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### Ukraine



#### Ukraine's quality control system for produced poultry and eggs meets standards of European Union

European Commission (EC) has released a final report of a mission carried out in Ukraine during May 17-27, 2010 in order to evaluate the control systems in place governing the production of poultry meat, poultry meat products and egg products for potential export to the European Union (EU).

According to the final European Commission report, the objectives of the mission were to evaluate whether the official control systems for poultry meat, poultry meat products and egg products destined for export to the European Union can provide equivalent guarantees to those required under the European Union legislation and to verify the effectiveness of the guarantees and corrective actions submitted to the Commission services in response to the recommendations of the previous poultry mission report of 2009.

The report concludes that there is a comprehensive and documented official control system in place, which includes daily supervision and regular controls in the establishments and in the poultry farms. The Competent Authority has adequate procedures in place in order to address the recommendations from the previous mission which was carried out in June 2009. The deficiencies found by the mission team during the mission were either corrected immediately or the Competent Authority provided the mission team with guarantees that they would be corrected and would not be repeated. However, there are still some weaknesses regarding animal welfare at the time of slaughter.

In general, the mission team noted a significant improvement in the official control system and in the conditions of the establishments visited since the previous mission covering this topic. The report includes a number of recommendations addressed to the Ukrainian Competent Authority aimed at rectifying the identified shortcomings and enhancing the control system in place.

According to the Annex to the report, Ukraine is already implementing and executing all the improvements.

Analyst of Astrum Investment Management Dmytro Ushenko has commented this expected development as follows: Compliance with EU quality standards has been a key roadblock to Ukrainian poultry and egg exports to the EU, and the EC's near-final approval suggests the export doors should be opened in the near-term. Among listed names, poultry producer Myronivsky Hliboproduct (MHP) and egg producer Avangard (AVGR LI) both have plans on exporting up to 10 percent of production volumes to Europe. For MHP, exposure to the EU market is more a question of reputation – the EU's lower poultry prices imply exports are less profitable vs. domestic sales. For Avangard, though, EU market access implies wider margins, as EU shell egg prices are 2-3 times higher vs. Ukraine.

*Sources: The Official website of the European Commission ([http://ec.europa.eu/index\\_en.htm](http://ec.europa.eu/index_en.htm)); BG Capital (<http://bgcapital.ge>)  
Edited by: usapeec.kz*

### **Russian VPSS inspects Ukrainian meat and milk producing enterprises**

Beginning August 30, 2010 Federal Service for Veterinary and Phytosanitary Surveillance of Russia (VPSS) is inspecting Ukrainian meat and milk producing enterprises (including poultry facilities).

Earlier, on July 1, 2010 Russia has lifted the restrictions on imports of poultry meat and poultry products from Ukraine, according to VPSS Order No.FS-NB-2/7817 dated June 30, 2010. The restrictions on imports of Ukrainian livestock products, including poultry, were introduced in late 2005 and early 2006.

However, only companies inspected and approved by VPSS will have right to export their products to Russia.

Starting July 1, 2010 only two Ukrainian enterprises producing poultry meat are allowed to export their products to Russia – both of them belong to Myronivsky Hliboproduct (MHP, the largest poultry producer in Ukraine and the main petitioner of an anti-dumping investigation against poultry imports from U.S. and Brazil).

Experts note that this is very positive for MHP, taking into account that the wholesale price for poultry meat in Russia amounts to 21.5 UAH/kg (USD 2.72), while in Ukraine it is only 14-15 UAH/kg (USD 1.77-1.9).

*USAPEEC CA EE note:*

According to the Ukrainian official statistics, poultry meat exports from Ukraine to Russia were not significant until 2010 - just 12 MT in 2009.

However, taking into account the latest developments exports of Ukrainian poultry to Russia may increase, in particular MHP is going to export to Russia about 25-30,000 MT of poultry meat in 2010. This is rather significant volume which can create competition to other suppliers of poultry meat to Russia.

*Sources: The Official website of the Federal Service for Veterinary and Phytosanitary Surveillance of Russia ([www.fsvps.ru](http://www.fsvps.ru)); Emeat News Service ([www.emeat.ru](http://www.emeat.ru))  
Translated and edited by: usapeec.kz*

**Share of Myronivsky Hliboproduct in the domestic market of industrial poultry production has reached nearly 50 percent**



In the second quarter of 2010 Myronivsky Hliboproduct (MHP), the largest poultry producer in Ukraine and the main petitioner of an anti-dumping investigation against poultry imports from U.S. and Brazil has increased its net profit by 31 percent (up to USD 67 million) compared to the same period in 2009.



During the first half of 2010 MHP has increased its net profit by 14 percent (up to USD 102.23 million) compared to the same period last year, while its revenues have grown by 39 percent, reaching USD 422.95 million.

Gross profit of MHP over January-June has increased by 0.8 percent (up to USD 124.84 million), EBITDA – by 4 percent (up to USD 133 million), while operating profit has decreased by 1.9 percent (to USD 104.82 million).

All facilities of the company which produce poultry meat are working at full capacity. The demand for poultry meat remains high. And this fact allowed increasing the sales of the product by 45 percent (up to 168,500 MT). As a result, the company's share in the domestic market of industrial poultry production has reached nearly 50 percent, while a number of competitors continue to reduce their production.

Meanwhile, over January-June 2010 Ukraine has imported 71,152 MT of poultry meat including 40,561 MT of poultry from U.S. Thus the share of U.S. poultry in total volume of imported poultry made up 57 percent.

*Source: APK-Inform Information Agency (www.apk-inform.com)*

*Translated and edited by: usapeec.kz*

### **Egg firm Avangardco reports strong performance in the first half of 2010**

 Avangardco Investments Public Limited, the leading producer of shell eggs and egg products in Ukraine, announces its financial results for the first six months of the year ending June 30, 2010.

#### **Financial highlights**

- Revenue increased by 68 percent to USD 165.9 million (the first half of 2009: 98.6 million).
- EBITDA increased by 47 percent to USD 63.5 million (the first half of 2009: 43.1 million).
- EBITDA margin decreased to 38 percent (the first half of 2009: 44 percent), this was due to the growth of market prices for grain harvested in 2009 compared to the record low market prices for grain harvested in 2008, and the reduction in state subsidies (the first half of 2009: USD 6.8 million, the first half of 2010: USD 0.5 million).

- Net profit increased by 86 percent to USD 61.9 million (the first half of 2009: 33.4 million).
- Net profit margin increased by 3 percent to 37 percent (the first half of 2009: 34 percent).

#### **Operational highlights**

- Total shell eggs output increased by 29 percent to 1,910 million eggs (the first half of 2009: 1,481 million).
- Poultry flock increased by 16 percent to 18.6 million birds (the first half of 2009: 16.1 million).
- Average egg price increased by 44 percent to UAH 0.52 per egg (the first half of 2009: UAH 0.36) (excl. VAT).
- Supermarket sales of shell eggs increased from 2 percent of the total produced to 7 percent, and are expected to grow further.
- IPO on London Stock Exchange in May 2010 raising USD 200.2 million in net proceeds primarily to finance the expansion and diversification of the egg business.

#### **Post period end**

- The company continued to increase the size of its poultry flock and drive production volumes. As of August 24th the poultry flock had a total of 19 million birds.
- The average egg price grew in August and was 45 percent higher than in July 2010.
- During July and August the unusually hot weather in the region resulted in the price of grain, including forage, growing significantly; the price stabilized at the end of August at USD 170 per MT (incl. VAT).
- During July and August the company purchased 200,000 MT of forage grain using forward contracts with an average price of USD 105 per MT (excl. VAT).
- The Company restarted construction at its new complexes, Avis and Chornobaivske.
- On August 24th Fitch Ratings assigned Avangardco Investments Public Limited (Avangardco) Long-term foreign and local currency Issuer Default Ratings (IDRs) of 'B' respectively. Fitch has also assigned Avangardco a National Long-term Rating of 'A+' (ukr). The Outlook for the Long-term IDRs and National Long-term rating are Stable.

#### **Information on Avangard**

The Company is a holding company for a group (the "Group") that is one of the leading agro-industrial companies in Ukraine, focusing on the production of shell eggs and egg products.

As of June 30, 2010, Avangard's flock consisted of approximately 18.6 million birds. Avangard's production facilities are located across 14 regions in Ukraine and also in the Autonomous Republic of Crimea. In 2009 Avangard exported its shell eggs and egg products to 16 countries mainly in the Middle East and Asia. In 2009 the Company generated revenue of USD 319.855 million (2008: USD 302.292 million), EBITDA of USD 152.092 million (2008: USD 113.738 million). Avangard's shares listed on the Main Market of London Stock Exchange in May 2010.

### ***Current trading and outlook***

**Volumes:** Avangard expects sales volumes to be driven in the second half and beyond by robust demand in Ukraine for eggs and egg products, coupled with its plans to increase exports. In addition, sales volumes will be supported by increasing output as Avangard's flock of laying hens increases. The Company will also continue developing its domestic market client base, specifically by driving sales through retail chains.

**Exports:** following the Russian Government's repeal of the ban on Ukrainian imports earlier this year, Avangard intends to start exporting to Russia in the second half of 2010, which will provide a further opportunity to drive sales growth.

Currently neither Ukrainian companies in general, nor Avangard in particular has accreditation to export egg products into the European Union. Avangard is, however, actively working towards obtaining the required certification. The Company has passed the first stage of the audit by European Commission receiving the highest possible score. The second stage of the audit is expected to be completed by the end of the year. During the year Avangard has been approached by a number of large consumers of shell eggs and egg products in leading European Union countries and is confident that this presents a significant and obtainable market opportunity for the Company.

**Grain Prices:** as a result of the hot weather in the region the grain market is experiencing a substantial rise in prices.

has mitigated its exposure to rising grain prices in the second half by signing forward contracts for the purchase of wheat. Should high grain prices continue into 2011, it is expected that the resulting food inflation in Ukraine will push egg prices higher as well, ensuring that Avangard's margin will remain strong.

*Source: Feedinfo News Service  
(www.feedinfo.com)  
Edited by: usapeec.kz*

## **Moldova**



### **The Government of Moldova has approved new Technical Regulation "Meat. Production, import and selling" which tightens requirements for imported meat**

On August 4, 2010 the Government of Moldova has approved Technical Regulation "Meat. Production, import and selling". The Regulation comes into force on November 9, 2010.

According to the document, importers of meat into Moldova, as well as sellers of meat in the country, will be required to submit documents with detailed information on the origin of the product.

Minister of Agriculture and Food Industry of Moldova, Valery Kosarchuk said that the aim of this Regulation is the following: final consumers should consume high-quality meat, they should be aware of its origin and have the information about when the livestock was slaughtered, its storage conditions, and where from this meat is imported.

He added that the Government does not want its population to consume meat, which had been stored in freezers of Brazil for many years.

The new Technical Regulation for meat products is one of the ways to support domestic producers. It involves, first of all, obligatory notification of the consumer on the slaughtering date. Thus, the consumer will have an opportunity to choose: whether to buy cheap, deep-frozen meat or fresh meat products at slightly higher price.

According to this new Regulation the period of storage of frozen poultry (applies both to imported and domestically produced meat) must not exceed:

6 months if storage temperature is -18 °C  
9 months if storage temperature is -25 °C  
12 months if storage temperature is -30 °C

As for prices for meat, according to local producers the prices will raise in Moldova soon. They suppose that this will happen due to the increased costs of feed.

According to the official data, this year Moldova is expected to produce 80 percent of meat domestically and the remaining 20 percent will be imported from abroad. Imports are expected to decrease next year as well.

Over January-June 2010 Moldova has imported 10,758 MT of U.S. poultry that is an increase of 87 percent compared to the same period in 2009 (5,758 MT).

*Sources: Kazakh-Zerno Information Agency ([www.kazakh-zerno.kz](http://www.kazakh-zerno.kz)); Technical Regulation of Moldova "Meat. Production, import and selling" as of August 4, 2010; FAS U.S. Trade Export Statistics ([www.fas.usda.gov](http://www.fas.usda.gov))*

*Translated and edited by: [usapeec.kz](http://usapeec.kz)*

***Ukraine poultry import/export statistics\****  
***Period: January-June 2010\*\****

Partner Country	Import		Export	
	Value	Quantity	Value	Quantity
<b>World</b>	<b>72,617</b>	<b>71,152</b>	<b>20,138</b>	<b>16,597</b>
<i>America:</i>				
<b>United States</b>	<b>42,547</b>	<b>40,561</b>	---	---
Brazil	29	26	---	---
<i>Europe:</i>				
Belgium	6,529	6,461	---	---
England	3,026	2,938	0.6	0.1
France	548	493	---	---
Germany	6,529	6,365	3	0.6
Hungary	3,467	4,911	---	---
Italy	2,032	1,442	---	---
Netherlands	3,853	4,137	0.3	0.08
Poland	3,456	3,433	---	---
Spain	601	382	---	---
<i>CIS:</i>				
Armenia	---	---	657	453
Kazakhstan	---	---	12,608	8,841
Kyrgyzstan	---	---	303	211
Moldova	---	---	1,616	836
Russia	---	---	3.1	0.84
<i>Asia:</i>				
HongKong	---	---	1,209	1,740
Iraq	---	---	796	524
Georgia	---	---	793	494
Jordan	---	---	340	250
Vietnam	---	---	1,541	2,968
<i>Other countries</i>	---	---	268	278.38
<b>Value Unit:</b> Thousands of USD; <b>Volume Unit:</b> MT				
* Source: State Statistics Committee of Ukraine.				
** Share of U.S. in total volume of poultry imports into Ukraine during January-June 2010 made up 57 percent.				