



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 11/24/2003

GAIN Report Number: UP3009

Ukraine

Sugar

November Update and MY 2002/2003 TRQs

2003

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Report Highlights:

Ukraine's imports of raw cane sugar in MY 2003/2004 are anticipated to decrease slightly as compared with the revised MY 2002/2003 estimate. Once again, Ukraine is not expected to meet the challenge of balancing raw sugar imports with refined sugar exports while at the same time supporting domestic sugar beet farmers through high internal prices. The currently proposed MY 2003/2004 raw cane sugar TRQ of 200,000 MT will not be sufficient to meet projected demand.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Unscheduled Report
Kiev [UP1]
[UP]

Executive Summary

Refined beet sugar production in MY 2003/2004 is expected to increase only slightly over MY 2002/2003 levels, reflecting a smaller sugar beet harvest but increased sucrose content. This will slightly lessen import demand for raw cane sugar in MY 2003/2004 over the previous year's revised import level. Sugar imports for the current MY will largely depend upon export opportunities for refined sugar, sugar confectionary and other sugar-containing products. Export prospects for these products remain unclear due to existing barriers to trade in sugar and sugar-containing products amongst Former Soviet Union (FSU) countries.

Production

Despite higher yields, Ukraine's **sugar beet** production in 2003 is expected to be lower than last's year due to reduced sown area. According to official statistics, the total area sown to sugar beets in 2003 decreased to 814,000 hectares, a reduction of 9% over the previous year. Large and middle-sized farms (formed from former collective farms) continue to reduce area sown because of the low profitability of sugar beets as compared to cereal grains and sunflower seed. Smaller private household plots, which primarily utilize hand labor, maintained nearly the same area under sugar beets as in 2002.

As of October 31, 2003, farmers harvested 14.8 million MT of sugar beets from 706,000 hectares. This compares with 14.2 million MT harvested from 719,000 hectares through the same period last year. Approximately 50,000 hectares of sugar beets were in an unsatisfactory condition as of August 2003 with low plant density and beet weight. As a result, this area will not likely be harvested.

The estimate of **beet sugar** production in MY 2003/2004 was reduced to reflect lower than expected sugar beet output in 2003. Based on information released by the Ukrainian Sugar Producers Association *Ukrtsukor*, sucrose content this year is higher than in 2002. In addition to higher sucrose content, Ukraine's sugar beet processing industry has shown some signs of improved efficiency in 2003 with higher production and lower remaining unprocessed stocks. Year-to-year comparisons are outlined below.

Ukrainian Refined Beet Sugar Production: Year-to-Year Comparisons

	November 1, 2003	November 1, 2002	Change, %
Sugar beets delivered to processing factories, MMT	12.29	10.86	13%
Processed sugar beets, MMT	10.09	8.16	24%
Remaining unprocessed stocks of sugar beets, MMT	2.2	2.7	-19%
Refined beet sugar production, TMT	1154	878	31%
Sugar recovery rate, %	9.39%	8.08%	

Data source: Ukrainian News Agency (Argo Week'44) based on Ukrtsukor data.

Note: The data in the Centrifugal Sugar PSD table below is in raw value basis. For beet sugar, is it necessary to multiply by 1.087 to convert to raw value basis.

Consumption

Sugar consumption in 2003/2004 is expected to increase as a result of increasing demand for sugar from the food processing and beverage industries. It has been estimated that these two industries utilized approximately 550,000 MT of sugar in MY 2002/2003.

In order to maintain MY 2002/2003 human consumption at a realistic level, post utilized the "**Other Disappearance**" category to account for increased imports of raw cane sugar which

was re-exported as sugar-containing products. These product exports are not reflected in the Centrifugal Sugar PSDs. (See Import and Exports Section for details.) Consequently, the "Other Disappearance" category for MY 2002/2003 includes mostly imported raw cane sugar that was processed and exported to Russia as non-centrifugal invert sugar (HS 1702). (Note: Invert sugar is traditionally an ingredient in brewing and pharmaceuticals but it is speculated that these exports were reprocessed into centrifugal sugar.)

Imports

Proposed MY 2003/2004 Tariff-rate Quota (TRQ). The Government of Ukraine (GOU) has already proposed a 200,000 MT tariff-rate quota (TRQ) for raw cane sugar imports in MY 2003/2004. The within-TRQ import duty will likely be set at EURO 60 per 1 MT. It is already clear, however, that the TRQ will be increased as the current quota will not be sufficient to meet expected demand from consumers, the food processing industry and exporters.

Sugar imports in MY 2003/2004 are currently estimated lower as compared with the revised MY 2002/2003 estimate because of existing uncertainties over resumption of trade in sugar and sugar-containing products with the Russian Federation as well as sugar exports to other FSU countries.

MY 2002/2003 Imports and TRQs. Post increased the **MY 2002/2003 sugar import estimate** based on official monthly trade statistics for October 2002-August 2003 (see monthly raw cane sugar import tables below). On May 22, 2003, Ukraine introduced two TRQs to import a total of 580,000 MT of raw cane sugar in MY 2002/2003. The first TRQ (TRQ I) was in effect through September 1, 2003 while the second quota (TRQ II) was in effect through September 15, 2003. The two TRQs were auctioned off to importers on June 15, and August 20, 2003, respectively. **An estimated average import duty for both TRQs was 61%, inclusive of auction fees. Ukraine's standard import duty for sugar outside of the TRQs was 178% ad valorem.**

Ukraine's Standard Import Duty for Sugar

	%	Limitation, not less than EUR/MT
Import Duty (outside of the TRQ)	50%	€ 300
Jan-June 2003 average CIF price for raw cane sugar (HS 170111), \$/MT	X	\$199
Exchange Rate, EUR/US\$	X	1.18
<i>Ad valorem</i> import duty equivalent, %		178%

MY 2002/2003 TRQs

	TRQ I	TRQ II
TRQ size, 1,000 MT	200	360
Import duty, %	-	1%
-- but not less than, EUR/MT	€ 60	€ 6
Minimum auction fee per 1 MT	€ 59	€ 59
Auction fee paid, EUR/MT	€ 77	€ 59
TRQ Utilization, %	100%	50%
Estimated ad valorem import duty (inclusive of auction fee paid), %	81%	39%
Weighted average ad valorem import duty for both TRQs, %	61%	

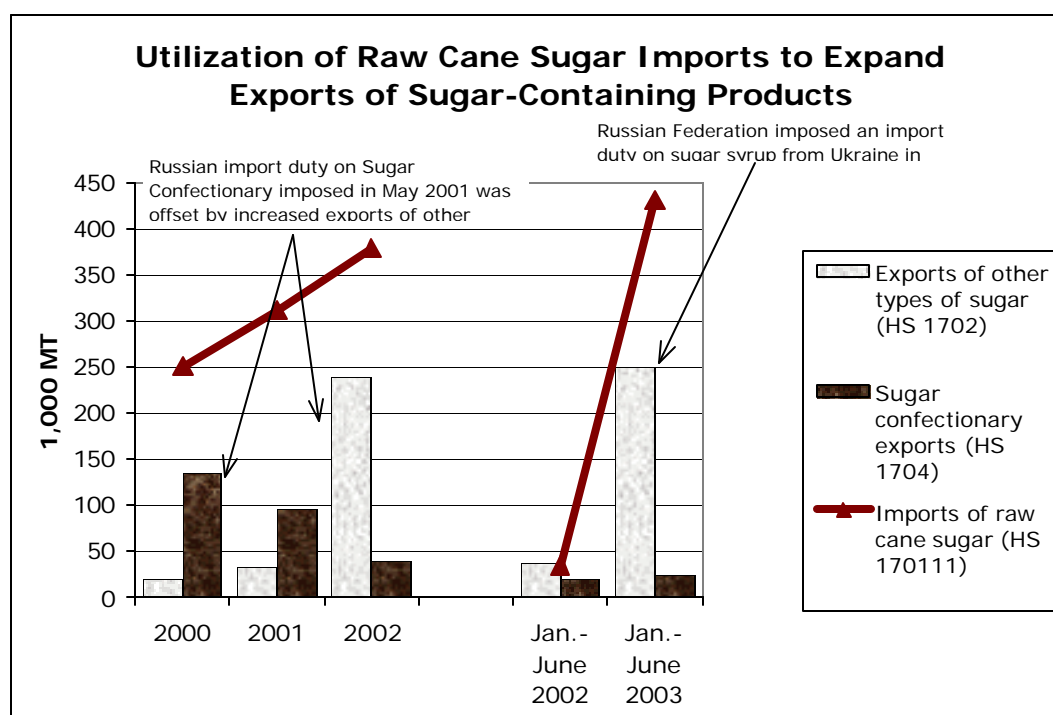
* Data sources: Ukrainian legislation, State Statistics Committee of Ukraine, APK-Inform, and FAS/Kiev calculations

Prior to the June and August 2003 TRQ auctions, importers were allowed to import raw cane sugar under "tolling" contracts, whereby the product was re-exported. Not surprisingly, some tolling contract processed sugar remained in Ukraine due to high internal sugar prices and lack of enforcement of re-export verification.

Exports

Ukraine is expected to increase sugar exports in MY 2003/3004 to meet demand from Azerbaijan, Georgia and other FSU countries that do not have their own refining capacity (see Export Trade Matrix). Export prospects, however, remain unclear at this time and will depend upon Ukraine's ability to recoup access to the Russian market.

Until 2001, Ukraine expanded its sugar confectionary exports by utilizing lower-priced imported raw cane sugar. In May 2001, Russia imposed a special import duty on Ukrainian caramel and other sugar confectionary (HS 1704). In response, Ukrainian exporters switched to exporting sugar syrups and other types of sugar (products under the HS 1702 headings). Prior to April 2003, HS 1702 products were imported into Russia from Ukraine duty-free under a free trade agreement. In April 2003, a prohibitively high import duty was imposed on sugar syrup imported from Ukraine.



A surge in exports of other types of sugar, which occurred in June 2002-April 2003, stimulated raw cane sugar imports. The historical trade data provided in the Statistical Table Section show that Ukraine exported very little sugar syrup, invert sugar and other products under HS 1702 heading prior to 2002. Therefore, post used the "Other Disappearance" category in the Centrifugal Sugar PSD to offset a significant increase in raw cane sugar imports processed into HS 1702 products to avoid an improbable increase in domestic human consumption.

The **MY 2002/2003 sugar export** estimate was increased based on October 2002-August 2003 monthly export statistics (see Monthly Export Table).

Stocks

The MY 2002/2003 sugar stocks estimate was increased due to a significant increase in raw cane sugar imports during July-September 2003 (see Monthly Sugar Imports table). Only a portion of this sugar import surge was refined and consumed before the start of the new marketing year.

Statistical Tables

PSD Table							
Country	Ukraine						
Commodity	Sugar Beets						
					(1000 HA)(1000 MT)		
	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		09/2001		09/2002		09/2003	MM/YYYY
Area Planted	971	971	932	932	0	814	(1000 HA)
Area Harvested	852	852	860	860	0	750	(1000 HA)
Production	15490	15490	16500	16500	0	15500	(1000 MT)
TOTAL SUPPLY	15490	15490	16500	16500	0	15500	(1000 MT)
Utilization for Sugar	15490	15490	16500	16500	0	15500	(1000 MT)
Utilization for Alcohol	0	0	0	0	0	0	(1000 MT)
TOTAL UTILIZATION	15490	15490	16500	16500	0	15500	(1000 MT)

PSD Table							
Country	Ukraine						
Commodity	Centrifugal Sugar						(1000 MT)
	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		10/2001		10/2002		10/2003	MM/YYYY
Beginning Stocks	256	256	213	186	258	436	(1000 MT)
Beet Sugar Production	1800	1790	1550	1550	1900	1600	(1000 MT)
Cane Sugar Production	0	0	0	0	0	0	(1000 MT)
TOTAL Sugar Production	1800	1790	1550	1550	1900	1600	(1000 MT)
Raw Imports	212	200	750	1300	390	900	(1000 MT)
Refined Imp. (Raw Val)	50	50	85	100	65	50	(1000 MT)
TOTAL Imports	265	250	835	1400	455	950	(1000 MT)
TOTAL SUPPLY	2321	2296	2598	3136	2613	2986	(1000 MT)
Raw Exports	0	0	0	0	0	0	(1000 MT)
Refined Exp. (Raw Val)	88	90	155	350	160	400	(1000 MT)
TOTAL EXPORTS	88	90	155	350	160	400	(1000 MT)
Human Dom. Consumption	2020	2020	2185	2100	2200	2300	(1000 MT)
Other Disappearance	0	0	0	250	0	0	(1000 MT)
Total Disappearance	2020	2020	2185	2350	2200	2300	(1000 MT)
Ending Stocks	213	186	258	436	253	286	(1000 MT)
TOTAL DISTRIBUTION	2321	2296	2598	3136	2613	2986	(1000 MT)

Imports of Raw Cane Sugar (HS 170111) into Ukraine, CIF

Imports from:	2000, MT	2000, \$1,000	2001, MT	2001, \$1,000	2002, MT	2002, \$1,000	Jan- June 2002, MT	Jan- June 2002, \$1,000	Jan- June 2003, MT	Jan- June 2003, \$1,000
Brazil	171,844	34,506	238,134	55,798	322,830	62,327	3,898	889	179,096	35,591
Thailand	0	0	0	0	5,895	966	5,895	966	66,557	13,539
Colombia	0	0	0	0	0	0	0	0	53,891	11,330
Guatemala	25,534	5,718	0	0	18,933	3,127	8,267	1,365	36,163	6,942
Cuba	20,807	4,737	35,455	8,335	25,791	4,183	16,876	2,858	33,085	6,092
Nicaragua	0	0	0	0	0	0	0	0	16,854	2,920
Georgia	0	0	0	0	0	0	0	0	11,942	2,081
Guyana	0	0	0	0	0	0	0	0	10,972	2,210
South Africa	0	0	11,622	2,842	0	0	0	0	8,984	1,857
Russian Federation	0	0	0	0	0	0	0	0	8,330	1,929
Belarus	0	0	0	0	0	0	0	0	4,937	1,185
Switzerland	0	0	1,007	235	0	0	0	0	20	5
United States	6,010	968	0	0	5,004	864	4	4	0	0
El Salvador	0	0	24,853	5,709	0	0	0	0	0	0
Denmark	0	0	0	0	0	0	0	0	0	0
Cyprus	12,466	3,216	0	0	0	0	0	0	0	0
France	14,306	3,230	0	0	0	0	0	0	0	0
Germany	1	1	0	0	0	0	0	0	0	0
Total	250,968	52,376	311,071	72,919	378,453	71,466	34,940	6,082	430,830	85,682

Data source: State Statistics Committee of Ukraine

Monthly Sugar Imports into Ukraine, 1,000 MT (HS1701)

Oct-01	1	Oct-02	30
Nov-01	23	Nov-02	41
Dec-01	36	Dec-02	68
Jan-02	2	Jan-03	70
Feb-02	10	Feb-03	74
Mar-02	19	Mar-03	73
Apr-02	1	Apr-03	71
May-02	13	May-03	63
Jun-02	26	Jun-03	121
Jul-02	51	Jul-03	264
Aug-02	75	Aug-03	446
Sep-02	42	Sep-03	
MY 01/02	299	Oct 02- Aug 03	1321

Source: Ukragroconsult

Sugar Exports from Ukraine (HS 1701)

Exports to:	2000, MT	2000, \$1,000	2001, MT	2001, \$1,000	2002, MT	2002, \$1,000	Jan- June 2002, MT	Jan- June 2002, \$1,000	Jan- June 2003, MT	Jan- June 2003, \$1,000
Azerbaijan	0	0	1,611	459	100,167	22,038	16,738	4,671	47,336	12,317
Republic of Moldova	1,914	656	5,208	1,967	5,126	1,264	133	44	35,165	10,086
Georgia	2	1	0	0	37,568	8,257	4,983	1,276	17,424	4,081
Kazakhstan	0	0	0	0	6,537	1,655	1,521	388	15,935	5,093
Turkey	0	0	1	0	1	0	1	0	15,000	3,750
Russian Federation	1	1	68	22	0	0	0	0	2,127	749
Belarus	0	0	0	0	0	0	0	0	1,453	511
Latvia	0	0	0	0	43	34	0	0	25	21
United States	5	2	1	1	8	5	2	1	4	2
Algeria	0	0	0	0	0	0	0	0	1	1
Estonia	75	23	0	0	57	22	37	14	0	0
Armenia	0	0	0	0	0	0	0	0	0	0
Afghanistan	0	0	0	0	10,677	2,388	0	0	0	0
Tajikistan	0	0	0	0	5,875	1,302	0	0	0	0
Kyrgyzstan	0	0	0	0	2,528	562	0	0	0	0
Turkmenistan	10,833	5,356	0	0	1,000	205	0	0	0	0
Uzbekistan	0	0	0	0	761	195	136	55	0	0
Germany	9	3	0	0	8	4	3	1	0	0
Others not Listed	3	2	12	6	3	4	3	3	0	0
Grand Total	12,842	6,042	6,902	2,456	170,358	37,934	23,557	6,454	134,469	36,610

Data source: State Statistics Committee of Ukraine

Exports of Other Types of Sugar (HS 1702) from Ukraine

Exports to:	2000, MT	2000, \$1,000	2001, MT	2001, \$1,000	2002, MT	2002, \$1,000	Jan- June 2002, MT	Jan- June 2002, \$1,000	Jan- June 2003, MT	Jan- June 2003, \$1,000
Russian Federation	9,166	2,911	12,714	3,839	215,708	30,702	26,723	4,331	228,072	32,927
Belarus	6,351	1,875	11,970	3,046	14,067	3,559	6,886	1,775	16,710	3,586
Kazakhstan	3,631	946	6,668	1,663	7,706	1,830	3,450	848	3,796	903
Republic of Moldova	365	103	319	98	1,008	250	213	61	387	98
Lithuania	5	4	24	18	17	13	5	4	119	28
Azerbaijan	0	1	118	32	60	16	60	16	59	17
Estonia	0	0	0	0	0	0	0	0	5	2
Kyrgyzstan	0	1	5	11	2	4	2	4	1	2
Total for Others	19,518	5,841	31,818	8,707	238,568	36,374	37,339	7,039	249,149	37,563
Others not Listed	64	31	60	21	46	96	18	54	0	0
Grand Total	19,582	5,872	31,878	8,728	238,614	36,470	37,357	7,093	249,149	37,563

Data source: State Statistics Committee of Ukraine

Monthly Sugar Exports from Ukraine (HS 1701), 1,000 MT

Oct-01	0	Oct-02	28
Nov-01	2	Nov-02	24
Dec-01	5	Dec-02	10
Jan-02	6	Jan-03	10
Feb-02	10	Feb-03	10
Mar-02	4	Mar-03	17
Apr-02	0	Apr-03	18
May-02	2	May-03	42
Jun-02	2	Jun-03	38
Jul-02	15	Jul-03	68
Aug-02	36	Aug-03	44
Sep-02	34	Sep-03	
MY 2001/2002	116	Oct 02- Aug 03	309

Source: *Ukragroconsult*