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Ukraine



The Cabinet of Ministers of Ukraine has decided to license imports of poultry meat and pork fat

The Cabinet of Ministers of Ukraine has adopted the Decree No.420 as of April 11, 2011 which introduces meat import licensing.

Under the document the import of fresh, chilled and frozen poultry meat and poultry by-products are subject to licensing.

Last year, imports of these products amounted to almost 4,500 MT worth USD 4.79 million. In the first two months of 2011, imports of these products amounted to 5,570 MT worth USD 6.69 million, while exports made up 8,790 MT worth USD 10.41 million.

By the same Decree the Government of Ukraine has established the licensing of imports of lard without the lean, pork and poultry fat. In January-February 2011 exports of these products made up 7 MT while imports totaled 2,430 MT worth USD 2.32 million.

Source: *Meatinfo News Service* (www.meatinfo.ru); Translated by: *usapeec.kz*

Yu. Kosyuk's interview with RBC-Ukraine daily newspaper



In early April, Mironovsky Hleboproduct (MHP), one of the largest agro-industrial holdings in Ukraine, announced its financial results for the year 2010. Thus, the company's net income totaled USD 215 million.

Yuri Kosyuk, the President of the company and the owner of 65 percent of company's shares gave interview to RBC newspaper.

He spoke about MHP's plans for the future and about the prospects of Ukrainian agricultural sector.

RBC-Ukraine: How will you distribute the net profit earned in 2010?

Yu. Kosyuk: We have made plans for the next 6-7 years. Funds will be invested into 2 main sectors - expansion of land bank and further implementation of our mega-project "Vinnitsa".

RBC-Ukraine: Will all profits directed for the own development? Do you plan to pay dividends for the year 2010?

Yu. K: It would be foolish to pay dividends, if we see where else we can grow.

RBC-Ukraine: How much have your land bank gone up during the last year?

Yu. K: In 2010 we increased our land bank for nearly 50-60 percent up to 280,000 hectares, while at the end of 2009 it amounted to 180,000 hectares.

RBC-Ukraine: And what about this year? Do you plan to increase it?

Yu. K: First we need to collect the harvest and then we'll see. If things go well we assume our land bank will be increased by 100,000 hectares.

RBC-Ukraine: Where else are you going to invest to?

Yu. K: We continue to expand production of processed foods. It needs working capital, and we're doing small investments. But the most important direction of our active investments is a "Vinnitsa" project, which consists of a complex processing of broiler chickens, feed and other complex objects. It is assumed that by the year 2015 this project (worth about USD 750 million) will add another 220,000 MT of poultry meat to the current volume of production of chicken meat companies belonging to MHP (which together produced 360,000 of poultry in 2010).

RBC-Ukraine: When is the deadline?

Yu. K: We plan to start production in early 2013.

RBC-Ukraine: Do you plan to buy some assets? Or to enter new businesses?

Yu. K: No, no new businesses. We are planning to work on current ones, as we still have a lot of work to do.

RBC-Ukraine: Do you plan some significant capital formations?

Yu. K: No. We are completely self-sufficient in funds for all of our developments. We have no problems with money - we have deposits and we have lots of cash. Therefore, we are calm.

RBC-Ukraine: How would you describe your relations with the current Government?

Yu. K: I can say that now it is even easier for me to build Vinnitsa poultry plant, than during 2004-2007 when I was building Myronovsky poultry plant. And besides, we have returned quite a huge amount of VAT for the last year. Perhaps these are the main indicators.

RBC-Ukraine: What do you think Ukrainian authorities should do so that there will be some breakthrough in agriculture?

Yu. K: I believe there should be a high quality of tax administration.

RBC-Ukraine: What else would you recommend to change in state regulation of agriculture?

Yu. K: I think it is necessary to remove quoting system for grains. Adoption of such a law would significantly facilitate the life of reliable producers.

RBC-Ukraine: What do you think how much money should be invested in the agriculture, so that to raise it to the decent level?

Yu. K: Ukraine has 20 million hectares of land. Large agricultural holdings own about 20 percent of it. I think that about 10 million of hectares of land are not sufficiently invested. Multiply 10 million hectares by USD 1,700. Thus, USD 17 billion is the sum to be invested into the lands only. Ukraine imports about 400,000 MT of meat and this amount covers only domestic demand for this product. In order to produce these 400,000 MT of meat (at least via poultry meat, since it is the fastest payback and requires small investments compared with the production of beef or pork) about USD 2 billion will be needed. I think that total of USD 50-60 billion should be invested into agricultural sector.

RBC-Ukraine: Are the businesses ready to invest such amounts?

Yu. K: First of all favorable business climate should be created. Business is very cynical, it works where it can earn more.

Source: RBC Information Agency (www.rbc.ua)

Translated by: usapec.kz

Mironovsky Hliboproduct Q1 poultry sales up



MHP S.A., one of the leading agro-industrial companies in Ukraine, focusing on the production of poultry and the cultivation of grain, is pleased to announce its pre-close trading update for the three months ended March 31, 2011.

During the first quarter of 2011, the volume of chicken meat sales to third parties increased by 2% compared to the first quarter of 2010, reaching 84,300 MT as a result of the production volume increase due to more effective usage of existing capacity. As usual, all the Company's existing poultry production facilities continued to operate at full capacity during the first quarter of 2011. Consumer demand for chicken remained high and the Company was able to sell close to 100% of the chicken meat produced.

The average chicken meat price through the first quarter of 2011 increased by 4% to UAH 12.83 (USD 1.6) per kg of adjusted weight (excluding VAT) when compared to Q1 2010, in line with global meat market trends.

Poultry production costs in Q1 2011 rose slightly in UAH terms compared to Q1 2010 due to the increase of grain and utility prices, which was partially compensated by the lower cost of hatching eggs. Since H2 2010, the Company became has been self-sufficient in hatching eggs, compared to Q1 2010 when approximately 25% of hatching eggs had to be imported hatching eggs at extra expense.

In Q1 2011, 45,900 MT of sunflower oil were sold mainly for export at an average price of USD 1,306 per MT, which was an increase of 54% on Q1 2010 (USD 850).

Grain Growing operations

The Company's winter crops in cultivation on approximately 70,000 hectares are in good condition.

MHP has purchased all seed and fertilizer required for 2011, and is in currently undertaking its spring sowing campaign.

In total, the Company expects to harvest an additional 100,000 hectares in 2011 compared to 2010 in its grain growing segment.

Other Agricultural Operations

Following further expansion of the Ukrainian Bacon facility, production volumes of sausage and cooked meat increased by 27% to 7,900 MT in Q1 2011 compared to 6,200 MT in Q1 2010.

The average sausage and cooked meat price for Q1 2011 increased by 7% to UAH 18.22 (USD 2.3) per kg excluding VAT (Q1 2010: UAH 16.98 (USD 2.1) per kg.). MHP continues to execute its strategy of increasing the Company's market share in meat processing products, by using internally produced chicken meat.

Financial results for Q1 2011 will be announced on May 12, 2011.

Source: The official website of Myronivsky Hleboproduct (www.mhp.com.ua)

In 2011 "Agroton" intends to launch 8 poultry plants



Ukraine's agro-industrial holding "Agroton" intends to launch 8 new poultry plants for the production of hatching eggs.

According to "Agroton", the first 4 poultry plants will be brought into operation by the end of April 2011, as they have already been supplied with first breeders. The rest 4 will start operating in September 2011, when the second group of breeding stock is supplied.

Each group of young breeding stock will include 36,528 heads.

Poultry farms will produce hatching eggs that will later be used for growing chickens.

The poultry plants will produce hatching eggs, which will be used in Agroton's incubator facilities to raise poultry stocks. "Agroton" estimates that it will produce 1.6 million eggs in the 4th quarter of 2011, with the current company's need of 1.86 million eggs. In 2012 the company plans to produce 8.5 million eggs, with the current need of 8.6 million eggs.

New facilities will allow "Agroton" to organize a full production cycle and reduce production costs.

The holding "Agroton" is one of the largest agricultural producers in eastern Ukraine. It operates since 1992. The Company controls grain elevators with a storage capacity of 235,000 MT. Holding are focused on the cultivation and production of grain, livestock, bakery products and cheese.

In the first half of 2010 "Agroton" reduced sales by 25.5 percent – to USD 19.6 million, but its net profit increased by 2 times – up to USD 28.4 million due to revaluation of biological assets and agricultural products. EBITDA for the first half of 2011 has made up USD 37.5 million vs. USD 21 million in the same period of 2010.

Source: Apk-Inform Information Agency (www.apk-inform.com);

Translated by: usapeec.kz

Ukraine's Avangard Q1 Egg Production Rises



Avangardco Investments Public Limited the leading producer of shell eggs and egg products in Ukraine, today announces trading update for the Q1 2011.

Shell Egg Segment

During the first quarter of 2011 Avangard produced 1,393 million shell eggs, largely due to the increase in its poultry flock. As of March 31, 2011 the Company's total flock was 25.2 million birds.

After the expected decline in February, March saw growth in shell egg prices resulting in the average price for eggs of UAH 0.54 (USD 0.07, excluding VAT) per egg.

During the period the Company continued to execute its strategy of focusing on the development of its customer base. As a result, in Q1 2011 25% of the Company's total shell egg sales volume went through modern retailers.

During the first three months of 2011 the Company exported its shell eggs to the countries of MENA and CIS.

Egg Products Segment

During the first quarter of 2011 the Company processed 269 million eggs and the average sale price for dry egg products during the period was USD 7.78 per kg (excluding VAT). Company saw growth in demand both in the Ukrainian market and export markets during this period.

During the period the Company exported dry egg products to Jordan, Indonesia, UAE, South Korea and Vietnam.

Additional Information

The subject of exporting to the markets of the European Union is expected to be considered in late May 2011. Construction at the Company's new production facilities at Avis, in the Khmelnytsky region of Ukraine, and Chornobaivske, in the Kherson region of Ukraine, is progressing well and on schedule. During the first quarter of 2011 all Avangard's export sales of shell eggs and egg products were made directly. LLC "Imperovo Foods" served as an exporter.

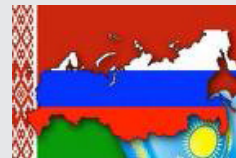
The company continues the process of reorganization by spinning off all of the assets and facilities, which were leased by LLC "Imperovo Foods", located in Ivano-Frankivsk region, to a new entity, LLC Imperovo Ltd, which was incorporated on November 9, 2010.

On March 4, 2011, the general participants' meeting of LLC Imperovo Ltd resolved to increase the charter capital of LLC Imperovo Ltd and contribute the egg processing plant and its production equipment into the charter capital of LLC Imperovo Ltd. Currently LLC Imperovo Ltd is seeking to register its title to the egg processing plant and its production equipment with the relevant state authorities (the Antimonopoly Committee of Ukraine). Earlier Avangard's Imperovo egg processing plant leased property, plant and equipment from a related party Stanislavska Torgova Kompaniya LLC.

The trading performance of the Company has been in line with management expectations and we expect to report a robust set of financial results for H1 2011.

Source: www.feedinfo.com

Ukraine will not join the Customs Union, but is ready to establish a free trade zone



On April 22, 2011 the Minister for Foreign Affairs of Ukraine Konstantin Gryshchenko said that Ukraine will not join the Customs Union of Russia, Belarus and Kazakhstan, but the country is ready for cooperation.

According to K. Grishchenko, Kiev is ready to conclude an agreement on creation of free trade zone with the countries of the Customs Union. He said that Ukraine intends to cooperate with the Customs Union outside of formal membership.

Apparently this statement is the answer to the European Commission President Jose Manuel Barroso who, during a visit to Kiev, said that he excludes the possibility of simultaneous entry of Ukraine into the Customs Union and creation of free trade zone with the EU

Vladimir Putin, Russia's Prime Minister, tried to entice Ukraine away from trade talks with the European Union by promising up to USD 9 billion in annual savings and trade benefits if Kiev joined a Russia-led customs union.

Mr. Putin's visit to Kiev followed an offer last week from Valery Golubev, deputy head of Gazprom, Russia's gas giant, for an USD 8 billion annual discount on natural gas prices if it joined the customs union. The move would be incompatible with an EU free-trade agreement.

The Moscow-friendly administration of Viktor Yanukovich, Ukraine's President, gave no immediate indication that it would accept the offer, which would come at the expense of the agreement it hopes to finalize this year with Brussels.

With Mykola Azarov, Ukraine's Prime Minister, at his side, Mr. Putin said Ukraine could negotiate a better free-trade deal with the EU if it joined forces with Russia and Belarus and Kazakhstan, the other two customs union members.

Mr. Putin's offer is the latest heave in a geopolitical tug-of-war between Moscow and Brussels over Kiev's future.

It comes a week after Ukraine held critical talks with Brussels on an accord on trade and associate membership. The negotiations have been tough, with both sides seeking to defend their industries.

Analysts said Russia's offer was tempting for Ukraine's ailing and fuel-dependent economy. Sharp price rises in Russian gas have hit the margins of Ukrainian industry and kept inflation in two digits.

Senior Ukrainian officials said their country was keen to sign free-trade deals with both Europe and Russia, and to co-operate with the customs union, but would stop short of derailing EU trade talks by joining it.

Sources: Financial Times Information Agency (www.ft.com); The News.KZ News Service (www.thenews.kz)

Translated by: usapeec.kz

Ukraine is faced with the choice: "vestibule" of the EU or membership in Customs Union

While the European Union allows Ukraine to make only small steps toward integration, Russia is actively "luring" it into the Customs Union.

Thus, as soon as the Ukrainian President Viktor Yanukovich has announced about his willingness to join CU in the form of "3 plus 1" the Deputy Chairman of Gazprom (Russian gas giant), Valery Golubev said that Ukraine will save on gas about USD 8 billion per year, if it joins CU of Russia, Belarus and Kazakhstan. Ukrainian experts keep telling that joining CU will close the door on the way to European integration. And that this will create problems with the World Trade Organization and Ukraine can even lose partially its sovereignty.

A well-known German journalist on international affairs, director of the Center named Berthold stain of the German Council on Foreign Relations, Alexander Rahr gave interview to IA "GolosUA". He spoke about the problem of making a correct choice by Ukraine.

- Mr. Rahr, how can you comment the position of the European Union, and today's statements about Ukraine's entry into the Customs Union?

- European Union does not offer exact proposals to Ukraine. It is quite vague about it and Ukraine understands that it is wasting its time and just waiting in the "vestibule" of the EU, and that this year Ukraine will not even receive the associate status with the European Union, because all negotiations with Ukraine have again come back to the starting point, where they were 10 years ago. And it is quite clear why now Yanukovich emphasizes the formula "3 plus 1". It means that Ukraine should have separate regulations under the Customs Union. But not because Ukraine wants to "show-off", but because it is a member of WTO, while Russia, Kazakhstan and Belarus are not. And besides, Ukraine has signed agreements with many countries. And the commitments assumed by Ukraine do not let it join the Customs Union as easily as did Belarus, for example. I think that Russia will agree with these terms, because to tell you the truth is even now looks strange. Belarus has separate privileges in relations with Russia, as well as Kazakhstan does. So there is room for maneuver and to leave open questions for future discussion.

- How will Ukraine's entry into the Customs Union affect its European integration?

- In the long term, I think it won't be affected. Ukraine will have to endure a lot of complaints from the European Union, maybe even from U.S., which will interpret this as a political step-going away from the West towards Russia.

Therefore, let's see how Ukraine will comment all this. However, I think that there is nothing wrong about this. Let's take a Turkey, for example. It has free trade agreements with the EU since 1963 and at the same time it is a member of the Islamic economic organization. But any steps of Ukraine towards Russia are terribly politicized in Europe and it is immediately perceived as almost a return of Ukraine into the Russian empire. I think this is not true, but nothing could be done, the West will be always of this opinion and will have a critical attitude towards Ukraine. And I think that Yanukovich and his people understand this.

- So, accession of Ukraine to CU will not hold Ukraine away from European integration?

- Maybe only politically, because anyway there will be talks and complaints about it. But in practice - I think not. I think that now Ukraine will be able now to recover a part of its economy via cheaper gas. Then it might get interesting contracts not only with Russia but also with Kazakhstan. So then, when Ukraine becomes stronger, and not like today (a country with weak economy), the European Union will again show interest towards it and will quickly compromise in order to cooperate with Ukraine.

- Will Ukraine benefit from joining CU, what do you think?

- Of course it will. Or why at all join this organization? Investments of Ukraine (which suffer from absence of access to the East) will be easily entering these countries. People can more easily move within the Customs Union, the Ukrainians will be able to open their businesses in Russia and Kazakhstan. It is necessary to separate political and economic components. Economically Ukraine wins, because the European Union does not offer anything exactly to Ukraine. If it would have offered to enter customs union of EU, then Ukraine would eagerly agree on this, but it does not. And CU of Russia, Kazakhstan and Belarus has a market of 180 million people - a third of the European Union. This is also a good opportunity to do business and prosper economically.

- Won't this membership create problems for Ukraine as it is a member of WTO at the same time?

- I do not think so, because Ukraine will make reservations. WTO is now quite vague organization and it is possible to negotiate with them. Each of the countries acceding to the WTO has agreements with other countries. Besides, in my opinion, the WTO is becoming more political organization than economic. Well, of course, that part of Ukraine, which wants to quickly enter EU is very disappointed. For them, it's a shock how fast Yanukovich decided to refuse joining it.

- Will Russia manipulate with Ukraine and use it for its own purposes after its entry into CU?

- It is always possible to secure yourself via contracts. If Ukraine has any suspicions that Russians want to "suffocate" it, then it will walkout from the Customs Union, or will ruin it. This also happened.

Source: MDOffice Information Agency
(www.mdoffice.com.ua)

Translated by: usapec.kz

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Ukraine poultry import statistics, January-February 2011*

Partner Country	2010		2011		% Change Value	% Change Quantity
	Value	Quantity	Value	Quantity		
World	13,319.0	14,205.0	10,410.7	8,795.0	-28%	-62%
<i>America:</i>						
United States	6,465.7	6,452.4	465.1	455.6	-93%	-93%
Brazil	29.6	26.0	70.7	54.0	+239%	+208%
<i>Europe:</i>						
Belgium	1,304.7	1,411.0	1,479.4	1,400.0	+113%	-1%
England	473.3	518.8	965.0	796.5	+204%	+153%
France	122.0	102.6	1,040.3	760.1	+853%	+745%
Germany	2,102.9	2,192.4	2,535.5	1,835.0	+121%	-16%
Hungary	960.5	1,476.5	618.4	779.2	-36%	-47%
Italy	258.0	200.2	872.1	576.1	+338%	+288%
Netherlands	1,040.6	1,205.0	626.3	767.0	-40%	-36%
Poland	561.7	620.1	1,207.0	1,044.1	+214%	+168%
Other	---	---	531.8	837.0	---	---
Value Unit: Thousands of USD; Volume Unit: MT						
* Source: State Statistics Committee of Ukraine.						