Voluntary _ Public

Date: 8/7/2012
GAIN Report Number: UP1224

Ukraine

Post: Kiev

Grain and Feed Update

Report Categories:
Grain and Feed

Approved By:
Randall Hager

Prepared By:
Yuliya Dubinyuk, Agricultural Specialist

Report Highlights:

Better than expected yields, despite harsh growing conditions, led to increased estimates for wheat, barley, and rye. Corn output, however, is expected to be lower than previous estimates, as conditions have been less favorable.

General Information:

The harvest of wheat, barley, and rye in Ukraine was close to 99 percent complete at the time of this report. Surprisingly, having suffered extremely unfavorable weather conditions during planting and the winter season, winter crops in Ukraine have been showing better than expected yields. Accordingly, FAS-Kyiv has changed its production estimates for Ukraine. Preliminary estimates for production of wheat, barley and rye were increased to 15.0 million metric tons (MMT), 6.6 MMT, and 0.65 MMT, respectively (see Production Supply and Demand tables in the end of this report). However, production of corn was reduced to 21.0 MMT for reasons explained below.

The main Ukrainian winter crops - wheat, barley, and rye – enjoyed quite favorable spring weather conditions so that a good share of winter plantings were able to recover after the harsh fall planting and winter seasons. Cool spring temperatures in Central and Northern Ukraine along with some 'just in time' spring showers played a major role in this process. Sunny and warm June weather that followed added to the benefit of the crop and resulted in the higher quality grain that has been reported through the country.

The official Government of Ukraine (GOU) data on the areas planted under various crops in Ukraine is shown in Table 1.

Table 1. Area Planted Under Grains and Legumes in Ukraine for Summer 2012 Crop

Crop	Area Planted, 1,000 ha				Change, 2012 to 2011	
	2012	%	2011	%	Area, 1,000 ha	%
Wheat (winter and spring)	5,791.0	37.2	6,499.4	45.7	-708.4	-10.9
Barley (winter and spring)	3,438.5	22.1	2,582.4	18.1	856.1	33.2
Corn	4,719.5	30.3	3,620.3	25.4	1,099.2	30.4
Oats	311.5	2.0	287.9	2.0	23.6	8.2
Rye (winter and spring)	302.0	1.9	283.0	2.0	19.0	6.7
Buckwheat	292.3	1.9	311.2	2.2	-18.9	-6.1
Other grains and legumes	710.4	4.6	652.4	4.6	58.0	8.9
Total grains and legumes	15,565.2	100.0	14,236.6	100.0	1,328.6	9.3

Source: State Statistics Committee of Ukraine

Over 1.6 million hectares (mln ha) of winterkill areas were replanted with spring crops. Over 0.5 mln ha reportedly was replanted with corn and about 0.5 mln ha with spring barley. Some winterkill area was also replanted with sorghum and other spring crops.

Table 2. Production of Grains in Ukraine, as of August 2, 2012 *

Crop	Area Harvested, 1000 ha	Production, 1000 MT	Yield, MT/ha
Wheat	5450.0	15260.0	2.8
Barley	3240.0	6900.0	2.1
Rye	285.0	660.0	2.3
Rapeseed	510.0	1120.0	2.2

Source: Ministry of Agricultural Policy and Food of Ukraine

** - Preliminary harvest data*

There were some reports of extremely hot and dry weather occurring for up to several weeks in a row during the corn kernel formation phase in the main corn growing regions in Ukraine. The Ukrainian Hydrometcenter has recently reduced its projections for corn production in Ukraine down to 21 MMT. A number of other leading industry experts have also lowered their projections to between 20 MMT and 23 MMT. No definitive estimate can be made at the time of this report, as there is still some time for the corn crop to develop. These projections may change significantly before the main harvest season begins in October.

The new Marketing Year for grains (MY 2012/13) in Ukraine started off in July 2012 with the growing world market prices.

According to the GOU officials, Ukraine has accumulated significant ending stocks of major crops that should allow the country to fully satisfy its domestic consumption needs and to have some exportable surplus. The State Agrarian Fund has reportedly started acquiring grain for the state reserve to ensure strategic food supply is available for human consumption in the country.

GOU policy has not changed as to the export market regulation in Ukraine. In late July 2012, the Ministry of Agrarian Policy and Food of Ukraine and the leading industry organizations signed an Memorandum of Understanding (MOU) agreeing that the exports of major agricultural crops in Ukraine would not be restricted without a two month prior notice to the industry, and such action may not occur unless 80 percent of the exportable quantities of grains would have been exported. Trade representatives and the state officials have been discussing the issues that impact the trade. However, some issues remain unsolved for now, like the lack of grain transporting railroad cars in Ukraine and certain difficulties with obtaining grain quality certificates, etc., that may impact the trade activities and slow down exports from Ukraine to some extent.

Grain exports in July 2012 did not pick up significantly, compared to the previous months, the way they usually would at the start of the new season. Reports of crop damage in the US and significant reduction in production of the early cereals in parts of the EU has set the tone for the growing world market prices for agricultural commodities. This has become one of the main reasons that slowed down the trade in Ukraine. However, overall export projections for the major crops in Ukraine were raised for wheat up to 6.0 MMT and for barley, up to, 2.2 MMT. Export projections for corn were left unchanged at this time.

It is possible that some corn from Ukraine may find its export market in China as some negotiations have been in progress between the two governments. No final agreement has been reported reached at the time of this report writing. However, major market players from Ukraine have already visited China in lieu of these talks and have confirmed their interest in trade. In addition, some traditionally US corn destinations like Northern Africa may become the customers of Ukrainian corn this season.

Domestic grain prices have been increasing ever since the start of the new season. However, this has not resulted in increased sales. The farmers have been reluctant to sell cheap while the world markets continued the upward trend. Trade representatives, on the other hand, have been cautious about accumulating large stocks due to the experience with export issues of the previous years.

The Black Sea Grain Contract was launched by CME in June 2012. This is becoming more and more popular market price indicator in Ukraine. However, there is still some lack of awareness in the rural areas and some limited communication so the domestic market prices have not been reported to correlate highly with this contract price.

The forecasts in this report are based on the current projected production and stocks data and on the assumption that exports of these grains continue on with the current policy.

Production Supply and Demand Tables

Wheat, Ukraine	2011/2012			2012/2013		
	Market Year Begin: Jul 2011			Market Year Begin: Jul 2012		
	Estimate			Forecast		
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post
Area Harvested	6,657	6,525	6,657	5,300	5,000	5,700
Beginning Stocks	3,340	3,348	3,340	5,614	5,800	5,415
Production	22,124	22,324	22,324	13,000	13,200	15,000
MY Imports	100	1	1	100	1	1
TY Imports	100	1	1	100	1	1
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	25,564	25,665	25,665	18,714	19,001	20,416
MY Exports	5,000	5,000	5,300	4,000	5,000	6,000
TY Exports	5,000	5,000	5,300	4,000	5,000	6,000
Feed and Residual	6,100	6,113	6,100	2,800	3,001	3,800
FSI Consumption	8,850	8,850	8,850	8,900	8,500	8,500
Total Consumption	14,950	14,963	14,950	11,700	11,501	12,300
Ending Stocks	5,614	5,800	5,415	3,014	2,500	2,116
Total Distribution	25,564	25,763	25,665	18,714	19,001	20,416
Yield	3.32	3.42	3.35	2.45	2.64	2.63

Barley Ukraine	2011/2012			2012/2013		
	Market Year Begin: Jul 2011			Market Year Begin: Jul 2012		
	Estimate			Forecast		
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post
Area Harvested	3,684	3,684	3,684	3,400	3,600	3,300
Beginning Stocks	794	650	794	1,522	1,371	1,122
Production	9,098	9,098	9,098	6,000	7,500	6,600
MY Imports	30	23	30	30	30	30
TY Imports	30	35	35	30	30	30
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	9,922	9,771	9,922	7,552	8,901	7,752
MY Exports	2,800	2,800	2,500	2,000	2,500	2,200
TY Exports	2,300	2,300	2,300	2,000	2,500	2,500
Feed and Residual	4,000	4,000	4,700	3,200	4,000	3,200
FSI Consumption	1,600	1,600	1,600	1,600	1,600	1,600
Total Consumption	5,600	5,600	6,300	4,800	5,600	4,800
Ending Stocks	1,552	1,371	1,122	752	801	752
Total Distribution	9,922	9,771	9,922	7,552	8,901	7,752
Yield	2.47	2.47	2.47	1.76	2.08	2.

Corn Ukraine	2011/2012			2012/2013		
	Market Year Begin: Oct 2011			Market Year Begin: Oct 2012		
	Estimate			Forecast		
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post
Area Harvested	3,544	3,544	3,544	4,500	4,300	4,720
Beginning Stocks	1,121	1,100	1,121	1,209	1,183	866
Production	22,838	22,838	22,500	24,000	23,000	21,000
MY Imports	50	45	45	50	45	50
TY Imports	50	45	45	50	45	50
TY Imp. from U.S.	0	5	5	0	2	2
Total Supply	24,009	23,983	23,666	25,259	24,228	21,916
MY Exports	14,000	14,000	15,000	14,000	14,500	14,000
TY Exports	14,000	14,000	15,000	14,000	14,500	14,000
Feed and Residual	7,500	7,500	6,500	7,500	6,500	6,000
FSI Consumption	1,300	1,300	1,300	1,800	1,800	1,300
Total Consumption	8,800	8,800	7,800	9,300	8,300	7,300
Ending Stocks	1,209	1,183	866	1,959	1,428	616
Total Distribution	24,009	23,983	23,666	25,259	24,228	21,916
Yield	6.44	6.44	6.35	5.33	5.35	4.45

Rye Ukraine	2011/2012			2012/2013		
	Market Year Begin: Jul 2011			Market Year Begin: Jul 2012		
	Estimate			Forecast		
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post
Area Harvested	285	278	280	300	300	300
Beginning Stocks	189	299	174	134	110	114
Production	550	579	579	450	500	650
MY Imports	0	2	2	0	2	2
TY Imports	0	0	0	0	0	0
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	739	880	755	584	612	766
MY Exports	5	15	11	5	5	15
TY Exports	5	15	11	5	5	15
Feed and Residual	50	50	50	50	50	50
FSI Consumption	550	580	580	400	477	580
Total Consumption	600	630	630	450	527	630
Ending Stocks	134	110	114	129	80	121
Total Distribution	739	755	755	584	612	766
Yield	1.93	2.08	2.07	1.5	1.67	2.17