

### Ukraine



#### 1,698,900 MT of meat were produced in Ukraine in 2006

According to the Ministry of Statistics of Ukraine, 1,698,900 MT of meat in live weight were produced in Ukraine in 2006 that is 6.5% more in comparison with the same period of last year. The production of eggs increased by 9.0% and totaled to 11,187.9 mln. pcs.

Period	Meat (live weight, in MT)	Eggs (mln.pcs.)
January	229,800	932.9
Jan-Feb	403,500	1870.8
Jan-Mar	580,700	3122.6
Jan-Apr	813,600	4562.9
Jan-May	975,100	6104.7
Jan-Jun	1,142,500	7486.1
Jan-Jul	1,314,100	8805.4
Jan-Aug	1,500,400	10065.8
Jan-Sep	1,698,900	11187.9

- Source: AgroNews; Translated & edited by: usapeec.kz

#### Best high value product prospects

Given the potential of the Ukrainian agricultural industry and relatively low incomes, U.S. high value added products will penetrate some niche markets, especially for those products that are not produced in Ukraine or are produced in limited quantities. In many cases, Ukrainian agriculture is not capable of producing products of consistently high quality (e.g. high quality beef stakes and pork medallions).

U.S. suppliers could also supply new market segments that are just beginning to develop. This includes microwavable and semi prepared food as well as TV-dinners. Potential importers must be aware that promotion of innovative or new to market products is expensive.

Other potential U.S. export items include snack foods, raisins, dried foods, nuts, spices, peanut butter, frozen and dried yogurt, soft drinks, frozen juices, fruit & vegetable pure and concentrates, fresh fruits and vegetables, wine, frozen foods, meat (esp. chicken and turkey), pasta preparations, frozen and canned seafood, frozen and canned vegetables and fruits, soft cheese, soya sauces, salad dressings and breakfast cereals, baking improvers and bread mixes, and dry gluten. Quick-to-prepare main and side dishes as well as ethnic international foods are all gaining in popularity.

(see the table below)

- Source: FAS Kyiv

*Products with Best Sales Prospects in Ukraine:*

Product Category	2005 Market Size	2005 Import	3-Yr. Avg. Annual Import Growth	Import Tariff Rate*	Key Constraints Over Market Development	Market Attractiveness for the USA
Poultry	426 ths. tons	137 ths. tons	70%	30% but no less than €1.5 per 1 kg for poultry parts; 10% but no less than € 0.4 per 1 kg for whole birds; € 0.7 per 1 kg for leg quarters;	High customs duties; Former Free Economic Zones remain the only import outlet; Competition with Brazilian and EU producers; Quick growth of domestic production; Perception of U.S. product as cheap and of low quality.	U.S. product has well-established positions; Low prices attract a lot of buyers. Local producers will not be able to satisfy the demand in near future. U.S. product has the right price/quality ratio compared to Brazil and EU product.
Beef	542 ths. Tons	42 ths. tons	Over 900%	10% or €0.6 per 1 kg for Carcasses, Halves and quarters; 20% for offal; € 1 per 1 kg of beef cuts.	Veterinary certificate pending; High import duties, consumer unawareness of U.S. high quality beef; Sizable domestic production	Insignificant specialized beef production; Constantly growing beef prices; Niche markets for meat delicacies (steak, etc.) and meat offal; Fast HRI development.
Pork	534 ths. Tons	52 ths. tons	Over 250%	10% or € 0.6 per 1 kg for Carcasses, Halves and quarters; € 1 per 1 kg for other cuts and offal.	Veterinary certificate pending; High import duties; Gradual recovery of local production; Competition from Brazilian pork and Polish smuggled pork.	Shortage of pork in the country; high prices; Demand for stable deliveries of both cheap and high quality product.
Fish and Seafood	605 ths. Tons	371 ths. tons	24%	0 – 5% for all frozen fish; 10% for prepared fish, live fish, Mackerel, Trout, some	Regular deliveries of high quality produce from Norway; Shortage of suitable trade equipment at retail trade outlets; Deficit of proper storage facilities with below –20C temperature.	Growing demand for higher quality seafood from consumers; Very modest assortment in the market; Skyrocketing demand from supermarkets and HRI sector.

*\* All imported products are subject to 20% VAT tax. Poultry is imported almost exclusively through the Free Economic Zones, thus import tariffs are circumvented.*

## **Ukrainian food processing sees rapid growth**

Good access to cheap raw materials and increased levels of tourism are driving strong growth in the Ukrainian food processing and food service sector, the USDA says. A study found that over the last five years, the country's food processing industry has seen an average growth rate of over 15%, with output last year alone increasing by 13.7%.

So prolific has the industry's growth been that around 20% of all manufacturing undertaken in Ukraine is by the food industry, with more than 19,000 companies supplying services. While the food service sector may currently be a lot smaller, it is also seeing huge growth.

Despite a large number of establishments offering "high-quality cuisine" already operating for wealthier Ukrainians, mid-level restaurants and fast food are becoming more and more popular amongst the countries average population.

The country has spent much of this year facing bans on much of its agricultural produce with meat and dairy products being prohibited from entering Russia. Though the situation between the countries appears to be abating, it is uncertain if exports will resume their previous levels. - *Source: Food Industry Online*

## **Ukraine could miss WTO entry deadline for 2006**

According to the Presidents office, Ukraine is at risk of missing another deadline to enter the World Trade Organization and must act with urgency if it doesn't want to lose another year in its efforts to join the powerful global trade body. Pro-Western President Viktor Yushchenko had promised to take this former Soviet republic into the WTO by the end of 2005, but ran into strong opposition in parliament among Socialists and Communists. Both parties are now partners in the governing coalition. The deadline comes on Dec. 21 when Ukraine's membership bid would be considered. Before then, the government must make considerable legislative changes, including passing more than 20 laws. According to the Deputy

Secretariat Chief of Staff Oleksandr Chalyi, Victor Yushchenko regards Ukraine's accession to the WTO as his top home and foreign priority.

"The President believes delays in Ukraine's WTO accession will more negatively affect Ukraine's economic development and foreign policy than parliamentary debates about negative consequences of this membership for national companies," he said.

The only impediment on our way to the WTO is parliamentarians' reluctance to pass necessary bills, he added.

"The other two things – signing bilateral protocols with Kyrgyzstan and Taiwan – are technical," he said. Oleksandr Chalyy said the President is going to conduct consultations with all parliamentary forces to persuade them to support the bills he had recently submitted. "This is particularly important to ensure that we become a member this year," he said. "All the instruments we can use will be used to resolve this issue."

When asked what benefits Ukraine would enjoy as a WTO member, Chalyy said it would help reduce prices and boost competition.

Prime Minister Viktor Yanukovych, a more pro-Russian politician who heads the Cabinet after he and his allies won March parliamentary elections, has said he supports quick WTO membership, but has noted that Ukraine must ensure it protects its national interests. Some analysts have suggested that Ukraine's new government is delaying membership as a concession to Russia, which has seen its own hopes of joining WTO mired in disputes with Washington. Ukraine is currently in difficult talks with Russia to try to win a discounted price for natural gas imports. - *Source: Associated Press, ForUm News Agency, RIA Novosti; Edited by: usapeec.kz*

## **The Verkhovna Rada of Ukraine ratified Memorandum related to the cooperation with NATO**

The Verkhovna Rada of Ukraine has ratified Memorandum on Mutual Understanding

between the Cabinet of Ukraine and the NATO Supreme Commander-in-Chief on Transformation and the NATO Supreme Commander-in-Chief in Europe. The document regulates usage of strategic transport aviation of Ukraine in the NATO missions and trainings. 390 MPs out of 432 registered in the VR have voted for the ratification.

The Memorandum assumes “the general state propositions towards the opportunity of air-transport shipping within the frameworks of this or that mission,” Ukraine Army Supreme Commander-in-Chief Serhiy Kyrychenko told. The document does not provide for participation of Ukrainian transport aviation in the NATO operations. The Cabinet will consider the political and economic expediency of transport aviation participation in a certain operation. Kyrychenko also stated that the usage of Ukrainian aviation will be regulated by the current legislation in accordance with the rules of participation in the international missions. - *Source: ForUm News Agency*

### **Inflation rate at 2.0% in September**

The State Statistics Committee announced that in September consumer prices in Ukraine rose by 2.0%.

At the same time, food prices rose by 1.1%, non-food prices rose by 0.4%, while the cost of services rose by 5.9% in September.

The inflation rate for the January-September period is 5.9%, at the same time, since the beginning of the year the foodstuffs prices rose by 0.7% and the non-food products prices rose by 2.5%, while the cost of services rose by 27.4%.

The inflation rate in August made up 0% and in January-August - 3.8%.

The Cabinet of Ministers drafted the state budget for 2006 based on a forecast inflation rate of 8.7% and a forecast GDP growth rate of 7%.

In August Ministry of Economy forecasted GDP growth rate of 6% and inflation rate of 10%.

On August 14, 2006 the Cabinet of Ministers approved the resolution “On approval of

economic and social development of Ukraine for 2007” No. 1194, which forecasted GDP growth at the level of 6.5% and inflation at the level of 7.5% in 2007. - *Source: Ukrainian News Agency*

## **Moldova**



### **In Jan-Aug 20.6% of import to Moldova was from Ukraine**

According to information of National Bureau of Statistics, Ukraine with its 20.6% headed the list of 16-countries-importers of Moldova in terms of import in time of the first 8 months of 2006.

The list of other states (86.5% of import) is as follows: Russia - \$246.6 mln., Romania – \$200.3 mln., Italy – \$124.1 mln., Germany - \$113.6 mln., Turkey – \$67.9 mln., China - \$60.1 mln., Byelorussia - \$48.1mln., Poland- \$ 44.1 mln., France – \$38.9 mln., USA – \$23.5 mln., Belgium - \$20.4 mln., Hungary– \$20.1 mln., Great Britain- \$19 mln., Bulgaria – \$18.8 mln., Czech Republic - \$18.1 mln. Moldova imported electrical equipment, chemical production, food products, drinks, tobacco, wood and wood articles etc. - *Source: InfoMarket News Agency*

### **Moldova seeks to control import of genetically modified products**

Ecology and Natural Resources Minister Constantin Mihailescu announced on October 4 that Moldova will open a laboratory to control and test imported genetically modified products.

Mihailescu made this announcement at a seminar launching a government project on developing a national bio-safety framework. The project seeks to protect Moldovan consumers by strengthening legislation governing the import of genetically modified products and educating the public about the potentially negative health consequences of using them. - *Source: Radio Free Europe/ Radio Liberty*

## **In September 2006 increase of inflation in Moldova constituted 1.1% in comparison with the previous month**

According to the information of the National Bureau of Statistics price for food goods increased at 1.2%, at 1.6% for non-food goods and at 0.5% for the services provided to the population.

The highest increase in prices was registered for the following food products: cucumbers (at 58.4%), potatoes (at 11.4%), dietary eggs (at 8.6%), poultry meat (at 3%) and milk products (at 1.4%).

The list of non-food products increased in price is as follows: fuel - at 3.4% (including coal – at 5.9%), furniture- at 3.1%, medicines and construction materials- at 1.8%.

The following services increased in price in September: public baths- at 6%, taxi - at 3%, hotels- at 2.8%, repair of houses - at 2.1%, ritual and tour services – at 1.7%.

At the same time the reduction of prices was registered for grapes (10.8%), sugar (0.8%), beef and pork meat (0.5%), watermelons (35.2%),tomatoes (8%), Bulgarian pepper (7.4%).

In time of January-September 2006 increase of inflation constituted 9.1%. In time of the last 12 months (September 2005-September 2006) inflation constituted 14.4%. - *Source: InfoMarket News Agency*

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## **Customs service of Moldova has total control of the export from Transdniestr region while import is controlled only at the level of 10%**

The document of the Ministry of Reintegration marks that for the reason of introduction of new customs regime for Transdniestr cargo at Moldavian-Ukrainian border since March 3, 2006 Customs of Moldova supervises export from Transdniestr and partially import.

This is the reason for six fold difference between export and import. Weekly data beginning since June 2006 is as follows: export – 145,680 thousand lei, import – 16,065 thousand lei. As it is noted in the report analyses of the external economic activity of Transdniestr before and after introduction of new customs regime shows that Customs of Moldova completely controls export from the region while control of import constitutes only 10%.

The Minister of Reintegration notes that it is partially proved by the information of Railway of Moldova concerning non-sanctioned import of goods by railway transport through Moldavian-Ukrainian border at the territory of Moldova. According to this information in the period of March 5 - September 17, 2006 6,163 of vans with different goods were imported through customs point Colbasna-Timcovo and 2,042 vans were imported through Novosavitcoe-Cucurgan customs point.

Goods imported are as follows: metal (Russia, Ukraine, Romania), upper clothes (Italy, Germany), petticoat (Italy, Germany, Poland), fabric and textile (Russia, Romania), footwear (Germany, Italy, Russia), electro engines (Russia, Ukraine), wines and cognacs (Ukraine, Israel, USA), tinned food (Russia), pumps (Ukraine, Russia).

Basic flow of import is performed from the following countries: Russia, Ukraine, Germany, Italy, Romania, Poland, Turkey and Bulgaria. - *Source: InfoMarket News Agency*