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## Ukraine

### Grain and Feed

### November Grain Update

### 1998

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#### **Report Highlights:**

**Ukrainian 1998 grain production is being drawn down again to reflect a still larger decline in corn production and a small decrease in barley and pea output. All of this decline is being reflected in reduced domestic animal feed consumption. Wheat and barley exports thus far suggest that earlier projections of two million tons of wheat and one million tons of barley are still possible. Meanwhile, farm productivity continues to decline with nothing on the horizon to suggest a reversal to the decline in crop yields. Government policy still supports the “re-labeled” but not reorganized collective system of farming in Ukraine.**

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Includes PSD changes: Yes  
Includes Trade Matrix: No  
Unscheduled Report  
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## Executive Summary

Ukrainian 1998 grain (wheat, barley, corn, rye, oats, buckwheat, millet and rice) and pulse production is now estimated at a lower 26.7 million tons, reflecting a still larger decline in corn output – to 1.6 million tons – and small revisions to barley and pea production. This further decline in grain output will be reflected in reduced feed consumption and decreased livestock numbers later this marketing year. Projected exports of Ukrainian wheat and barley are not being reduced at this time. Traders who provided farming inputs to farmers and received grain in payment are selling the grain for export rather than involving themselves in another round of barter deals.

On the policy side, little is changing which would reverse the continuing downward trend in crop yields in Ukraine. Despite all of its economic problems, government officials at a high ranking meeting November 30 vowed that it was their responsibility to assist the survival of the “re-labeled” but not reorganized collective farming system.

## Production

Snow measuring 15-40 centimeters fell during the second decade of November in the Northern, Western and Central Regions of Ukraine, halting remaining corn harvesting. Corn output was hurt far more by the hot and dry summer weather than expected by all. The total corn area is not expected to exceed 700,000 hectares with an average yield no higher than 2.2 tons per hectare.

As of November 10, when the first snow covered most of the territory, 1.1 million tons of corn were harvested by the collective agricultural enterprises. The private sector will contribute an additional 300-400,000 tons. Government of Ukraine (GOU) sources estimate that 160,000 of corn still remain to be harvested with snow on the ground. If weather will not allow automated harvesting, much of this corn will be harvested by hand.

Along with the decreased availability of corn for feed is expected seed corn deficits next spring. Ukrainian farmers usually do not use expensive (in their opinion), high quality hybrid seed, using instead a part of their crop for planting the next season. Some independent sources estimate that in Kharkiv Oblast (an average corn growing region) seed stocks total only 4,500 tons compared to the need for some 7,000 tons. This situation is expected in other regions.

The production decrease of the major feed grains in Ukraine will result in reduced production of concentrate feeds. Compound feed production in 1998 has already dropped 35% compared with as year earlier. Lower roughage production (hay, haylage and silage) worsens the feed situation which is expected to push farmers to slaughter animals before new forage crops will be available.

## Winter Crop Condition

Winter crop seeding was finished in Ukraine by the beginning of November. This year 7.9 million hectares were planted with winter grains, 84 percent of what had been expected by government officials earlier this fall. Because of the shortage of feedstuffs, it is already clear that some 10-13 percent of the area planted with winter wheat will be used as green feed for livestock feeding next spring – an old Soviet tradition.

Currently, farms are making inventories and estimating winter grain conditions prior to dormancy. According to

initial estimations, about 80% of the sown area was in a good condition. The poorest crop conditions are in the southeastern regions where it was extremely dry during fall planting. For instance, in Dnipropetrovsk, out of a total 127,000 hectares, 100,000 are considered to be in poor condition with almost no germination on 88,000 hectares. In Kherson Region, 158,000 hectares out of total 429,000 were in poor condition (no germination over an area of 154,000 hectares). There is also a high risk of fungus development and plant rotting because the ground was not completely frozen when the first snow fell. There has been virtually no above freezing temperatures since the first snowfall began. In total, spring resowing is already expected on 1.5-2.0 million hectares.

There is an excessive number of rodents recorded on areas under winter crop this year that could also cause a serious threat to winter grains. Farmers are complaining that as a result of minimal chemical application the last few years, rodent population has increased. An average 20-30 colonies per hectare have been recorded in some areas and up to the density of 80-100 colonies per hectare in others. An above-normal rodent population was registered in Khmelnytsky Region over an area of 350,000 hectares; Ternopil, Cherkassy & Kiev over an area of 200,000 hectares, and in Volyn, Vinnytsia, Kirovograd & Zhytomyr over more than 100,000 hectares.

Following traditional land cultivation practices, government authorities wanted farmers to ploughed 12.6 million hectares for spring crop seeding. Only 7.7 million hectares were actually ploughed.

## **Policy**

One of the main reasons for the declining status of Ukrainian agriculture is the continuing lack of farmer ability to pay for the farming inputs, including fuel. With barter trading dominating (State confiscating grain in payment for inputs it provided), farmers simply do not have money, and thus are ever more dependent upon the State for survival. Overall, monetization of the Ukrainian economy approximates only 13-14 percent of GDP, according to Ukrainian officials. Further, only 1.5 percent of working capital is in the form of money.

Because of declining farm productivity, farms are not only able to meet obligations for inputs provided by the GOU but also to local traders, including international companies. This is the third year in a row of mounting farm debt to international input providers, approximating some \$200 million dollars.

Failure of farmers to pay their debts will negatively impact upon the spring seeding campaign. Further, the residual effect of fertilizer application is virtually depleted from Ukrainian soils, meaning that crop yields will be declining at even greater rates until better management and a supply of inputs is made to the existing natural soil resource.

Ukraine's Prime Minister at a meeting of high ranking government officials on November 30 blamed the government for not providing farmers with sufficient aid in 1998. Conclusion of this heated meeting was that the GOU will still try to help the "re-labeled" but old collective system of agriculture producers to prepare for next spring's field work. In addition to providing domestically produced petroleum products and fertilizer, the government plans to re-open some of the 200 special agricultural machinery detachments that operated in conjunction with the collective farms during the Soviet era.

The Prime Minister, angered by the inefficiency of the efforts to have the agriculture sector supplied with the required amount of equipment and vehicles, dismissed two of his Deputy Ministers of Agriculture. Reportedly, 650 of the new John Deere tractors purchased a year ago against GOU guarantees are still idle because of the lack of ploughing equipment. Collective farm inability to repay loans for these tractors also has been an issue.

## **Trade/Exports**

Decreased production of feed grains is not expected to halt Ukrainian grain exports. Many traders export grain that they receive as a payment for inputs provided to farmers. This is almost the only way to brake the vicious circle of bartering fuel, fertilizers and chemicals for grain and other crops. Many local and international companies, however, report that they have experienced problems because of the inability of Ukrainian Black Sea ports in Odessa, Kherson and Mykolaiv to handle large volumes of grain. Because of this, they could not ship 90,000 tons of grain as of November 30.

The GOU may also interfere in the grain export process, especially in light of the latest Ukrainian-Russian agreement to supply grain and food products to Russia in payment for Russian gas and oil. Some actions already have advised that local branches of government are to limit grain shipments outside their regions and to collect as much grain into the Pension Fund and the State Reserves as possible.

PSD Table						
Country:	Ukraine					
Commodity:	Barley					
		1996		1997		1998
	Old	New	Old	New	Old	New
Market Year Begin		07/1996		07/1997		07/1998
Area Harvested	3426	3425	3700	3704	3200	3500
Beginning Stocks	403	300	302	163	552	921
Production	5725	5730	7400	7407	7000	6200
TOTAL Mkt. Yr. Imports	0	50	0	50	0	50
Oct-Sep Imports	0	0	0	0	0	50
Oct-Sep Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	6128	6080	7702	7620	7552	7171
TOTAL Mkt. Yr. Exports	100	327	650	489	500	1000
Oct-Sep Exports	96	0	650	0	500	1000
Feed Dom. Consumption	3500	3560	3100	3050	3300	3900
TOTAL Dom. Consumption	5726	5590	6500	6210	6500	5900
Ending Stocks	302	163	552	921	552	271
TOTAL DISTRIBUTION	6128	6080	7702	7620	7552	7171

PSD Table						
Country:	Ukraine					
Commodity:	Corn					
		1996		1997		1998
	Old	New	Old	New	Old	New
Market Year Begin		10/1996		10/1996		10/1996
Area Harvested	671	670	1650	1350	1400	700
Beginning Stocks	825	200	165	85	540	146
Production	1840	1840	5300	5340	4000	1600
TOTAL Mkt. Yr. Imports	1	60	0	5	0	10
Oct-Sep Imports	1	0	0	0	0	10
Oct-Sep Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	2666	2100	5465	5430	4540	1756
TOTAL Mkt. Yr. Exports	0	45	200	359	200	20
Oct-Sep Exports	0	0	200	395	200	20
Feed Dom. Consumption	1400	1380	1500	1450	1400	950
TOTAL Dom. Consumption	2501	1970	4725	4925	4000	1700
Ending Stocks	165	85	540	146	340	36
TOTAL DISTRIBUTION	2666	2100	5465	5430	4540	1756

PSD Table						
Country:	Ukraine					
Commodity:	Peas					
		1996		1997		1998
	Old	New	Old	New	Old	New
Market Year Begin		07/1996		07/1997		07/1998
Area Harvested	0	730	0	682	0	690
Beginning Stocks	0	40	0	40	0	35
Production	0	980	0	1065	0	800
TOTAL Mkt. Yr. Imports	0	2	0	5	0	2
Jul-Jun Imports	0	0	0	0	0	2
Jul-Jun Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	0	1022	0	1110	0	837
TOTAL Mkt. Yr. Exports	0	100	0	150	0	117
Jul-Jun Exports	0	0	0	0	0	117
Feed Dom. Consumption	0	640	0	520	0	300
TOTAL Dom. Consumption	0	882	0	925	0	695
Ending Stocks	0	40	0	35	0	25
TOTAL DISTRIBUTION	0	1022	0	1110	0	837