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**Report Category:** Livestock and Products

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**Report Highlights:**

Both cattle and swine numbers are expected to decrease significantly in 2022, driven by the war-related economic downturn. Pork production is expected to show a decrease, while 2022 beef production is expected to show a short-term spike. Production of both proteins is expected to drop in 2023. Ukraine will maintain rather significant pork imports in 2022 to compensate for the meat shortage. Total pork consumption is expected to decrease driven by the refugee crisis, disposable income drops, and a weakened economy. Beef consumption will experience a short-lived increase, and Ukraine will resume some live cattle and beef exports in the second half of 2022. The 2023 livestock number and slaughter are expected to remain an all-time low.

## **Executive Summary:**

From January to mid-February of 2022, the Ukrainian cattle and pig populations remained on a slight downward slope. Private households remain responsible for the largest share of livestock and a significant share of the pig population. Milk production remains the main business for Ukrainian cattle farmers, with beef production playing a secondary role. Gradual pig inventory contraction over the last eight years has resulted in decreased pork supply driving the domestic prices up and inspiring imports. In early 2022, African Swine Fever (ASF) was present in the country, but the number of registered cases remained low and no outbreaks in industrial farms were officially recorded.

The Ukrainian livestock industry suffered direct losses from Russia's invasion on February 24, 2022. Pockets of Ukrainian dairy production in the northern and densely populated eastern parts of the country were occupied by Russian forces in February-March. The operations of the large dairy processors in the south were also interrupted. Some livestock farms came under direct fire losing animals, facilities, feeds, and machinery. Some farms resumed limited operation as Russian forces left the north of Ukraine.

The war's indirect impact on the livestock industry was significant, as well. War-related transport, financial and trade restrictions, population relocation, and a refugee crisis created an extremely hostile and unpredictable market environment. Broken logistics supply chains were the major crisis factor in the early days of war: farmers were unable to deliver their products or get needed inputs. This was especially critical for dairy farms that delivered their products on daily basis. Some producers reacted by re-opening old on-farm processing facilities, some donated milk to the population, and some disposed of it. Logistics problems and the beef export ban resulted in unexpected beef inflow to the domestic market. A lot of export-destined product was donated to the army and to the refugees. Swine producers reduced production by increasing slaughter, shifting to lower slaughter weights, non-inseminating sows, and distributing piglets among workers and residents in nearby villages.

The livestock market started to stabilize in the early summer of 2022, when major Russian armed forces advances stalled. However, it remains very turbulent. Ukraine was able to resume foreign trade using the remaining border crossing points with the EU and Romanian seaports for exports. The red meat EU transit terms were negotiated in mid-May with some exports resumed in early June. Live animals' transit terms were agreed upon in mid-August. Production remains depressed by winter-spring shocks and population outflow. Favorable feed prices are the only bright spot. Unlike the rest of Europe, Ukraine did not suffer from the major drought and some positive impact is expected in the rest of 2022 and early 2023. Ukraine's grain export ability remains restricted despite some progress in the reopening of the Black Sea ports.

The 2023 forecast is extremely fragile and is based on the existing military *status quo*. In absence of Russian advances and stable export markets, cattle production is expected to slow down followed by shrinking exports of live animals and beef. Pork production will remain depressed, but no major downturn is expected. Pork imports will contract due to a decreased population and lower demand, as the industry return to a sort of "normal" production.

## Cattle

### Production

The Ukrainian cattle population consists predominately of dairy and dual-purpose animals and is concentrated largely in rural households. Livestock inventory heavily depends on the dairy market situation, milk prices, and requires uninterrupted logistics for milk sales. The latest has proved to be the biggest challenge during wartime.



*(LEFT) Ukrainian dairy farmers are using a zipline to deliver a flask of milk over the broken bridge in Northern Ukraine in March of 2022*

**Source:** Belsat New Agency

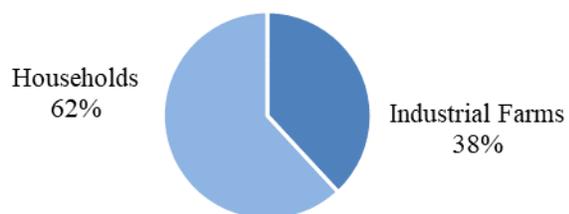
Prior to Russia's invasion, the share of large profit-oriented industrial dairy farms was growing, but their impact on the cattle population remained insignificant. Post is not aware of any large-scale beef production projects being implemented in Ukraine.

Household milk production is mainly for subsistence, although a considerable share of milk and beef is sold through open-air markets, which remain important channels for red meat sales. Production of both milk and beef in households remains inefficient. However, unlike large industrial farms, households rely on a supply of local inputs and sales at local open-air market. This makes them far more resilient to logistic chain brakes and makes them a reliable supplier of red meat when industrial companies stop production.

The majority of Ukrainian beef is produced by households. Industrial dairy farms focus on profitable milk production selling young dairy calves to households after weaning for low-intensity, grazing-based feeding. Most of these animals are slaughtered at a relatively low weight and young age. Because of this, livestock inventory is on a slow, gradual decline in both households and industrial sectors.

Russian advances in the North-Eastern part of Ukraine impacted some regions with high cattle populations, although production pockets in central Ukraine were unimpacted. Industrial livestock farms situated close to combat operations or captured by Russians sustained significant damage or have been destroyed completely.

### Cattle Inventory Composition 2022



**Source:** State Statistics Service of Ukraine

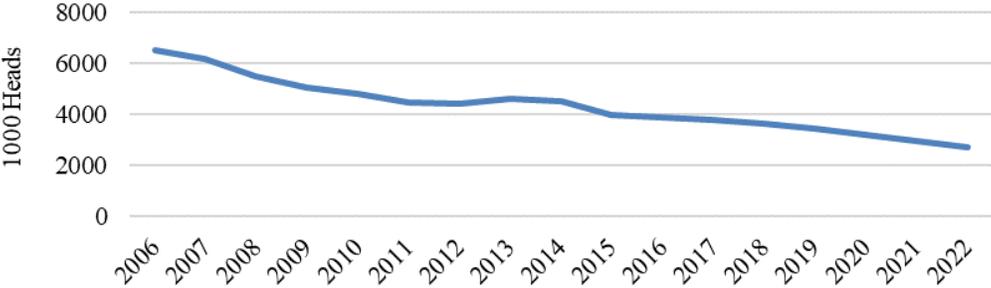


*Photos of a missile attack on a dairy farm in Eastern Ukraine.  
 Source: Association of Ukrainian Dairy Producers*

Highly productive animals were also dying due to a lack of proper management practices, veterinary services, and a shortage of feed. The dairy producer association believes that the industrial sector is going to lose between 70,000 and 100,000 cows, due to war-related reasons by the end of 2022. This additional decrease will exaggerate the historic animal number decline. The self-sufficient household sector is expected to suffer relatively smaller damages but will also decline significantly.

The 2022 year-end animal number is decreased by over 400,000 due to the war. In 2023, the trend is expected to return to the traditional downward slope with animal numbers contracting by an additional 200,000. This forecast assumes no further advances of the Russian armed forces.

**Number of Cattle**  
 (Farms of All Types as of Jan 1st of each year)



*Source: State Statistics Service of Ukraine*

**Trade**

In recent years Ukraine developed markets for live cattle in Central Asia and North Africa. Demand for Ukrainian cattle for slaughter remained strong and exports continued in 2022 despite the war and blockade of Ukrainian seaports. The complete export ban which lasted from March 5 to April 9, depressed trade but some earlier contracts continued to be executed. The exporters used Ukraine’s Danube ports infrastructure, as the transit of live cattle through the EU territory remained blocked. Ukraine was able to negotiate live cattle transit terms with the EU on August 19, 2022. Now Ukrainian exporters will be able to use Black Sea ports in Romania which will provide exporters with a boost in the second half of 2022.

Egypt is the major export destination for Ukrainian cattle. 2022 live animal exports are expected to remain strong, driven by weakened domestic demand and low beef prices inside Ukraine. However, it is not expected to reach the 2021 level. Exports in 2023 will be depressed by the reduced animal number.

## **Beef**

### **Production**

Facing milk delivery problems (especially in the early spring of 2022) many industrial farms increased animal slaughter significantly. As the access to export markets remained complicated, additional beef supplies flooded the Ukrainian domestic market depressing prices.

The unexpected slaughter increase will negatively impact the animal number and beef production in the rest of 2022 and 2023. The cattle industry has lost significant momentum and is very slow in building up the herd. After the production spike in 2022, the industry is expected to contract beef production significantly in 2023. *Note: Post's animal numbers and slaughter for 2021 were corrected to reflect official statistics. End Note.*

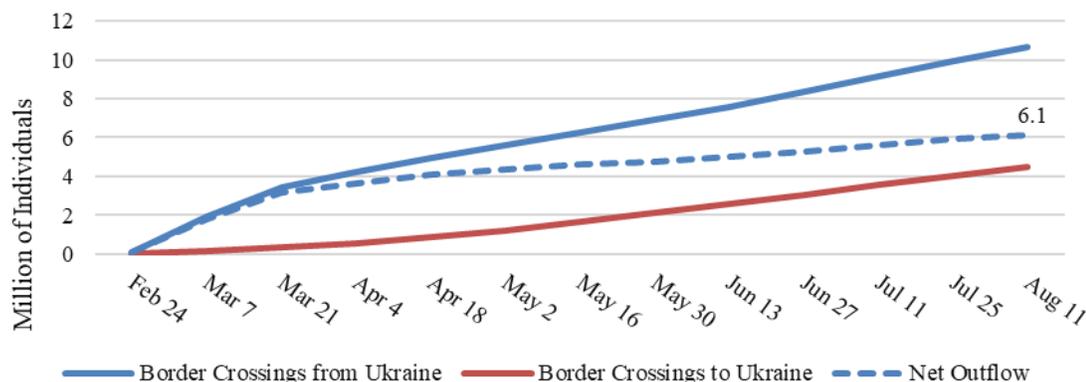
### **Consumption**

Being the most expensive protein in the beef-pork-poultry trio, total beef consumption is expected to remain stable in 2022. However, per capita consumption will increase. The higher per-capita consumption level follows from several factors: unusually high war-related slaughter in spring of 2022, the beef export ban in March-April, and permanent logistics problems with exports due to closed seaports. All this resulted in unusually high consumption of the most expensive meat in the war-impacted country with plummeting disposable incomes.

The number of consumers has decreased due to population migration from the war, impacting beef consumption in 2022. The war triggered one of the fastest-growing humanitarian and displacement emergencies in recent history. Within weeks over one-quarter of the population had fled their homes to seek refuge abroad or in parts of Ukraine further from the military operations. With an official population of 41.1 million people as of February 1<sup>st</sup>, 2022, after Russia's invasion 6.1 million people (15 percent of the population) were displaced to other countries by mid-August 2022. Although the outflow trend stabilized and the number of people returning to their homes is growing, the trend is not expected to reverse before the war ends. Moreover, surveys show that close to 15 percent of those abroad are not planning to return. This reduces the number of potential beef consumers in 2022 and will impact consumption in 2023 and beyond.

Another important factor reshaping the domestic poultry market is the growing number of internally displaced persons (IDPs). This group includes people that left the occupied territories as well as those who fled Ukraine-controlled territories that are adjacent to military activity areas. The number of individuals remaining in occupied territories is not clear, as the situation changes daily. Stable total beef supplies and a shrinking domestic market are likely to result in a short-term per-capita consumption increase. In the long run, all these factors combined will result in beef production and consumption decrease in 2023.

## Cummulative Border Crosings in 2022



Source: UN Refugee Agency (<https://data.unhcr.org/>)

### Exports

After stable supplies in January-February of 2022, beef exports dropped to zero in March for the first time in Ukrainian history. Exports completely stopped after an export ban was introduced from March 5 to April 9. Unlike live animal exports which maintained some momentum, the beef trade stopped completely. The export ban was replaced with export licensing (industry-reported as unbinding) in early April, which allowed for limited export recovery only in May-June of 2022 when licensing procedures started to work. Trade is expected to recover in the remaining months of 2022 due to the abundance of beef in Ukraine's domestic market and its attractive price. Exports in 2023 are expected to be significantly lower due to ongoing war and significantly decreased animal inventory.

For decades Ukraine's beef exports were focused on Russian (later, on Belarus) markets. After trade restrictions were introduced in 2016-19, Ukraine redirected its beef exports to Central Asian countries. China became Ukraine's top export destination in 2021 after the market opened in 2020. It is expected to maintain this role in 2022 and 2023.

Despite import Tariff Rate Quota (TRQ) availability, Ukraine does not export beef to European Union. There are no Ukrainian processors approved for supplies to the EU market. Many Ukrainian beef packers prefer to export to the newly established lucrative Chinese market (after proper food safety audits).

### *Major Trade Routes Change*

Ukrainian seaports were completely blockaded by Russia after the war started on February 24, 2022. Although three Black Sea ports have been re-opened for grain exports in August, live cattle and beef still cannot be exported by seaway. Currently, the EU border (and the border with neighboring Moldova) are the only available export route for Ukrainian beef. All beef exports (with exception of those destined to Moldova itself) became subject to EU transshipment rules. Those rules were updated recently with EU transshipments becoming almost identical to imported products. Since no Ukrainian meatpackers were cleared for the EU, beef exports were blocked. Ukraine negotiated special transshipment rules through Romania (with consequent export through a designated Romanian seaport) in mid-May of 2022. This delayed larger-scale exports to June. Wartime logistics problems are expected to be less profound and will not impact trade flows in the rest of 2022 and 2023.

## Imports

Ukraine imports premium-quality beef from EU and the United States. Transshipments of U.S. beef through EU territory limit imports to EU-approved establishments. Combined with complicated logistics, this increases the cost of premium beef significantly. The number of high-end restaurants serving U.S. beef during the war has been reduced greatly, but Post is aware of at least two commercial shipments of U.S. beef imported after the war started. Some beef has been brought to Ukraine as humanitarian assistance.

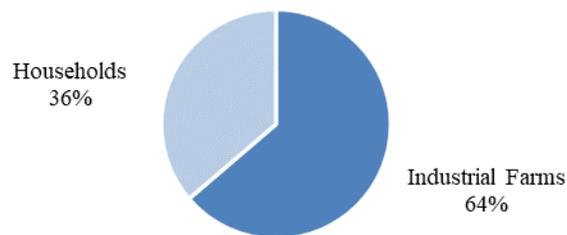
## **Production**

### *Swine/Pork*

Ukrainian swine inventories have been in a gradual decline for the last eight years. Industry's general inefficiency, the loss of the Russian market, a lack of foreign investments and expertise, and the spread of African Swine Fever have contributed to the downward trend. Recently, the industry struggled to improve its efficiency and compete with imports from EU countries arriving under the Deep and Comprehensive Free Trade Area Agreement (DCFTA) zero import duty quota. There were some signs of production recovery in late 2021, but Russia's invasion put an end to them.

The Ukrainian industrial sector is responsible for the largest share of pork production in Ukraine, growing by five percent (to 64 percent of total production) in the last five years. Households produce pork for both their own consumption and commercial backyard slaughter for further sales in open-air markets. Sales to industrial slaughterhouses remain small.

### **Swine Inventory Composition in 2022**



*Source: State Statistics Service of Ukraine*

Although industrial swine production is concentrated in areas of western and central Ukraine, some large producers located in the east were impacted by the invasion. Ukraine's largest integrated producer situated in Donetsk oblast had to cut production in February and March, selling and distributing piglets among workers and local residents. Mid-sized Ukrainian producers and households situated in Northern and North-Eastern Ukraine suffered the biggest direct damage from Russian aggression.

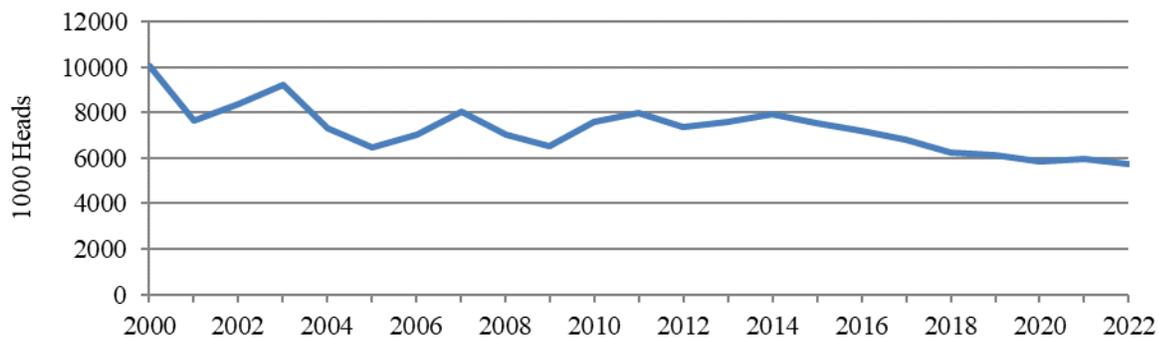


*Russian Missile attack on Swine farm near Ovruch in Northern Ukraine.*

*Source: State Emergency Situation Service and Zhitomir.info*

Significant uncertainty over war developments in late February and March of 2022 led to increased slaughter, a decrease in the average slaughter weight, non-insemination of sows, sows sales for slaughter, distribution of weaned piglets to residents, and donations of pork to displaced people. All this resulted in a significant production drop which created a significant pork deficit. The industry returned to the more or less normal production process in late spring of 2022 when major Russian army advances stalled.

### **Number of Pigs (Farms of All Types as of Jan 1st of Each Year)**

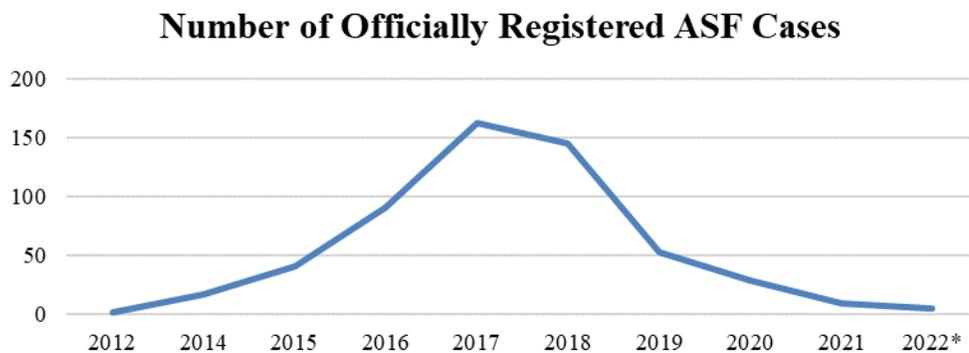


*Source: State Statistics Service of Ukraine*

The pork deficit resulted in increased imports despite a significant foreign currency shortage. However, industry sources deny any significant impact of the increased imports on the swine industry. In their opinion, imports saved the market from total collapse and have not impacted the industry's recovery so far.

## African Swine Fever

ASF remains the largest threat to production decisions in both Ukrainian industrial and household sectors. Household and wild fauna outbreaks in proximity to large industrial producers create risk factors that are beyond the control of those large industrial producers. The potential is significant that any farm can find itself in a disease eradication perimeter and suddenly lose all its swine inventory. As a result, the large number of outbreaks on small farms and the few known outbreaks on large bio-secure modern industrial farms discourage production. While households are compensated for culled animals, there is no official compensation program for industrial producers. Some industrial producers rely on commercially available insurance tools, but the cost of this insurance is very high. The number of officially registered outbreaks has been decreasing in recent years, although the virus remains present in the wild nature all over the country.

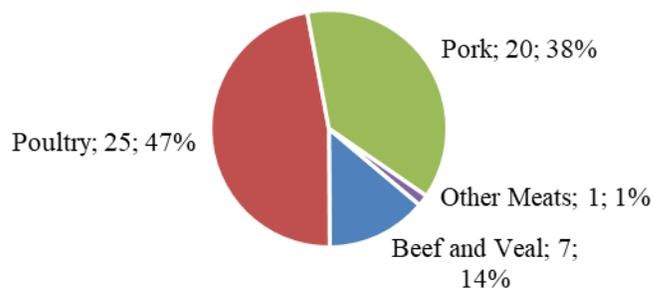


**Source:** <http://www.asf.vet.ua>, SSUFSCP, Institute for Laboratory Diagnostics and Veterinary-Sanitary Expertise  
\* Six months of 2022 data

## Consumption

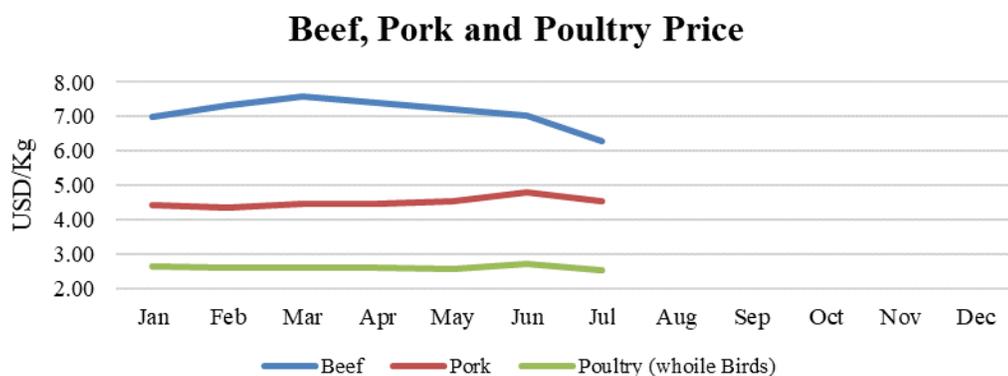
Pork is one of three major proteins consumed in Ukraine and plays an important role in the Ukrainian diet. Similar to beef and poultry, the consumption of pork underwent a major change in 2022.

### Per capita Meat Consumption in Ukraine in 2021, kg



**Source:** State Statistics Service of Ukraine

Excessive beef supplies in the first half of 2022 combined with decreased pork production resulted in a consumption shift toward beef despite its higher price and decreased disposable incomes. Domestic beef and pork price converged significantly facilitating this shift. For a period of time, the Ukrainian meats market remained isolated from the world one, and price arbitrage was limited to domestic market forces.



*Source: State Statistics Service of Ukraine*

Gradual production declines observed in recent years resulted in growing imports. However, similar to poultry meat imports, imported pork never reaches the retail market remaining in the “meat for further processing” category. Even increased imports of 2022 were not spotted in Ukrainian retail stores. The Ukrainian meat processing industry is interested in cheap inputs (mainly pork offal and lard) which generally cannot be supplied by domestic producers in the quantities demanded by the Ukrainian industry.

## Trade

### Exports

Due to war-related logistics problems, exports of pork were insignificant with almost no export between February and May 2022. Unlike beef, the Ukrainian government did not introduce a pork export ban or export licensing. Due to ASF presence, exports of pork are limited to a few export destinations. Limited exports took place in June-July, but the total exports in 2022 are not expected to be significant.

### Imports

Declining swine inventory resulted in high pork imports in 2021 and January/February of 2022. Increased slaughter in February/March of 2022 and complicated import logistics initially resulted in a sharp import drop in early 2022. However, the situation changed quickly.

Traditionally imports are conducted by Western Ukraine-based traders which were able to resume trade operations fast. Pork was listed in the list of critical war imports adopted by the Cabinet of Ministers on the first day of the war. This gave traders unrestricted foreign currency purchases on Interbank Currency Exchange. Moreover, the Ukrainian currency exchange rate was fixed at UAH 29,25 /USD (increased to UAH 36.6 /USD in August of 2022) providing the importers with some trade advantage over domestic

producers which faced significant market volatility and were unable to procure all necessary inputs due to lack of those in the list of critical imports.

Small importers received additional unexpected support from the Ukrainian government in mid-March 2022. The small business war support package initiated by the Ukrainian Government and adopted by the Parliament provided a Value Added Tax (VAT) break for selected small business entities.

Unexpectedly, some pork meat importers were qualified. With this incentive, some pork imports from the EU subject to DCFTA zero import duty import quota also got a 20 percent VAT exemption, and imports became free of all taxes. The tax breaks were canceled in late July, as the government realized the consequences. However mid-year imports were much higher than expected due to this unintended import benefit. The VAT taxes were reintroduced and pork imports are expected to decline by 2022 yearend.

Significant out-of-the-country refugee flow resulted in a 6.1 million population decrease which will impact pork imports in the remaining months of 2022 and in 2023. Limited pork imports are expected to continue mainly due to domestic production's slow recovery after the February-March shocks. The industry is expected to get back on its feet closer to 2023, resulting in an anticipated drop in imports.

Most pork imports arrive from countries that signed FTA agreements with Ukraine under zero import duty quotas. This includes the EU and Canada. Tight price competition makes imports from other countries rare. The EU countries are expected to remain the major pork suppliers to Ukraine in 2022 with Denmark, Poland, and the Netherlands traditionally dominating the market. Wartime logistics remain complicated and expensive. All imports (with exception of imports originating from neighboring Moldova) must be transshipped through the EU territory. EU's transshipment requirements are often restrictive limiting the number of prospective suppliers.

Minced pork, pork trimmings, and offal (both chilled and frozen) for further processing constitute almost three-quarters of Ukraine's imports. Complicated logistics associated with long lines at the border resulted in the notable growth of frozen poultry market share. Share of premium parts (bone-in hams and shoulders) are expected to decrease as population incomes decrease due to growing inflation and currency devaluation.

**Attachment I. PSD Tables**

**Ukraine Animal Numbers, Cattle**

<b>Animal Numbers, Cattle Market Begin Year Ukraine</b>	<b>2021</b>		<b>2022</b>		<b>2023</b>
	<b>Jan-2021</b>		<b>Jan 2022</b>		<b>Jan 2023</b>
	<b>USDA Official</b>	<b>New Post</b>	<b>USDA Official</b>	<b>New Post</b>	<b>New Post</b>
Total Cattle Beg. Stks	2975	2975	2780	2744	2300
Dairy Cows Beg. Stocks	1722	1722	1600	1592	1450
Beef Cows Beg. Stocks	20	20	15	20	18
Production (Calf Crop)	1790	1589	1600	1470	1350
Total Imports	5	5	2	2	2
Total Supply	4770	4569	4382	4216	3652
Total Exports	56	56	40	45	30
Cow Slaughter	0	0	0	0	0
Calf Slaughter	0	0	0	0	0
Other Slaughter	1907	1743	1740	1781	1487
Total Slaughter	1907	1743	1740	1781	1487
Loss	27	26	71	90	35
Ending Inventories	2780	2744	2531	2300	2100
Total Distribution	4770	4569	4382	4216	3652

*\*Not Official USDA Data*

**Ukraine Animal Numbers, Swine**

<b>Animal Numbers, Swine Market Begin Year Ukraine</b>	<b>2021</b>		<b>2022</b>		<b>2023</b>
	<b>Jan-21</b>		<b>Jan-22</b>		<b>Jan-23</b>
	<b>USDA Official</b>	<b>New Post</b>	<b>USDA Official</b>	<b>New Post</b>	<b>New Post</b>
Total Beginning Stocks	5986	5986	6000	5718	5000
Sow Beginning Stocks	359	366	380	340	280
Production (Pig Crop)	8770	8550	7600	7500	6600
Total Imports	7	7	2	2	2
Total Supply	14763	14543	13602	13220	11602
Total Exports	19	19	5	3	3
Sow Slaughter	0	0	0	0	0
Other Slaughter	8278	8340	7400	7217	6349
Total Slaughter	8278	8340	7400	7217	6349
Loss and Residual	466	466	697	1000	450
Ending Inventories	6000	5718	5500	5000	4800
Total Distribution	14763	14543	13602	13220	11602

*\*Not Official USDA Data*

### Meat, Beef and Veal

Meat, Beef and Veal Market Begin Year Ukraine	2021		2022		2023
	Jan-21		Jan-22		Jan-23
	USDA Official	New Post	USDA Official	New Post	New Post
Slaughter (Reference)	1907	1743	1740	1781	1487
Beginning Stocks	0	0	0	0	0
Production	330	318	300	305	250
Total Imports	4	4	3	3	3
Total Supply	334	322	303	308	253
Total Exports	36	36	9	18	20
Human Dom. Consumption	298	286	294	293	233
Other Use, Losses	0	0	0	0	0
Total Dom. Consumption	298	286	294	290	233
Ending Stocks	0	0	0	0	0
Total Distribution	334	322	303	308	253

*\*Not Official USDA Data*

### Meat, Swine

Meat, Swine Market Begin Year Ukraine	2021		2022		2023
	Jan-21		Jan-22		Jan-23
	USDA Official	New Post	USDA Official	New Post	New Post
Slaughter (Reference)	8278	8340	7400	7217	6349
Beginning Stocks	0	0	0	0	0
Production	750	745	655	650	570
Total Imports	52	52	30	65	45
Total Supply	802	797	685	715	615
Total Exports	5	5	0	0	3
Human Dom. Consumption	797	797	685	715	0
Other Use, Losses	0	0	0	0	0
Total Dom. Consumption	797	792	685	715	612
Ending Stocks	0	0	0	0	0
Total Distribution	802	797	685	715	615

*\*Not Official USDA Data*

### Attachments:

No Attachments