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Foreign Agricultural Service

GAIN Global Agricultural Information Network

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Report Name: Livestock and Products Semi-annual

Country: Ukraine

Post: Kyiv

Report Category: Livestock and Products

Prepared By: Oleksandr Tarassevych

Approved By: Robin Gray

Report Highlights:

Ukraine's livestock inventory continued on its three decades-long downward trend and will remain on it in 2021. Declining cattle numbers will lead to lower Ukrainian beef and live animal exports. Although swine numbers increased somewhat by 2021, this increase is expected to be short-lived. Squeezed between weakening pork prices and skyrocketing feed prices, Ukrainian pork producers will not be able to sustain this growth throughout 2021. Pork imports are expected to grow to compensate for a drop in pork production. Overall, the impact of COVID-19 on Ukrainian red meat production and trade has been insignificant, although Ukrainian domestic market distribution channels changed notably.

Executive Summary:

Ukraine's cattle inventories continued to contract in 2020. No change in the downward trend is expected in 2021. The majority of cattle in Ukraine are either dairy-purpose or dual-purpose animals. Dairy farmers often view beef as a by-product for their industry production. The efficiency of milk production in the household sector and the majority of industrial farms remain low, leading to slow contraction of cattle inventories. Although milk prices have remained attractive and grew through 2020, increased feed costs resulted generally in a decrease in the profitability of milk production.

Ukrainian domestic demand for beef is declining and provides little support to Ukrainian cattle farmers. Beef remains the most expensive protein and consumers often switch to less expensive poultry and pork. A decline in the availability of cattle led to a decrease of both live animal and beef exports in 2020. Although the live cattle market is volatile, exports of live cattle for slaughter and beef are expected to decline further in 2021. Middle Eastern, North African and Central Asian countries remained the major markets for Ukrainian cattle. In 2020, China became Ukraine's number one destination for Ukrainian beef only three years after the Chinese market was opened to Ukrainian exports. The majority of the remaining beef is shipped to traditional Central Asian markets and neighboring Belarus.

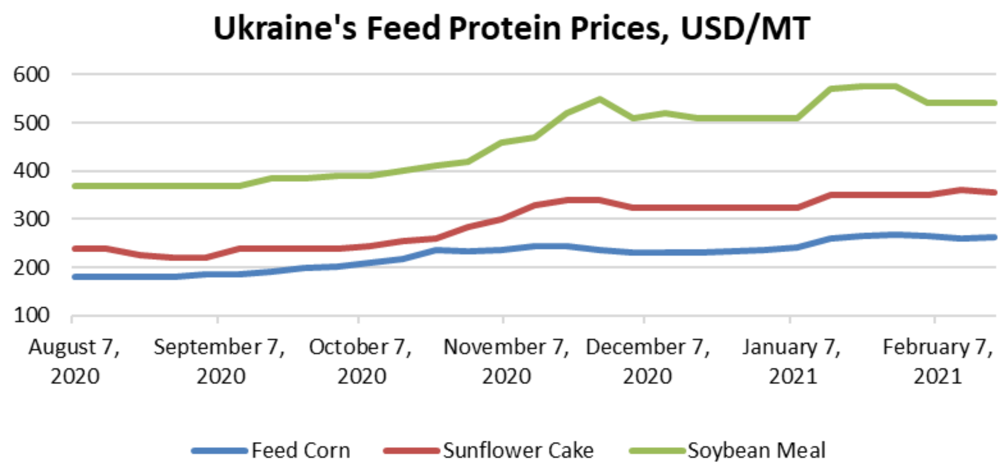
Ukrainian swine production remained depressed by the spread of African Swine Fever (ASF), although the number of registered cases reduced significantly in 2020. Production risks remain high, creating a disincentive for investment. Similar to poultry and cattle producers, Ukrainian swine farmers have faced a significant surge in the cost of feed in late 2020. Although Ukraine's statistical data show an increase in swine numbers as of January 1, 2021, industry sources believe that this increase is likely to be short-lived. Some decrease in production is expected in 2021. Imports are expected to remain strong as demand for cheap pork offal for further processing (over half of all imports) remains in place. Ukraine's imports of more expensive pork cuts have experienced a slow growth, with bone-in ham and shoulder products leading this increase.

In 2020, the United States was able to resume pork exports to Ukraine for the first time since 2014, but the import volume has not yet been very significant. U.S. bone-in ham and shoulders compete with Canadian and EU imports both of which are imported under zero import duty Tariff Rate Quotas (TRQs).

PSD tables were amended to incorporate official 2020 end-of-year cattle and swine inventories. Foreign trade numbers were updated to include January-December 2020 statistics.

Production

Post's production forecast for both cattle and swine was revised to factor-in new developments in the feed market. Ukraine remains a major producer of feed crops, but it remains a small, open economy and a world market price-taker. The surge in the commodity world prices observed toward the end of 2020 was reflected in Ukraine's domestic feed market. Although prices stabilized in early 2021, they remain high and Ukrainian industry sources expect them to remain high at least until the 2021 harvest season.

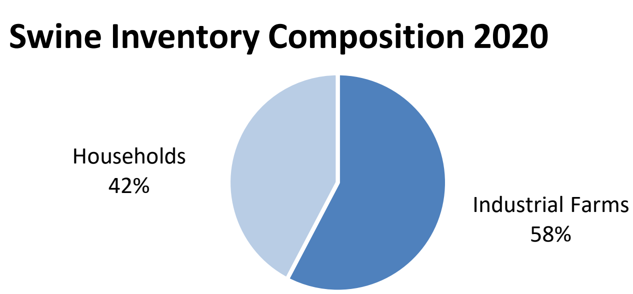


Source: APK-Inform

Although beef price remained stable and even exhibited modest growth in late 2020, pork price continued to decline throughout 2020. Facing this price/cost squeeze, pork producers are likely to reverse their production plans and contract production in 2021. Beef production is more stable due to a longer production cycle and a larger share of households in total production. Households are less responsive to fluctuations in profitability. In many cases rural dwellers keep dairy animals to provide milk and beef for their families and are less attentive to production cost jumps.

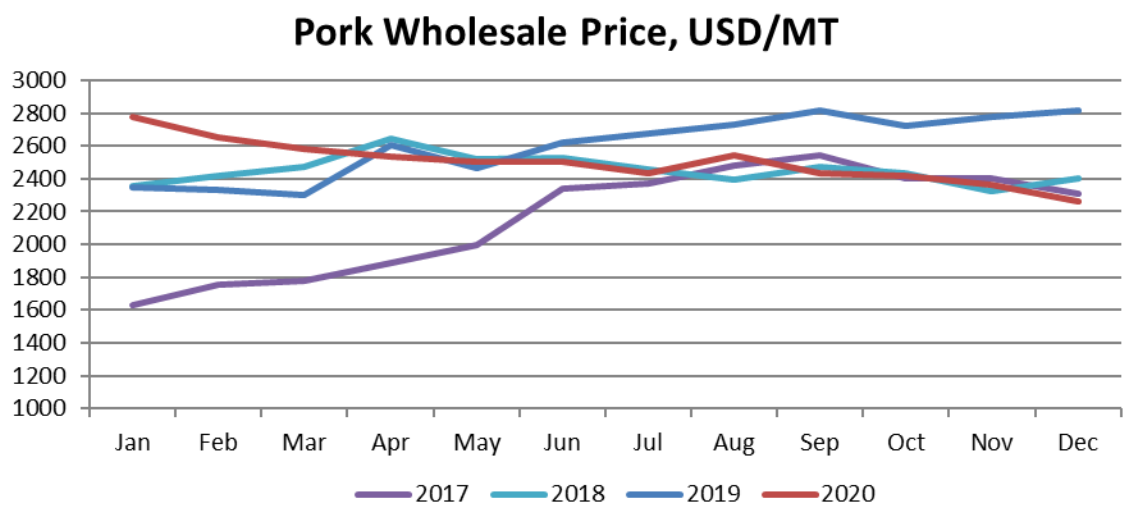
Swine/Pork

Perceived and real ASF introduction risks remain very high for both industrial and household sectors. Although the number of ASF outbreaks have declined over the last four consecutive years, large industrial companies have been cautious about significant production investments. Households are more willing to accept the risk, but pork production efficiency in this sub-sector remain relatively low. Households are also responsible for a smaller share of the total Ukrainian swine population.



Sources: State Statistics Service of Ukraine

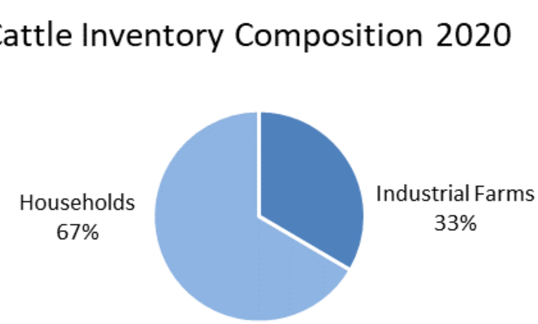
Contrary to expectations, Ukraine's official statistics exhibited an increase in swine inventories as of January 1, 2021. Industry sources and high feed prices suggest that this trend is not going to be sustainable and will reverse in 2021. Post's new PSD forecast reflects new statistical data but projects a slight production decline in 2021.



Sources: State Statistics Service of Ukraine, FAS/Kyiv

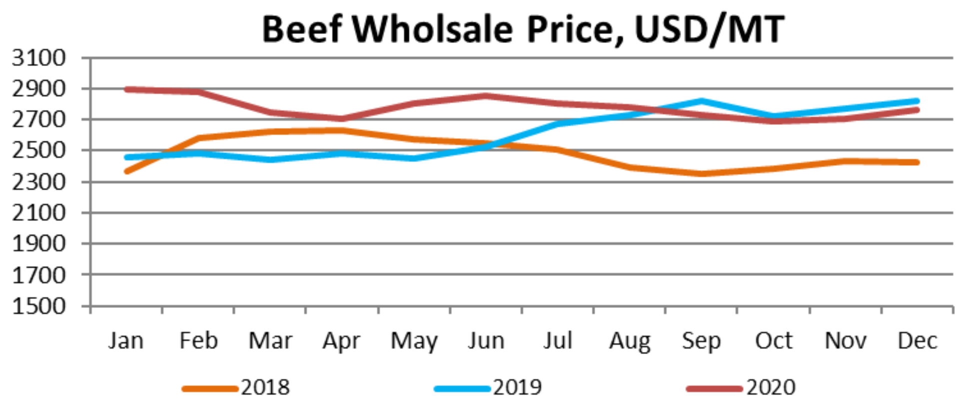
Cattle/Beef

Ukrainian beef production remains a function of milk production with households responsible for the largest share of the cattle herd. The vast majority of households and a good portion of industrial dairies have low milk yields and high production costs. The industry remains stagnant despite very high raw milk prices throughout all of 2020.



Sources: State Statistics Service of Ukraine

In late 2020, a surge in feed prices resulted in a significant drop in the ratio of milk prices to feed prices. In early 2021, this ratio hit the lowest point seen in the last five years. Although the production outlook has become more negative, past beef production exhibited a certain rigidity to milk and input price fluctuations. For a good portion of households, dairy animals are a source of a small additional income, providing a safety net to help sustain family incomes in case of economic turbulence. Households are slow to change production and are unlikely to slaughter a large number of animals in 2021 despite a drop in cash flow.



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

Consumption

COVID-19 has had a very limited influence on Ukrainian red meat consumption. Ukraine experienced two major country-wide lockdowns and multiple regional lockdowns to combat the spread of the disease. Although the Ukrainian economy has experienced a decrease in 2020, this decrease has not been as significant as the decline seen in many Western economies. Ukrainian disposable incomes have remained stable with salaries exhibiting some growth toward the end of 2020. However, Ukraine did see a major re-distribution of market channels for red meat sales. A significant share of household-produced beef and pork was sold through the open-air market. Most of these markets were closed during the lockdowns. Many public establishments (hotels, restaurants, child-care facilities, and schools) also decreased consumption, while others (hospitals, army, prisons) sustained stable consumption. Retail trade rushed in with increased demand that compensated for the loss of sales in other channels, increasing turnover significantly. Post is unaware of any closures of slaughterhouses or processing facilities due to COVID-19.

A significant number of Ukrainian workers who had worked abroad returned home due to COVID restrictions introduced by EU countries. Some returned back to the EU when quarantine restrictions were eased in late 2020. It is not evident what impact these migrant flows may have had on meat consumption. Post believes it is possible that any increase in consumer numbers due to return migration were likely partially or completely offset by the drop in disposable incomes due to the loss of jobs abroad.

Ukrainian consumption of beef declined slightly, following a three-decade trend. This trend is expected to continue in 2021. Beef remains the most expensive mass-market protein in Ukraine and its consumption is declining despite stable or even growing incomes. However, the market for Ukrainian premium beef (premium beef cuts derived from properly fed beef animals) continued to grow in 2020. Affluent urban consumers are increasingly willing to pay extra for high-quality imported beef. The United States remains one of the major suppliers in 2020 and sales are expected to remain strong in 2021 despite COVID-related restrictions on public food establishments. Importers reported a major panic and market stoppage in spring 2020 during the first lock-down. However, the market rebounded strongly when the first lockdown was lifted, and it has not reacted much to further lockdowns and COVID-restrictions.

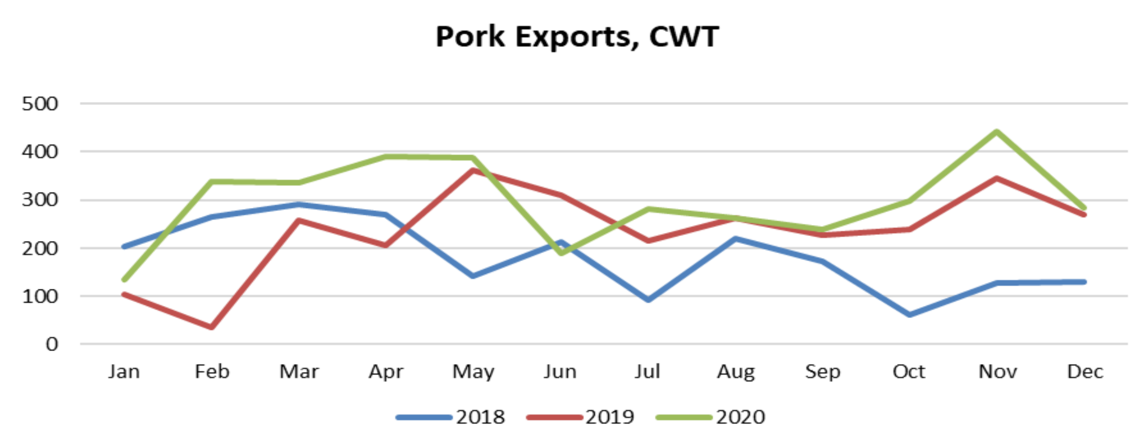
Pork consumption grew slightly in 2021 and is expected to remain on this upward trend in 2021. Due to contacting production, Ukrainian producers would not be able to satisfy domestic demand. This has created opportunities for importers to expand sales. Although European and Canadian producers dominate, particularly due to a tariff advantage, U.S. exporters may also increase their market share.

Trade

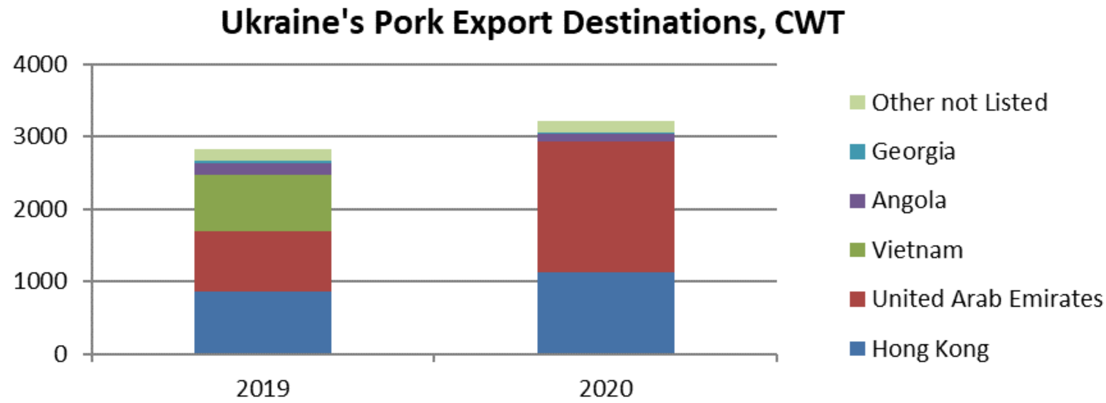
Pork Exports

Due to the ASF situation, Ukrainian pork export possibilities remain very limited. Although exports grew a bit in 2020, the numbers remain small and volatile. The average Ukrainian cost of production for pork remains high, limiting industry's competitiveness on the world market. Exports are limited to a small number of countries that agreed to grant market access despite the ASF presence. The major Middle Eastern trade hub – the Emirates - unexpectedly became Ukraine's largest export destination, with Hong Kong in second place. Ukraine's role in other export markets is insignificant.

Due to rising production costs and veterinary import restrictions, further export growth in 2021 is unlikely.



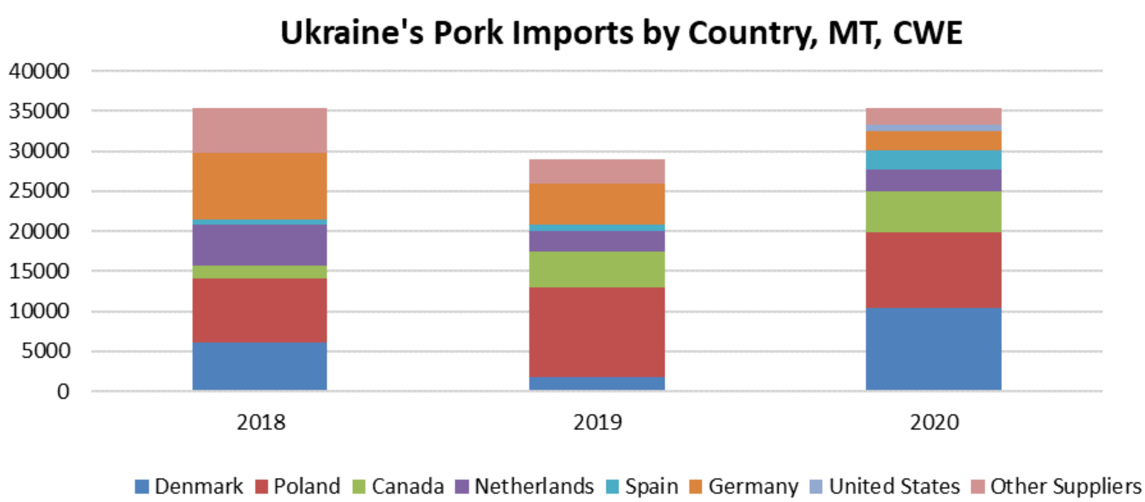
Source: Trade Data Monitor



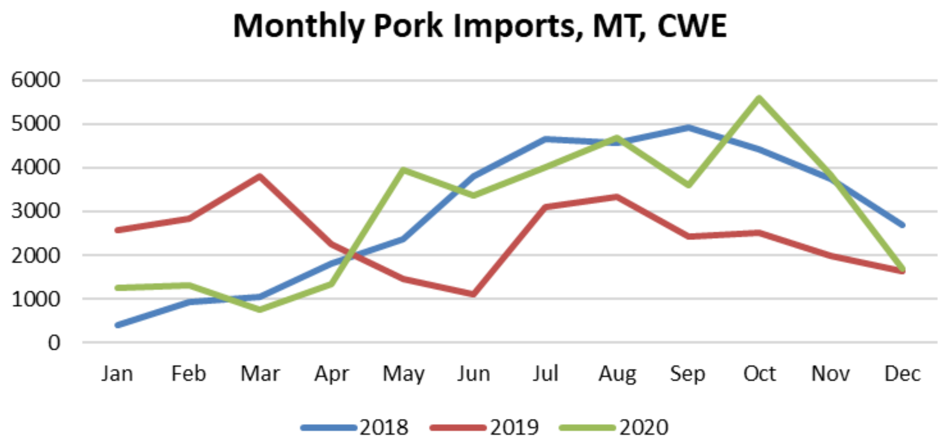
Source: Trade Data Monitor

Pork Imports

Pork imports remained significant in 2020 despite plummeting domestic pork prices. The majority of import demand came from meat processors and concentrated in the lowest market segment - pork trimmings and minced meat. Decreasing domestic production and growing disposable incomes suggest more imports in 2021.



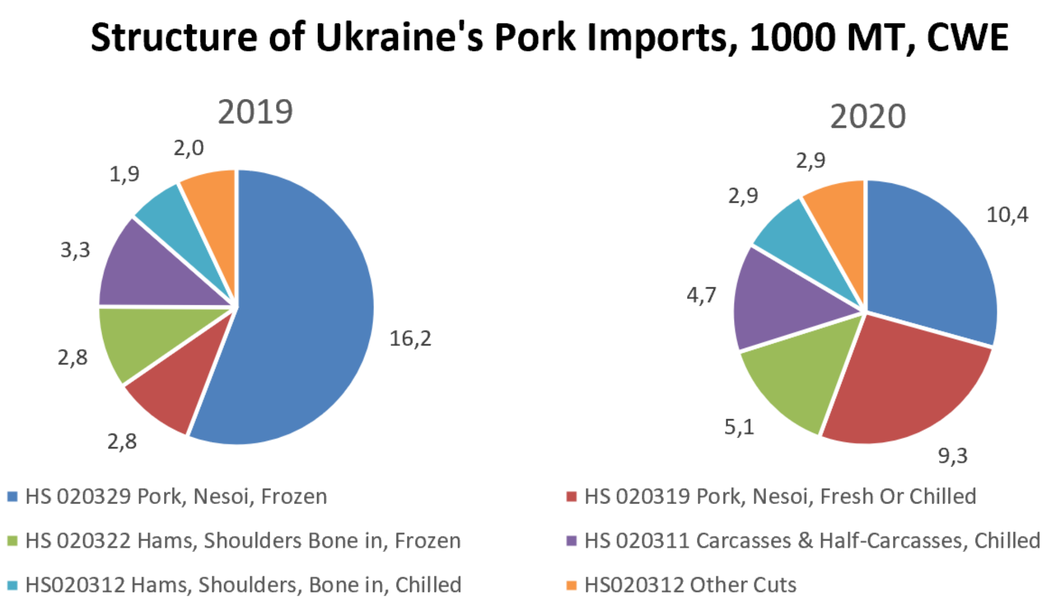
Source: Trade Data Monitor



Source: Trade Data Monitor

Although demand has concentrated in the lowest market segment, sales of bone-in hams and shoulders continued to grow. The United States returned to the Ukrainian market in 2020, competing with Canadian and Danish producers. Price is a key limiting factor for further U.S. export growth. European and Canadian producers enjoy zero import duty quotas negotiated under respective free trade agreements. When TRQs are fulfilled and over-the-quota shipments start, U.S. products become competitive.

The Ukrainian market for more expensive cuts is expected to grow further in 2021. An abrupt growth in costs left Ukrainian producers no chance but to increase prices in 2021. This will create additional opportunities for foreign suppliers.

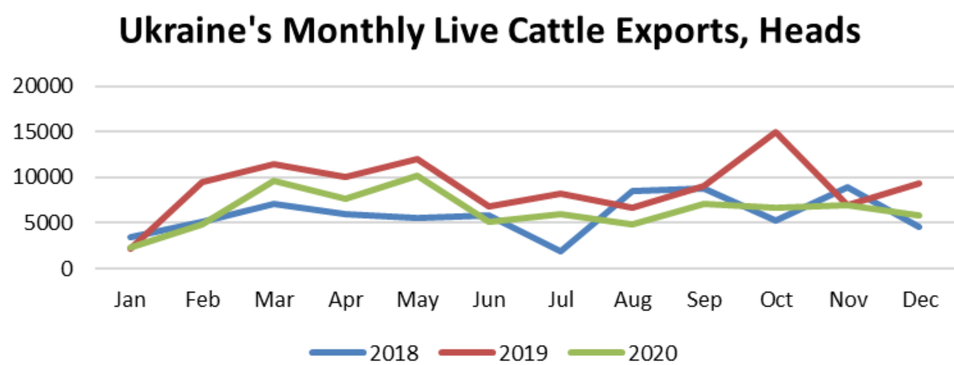


Source: Trade Data Monitor

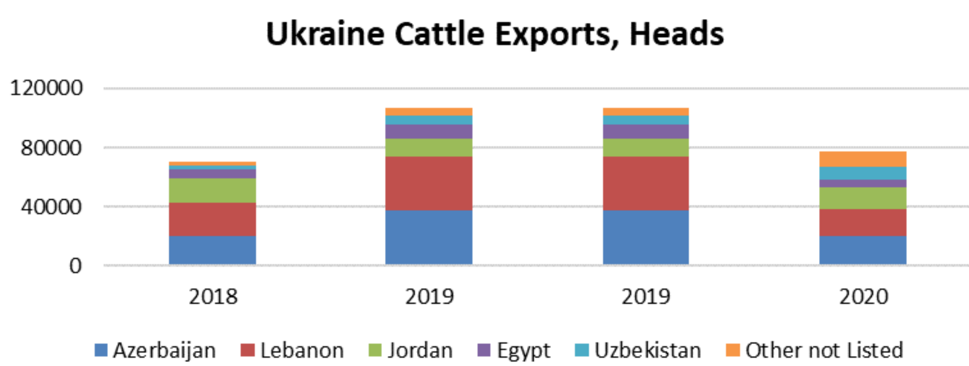
Post increased its forecast for pork imports in 2021 to reflect the increased demand and limited production. The world pork market situation remains volatile due to surges in the commodity prices due to the spread of ASF. The Ukrainian market remains open to new market players who can offer cheaper pork cuts at attractive price.

Cattle and Beef

The decreasing number of cattle has resulted in a gradual drop in exports of both live animals for slaughter and beef. Post's PSD for 2021 reflects this trend. Lowering domestic demand for beef only partially compensates for the drop in production. Many Central Asian markets prefer live cattle to beef. Ukraine developed significant cattle export markets in Central Asia, Caspian Sea countries, and North Africa. No significant changes in export destinations are expected in 2021, although the number of exported animals is projected to decline.

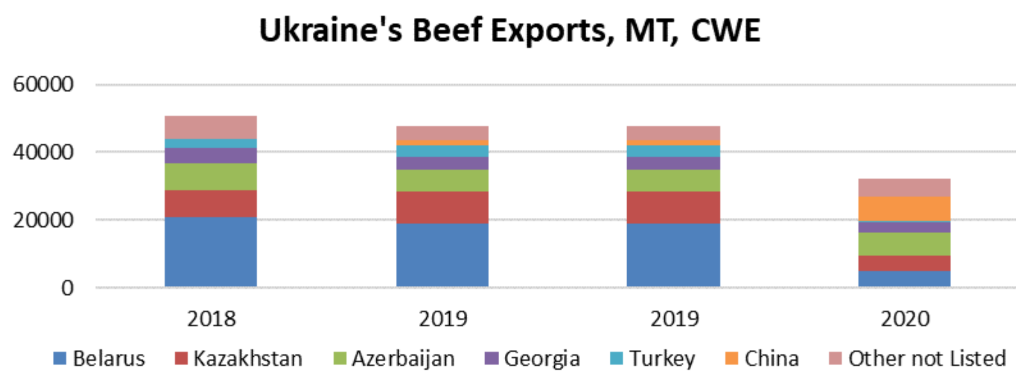


Source: Trade Data Monitor

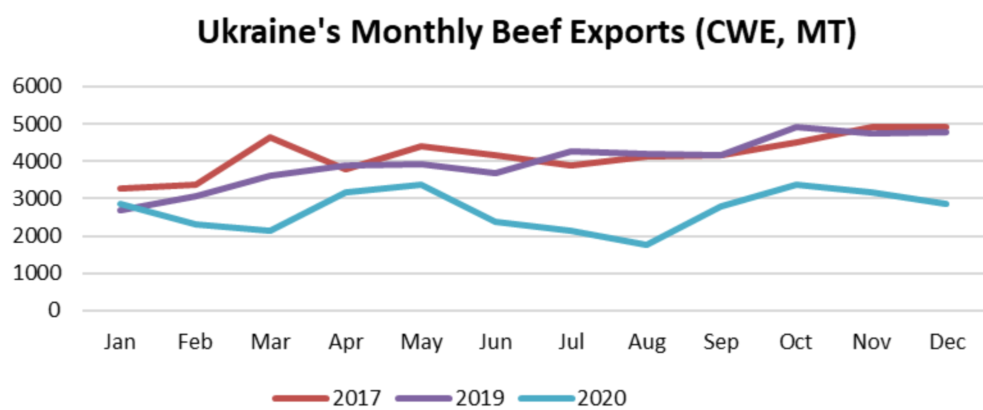


Source: Trade Data Monitor

Providing significant live cattle for export, beef export constitutes a competitive activity. Similar to live cattle exports, it is expected to be limited by animal inventory contraction and projected to decrease in 2021. Destination markets for beef are different from those for live animals. For a number of years, Belarus remained the major export destination for Ukrainian beef, replacing Russia (which banned Ukrainian beef imports in 2016). In 2020, China replaced Belarus as Ukraine's major export destination for beef. Exports to traditional markets in Central Asia, the Republic of Georgia, Armenia and Turkey remained strong. Export markets are expected to remain diversified in 2021.



Source: Trade Data Monitor



Source: Trade Data Monitor

Section II Statistical Tables *

Ukraine Animal Numbers, Cattle

Category	2019		2020		2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Total Cattle Beg. Stks	3473	3473	3197	3197	2890	3001
Dairy Cows Beg. Stocks	1970	1970	1840	1840	1650	1800
Beef Cows Beg. Stocks	20	20	19	19	18	18
Production (Calf Crop)	2051	2051	1920	1940	1720	1840
Total Imports	2	2	2	3	2	2
Total Supply	5526	5526	5119	5140	4612	4843
Total Exports	107	107	98	77	90	60
Cow Slaughter	0	0	0	0	0	0
Calf Slaughter	0	0	0	0	0	0
Other Slaughter	2189	2189	2100	2031	2000	1910
Total Slaughter	2189	2189	2100	2031	2000	1910
Loss	33	33	31	31	28	28
Ending Inventories	3197	3197	2890	3001	2494	2845
Total Distribution	5526	5526	5119	5140	4612	4843

**Not Official USDA Data*

Ukraine Animal Numbers, Swine

Category	2019		2020		2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Total Beginning Stocks	6150	6150	5844	5842	5650	5951
Sow Beginning Stocks	379	379	412	412	400	390
Production (Pig Crop)	8565	8565	8468	9200	8200	8850
Total Imports	22	22	10	11	15	15
Total Supply	14737	14737	14322	15053	13865	14816
Total Exports	10	10	2	4	5	5
Sow Slaughter	0	0	0	0	0	0
Other Slaughter	8343	8345	8170	8598	7870	8371
Total Slaughter	8343	8345	8170	8598	7870	8371
Loss	540	540	500	500	490	510
Ending Inventories	5844	5842	5650	5951	5500	5930
Total Distribution	14737	14737	14322	15053	13865	14816

**Not Official USDA Data*

Meat, Beef and Veal

Category	2019		2020		2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference)	2189	2189	1972	2031	2000	1910
Beginning Stocks	0	0	0	0	0	0
Production	378	378	365	350	345	340
Total Imports	2	2	2	3	2	3
Total Supply	380	380	367	353	347	343
Total Exports	48	48	43	32	42	28
Human Dom. Consumption	332	332	324	321	305	320
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	332	332	324	321	305	315
Ending Stocks	0	0	0	0	0	0
Total Distribution	380	380	367	353	347	343

**Not Official USDA Data*

Meat, Swine

	2019		2020		2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference)	8343	8345	8170	8598	7870	8371
Beginning Stocks	0	0	0	0	0	0
Production	735	735	720	750	695	746
Total Imports	29	29	27	35	30	47
Total Supply	764	764	747	785	725	793
Total Exports	3	3	3	3	3	3
Human Dom. Consumption	761	761	744	782	722	790
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	761	761	744	782	722	790
Ending Stocks	0	0	0	0	0	0
Total Distribution	764	764	747	785	725	793

**Not Official USDA Data*

Attachments:

No Attachments