

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Ukraine

Grain and Feed Annual

Annual 2013

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Report Highlights:

Grain and pulse production in Ukraine is expected to increase in Marketing Year 2013/14 and will result in higher exports, mainly for wheat and corn. The wheat production is forecast to grow by over 40 percent due to low winter kill and generally favorable weather. Corn area is anticipated to remain high at about 4.3 million hectares, similar to the previous season, while barley area is expected to continue declining with projected production at about 7.4 million metric tons. Feed and food consumption is anticipated to grow slightly. It is expected that the Government of Ukraine and the grain industry will once again sign an agreement on grain export quantities and thus would continue some control of exports.

Executive Summary:

Overall grain and pulse production in Ukraine is expected to increase mainly due to higher wheat and corn production. Winter wheat plantings were almost unaffected by winter kill and thus overall wheat area could be almost 20 percent higher than in the previous season, at about 6.65 million hectares (mln ha). Wheat production is projected at 22.6 million metric tons (MMT).

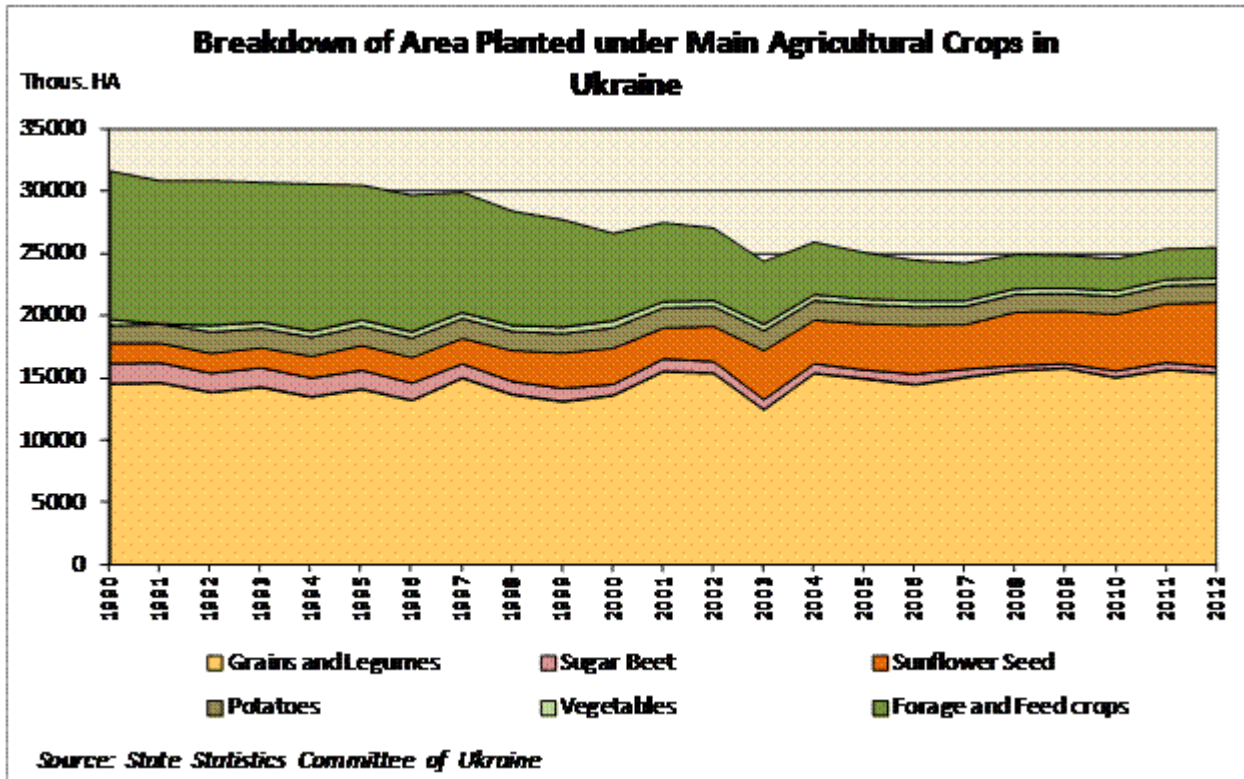
Corn is another contributor to increasing grain production in Ukraine. Corn planted area for MY 2013/14 is projected to remain at the level of the previous season, and corn production is anticipated to increase by about ten percent to 23 MMT. Corn production has been gaining in popularity in Ukraine mainly due to its attractive profitability and its ability to replace other crops that might suffer winter kill. A positive surplus of corn produced in the country would also boost exports in MY 2013/14 to 15 MMT.

While barley planted area is expected to decline by about four percent compared to the previous year, barley production in MY 2013/14 is projected to increase by eight percent up to 7.4 MMT. Barley ending stocks would remain low with export quantities anticipated to decline even further.

Rye production and consumption in Ukraine should not change much in MY 2013/14 from the prior year.

Ukraine's livestock population is expected to continue on an upward trend, especially in poultry and egg production, and also some in hog production, thus stimulating an increase in animal feed production and consumption of feed grains in Ukraine.

If the Government of Ukraine (GOU) does not restrict grain exports in MY 2013/14, exports of wheat and corn are expected to exceed MY 2012/13 figures. It is anticipated that the GOU and grain industry will once again sign Memorandum of Understanding (MOU) that would, like in the previous two seasons, outline export quantities for the major grains that can be exported without any restrictions. The practice of signing such MOU's has been implemented in Ukraine mainly to allow the GOU to monitor and possibly control the volumes of grain exports with the objective of regulating the domestic market prices and ensure food security.



Commodities:

Wheat

Production:

In 2013 wheat production is expected to increase over the previous season by about 40 percent, up to 22.6 MMT, mainly due to favorable weather and excellent winter crop conditions. Winter wheat was reported to have sustained minimal losses of under five percent country-wide.

Consumption:

Decreased wheat production in MY 2012/13 lowered domestic consumption as well as trade. However, Ukraine is anticipated to do much better in the coming season due to higher production. This will ease tightness on the domestic market.

Bread producers have been struggling to break even for the last few years when domestic wheat prices increased and stayed at relatively higher levels. Thus production of bread, as well as bread products, in general has been on the decline in Ukraine in recent years.

Trade:

Exports

Exports of wheat from Ukraine were strong at the start of the season, but slowed down after the MOU-defined level of about five MMT had been reached. GOU officials have been watching closely the wheat export situation this season to ensure food security in the nation.

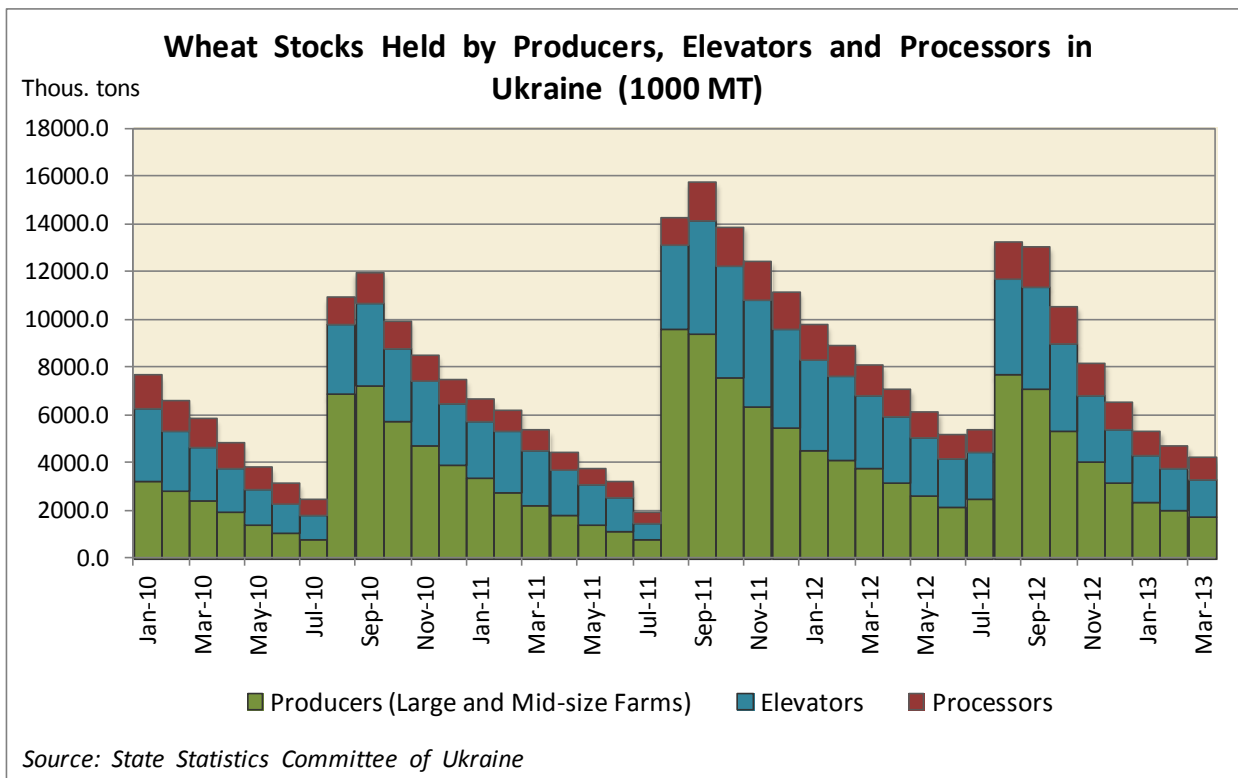
Overall wheat exports for the current season are not expected to go over 6.5 MMT as the supplies are tight and trade is more oriented towards corn at this point in the marketing year. In MY 2013/14, exports of wheat are projected to increase up to 11 MMT as a result of an expected good harvest and generous supply.

Imports:

Wheat imports for MY 2013/14 are likely to remain low due to record high beginning stocks.

Stocks:

For MY 2013/14 Ukraine is expected to hold half the beginning stocks it did in the previous season.



Production, Supply and Demand Data Statistics:

Wheat, Ukraine	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Jul 2011		Market Year Begin: Jul 2012		Market Year Begin: Jul 2013	
	Revised		Estimate		Forecast	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	6,657	6,657	5,630	5,630		6,650
Beginning Stocks	3,340	3,340	5,362	5,279		2,243
Production	22,324	22,324	15,761	15,763		22,600
MY Imports	84	1	100	1		1
TY Imports	84	1	100	1		1
TY Imp. from U.S.	0	0	0	0		0
Total Supply	25,748	25,665	21,223	21,043		24,844
MY Exports	5,436	5,436	6,500	6,500		11,000
TY Exports	5,436	5,436	6,500	6,500		11,000
Feed and Residual	6,100	6,100	3,500	3,800		3,800
FSI Consumption	8,850	8,850	8,500	8,500		8,000
Total Consumption	14,950	14,950	12,000	12,300		11,800
Ending Stocks	5,362	5,279	2,723	2,243		2,044
Total Distribution	25,748	25,665	21,223	21,043		24,844
Yield	3.35	3.35	2.8	2.8		3.4

Commodities:

Barley

Production:

Barley production is forecast to increase by about seven percent in MY 2013/14 mainly due to insignificant winter losses. However, spring barley plantings would go down influenced by unfavorable spring weather and a late spring in general which could lead to reduced yields for the spring crop.

Consumption:

Barley consumption in MY 2013/14 is expected to remain at the level of the current season due to limited supply. Even though compound feed production has been on the rise, it is mostly attributed to the use of feed grains for pork and poultry production.

Trade:

In MY 2012/13, barley exports are expected to decrease to 2.5 MMT, compared to 2.8 MMT estimated by FAS-Kyiv for MY 2011/12. The following factors are expected to influence barley exports in the coming season:

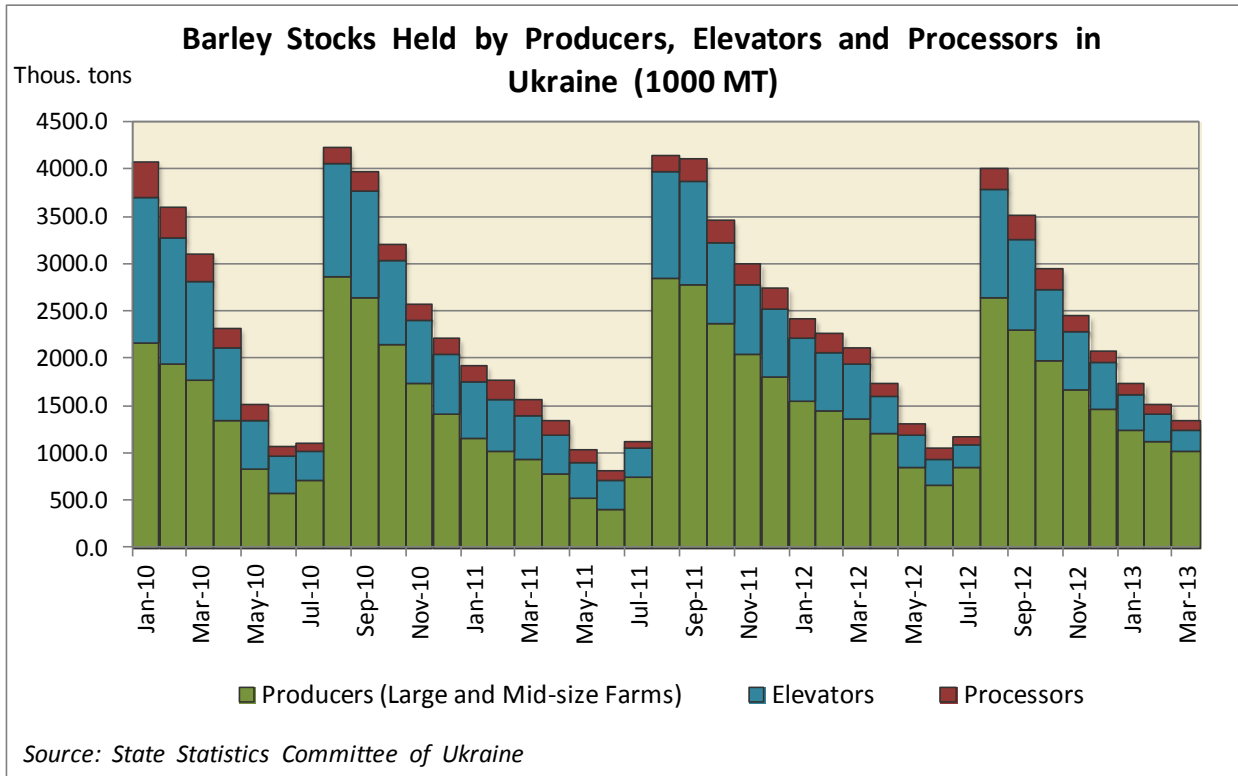
1. Domestic barley prices are anticipated to remain on average on higher levels due to projected low production and consequently tight supply
2. Low profitability of barley in the new season due higher production expenses and large winter kill
3. Tight supplies

Saudi Arabia is expected to remain the largest buyer for Ukrainian barley in the current and upcoming season with a market share of over 50 percent. In general, Middle East buyers have been favoring Ukraine for their barley purchases due to availability of the crop and close proximity, which keeps shipping costs low.

In MY 2012/13 exports of barley at the beginning of the season were influenced by the export-limiting MOU that GOU has signed with the trade.

Stocks:

Barley stocks remained high through the current season due to slow trade.



Production, Supply and Demand Data Statistics:

Barley Ukraine	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Jul 2011		Market Year Begin: Jul 2012		Market Year Begin: Jul 2013	
	Revised		Estimate		Forecast	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	3,684	3,684	3,293	3,293		3,170
Beginning Stocks	794	794	1,172	1,122		488
Production	9,098	9,098	6,935	6,936		7,400
MY Imports	42	30	30	30		30
TY Imports	30	35	30	30		30
TY Imp. from U.S.	0	0	0	0		0
Total Supply	9,922	9,922	8,137	8,088		7,918
MY Exports	2,462	2,500	2,200	2,200		1,800
TY Exports	2,166	2,300	2,500	2,500		1,800
Feed and Residual	4,700	4,700	3,400	3,800		3,800
FSI Consumption	1,600	1,600	1,600	1,600		1,700
Total Consumption	6,300	6,300	5,000	5,400		5,500
Ending Stocks	1,172	1,122	937	488		618
Total Distribution	9,934	9,922	8,137	8,088		7,918
Yield	2.47	2.47	2.11	2.11		2.33

Commodities:

Corn

Production:

Production of corn in Ukraine in MY 2013/14 is anticipated to grow by about five percent compared to the previous season. The area under corn would decline slightly as there is no need to replant large winter losses of other grains with corn as happened last year. However, corn yields are expected to be better. Ukrainian corn producers have been exploring the benefits of imported high quality hybrid corn seeds and are becoming more knowledgeable about corn seed choices.

In spring 2013, corn plantings in Ukraine will depend on planting seed availability as well as weather. This year's spring has been late and cold in Ukraine and thus created unfavorable conditions for barley seeding. It is expected that some areas that would have otherwise been planted with spring barley would be turned over to corn.

Consumption:

Corn use in the recent years has increased dramatically in Ukraine. Corn consumption in MY 2013/14 is projected to remain high and grow slowly as the demand from gradually expanding poultry and hog production in the country is increasing.

Feed corn demand has been on the rise in Ukraine and is expected to remain high in the coming season when domestic barley prices may go up due to a low crop and tighter domestic supplies. Even though wheat and barley were traditionally widely used for feed purposes in Ukraine, poultry producers have found great benefits of including higher percentage of corn in feed mixes. In addition, swine and dairy producers will continue exploring the benefits of corn in animal diets.

Trade:

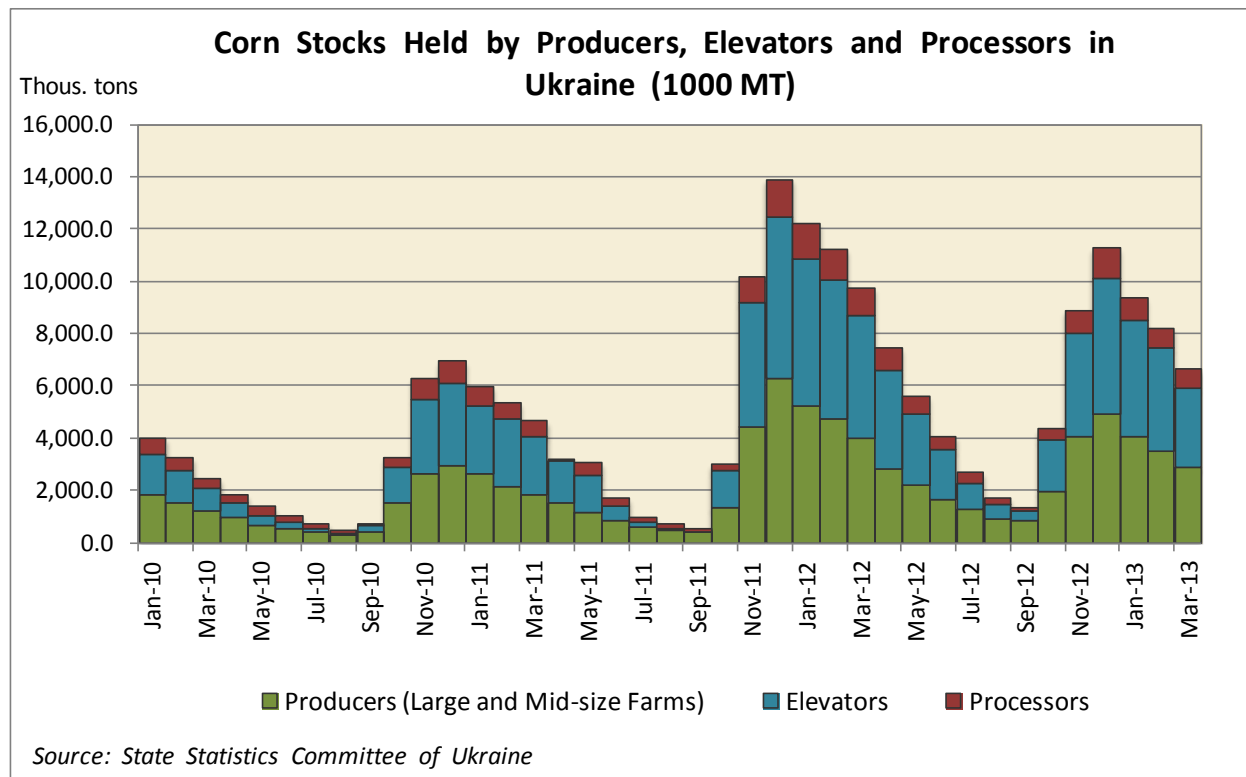
Corn exports in MY 2012/13 are expected to reach the 12.4 MMT that was outlined in the MOU between the GOU and the trade. The industry seems to favor this commodity and has enjoyed the profits as a result of high domestic surplus and favorable world market prices.

Ukraine has been increasing its exports of corn in the recent years and has become a significant global market player. Egypt, Iran, Israel, Syria and Spain have become the largest buyers of Ukrainian corn. These buyers are expected to remain quite active in the coming season. In addition, Ukraine is expected to reach out to the destinations in the East. An agreement was reached between the governments of Ukraine and China that may lead to delivery of 2-4 MMT of corn to China annually starting in MY 2013/14, according to reports.

Corn imports comprise an insignificant portion of domestic supply and are for the most part corn planting seeds.

Stocks:

Greater corn production in MY 2012/13 will result in significant ending stocks in the current season. However, next year's situation may not be different as Ukraine still needs to secure large corn export markets and overcome technical export difficulties that were created in the domestic market. New storage capacity has been constructed in the last few years and is continuing to be expanded to allow storage of larger quantities of grain for extended periods of time. Storage security and preservation of adequate crop quality have been issues in Ukraine in the past.



Production, Supply and Demand Data Statistics:

Corn Ukraine	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		Market Year Begin: Oct 2013	
	Revised		Estimate		Forecast	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	3,544	3,544	4,370	4,372		4,000
Beginning Stocks	1,121	1,121	1,052	1,052		1,263
Production	22,838	22,838	20,922	20,961		22,000
MY Imports	50	50	50	50		50
TY Imports	50	50	50	50		50
TY Imp. from U.S.	0	5	0	5		5
Total Supply	24,009	24,009	22,024	22,063		23,313
MY Exports	15,157	15,157	13,000	12,400		14,000
TY Exports	15,157	15,157	13,000	12,400		14,000
Feed and Residual	6,500	6,500	6,500	6,800		6,900
FSI Consumption	1,300	1,300	1,500	1,600		1,600
Total Consumption	7,800	7,800	8,000	8,400		8,500
Ending Stocks	1,052	1,052	1,024	1,263		813
Total Distribution	24,009	24,009	22,024	22,063		23,313
Yield	6.44	6.44	4.79	4.79		5.5

Commodities:

Rye

Production:

Rye production area has been declining and dropped to half of that planted in the 1990's in Ukraine. Rye area remained steady in the last few years and is expected to stay low due to a decrease in domestic consumption of rye bread products and weak export demand.

Consumption:

Overall consumption of rye in Ukraine is expected to remain similar in MY 2013/14 compared to MY 2012/13.

Trade:

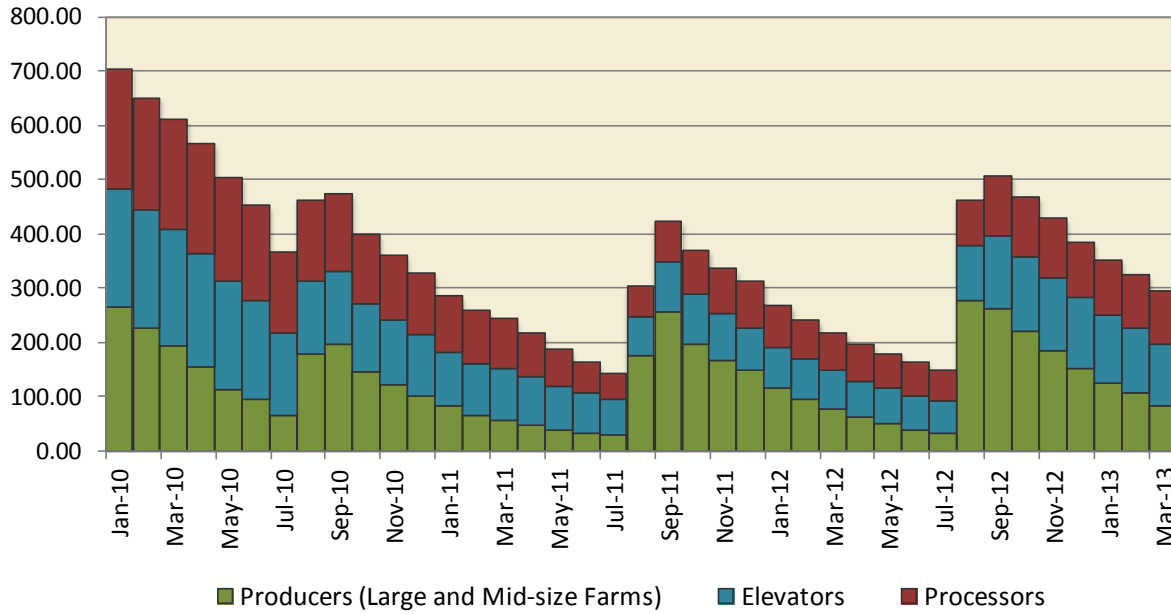
Rye exports from Ukraine are forecast by FAS-Kyiv to be slightly over that of the previous season but would remain relatively low, and the most grain will be used for domestic consumption. Mainly declining production, but also unattractiveness of the export market are the main reasons behind decreasing rye exports.

Stocks:

Rye stocks will be used for domestic consumption due to tight supplies.

Rye Stocks Held by Producers, Elevators and Processors in Ukraine (1000 MT)

Thous. tons



Source: State Statistics Committee of Ukraine

Rye Ukraine	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Jul 2011		Market Year Begin: Jul 2012		Market Year Begin: Jul 2013	
	Revised		Estimate		Forecast	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	279	279	298	298		300
Beginning Stocks	189	189	157	127		159
Production	579	579	676	677		660
MY Imports	0	0	0	0		1
TY Imports	0	0	0	0		1
TY Imp. from U.S.	0	0	0	0		0
Total Supply	768	768	833	804		820
MY Exports	11	11	5	15		35
TY Exports	9	9	5	15		35
Feed and Residual	50	50	100	50		50
FSI Consumption	550	580	550	580		580
Total Consumption	600	630	650	630		630
Ending Stocks	134	127	178	159		155
Total Distribution	768	768	833	804		820
Yield	2.08	2.08	2.27	2.27		2.2

