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Grain Export Duties Debated Within the Government of Ukraine

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Trade Policy Monitoring

Grain and Feed

Oilseeds and Products

Agriculture in the News

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Report Highlights:

In contrast to a recent proposal by Ukraine's Ministry of Agricultural Policy and Food to eliminate the grain export duties that have been in place since July 1, 2011, the Ministry of Finance has expressed its concern that the State Budget cannot afford to lose such a significant source of revenue. The industry in Ukraine has been exporting grain at a slower pace than usual for this time of the year. A solution to the differing views of these two ministries has not been found yet.

General Information:

According to official sources, the Ministry of Agricultural Policy and Food of Ukraine (MinAg) has recently submitted a proposal to the Government of Ukraine (GOU) to cancel the grain export duties that were implemented starting July 1, 2011 that mark the beginning of the new Marketing Year (MY 2011/12) in Ukraine.

According to MinAg's most recent harvest projections, Ukraine may produce a total of about 50 million metric tons (MMT) of grains and oilseeds this season, including 23.2 MMT of wheat, 9.5 MMT of barley, and up to 16 MMT of corn. MinAg also expects that Ukraine will be able to export approximately 23-24 MMT of grains and oilseeds in MY 2011/12.

Considering such prospects, the Ministry of Finance of Ukraine (MinFin) estimated that the State Budget revenue from grain export duties would reach 4 billion UAH, or about USD 500 million at a \$ 1: 8 UAH currency exchange rate. MinFin opposes the MinAg's proposal to eliminate grain export duties due to the significant negative effect of such action on the State Budget.

In the recent statement by the Ministry of Economic Development and Trade of Ukraine (MinEcon), the GOU may be considering an expansion of the list of agricultural commodities covered by export duties to include soya beans and sunflower oil. MinEcon also indicated their interest in extending the grain export duties until July 2012. The ministry proposed such policy changes to provide a disincentive for the producers to hold grain for a few months until export duties' elimination, according to reports.

MinEcon does not consider these export duties to be a barrier for trade. They expect the world market prices to go up this season thus allowing for a greater profit (positive) margin for Ukrainian grain traders. MinEcon expressed opinion that Ukrainian producers and traders would be discouraged from storing grain until 'better times' this year if they know that the grain export duties would not be lifted as now planned in December 2011.

While grain trade has been slow in Ukraine in the recent months, the country exported about one MMT of grain through July and August, according to MinAg sources. In an average year, Ukraine tends to export more wheat and barley up front at the beginning of the MY due to limited storage capacity and the producer's need for quick cash turnaround. In comparison, in July 2010 the country exported over 800,000 MT of barley and more than 400,000 MT of wheat. Ukraine's total monthly grain export capacity is estimated at roughly three MMT.

The relatively large harvest of wheat and barley in Ukraine this season is going to take significant storage space. If this grain is not exported at the usual rate during August and September this may create a logistical issue in October as this year's harvest of corn in Ukrainian is projected at an all-time high. Since corn is an economically more profitable crop for Ukrainian agriculture, it is a common practice for medium and small size producers in Ukraine to sell majority of wheat and barley right after harvest and store corn for months on the expectation of higher world market prices later in the season.

Major grain traders in Ukraine have been reluctant to export their usual quantities of wheat and barley in July and August 2011 as the domestic market prices and the new export policy have made Ukrainian grain unattractive for international trade. Ukrainian producers do not seem eager to sell the new crop, either.

Grain export duties were introduced in Ukraine on July 1, 2011 to be in place until December 31, 2011 at the following rates:

Barley	14%	but no less than EUR 23.00	but no less than EUR 20.00
Corn	12%		but no less than EUR 17.00
Wheat	9%		