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Report Highlights:

Ukraine's chicken meat production continued to recover in 2023, driven by low feed costs and stable energy supplies and macroeconomic environment. Facing lower world market poultry prices in the first three quarters of 2023, Ukrainian poultry producers concentrated on import replacement on the domestic market and exports to the European Union, under the tariff- and quota-free access granted to Ukraine in solidarity after Russia's full-scale invasion. Production recovery is expected to continue in 2024 as the industry adjusts to war shocks. Some new quotas proposed by the EU may limit Ukraine's poultry exports there in 2024 to the average volumes of 2022-2023. If this market is limited, the industry is expected to shift its export focus back to other markets. The forecast remains fragile due to war-related factors.

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>

Ukraine Poultry Semi-Annual Report

Executive Summary

Russia's full-scale invasion of Ukraine, which started on February 24th, 2022, remains the major factor impacting chicken meat production and trade. Despite the war, in 2023, the industry continued its recovery after the 2022 shocks, due to the following reasons:

- Most of Ukraine's large chicken meat production facilities are primarily located in central and central-western Ukraine, so warfare did not directly impact them. The industry overcame the initial shocks and resumed production quickly.
- Stable energy supplies, new input supply channels, and a stable macroeconomic environment facilitated production growth.
- Grains and oilseeds used for poultry feed remained relatively cheap. These low prices were a result of the higher export logistics costs due to the variability of the Black Sea export routes over the past years. Since October 2023, exports have again resumed at high volumes out of some of Ukraine's Black Sea ports of the greater Odesa region through the new Ukraine-established Black Sea Ukrainian corridor.

Exports of chicken meat increased in 2023, following the production rebound. However, both production and trade remain well below pre-war records. The drop in poultry prices experienced by the industry in the first three quarters of 2022 did not impact trade much. Due to lower production costs and higher production scale, Ukraine remains competitive in the world market.

The EU became Ukraine's major export destination in 2023 and will likely retain its position in 2024 for three key reasons:

- Tariff-free and quota-free market access was granted by the European Commission (EC) in June 2022 and extended in 2023.
- Poultry prices in the EU remained the highest compared to other export destinations, as Ukraine can ship chilled meat there, as opposed to just frozen.
- The EU is the closest market to Ukraine with the lowest logistics cost.
- Looking forward, Ukraine poultry may be more restricted entering the EU market due to the proposed introduction of an "enhanced safeguard mechanism". Post estimates the tariff free access amount will be for around 160,000 MT, which is below 2023 export level to the EU, but would still mean the EU is a top market for Ukraine's poultry exports.

The industry's recovery is expected to continue in 2024, albeit slowly. Ukraine's exports are expected to stay strong in 2024 as production recovers, and some export focus will shift toward Middle Eastern, Central Asian, and African markets. See the [Ukraine Poultry Annual Report](#) for additional detail.

Production

Industrial chicken meat production in Ukraine is concentrated in large, vertically integrated facilities, with one firm, Ukraine's largest producer, MHP SE, being responsible for over 70 percent of the

production share. These large producers grow their own feed grain and oilseed crops and operate hatcheries, slaughterhouses, and distribution systems. Some producers run their own distribution centers, truck fleets, and retail outlets. Vertical integration had proved to be resilient to war shocks, allowing for enterprise cross-subsidization, better access to capital, and cost-effective production. Producers may hedge price risks and profit from the entire value-added chain. Industry concentration is very high: the six most prominent companies are responsible for almost 90 percent of all production.

In the early months of the war in 2022, the Ukrainian poultry industry experienced several war-related shocks. Restricted availability of inputs, broken domestic and export logistic chains, unavailability of Black Sea export routes, EU transit import restrictions, limited availability of refrigerated containers, trucks, and truck drivers, lack of trade insurance, restricted operational hours due to curfew, workforce shortage due to conscription, domestic market shrinkage due to large outflow of Ukrainians as refugees fleeing the invasion and occupation of territories, and exchange rate surge, are the most important shocks that impacted the industry. More background is available in the [Ukraine Poultry Annual Report](#).

The 2023 chicken meat production was even higher than expected, despite all of these shocks. The industry adjusted to wartime operations and logistics and mitigated risks. As the war's front line stabilized, Russian military advances did not threaten production despite the proximity of one of the Central Ukraine-based producers to the front line. Unlike 2022, there were no direct attacks on cold storage facilities. Ukraine managed to rebuild its power grid, making it resilient to Russian missile attacks. Power outages and associated additional costs for in-house power generators were one of the major concerns for 2023. A lot of producers suffered from power outages in the 2022/23 winter and noted significant production cost increases. The situation is not expected to change in 2024 as Ukraine continues to fortify its air defense capabilities and increase its power grid stability. No significant outages are reported as of mid-February 2024.

Low feed prices were another significant factor that helped the Ukrainian industry keep production costs low and offset some wartime losses. Ukrainian crop farmers continued having concerns about markets for their products, which coupled with higher logistics costs, resulted in lower prices in 2023. Access to export markets remained constrained, especially before the BSGI and in the late days of its existence when very few ships were able to be inspected. Following Russia's termination of the BSGI, the Ukraine-established export corridor in the Black Sea took off in October 2023. Exports from Ukraine's Odesa region ports have resumed through this route, exceeding BSGI levels, though Russia's attacks on Black Sea ports and Danube port infrastructure have continued.

Ukraine's largest poultry producer, MHP SE, declared a 13 percent increase in poultry meat sales in January-September 2023. The results significantly exceed the industry's average production growth (estimated to exceed five percent for the calendar 2023). This increase was accompanied by 21 percent export growth and a modest three percent domestic market sales increase. The company is reported to currently operate close to capacity. Only a small production increase may be expected in 2024 which would be due to production optimization. The company's robust performance attracted external financing from international financial institutions. An almost USD 0.5 billion loan provided MHP with some financial breathing space and reflected international investors' confidence in its performance. The company turned profitable in 2023 despite the drop in export prices.

The performance of Ukraine’s five mid-sized chicken producers varies. These companies include PK Dniprovskiy, Agrooven, Volodymyr-Volynsk Ptahofabryka, PK Hubyn, and Ular. These are not publicly traded companies and only limited information on their performance is available in the press. Some companies had to stop production entirely in 2022 and recovered very slowly in 2023. These companies predominately rely on domestic market sales and concentrate on specific Ukrainian regions. Some smaller producers continue to experience problems due to proximity to warfare and a shrinking consumer base. Most of 2024 growth is expected to come from these smaller companies as they adapt to the new market environment. These companies do not generally rely on outside financing and must rely on their own resources, which results in slower growth.

This report’s 2022 production supply and distribution (PSD) poultry production number was updated slightly to reflect the official production number produced by the State Statistics Service of Ukraine (SSSU), which has resumed limited publication of production data. The 2023 production estimate is increased to reflect a better-than-expected recovery rate. The recovery is likely to continue in 2024 but at a somewhat slower pace. Smaller producers were quick to decrease production but slow to recover. Some have a geographical disadvantage due to proximity to the front line. The industry will remain depressed by war-related economic stagnation and increased production and logistics costs. It is unlikely to recover to pre-war level production volumes soon, which generally ranged from 1,380 to 1,400 thousand MT per year of poultry production.

Table 1. Chicken Meat Production Supply and Distribution (Thousand Metric Tons)*

Meat, Chicken Market Year Begins Ukraine	2022		2023		2024	
	Jan 2022		Jan 2023		Jan 2024	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	0	0	0	0	0	0
Production	1242	1 232	1 270	1 300	1 280	1 340
Total Imports	73	73	70	60	80	52
Total Supply	1 315	1 305	1 340	1 360	1 360	1 392
Total Exports	419	419	440	426	450	440
Human Consumption	896	886	900	934	910	952
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	896	886	900	934	910	952
Total Use	1 315	1 305	1 340	1 360	1 360	1 392
Ending Stocks	0	0	0	0	0	0
Total Distribution	1 315	1 305	1 340	1 360	1 360	1 392

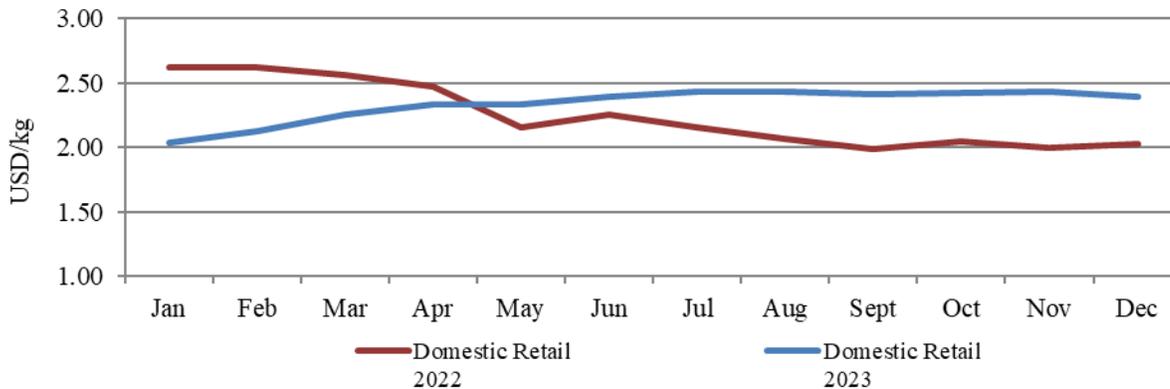
***Not Official USDA Data**

Note: Exports of chicken paws to China and Hong Kong and chicken meat exports to Vietnam are excluded from the export numbers.

Prices

Domestic retail poultry prices remained strong through the entirety of 2023 and January 2024. This provided producers with much-needed predictability and stable cash flow. Retail prices are the best indicator of price currently, as the SSSU discontinued publication of wholesale poultry prices during the war.

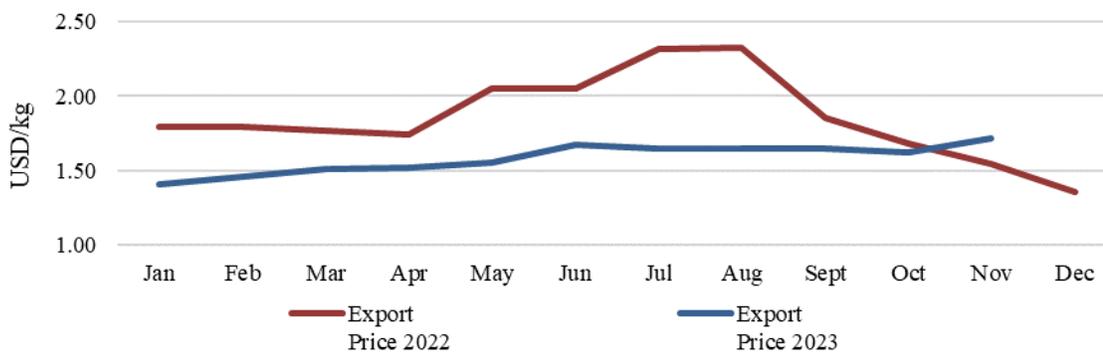
Figure 1. Whole Chicken Meat (HS 020711-12) Domestic Prices (Retail)



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

World market chicken meat price (Figure 2) was also stable but below the 2022 level. Ukrainian exporters managed to shift supplies to higher value markets in the EU, compensating for the export price decline in other markets.

Figure 2. Whole Chicken Meat (HS 020711-12) Export Prices (Wholesale)



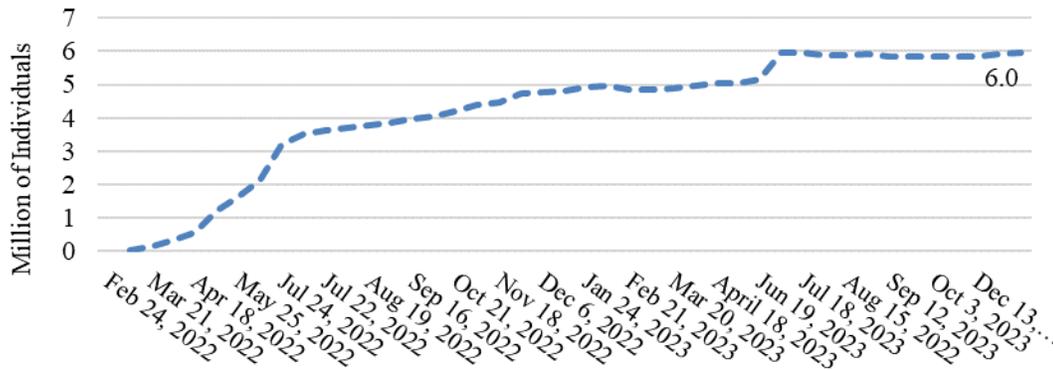
Source: Trade Data Monitor

Consumption

Chicken consumption in Ukraine stabilized in 2023 as the population outflow slowed and some refugees returned. Ukraine's pre-war statistics declared a population of 41.13 million, but the exact number in 2024 is unknown. According to the United Nations Refugee Agency (UNHCR), 6.0 million people moved to Europe, and 0.4 million settled in other countries.

The number of Ukrainians who live in occupied territories and those who moved or were expelled to Russia is not known. Some of those Ukrainian citizens willingly accepted or were forced to accept Russian passports and do not qualify for refugee status by international institutions. The total number of individuals who left the country is estimated to be between 9.5 and 10.5 million, which is close to 25 percent of the pre-war population.

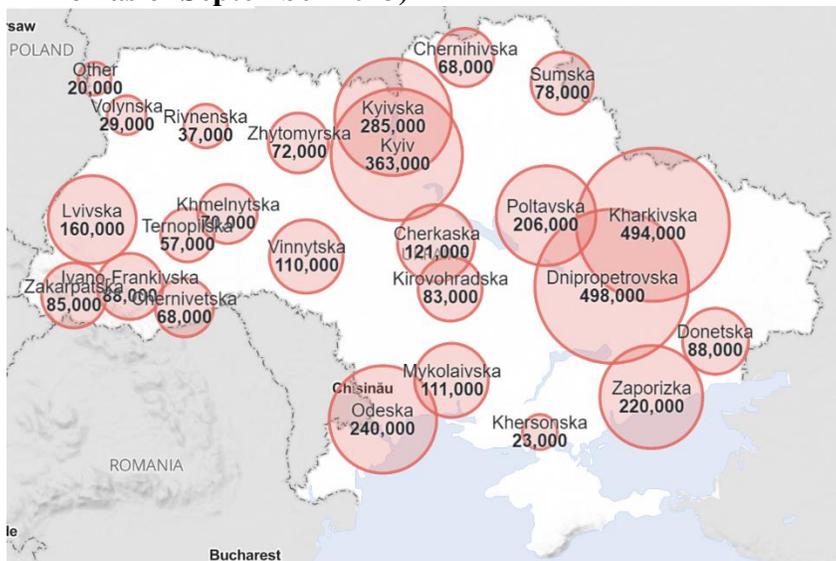
Figure 3. Number of Refugees from Ukraine Recorded Across Europe



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

A significant number of Ukrainians had to leave occupied territories or unsafe territories adjacent to the front line. Many consumers lost their jobs and relied on social assistance programs. As the diagram shows, many of those settled in eastern and southern Ukraine, not very far from the war zone, in the hope of returning to their homes at some point.

Figure 4. Distribution of Internally Displaced Persons in Ukraine by Region (Total number is 3.67 million as of September 2023)



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

Poultry remained the cheapest animal protein out of the three major proteins available (beef, pork, and poultry). Its affordability is the primary reason for the consumption increase in 2023. Many internally displaced individuals maintained poultry consumption or may have increased it at the expense of other proteins. The trend is expected to continue in 2024. It is likely to remain a “protein of choice” for those with limited incomes who may rely on assistance for their food needs.

Trade

Before the war, Ukraine was an exporter of high-value chicken parts and whole birds to the world market and an importer of low-priced poultry parts and offal for further processing. However, Ukraine’s exports significantly exceeded imports. The EU was Ukraine’s primary source of cheap poultry imports for years. In 2023, the EU also became Ukraine’s largest export destination. In pre-war years trade with the EU maintained a trade balance that softened resistance to Ukraine’s exports by European lobbying groups.

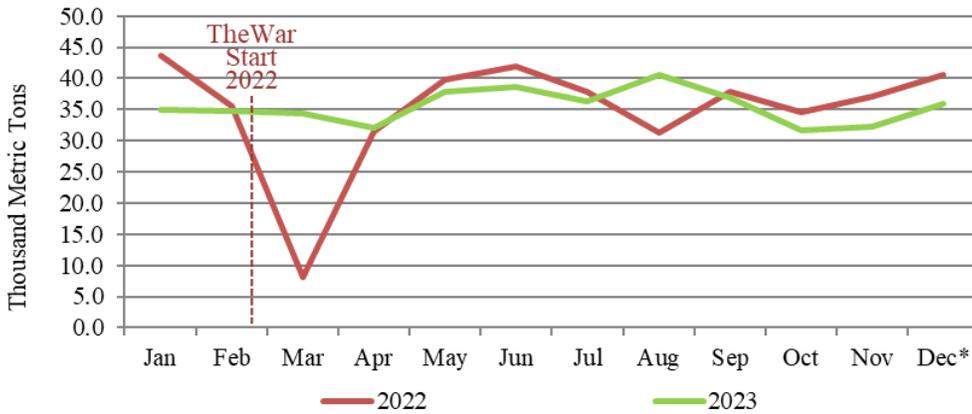
After the war began, Ukraine received unrestricted access to the European market, with the European Commission (EC) suspending all tariff-rate quotas and removing import duties. This was very helpful for Ukraine’s poultry industry as they recovered in 2023 and utilized this new market access opportunity. Although duty-free and quota-free access to the EU’s poultry market is expected to be extended in 2024, it [is not expected to remain unrestricted](#). In its proposal, the EC envisages an “emergency brake” for sensitive products like poultry, eggs, and sugar. This would stabilize imports at the average import volumes in 2022 and 2023. As Ukrainian production is recovering and domestic consumption grows slowly, this limit to EU exports is likely to result in the more some chicken meat trade to Middle Eastern, Central Asian, and African destinations in 2024. This will lower the Ukrainian industry’s income as average prices in those export destinations are generally lower. The trade volume is not expected to be impacted as trade margins remain positive.

Exports

After a major collapse in the early days of the war, Ukrainian producers returned to “normal” export levels in May of 2022. In 2023, the exports increased further, following the production increase, establishment of new trade routes, and certification of [new export facilities for export to the EU](#) (four facilities were included in 2023 and one in 2024).

Border crossing problems became a significant risk for Ukrainian chicken meat producers in 2023 and are expected to remain such in 2024. Massive protests by European farmers and truck drivers resulted in border transport blockades into Europe, which increased costs of logistics, and resulted in delays in chicken meat exports. The EU-border protests started on November 6th, 2023, with Polish truckers’ border crossing points blockaded and continued (with some breaks) through the rest of 2023 and early 2024. Protestors from all four EU neighboring states (Poland, Slovakia, Hungary, and Romania) blocked or attempted to stop the border traffic.

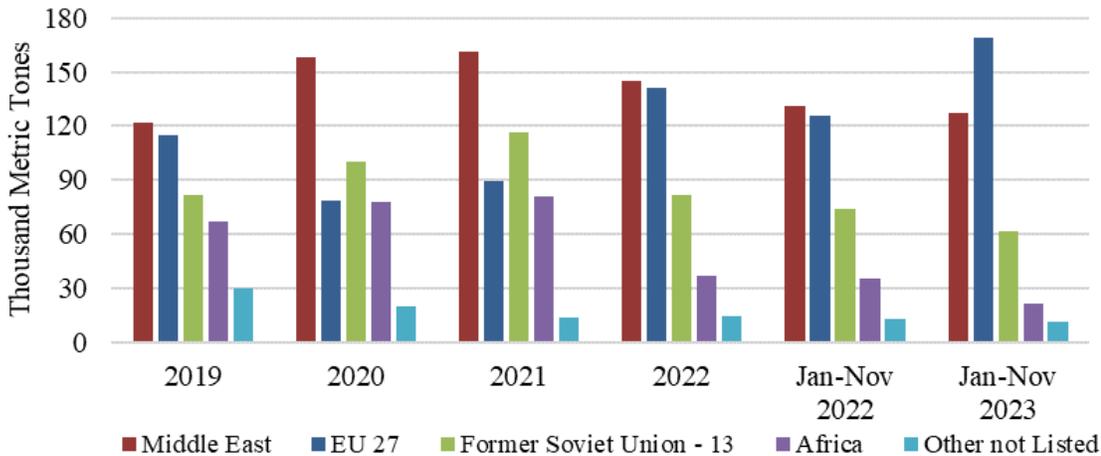
Figure 5. Ukraine's Monthly Chicken Meat Exports



Source: Trade Data Monitor
 * industry-data based forecast

The EU’s [trade measures](#) to support Ukraine through additional access to the EU market became a crucial trade factor in 2022-23. The EU market is generally well protected from imports and offers a significant price premium compared to other destinations. Ukraine received an important competitive advantage over suppliers from China, Brazil, or Thailand, which are limited by import quotas. EU’s out of quota tariffs are trade prohibitive. In addition to price premiums, there is a geographical advantage for Ukrainian exporters, which can supply chilled products by truck. The option is unavailable to other exporters and allows Ukrainian products to compete in the premium market segment.

Figure 6. Ukraine Poultry Exports



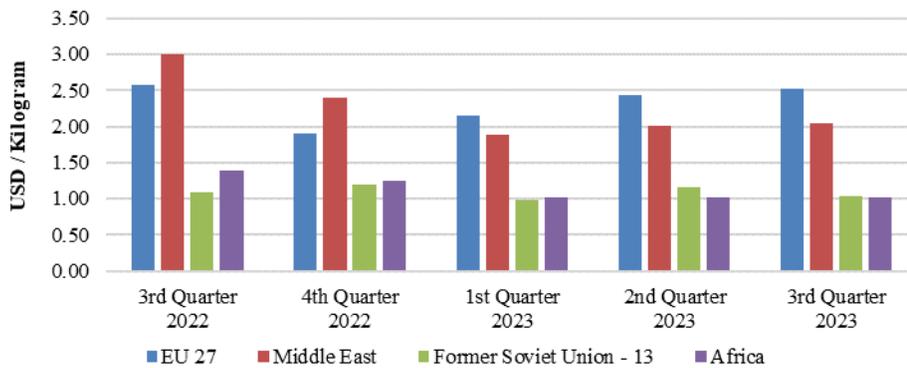
Source: Trade Data Monitor

Although Ukraine’s traditional Middle Eastern export market was the largest in 2022, the EU became number one in 2023, and it is expected to stay the same in 2024 despite the volume restrictions which are anticipated in the coming year. In the EU market Ukraine’s poultry replaced imports from the United Kingdom, Brazil, Thailand, and Argentina. Despite significant growth of imports from Ukraine, overall

EU's chicken meat imports in 2023 grew by only two percent. Regardless, potential exports of Ukrainian poultry remains a hot topic for European farmers and policymakers.

The chicken meat world market price situation in 2023 also was a driver of increased exports to the EU. Chicken meat prices in the Middle Eastern market decreased significantly, although some recovery was noted in the 3rd quarter of 2023. Nevertheless, EU prices remained the most attractive for both whole chicken exports and parts.

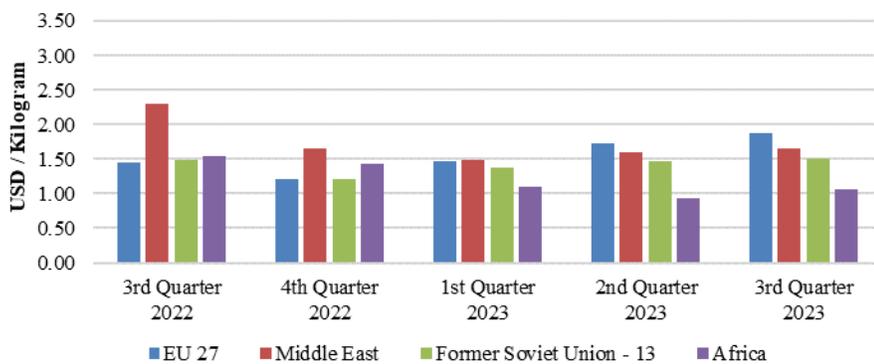
Figure 7. Chicken Cuts Export Prices by Export Destination (HS 020713-14)**



Source: Trade Data Monitor

** Ukraine exports predominately premium parts. No detailed 10-digit HS Classification is available.

Figure 8. Whole Chicken Export Prices by Export Destination (HS 020711-12)

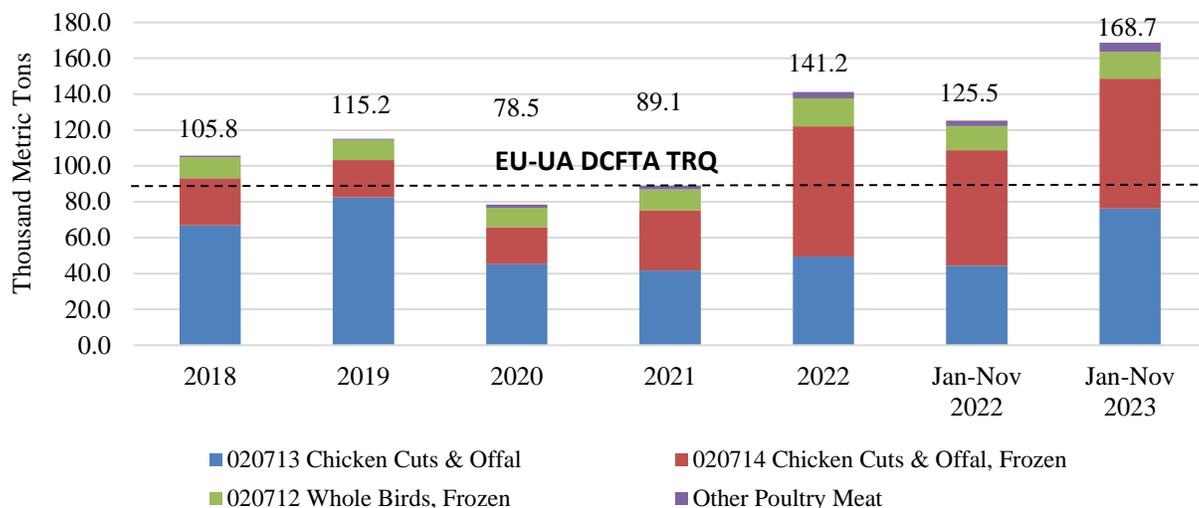


Source: Trade Data Monitor

Ukraine's exports to the EU reached an all-time high in 2022, and a new record is expected to be established in 2023. The breakdown of types of product export is below, but generally chilled chicken cuts and frozen chicken cuts were the main products exported. Such a significant export expansion ignited concerns in some European countries over Ukraine's chicken meat exports. The concerns were expressed by neighboring member states and even countries like [France](#), where Ukrainian chicken meat

is not supplied directly. Netherlands and Slovakia remain the largest importers of Ukrainian chicken in the EU as they are distribution hubs.

Figure 9. Ukraine's Chicken Meat Exports to the EU



Source: Trade Data Monitor, FAS/Kyiv

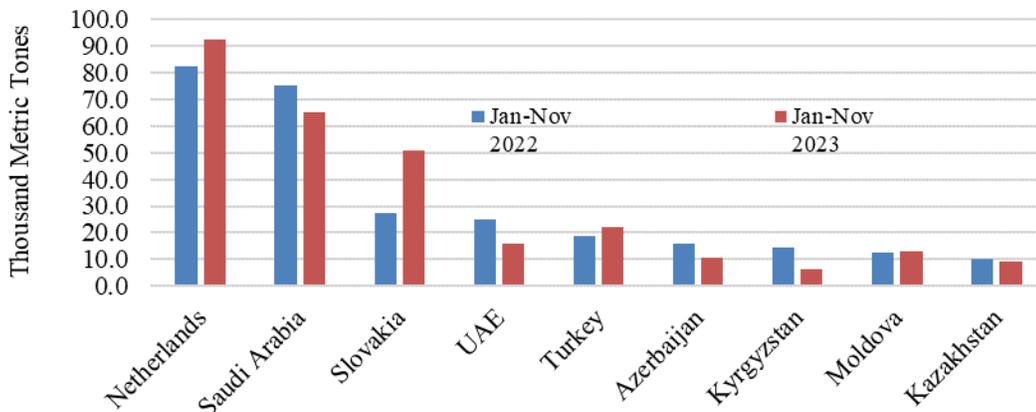
DCFTA TRQ - Zero Import Duty Tariff Rate Quota level according to the Deep and Comprehensive Free Trade Area Agreement between Ukraine and the EU

To address the concern, the EC proposed an “[emergency brake mechanism](#)” that would be implemented if Ukraine’s exports exceeded the 2022-2023 average import volume from Ukraine. This means that tariffs would be reimposed to ensure that import volumes do not significantly exceed those of previous years. Although exact 2023 trade statistics were unavailable as of this report, the new export volume ceiling estimate will likely be close to 160,000 MT. Although this proposal requires approval of the European Parliament and the Council of the European Union, it is likely to be in place soon in 2024 but details are not yet announced. It is expected to result in a further increase of premium chicken parts exports to the EU and reduced exports of whole chicken, as well as result in a shift of more of Ukraine’s exports to Middle Eastern and other export markets. Ukraine’s total export numbers are expected to remain the same, but the EU’s policy will just impact how much is exported to the EU versus other markets.

Other Export Markets

After the Black Sea was blockaded following Russia’s full-scale invasion, transit through the EU became the only outlet to foreign markets for Ukrainian chicken meat producers. Because of this, logistics costs to export to other markets, in most cases, significantly exceed the transportation expense of chicken meat destined for the EU. Although Ukraine discovered ways to service the Central Asian and Caucasus markets without transshipment through Russia or Black Sea route use, high logistics costs led to a notable export drop. The same was true for most destinations in Africa. Generally, container shipping has not resumed yet by sea for Ukraine exporters, and overland container shipping by truck or rail remains the only option.

Figure 10. Ukraine Poultry Top Export Destinations



Data Source: Trade Data Monitor

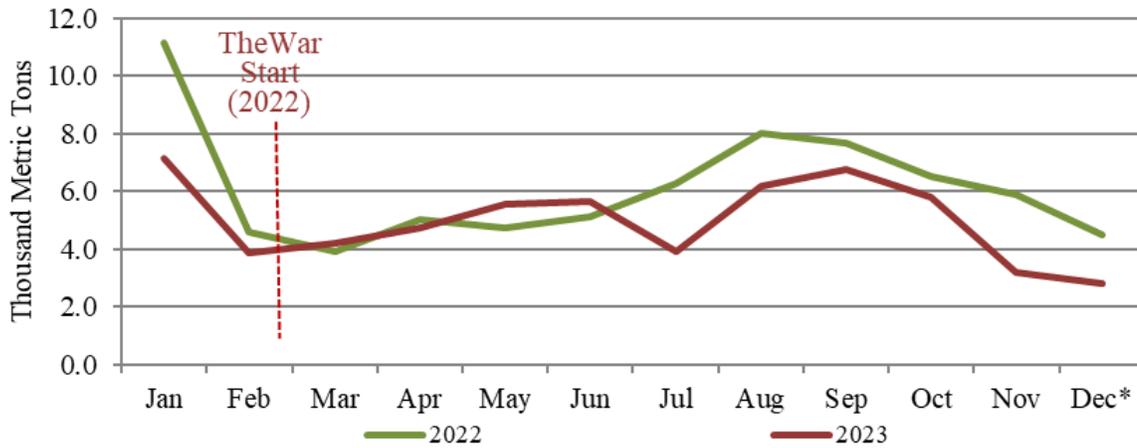
Netherlands and Slovakia, where Ukraine’s largest exporter MHP SE operates processing facilities and distribution centers, are the main chicken meat import hubs in the EU. Additional transportation costs accompanied an overall chicken meat price drop in Central Asia, the Caucasus, and African markets, making exports to those destinations significantly less attractive in 2023. However, Ukrainian poultry producers will likely increase exports to those destinations in 2023.

The United Kingdom remains a very attractive export destination outside of the EU, with chicken meat exports increasing to 11,000 metric tons in 2023. Like the EU, the market is well protected and pays a premium price for chicken cuts. The UK is a large poultry exporter to the EU, although its share is decreasing quickly (almost 20 percent drop is recorded in 2023). Ukrainian poultry may replace some poultry volume on the UK’s domestic market in 2024. The UK has already announced about the extension of duty-free and quota-free trade regimes in 2024 for Ukraine’s exports.

Imports

Before the war, Ukraine imported significant quantities of cheap chicken parts and offal for further processing, particularly from the EU. These imports allowed Ukrainian producers to concentrate on premium chicken parts and whole bird exports. Complicated export logistics and lower chicken meat prices for inferior cuts and whole birds in 2023 resulted in higher domestic sales and lower imports. The situation is expected to continue in 2024, but cheap imports from the EU under zero import duty TRQ are not likely to vanish. Ukrainian producers can hardly compete in the cheapest poultry offal segment, which is imported from the EU at very low prices. Most of the imports are taking place in January, when the EU import TRQ is available.

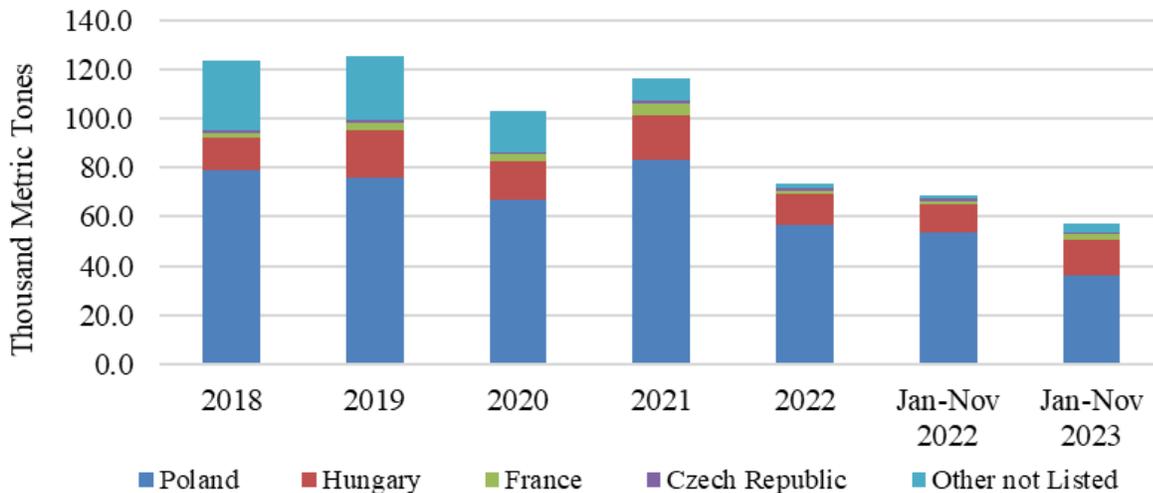
Figure 11. Ukraine's Monthly Chicken Meat Imports



* Preliminary data
 Source: Trade Data Monitor

Neighboring Poland and Hungary supply most EU chicken offal to Ukraine and dominate the chicken meat import market in Ukraine. Low prices and geographical proximity are the significant competitive advantages. Ukraine is expected to continue poultry imports in 2024. The volume is likely to decrease as the domestic industry claims the share of its market.

Figure 12. Chicken Meat Imports to Ukraine



Source: Trade Data Monitor

Attachments:

No Attachments