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Food Processing Ingredients Report

Report Categories:

Food Processing Ingredients

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Report Highlights:

Ukraine has a robust and growing food processing industry. In recent years Ukrainian food producers have targeted international markets following Russia's market closure in 2015. Export opportunities for U.S. companies exist in both bulk and specialized food ingredients markets. However, these opportunities may be hindered by several factors, including: a low awareness among Ukrainian processors about U.S. suppliers; low disposable incomes of Ukraine's population (for products destined for domestic market); competition from EU suppliers and food-safety control system reforms aimed at compliance with EU rules and norms. Potential exporters are advised to secure an experienced Ukrainian partner with established contacts who is capable of navigating a myriad of obstacles facing imported food ingredients.

SECTION I. MARKET SUMMARY

Macroeconomic performance and other indicators

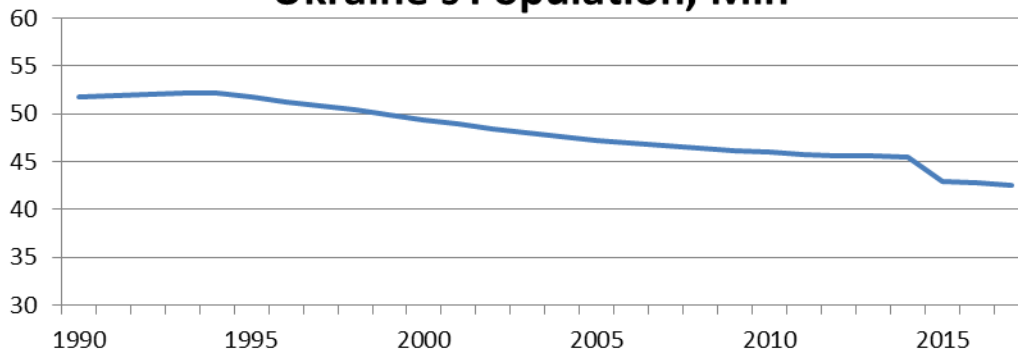
With rich farmland, a well-developed industrial base, a highly trained labor force of 20 million, and an adequate education system, Ukraine has the potential to become a major European economy. After a robust 8-year expansion beginning in 2000 that saw real GDP expand 75 percent, Ukraine's economy experienced a sharp slowdown in late 2008, which continued through 2009. After relative economic stability in 2010-2013, real GDP fell by 6.8 percent in 2014, stemming from economic and political instability inside the country as well as Russian military intervention in eastern Ukraine and the occupation of the Crimean Peninsula. After a 9.9 percent real GDP drop in 2015, Ukraine exhibits modest 1.0-2.0 percent growth rates in 2016-2017. It will take a few years before the Ukrainian economy rebounds to pre-crisis performance and consumption levels. Many tables and graphs in this report exhibit the sharp downward trends in 2014-16.

Agriculture contributes over ten percent of Ukraine's GDP, according to the Ukrainian State Statistics Service. Over 17 percent of Ukraine's population is employed in agriculture. Private household plots accounted for almost 45 percent of agricultural output in 2015, although their share is constantly declining as larger producers increase production volumes for the majority of exportable commodities (grains and oilseeds) as well as producing large quantities of animal products (poultry and eggs) for domestic markets. Ukraine has been a WTO member since May 16, 2008. The country adopted a relatively low import duty schedule and acceded with rather strict limitations on state support, and few sanitary and phytosanitary (SPS) and technical barriers to trade (TBT) regulations in place.

In March 2014, Ukraine signed the [EU-Ukraine Association Agreement](#), solidifying the country's intention to integrate into the European Community and bring SPS laws and technical regulations closer to European standards to support trade with the EU and attract sorely needed investment. A crucial economic component of the Association Agreement was the Deep and Comprehensive Free Trade Area ([DCFTA](#)). According to the EU Commission website the Agreement will eliminate 99.1% and 98.1% of tariffs for Ukraine and the Union, respectively. However a significant portion of trade in agricultural products remains subject to tariff rate quotas (TRQs) maintained by both the EU and its member states, and Ukraine. TRQs restrict trade in sensitive agricultural products. Ukraine also agreed to implement a major legislation change program aimed at bringing it in compliance with EU regulations. Adoption of certain EU technical regulations and SPS norms results in market access complications for U.S. food ingredient suppliers.

The population of Ukraine is in decline. Life expectancy at birth is 71 years (2016) which puts Ukraine at 105th place out of 183 countries. Ukraine has one of the highest depopulation rates in the world (-0.5 percent of population) and occupies the 226th place out of 233. The Organization of United Nations expects Ukraine's population to contract by 9 million (an estimated 28% total decrease) by 2050. Annexation of the Crimean Peninsula by Russia in 2013 resulted in another 1.9 million population decrease.

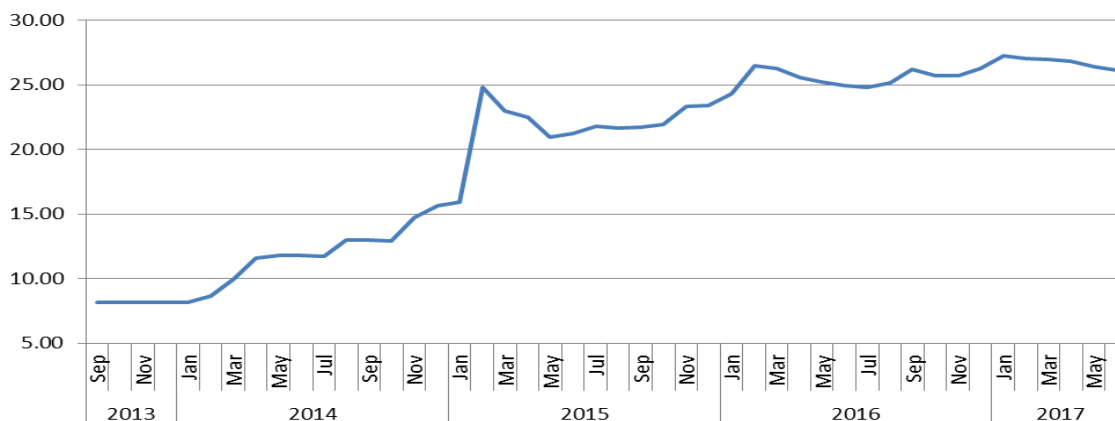
Ukraine's Population, Mln



Source: State Statistics Service of Ukraine

Significant political and economic shocks undermined the Ukrainian currency – Hryvnia (UAH) – stability in 2014-15, resulting in abrupt devaluation. The exchange rate was stabilized in 2015-16 through multiple National Bank of Ukraine measures. Devaluation significantly complicated imports as currency exchange risks increased.

UAH/USD Exchange Rate

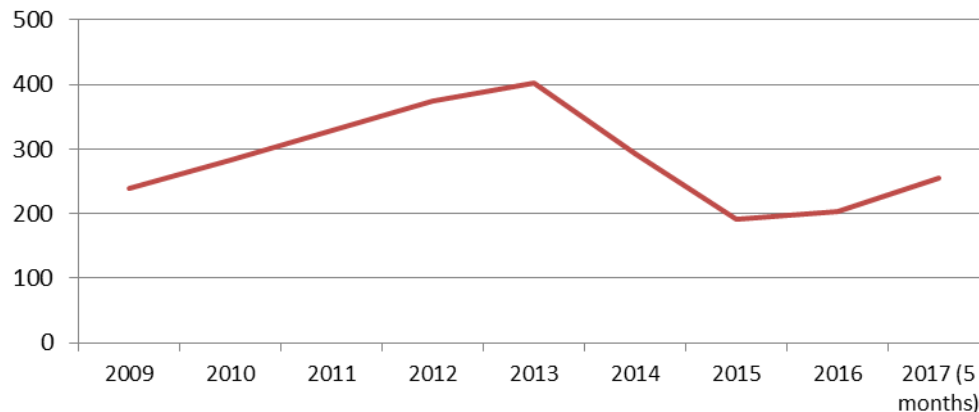


Source: State Statistics Service of Ukraine, FAS/Kyiv calculations

Stabilization in the exchange rate is welcomed by local food processors, as it enables a degree of financial and contract stability that has been absent in recent years. Imports of food ingredient stabilized in 2016.

Currency devaluation led to an average salary decrease, which was not offset by a corresponding nominal salary growth. Salaries partially rebounded after macro-economic stabilization.

USD Average Official Monthly Salary in Ukraine, USD



Source: State Statistics Service of Ukraine, FAS/Kyiv calculations

The decrease in disposable income will be an impediment for imports of U.S. products, with the impact felt into 2017 and beyond. Because Ukrainians continue to spend over half of their income on food, disposable income is the overwhelming determinant of demand for food imports, especially often higher-priced U.S. products. Without a meaningful recovery in household disposable income, boosting exports will be very challenging. Disposable income has begun to stabilize or even show a very small amount of growth in 2016, but not enough to make up for recent losses. It will be several years at least before formerly obtained incomes are regained.

Annual Foodstuffs Sales in Retail Trade (1000 Tones)

	2011	2012	2013	2014	2015
Meat and products	480	527	621	489	454*
Butter	32	36	38	35	31*
Vegetable oil	138	147	144	139	111*
Cheese and soft cheese	75*	93	97	86	81
Eggs, million	2601	2698	2817	2566	2113*
Sugar	156	166	208	212	191
Confectionary (including ice-cream)	320	345	355	341	288*
Tea	11	12	12	11	9*
Bread and products (in wheat flour equivalent)	834	837	841	811	716*
Potato	106*	178	179	142	130
Vegetables (fresh)	327	444	461	387	323*
Fruits and berries and nuts	363	443	439	355	292*

Source: State Statistics Service of Ukraine, FAS/Kyiv calculations

* - indicates five years lowest number

Despite the ongoing political and economic crisis, Ukraine will continue to be a major exporter of food and agricultural products. Since the late 1990's, Ukraine has become an established supplier of grains and oilseeds to the world market. Recent developments suggest that Ukraine can also become a major poultry supplier. Most Ukrainian grain is sold to the Near East, Eastern Europe, and EU countries. And it can potentially reach

markets further afield. Once sizable, exports of dairy products from Ukraine are decreasing due to a shrinking cattle population, and the trend is exacerbated by Russia’s export ban. Exports of processed and high value added products are not significant, but growing.

Ukraine is currently, and is expected to remain, a large importer of agricultural inputs needed for its growing agricultural sector. Imports of many bulk inputs (planting seeds) are expected to shrink as large international suppliers move into the country building domestic production facilities and distribution centers, while others (livestock genetics, tree shrubs, vegetable seeds) are expected to grow as their exports remain profitable.

Imports of some inputs are defined by low cost-driven consumer markets. For example, being one of the largest vegetable oil exporters in the world, Ukraine imports significant quantities of palm oil which substitutes for more expensive domestic sunflower oil and butterfat in the confectionary industry.

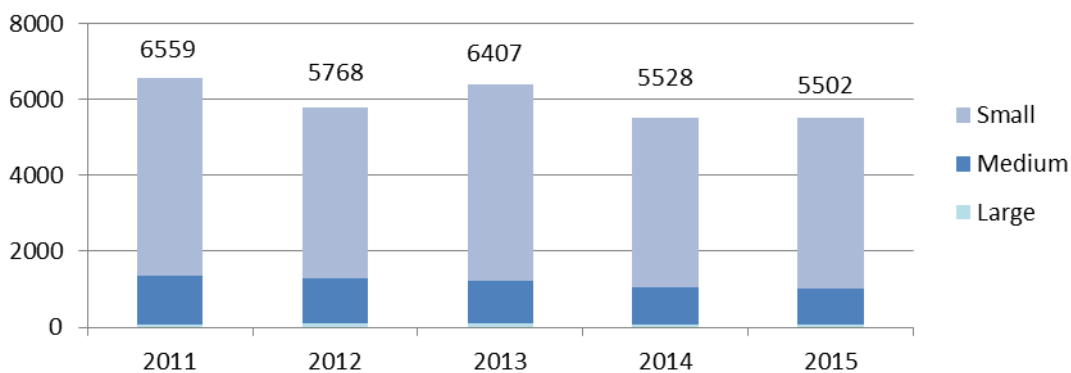
Ukraine will also remain a large market for products that are not grown in the country. This list is extensive and includes tree nuts, fish, seafood, tobacco, cocoa, tea, coffee, spices, certain alcoholic beverages, fresh and canned fruits and many others. Many of these products can be considered staple foods as they enter each Ukrainian’s diet and are consumed on a daily basis. Demand for these products is subject to disposable income fluctuations at much lesser extent (i.e., inelastic demand).

Processed Industry Facts and Figures

Sales of domestically processed food and beverages totaled \$18.2 billion in 2015, with the food processing industry responsible for 22.4 percent of total manufacturing and employing almost 15 percent of the population in the labor force. Over 84 percent of food products sold through the organized trade channels (excluding open air markets) are produced domestically.

The Ukrainian food processing industry heavily relies on small and medium size enterprises (SMEs). However few large processors are responsible for majority of sales and dominate in beer, soft-drinks, hard liquors, condiments and confectionary industries.

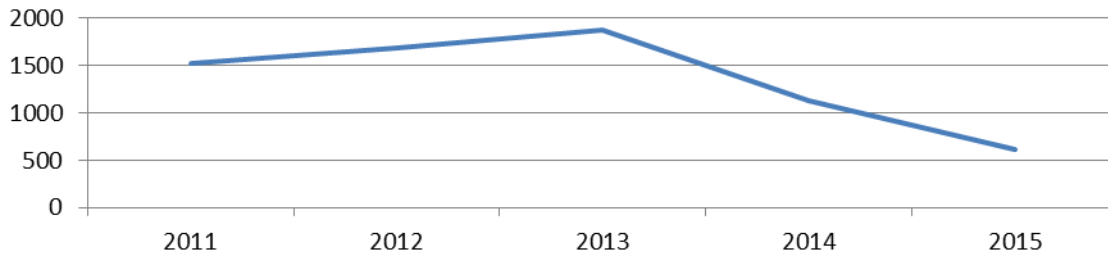
Number of Food Processing Enterprises



Source: State Statistics Service of Ukraine, Industry Yearbook 2010-15

A number of large food processors did not survive the economic crisis of 2014. Their number decreased from 96 in 2012 to 58 in 2015. Small and medium size businesses are highly competitive and they fill available market niches. Ukraine undertook a number of steps in 2013-2017 aimed at simplification of food processors registration and operations.

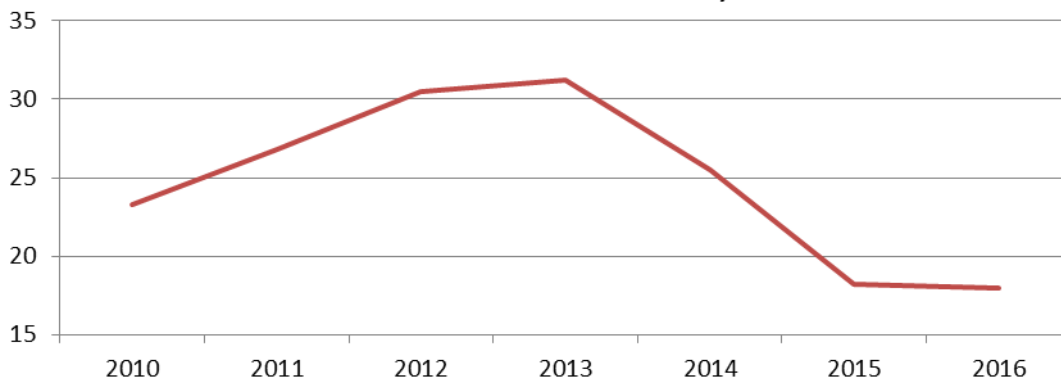
Investments into Food and Beverage Production, USD Mln.



Source: State Statistics Service of Ukraine, Industry Yearbook 2010-15

Although the economic crisis resulted in declining investments in 2014-15, the situation in 2017 stabilized. It will take some time before investments return to 2012-13 level.

Foodstuffs and Drink Production, Bln. USD



Source: State Statistics Service of Ukraine

Advantages and Challenges Facing U.S. Products

Advantages	Challenges
Structural changes in consumption lead to greater demand for value added food products and innovative ingredients.	Only small share of Ukrainian consumers can afford imported high-value added food products.
Recent deregulation in SPS area along with removal of TBTs, accompanied by anti-corruption efforts, led to some simplification of customs procedures.	High trade risks due to volatile exchange rate and political instability in the country, arbitrary custom valuation practices and corruption make imports of food ingredients cumbersome.
Investment growth in the food processing industry increases demand for additives and other ingredients not produced in Ukraine.	Strong competition in the local market from domestic producers and increasing imports from EU. Only EU-based producers can benefit from many zero import tariffs and import tariff-rate quotas.
Average import tariff level for food ingredients and non- processed products are very low or zero.	Ukrainian regulatory framework changes aimed at compatibility with EU regulations create TBTs for US suppliers.
Growth of international fast food and restaurant chains in Ukraine that use standard procurement systems and that source food ingredients from the U.S.	High distribution and shipping costs, currency devaluation makes international chains switch to local suppliers.
Processing sector is looking for ingredients to meet consumer expectation for innovative products.	Low awareness of U.S. products; relatively low use of U.S. ingredients by processors.

U.S. food ingredients and agricultural products traditionally suffer from low awareness among processors in Ukraine. Several constraints and misconceptions have contributed to the small market presence of U.S. food ingredients:

- U.S. companies have little reliable information about the country, current market opportunities and potential business partners.
- A perception that persists among Ukrainian importers is that landed costs of U.S. products are higher relative to European products due to higher transportation costs.
- The perception that U.S. exporters are simply too far away to follow market trends and service the Ukrainian market.
- U.S. companies are afraid of political and economic instability in Ukraine and just do not want to make deals under significant market uncertainty, sometimes even refusing an up-front paid sale.
- Often EU or Russia-based distributors or representative offices have secondary market responsibility/coverage of Ukraine, and both may miss opportunities while concentrating on their larger core markets.

SECTION II. ROADMAP FOR MARKET ENTRY

A. Entry Strategy

There is no single market entry strategy recommended for new-to-market exporters. First, the exporter should define whether Ukraine is a major market for the product, or if only occasional deliveries will be made. The following factors should be considered:

- Market product need, given consumer income trend and particular food sector development prospects (separate market research in order to assess product prospects may be required);
- Availability of similar domestically produced products;

- Calculation of the landed cost of a product in order to make price comparisons vis-à-vis competitors.
- Availability of similar products from EU or third country suppliers. Also, comparative advantages and disadvantages of U.S. products relative to products from major competitors (e.g. quality, price, transportation expenses, packaging, labeling, etc.)
- Availability of a local distributor familiar with the product. It is advisable to initiate personal contact in order to discuss marketing strategies, funding for advertising, etc. Suppliers may also want to consider trade fair participation to increase awareness of their products.
- Tariff and non-tariff regulations affecting the product. Recent legislative changes aimed at EU approximation are making the Ukrainian trade regime similar to EU. This process transfers existing EU technical regulations and restrictions into Ukrainian market. Simultaneously, it simplifies the process in cases where ingredients are already registered and freely traded in EU.

Currently, almost all U.S. food and agricultural product exporters work through a Ukraine-based subsidiary, importer, or through the procurement service of the buyer. Local distributors are more flexible, usually have established marketing channels and can provide local customers with short-term (5-30 day) credits in kind. In the vast majority of cases the importers are also responsible for the entire logistical chain and inland transportation. Due to frequent changes in Ukrainian legislation, it is recommended that the Ukrainian partner handle all logistics. Some Ukrainian distributors have already established representative offices in major exporting countries.

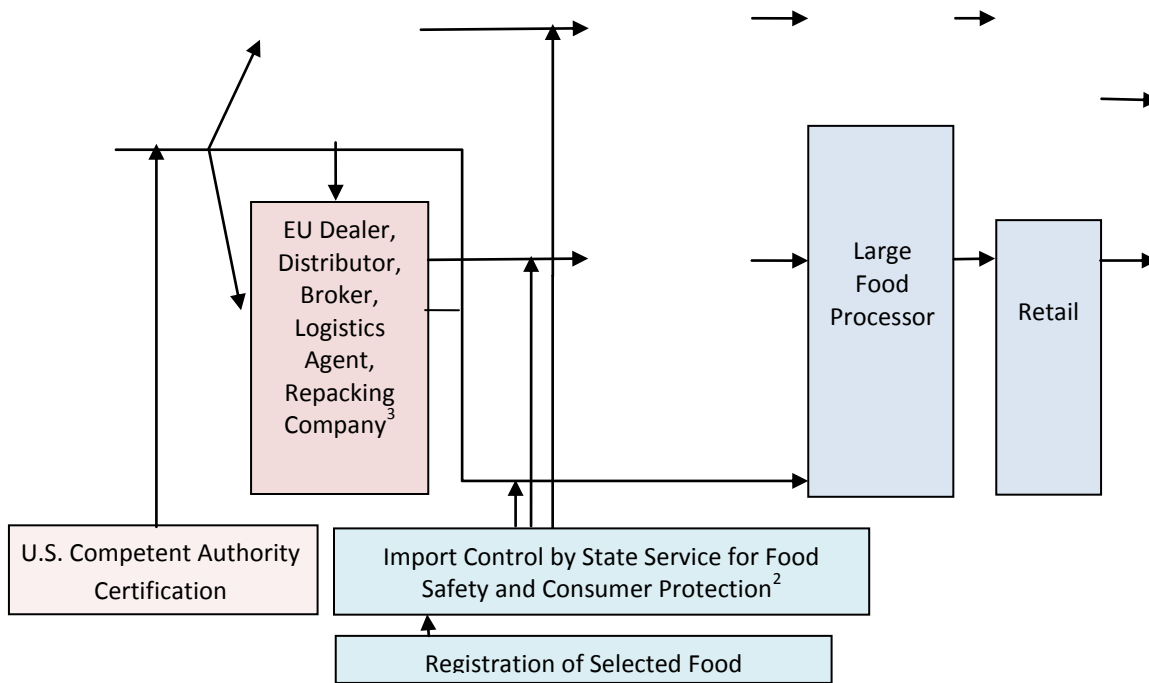
U.S. companies should approach potential Ukrainian partners with due diligence. While information on Ukrainian companies has improved, there is still a significant dearth of background data and credit histories on potential Ukrainian distributors. This presents the greatest obstacle to finding reliable, competent distributors. In order to obtain a due diligence report on a potential Ukrainian partner, a U.S. company is advised to contact either a law firm or an internationally accredited financial service company. Ukrainian laws and regulations are often vague and open to interpretation. U.S. businesses are advised that establishing a partnership with a Ukrainian company is a challenge that is beyond the control of the U.S. partner.

If the Ukrainian market looks promising, establishing a representative office is recommended to deal with buyers directly. Personal relationships are very important in Ukrainian business practices and often problems cannot be effectively resolved over the phone. It is a very common practice in Ukraine to purchase inputs directly from the producer. Even if the exporter’s policy requires importers to work through the foreign-based distributor, most Ukrainian partners will still attempt to contact and work directly with the producer.

Select U.S. products may also enter the Ukrainian market through a different route; via a Ukraine-based U.S. intermediary able to manage the distribution scheme more efficiently than a Ukrainian importer. This is vital if the Ukrainian importer lacks technical skills and expertise in product promotion.

B. MARKET STRUCTURE





Food Standards and Regulations

For an extensive explanation of Ukrainian Food and Agricultural Import Regulations and Standards, a prospective exporter should refer to FAS\Kyiv’s [FAIRS Report](#), which is available on the USDA/FAS web site. An abbreviated review of Ukrainian import regulations and food standards is provided below:

Ukraine implemented a single food safety authority model for its food and animal safety control as well as consumer protection. The single regulatory agency is called the [State Service of Ukraine on Safety of Foodstuffs and Consumer Protection](#) (SSUFSCP). The SSUFSCP is responsible for the safety of veterinary drugs, feed, products of animal origin for food and non-food consumption, other food products, phytosanitary issues (plant quarantine) and market control. The Ministry of Agrarian Policy is in charge for plant variety registration and seed certification. The SSUFSCP is responsible for all aspects of food safety for all imported food products. The Ministry of Healthcare of Ukraine (MHCU) remains responsible for food safety issues in public food establishments and epidemiological control in cases of food-borne illness investigations and elimination of outbreaks.

A number of Ukrainian laws adopted after the EU-Ukraine DCFTA agreement declared Ukraine’s adherence to both “international and EU norms”. The laws do not address cases when international (CODEX-based) regulations and standards differ from those of the EU. However, Ukraine verbally declared its adherence to international requirements.

Ukraine is a CODEX Alimentarius Commission member, but it maintains its own positive list of food additives. All food additives are subject to in-country registration by the National Competent Authority for Healthcare (Ministry of Healthcare of Ukraine - MHCU). Import of food products that contain non-registered additives is

not allowed, although importers may seek their registration with the MHCU.

The old list of approved food additives was canceled by the Cabinet of Ministers, but the Ukrainian competent authority has yet to publish the new official list of approved additives as required by the law. However, Ukraine officially accepted and allowed for use all EU-registered food additives. The most recent consolidated EU list, as stipulated by Annex II, Regulation (EC) No 1333/2008, is available [here](#). This EU list is currently the only guidance for the potential exporter of food ingredients.

Dietary, prophylactic food products, biologically active agents, baby food, and food for athletes are considered special food products in Ukraine. Registration of special food products is conducted by the Sanitary and Epidemiological Service of the Ministry of Health Care of Ukraine prior to importing them into Ukraine. All registered foods are published in the State Register of Special Dietary Food Products, Functional Food Products and Dietary Supplements on the MHCU's State Sanitary Service website.

Ukrainian law also requires state registration of the following food ingredients:

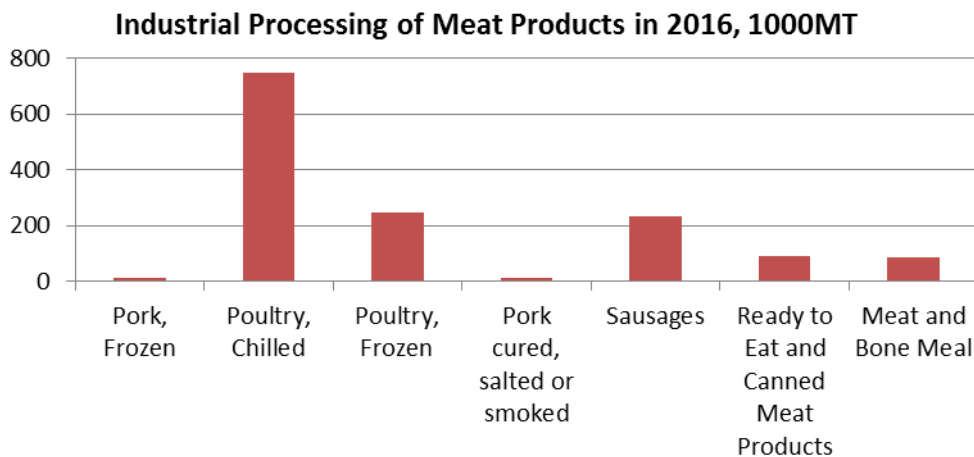
- Aromatic substances;
- Enzymes;
- Pet foods and feed additives;
- Novel Food products.

Novel Food Products are subject to compulsory registration by MHCU authorities. Ukraine defines novel food as a food product or ingredient that is substantially different from the common food products or ingredients present on the market. Please refer to FAIRS report for more information.

There is no facility registration procedure for processed food products of non-animal origin. However, Ukrainian law requires the SSUFSCP to maintain a positive list of eligible countries and positive list of eligible facilities for export of food products of animal origin into Ukraine. The registers are to be published on the official website of the Authority.

C. Industry Profiles

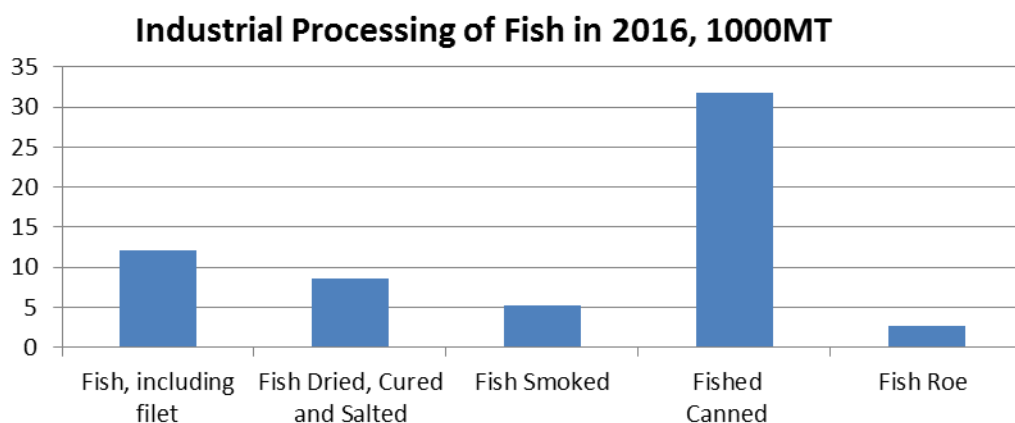
This chapter provides a detailed description of all processing subsectors, providing potential exporters with market size estimates and best sales prospects. Specific company profiles are available from the FAS/Kyiv Office per separate requests from U.S. suppliers.



Source: State Statistics Service of Ukraine, FAS/Kyiv calculations

Due to sizable household sector swine production and common backyard slaughter, a significant share of Ukrainian pork is sold at open-air markets. This way small industrial processing does not reflect the real market situation. For more information please refer to the most recent [Livestock and Products Report](#). The number of both sows and pigs for fattening is expected to decrease in 2017, leaving some export opportunities for U.S. pork suppliers. The demand is likely to be concentrated in the lowest market segment for further processing. Ukraine remains a large importer of swine lard. Sausage production is one of the largest meat processing industries in Ukraine and demand for cheap pork and lard remains strong.

Ukraine is self-sufficient in poultry production, but demand is concentrated in the lowest market segment. Unable to procure significant quantities of cheap offal (mostly mechanically deboned meat) Ukrainian meat processors import the product from EU (with Poland and Germany leading in the first half of 2017). Simultaneously, Ukrainian poultry producers export domestically produced poultry to satisfy demand in the Near East, EU and African countries. Export opportunities for U.S. poultry producers remain only in the cheapest market segments.



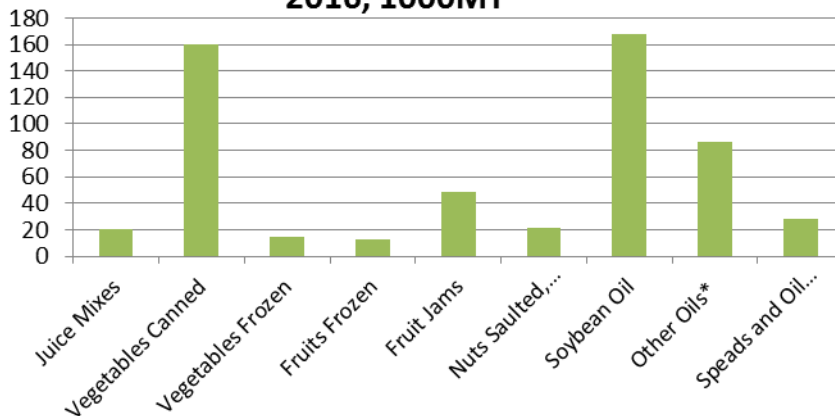
Source: State Statistics Service of Ukraine, FAS/Kyiv calculations

Ukraine is a traditional importer of inexpensive U.S. fish (mostly hake and pollock) and U.S. salmon roe. U.S. fish is sorted, fileted and packed in plastic bags in Ukraine, although a significant share is sold in open boxes without

any processing. U.S. salmon roe is considered a premium product. An insignificant share of cheap roe is sold by weight. There is market potential for salmon and other seafood product imports for canning purposes.

Export opportunities for U.S. suppliers exist in all market segments. Recovering incomes will result in growth in traditional hake and pollock segments. Sales of caviar are also expected to recover in the premium segment. Additional markets for expensive seafood (black cod, lobsters etc.) may open as small niche markets.

Fruits, Vegetables, Nuts and Oils Processing in 2016, 1000MT

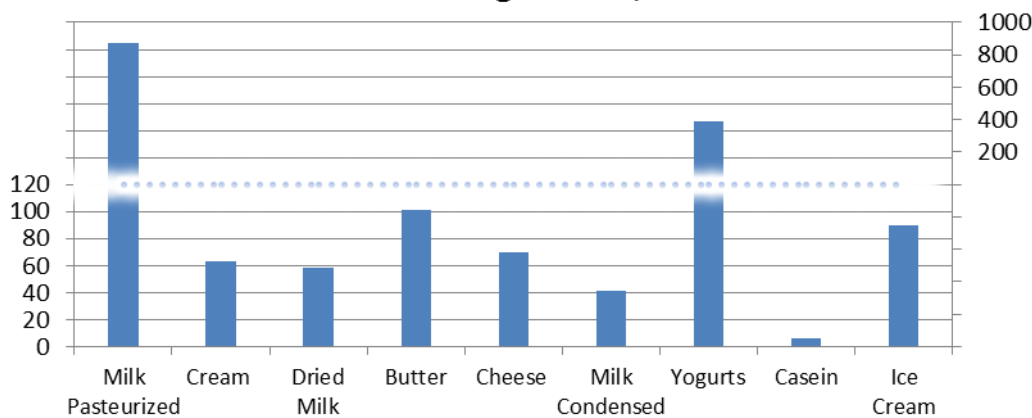


(*without sunflower)

Source: State Statistics Service of Ukraine, FAS/Kyiv calculations

Ukraine is self-sufficient in vegetable oils and spreads. Ukraine’s market for edible nuts (with exception of walnuts) is dominated by imports (see [Best Product Prospects](#) Section for more information). U.S. almonds may be present here through EU or Asian processors and distributors. All tropical fruits, fruit juice mixes and concentrates are imported. There are a significant number of juice producers present on the market with U.S.-owned Pepsi Co. operating one of the largest facilities. Lack of proper infrastructure and technologies lead to imports of frozen vegetables. EU suppliers dominate this market segment.

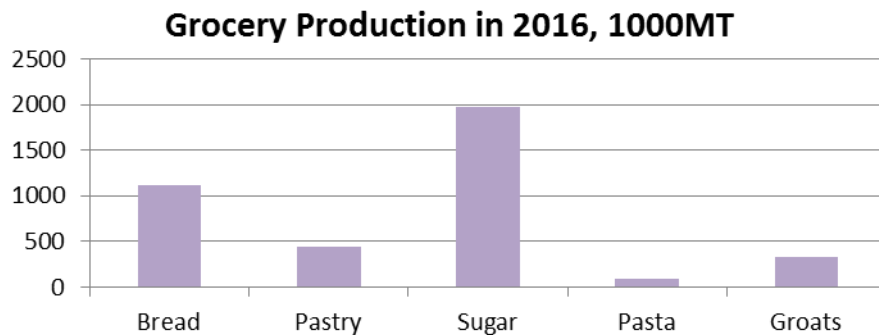
Milk Processing in 2016, 1000 MT



Source: State Statistics Service of Ukraine, FAS/Kyiv calculations

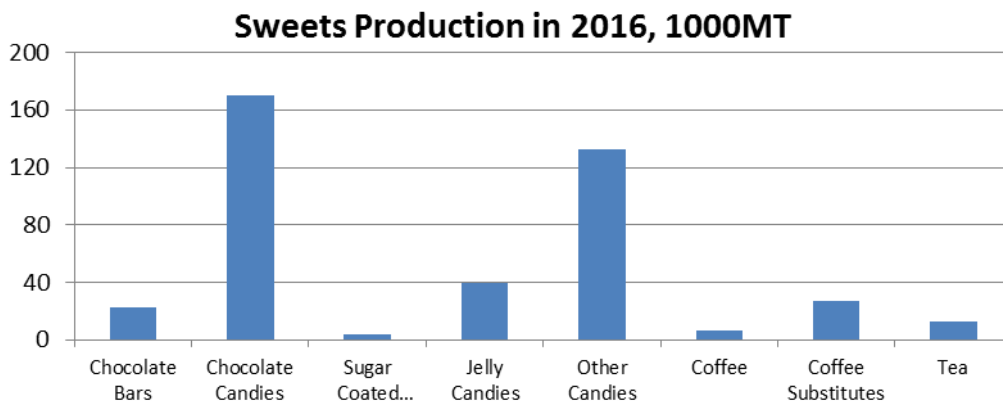
Milk production is sufficient for satisfaction of Ukraine’s domestic demand and some exports. The dairy

processing industry is sizable with whole dairy products generating the largest sales. Almost all whole dairy products are sold domestically. The sector is diversified with two large French producers responsible for significant market share. Large numbers of Ukrainian small and mid-sized producers make the second league of the market. Most Ukrainian enterprises are remodeled facilities from the Soviet era. Only three brand-new facilities have been built in Ukraine in last 25 years. Export of dairy products is largely limited to dried milk and cream, butter, cheese, industrial grade and edible casein. For more information please refer to FAS-Kyiv's most recent [Dairy Report](#). There are export opportunities for sweeteners, flavorings, yogurt fruit preparations, ice cream components, cheese and yogurt fermentation bacteria, alginates (carrageenan), gelatins, gums (locust bean, guar), pectin, starch and many other dairy product components. Due to domination of French-based multinational dairy processors competition with EU suppliers is significant. However, the second league producers represent a large market share.



Source: State Statistics Service of Ukraine, FAS/Kyiv calculations

Ukraine is more than self-sufficient in grocery production and inputs with the exception of durum wheat for high-quality pasta. Demand for hard wheat is filled by Kazakhstan suppliers while the premium market segment is dominated by Italian pasta producers that might use U.S.-origin durum wheat. Little trade opportunities exist for U.S. suppliers.

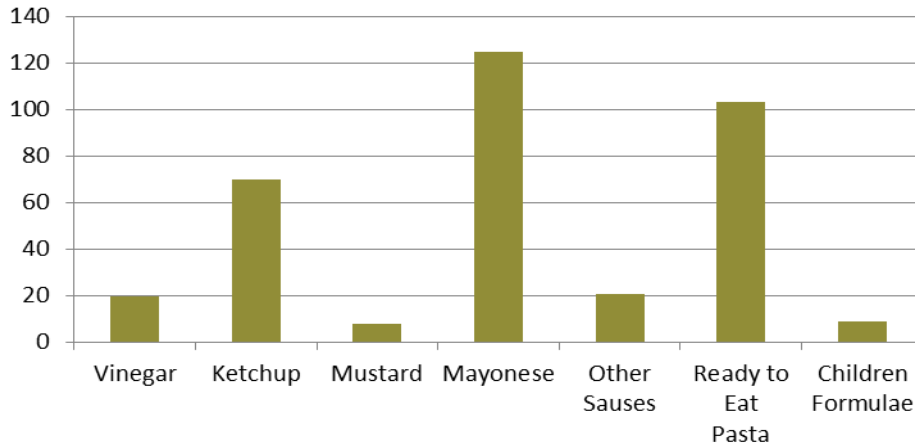


Source: State Statistics Service of Ukraine, FAS/Kyiv calculations

A large share of ingredients for Ukraine's confectionary industry is imported. Ukraine's two largest producers – Roshen and AVK – possess 24th and 76th positions in the Top 100 Candy Companies of the World list. Similarly to dairy, the confectionary industry provides ample import opportunities: maple syrup, nuts (with exception of walnuts), cocoa, flavorings, sweeteners (with exception of sugar), syrup, milk components, starch, high quality

prunes, pectin, gum, gelatin, marzipans and many others. Competition from EU suppliers is significant due to taste preferences, historical ties, and geographic proximity. A large number of small and medium sized confectionaries demand a variety of imported ingredients.

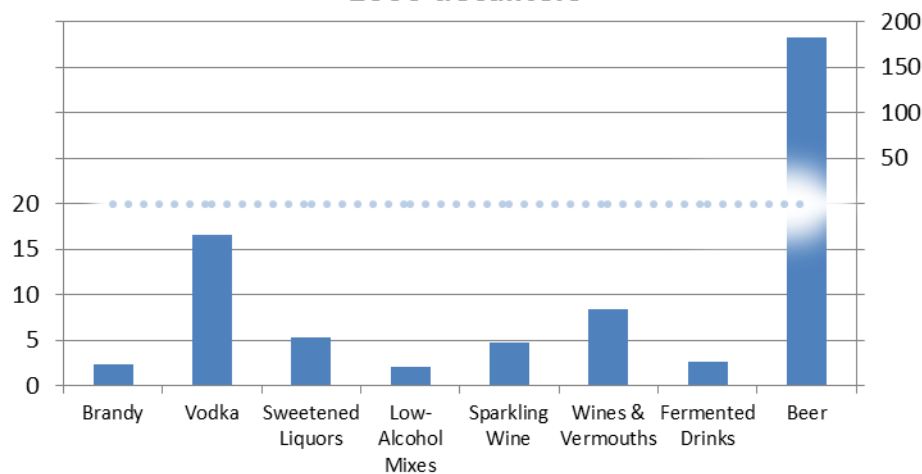
Sauces and Ready to Eat Meal Production in 2016, 1000MT



Source: State Statistics Service of Ukraine, FAS/Kyiv calculations

Similar to the United States, mayonaise and ketchup are the most popular condiments in Ukraine. Although the main ingredients are produced domestically, preservatives, colorants and flavorings are often imported. A variety of different condiments, salad dressings, spices and herbal mixes are available in retail outlets. Although less popular at the moment, their share is growing over time. Ingredients for these niche condiments and ethnic sauces are often imported from all over the world. U.S. exporters may find both an export market for ingredients as well as a market for final products in Ukraine.

Alcohol Product Production in 2016, 1000 decaliters



Source: State Statistics Service of Ukraine, FAS/Kyiv calculations

The Ukrainian alcoholic beverages sector includes beer, spirits and wine sub-sectors. Although beer brewing is one of Ukraine's oldest and largest industries, production has been on decline in recent years. In 2015, the sector collapsed by 21 percent, while in 2016 the decline slowed to 7 percent. The beer industry is dominated by two major multinational companies (Carlsberg Group and AB InBev) and one large domestic producer (Obolon). Similarly to the rest of the world, craft breweries are growing in size and competing with large producers. Two local craft breweries joined efforts to form OASIS CIS, which is on the verge of becoming the fourth largest domestic brewery. Ukraine is not self-sufficient in hops production, thus a significant market exists.

Ukrainian production of hard liquors is on decline. In 2016, vodka sales dropped by 5.3 percent. Few imported ingredients are used in vodka production. Brandy production in Ukraine is dependent on imported brandy spirits that are bottled in-country. According to the Ministry of Agricultural Policy and Food, the representative share of imported brandy sprits reached 67 percent in the last 7 years. There are export opportunities for foreign suppliers, although the market is dominated by EU suppliers. A significant share of the Ukrainian hard liquor market is sold in the shadow economy.

Ukraine lost several sizeable producing companies upon Crimea's annexation by Russia. However, the remaining Ukrainian facilities expanded production to fill the gap. Although Ukraine's grape production is growing, Ukrainian wine makers experience shortages of high quality wine inputs. Moldova remains the largest supplier of wine materials due to low prices and geographic proximity of suppliers to the main wine-producing regions. There are export opportunities for other U.S. suppliers; however market demand fluctuates significantly from year to year.

Competitive Environment

The overall market will remain very competitive, with preference continuing to focus on regional ingredient exporters from EU countries. In many cases, ingredients choices depend on technological specification of food processing equipment. The Ukrainian food processing market utilizes a lot on new and used equipment produced in European countries. Equipment manufacturers often recommend EU-produced ingredients to achieve the best production results. In these cases, U.S. suppliers would have to overcome long-believed misconceptions and established practices. Adoption of the DCFTA in 2014 established lower import duties for European suppliers along with tariff-rate quotas for many sensitive products. The DCFTA made competition from the EU even stronger.

However, the biggest competition for U.S. food processing ingredients is the local food industry. Economic disturbances of recent years, followed by massive currency devaluation, made domestic producers highly competitive. However, the same factor delayed industry development and stopped production growth and introduction of new technologies and innovative products. Leading multinational food processors have established food processing operations in Ukraine, and also are able to offer a range of western-style products at reasonable prices.

Products with Best Sales Prospects in Ukraine

SECTION IV. BEST CONSUMER ORIENTED PRODUCT PROSPECTS

Products Present on the Market with Good Sales Potential*

HS Code	Product	Imports in 2015, Mln USD	Imports in 2016, Mln USD	Change, Percent	Import Duty	Main factors hindering import development	Attractiveness of the market for US Suppliers
03	Fish and Seafood	30.9	35.0	13	0-5%	Competition with Canada for similar species, custom valuation	Significant traditional demand for hake and pollock that establish the core of US exports
2106	Food preparations NESOI	11.8	10.2	-14	0-10%	Low awareness of Ukrainian processors; wide variety of niche products is difficult to target	Large and slowly growing market
0802	Almonds, Fresh Or Dried, In Shell or Shelled	1.3	1.9	52	2.5-15%	Consumption level, low disposable incomes; competition with Turkey and	Established market share for high-quality product

						Georgia	
1210	Hop Cones	0.06	0.6	1000	5%	Competition with cheap Supplies form EU, stagnating market	Large craft brewing industry looking for niche market
1202	Peanuts (Ground-Nuts), Not Roasted Or Cooked, Shelled Or Broken	1.1	1.0	-4	2.50%	Competition with India and Argentina; high export price	Consistent quality of the product
3507	Enzymes and Enzyme Preps.	0.5	1.5	160	0-10%	Competition from EU suppliers	Large and slowly growing market
130212	Vegetable Saps and Extracts	1.5	1.3	-9	n/a	Competition from EU and domestic suppliers	Large growing market
3504-05	Peptons, other proteins and dextrines	1.5	1.0	-33	0-5%	Competition from EU and domestic suppliers, some market stagnation	Large market
0151790	Edible Fats and Oil Mixtures	1.6	1.4	-11	10%	Competition with domestic producers, market stagnation	U.S. have developed a stable market share
1604	Caviar Substitutes (Fish Roe)	3.7	6.3	72	10%	Relatively high import duty, low disposable incomes, competition with Canada	Market size, stable market share

* Because of the political and economic crisis developments, growth rate is not evaluated

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

Appendix I. Government Regulatory Agency Contacts:

Animal Health Issues, Safety of All Animal Products and Seafood, Phytosanitary Issues and Registration of the new Verities, Conformity Certification

Mr. Volodymyr Lapa

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Fax: +38-044-229-4883

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**Institute of Ecohygiene and Toxicology of
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Codex Alimentarius Commission

Point of contact:

National Codex Alimentarius Commission

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Ecological Inspection of Animals, Birds and Radiological Inspection of Food Products

State Ecological Inspection Service

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Pet Food and Feed Additives Registration

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Homepage: <http://www.scivp.lviv.ua/en.html> (Ukrainian/English)

Plant Variety Registration

Sergiy Melnyk, Chairman

State Institute for Plant Varieties Expertise / State Veterinary and Phytosanitary Service

Ministry of Agricultural Policy of Ukraine

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Registration of Trade Marks

State Intellectual Property Service

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	Partner Country	Calendar Year					Year To Date		
		2012	2013	2014	2015	2016	04/2016	04/2017	% Change
	World	6435	6814	5056	2978	3226	1239	1199	-3.2
1	Germany	610	616	484	289	325	101	96	-5.3
2	Turkey	443	541	391	217	316	151	125	-16.9
3	Poland	434	453	325	262	288	91	97	6.9
4	Indonesia	184	211	177	121	160	48	48	1.4
5	France	234	289	233	126	150	72	80	10.9

6	Brazil	452	374	173	118	131	45	29	-35.4
7	Netherlands	255	251	189	96	126	45	43	-4.9
8	Italy	237	233	159	108	119	39	36	-7.6
9	Ecuador	269	304	207	118	115	51	42	-17.6
10	United States	252	305	188	94	115	72	82	13.3
	Others Not Listed	3064	3238	2531	1430	1382	525	521	-0.7

Source: State Statistics Service of Ukraine via Global Trade Atlas

Table 2. Ukraine's Top 20 food Ingredients Imports, Million USD

	Partner Country	Calendar Year					Year To Date		
		2012	2013	2014	2015	2016	04/2016	04/2017	% Change
1	Food Preparations Nesoi	259	312	249	150	165	48	55	15.2
2	Palm Oil, Refined But Not Chemically Modified	178	210	146	84	141	40	44	10.0
3	Coffee Extracts, Essences Etc. & Prep Therefrom	226	221	178	129	103	28	29	1.8
4	Black Tea Fermdt & Other Partly Fermentd Tea Nesoi	84	75	60	39	45	17	15	-10.8
5	Sauces Etc. Mixed Condiments And Seasonings Nesoi	65	76	67	42	42	13	12	-4.1
6	Mixtures Odoriferous Substance Use Food/ Drink Ind	54	59	54	39	41	13	13	4.6
7	Coffee, Not Roasted, Not Decaffeinated	27	27	27	29	41	12	11	-10.7
8	Cocoa Preparations, Not In Bulk Form, Nesoi	90	119	77	40	41	12	11	-6.9
9	Cocoa Butter, Fat And Oil	41	57	63	32	39	10	11	5.6
10	Cocoa Beans, Whole Or Broken, Raw Or Roasted	65	64	65	34	38	9	12	37.6
11	Edible Fats & Oil Mixtures & Prepar Nesoi, Etc	116	97	61	37	37	11	9	-17.9
12	Cocoa Powder, Not Sweetened	106	70	37	25	35	12	9	-25.3
13	Cocoa Paste, Not Defatted	70	65	46	32	34	11	9	-15.9
14	Chicken Cuts And Edible Offal (Inc Livers), Frozen	129	80	48	32	29	8	11	39.7
15	Peanuts, Shelled, Nesoi	0	0	32	27	26	9	12	38.2
16	Pig Fat Nt Rendered, Frsh, Chill, Frzn, Salted Etc	0	0	64	33	26	7	7	-5.8

17	Sugar Confection (Incl Wh Choc), No Cocoa, Nesoi	63	63	43	22	25	7	8	20.2
18	Chocolate & Othr Cocoa Preps, Not Bulk, Filled	65	69	58	25	22	6	9	45.6
19	Enzymes And Prepared Enzymes, Nesoi	22	26	22	17	20	6	5	-18.8
20	Vegetable Fats & Oils/Fractions Hydrogenated Etc	23	20	19	13	18	5	9	59.1

Source: State Statistics Service of Ukraine via Global Trade Atlas

Table 3. Sales of Major Food Product in Ukraine in 2010-12

Food Product	Volume	Sales			
		2013	2014	2015	2016
Meat, poultry and fresh frozen	1000 MT	315	255	243	222
Meat, smoked and salted meats	"	180	161	149	134
Canned, prepared meat products	"	47	32	25	28
including semi-finished meat	"	23	16	12	13
Fish and seafood	"	104	94	72	65
Canned, ready to eat fish products	"	47	42	27	30
including semi-finished	"	8	8	6	6
Hard cheese, foft and melted cheese	"	90	86	81	80
Butter	"	37	35	31	31
Eggs and egg products	Million pcs.	2651	257	2113	2312
Oils and Fats	1000 MT	137	139	111	94
Margarine	"	16	17	14	13
Sugar	"	199	212	191	158
Bread Products	"	528	491	458	483
Pastry products	"	169	168	149	158
Pastry products (including ice cream)	"	168	172	138	144
Flour	"	163	186	147	133
Groats	"	211	242	195	181
Pasta Products	"	101	130	108	109
Fresh Vegetables	"	602	529	452	485
including Potatoes	"	169	142	130	132
Fruits, berries, grapes, nuts	"	404	355	292	371
Processed Fruits and Nuts	"	-	23	22	28
Canned vegetables	"	63	50	41	38
Canned fruit and juice	"	15	11	8	8

Vodka and other spirits products	1000 litres	1554	1361	1040	953
Alcopops	"	577	583	458	339
Wines	"	910	817	700	728
Brandy	"	291	268	193	189
Sparkling wine (champagne)	"	343	299	268	258
Beer	"	7182	7157	6279	6913
Non-alcohol beverages	"	6981	6875	6223	6442
including Juices	"	1958	1885	1531	1372
Mineral Waters	"	8825	7798	6432	6899
Tea, Coffee, Chocolate Powder and Spices	1000 MT	28	34	29	28
including					
Tea	"	11	11	9	9
Coffee	"	16	16	13	13
Salt	"	53	68	59	61
Iodized salt	"	12	11	9	10