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Report Highlights:

After a notable chicken meat production decline in 2022, the Ukrainian poultry industry is expected to make a limited recovery in 2023-24. All war-related production factors are expected to remain in place: the industry will face increasing production costs, energy shortage, domestic consumption decline due to the refugee crisis, and logistical export problems. Low feed costs are the industry's saving grace. Although the production is higher, it is not expected to return to pre-war levels. Most of Ukraine's poultry production is for the domestic market, and poultry will remain the cheapest protein available to the population. Domestic demand will continue to be strong despite the drop in disposable income. Ukraine exports around one-third of its poultry production, and exports will remain significant and increase as production rebounds. Due to continued trade regime liberalization, the EU will replace the Middle East as Ukraine's major export destination market in 2023.

Data included in this report is not official USDA data. Official USDA data is available at <https://apps.fas.usda.gov/psdonline/app/index.html#/app/home>

Executive Summary

Russian aggression against Ukraine that started in February of 2022 brought immense challenges to Ukrainian chicken meat production. Contrary to the expectations of many, the industry exhibited remarkable resilience despite major shocks from both supply and demand sides.

Supply suffered from a number of problems that varied over time in 2022 and 2023. Originally, the industry was hammered with logistics collapse and payment problems, heavily regulated currency exchange, and limited access to imported inputs. Martial law introduction limited operational hours and transportation routes. Army conscription campaigns and refugee crises stripped producers of qualified labor forces, trucks, and some machinery was mobilized to the army. Russian attacks on retail outlets and distribution centers made domestic sales problematic. Later in the fall of 2022 through the winter of 2023, Russian attacks on Ukraine's energy infrastructure resulted in sporadic blackouts that further complicated production. Intensive use of power generators contributed to notable production cost increases. In the summer of 2023, the industry faced energy and fuel cost increases which further boosted production costs. Despite these challenges, supply is expected to recover gradually in the remaining month of 2023 and 2024. Cheap feeds, responsible for about 70 percent of the poultry production cost, remain the only significant competitive advantage of the Ukrainian poultry industry. However, the recovery will be limited as no investments into new production lines are taking place. Ukraine has limited production increase possibilities, and production is unlikely to approach the 2020-2021 level.

On the demand side, domestic and foreign segments suffered significantly during the early months of the war. The collapse of domestic and foreign trade logistics led to a short-term excess supply on the domestic market with a consequent price drop. As the war progressed, significant population outflow resulted in a significant long-term domestic demand drop. Large territories of Ukraine were occupied, especially in the early stage of the war, contributing to a further demand drop. Domestic consumption is expected to recover only after the war ends. A significant share of Ukraine's population is not expected to return to the country, so the long-term recovery is not expected to be complete. Foreign trade was also impacted but suffered a smaller drop. Logistics collapse resulted in a sharp cut in exports during the two early months of the war. However, exports rebounded as soon as May 2022. New transit routes through the EU, as well as the abolishment of import duties and import quotas for Ukrainian chicken meat, allowed for increased exports in the remaining months of 2022 and the first half of 2023. The trend is expected to continue in 2024.

Ukraine remained the seventh largest global chicken meat exporter in 2022 and is likely to retain its place in 2023 and 2024. Exports will continue to be focused on the two major destinations: the EU and the Middle East. Both markets are lucrative and set high import requirements both in terms of food safety and quality of exported chicken meat and products. The Middle Eastern market remained the most important in 2022, but the EU market is gaining momentum in 2023. Although some export limitation discussions are going on, the European Commission (EC) extended Ukraine's market access privileges by another year in June of 2023. The situation is not expected to change in 2024. Ukraine has limited capability to increase production, and it is unlikely to shake the EU market to an extent that would trigger trade-restricting measures.

Please note: The 2023 and 2024 forecasts in this report are extremely fragile and are based on the existing military and trade *status quo*. The State Statistics Service of Ukraine discontinued the publication of production and trade data. The numbers used in this report are FAS Kyiv’s forecast and projections unless stated otherwise.

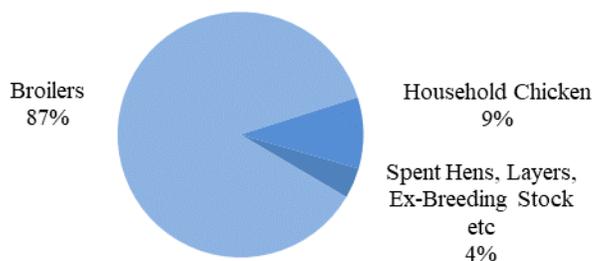
Production

Industrial chicken production in Ukraine remains concentrated. The largest producer, MHP SE, controls over 70 percent of the market. Five mid-size companies control between 2 and 6 percent of the market, each with the remaining share split among many very small producers. Most producers are vertically integrated. Most grow their own crops, produce feed, and grow and slaughter chicken. Some producers operate distribution centers distributing meat products to retail or own specialized trade chains. Vertical integration provides many producers with additional support allowing for cross-subsidization of different enterprises. It also has been the major factor contributing to the industry’s outstanding resilience.

The majority of Ukrainian chicken production is concentrated in central, central-western, and northern Ukraine. Although ongoing warfare did not impact poultry production directly, some Central Ukraine-based midsize producers are situated in close proximity to the frontline. So far, the industry has held strong, providing the Ukrainian army and population with much-needed food supplies.

Household chicken meat production has been on a gradual decrease in the last decade. It is subsistent in nature, with a small share of chicken produced and sold at open-air markets. Rural dwellers look at it as a low-cost safety net that can provide families with a much-needed source of protein or income support if needed. Household production decreased in 2023 predominately due to the Russian occupation of some Ukrainian territories in the south and east. The household production system itself is rather resilient as it relies mostly on locally-procured inputs and sales in nearby towns or cities. Proportionally the decrease in the household sector was greater than the industrial production decline. No decline is forecasted for 2023-24, as no Russian army advances are expected.

Figure 1. Chicken Meat Production in Ukraine in 2022, PWE, Percent



Source: FAS calculations

Spent hens, layers, and other sources of chicken meat are responsible for the smallest share of Ukraine’s poultry meat balance. The destruction of one of Europe’s largest egg farms in Southern Ukraine in 2022 led to some production decrease. The share of spent hen and other poultry did not change much in 2023 and is not expected to change in 2024.

Although a part of the chicken meat balance, household production, as well as other non-broiler industrial chicken meat production, will not be further reviewed in this report. The share of chicken meat from these sources is not very significant, and chicken meat from these sources does not take part in international trade. All references to “poultry” or “chicken meat” in the analysis below will be addressed exclusively to commercially-produced chicken.

MHP SE is Ukraine’s largest chicken producer controlling over 70 percent of the industrially produced chicken market. None of MHP’s production facilities situated in north-central and west-central Ukraine were directly impacted by the warfare. However, the MHP claimed a USD 69 million loss in 2022 due to supply loss, product loss, charitable activities, and other war-related reasons. MHP was the only company that publicly admitted product loss during Russian air strikes near Kyiv in early March of 2022 and near Odesa in May of 2023. The total amount of frozen product ruined in the first attack was valued by the company at USD 7.6 million. No human casualties were reported after both strikes. Due to Russia’s invasion of Ukraine, the company was unable to repay USD 350 million debt due to investors in March 2022; however, they were able to secure favorable restructuring conditions and continued their operations uninterrupted. MHP claims that it never stopped production, even through the tumultuous months of February-March of 2022.

MHP’s 2023 first-quarter performance is comparable to 2022, although the 2023 annual production volume may be somewhat higher. The company stopped massive production expansion in Ukraine a long time ago. It saw better expansion opportunities in Eastern Europe (where it acquired production facilities of Slovenian poultry producer - Perutnina Ptuj) and in the Middle East (where it cooperates with Saudi’s Tanmiah Food Company on new production facilities and hatcheries). Within Ukraine, MHP is trying to increase its margins by processing raw poultry products into ready-to-cook semi-finished products. This approach faces the challenges of the war-related disposable income drop problem and the preference of many Ukrainians who are used to using uncooked poultry products.

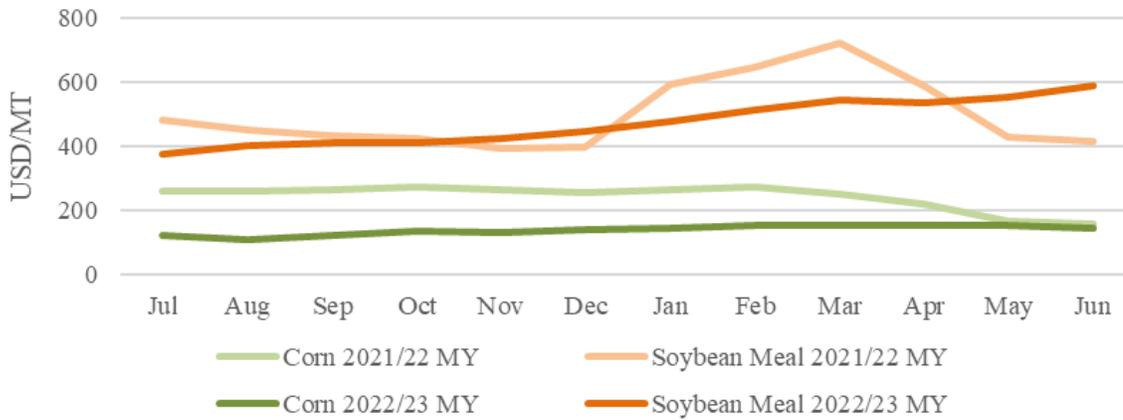
Ukraine’s five midsized chicken producers, Ptahocomplex Dniprovskiy, Agro-oven, Volodymyr-Volynsk Ptahofabryka, PK Hubyn, and Ular Farm, are vertically integrated and situated in central and western Ukraine. None of the facilities have been reported as impacted by ongoing warfare operations, although one of the companies is situated just 40 kilometers from the frontline. All these companies are privately-owned and provide little information about their performance and plans.

After the war started, Ukrainian poultry producers faced an enormous number of production obstacles. For more information about early shocks and, eventually, industry adjustment, please refer to the production section of the USDA FAS Ukraine Office’s [Poultry Semiannual GAIN Report](#). Many of those factors continue to negatively impact poultry production as the war continues. In the summer of 2023, the industry faced another production cost increase as electricity and fuel costs increased significantly. The government of Ukraine was unable to subsidize electricity bills for businesses despite the “stable price” wartime policy. The fuel price increased as the fuel tax returned to the pre-war level. According to the Ukraine Poultry Union, energy costs makes up between 7 and 12 percent of poultry production costs (and up to 30 percent for some processed products).

The most important factor that helped to balance all the negatives also remains in place. Ukraine’s feed price remains significantly below the world price. Feed cost is responsible for up to 70 percent of poultry production costs. Ukraine’s exports of grains and oilseeds remain restricted despite the opening

of inland export Solidarity Lanes through the EU and limited sea exports through the Black Sea Grain Initiative (BSGI). Limited export volumes, protests of EU farmers against transits of Ukrainian grains, and increased uncertainty over the BSGI future kept Ukrainian grain prices depressed through 2023. For additional information about Ukraine’s grain and oilseeds production situation, please [refer to the latest reporting](#) from USDA’s office in Ukraine.

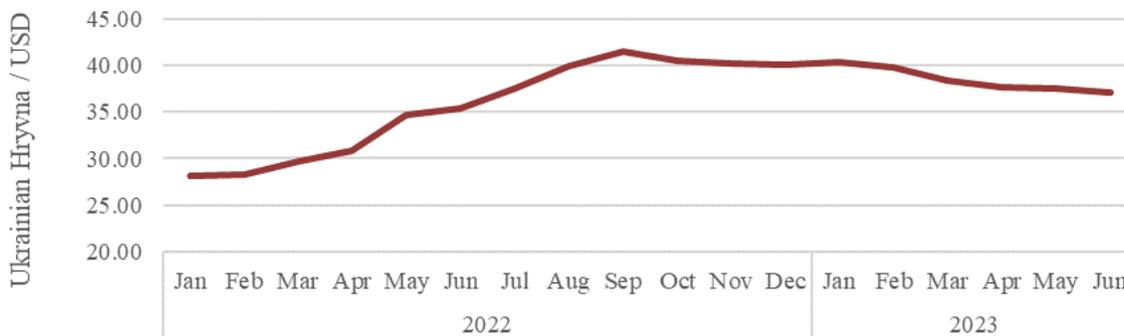
Figure 2. Ukraine's Feed Protein Prices



Source: APK-Inform, FAS Kyiv

Another important factor that helped the industry to carry on in 2022 was the abrupt local currency depression. It helped to control rising costs while getting sturdy revenues from export sales. In 2023, the role of the currency exchange rate reversed as Ukrainian Hryvna regained some power.

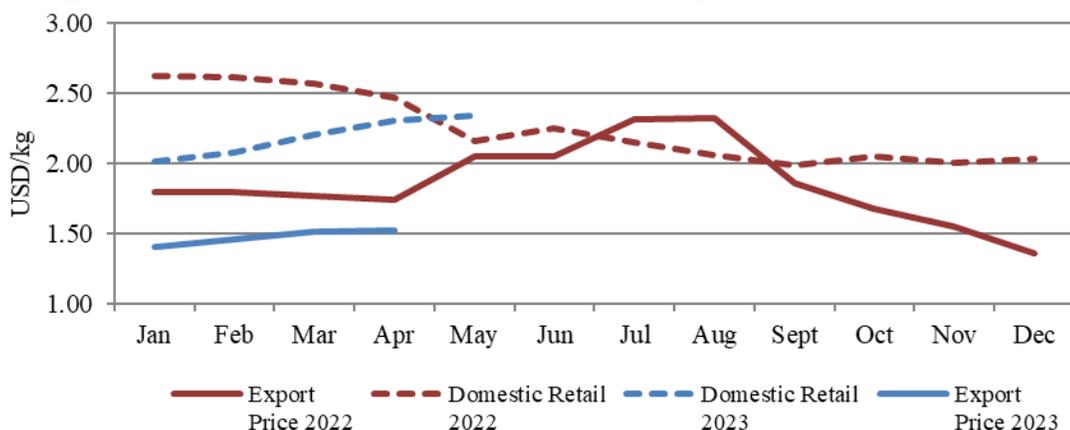
Figure 3. Currency Exchange Rate



Source: National Bank of Ukraine

Domestic USD-denominated poultry price slowly recovered in 2023 making exports a little less attractive and benefiting those smaller producers who rely on domestic market sales. Poultry export prices returned to pre-war levels as risks of losing Ukraine’s exports decreased. Both large and mid-size Ukrainian poultry producers remain competitive at new lower price levels.

Figure 4. Whole Chicken Meat Domestic and Export Prices

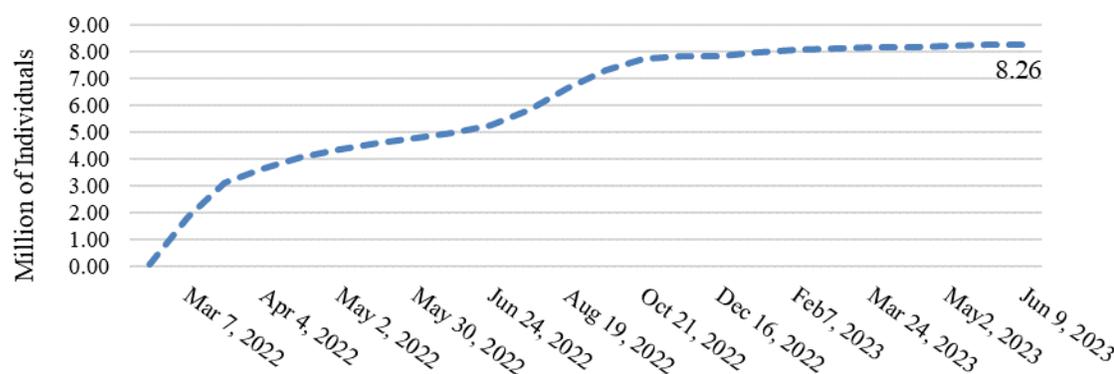


Source: State Statistics Service based on Ministry of Economic Development and Trade Surveys; National Bank of Ukraine; Trade Data Monitor, FAS/Kyiv

Consumption

Poultry consumption decreased very significantly in 2022 due to refugees’ outflow abroad and the loss of consumers living in occupied territories. As population outflow slowed down in November of 2022, chicken meat consumption started to stabilize. Although another 420 thousand people left the country by July of 2023, this outflow had a comparatively small impact on consumption. Another estimated 1.3 million refugees left or were deported to Russia, although information from the Russian authorities is limited. With an official population of 41.1 million people as of February 1st, 2022, an outflow of 9.6 million people decreased the pre-war consumer base by over 23 percent. Being the most important consumption factor in 2022, consumer outflow is not expected to impact the market situation much in 2023 and 2024 as outflow stabilizes and as some refugees start to return home. Stronger demand from Ukraine’s public establishments (army, hospitals, and prisons, etc) was the only consumption-positive factor.

Figure 5. Number of Refugees from Ukraine Recorded Across Europe



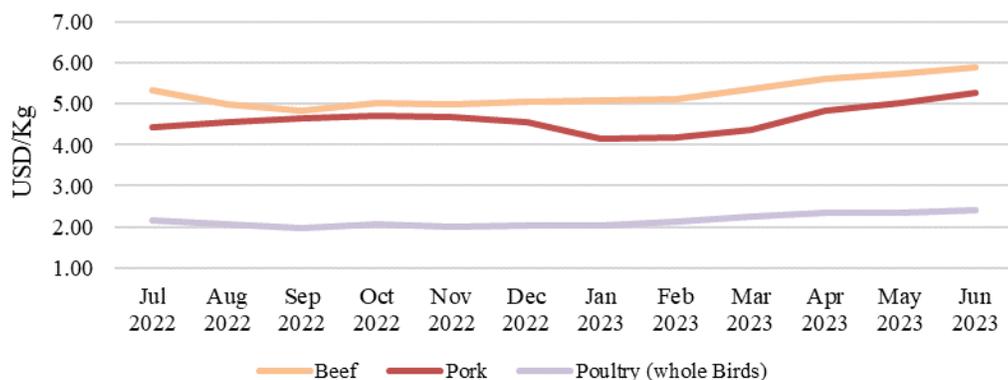
Source: UN Refugee Agency (<https://data.unhcr.org/>)

The growing number of internally displaced persons (IDPs) also had a significant negative impact on consumption in 2022. 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 United Nations Refugee Agency (formerly the Office of the High Commissioner for Refugees - UNHCR) estimates the IDP number at 5.1 million. Many people in this group lost their sources of income. However, because poultry remains the cheapest animal protein, the IDPs are likely to cut more on red meat and fish consumption than on chicken meat. Detailed statistical data on consumption remain unavailable. The number of IDPs is not expected to grow in the remaining months of 2023 or 2024 as the frontline stabilizes.

Pork and beef remained the two major competing animal proteins. Beef prices remain high through most of 2022 and the first half of 2023. Although lowering pork prices somewhat depressed poultry consumption in the second half of 2022 and the winter months of 2023, the pressure was released in the spring of 2023 when pork prices increased rather significantly.

Figure 6. Beef, Pork, and Poultry Retail Price



Source: State Statistics Service of Ukraine

After a major devaluation in 2022, the Ukrainian currency also stabilized in 2023 and even regained some power by July 2023. It is expected to assist domestic poultry consumption recovery, but the impact is not expected to be significant as further devaluation risks remain in place.

Ukraine is expected to retain domestic poultry consumption, exhibiting insignificant growth in both 2023 and 2024 as the population adjusts to the new economic environment and the Ukrainian economy rebounds after a whopping 29.1 percent GDP drop in 2022.

Trade

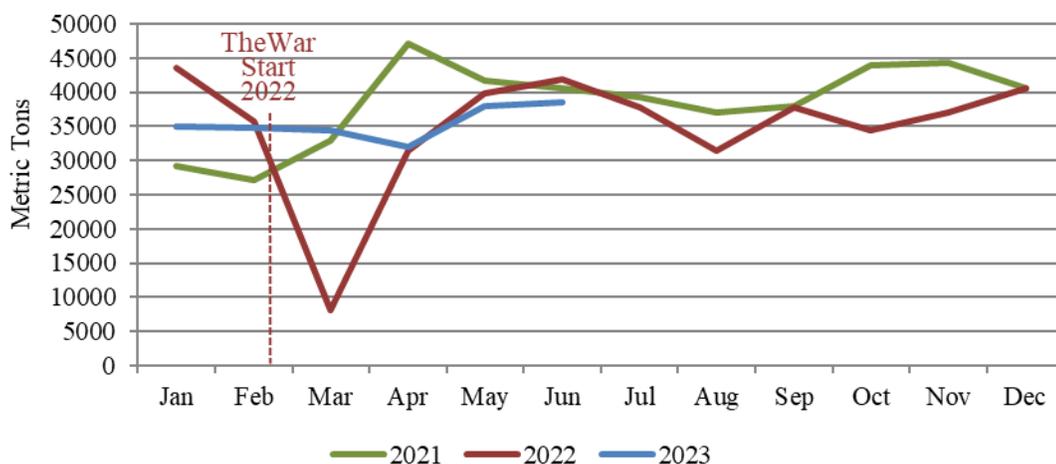
Prior to Russia’s invasion, Ukraine (being a low-middle income country according to the World Bank classification) was an exporter of expensive chicken parts and whole birds to the world market and an importer of cheap poultry offal for further processing. After the war started, foreign trade contracted but still remained significant: in 2022, Ukraine remained the world’s 7th largest (minus one position) chicken meat exporter and 25th largest (minus six positions) chicken meat importer. Somewhat lower production and significantly lower domestic consumption led to these trade flow changes. Due to the trade regime liberalization, Ukraine’s exports to the EU increased. The Middle East will remain Ukraine’s second-largest destination market in 2023, particularly Saudi Arabia. The situation is expected

to continue in 2024 after the EU's extension of a favorable trade regime for another year in June of 2023.

Exports

Exports of Ukrainian chicken meat suffered in 2022 due to logistical problems caused by the Russian invasion. The drop in production had a minor influence as it was eventually offset by the reduction in domestic demand. The industry exhibited remarkable resilience returning to exports two months after the war started. Exports of Ukrainian poultry are expected to recover in 2023 and somewhat further in 2024. However, slow industry recovery due to the ongoing war, unstable macroeconomic environment, and logistical limitations are not likely to allow for full export recovery to the 2021 level.

Figure 7. Ukraine's Monthly Chicken Meat Exports



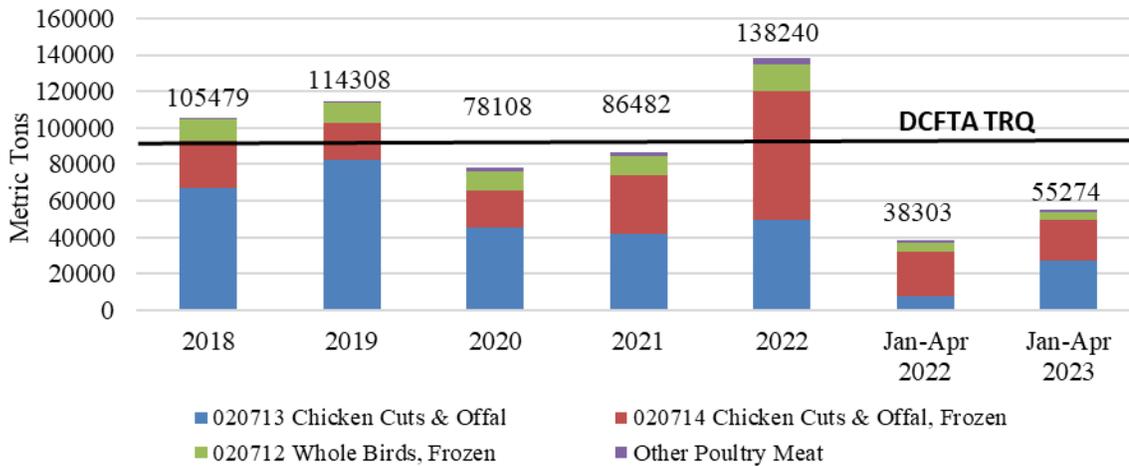
Source: Trade Data Monitor, FAS Kyiv estimates

Exports to the EU

After the war started, the EU border, and the border with neighboring Moldova, became the only available export route for Ukrainian poultry products. Because of this, all Ukrainian chicken meat exports (with the exception of those destined for Moldova itself) became subject to EU transshipment rules. All major Ukrainian chicken meat exporting facilities were already EU-approved, so new regulations did not impact their export flows. Additional smaller Ukrainian facilities became EU-listed throughout 2022 and 2023, with their total number [reaching nine](#) in April of 2023. The European Commission (EC) and Ukraine also reached an agreement on the transit of products from non-EU-approved facilities.

The EU trade regime also changed. To support Ukraine, EC eliminated all import quotas and introduced zero import duty for all poultry products originating from Ukraine. These one-year-long Autonomous Trade Measures went into power on July 4th, 2022, and were [extended by another year](#) in June of 2023. Exports of Ukrainian chicken meat to the EU reached an all-time high in 2022 and continued to grow in 2023. The EU may become Ukraine's top export destination in 2024, ahead of the Middle East.

Figure 8. Ukraine's Chicken Meat Exports to the EU



Source: Trade Data Monitor and FAS Kyiv estimates;

USDA's definition of poultry is used;

EU-27 Brexit country group was used

DCFTA TRQ – the Deep and Comprehensive Free Trade Agreement Tariff Rate Quota of 90,000 MT established in 2014, updated in 2019, and suspended in June 2022-24.

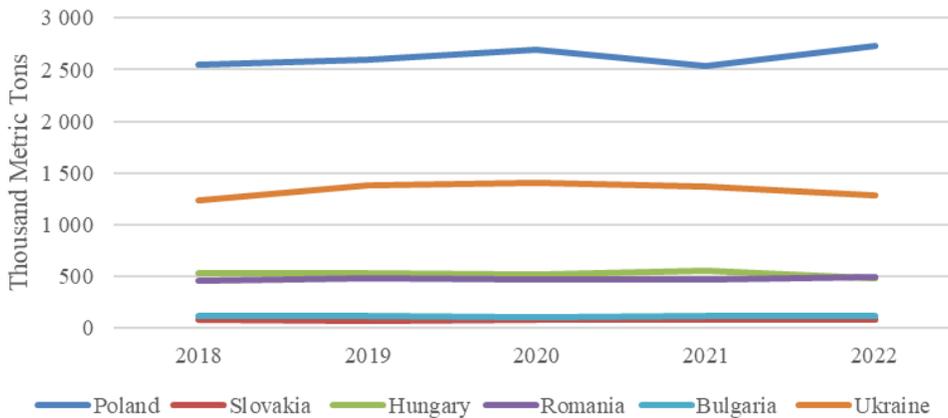
A similar zero import duty-zero quota trade regime was also introduced by Great Britain and Canada. Although not a major export market, trade with Great Britain also reached an all-time high in 2022 and continued to climb in 2023. The first time ever commercial exports to Canada started in 2023 despite Canada's complex poultry import regulations. Overall exports to Western developed countries are expected to dominate in 2023 and 2024.

Intra-EU Opposition to Ukrainian Exports

In late April 2023, five Eastern European EU member states petitioned the European Commission (EC) to expand the existing import ban for grains and oilseeds to include a variety of products, including poultry. The letter was signed by the Agricultural Ministers of Bulgaria, Hungary, Poland, Romania, and Slovakia. It is not clear which instrument from the arsenal of the [EU's Trade Defense Instruments](#) (TDIs) may be used in the case of Ukraine. As of July 2023, no official information is available on the EU's trade defense investigation [page](#).

Domestic poultry production remained high in 2022 in the five European countries that requested restrictions on Ukrainian imports, with Poland leading the group. Poland is the EU's largest poultry producer and had record production in 2022. This strong production makes it difficult to justify the need for any restrictions on Ukrainian poultry imports. Hungary is the only country where there was some production decline, but simultaneously, Hungary remained one of the top exporters of cheap poultry products to Ukraine and did not import any Ukrainian poultry.

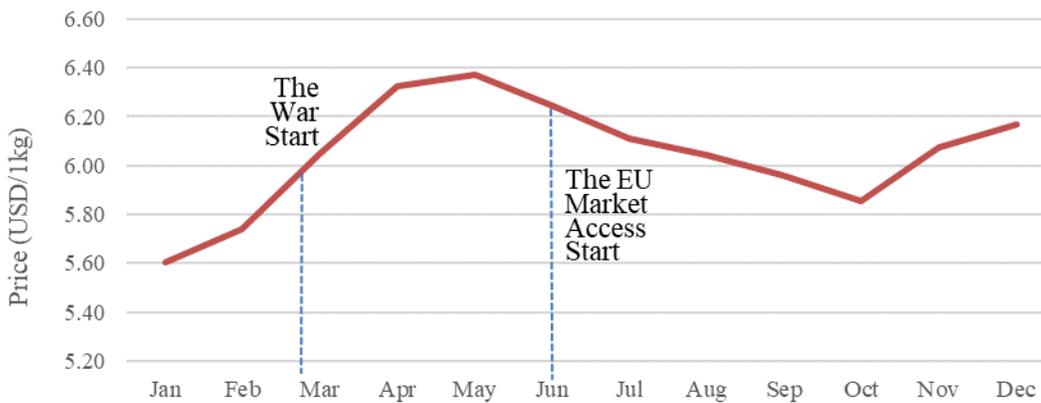
Figure 9. Production of Poultry Meat by Five EU Eastern Member States and Ukraine



Source: Eurostat, PSD on-line

The EU poultry market price fluctuated but never dropped to pre-war price level. The price of poultry increased notably after the war started, but somewhat decreased as soon as Ukraine resolved its export logistics issues. The five EU member states that signed the petition will have a hard time demonstrating industry damage and establishing the causal link between Ukrainian poultry exports (non-existent in some cases) and the damage. However, no political decision can be completely ruled out in the EU.

Figure 10. EU Poultry Meat (Chicken Breast Fillet) Price in 2022



Source: [Agri Data EU – Poultry Dashboard](#), FAS Kyiv estimates

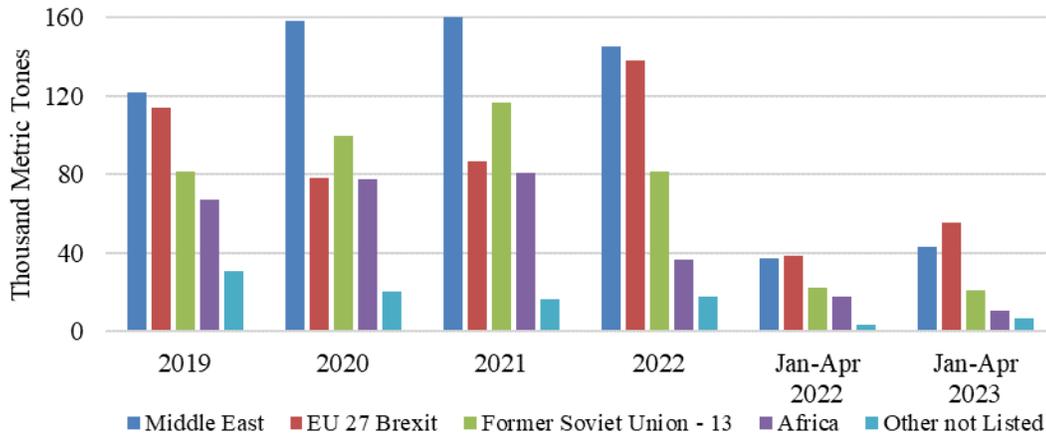
Other Export Destinations

Other chicken meat export destinations remain important. Export to the Middle East, with Saudi Arabia being by far the largest destination, continues as market access remains complicated but uninterrupted. Ukraine’s largest poultry producer MHP SE is getting involved in joint ventures with Saudi companies that may be a condition of future uninterrupted market access. Ukraine continued to service all Middle Eastern and African markets through the major EU seaports.

Shipping to Former Soviet Union (FSU) countries (with the exception of neighboring Moldova) became problematic after the war started. The majority of those markets were serviced with transit through

Belarus or through the Black Sea ports, which are now unavailable and blocked by Russia. Poultry exports to FSU countries dropped in 2022 and continued to decline in 2023, with the exception of Kazakhstan. The majority of wartime chicken meat shipments have to cross the EU border and be further exported through Turkey. This new route is longer and limits export margins significantly.

Figure 11. Ukraine Poultry Exports



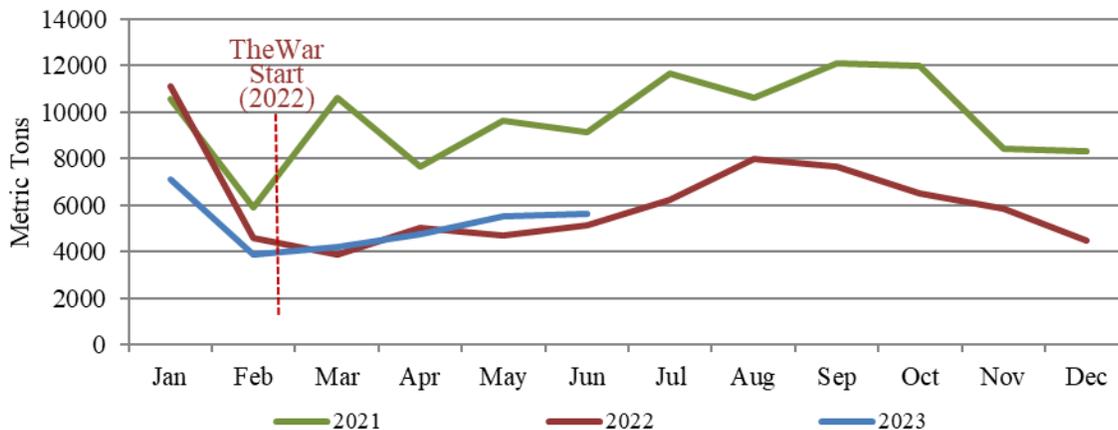
Source: Trade Data Monitor, FAS Kyiv estimates

Limited production, long export routes and easier access to the lucrative EU and Middle Eastern markets made African markets significantly less attractive. In 2022, Ukraine’s poultry export volumes to Africa decreased by almost 55 percent with another 40 percent drop in 2023. The exports should reach some local minimum in 2023, and no significant growth is expected until the war ends.

Imports

Imports of poultry products decreased significantly in 2022. Substantial demand drops due to population outflow, re-direction of domestic production to the domestic market as well as export and import logistics problems became the key factors that led to the decrease.

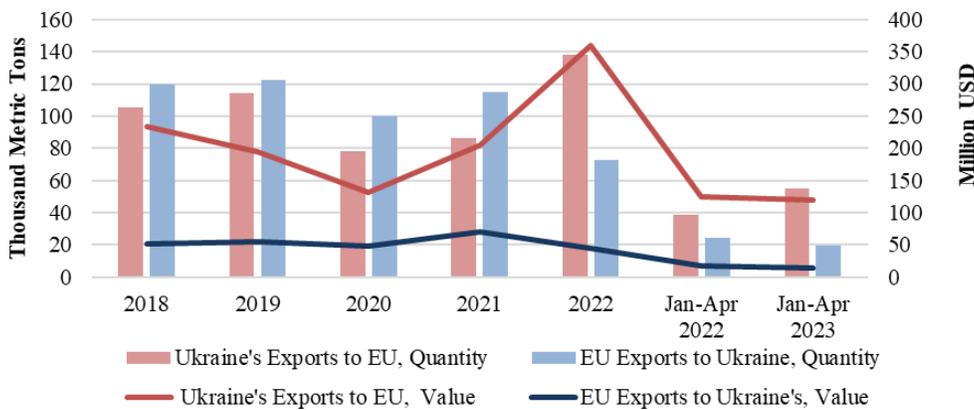
Figure 12. Ukraine's Monthly Chicken Meat Imports



Source: Trade Data Monitor, FAS Kyiv estimates

Prior to the start of the war, the EU was the only source of commercial chicken meat imports to Ukraine. The EU producers' export strategy, in a way, complemented Ukrainian export policy: cheap poultry cuts parts were exported to Ukraine while premium cuts were sold domestically. In trade volume terms, the EU's exports to Ukraine exceeded Ukrainian exports to the EU significantly. The difference became even greater in 2020 and 2021 when all export loopholes were eliminated and Ukraine had to decrease exports to match the renewed TRQ (90,000 Metric Tons). However, in value terms, Ukraine's exports were significantly greater. The trade balance changed drastically in 2022: Ukrainian exports to the EU increased greatly in both volume and value terms. Imports in 2023 and 2024 are expected to be similar to the 2022 pattern.

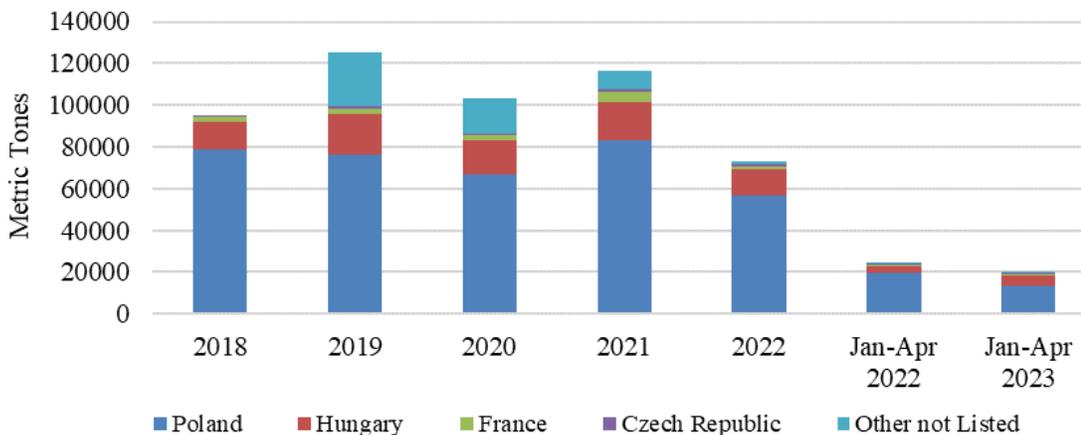
Figure 13. EU-Ukraine Trade in Poultry Products



Source: Trade Data Monitor

The list of exporters to Ukraine remains stable over time, with neighboring Poland and Hungary leading in the list. All imports remain subject to Ukraine's zero import tariff rate quota (10,000 Metric Tons for poultry cuts and another 10,000 MT for whole birds). Out of quota tariffs range from 10 to 15 percent based on HS Code.

Figure 14. Ukraine Chicken Meat Imports by Country



Source: Trade Data Monitor

Statistical Tables

Broiler Meat PSD Table*

Meat, Broiler Ukraine, Thousand MT	2022		2023		2024
	Market Year Begin: Jan 2022		Market Year Begin: Jan 2023		Market Year Begin: Jan 2024
	USDA Official	New Post	USDA Official	New Post	New Post
Production	1280	1242	1300	1270	1280
Total Imports	73	73	80	70	80
Total Supply	1 353	1315	1380	1340	1360
Total Exports	419	419	450	440	450
Human Consumption	934	896	930	900	910
Other Use, Losses	0	0	0	0	0
Total Dom. Consumption	934	896	930	900	910
Total Use	1353	1315	1380	1340	1360
Ending Stocks	0	0	0	0	0
Total Distribution	1353	1315	1380	1340	1360

***Not Official USDA Data**

Exports of chicken paws to China and Hong Kong, as well as chicken meat exports to Vietnam, are excluded from the export numbers; exports of salted poultry (HS 021099) are included.

Attachments:

No Attachments