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Tel: +7 987 2966 777 E-mails: bella_usapeec@yahoo.com; usapeeckz@yahoo.com Website: www.usapeec.kz

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Ukraine



USAPEEC calls on Ukraine to end anti-dumping case on U.S. poultry

On July 21, 2010 President Jim Sumner and Bella Ablaeva, USAPEEC’s representative for Ukraine, along with legal counsel Gary Horlick and Ukrainian lawyers representing USAPEEC, met in Kiev with officials with the Ukrainian Ministry of Economy to urge termination of the anti-dumping investigation against U.S. poultry.

Ukraine initiated its case in 2009, alleging that imports of U.S. and Brazilian poultry caused injury to its domestic industry. Ukraine must render its decision on the case by September 17, 2010 and is expected to announce a preliminary determination by mid-August.

The U.S. Embassy in Kiev was strongly supportive of USAPEEC’s initiative to meet with the Ministry. Embassy Economic Officer Eric Salzman, Agricultural Attache Ann Murphy, and Oleksandr Tarassevych, Agriculture Specialist at the Foreign Agricultural Service Office in Kiev, were present at last week’s meeting. Officials at the U.S. Embassy in Kiev, which supported USAPEEC in its initiative to meet with the Ministry, were also present at the meeting.

Sergii Koziakov, USAPEEC’s Ukrainian Lawyer, opened the discussion with an explanation of state policy and purchases of poultry in 2008 by the Ukrainian Government. He said that a key player in the country’s industry – Myronivsky Hilboproduct – posted strong financials in 2009, and paid its sales director a bonus last year of USD 6.5 million. E.Salzman told Ministry representatives that he hopes the Government will issue the draft of its preliminary determination at least 30 days before the final decision.



Left to right:

Sergii Koziakov - Senior Partner at Volkov Koziakov and Partners (VK&P) Ukrainian Law Firm; Ann Murphy - Agriculture Attaché; Olga Ryabtseva - Investigator of the anti-dumping investigation on poultry; Oleksandr Tarassevych - Agriculture Specialist, Foreign Agricultural Service of the United States Department of Agriculture, U.S. Embassy in Ukraine; James H. Sumner - USAPEEC President; Bella Ablaeva - USAPEEC EECA Regional Representative; Victoriia Kotsiubska - Counsel at VK&P Law Firm; Gary Horlick (USAPEEC Counsel); Alexandra Taran - VK&P interpreter; Andrii Zablotsky - Associate at VK&P Law Firm.

He also pointed out that there is not sufficient evidence for the anti-dumping measures to be imposed, and that the Embassy believes the investigation should be terminated. In her presentation, Murphy said that the U.S. Government wants the investigation to be terminated to avoid a challenge by the U.S. in the World Trade Organization. Olexander Mangul, who is heading the investigation on behalf of the Ministry, said that the Government would render a fair decision in accordance with WTO provisions. G.Horlick, USAPEEC's lead Attorney in the case, noted that the investigation must be based on the export price of the product, rather than the import price. He explained that the Ukrainian industry suffered no injury because of imports, and that the negative impact on the poultry market was caused by state purchases of chicken and other factors, not dumping.

Speaking to Ministry representatives, J.Sumner said that USAPEEC is willing to support cooperative efforts with the Ukrainian poultry, both as an organization and through the International Poultry Council. J.Sumner urged the Ministry to also consider interests of consumers in its investigation, noting that USAPEEC members export chicken to Ukraine at a price higher than the U.S. market, and that U.S. chicken leg quarters are mainly purchased by low-income consumers who cannot afford expensive chilled products.

He described how the industry's joint venture in Russia had demonstrated that U.S. leg quarters do not compete directly with domestic chicken. At the end of the meeting, O.Mangul said the discussions had been productive and that all arguments will be taken into account during the remainder of the investigation and while the Government makes its decision.

“Poultry scandal” in the State Material Reserve Committee of Ukraine

State Material Reserve Committee of Ukraine has paid UAH 36 million (about USD 4.5 million) to the Donetsk firm for fictitious/fake storage of poultry meat. This amount was credited to the accounts of Donetsk businessmen for storage of 64,000 MT of meat (belonging to the State Material Reserve Committee) throughout 2008. However, the Prosecutor General's Office and the Audit Bureau ascertained that in fact all this time meat was stored in freezers of state company “Kombinat Noviy” (belongs to the State Material Reserve Committee). Thus, the budget money was paid for nonexistent services, according to prosecutors. Finally, the Court of Kiev by its decision dated July 1, 2010 ordered Donetsk businessmen to repay UAH 36 million (about USD 4.5 million) to the Government.

The fictitious transactions were executed at the time of the government's campaign aimed at stabilizing the prices in meat market.

As a reminder, in April 2008, the Cabinet of Ministers permitted State Material Reserve Committee to sell meat to meat processing companies "in order to stabilize domestic meat market". Meat sale required replenishment of stocks in the state storages. Therefore, at that time 64,500 MT of meat were purchased and then sent for the storage to the company "Producti Pitaniya". "The sale and purchase of meat products have several objectives: to refresh stocks, saturate domestic market and eliminate the deficit", State Material Reserve Committee explained in 2008.

*Source: Delo News Agency (www.delo.ua)
Translated by: usapeec.kz*

Ukraine may introduce additional 10 percent duty on imported poultry

The Ministry of Agrarian Policy of Ukraine has proposed to introduce temporary agricultural duty on a number of products including poultry meat and edible by-products of poultry.

On July 20, 2010 the Ministry of Agrarian Policy of Ukraine promulgated the corresponding Draft Law of Ukraine "On amending some laws of Ukraine on taxation (in order to maintain the employment level in Ukraine during the global financial crisis)".

According to the Draft Law the duty will be charged during import and re-import of goods into the customs territory of Ukraine and during deliveries of those products (by producers) within the customs territory of Ukraine.

Exported and re-exported goods are not subject to this duty.

The rate of temporary agricultural duty amounts to 10 percent of the tax base. The Law is planned to come into force beginning January 1, 2011 and will be effective until January 1, 2014.

The Draft Law is to help maintain employment level during global financial crisis by stimulating the agricultural sector, in particular livestock and fishing industries and protecting domestic market of plants protection products in Ukraine.

In addition, the Draft Law is to improve the Ukrainian laws which regulate the collection of value added tax in connection with the introduction of temporary agricultural duty.

The list of goods that are subject to the temporary agricultural duty includes pork, edible by-products of cattle, pigs, sheep, goats; poultry meat and edible by-products of poultry, fish, insecticides, fungicides, herbicides, rodenticides.

*Source: Apk-Inform News Agency
(www.apk-inform.com); Translated by: usapeec.kz*

Russia has lifted the ban on imports of all types of livestock products from Ukraine

According to Federal Service of Veterinary and Phytosanitary Surveillance of Russia, beginning July 1, 2010 Russia has lifted almost all the restrictions on poultry imports from Ukraine: in particular, on live birds, hatching eggs, poultry meat and all kinds of poultry products, animal feed and feed additives for birds.

However, only approved Ukrainian companies (those which meet Russia's requirements) will be allowed to export their products (both raw materials and finished products) to Russia.

The latest inspections that were conducted in Ukraine show that not all companies are ready to meet Russia's requirements. The principal reason for this is that Ukraine is harmonizing its rules with the European standards, which differ from the Russian ones.

As a result of inspections conducted in May this year, only Elitex Ltd. (Donetsk region) has received permission to supply finished meat and poultry meat products to Russia starting from July 1, 2010.

Another two enterprises – CJSC "Snyatynskaya nova" poultry farm (Ivano-Frankivsk region), and CJSC "Mironovskaya poultry farm" (Cherkassy region) – are allowed to supply raw poultry products.

The restrictions on imports of Ukrainian livestock products, including poultry, were introduced in late 2005 and early 2006.

Poultry meat exports from Ukraine to Russia were not significant - just 12 MT in 2009. However, taking into account the latest developments exports of Ukrainian poultry to Russia may drastically increase.

*Source: Apk-Inform News Agency
(www.apk-inform.com)
Translated and edited by: usapeec.kz*

Prices for poultry meat may rise in Ukraine

Russia has lifted the ban on poultry meat imports from Ukraine; however as of today only two Ukrainian plants are eligible to import poultry meat into Russia. Both of these plants belong to Myronivsky Hliboproduct (MHP) - poultry farm "Snyatynskaya nova" in the Ivano-Frankivsk region and "Mironovskaya poultry farm" in the Cherkassy region. 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 14-15 UAH/kg (USD 1.77-1.9).

Thus, Ukrainian prices for poultry meat will rise to the level of Russian ones. MHP plants operate at full capacity; therefore, significant increase in production is not planned until the year 2012. While the company can not increase its production, it will be able to export its products to Russia at prices by 40-50 percent higher than domestic ones. The company holds a leading position in the market with a market share of 43 percent. Switching to the sales in Russia is likely to lead to increase in price for poultry meat in Ukraine. However, taking into account that Russia has lifted the ban on poultry imports from U.S. prices for poultry will fall again (prices in the U.S. market is lower than in Ukrainian one). Probably, Russian prices will fall to 16-16.5 UAH/kg (USD 2.03-2.09, last year prices). Anyway, it is good for MHP, since it means price increase of 14-18 percent for the company's products.

Phoenix Capital analyst expects that taking into account the possible decrease in prices in Russia, after the resumption of imports from U.S. and the entry of Ukrainian producers into the market, domestic prices in Ukraine will be correlated with the Russian ones, and therefore will go up to 16-16.5 UAH/kg (USD 2.03-2.09, this price was in the Ukrainian market in the quarters 3 and 4 of 2009).

It is worth noting that the consumption of broiler meat in Ukraine in 2010 amounted to 812,000 MT, and it is expected to grow by 1.8 percent year over year, according to FAPRI (the Food and Agricultural Policy Research Institute in U.S.).

*Source: Emeat News Service
(www.emeat.ru)
Translated by: usapeec.kz*

CEO of "Myronivsky Hliboproduct": Price is the first thing that interests consumers all over the world

The largest poultry producer in Ukraine - Myronivsky Hliboproduct (MHP) - is increasing its production capacity even during crisis and is ready to enter European and Asian markets.

Recently, the International Finance Corporation (IFC) and European Bank for Reconstruction and Development (EBRD) have allocated a USD 61 million and a USD 50 million loans to the company. The funds will be invested in business expansion, mainly in poultry meat and grain production. MHP also obtained a USD 150 million loan from export financing and in addition, the company released Eurobonds worth USD 570 million.

In 2009 the revenues of Myronivsky Hliboproduct increased almost 20 times. The increase was achieved mainly due to introduction of new facilities. Last year MHP put into operation their biggest plant (mega-project), which added a 50 percent growth year over year.

Over the first half of 2010 MHP has increased the sales of poultry meat by 45 percent (they have reached 168,500 MT) compared to the same period of 2009. MHP also plans to expand meat production. Today MHP produces about 360,000 MT of poultry meat. And a new Vinnitsia poultry farm is to add another 440,000 MT. MHP will start producing meat at Vinnitsia poultry farm at the beginning of 2013. The project will be fully completed by the year 2017.

It is worth noting that MHP started building a poultry farm "Shakhterskaya-Nova" in the Donetsk region, which will support the work of the Vinnitsia poultry farm, mainly by providing with a tribal base.

Two production lines of “Shakhterskaya-Nova” will be put into operation in 2013 and 2015. In addition, European experts inspected three meat processing enterprises belonging to MHP in May 2010. MHP expects to get the results in 60 days. If the results are positive, MHP plans to enter foreign markets, as the CEO of the company is sure that MHP can easily compete with Brazilian and European producers of poultry meat.

Yuri Kosyuk, the Chief Executive Officer of MHP says that European consumers are quite cynical, since everything they demand is a high quality product at a low price. He believes that consumers all over the world are mainly interested in a price of the product.

Also he noted that MHP is interested in exports to Asia more than in exports to Europe. He added that they are planning to supply products to Kazakhstan, Iran, Iraq, Syria, Afghanistan, and Indochina.

Y. Kosyuk informed that demand for expensive delicacies such as goose and duck liver (produced by MHP under TM “Foie Gras”) and elite beef (produced by MHP under TM “Certified Angus”) is low in Ukraine. This happens due to the fact that there is no solvent demand for these products and no culture of consumption in Ukraine. Therefore, MHP plans to supply Europe with its premium class products.

He noted that if earlier the company followed the monopoly policy, today it has moved away from it. He said that they do not mind if outlets sell products of various companies since it is consumer who chooses. Y.Kosyuk also noted that the company managed to survive during the crisis due the fact that Ukrainians switched from red meat to poultry. And last year MHP sold out at the domestic market all the additional volumes of products.

He commented former and current Governments. According to him a new Government is more predictable, understandable and pragmatic. “Government leaders do not show much emotion. They say exactly what is good and what is not. And all their suggestions are declared. And we and people engaged in this industry follow them. What is the main important thing is that there is no mess and manual control now.

I do not like manual control, when for example, the Prime Minister could tell at what price to sell poultry meat. This is ridiculous. And the new Government definitely does not practice such kind of governing”, he said.

However, Y.Kosyuk criticized the new Government for opening the market for imports. According to him, now anyone may import everything he wishes paying 12 percent duty for it. But after making such steps the Government should think over the following questions: what from is it going to create GDP? How will it maintain trade balances and how will it pay salaries?

Information about the company: OJSC Myronivsky Hliboproduct was founded in 1998. In 2002 the company launched a production of chilled poultry under the brand “Nasha Ryaba”. Starting from 2008 MHP is listed on the London Stock Exchange. The company is known in the market under the following brands: “Nasha Ryaba”, “Druzhba Narodov”, “Bashinsky”, “Europroduct”, “Legko!”, “Certified Angus”, “Foie Gras”.

Source: LigaBusinessInform News Agency (www.liga.net); Translated by: usapeec.kz

Ukraine’s Vice Prime Minister requires to exclude imports of low-quality goods and smuggling

On July 15, 2010 at a meeting of the Coordinating Council for Agricultural Policy under the Cabinet of Ministers of Ukraine the Vice Prime Minister of Ukraine Victor Slauta states that the imports of low-quality and smuggled meat products must be constantly controlled. The participants of the meeting offered to create an Interagency Working Group on development of the market of livestock products, to develop measures to avoid unjustified price fluctuations in wholesale and retail consumer markets, as well as to work out suggestions on protecting domestic producers.

According to the Vice Prime Minister, during the first six months of this year imports of poultry meat and pork have declined by nearly 30 percent, at the same time imports of low-quality poultry meat have increased by 7 percent and pork - by 33 percent.

According to the Ministry of Economy, this year Ukraine will be able to meet 87-90 percent of internal demand for meats, and it will have to import the rest 300,000 – 340,000 MT.

He also said that according to forecasts during the next 5 years meat production in Ukraine will increase by almost 9 percent; in particular, pork production will grow by 9 percent, broilers and turkeys – by 16 percent.

He added that after Ukraine became the WTO member, Ukrainian domestic meat market has already felt the pressure from foreign meat products. However, he added that Ukraine can not unreasonably hinder import.

*Source: State Veterinary Medicine Committee of Ukraine
Translated by: usapeec.kz*

Ukraine will not defend its market within CIS

The working group of the Commonwealth of Independent States (CIS) countries is now finalizing the Agreement on Free Trade Zone.

According to the Agreement, CIS countries, except Azerbaijan, Turkmenistan and Uzbekistan, have agreed to cancel nearly all import duties and to fix the rate of export duties in trade between them.

Basic principles of the Agreement are based on WTO rules.

The Agreement on Free Trade Zone governs restrictions in trade with third countries, freedom of transit, re-export, antidumping rules, questions on competition and subsidies, sanitary and phytosanitary measures, customs rules and dispute settlement rules (a Supranational Court of Arbitration acting under WTO rules will be set up for this purpose) Ministers of the CIS economies will meet on September 10, 2010 to consider the Agreement. The document is expected to be finally adopted by the end of this year.

Turkmenistan is not involved in the process yet. Uzbekistan and Azerbaijan intend to take a decision on joining the Agreement shortly. Armenia, Kyrgyzstan, Moldova, Tajikistan and Ukraine, as well as Customs Union countries will join the Agreement.

It is essential for Ukraine that Russia does not fix restricting import duties for Ukrainian agricultural products. According to the Prime Minister of Russia, last year trade turnover between Russia and Ukraine fell sharply from USD 40 billion to USD 22 billion. However, for the first four months of this year trade turnover between the two countries has doubled.

Members of CIS: Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine, Uzbekistan.

*Source: MDOffice News Agency
(www.mdoffice.com.ua)*

Edited and translated by: usapeec.kz

www.usapeec.kz

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

Partner Country	Import		Export	
	Value	Quantity	Value	Quantity
World	50,128	49,664	15,698	13,473
<i>America:</i>				
United States	26,590	25,704	---	---
Brazil	29	26	---	---
<i>Europe:</i>				
Belgium	5,283	5,242	---	---
England	2,384	2,377	0.6	0.1
France	503	451	---	---
Germany	5,503	5,387	2.6	0.6
Hungary	2,380	3,274	---	---
Italy	1,705	1,223	---	---
Netherlands	2,902	3,241	0.3	0.08
Poland	2,415	2,457	---	---
Spain	434	282	---	---
<i>CIS:</i>				
Armenia	---	---	538	374
Kazakhstan	---	---	9,293	6,798
Kyrgyzstan	---	---	190	135
Moldova	---	---	1,414	738
Russia	---	---	2.3	0.6
<i>Asia:</i>				
HongKong	---	---	1,005	1,495
Iraq	---	---	796	524
Georgia	---	---	620	376
Jordan	---	---	340	250
Vietnam	---	---	1,283	2,560
<i>Other countries</i>	---	---	214.2	221.62
Value Unit: Thousands of USD; Volume Unit: MT				
* Source: State Statistics Committee of Ukraine.				
** Share of U.S. in total volume of poultry imports into Ukraine during January-May 2010 made up 53 percent.				