork consumption is expected to increase in 2021 following disposable income growth that reached an all-time high and exceeding the previous income maximum reached back in 2013. Although pork consumption in 2020 also suffered from COVID-19-related production problems and sales channel changes for household-produced pork, these factors are not expected to impact consumption significantly in 2021-22.

Similar to raw pork, consumption of pork sausages, prepared foods, and semi-finished frozen food products containing meat increased in the first half of 2021. Years of declining pork production resulted in increased demand for imported pork trimmings by Ukrainian processed meat products manufactures. That demand is expected to remain strong. Although HRI businesses did not fully return to "business as usual," consumption of meals away from home also increased in the first half of 2021.

Trade

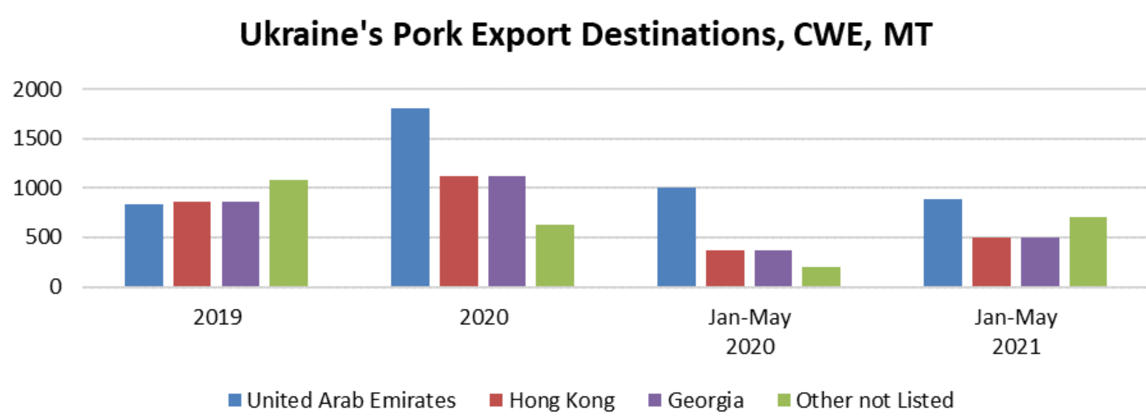
Exports

Ukraine is ASF-affected country which severely restricts exports of Ukrainian pork. Although 2021 monthly exports show a significant increase, the quantity of exported pork is insignificant. Large-scale exports are not expected to take place in 2022 for the same reason. Ukraine is also unlikely to establish production compartments that would facilitate pork exports and be recognized by foreign trade partners. Although a dialogue between the industry and Ukraine's competent authority is taking place, no result has been achieved as of August 2021.



Source: Trade Data Monitor
** Preliminary Data*

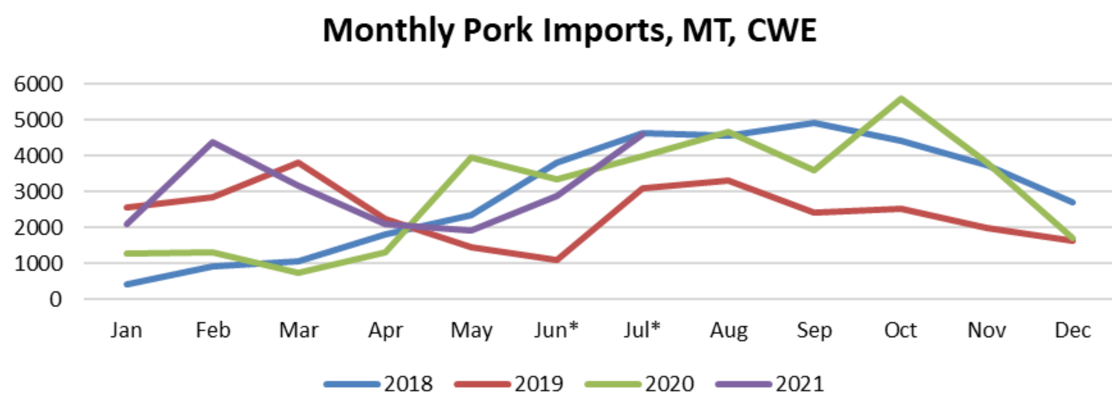
Ukraine's pork exports are limited to a few export destinations. The majority of Ukraine's foreign markets are either in ASF-affected countries (e.g., Georgia) or those without a swine population (e.g., Hong Kong). The United Arab Emirates (UAE) became Ukraine's major pork buyer as a regional trade hub.



Source: Trade Data Monitor

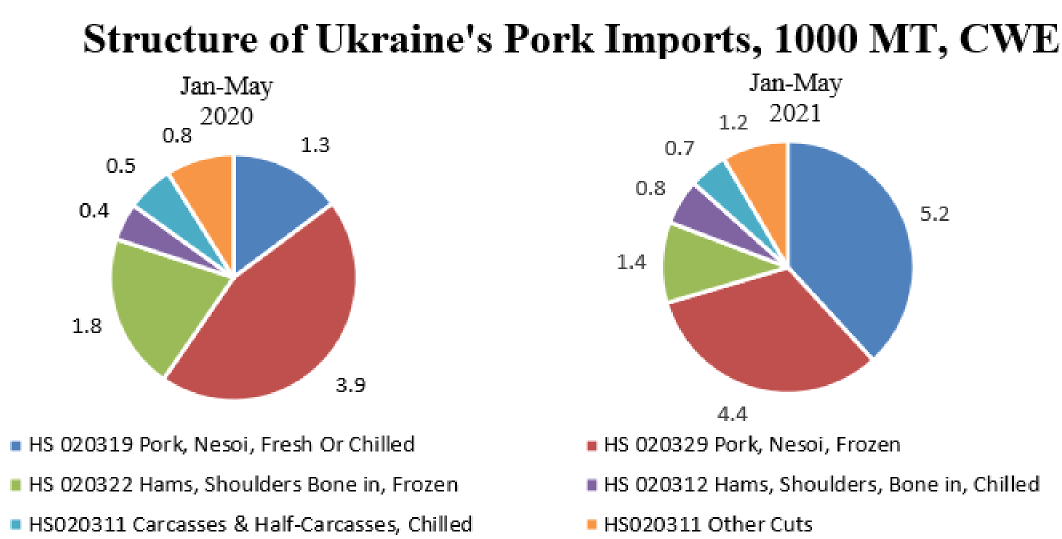
__Imports__

Increased domestic demand and sluggish production recovery led to significant pork import increases in 2021. Recovering domestic production is likely to compensate for some imported pork in 2022, resulting in a likely reduction in pork imports.



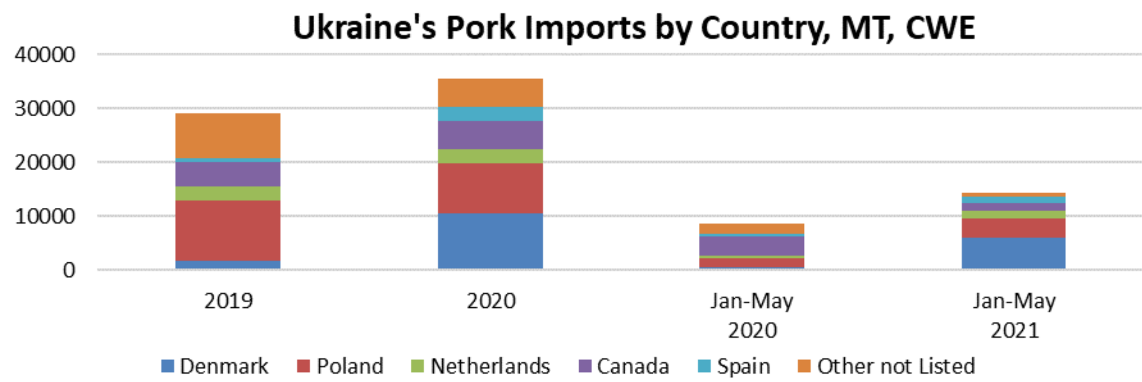
Source: Trade Data Monitor
** Preliminary data*

Ukrainian meat processors continue to be the main consumers of imported pork in both 2020 and 2021, with a gradual demand shift toward cheaper cuts and pork trimmings. Their share in trade grew to 80 percent of all trade, mostly focused on bone in hams and shoulders as well as carcasses and halves. Trimmings are expected to dominate Ukrainian imports in 2022 as well.



Source: Trade Data Monitor

The shift to cheaper cuts and trimmings also impacted imports geography. EU Member States were more competitive suppliers of cheap pork and remained the major pork suppliers to Ukraine in 2020-21 due to lower prices and partially due to reduced logistics costs. They are expected to retain this position in 2022 as well. Due to price changes in North America, Canadian companies became the leading suppliers of both hams and shoulders (HS 020322) and some cheaper cuts (HS 020319, 020329) in 2019-20.



Source: Trade Data Monitor

Similar to EU suppliers, Canadian suppliers have some advantage over U.S. producers due to the availability of a duty-free tariff rate quota established under the Canada-Ukraine Free Trade Agreement (CUFTA) in 2017.

Attachment I. PSD Tables

Ukraine Animal Numbers, Cattle (1000 HEAD)

Animal Numbers, Cattle	2020		2021		2022	
Market Year Begins	Jan 2020		Jan 2021		Jan 2022	
Ukraine**	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Total Cattle Beg. Stks	3197	3197	3001	2975	0	2780
Dairy Cows Beg. Stocks	1840	1838	1800	1722	0	1640
Beef Cows Beg. Stocks	19	20	18	20	0	19
Production (Calf Crop)	1940	1915	1840	1790	0	1700
Total Imports	3	3	2	3	0	3
Total Supply	5140	5115	4843	4768	0	4483
Total Exports	77	77	60	55	0	45
Cow Slaughter	0	0	0	0	0	0
Calf Slaughter	0	0	0	0	0	0
Other Slaughter	2031	2034	1910	1905	0	1712
Total Slaughter	2031	2034	1910	1905	0	1712
Loss and Residual	31	29	28	28	0	26
Ending Inventories	3001	2975	2845	2780	0	2700
Total Distribution	5140	5115	4843	4768	0	4483

**Not Official USDA Data*
*** Including Crimea*

Ukraine Animal Numbers, Swine (1000 HEAD)

Animal Numbers, Swine	2020		2021		2022	
Market Year Begins	Jan 2020		Jan 2021		Jan 2022	
Ukraine**	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Total Beginning Stocks	5842	5842	5951	5986	0	6000
Sow Beginning Stocks	412	351	390	359	0	380
Production (Pig Crop)	9200	8569	8850	8770	0	9200
Total Imports	11	11	15	12	0	12
Total Supply	15053	14422	14816	14768	0	15212
Total Exports	4	4	5	10	0	10
Sow Slaughter	0	0	0	0	0	0
Other Slaughter	8598	7952	8371	8278	0	8622
Total Slaughter	8598	7952	8371	8278	0	8622
Loss and Residual	500	480	510	480	0	480
Ending Inventories	5951	5986	5930	6000	0	6100
Total Distribution	15053	14422	14816	14768	0	15212

**Not Official USDA Data*
*** Including Crimea*

Meat, Beef and Veal (1000 MT CWE, 1000 HEAD)

Meat, Beef and Veal	2020		2021		2022	
Market Year Begins	Jan 2020		Jan 2021		Jan 2022	
Ukraine**	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference)	2031	2034	1910	1905	0	1712
Beginning Stocks	0	0	0	0	0	0
Production	350	354	330	330	0	295
Total Imports	3	3	3	3	0	3
Total Supply	353	357	333	333	0	298
Total Exports	32	32	28	29	0	22
Human Dom. Consumption	321	325	305	304	0	276
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	321	325	305	304	0	276
Ending Stocks	0	0	0	0	0	0
Total Distribution	353	357	333	333	0	298

Not Official USDA Data
*** Including Crimea*

Meat, Swine (1000 MT CWE, 1000 HEAD)

Meat, Swine	2020		2021		2022	
Market Year Begins	Jan 2020		Jan 2021		Jan 2022	
Ukraine**	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference)	8598	7952	8371	8278	0	8622
Beginning Stocks	0	0	0	0	0	0
Production	750	723	746	750	0	780
Total Imports	35	35	47	47	0	30
Total Supply	785	758	793	797	0	810
Total Exports	3	3	3	4	0	4
Human Dom. Consumption	782	755	790	793	0	806
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	782	755	790	793	0	806
Ending Stocks	0	0	0	0	0	0
Total Distribution	785	758	793	797	0	810

Not Official USDA Data
*** Including Crimea*

Attachments:

No Attachments