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Report Highlights:

Ukraine poultry meat production is expected to decline in 1999 following the first increase in 1998 since independence in 1991. Increasing difficulties in the availability of concentrate feeds will hinder further poultry industry development. Poultry meat imports, however, are not expected to increase as the Government of Ukraine continues to protect the domestic poultry industry with high import tariffs, including an excise tax, and increasing competitiveness of pork in local markets.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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Executive Summary

Ukrainian poultry meat production grew 13 percent in 1998, the first increase realized since 1991. Poultry inventories, however, are expected to decline in 1999 and 2000 due to significantly reduced feed supplies. Despite consumer interest in lower priced poultry meat, the price spread between poultry meat and pork in local markets has been getting smaller, resulting in less demand for poultry meat.

Imports of poultry meat are expected to decline in 2000. High import tariffs, including the treatment of poultry meat parts as an excise commodity (along with caviar, alcohol and tobacco) and possible attempts to legalize the trade may lead to increasingly limited poultry meat imports. Import prospects also are worsened by reducing consumer purchasing power and the devaluation of the Ukrainian hryvna. The U.S. has continued to be the major supplier of poultry meat to Ukraine, occupying an estimated 72 percent of total imports in 1998.

Ukraine egg production in 2000 is expected to decrease after relative stability and less than a one percent annual increase in 1998 and 1999. Significant shortages of protein feeds, together with low production efficiency, will continue to be major limiting factors for industry development. Hatching and table egg imports in 1999 are declining to 10 and 20 million eggs, respectively, while imports of processed egg products are expected to be up to 10 million pieces. Hatching egg and processed product imports will remain at the same level in 2000 while table egg imports are expected to decline due to reducing consumer purchasing power.

Poultry and Broiler Meat Production

Poultry meat production in 2000 is expected to decrease due to severe concentrate feed shortages. It is expected that both poultry numbers and especially poultry weight gains will decrease in 2000. This will be happening after some increase in production was achieved in 1998 for the first time since the beginning of the 1990's. The growth in poultry meat production in 1998 and the first part of 1999 is attributed to State credits for feed, estimated at 380,000 tons of feed grains in 1998 and another 100,000 tons during the first months of 1999. Despite relatively fast capital turnover in the poultry industry, poultry farms still have not repaid this credit and will not likely repay it in the future because of poor management and inefficiency.

Availability of high quality compound feeds will remain the major constraint in poultry industry development. It has been estimated that poultry farms have 20 percent less concentrate feeds available compared with the previous year. Ukrainian companies prefer to export feed grains for immediate cash revenue rather than to supply grain for compound feed production. The unavailability of high protein meals is another major problem. Despite a zero import duty on soybean meal, soybean meal imports have been insignificant. Ukraine produces approximately 550,000 tons of sunflower meal but exports an estimated 40 percent of total domestic production.

Small household plot holders in 1998 accounted for 76 percent of total poultry numbers and produced about 82 percent of poultry meat, with the remainder being raised by the public farm sector. Small private producers do not raise broilers as such but raise layers in range fed flocks for egg production and utilize their meat later, mostly for on-farm consumption. Production data presented in Table 3 for chicken broilers include industrial broiler production by collective and specialized poultry farms but excludes chicken meat production by small household plots.

Turkey meat production and trade are insignificant in Ukraine. The number of turkeys raised by industrial farms was only 6,200 as of January 1, 1999. Commercial flocks of turkeys do not exceed 0.1 percent of total poultry numbers. Overall the turkey population in Ukraine is estimated to be even much smaller than that of geese and ducks; therefore, no PSD for turkey was provided. The high loss rate is a major reason why private producers are hesitant to raise turkeys.

Consumption

Poultry meat consumption is expected to decline in 2000 as poultry meat become more expensive for consumers. Despite consumer interest in lower priced poultry meat, the price spread between poultry meat and pork in local markets has been getting smaller. According to the Institute of Agricultural Economics data, retail poultry meat prices rose 28 percent in 1998 while pork prices rose only 11 percent.

Poultry meat prices at city markets depend in large on imports. Pork meat is produced domestically and its price is not affected by national currency devaluation as is imported poultry meat. Thus, as the price spread between pork and poultry narrows, the traditional Ukrainian consumer will choose pork over imported poultry meat.

Trade

The inability of the domestic poultry industry to assure supplies of high quality poultry meat at competitive prices will mean continued poultry meat imports; however, poultry imports in 2000 are expected to decline to a lower 32,000 tons because of the increasing bureaucratic control over even those who somehow are exempt from the high tariffs and duties. National currency devaluations also are making imported meat products more expensive to the consumer, who increasingly are burdened with less and less buyer power in Ukraine. U.S. poultry meat exports to Ukraine in 2000 are expected to decrease to 29,000 tons.

The preferential import tariff on imported poultry meat from "most favorite nations", including the United States, is 30 percent ad valorem (but not less than EUR 1.5 /1kg) for whole poultry birds. The import tariff on chicken parts, halves, legs quarters (Ukrainian HS # 020739130, 020739230) and turkey parts (Ukrainian HS# 020441510) is EUR 0.7/1 kilogram. In addition, imported poultry parts are subject to an excise tax of EUR 0.03/kg and to a 20 percent value-added tax (VAT), calculated on the basis of the value of goods after the import tariff and excise tax have been added.

The following example presented by an importer illustrates import tariff, excise and VAT calculations. Assume that 1,000 MT of chicken parts worth \$ 1,100,000 (contract price \$1.1/kilogram) are being imported into Ukraine. The National Bank of Ukraine conversion rate used in the calculations was US\$ 1 = EUR 1.07 (July 29, 1999). An importer must pay the following before the commodity can be cleared through customs:

Import tariff	1,000 MT x 1,000 kg/MT x \$0.749/kg (EUR 0.7/1 kg) =	\$750,000;
Excise tax	1,000 MT x 1,000 kg/MT x \$0.032/kg (EUR 0.03/1 kg) =	30,000;
Value-added tax	\$1,100,000 + \$750,000 + \$30,000) x 20% =	376,000;
Total		\$1,156,000.

Note: Ukrainian Customs will not accept a contract price lower than \$1.1 per kilogram for VAT calculation, although, if a higher price is indicated in the contract, the later one is used in the calculations.

Despite high import tariffs, imported poultry leg quarters have been priced on the domestic wholesale market at

\$0.88 - 1.2 per kilogram. This indicates that most of the imported poultry entering the country is bypassing official tariffs. Companies and joint ventures doing most, if not all of the import business, apparently have been granted tax and import tariff privileges by official government bodies.

Live poultry imports into Ukraine have been insignificant and totaled 591 MT in 1998. Import tariff on live poultry is 30 percent ad valorem (but not less than EUR 0.15/1 kilogram). A zero import duty has been established for purebred poultry. Ukraine, in 1998, imported purebred chicken from the Czech Republic (176 MT), Hungary (172 MT) and Poland (152 MT). Imports of live poultry from Belarus and Russia in 1998 totaled only 24 MT. The U.S. entered the Ukrainian live poultry market in 1998 supplying day old chicks of egg laying crosses.

Turkey meat imports, according to official statistics, were only 171 tons in 1996 (from the U.S., Netherlands and Poland) and 5 tons (from the U.S.) in 1997.

Latest available official data show that poultry meat exports in 1994 were 555 tons. Poultry meat exports were only 75 tons in 1998 -- 70 percent decrease from 1997.

Eggs Production

Egg production in 2000 also is expected to decline after two years of relative stability, mainly due to decreasing layer inventories and productivity in the public sector. Despite government credits for feed grains to the public sector, collective farm layer inventories decreased another 8 percent in 1998. Collective farm egg production decreased from 10 billion pieces in 1990 to only 3 billion in 1998.

It has been estimated that private producers produced 72 percent of 1998 egg output. The inventory of layers presented in Table 4 was calculated based on official data on average annual egg output per one layer in the collective farm sector, the share of collectives in total egg production and an assumption that layer productivity in the private sector is 10 percent lower than in the collective sector because of extensive range feeding and unbalanced feed rations among the small family flocks. Egg production by small household plots is expected to remain stable in 2000.

Consumption/Utilization

According to official statistics, 1999 per capita egg consumption was 154 pieces -- a four percent increase from 1997. Human egg consumption is projected to decrease in 2000 because of declining domestic supplies. Human consumption in 1999 is projected at the level of the previous year. Hatching egg consumption in 2000 is also projected to decrease.

Trade

Ukrainian official trade data for eggs are reported in kilograms. The average weight of one egg used in the PSD calculations is 0.05775 kilogram. Eggs and egg product exports have significantly reduced over the last two years. Ukraine has been exporting more hatching than table eggs. Unlike in 1997 when Ukraine exported hatching eggs to the U.S., Bulgaria, Czech Republic, Georgia, Moldova and Azerbaidzhan, the only destination in 1998 was Bulgaria. Processed egg product exports are also on a steep decline. Ukraine exported processed

egg products to Russia, Moldova, Poland and Denmark in 1997. Russia remained the only buyer in 1998. It is projected that Ukraine will continue to export 4 million eggs and egg products (in-shell egg equivalent) in 2000, the same level estimated in 1999.

Imports of eggs and egg products increased in 1998 compared with 1997. This increase is attributed to hatching and table egg imports. Hungary became the major supplier of hatching eggs in 1998, squeezing Belarus from the Ukrainian market. Hatching egg imports are projected to remain at the same level in 2000 due to stable demand from the private sector while table egg imports are projected to decline, reflecting reduced consumer purchasing power.

Imports of processed egg products in 1998 decreased 35% compared with 1997. The U.S. entered the Ukrainian market with processed egg products in 1997, supplying 40% of total Ukrainian egg imports (Table 5); however, the U.S. share dropped to less than one percent in 1998 when Russia and Belarus became the major suppliers. Imports of processed egg products in 2000 are projected to remain at the same level in 1999 due to demand from the food processing industry.

Policy

Ukraine is not a member of the World Trade Organization and maintains high import tariffs, especially on imported poultry products, to protect and revive domestic livestock and poultry production. With the aim to support domestic livestock, dairy and poultry industries, the Ukrainian Parliament extended the value-added tax (VAT) refund program for farmers who deliver poultry to processing factories through January 1, 2004.

This program, which has been existing since February 16, 1998, foresees that the revenue accumulated from VAT payments will be made by the processor to the farmer. This payment on average, equals \$19.60 per \$100 worth of meat sold to a processor. The GOU expected that this program would facilitate broiler meat production and processing by large industrial poultry farms from the current low levels to 34,000 tons in 1999 and 82,000 tons in 2000. Constant refund payment delays and lack of operating capital have been obstacles which have prevented these plans from materializing.

Statistical Tables

Table 1. PSD Poultry Meat, Total

PSD Table						
Country	Ukraine					
Commodity	Poultry, Meat, Total				(1000 MT)(MIL HEAD)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1998		01/1999		01/2000
Inventory (Reference)	0	123	0	129	0	125
Slaughter (Reference)	0	133	0	130	0	130
Beginning Stocks	153	90	169	100	170	90
Production	212	210	225	200	0	185
Whole, Imports	10	1	10	1	0	1
Parts, Imports	30	50	35	35	0	32
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	40	51	45	36	0	33
TOTAL SUPPLY	405	351	439	336	170	308
Whole, Exports	5	0	5	0	0	0
Parts, Exports	10	0	15	0	0	0
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	15	0	20	0	0	0
Human Consumption	189	250	214	245	0	235
Other Use, Losses	32	1	35	1	0	1
Total Dom. Consumption	221	251	249	246	0	236
TOTAL Use	236	251	269	246	0	236
Ending Stocks	169	100	170	90	0	72
TOTAL DISTRIBUTION	405	351	439	336	0	308
Calendar Yr. Imp. from U.S.	0	37	0	32	0	29

Table 2. Import Trade Matrix, Poultry Meat, Total

Country	Ukraine		
Commodity	Poultry, Meat, Total		
Time period		Units:	1 MT
Imports for:	1997		1998
U.S.	48619	U.S.	37165
Others		Others	
Netherlands	6247	Netherlands	11935
Belgium	674	Italy	845
Estonia	440	Belgium	519
Poland	219	Estonia	363
Brasil	214	Germany	160
Hungary	176	France	123
Russia	160	Hungary	114
Bulgaria	45	Denmark	76
Italy	27	Poland	58
Moldova	27	Russia	40
Total for Others	8229		14233
Others not Listed	72		70
Grand Total	56920		51468

Table 3. PSD Broiler Meat

PSD Table						
Country	Ukraine					
Commodity	Plty, Meat, Chicken -16 wks				(1000 MT)(MIL HEAD)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1998		01/1999		01/2000
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	140	30	153	29	180	20
Production	166	20	180	20	0	20
Whole, Imports	0	1	0	1	0	1
Parts, Imports	40	48	45	33	0	31
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	40	49	45	34	0	32
TOTAL SUPPLY	346	99	378	83	180	72
Whole, Exports	0	0	0	0	0	0
Parts, Exports	15	0	20	0	0	0
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	15	0	20	0	0	0
Human Consumption	148	70	158	63	0	53
Other Use, Losses	30	0	20	0	0	0
Total Dom. Consumption	178	70	178	63	0	53
TOTAL Use	193	70	198	63	0	53
Ending Stocks	153	29	180	20	0	19
TOTAL DISTRIBUTION	346	99	378	83	0	72
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0

Table 4. PSD Eggs

PSD Table						
Country	Ukraine					
Commodity	Poultry, Eggs				(MIL HEAD)	(MIL PCS)
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1998		01/1999		01/2000
Layers	0	45	0	45	0	44
Beginning Stocks	114	120	100	100	120	100
Production	8400	8269	8500	8300	0	8000
Hatch Eggs, Imports	0	14	0	10	0	10
Shell Eggs, Imports	113	25	150	20	0	15
Other Imports	0	8	0	10	0	10
Intra EC Imports	0	0	0	0	0	0
TOTAL Imports	113	47	150	40	0	35
TOTAL SUPPLY	8627	8436	8750	8440	120	8135
Hatch Eggs, Exports	0	3	0	2	0	2
Shell Eggs, Exports	280	1	290	1	0	1
Other Exports	0	0	0	1	0	1
Intra EC Exports	0	0	0	0	0	0
TOTAL Exports	280	4	290	4	0	4
Hatch Eggs, Consumption	400	450	400	450	0	400
Shell Eggs, Human	7597	7732	7670	7736	0	7496
Shell Eggs, OT Use/Loss	250	150	270	150	0	150
Other Dom. Consumption	0	0	0	0	0	0
Total Dom. Consumption	8247	8332	8340	8336	0	8046
TOTAL Use	8527	8336	8630	8340	0	8050
Ending Stocks	100	100	120	100	0	85
TOTAL DISTRIBUTION	8627	8436	8750	8440	0	8135
Calendar Yr. Imp. from U.S.	0	8	0	0	0	0

Table 5. Import Trade Matrix, Eggs

Country	Ukraine		
Commodity	Poultry, Eggs		
Time period		Units:	1,000 PCS
Imports for:	1997		1998
U.S.	8963	U.S.	8
Others		Others	
Netherlands	4289	Belarus	15785
Belarus	2495	Hungary	11131
Germany	2175	Russia	11035
Hungary	1226	Estonia	4295
Poland	984	Netherlands	1060
Estonia	594	Germany	1018
Russia	435	Israel	543
Total for Others	12198		44867
Others not Listed	2726		1734
Grand Total	23887		46609

Table 6. Export Trade Matrix, Eggs

Country	Ukraine		
Commodity	Poultry, Eggs		
Time period		Units:	1,000 PCS
Exports for:	1997		1998
U.S.	24450	U.S.	0
Others		Others	
Russia	9146	Bulgaria	3404
Bulgaria	4506	Russia	913
Czech Republic	1821		
Republic of Georgia	915		
Moldova	87		
Netherlands	2		
Total for Others	16477		4317
Others not Listed	1088		0
Grand Total	42015		4317