Required Report - public distribution

Date: 9/11/2015
GAIN Report Number: UP1532

Ukraine

Livestock and Products Annual

Report

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Report Highlights:
At 310,000 metric tons (MT), Ukraine's beef production in 2016 is projected to be the lowest level since USDA started publishing official beef production estimates for Ukraine in 1988. Pork production in 2016 is projected to decrease slightly to 730,000 MT. African Swine Fever outbreaks in 2015 at sites including an industrial farm will continue to be a cause for concern in 2016. Exports of beef and pork in 2016 are projected to decrease to 12,000 MT and 8,000 MT, respectively. Imports of beef and pork in 2016 are projected to be minimal. Ukrainian exports of cattle for slaughter are projected to increase to 55,000 head in 2016; the highest level since 1996.

Data included in this report are not official USDA Data. Official USDA data are available at http://www.fas.usda.gov/psd

Executive Summary

Red meat production in Ukraine is projected to decrease again in 2016 following a sharp decrease in 2015. At 310,000 metric tons (MT) Carcass Weight Equivalent (CWE), beef production in 2016 would be the lowest level since USDA started publishing official beef production estimates for Ukraine in 1988. Pork production in 2016 is projected to decrease slightly to 730,000 MT CWE (slightly higher than average annual production since 2010).

Production decreases reflect reduced demand in the wake of a 9 percent decrease in 2015 GDP and a projected recovery of 2 percent in 2016 GDP (IMF projections). Continued substitution of less expensive protein sources (particularly poultry meat) is expected to hamper recovery of red meat consumption (particularly beef) in 2016.

Facing significantly reduced domestic consumption, beef producers increased exports of beef to 45,000 MT CWE; the highest level since 2008. Pork producers increased exports of pork to 35,000 MT CWE; a record level. Russia remained the major buyer of Ukrainian red meat in 2015 but the Russian market is expected to close completely on January 1, 2016 upon implementation of the Deep and Comprehensive Free Trade Agreement (DCFTA) with the EU. Exports of beef and pork in 2016 are expected to decrease to 12,000 MT and 8,000 MT, respectively.

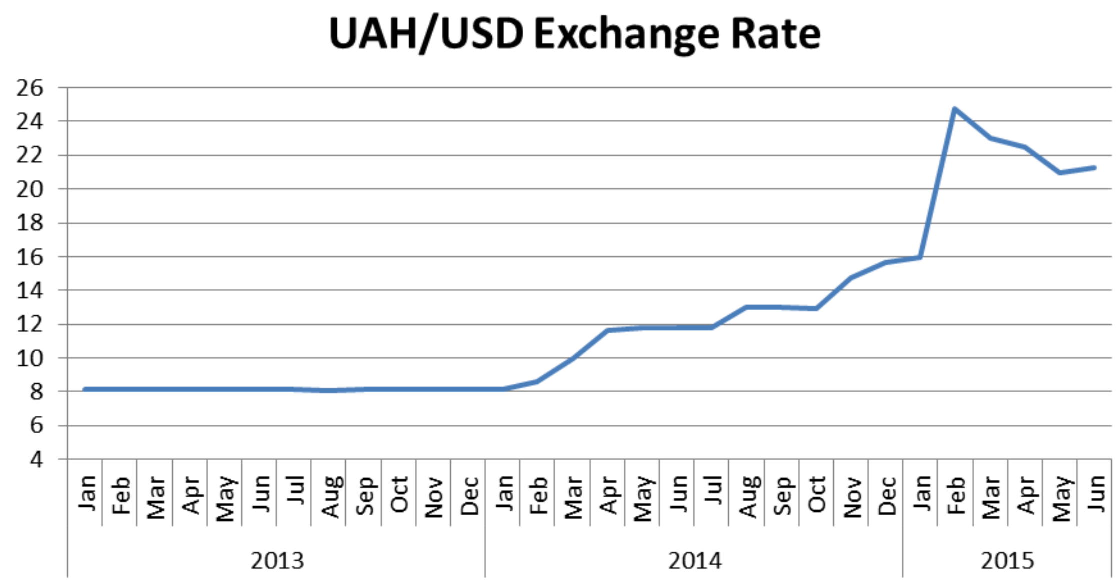
African swine Fever (ASF) cases reported in 2015 rendered some regions ineligible for pork exports but had a limited impact on trade. Of the 35 cases of ASF reported among swine in Ukraine, only one case affected a large swine production facility. Altogether over 62,000 animals were culled at the Kalyta facility near Kyiv under control of the Veterinary and Phytosanitary Service.

Low milk prices since Russia banned Ukrainian cheese exports in August 2014 contributed to herd reductions in 2015 and are projected to remain a factor in 2016. Red meat imports are expected to remain insignificant in 2016. Ukrainian exports of cattle for slaughter are projected to increase to 55,000 head in 2016; the highest level since 1996. Central Asia and the Middle East are projected to remain the main markets for Ukrainian slaughter cattle.

Section I. Narrative

Macroeconomic Factors

The IMF projects Ukraine's GDP will grow 2 percent in 2016 after a 9 percent decrease in 2015. The IMF also projects that inflation as measured by the Consumer Price Index (CPI) for Ukraine will slow to 20 percent in 2016 after reaching 46 percent in 2015. Devaluation of the Ukrainian Hryvnia (UAH) mentioned in UP1504 GAIN Report continued in 2015 with the UAH/USD ratio fluctuating between 16 and 33. The unofficial exchange rate exhibited even larger swings.



Source: National Bank of Ukraine, FAS/Kyiv calculations

Production, Consumption and Trade in Non-government Controlled Areas

Nearly 1.3 million Ukrainians have been registered as temporally displaced persons since separatists in two of Ukraine's eastern provinces entered into an armed conflict with the Ukrainian Government. Russia's occupation and attempted annexation of Crimea has affected Crimea's nearly 2 million inhabitants. These actions have directly impacted consumption in affected areas of many products including red meat.

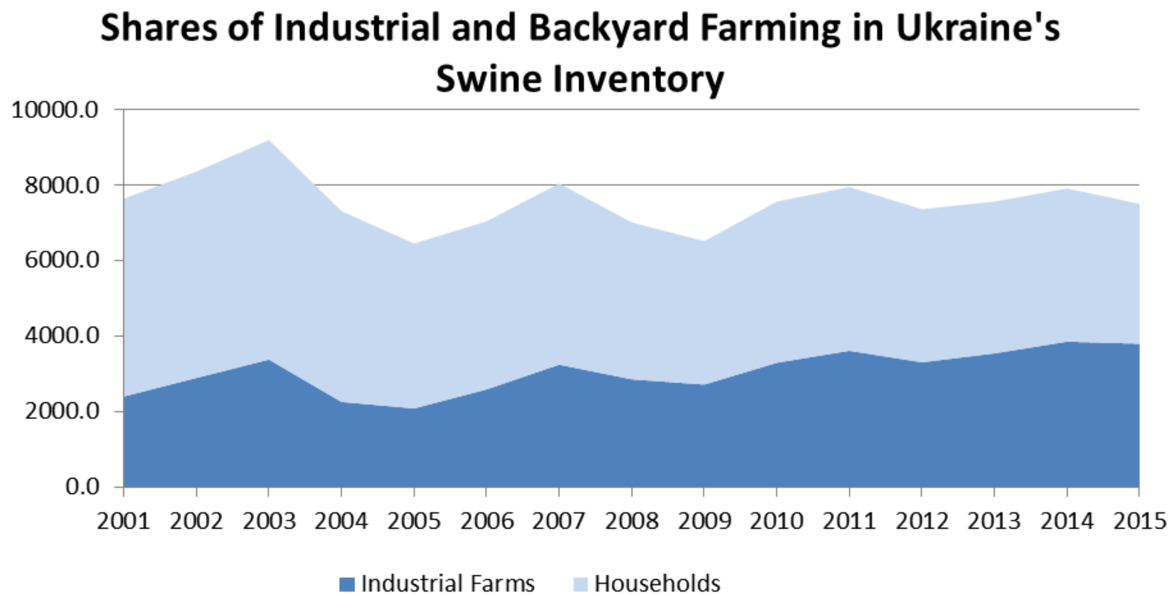
Trade with Non-government Controlled Areas remains limited and prospects in 2016 are unclear. The controls in place at the administrative border between mainland Ukraine and Crimea now mirror the controls Russia applies at its undisputed borders. Trade with Crimea continued in 2015 from all Russia-approved facilities. In this report trade with Non-government Controlled Areas including Crimea is reflected as internal trade. Production indicators of Crimea are included in "Total Ukraine" numbers. Rosstat's (Russian Statistic Agency's) data and FAS/Kyiv estimates will be used.

Section I. Narrative

Production

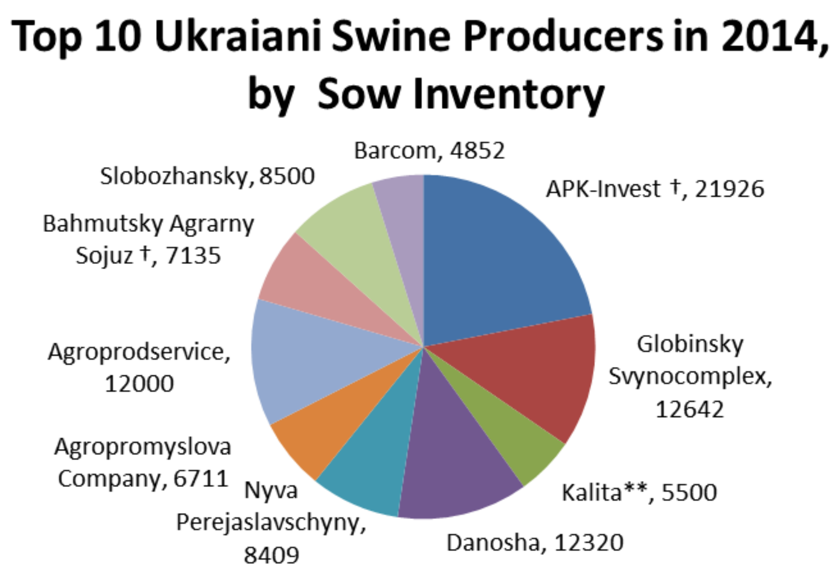
Swine/Pork

Swine inventories are projected to decrease to 9 million head in 2016 from 9.3 million head in 2015. Pork production is projected to decrease to 730,000 MT in 2016 from 750,000 MT in 2015. Estimates for 2014 were revised to reflect changes to official statistics.



Source: State Statistics Service of Ukraine

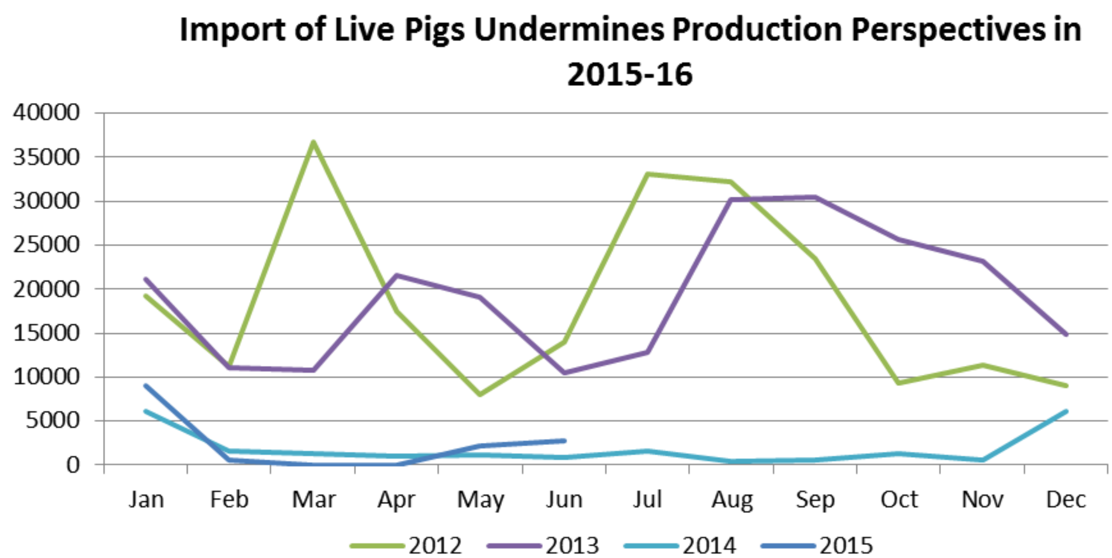
Large-scale pork production in Ukraine is conducted by private companies with limited exposure to international markets. In general, pork producers tend to rely on internal inputs and have not been subject to massive financial losses when debt is revalued. The vast majority of large pork producers are vertically integrated enterprises involved in the production of their own breeding stock, feed, slaughter and product manufacturing. Some have also developed their own distribution networks and supply major retail chains.



Source: Association of Pig Breeders of Ukraine
† - ATO impacted facilities
*** ASF Registered in 2015*

Industry concentration is not very high with over 35 large specialized producers who each have herds of at least 1000 sows. There are many mid-size and small farms that fatten pigs. The largest producer, APK-Invest, accounts for only 9 percent of industrial pork production. Despite being in the conflict zone, both APK-Invest and Bahmutsky Agrarnyj Sojuz managed to increase production in 2014. Prospects for these facilities in 2015 and 2016 are particularly uncertain as the effects of the conflict hamper movement of inputs and distribution of production.

Many Ukrainian farms import piglets from Germany or Poland for finishing. Imports of young pigs for fattening is a good indicator of production prospects. Piglet imports in 2015 are relatively low with some months of zero imports.



Source: State Statistics Service of Ukraine via Global Trade Atlas

Swine Disease Situation

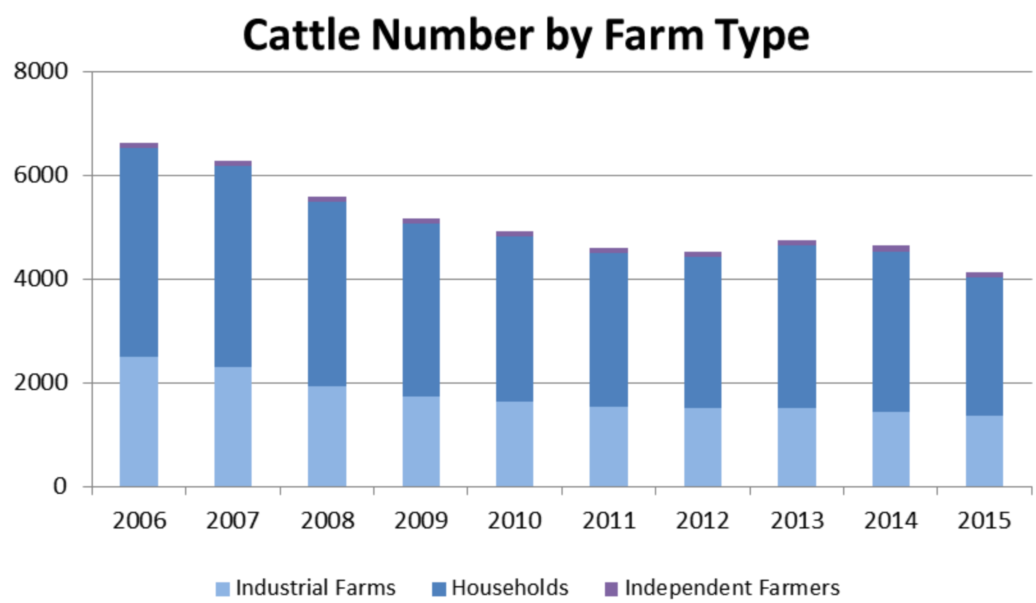
There are two diseases that significantly impact pork production in Ukraine: Porcine Epidemic Diarrhea (PED) and African Swine Fever (ASF). A number of industrial enterprises experienced PED outbreaks with negative results for their production and financial performance. At this point producers are familiar with PED and the actions needed to curtail outbreaks and prevent the secondary occurrences. At present, PED has a negative but not critical impact.

ASF cases have been reported on Ukrainian territory since 2012. Out of 35 cases, 19 were registered in the first half of 2015. Most cases occurred in feral hogs although several cases were reported at household farms. The early cases were reported in regions close to the Russian border. Later cases were reported in the Northern and Central regions. Large industrial producers took actions to prevent introduction of ASF in their herds.

The first major outbreak was registered at Kalita Agrocombinat (ninth largest pork producer) on July 28, 2015. In the course of controlling the outbreak at Kalita Agrocombinat over 62,000 animals were culled. Industry sources estimate that direct financial losses from the culling may have reached $8 million with additional expenses incurred by the Veterinary Service. The company is not likely to renew pork production within the next 3-6 months. Major importing countries are expected to require regionalization of suppliers to mitigate risk of ASF transmission. Concerns over spread of ASF within Ukraine have disrupted movement of hogs, feed and other factors of production since August 2015.

Cattle/Beef

Beef production is expected to decrease again in 2016 to 310,000 metric tons (MT); the lowest level of beef production in 2016 since USDA started publishing official beef production estimates for Ukraine in 1988. Beef production is largely a function of dairy production in Ukraine which has been in decline since August 2014 when Russia banned imports of Ukrainian dairy products. ([GAIN Report](#)). The ensuing low milk prices resulted in dairy herd reductions of 7 percent in 2015.



Source: State Statistics Service of Ukraine; FAS/Kyiv calculations

EU processors facing Russia's ban aggressively competed with Ukrainian products. Despite attractive prices, Ukrainian dairy exporters have very limited success in accessing new markets for processed dairy products in 2015. Low milk prices and difficult export prospects are expected to continue in 2016 resulting in a continued reduction in the dairy cattle herd.

Consumption

Consumption of red meat is expected to decrease in again in 2016 after decreasing in 2015. Continued substitution of less expensive protein sources (particularly poultry meat) during the difficult economic conditions is expected to hamper recovery of red meat consumption (particularly beef) in 2016.

Trade

Exports

Exports of beef and pork in 2016 are projected to decrease to 12,000 MT and 8,000 MT, respectively. Reduced export prospects are, in part, a result of Resolution No.842 adopted by Russia on August 13, 2015. Under the Resolution, Ukraine will not be able to export red meat to Russia after January 1, 2016 if Ukraine implements its obligations under the Deep and Comprehensive Free Trade Agreement (DCFTA) with the EU.

Ukrainian exports of cattle for slaughter are projected to increase to 55,000 head in 2016; the highest level since 1996. Ukraine has become a significant exporter of cattle to Central Asia and the Middle East. Azerbaijan, Syria and Egypt are the major markets.

Ukraine's Beef Exports by Partner Country , MT, CWE

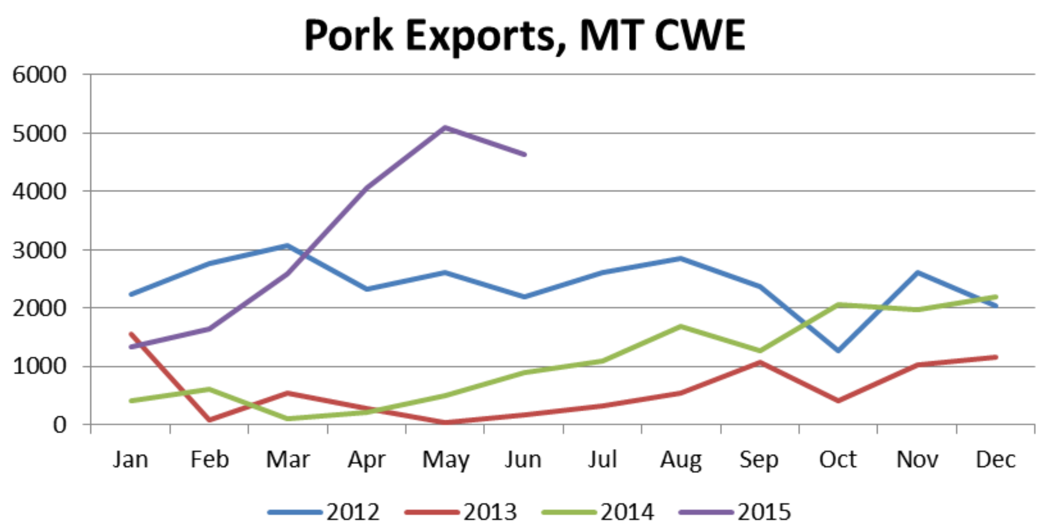
Partner Country	Quantity			6 months of 2015	% Share			6 months of 2015	% Change 2015/2014
	2012	2013	2014		2012	2013	2014		
World	23489	33501	30394	19690	100.00	100.00	100.00	100.00	58.6
Russia	20356	24059	19449	14591	86.66	71.81	63.99	74.10	110.8
Belarus	0	2789	5161	242	0.00	8.32	16.98	1.23	- 88.1
Azerbaijan	167	2839	2141	1427	0.71	8.48	7.04	7.25	- 1.2
Turkmenistan	1	1865	1647	240	0.01	5.57	5.42	1.22	- 80.4
Moldova	700	572	1044	207	2.98	1.71	3.44	1.05	- 58.1
Kazakhstan	1966	1069	273	2129	8.37	3.19	0.90	10.81	1869.1
Armenia	241	167	267	246	1.02	0.50	0.88	1.25	130.9
Georgia	25	0	224	429	0.11	0.00	0.74	2.18	0.0
Other	29	139	186	177	0	0	0	0	n/a

Source: State Statistics Service of Ukraine via Global Trade Atlas

Ukraine's Pork Exports by Partner Country, MT, CWE

Partner Country	Quantity			6 Months of 2015	% Share			6 Months of 2015	% Change 2015/2014
	2012	2013	2014		2012	2013	2014		
World	28908	7165	12924	19321	100.00	100.00	100.00	100.00	619.59
Russia	28167	6543	5974	18465	97.44	91.32	46.23	95.57	1968.32
Moldova	261	556	6749	401	0.90	7.76	52.22	2.07	- 76.55
Belarus	0	0	117	0	0.00	0.00	0.91	0.00	- 99.98
Armenia	16	0	52	274	0.05	0.00	0.40	1.42	0.00
Others	462	64	28	19140	0	0	0	0	n/a

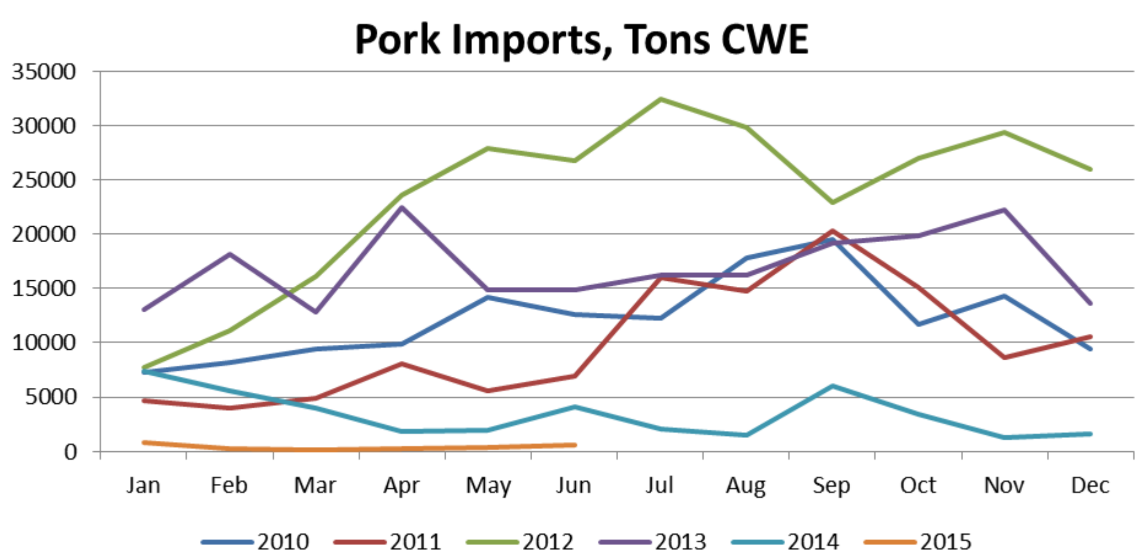
Source: State Statistics Service of Ukraine via Global Trade Atlas



Source: State Statistics Service of Ukraine via Global Trade Atlas

Imports

Imports of both pork and beef collapsed in 2015 and are projected to be minimal in 2016.



Source: State Statistics Service of Ukraine via Global Trade Atlas

Section II. Statistical Tables

Ukraine Cattle PSD Table (1,000 Head*)

Animal Numbers, Cattle	2014		2015		2016
	Market Year Begin: Jan 2014		Market Year Begin: Jan 2015		Market Year Begin: Jan 2016
	USDA Official	New Post	USDA Official	New Post	New Post
Total Cattle Beg. Stocks	4,534	4,534	4,408	4,020	3,550
Dairy Cows Beg. Stocks	2,509	2,509	2,432	2,323	2,200
Beef Cows Beg. Stocks	33	33	28	28	23
Production (Calf Crop)	2,460	2,460	2,350	2,200	2,050
Total Imports	1	1	1	0	0
Total Supply	6,995	6,995	6,759	6,220	5,600
Total Exports	27	30	20	42	55
Cow Slaughter	0	0	0	0	0
Calf Slaughter	0	0	0	0	0
Other Slaughter	2,515	2,899	2,496	2,585	2,104
Total Slaughter	2,515	2,899	2,496	2,585	2,104
Loss	45	46	43	43	41
Ending Inventories	4,408	4,020	4,200	3,550	3,400
Total Distribution	6,995	6,995	6,759	6,220	5,600
CY Imp. from U.S.	0	0	0	0	0
CY. Exp. to U.S.	0	0	0	0	0

These are not USDA official numbers

Ukraine Beef and Veal PSD Table, 1,000 CWE (1,000 Head)*

Meat, Beef and Veal	2014 Market Year Begin: Jan 2014		2015 Market Year Begin: Jan 2015		2016 Market Year Begin: Jan 2016
	USDA Official	New Post	USDA Official	New Post	New Post
Slaughter (Reference)	2,515	2,899	2,496	2,585	2,104
Beginning Stocks	15	15	15	15	15
Production	422	428	410	380	310
Total Imports	3	3	4	1	1
Total Supply	440	446	429	396	326
Total Exports	30	30	25	45	12
Human Dom. Consumption	395	401	389	336	299
Other Use, Losses	0	0	0	0	0
Total Dom. Consumption	395	401	389	336	299
Ending Stocks	15	15	15	15	15
Total Distribution	440	446	429	396	326
CY Imp. from U.S.	0	0	0	0	0
CY. Exp. to U.S.	0	0	0	0	0

**These are not USDA official numbers*

Ukraine Swine PSD Table (1,000 Head*)

Animal Numbers, Swine	2014 Market Year Begin: Jan 2013		2015 Market Year Begin: Jan 2015		2016 Market Year Begin: Jan 2016
	USDA Official	New Post	USDA Official	USDA Official	New Post
Total Beginning Stocks	7,922	7,922	7,777	7,513	7,300
Sow Beginning Stocks	502	502	490	490	480

Production (Pig Crop)	9,650	9,527	9,400	9,300	9,000
Total Imports	22	22	20	26	30
Total Supply	17,594	17,471	17,197	16,839	16,330
Total Exports	1	1	1	0	0
Sow Slaughter	0	0	0	0	0
Other Slaughter	9,167	9,154	9,000	8,789	8,530
Total Slaughter	9,167	9,154	9,000	8,789	8,530
Loss	649	803	646	750	700
Ending Inventories	7,777	7,513	7,550	7,300	7,100
Total Distribution	17,594	17,471	17,197	16,839	16,330
CY Imp. from U.S.	0	0	0	0	0
CY. Exp. to U.S.	0	0	0	0	0

These are not USDA official numbers

Ukraine Pork PSD Table, 1,000 CWE (1,000 Head)*

Meat, Swine	2014		2015		2016
	Market Year Begin: Jan 2014		Market Year Begin: Jan 2015		Market Year Begin: Jan 2016
	USDA Official	New Post	USDA Official	USDA Official	New Post
Slaughter (Reference)	9,167	9,154	9,000	8,789	8,530
Beginning Stocks	22	22	22	22	22
Production	810	780	750	750	730
Total Imports	41	41	15	4	5
Total Supply	873	843	787	776	757
Total Exports	13	13	20	35	8
Human Dom. Consumption	838	808	745	719	727
Other Use, Losses	0	0	0	0	0
Total Dom. Consumption	838	808	745	719	727
Ending Stocks	22	22	22	22	22
Total Distribution	873	843	787	776	757
CY Imp. from U.S.	0	0	0	0	0
CY. Exp. to U.S.	0	0	0	0	0

These are not USDA official numbers