

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Ukraine

**Post:** Kiev

### Poultry and Products Update

**Report Categories:**

Poultry and Products

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**Report Highlights:**

Despite political and economic turmoil, Ukraine was able to increase poultry production and exports in 2014. In 2015, production growth will continue slowing down-- impacted by currency exchange rate swings and weakening domestic demand. Exports will serve as the major revenue source for large producers. Russia's role as an export market will become negligible. Ukraine is expected to completely fulfill Europe's import TRQs. Access to EU products in Ukraine will remain subject to import duties. Import demand will continue to concentrate on the lower-end market segment, mainly for product for further processing.

## **Executive Summary**

The current political and economic crisis including military and police operations in Eastern Ukraine had a profound impact on the poultry market. Ukraine's currency took a nose dive, from UAH/USD 8.1 in January of 2013 to UAH/USD 26.5 in February of 2015-- when this report was drafted. Massive devaluation generated problems for small and medium-sized producers that could only sell their product domestically, but sourced inputs from abroad (such as veterinary medicine, feed additives, and machinery). In 2014, large poultry producers exporting their products to middle eastern and European markets were able to benefit from increased revenues, but also assumed losses due to hard currency bank loans and the increased cost of inputs.

Consumer incomes continue to slide, but poultry consumption remained relatively high and even grew moderately in 2014. Demand for competitive and more expensive animal protein, such as red meat decreased. Poultry consumption in 2015 is expected to stabilize, while some growth in exports remains possible.

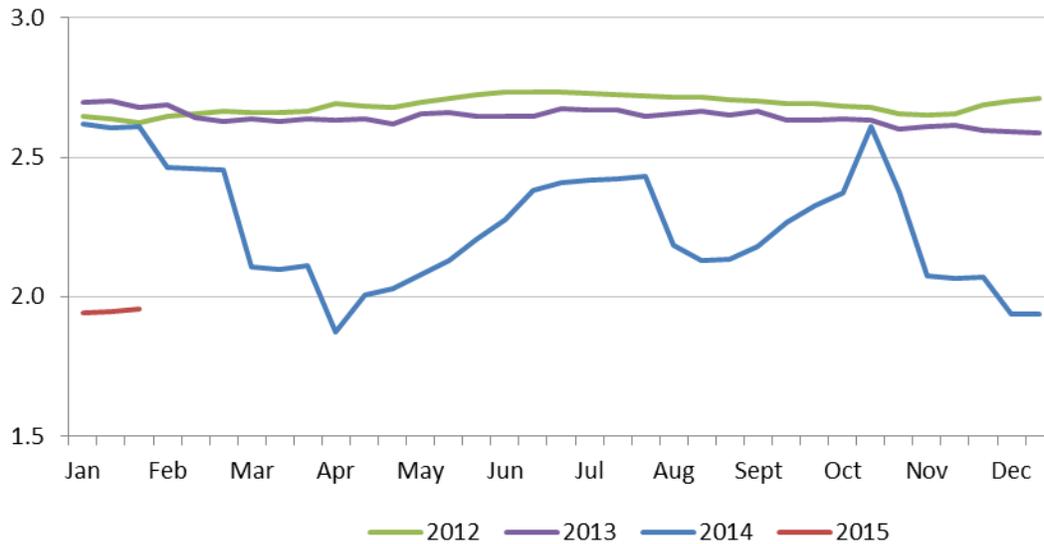
U.S. exporters will continue to supply limited quantities of poultry meat and products. Exports will remain risky due to currency exchange pressure as well as overnight fluctuations. Exports of inexpensive poultry offal from the EU will continue despite lack of TRQ. Ukraine has opened the EU market and is expected to fulfill its export TRQs in full from EU-approved facilities.

PSD numbers for 2014 were reviewed, and correspond to official statistics. Official poultry production numbers were released after this report was published, while only preliminary export trade statistics for 2014 calendar year were available. Export forecasts for both 2014 and 2015 have been modified slightly to reflect recent trends.

## **Production**

Commercial poultry production in Ukraine remains strong as red meat consumption falls. All major producers report stronger consumer demand and increases in sales. However producers also reported lower revenue due to the devaluation and real decline in prices.

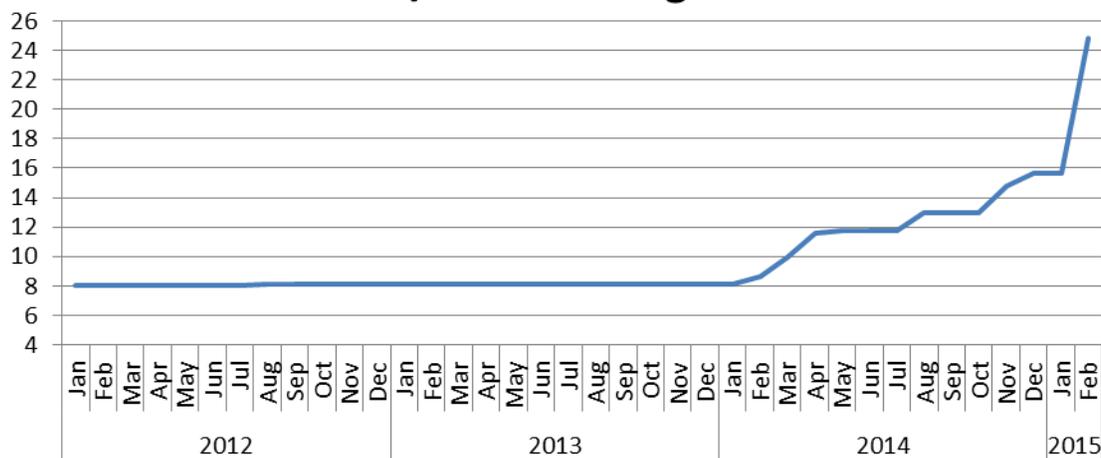
## Retail Poultry Price for Whole Birds (USD/kg)



Source: State Statistics Service based on Ministry of Economic Development and Trade Surveys

Price volatility in 2014/15 is a direct consequence of volatile exchange rates. The UAH sharply fell in January-February 2015, as the National Bank of Ukraine abandoned some restrictive administrative measures and allowed the free market to regulate the exchange rate. Current and future devaluation will have a negative impact on imports. Reliable trade forecasts are hardly possible given these circumstances. Exports are expected to grow due to a significant decline in domestically produced inputs (labor cost, bulk feeds, electricity, water etc.), but most market players view devaluations as risky.

## UAH/USD Exchange Rate



Source: National Bank of Ukraine data on Interbank Commodity Exchange, own calculations

The vast majority of industrial poultry production is concentrated between two major enterprises: MHP and Agromars. The largest producer – MHP with over 50 percent market share have finished populating their poultry houses in a new facility near Vinnitsa (Western Ukraine). This allowed for an increase in production in

the fourth quarter of 2014 and increased the company's total production to 0.5 MMT, which is 18 percent above 2013. MHP had to stop production at one of its facilities situated in an area currently not controlled by the Ukrainian government in Eastern Ukraine. The hatching eggs shortage in the market was covered through imports.

There is limited information on Agromars. The company continues its operations supplying from two production sites near Kyiv and Kharkov oblasts.

Most of the large production facilities situated in areas not controlled by the central government in eastern regions halted operations in 2014. This video depicts an abandoned poultry factory near Zhdanovka, Shahtarsky Rajon of Donetsk oblast <https://www.youtube.com/watch?v=jhfDtly4sG8>

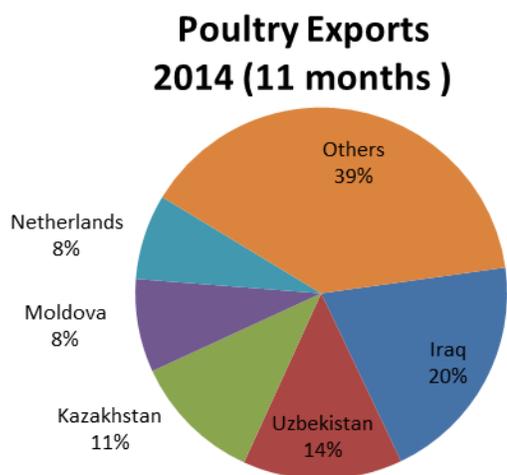
### Consumption

In 2012-13, poultry consumption has shown signs of stabilizing around 0.83 MMT. Due to price hikes for red meat and heavy dependency on Ukraine's market for imported pork, domestic demand for poultry meat resumed growth in 2014. Further increases are possible in 2015; however, consumer incomes are unlikely to support it. The 2015 forecast remains at 2014 levels.

Most UAH denominated salaries negligibly increased in 2014 providing little room for a consumption increase. Consumption in 2015 is expected to shift into low-priced market segments and remain comparable to 2014 numbers.

### Trade

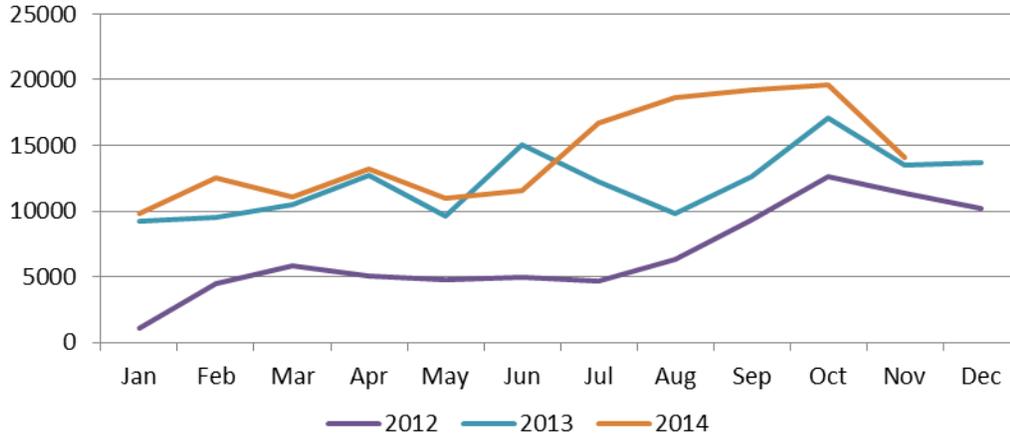
Ukraine continued to fulfill available EU import TRQ which moved Netherlands to the list of top export destinations. Some shipments were sent to Germany and Ireland. The once dominant Russian market is now ninth with a four-percent export volume. If trade barriers remain in place, exports to Russia will not be taking place in 2015.



Source: World Trade Atlas

Introduction of MHP's new production facilities in late fall resulted Ukraine's increase in exports. Inability to sell poultry domestically for the same high price also supported an increase in exports. Some export growth is expected in 2015 as well.

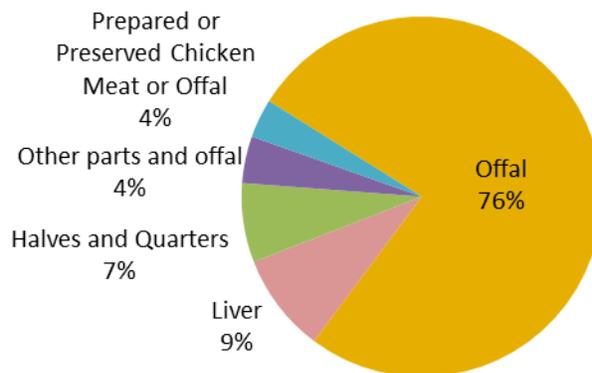
### Ukraine's Monthly Poultry Exports (MT)



Source: World Trade Atlas

Imports will continue to concentrate in the lowest end poultry market segment with offal responsible for over ¾ of all sales.

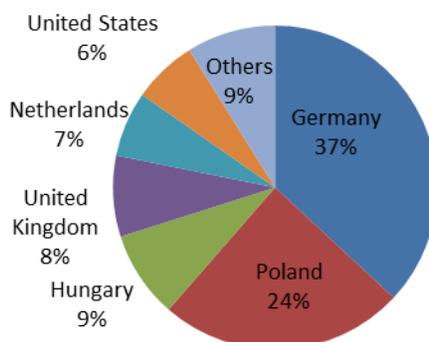
### Poultry Imports (11 months of 2014)



Source: State Statics Service of Ukraine

The U.S. poultry exporters continue to lose market and their share shrunk from 22 to 6 percent of the market. The EU suppliers are responsible for over ¾ of the import market.

## Ukraine's 2014 (11 months) Poultry Imports by Country



Source: State Statics Service of Ukraine

### Section II Statistical Tables

#### Broiler Meat PSD Table\*

Poultry, Meat, Broiler Ukraine	2013		2014		2015	
	Market Year Begin: Jan 2013		Market Year Begin: Jan 2014		Market Year Begin: Jan 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0
Production	899	899	970	964	1,010	980
Total Imports	63	63	40	55	30	40
Total Supply	962	962	1,010	1,019	1,040	1,020
Total Exports	141	141	170	165	190	170
Human Consumption	821	821	840	854	850	850
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	821	821	840	854	850	850
Total Use	962	962	1,010	1,019	1,040	1,020
Ending Stocks	0	0	0	0	0	0
Total Distribution	962	962	1,010	1,019	1,040	1,020

**\*Not Official USDA Data**

Exports of chicken paws (Ukrainian HS 0207149900) to China, Vietnam and Hong Kong are excluded from the export numbers.