

October 1, 2009

Ukraine



10% tax will replace 13% import surcharge

Ukrainian People Deputies suggested introduction of two temporary charges on imports and sales of agricultural products (including poultry) and cars. The corresponding bill “On amending several laws of Ukraine on taxation (concerning maintaining the level of employment in Ukraine during the global financial crisis)” No.5080 was registered in the Verkhovna Rada (the Ukrainian Parliament) on September 1, 2009.

According to the explanatory note enclosed with the document, the bill introduces 10% tax rate on the cost of goods imported into Ukraine. Automobile and Agricultural taxes are levied for goods imported into the customs territory of Ukraine under any customs regimes, except for those of transit and refusal of goods in favor of the state, liquidation or destruction.

It is proposed to enroll the proceeds collected due to the agricultural tax in a special fund of the State Budget and “use exclusively for the provision of budget subsidies to producers of livestock products in Ukraine”. It is assumed that the allocation of such subsidies will be determined by the corresponding article of the Law on the State Budget. Thus, the Deputies intend to support local producers, reduce unemployment and strengthen the competitiveness of Ukrainian products. If adopted, the Bill will come into force on January 1, 2010 and will be effective until January 1, 2013.

As a reminder, On March 6 the Law “On amending several laws of Ukraine in order to improve the state of the balance of payments of Ukraine in connection with the global financial crisis” No.923-VI as of February 4, 2009 introducing 13% surcharge to the import duty rates for the six month period was adopted.

On March 8 the Cabinet of Ministers decided to cancel a 13% surcharge to the customs duty on imports of all goods except for cars and refrigerators. On September 7, 2009 the surcharge to the import duty rates on cars and refrigeration equipment lost its effectiveness.

*Source: Liga.net Information Agency
(www.liga.net)*

Translated by: usapeec.kz

Import duty surcharges can lead to WTO sanctions against Ukraine

U.N.O expert warns that introduction of 10% charge on imports of cars, meat and meat products can lead to the WTO sanctions.

Director of Analytical and Deliberative Center Blue Ribbon U.N.O Marcin Svenchitski believes that new surcharges initiated by People Deputies violate the rights of foreign importers, as the bill provides subsidies only to domestic producers.

“This violates the WTO rules and provides an opportunity for exporters working in the Ukrainian market to demand similar compensation. Exporters may also make a claim to the WTO demanding to impose the same measures on imports from Ukraine “, - Svenchitski said.

The U.N.O. representative also noted that the introduction of a new import surcharge will have only a “slight positive effect” on the Ukrainian automobile industry and agricultural sector, but in any case, it is Ukrainian consumers who will pay for the increase of tariffs on imported goods.

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

Translated by: usapeec.kz

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State Veterinary Medicine Committee of Ukraine imposed a ban on imports of meat from Belgium, Germany and Poland

State Veterinary Medicine Committee imposed a ban on meat imports into the territory of Ukraine from several foreign producers.

In particular, the Order of the Chief State Inspector of Veterinary Medicine of Ukraine beginning September 25, 2009 imposes a ban on imports of raw materials of animal origin - frozen poultry meat of the following producers: Kipco-Damac NV BE UD 1098 EG (Belgium), Trinity GMBH NI-EZG 590 (Germany), and frozen pork parts produced by Zaklady Miesne Konskowola S.A. PL 06140205 WE (Poland).

The results of the test center of the State Scientific Research Institute for laboratory diagnosis and veterinary-sanitary examination of laboratory tests are as follows:

- *Escherichia coli* and *Listeria monocitogenes* were detected in frozen poultry meat in the amount of 19 tons produced by Kipco-Damac NV BE UD 1098 EG (Belgium),
- *S. typhimurium* and *mesophilic aerobic and facultative anaerobic microorganisms* that exceed permissible levels were detected in frozen pork in the amount of 8 thousand 398 kg produced by Zaklady Miesne Konskowola PL 06140205 WE (Poland),
- *Listeria monocitogenes* and *Escherichia coli* were detected in frozen poultry meat in 20.2 tons produced by Trinity GMBH NI-EZG 590 (Germany).

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

Translated by: usapec.kz

Meat production declined in Ukraine

Meat production reduced by 0.8% to 1.67 million tons (in live weight) over January-August 2009 against the same period of 2008, the State Statistics Committee informs.

According to the statistics, over eight months, Ukraine produced 8.158 million tons of milk, 1% less against January-August 2008. At the same time, eggs production in the country over this period grew by 4.2% and made up almost 11 billion eggs.

The Agricultural Policy Ministry forecasts a growth of meat production by 6.5% to 2.8 million tons (in live weight) in 2009 against 2008. It is expected that milk production will reduce by 2.2% against 2008 and will make up 11.5 million tons. At the same time, the Ministry forecasts a growth in eggs productions by 3.8% to 15.5 billion eggs.

*Source: Ukrinform Information Agency
(www.ukrinform.ua)*

Ukrainian Poultry Producers Union urged to protect domestic producers from meat imports

In order to avoid dependence on imported products and a decline in meat production Ukraine should limit imports of low-quality meat, so that to protect domestic producers, the Chairman of the Board of Directors of the Association "Ukrainian Poultry Producers Union", Aleksandr Bakumenko said.

According to him, during 8 months of 2009 the volume of meat production in Ukraine decreased by 4.5% compared to an increase of 6.5% in the beginning of 2009. In particular, a sharp reduction of pork and beef production was registered. Pork production has decreased by 13% and beef production by 7%. And only poultry meat production has increased by 14%.

He also believes that the reason for the decline in production of meat during the mentioned period of the current year is dumped imports of over 300 thousand MT of low-quality meat, mainly pork and poultry.

"It is very difficult for domestic meat producers to compete with foreign producers as their exports are subsidized, and also due to the fact that domestic market of the European producers has non-tariff protection, unlike the Ukrainian one", he added.

"Instead of imposing restrictions on imports of products, especially of low-quality products, we are opening a stream today that runs to the Ukraine and destroys the internal market", A. Bakumenko complains.

*Source: Liga.net Information Agency
(www.liga.net)*

Ukrainian Cabinet of Ministers plans to reduce imports of meat in 2010

Imports of meat and meat products into Ukraine in 2010 will decrease, while imports of milk and dairy products will increase, according to the projections for the balance of the main types of agricultural and processed products, contained in the State program of economic and social development of Ukraine in 2010.

In particular, according to the state program, imports of milk and dairy products (recalculated as milk) will amount to 250 thousand tons next year against 240 thousand tons forecasted for this year. At the same time exports in 2010 will amount to 1 million tons against 907 thousand tons in 2009. And domestic production will increase by 100 thousand tons up to 11.75 million tons.

In addition, imports of meat and meat products will amount to 260 thousand tons against 350 thousand tons forecasted for this year. At the same time exports in 2010 will make 30 thousand tons against 25 thousand tons in 2009. Domestic production will grow up to 2.16 million tons in 2010 against 1.9 million tons of this year.

*Source: Liga.net Information Agency
(www.liga.net)
Translated by: usapeec.kz*

Ukraine struggles to access EU poultry market

Ukrainian enterprises are ready to start poultry and livestock exports to the EU, according to local media.

“Currently we are in negotiations with the European Union’s Veterinary Committee,” said the Head of the Ukrainian State Veterinary Medicine Committee, Peter Verbitsky.

According to him, the committee decides whether to grant Ukraine the right to issue permits on livestock exports to EU countries or not. European experts have already inspected a number of Ukrainian enterprises, and gave “green light” to some of them on export of eggs, dairy products, poultry and beef to the European Union.

“The next talks will be held in the coming months, resulting in getting a final approval to export these products to the EU,” said P.Verbitsky.

*Source: Poultex Information Agency
(www.poultex.com)*

Mironovsky Hliboproduct increases meat production

The largest Ukrainian poultry meat producer, Open Joint-Stock Company Mironovsky Hliboproduct, plans to invest over USD 1 billion in construction of poultry farm in Vinnitsa with capacity of 400 thousand tons per year, according to the President of the company Yuri Kosyuk. The implementation of the project is scheduled at the end of 2010. Preparatory works are in progress currently.

The construction of the factory will be carried out in four stages. It is planned to launch the first line of production by 2013 worth about USD 400 million and with a production capacity of 100 thousand tons of meat per year. The factory will also produce mixed fodder and hatching eggs. The time-frame for the implementation of the entire project is 5-7 years, payback period - 10 years, return on investment - 25%.

Y. Kosyuk pointed out that the company plans to build an enterprise mainly on their own funds. Each year the company disposes approximately USD 200 million for investments.

The President of Mironovsky Hliboproduct, Yuri Kosyuk, also said that the company intends to acquire assets in Eastern Europe. The company expects to get permission for the supply of chilled poultry meat and by-products to the EU before the end of this year. According to Mr. Kosyuk, the inspectors of the European Commission have no claims against the companies and the requirements of the Ukrainian Veterinary Service can be implemented in the next few months. Yuri Kosyuk said that the company would supply to the EU no more than 5-7% of total volume of sales.

Myronivsky Hliboproduct also intends to expand its business in Central Asia and the Middle East. At present the company operates in Kazakhstan, Syria and Turkey.

“We are attentively looking at Iran, Iraq, UAE, Saudi Arabia, where the population is large, and the level of meat consumption is low and therefore, there is potential for growth”, - Mr. Kosyuk said.

Russian producers are also aimed at these markets so the Myronivsky Hliboprodukt is even negotiating to buy some companies from the top Russian producers. Russia’s largest producers: Ostankino, Cherkizovsky, Mikoyan meat processing plants and the company “Tsaritsino” were estimated at about half a billion dollars each before the world crisis, but now their price has fallen by 2-3 times, according to *Kommersant*.

Currently Mironovsky Hliboprodukt operates four poultry farms. The largest of them is JSC “Myronivskaya Ptitscefabrika” (Myronovsky Poultry Production Plant) with a production capacity of 200 thousand tons. It locates in Kanev city (Cherkasy region).

“Myronivsky Hliboprodukt” has sufficient funds for planned acquisitions. “Our duty to EBITDA – 1.8 and we can attract up to USD 500 million of loans”, Yuri Kosyuk said.

The General Director of IC “Concord Capital”, Igor Mazepa, noted that the average index for Ukrainian enterprises now is considered to be about 3 so “the company will not have any difficulties in attracting bank loans worth USD 500 million”.

The second largest Ukrainian producer Agromars has the same plans. “For this purpose we have created a joint venture with German company” - the President of the Agromars, Eugene Segal, said.

Entering international markets is important for Ukrainian producers, as it will make it possible to significantly increase their profits. In the EU the retail prices for poultry meat are 15-20% higher than prices in Ukraine.

*Source: Apk-Inform Information Agency;
Meatinfo Information Agency
(www.apk-inform.com; www.meatinfo.ru)
Translated by: usapeec.kz*

Yushchenko asked Tymoshenko to revise measures on adaptation of Ukrainian Economy to WTO requirements

The National Security and Defense Council of Ukraine (NSDC) considered the report of the Cabinet of Ministers on the results of Ukraine’s membership in the WTO, and recommended the Government to amend the Plan of adaptation of the Ukrainian economy to the requirements of this organization.

The corresponding decision of the NSDC was enacted by the Decree of the President No. 713 as of September 4, 2009.

In particular, within two months, the Government is to specify the tasks for solving the problems of the national economy, to determine the mechanisms of implementing these tasks in compliance with the WTO rules regarding the possibility of the state support of industries, as well as to develop measures on stimulating increase of share of domestic products in the domestic market.

In addition, the Cabinet of Ministers must urgently complete and submit for consideration of the Parliament the following draft bills:

- On cancellation of registration of producer’s declaration of conformity;
- On clarifying the term “standard” (in the context of safety and quality of food products);
- On bringing commodity items in accordance with the requirements of the Harmonized system of commodity description and coding.

Though Ukraine’s WTO accession has given a possibility for socio-economic development of the state, the deteriorating situation on world markets due to the financial crisis affected the dynamics of economic growth in Ukraine. So the effect of Ukraine’s membership in the WTO has remained almost invisible. At the same time, low competitiveness of domestic products and critical dependence of the national economy on foreign market conditions stand as real threats to the national security.

*Source: MDOffice Information Agency
(www.mdoffice.com.ua)
Translated by: usapeec.kz*

American Chamber of Commerce asks Tymoshenko to revise Law No. 767

The President of American Chamber of Commerce in Ukraine, Jorge Zukoski, sent his appeal on behalf of all AmCham members to the Prime Minister Yulia Tymoshenko in which he expresses concern about the decree of the Cabinet of Ministers of Ukraine No. 767 "On amendments to several decisions of the Cabinet of Ministers of Ukraine" as of July 24, 2009, which comes into force on October 26, 2009.

This decree stipulates to expand the list of documents required for customs control and customs clearance of goods and vehicles transported across the customs border of Ukraine, approved by the Decision of the Cabinet of Ministers of Ukraine No.80 as of February 1, 2006.

According to the Decree No.767 the list of mandatory documents, required for customs control and customs clearance of goods and vehicles transported across the customs border of Ukraine, includes the following documents: "cargo customs declaration issued in the country of departure. If in the country of departure the goods are placed under the customs regime which does not require customs payments and in compliance with which the goods are kept under customs control - cargo customs declaration registered during the placement of goods under customs regime prior to export".

The letter of AmCham states that the text of the Decree No.767 contains a number of outstanding issues, in particular:

1. The Decree does not take into account that the country of departure may use electronic export declaration for the goods. This creates a problem of presenting this document by foreign seller and possibility of submitting another document instead of abovementioned.

2. Under the legislation of the country of departure the distribution lists of customs declaration can be clearly defined (foreign buyers may not be mentioned in that list). That is: submission of export customs declaration to foreign buyers is not provided. In addition the requirement of the Decree No.767 can not be performed by companies importing products from countries where submission of cargo customs declaration issued in the country of departure to third parties is governed by the legislation of that country.

For example, it is prohibited to submit originals (copies) of customs declarations (Shipper's Export Declarations), as well as the information specified in them, to third parties including the authorities of foreign countries under the current legislation of the U.S.A. (the Foreign Trade Statistics Regulations, Title 15, Code of Federal Regulations, Part 30.91.). Some other countries experience the same method. It is obvious that obtaining foreign customs declaration is outside the competence of the Ukrainian importer. And he can not require its mandatory submission from a foreign seller.

3. The Decree does not clarify what document to submit: an original or a copy of the foreign customs declaration. If a copy is enough then should it be attested or not.

4. If it is mandatory or not to translate into Ukrainian the customs declaration issued in country of departure.

Thus, the Ukrainian importers are not able to meet provision of the Decree No.767 in case of a seller's refusal.

Therefore, the Decree No.767 can cause serious misunderstandings during customs clearance of goods. Baseless denial of customs clearance of goods, a significant increase in time for customs clearance of goods, reduction of volumes of imports can lead to a significant decrease in flow of funds to the State Budget of Ukraine coming from the taxation of imported goods.

In connection with all abovementioned, AmCham appealed to Yulia Tymoshenko with a request to review the decree of the Cabinet of Ministers of Ukraine No.767 "On Amendments to several decisions of the Cabinet of Ministers of Ukraine" as of July 24, 2009, in particular, to revise submission of foreign export customs declarations to the customs authorities of Ukraine.

AmCham proposes to reintroduce the procedure that was envisaged in the Decree of the Cabinet of Ministers of Ukraine No.1766 as of December 20, 2006 - in this case, foreign customs declaration can be submitted only if the Ukrainian importer wishes to submit it, and if he has a possibility.

*Source: MDOffice Information Agency
(www.mdoffice.com.ua)
Translated by: usapeec.kz*

Importers will present export declaration to Customs Service of Ukraine only if it is available

On September 30, 2009 the Government of Ukraine made a decision to make changes to the Decree of the Cabinet of Ministers No. 767 as of July 24, 2009 "On amendments to several decisions of the Cabinet of Ministers of Ukraine" regarding submission of customs declaration of the exporting country for determination of value of goods only in case of its availability.

The procedure approved by the Government corresponds to international practice as in many countries export cargo declaration does not contain information on the customs value of goods, moreover some countries do not have paper export declaration and therefore it can not be presented in the importing country.

Approved amendments to the Decree of the Cabinet of Ministers No. 767 will ensure regular imports of raw materials and equipment by producers and will prevent growth of prices for consumer goods through their possible deficit.

Source: Press release of Council of Entrepreneurs under the Cabinet of Ministers of Ukraine (www.radakmu.org.ua)

Reputable enterprises will have simplified customs control

On September 10, 2009 two orders of the State Customs Service were registered in the Ministry of Justice of Ukraine. The aim of these orders is to introduce the mechanism for assisting companies during carrying out foreign economic activity.

Introduction of simplifications of customs procedures for reputable entrepreneurs - is not Ukrainian innovation, but common European practice, which Ukraine decided to adopt. The signing of these orders is the first step towards the creation of the Ukrainian Institute of Authorized Economic Operators.

Such Institutes operate successfully in all EU countries. In order to assist companies that have "unblemished" customs history, the State Customs Service with the help of these Orders approved a criteria for evaluation of enterprises-residents transporting goods and vehicles, which will have simplified procedures of customs control and customs clearance, and the procedure for determining such resident enterprises .

It should be noted that at the stage of preparing of these orders the State Customs Service considered all comments and suggestions of the representatives of the public concerned, and took them into account in the final version of these documents. In addition, the orders have passed all necessary stages of approval of the State Committee and the Council of Entrepreneurs under the Cabinet of Ministers of Ukraine.

Thus, regional customs services got the authority to determine reputable enterprises-resident and to establish simplified customs procedure for the goods and vehicles of such companies. In addition the State Customs Service decided to implement the mechanism of introduction of the "degree of trust" to companies-residents, which will consist of 3 levels. These levels will be established and changed by the customs authority taking into account the data of risk analysis and auditing. Besides, it will directly depend on the results of evaluation of previous activities of the enterprise.

Depending on the "degree of trust" the customs authorities will determine the form and amount of customs procedures for the goods of enterprises-residents during carrying out foreign economic activity. According to the degree of trust companies will be included into two lists - "White List" and "Green List". Economic operators of these lists will receive certain preferences. For all other enterprises, which were not included in these lists, the level of trust is not applied. So they will carry out foreign trade operations in normal mode. The abovementioned orders come into force on the date of their official publication.

For Reference:

Companies included in the “White List” will be provided with the following preferences:

- Non-application of customs inspection at the checkpoint through the state border of Ukraine, but there is a selective customs inspection at the customs of destination/departure in accordance with Article 42 of the Customs Code of Ukraine, if an enterprise is a direct sender or recipient of these goods and vehicles;

- Non-application of certain provisions of normative and legal acts of the State Customs Service

Companies included in the “Green List” will be provided with the following preferences:

- a selective customs inspection is implemented at the customs of destination/departure in accordance with Article 42 of the Customs Code of Ukraine, if an enterprise is a direct sender or recipient of these goods and vehicles;

- Non-application of certain provisions of the contracted version of the normative and legal acts of the State Customs Service to the goods, if a company is a direct sender or recipient of these goods.

*Source: Press-release of Customs Service of Ukraine (www.customs.gov.ua)
Translated by: usapeec.kz*

Ukraine’s national currency collapsed by 65% compared to past year

From September 2008 till September 2009 the official rate of the Ukrainian national currency hryvnia against the U.S dollar has shed 65%. For the same period the commercial U.S. dollar rate in Ukraine has increased by 83%.

Comparing to other CIS and Eastern Europe currencies’ rates, the average falling level of which makes 23%, Ukrainian hryvnia is the leader of devaluation.

Source: ForUm Information Agency (www.en.for-ua.com)

Devaluation of hryvnia will help domestic livestock industry

According to the experts of the Ukrainian Agrarian Confederation (UAC) devaluation of the hryvnia may lead to decline in imports of meat raw materials to Ukraine, which were quite active until recently, according to the International Marketing Group (IMG) report. “The volumes of imports of meat raw materials will reduce and that will have a positive effect on the development of the livestock industry” – the Confederation informs.

This year due to active imports of meat, share of the domestic meat raw materials has reduced from 90% to 50%.

According to UAC experts, devaluation of the hryvnia, as well as introduction of a temporary 10% tax on imports and sales of pork, poultry meat, by-products, meat and fish products (except canned food) initiated by People Deputies can both positively and negatively affect the domestic meat market. They believe that therefore, agricultural producers will be able to raise selling prices for cattle by 10-15%, but the processors will be forced to reduce their own profits and increase prices for finished goods.

Source: ProAgro Information Agency (www.proagro.com.ua)

Government of Ukraine worked out program of livestock development for the period till 2015

The Ministry of Agrarian Policy of Ukraine announced a Draft Decree of the Cabinet of Ministers of Ukraine “On approval of the State target program for livestock development for the period till 2015”.

The main target indicators of draft programs are:

- to increase livestock production by accelerating the growth of livestock, to increase milk output per cow up to 5.5-6 thousand kg per year, average daily gain of cattle and pigs up to 700-800 and 450 – 500 respectively, eggs - up to 290 pieces on the basis of increasing fodder by 72 million tones, including feed – 31.2 million tons;

- to increase milk production in 2015 up to 20 million tons, meat in slaughter weight - up to 4 million tons, eggs - up to 17 billion eggs, wool up to 6.8 thousand tons;

- to increase livestock of cattle 1.8 times compared to 2008, cows 1.1 times, pigs 1.9 times, sheep 2.7 times, fowls 1.7 times;

- to increase the production of feed up to 31.2 million tons, including feed grain - up to 24 million tons, meal - up to 4 million tons and additives - up to 3.2 million tons, to form oriented structure of meat production by species of animals (in slaughter weight):

- beef - 1 million tons (25%)
- pork - 1.59 million tons (40%)
- poultry - 1.31 million tons (33%)
- other species - 0.1 million tons (2%);

- to ensure the production of export-oriented production on the following levels:

- milk and milk products - 2 million tons,
- meat - 0.5 million tons, *including*:
 - beef – 0.15 million tons
 - pork - 0.1 million tons
 - poultry - 0.2 million tons
 - eggs - 800 million pieces;

- to provide cost-effective management of livestock industries.

Ministry of Agrarian Policy along with the Ministry of Finance are instructed to provide the means for implementation of the program within costs, which are determined during the preparation of the draft State Budget of Ukraine for the corresponding year.

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

Translated by: usapeec.kz

New report sees Ukraine's poultry growing fast

Growth in the poultry sector is predicted to approach 50 per cent over the next four years. Agriculture in the Ukraine, once the bread basket of Europe, has fallen on sorry times since the collapse of the Soviet Union and independence in 1991. Now, however, in some sectors, a recovery is under way, according to Ukraine Agribusiness Report Q4 2009 published by Companies and Markets.

It reports that the emergence of a new class of efficient farms can clearly be seen in the poultry sector, which is forecast to grow between 2009 and 2013 by 47.1 per cent. Despite the recession growth is still expected, if at a slower rate, partly because poultry's relative price advantage over other meats will continue to attract customers. Two large, profitable firms account for more than 70 per cent of production. One of these, Myronivsky Hliboproduct (MHP), said in its 'Pre-close trading update for the first half of 2009', released in July, that healthy consumer demand helped ensure the company was able to sell nearly 100 per cent of the chicken produced. The company had also successfully launched phase two of the Myronivka poultry farm in the second quarter.

In June 2009, five poultry and egg businesses were inspected by the EU. The EU Commissioner for Agriculture was reported in Kyiv Post as saying that the country had potential to expand its agriculture but in order to access EU markets it was important to respect sanitary and veterinary standards, especially now when negotiations were underway to create a joint trade zone.

Source: Poultex Information Agency

www.usapeec.kz