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Ukraine



Free trade area with CIS is Ukraine's first step towards Customs Unions

According to financial experts, the creation of a free trade area with the CIS countries might be the first stage in Ukraine's joining the Customs Union.

Economist Viktor Suslov says that Ukraine's joining the free trade area with CIS countries and signing the agreement is a real step towards the Customs Union of Russia, Kazakhstan and Belarus.

Mr. Suslov went on saying that joining Customs Union would be more economically effective for Ukraine, since later does not have any membership guarantees from the EU.

The expert also noted that earlier Ukrainian President Viktor Yanukovich insisted that the signing of the association agreement with the EU was possible under the condition that EU mentions Ukraine's membership prospect in the document. And Mr. Suslov is sure that this will never happen.

According to him Ukraine has no competitive product to offer to the EU, except for the raw materials, farming products and a cheap labor force.

Expert added that Ukraine has made voluntary concessions to the EU during the talks on a free trade area concerning cancellation of car import duty.

He also underlined that an agreement on a free trade area will be extremely beneficial first of all for the EU but not to Ukraine.

At the same time the expert believes that Ukraine should join free trade area with the CIS countries, as Ukraine could export industrial products there. He believes such cooperation would support hi-technology and scientific spheres, in particular, aircraft and shipbuilding.

V.Suslov also noted that imports in Ukraine have been higher than exports over recent years, and the deficit of the balance of trade increased. Therefore, full participation in these two free trade areas might even worsen the trade balance and create additional problems for Ukrainian economy.

Source: IA KievPost (www.kyivpost.com)

If EU says “No”, Ukraine is likely to reorient to Customs Union

Vice Prime Minister and Social Policy Minister of Ukraine Sergiy Tigipko said that if the European Union refuses to cooperate with Kyiv, Ukraine is likely to join the Customs Union. “If the European Union says an absolutely clear “No”, the possibility of Ukraine’s reorientation to the Customs Union is very high” S.Tigipko said in his interview with the Den newspaper, when he was asked about the possibility of Ukraine’s deviation from the European course. He also noted that people who today want to see Ukraine in the Customs Union can receive a very serious argument for movement to the Customs Union.

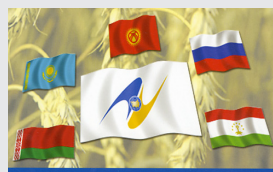


According to S.Tigipko, Ukraine has to bring its respective legislation in line with European norms and agree on creation of a free trade area to become closer to the EU.

“I think work on adaptation of the Ukrainian legislation to European legislation should be carried out first, after which we could start to discuss the signing of an agreement on a free trade area with the EU. The main problem today, as for me, is that Ukraine has not put its legislation in line with the European norms. Only when this stage is over, we will speak about the next one”, he said.

Source: IA KyivPost (www.kyivpost.com)

Ukraine will adapt technical standards to EurAsEC norms for up to 7 years



The Prime Minister of Ukraine instructed MEDT (Ministry of Economic Development

and Trade to study the possibility of Ukraine’s accession to the agreement on technical regulations in the EurAsEC. It is planned that Ukraine will adapt its technical standards to norms of the Eurasian Economic Community for a period of up to 7 years.

At present Eurasian Economic Community unites Belarus, Kazakhstan, Kyrgyzstan, Russia and Tajikistan.

According to the State Statistics Service, in January-August of this year these states accounted for 35 percent of Ukrainian exports and 43 percent of imports.

Mr. Azarov believes that accession to this agreement will not hinder European integration (Ukraine shall adapt its tech standards to the EU requirements), as the adapting of Ukrainian standards to the EurAsEC norms will be temporary.

Prime Minister noted that as of now one thousand technical standards out of six thousand functioning in the country have been fully adapted to the norms of the European Union. And the remaining five thousand is being processed now. However, he underlined that they will need a transitional period, meaning dairy industry.

He continued saying that if Ukraine adopts the EU standards now, the dairy industry will not survive, as only 30 percent of milk in Ukraine is produced industrially, and the rest is purchased from farms.

In this case, according to Nikoli Azarov, during the transitional period Ukraine may use the EurAsEC technical standards, instead of Ukrainian ones.

“The problem of inconsistency of technical standards may completely neutralize the benefits that Ukraine will receive from a free

trade zone within the CIS. Out of all our dairy enterprises only two have been certified and allowed to export products to Russia. And we can avoid this problem by using the EurAsEC standards at least for about 5-7 years”, he added.

N. Azarov did not specify how painful for Ukraine a sharp transition to the EU technical standards will be, since by the time the problem may become outdated, as the EurAsEC countries also plan to adapt their standards to EU ones.

Meanwhile Kyiv urges countries that have not signed the agreement on the establishment of a free trade zone within the CIS to do it. “Putting the CIS Free Trade Zone into operation will have a positive impact both on Ukraine and all of the member countries of the commonwealth, including those that have not signed this agreement. We call on them to sign it”, the Ukrainian Government’s envoy for cooperation with Russia, the CIS member countries, the Eurasian Economic Community and other regional associations, Valeriy Muntyan said.

He noted that Government performed an economic simulation of possible situations following the creation of a free trade zone within the CIS. Thus, if this agreement actually comes into force, it will primarily lead to a potential increase in foreign trade from 30 percent to 45 percent conditioned that all restrictions are lifted.

V.Muntyan believes that this document will also help boost cooperation between the CIS member states, will benefit individual industries, and will help form a harmonized foundation of regulatory and legal acts.

The enactment of the agreement will allow Ukraine to increase its gross output, GDP and budget revenue, he added.

Source: IA Interfax-Ukraine (www.interfax)

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Yanukovich: CIS FTA Agreement will not impede Ukraine’s European integration



President V. Yanukovich believes the CIS Free Trade Area Agreement will not impede Ukraine’s European integration.

Ukraine’s foreign policy will always be aimed at protecting national interests, Yanukovich says, commenting on Ukraine’s free trade area agreement with CIS countries. The Head of State reminded that this document has been prepared long ago.

He noted that Ukraine and other CIS countries prepared the deal long ago and this agreement is a long-awaited result of intensive work. But it is not suggested to prevent Ukraine’s integration into Europe. And any of Ukraine’s integration issues do not have a goal to be friends against someone, the President emphasized.

At the same time, the difficult economic situation in the world makes Ukraine take active steps towards integration of the national economy into the world’s one, he underlined.

Viktor Yuschenko, former President of Ukraine believes that signing of the free trade area agreement with the CIS countries eliminates the possibility to sign the similar agreement with the European Union.

Source: IA Ukraine News (www.un.ua)

Bakhmatyuk explained why he shut down the plants in USA

The agricultural holding “Ukrlandfarming” has suspended the activities of the former Townsends companies on processing of poultry in North Carolina, because of the unfavorable market conditions.

The owner of “Ukrlandfarming” Oleg Bakhmatyuk says that due to the actions of Brazilian poultry producers U.S. market is oversaturated with this product, and because of that the company’s losses reached up to 15-17 percent of its turnover.

“We have decided to suspend activities until the market resumes”, Oleg Bakhmatyuk said.

As it was reported, bankrupted Townsends has agreed with “Ukrladnfarming” (belonging to Oleg Bakhmatyuk) on the sale of its facilities in North Carolina, headquarters in Georgetown (Delaware) and other company’s assets for USD 24.9 million.

Townsends was founded in 1891. In 2010 the company’s poultry market share was about 2.8 percent.

“Ukrladnfarming”, belonging to Bakhmatyuk, is one of the largest agricultural holdings in Ukraine. In 2010 its share of grain production was about 3 percent, sugar - 8.6 percent, beef - 14 percent.

In addition, “Ukrladnfarming” has four grain elevators and 110 granaries with a total capacity for simultaneous storage of 1.1 million MT of grain.

In September 2011 Oleg Bakhmatyuk gave 77 percent of Avangard’s shares (agricultural holding, major egg producer in Ukraine) to “Ukrladnfarming”.

*Source: IA Delo (www.delo.ua)
Translated by: www.usapeec.kz - USAPEEC
Central Asia Eastern Europe office*

MHP increases chicken sales by 13 percent

MHP, Ukraine’s largest poultry producer, has increased sales of chicken for the third quarter of 2011 by 23 percent and for the first nine months of 2011 by 13 percent compared to the same periods of 2010, the company reports.



In the third quarter of 2011 sales rates of chicken meat in comparison with the third quarter of 2010 increased by 23 percent and reached 99,900 MT. In the first nine months this index has increased by 13 percent up to 282,000 MT.

According to the market experts, the increase was achieved due to growth of production

volume through the efficient use of production capacities and also a reduction in the number of residual stock of products in warehouses. Demand for chicken meat in the domestic market remained high, and the company has sold about 100 percent of its production. Export sales in the first nine months of 2011 have almost doubled compared to the same period last year, the official statement of the company reads.

The average price for chicken in the Ukrainian market in the third quarter of 2011 increased by 15 percent (compared with the third quarter of 2010) which was in line with global trends of growth in prices for chicken, that was mainly caused by an increase in grain prices. During the first nine months of 2011 average price of chicken in Ukraine increased by 7 percent, to USD 1.9 per kilogram.

Source: WorldPoultry (www.worldpoultry.net)

Avangard increases egg production by 48 percent

The largest producer of eggs and egg products in Ukraine, Avangard has announced operating results for the first nine months of 2011.



In the period from January to September 2011 total egg production increased by 48 percent to 4.4 million units. As of September 30 total poultry stock of the company amounted to 24.5 million heads, up 18 percent over the same period of 2010.

The company is continuing the realization of its strategy to diversify its customer base. As a result, for the first nine months of 2011 share of sales through modern retail stores has been increased to 30 percent of the total sales of eggs.

In the first nine months of 2011 the company increased processing of eggs by 38 percent to 785 million units. During this period the company established exports of dried egg products in some new markets in Asia, the Middle East and North Africa.

Director General of Avangard, N. Vasilyuk, commented on the operational results:

“Our company continues to show good results for the first nine months of this year. In the third quarter, we benefited from the launch of the first stage of our largest complex for egg production, Avis. I am confident that we will reach our goals for this year and produce 6 billion pieces in total, due to the positive dynamics of exports, mainly to Iraq, Turkey and other countries in the MENA region”.

Source: WorldPoultry (www.worldpoultry.net)

Egg producer Ovostar reports 11 percent increase in production



Ovostar a vertically integrated holding company, one of the leading egg producer in Ukraine, announces its operational results for 9 months of 2011.

Egg production

As of September 30, 2011, the Company had a flock of 2.45 million laying hens (9 months of 2010: 1.9 million laying hens; a 25 percent increase).

During the nine months of 2011 Company produced 443 million shell eggs, an 11 percent growth compared to the same period the year before (9 months of 2010: 400 million shell eggs). Shell egg sales increased by 19 percent to 323 million pieces (9 months of 2010: 272 million eggs). The Company sold eggs at an average price of UAH 0.578 per 1 egg while during the nine months of 2010 the Company's average selling price of shell eggs was UAH 0.506 per 1 egg (a 14 percent increase).

The Company exported 71 million shell eggs during the nine months of 2011, 65 percent more than during the nine months of 2010 (9 months of 2010: 43 million eggs).

Egg products production

Company has processed 159 million eggs during the nine months of 2011 which is 30 percent more than in the comparable period the year before. In the nine months of 2011 the Company sold 1,050 MT of dry and 2,794 MT of liquid egg products. The average

selling price for dry egg products increased by 7 percent and was UAH 38.80 per kilogram while the price for liquid egg products increased by 15 percent and was UAH 12.39 per kilogram (9 months of 2010: UAH 36.25 per kilogram of dry and UAH 10.74 per kilogram of liquid egg products).

Investment program

The investment program is being implemented according to schedule. The first one of six laying hens houses for 309,000 birds has been launched in August 2011. One more poultry house for 281,000 birds will be launched by the end of October 2011.

All of the equipment required for the expansion of capacities of the egg processing plant has been already purchased and now is being delivered and getting ready for installation. Additional capacities are being constructed on the young laying hens site. The construction works on two buildings have been already finished and equipment installation will be completed by the end of the year. The third building will be launched by March 1, 2012.

Other recent developments

The Company has signed a contract for delivery of liquid egg products with Kraft Foods Ukraine in August 2011.

In July 2011 the Company has increased its presence in the retail chains by signing a contract for delivery of eggs with ATB-Market, one of the largest retail chains in Ukraine.

Overall, the management is optimistic about the 2011 targets given the prices for eggs and egg products on the market are increasing, the prices for corn and sunflower (which are the main feed components) are going down.

Source: IA FeedInfo (www.feedinfo.com)

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In 2011 Ukraine can produce 2.2 million MT of meat and meat products

In 2011 Ukraine can produce 2.2 million MT of meat products (slaughter weight), which is 156,000 MT



more compared to last year, according to the Minister of Agricultural Policy and Food N. Prisyazhnyuk. He noted that Ukraine aims to become fully self-sufficient in meat products.

Earlier Ministry of Agriculture reported that meat imports into Ukraine during January-August 2011 decreased by half compared to the same period in 2010 and totaled 95,000 MT of meat, whereas exports grew by 50 percent and reached 45,000 MT.

At the same time, according to the State Customs Service, the import of meat in January-August 2011 in monetary terms amounted to USD 128 million vs. USD 90 million in 2010 and USD 79 million in 2009.

Exports in January-August 2011 totaled USD 172 million vs. USD 458 million in 2010 and USD 568 million in 2009

*Source: IA ProAgro (www.proagro.com.ua)
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Central Asia Eastern Europe office*

Moldova



Moldova must become member of the Customs Union - Communist leader says

Moldova must become a member of the Customs Union but not refusing integration with EU at the same time, the Former President of Moldova, according to the leader of the Communist Party Vladimir Voronin.

He is confident that Moldova should urgently decide on its membership in Customs Union, since this is a question of survival of the country and people. According to him, the later Moldova authorities begin negotiating on the issue, the worse its starting conditions

will be. "The absence of the common borders with the countries of the Customs Union should not serve as an excuse. Let me remind you that we have the common boundary. I'm talking about the boundary at the Danube River and accordingly, the entire Black Sea basin. We should estimate the direct benefits of participation in the Customs Union", Mr. Voronin said.

He addressed this proposal to the current authorities of Moldova, which he believes should show real political will and to re-consider current policies and to prepare the country for modernization.

"Now the potential of European integration is almost exhausted in the long term perspectives. And now when the EU is hit hardest by crisis a new integration project is developing in the East", V.Voronin said meaning Customs Union.

According to the ex-President of the country, this project will soon be transformed into a Eurasian Union.

"Starting January 1, 2012 the Common Economic Space of Russia, Kazakhstan and Belarus will finally become a reality", he said.

He believes that accession of Moldova to the Customs Union will give a significant reduction in the price of delivered gas, unimpeded access to the huge market, the ability to attract investments in Moldova and an immediate solution of the Transnistrian issue.

"We are ready to spend plenty of time and efforts to develop a new, bold and realistic plan for the modernization of Moldova. The plan, which would not only be allowed to overcome the current crisis, but that would be the foundation of a new stage in the development of our State", Mr. Voronin concluded.

*Source: IA NewsKaz (www.newskaz.ru)
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Central Asia Eastern Europe office*

Moldova's possible accession to Customs Union was discussed in Chisinau

The possibility and benefits of Moldova's accession to Customs Union of Russia, Belarus and Kazakhstan



was discussed on October 24 in Chisinau during the 7th meeting of the social-scientific "roundtable" called "Russia, Moldova: A Dialogue for the Future. The topic of the meeting was "200 years of Russian-Moldovan relations: the main stages, problems and prospects".

According to the Russian Embassy in Moldova meeting was attended by Head of Federal Agency for CIS Affairs, Compatriots Living Abroad and International Humanitarian Cooperation (Rossotrudnichestvo) Farid Mukhametshin and Secretary of State, Deputy of the Russian Minister of Foreign Affairs Grigory Karasin.

It should be noted that the leadership of the Social Democratic Party of Moldova has appealed to the Russian Embassy in Moldova with an initiative to hold an economic forum with participation of representatives of state institutions of Customs Union member countries, in particular with the Ministries of Economy, Trade and Customs Services. During this forum the initiators discussed the benefits of Moldova's membership in Customs Union and exchanged views between representatives of CU Member States and representatives of the Moldovan Public Authorities and economic agents.

Source: IA RBC (www.rbc.ru)

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EU threatens to tighten trade duties for Moldova if it joins Customs Union

Moldova will lose preferential trade regime with European Union if it joins the Customs Union of Russia, Belarus and



Kazakhstan, the Head of EU delegation in Moldova Dirk Schuebel said commenting on the prospects for Moldova's accession to CU.

According to him, the EU will not interfere with the accession of the Republic to the Customs Union, if Moldovan authorities will decide for such accession.

However, D. Schuebel noted that in this case the EU will retain friendly relations with the Republic, but it will lose its preferential trade regime with the EU, since rules, fees and rates existing in EU differ from those applied in the Customs Union.

D. Schuebel noted that if Moldova seeks for in-depth free trade regime with the EU, it must decide which way to go. At the same time, the Head of EU delegation in Moldova said that the FTA agreement signed by Moldova with the CIS countries, providing a certain liberalization of trade rules, does not prevent the trade of the Republic with the EU.

It should be noted that the country's largest opposition Parliamentary Communist Party and extra-parliamentary Social Democratic Party insist on Republic's accession to the CU.

Source: IA ProFiance (www.profinance.kz)

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Ukraine poultry import statistics, January-August 2011*

Partner Country	2010		2011		% Change Value	% Change Qty
	Value	Qty	Value	Qty		
World	117,624	110,640	38,258	37,057	- 68%	-67%
<i>America:</i>						
United States	76,857	69,624	3,378	3,698	- 96%	- 95%
Brazil	30	26	71	54	+ 237%	+ 208%
<i>Europe:</i>						
Belgium	9,023	8,840	2,461	2,240	- 73%	- 75%
England	4,178	4,078	5,395	5,948	+ 129%	+145%
France	783	700	2,684	1,867	+ 342%	+ 266%
Germany	8,347	7,979	9,232	7,348	+ 110%	- 8%
Hungary	4,308	6,238	1,601	2,325	- 63%	- 63%
Denmark	0	0	393	320	---	---
Spain	668	423	1,130	744	+ 169%	+ 175%
Italy	2,522	1,761	2,442	1,668	- 3%	- 5%
Netherlands	5,408	5,621	4,348	5,907	- 20 %	+105%
Poland	5,500	5,350	4,638	4,647	- 16%	- 14%
<i>Other Countries</i>	0	0	485	291	----	----
Value Unit: Thousands of USD; Volume Unit: MT						
* Source: State Statistics Committee of Ukraine						