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Report Highlights:

In 2025, Ukraine's fluid milk production will decrease slightly due to growth in the size and productivity of industrial farms, despite a larger decrease in dairy cow inventory. The production of most dairy products will contract insignificantly in 2025 on the drop in fluid milk production, continuing population outflows, and depressed disposable incomes. Russian attacks on Ukrainian infrastructure and mobilization will be the main risk factors for both milk producers and dairy processors. Exports of dairy products will be sluggish due to the shrinking raw milk supply.

Data included in this report is not official USDA Data. Official USDA data is available at <http://www.fas.usda.gov/psd>. Data for Crimea is included in the PSD tables wherever possible.

Executive Summary:

Post forecasts Ukraine's *fluid milk* production to decrease slightly in 2025. Although the number of cows will continue to decline, overall efficiency will continue to increase.

Small household milk production will remain inefficient, with rudimentary sanitary and veterinary practices, though it makes up approximately 60 percent of Ukraine's total milk production. In 2025, household milk will retain its niche in the low-price, low-quality open-air market segment. The household subsector will supply no more than 8-9 percent of fluid milk for industrial processing.

Post expects industrial fluid milk production to increase in 2025. However, due to its smaller share in total milk production and the rather significant production drop in households, Post forecasts 2025 fluid milk yield to be lower than in 2024. Russian attacks on Ukraine's power grid, resulting in prolonged outages, and labor shortages due to mobilization are the industry's biggest challenges in 2024 and 2025.

In 2025, Post forecasts fluid milk consumption to decrease. Since the full-scale Russian invasion began in February 2022, Ukraine's population has fallen due to refugee outflows, with a slower decline in 2024 and 2025. Most refugees are women and children, who comprise a significant share of fluid milk and dairy product consumers. Disposable incomes also remain depressed.

Post forecasts 2025 *cheese* production will decline slightly, driven by sluggish domestic demand and intense competition from EU imports. The Ukrainian industry has not developed products to compete with upper market segment EU cheese and has concentrated on mass-market production. Consumption will decrease due to continued population outflows and the tight economic situation. Post expects imports from the EU to be stable and focused on the upper market segment for both hard and fresh, soft cheese. The market will continue to shift from a preference for hard cheese to soft cheese.

In 2025, Post expects *butter* production to be depressed due to a tight milk supply. In Ukraine, butter production peaks in the summer months, when an excess supply of milk is available. Consumption will also remain depressed due to economic and demographic factors. Ukrainian processors see the production of butter and other dairy commodities as a way to expand milk processing and fluid milk utilization through exports. The industry views EU traders and EU ports as possible future export routes.

Non-fat dry milk (NFDM) production is tied to butter production and will contract insignificantly in 2025. The Ukrainian food processing industry has decreased its NFDM consumption. Two-thirds of production will be exported, with exports slightly below 2024 levels.

Whole milk powder (WMP) is rarely used in Ukraine and is predominantly for the confectionery and bakery industries. Post forecasts domestic production to remain flat. Exports will be small, as the butter plus NFDM combo yields higher profits.

Important Data Note:

Due to renewed statistical data published by the State Statistics Service of Ukraine (SSSU), production, supply, and distribution numbers for 2023 increased significantly. The new data includes SSSU-updated official estimates for frontline areas. Data collection remains challenging. The SSSU suspended the publication of all official dairy product production data in 2022, and it has not yet resumed. All production numbers in the report are Post estimates.

Fluid Milk

Table 1: Fluid Milk Production, Supply, and Distribution*

Dairy, Milk, Fluid Ukraine, Thousand Metric Tons	2023		2024		2025
	Market Year Begin: Jan 2023		Market Year Begin: Jan 2024		Market Year Begin: Jan 2025
	USDA Official	New Post	USDA Official	New Post	New Post
Cows In Milk	1 400	1 400	1 300	1 310	1 150
Cows Milk Production	6 900	7 452	6 500	7 280	7 150
Other Milk Production	115	168	105	105	100
Total Production	7 015	7 620	6 605	7 385	7 250
Other Imports	5	5	5	2	2
Total Imports	5	5	5	2	2
Total Supply	7 020	7 625	6 610	7 387	7 252
Other Exports	29	28	30	27	30
Total Exports	29	28	30	27	30
Fluid Use Dom. Consum.	3 851	4 097	3 490	3 980	3 900
Factory Use Consum.	2 490	2 850	2 470	2 760	2 742
Feed Use Dom. Consum.	650	650	620	620	580
Total Dom. Consumption	6 991	7 597	6 580	7 360	7 222
Total Distribution	7 020	7 625	6 610	7 387	7 252

*These are not official USDA numbers

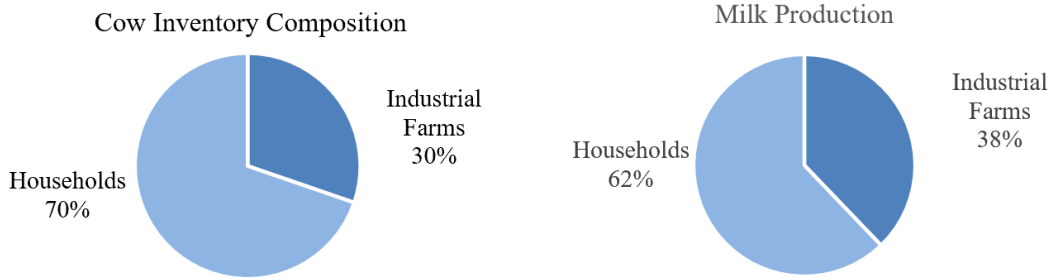
Includes Crimea data

Production

Ukraine’s dairy production is concentrated in two major subsectors: household plots and industrial farms (Figure 1). In 2025, Post expects each subsector to exhibit different behaviors; industrial farms will continue to grow, while the household sector will continue to decline. The combined impact will result in slightly decreased 2025 fluid milk production.

Post increased 2023 fluid milk production to reflect Ukraine’s official statistical numbers. The SSSU updated the official production number, which includes additional volumes from Ukraine-controlled frontline areas.

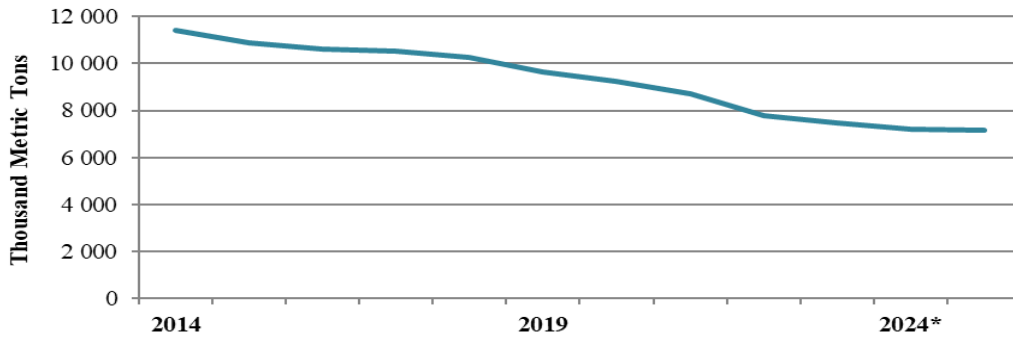
Figure 1: Dairy Cow Inventory Composition (as of January 1, 2024) and Milk Yield by Subsector



Source: Ukraine’s State Statistics Service

The full-scale Russian invasion has significantly affected Ukrainian dairy production. The industry relied on daily milk sales, and sales problems in the early months of the full-scale invasion resulted in a major decrease in cow inventory and a drop in milk production (Figure 2). The household subsector remains vulnerable as its sales channels are restricted. Russian aggression against Ukraine has resulted in the bankruptcy of smaller, inefficient industrial farms, a growth in average farm size, and industry relocation to central and western Ukraine, where the impacts of Russia’s war against Ukraine are not as strong. The industrial subsector resumed production growth in 2023-24, although the number of cows declined. The decline in animal inventory will continue in 2025, but the milk yield drop will be less significant, close to 2 percent of total production.

Figure 2: Ukraine's Fluid Milk Production



Source: Ukraine’s State Statistics Service

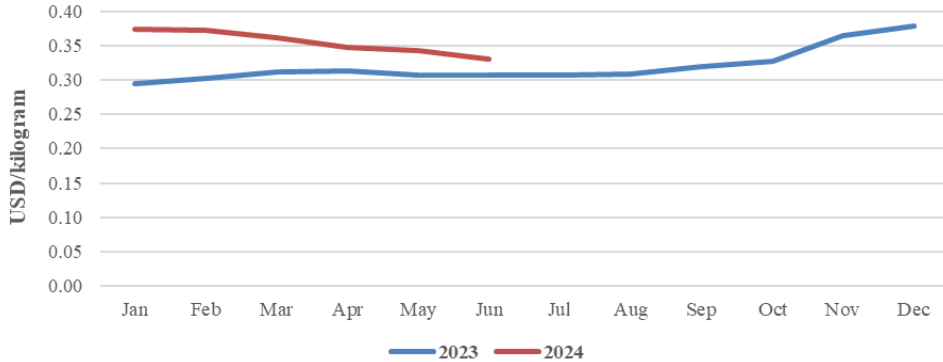
* Forecast

Electricity outages were the largest problem and will remain the most significant production threat in 2025. Many dairy farms had to rely on power generators as the sole source of electricity, which negatively affected production costs. Milking and milk chilling are the most energy-consuming farm operations, requiring large and expensive 100–500-Kilowatt power generators.

Many dairy processors reduced fluid milk procurements and lowered production due to energy rationing imposed by power suppliers. Despite increasing costs, according to the Association of Ukrainian Milk Producers, over 40 large farms situated in central and western Ukraine implemented major expansion projects that included European Union (EU)-compliant farm construction.

Despite some decline, Post does not expect the fluid milk price to influence milk production trends in 2025. Although 20-25 percent lower than in nearby EU countries, fluid milk prices remained favorable for dairy farmers during the fall of 2023 and the first half of 2024 (Figure 3).

Figure 3: Fluid Milk Procurement Price



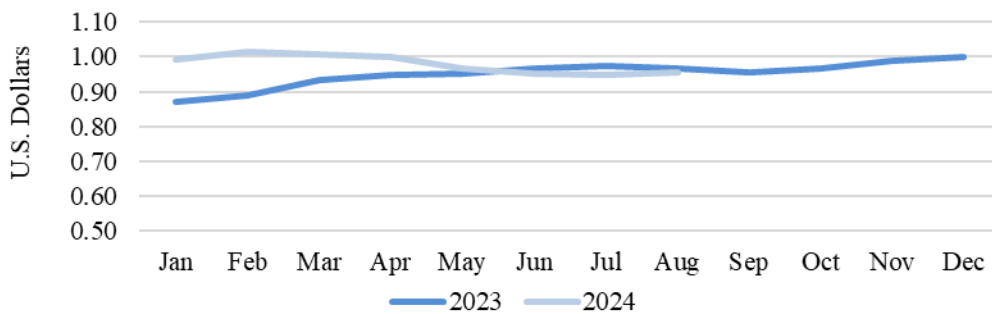
Source: Association of Milk Producers of Ukraine; Interbank exchange rate
 Note: The price is a weighted average of all three milk quality grades

Consumption

Milk consumption will decline in 2025, due to a drop in incomes and continuing population outflows. In late 2024, the Government of Ukraine has been working on a significant tax increase initiative, which may have an additional impact on consumption. Being a staple food, fluid milk sales declined only slightly in 2023-2024. Retail fluid milk prices stabilized in 2024, and Post does not expect them to depress consumption further (Figure 4).

Consumption of plant-based milk substitutes will continue to grow in 2025. According to industry sources, 5 percent of Ukrainian consumers purchase plant-based substitutes on regular basis and 16 percent purchase them at least once a month. Plant-based substitutes notably limit fluid milk sales, especially among adults.

Figure 4: Pasteurized Milk with Fat Content at and above 2.6 Percent (1 kilogram)



Source: Ukraine’s State Statistics Service; FAS/Kyiv calculations

Cheese

Table 2: Hard and Soft Cheese Production, Supply, and Distribution*

Dairy, Cheese Ukraine, Thousand Metric Tons	2023		2024		2025
	Market Year Begin: Jan 2023		Market Year Begin: Jan 2024		Market Year Begin: Jan 2025
	USDA Official	New Post	USDA Official	New Post	New Post
Beginning Stocks	7	7	7	7	7
Production	135	140	132	137	134
Other Imports	34	34	40	37	38
Total Imports	34	34	40	37	38
Total Supply	176	181	179	181	179
Other Exports	9	9	10	12	11
Total Exports	9	9	10	12	11
Human Dom. Consumption	160	165	162	162	161
Other Use, Losses	0	0	0	0	0
Total Dom. Consumption	160	165	162	162	161
Total Use	169	174	172	174	172
Ending Stocks	7	7	7	7	7
Total Distribution	176	181	179	181	179

*These are not official USDA numbers

Includes Crimea data

Production

Due to data publication restrictions related to the full-scale Russian invasion, official statistics on cheese production were suspended in 2022 and are yet to resume publication in 2024.

Post forecasts cheese production to decline marginally in 2025. The deteriorating economic situation will be the main factor limiting production of this relatively expensive dairy product. Post expects production to significantly shift from hard cheese into fresh, soft cheese. This trend began in 2019 and is expected to last in 2025. Post adjusted historical 2023 cheese production to reflect higher official 2023 milk yields.

Cheese production is one of the main dairy businesses in Ukraine. Almost the entirety of production is focused on the domestic market. As with other dairy products and fluid milk, Russian aggression against Ukraine affected cheese production, with frequent electricity outages and workforce mobilization being the most prominent factors.

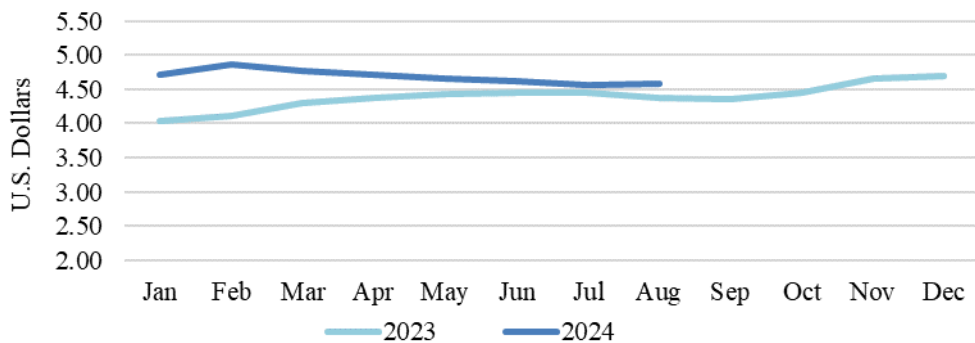
In 2025, production will experience the same set of problems. To-date, no extensive cheese production facilities were directly impacted by Russia's war against Ukraine. Several facilities in southern Ukraine stabilized operations in 2023 and 2024 after the deoccupation of territories in 2022.

Consumption

Post expects cheese consumption to stagnate further in 2025 despite industry efforts to keep prices lower to maintain consumers. An increasing number of Ukrainian consumers are switching from hard to fresh, soft cheese. Hard cheese sales dropped by almost 20 percent between 2019 and 2023, while sales of soft cheese grew by approximately 45 percent. This shift may partially be explained by consumer preferences and partially by the significantly lower cost for both consumers and producers of fresh and soft cheese. Consumers are also increasingly diversifying their consumption patterns by using more cheese in salads, pasta, pizza, and other non-traditional (for Ukrainian cuisine) foods. This new trend requires different cheese types, so the industry is developing new products. Diversification often starts with imports, with domestic processors picking up on the trend. Ukraine recognizes most EU geographic indicators, which include many cheese types. New local generic names are being developed, but the process is slow.

The relatively high retail price of cheese did not facilitate cheese consumption in 2024. Prices also remained high during the peak dairy production season in the summer months. Some low-income consumers returned to cheese purchases at open-air markets, as opposed to organized retail. The price and quality of household-made cheese are generally lower, although many consumers consider these artisan products “healthy” and “natural” (Figure 5).

Figure 5: Cottage Cheese Retail Price (for 1 kilogram)



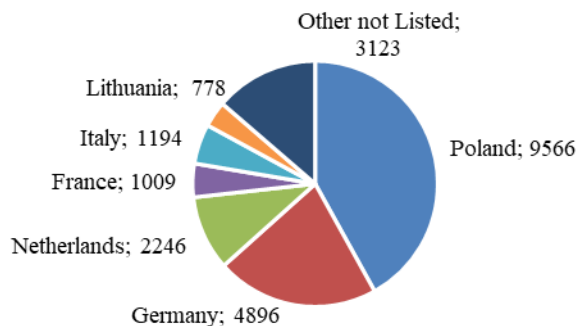
Source: Ukraine’s State Statistics Service; FAS/Kyiv calculations

Trade

Russia’s full-scale invasion did not change consumer preferences for high-quality, imported cheese. In 2025, imports are expected to remain strong but only slightly above 2024 levels. Many imported cheeses are considered small luxuries, and consumers maintain their consumption levels despite flat or even declining incomes. The national currency devalued from UAH 38.1 per one USD in June 2023 to UAH 41.4 in September 2024, creating an additional import barrier.

Poland, Lithuania, the Netherlands, and Germany dominated the middle and upper-middle hard cheese mass-market segments, while France and Italy dominated the upper soft cheese segment (Figure 6).

Figure 6: Ukraine's Cheese Imports in Jan-Aug 2024, MT



Source: Trade Data Monitor, LLC

Post expects cheese exports to remain limited in 2025. Ukraine exports its traditional hard cheese varieties to Moldova and Kazakhstan, where consumer preferences are similar. The EU market is open to several Ukrainian dairy processors. Still, fierce competition there limits Ukrainian supplies to immigrant stores that target Ukrainian refugees living in Europe or the lowest market segment.

Butter

Table 3: Butter Production, Supply, and Distribution*

Dairy, Butter Ukraine, Thousand Metric Tons	2023		2024		2025
	Market Year Begin: Jan 2023		Market Year Begin: Jan 2024		Market Year Begin: Jan 2025
	USDA Official	New Post	USDA Official	New Post	New Post
Beginning Stocks	10	10	10	10	10
Production	57	62	55	60	58
Other Imports	3	3	4	3	3
Total Imports	3	3	4	3	3
Total Supply	70	75	69	73	71
Other Exports	7	7	4	5	4
Total Exports	7	7	4	5	4
Domestic Consumption	53	58	55	58	57
Total Use	60	65	59	63	61
Ending Stocks	10	10	10	10	10
Total Distribution	70	75	69	73	71

*These are not official USDA numbers
Includes Crimea data

Production

Due to data publication restrictions related to the full-scale Russian invasion, official statistics on butter production were suspended in 2022 and are yet to resume publication in 2024.

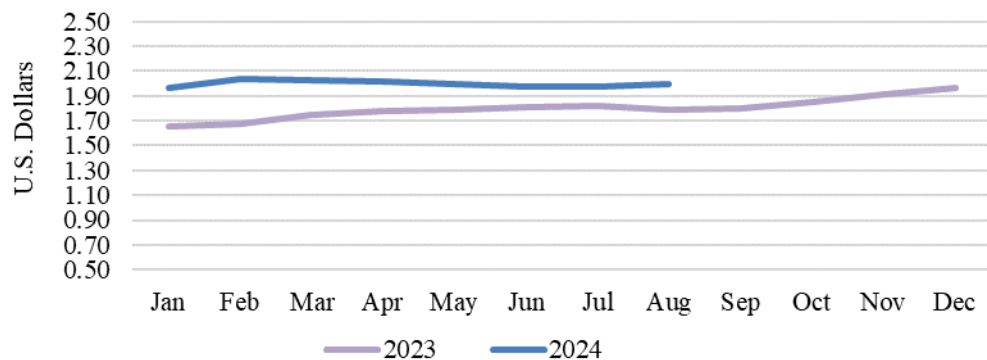
Post forecasts 2025 butter production to fall slightly, following shrinking fluid milk supplies. Ukrainian butter producers concentrate predominately on the domestic market, with exports playing a marginal role. Historical 2023 butter production increased.

In general, the industry produces more butter during the excess milk supply period from May to September. Most of this excess milk comes from households and less efficient industrial farms with high seasonality in milk production. Overall, the increase in industry efficiency catalyzed by the tough economic environment resulted in reduced fluid milk production seasonality, less significant fluid milk price seasonality, and less profitable butter and NFDN production. However, the Ukrainian dairy industry sees increased butter production as a way to utilize future additional volumes of fluid milk when the industry returns to a growth trajectory in 2026 and beyond.

Consumption

In 2025, Post expects butter consumption will decrease marginally due to the population drop, income drop, and strong butter price (Figure 7). According to the National Bank of Ukraine's Inflation Report published in August 2024, Ukraine's population in 2024 and 2025 will decrease by 400 thousand and 300 thousand, respectively. The number of internally displaced persons, who therefore have lost their main sources of income, will also grow and exceed 3.7 million, as [reported](#) by the United Nations. Domestic butter consumption is generally relatively inelastic and closely follows population changes.

Figure 7: Butter Retail Price (for 0.2-kilogram standard package)

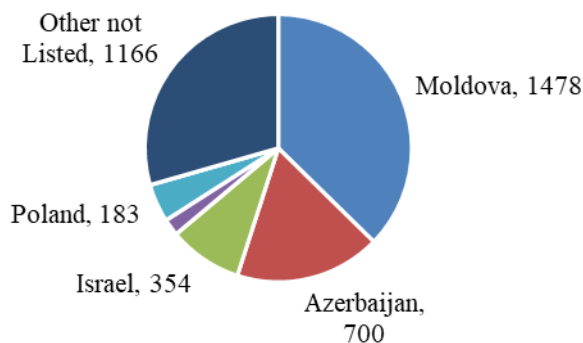


Source: Ukraine's State Statistics Service; FAS/Kyiv calculations

Trade

Post forecasts butter exports will decline further in 2025, following shrinking raw milk availability. Ukraine will concentrate on its traditional former Soviet Union export markets, with a small quantity of butter sold to the EU and the rest of the world (predominantly through EU trading companies) (Figure 8).

Figure 8: Ukraine's Butter Exports in Jan-Jul 2023, MT



Source: Trade Data Monitor, LLC

Butter imports are small and concentrated in the premium market segment. Imports are limited to a few EU exporters.

Non-Fat Dry Milk

Table 4: NFDM Milk Powder Production, Supply, and Distribution*

Dairy, Milk, Nonfat Dry Ukraine, Thousand Metric Tons	2023		2024		2025
	Market Year Begin: Jan 2023		Market Year Begin: Jan 2024		Market Year Begin: Jan 2025
	USDA Official	New Post	USDA Official	New Post	New Post
Beginning Stocks	2	2	2	2	2
Production	28	30	27	29	28
Other Imports	1	1	1	1	1
Total Imports	1	1	1	1	1
Total Supply	31	33	30	32	31
Other Exports	20	20	19	20	19
Total Exports	20	20	19	20	19
Human Dom. Consumption	9	11	9	10	10
Other Use, Losses	0	0	0	0	0
Total Dom. Consumption	9	11	9	10	10
Total Use	29	31	28	30	29
Ending Stocks	2	2	2	2	2
Total Distribution	31	33	30	32	31

*These are not official USDA numbers
Includes Crimea data

Production

Due to data publication restrictions related to the full-scale Russian invasion, official statistics on NFDM production were suspended in 2022 and are yet to resume publication in 2024.

The product is not sold in retail; therefore, no price information is available.

Post expects NFDM production to follow the same trend as butter in 2025, as production of these two products is bundled. Increased efficiency of Ukrainian dairy farms resulted in little excess fluid milk supply during the peak summer months. This has depressed NFDM production in the past two years. Due to limited and inelastic domestic demand, the Ukrainian processors must rely on foreign markets.

Consumption

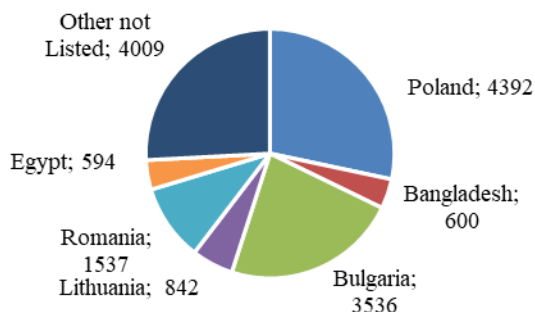
Post forecasts 2025 NFDM consumption to decrease insignificantly, following a 2024 decrease. Note that the production drop is consumed by a rounding error and therefore is not reflected in the PSD table. Ukrainian food processing industry output stabilized after the initial population outflow following the start of the full-scale Russian invasion, and no major consumption changes are expected.

Trade

In 2025, Post forecasts NFDM exports to contract insignificantly on production. The market has settled following a significant export surge in 2022, when population outflows resulted in increased butter and NFDM production. Post expects the 2024 situation to be similar to 2025.

Ukraine will ship to its traditional NFDM export markets in Southeast Asia, North Africa, and the Middle East, while role of large international traders from Poland, Lithuania, and Bulgaria will remain strong (Figure 9). Exports of Ukrainian NFDM to those countries are likely to end up elsewhere (i.e. outside of the EU). Lower quality Ukrainian products can be blended with EU NFDM milk or are re-exported “as is.”

Figure 9: Ukraine's SMP Exports, Jan-Aug 2024, MT



Source: Trade Data Monitor, LLC

Post does not expect Ukraine to import any significant amount of NFDM in 2025.

Whole Milk Powder (WMP)

Table 5: Whole Milk Powder Production, Supply, and Distribution *

Dairy, Dry Whole Milk Powder Ukraine, Thousand Metric Tons	2023		2024		2025
	Market Year Begin: Jan 2023		Market Year Begin: Jan 2024		Market Year Begin: Jan 2025
	USDA Official	New Post	USDA Official	New Post	New Post
Beginning Stocks	0	0	0	0	0
Production	8	8	8	8	8
Other Imports	0	0	0	0	0
Total Imports	0	0	0	0	0
Total Supply	8	8	8	8	8
Other Exports	2	2	3	2	2
Total Exports	2	2	3	2	2
Human Dom. Consumption	6	6	5	6	6
Other Use, Losses	0	0	0	0	0
Total Dom. Consumption	6	6	5	6	6
Total Use	8	8	8	8	8
Ending Stocks	0	0	0	0	0
Total Distribution	8	8	8	8	8

*These are not official USDA numbers

Includes Crimea data

Production

Due to data publication restrictions related to the full-scale Russian invasion, official statistics on WMP production were suspended in 2022 and are yet to resume publication in 2024. The product is not sold in retail, so no price information is available.

Post forecasts 2025 WMP production to remain flat due to flat consumption. Ukraine produces insignificant volumes of WMP for domestic use, as the NFDM and butter combo provided Ukrainian processors with better margins.

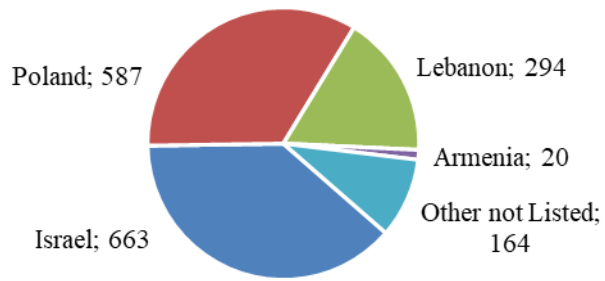
Consumption

Post expects WMP consumption to be flat in 2025. It is predominately consumed by the Ukrainian bakery and confectionary industries, which had to scale down production due drops in domestic consumption. To control costs, many food producers switched to NFDM and palm oil. WMP is often used for premium segment food products. Post does not forecast local demand for WMP to recover notably until refugees return to the country after the war ends.

Trade

Post forecasts 2025 WMP exports remain insignificant. There is limited foreign demand. Similar to the NFDM market, the role of foreign traders, Poland and Israel being the major countries of origin, has grown in recent years (Figure 10).

Figure 10: Ukraine's Dry Whole Milk Powder Exports, Jan-Aug 2024, MT



Source: Trade Data Monitor, LLC

Attachments:

No Attachments