

# UKRAINIAN POULTRY, EGG & FEED INDUSTRY

Business Outlook Report



Konstantin Chernichkin



**SPECIAL REPORT**  
**WINTER 2016**

U.S. COMMERCIAL SERVICE KYIV

# The U.S. Commercial Service

## – Creating Prosperity through Global Trade

We promote economic prosperity, enhance job creation, and strengthen national security through a global network of the best international trade professionals in the world.

We promote and protect U.S. commercial interests abroad and deliver customized solutions to ensure that U.S. businesses compete and win in the global marketplace.

The U.S. Commercial Service in Kyiv’s Special Report, “Ukrainian Poultry, Egg, and Feed Industry – Business Outlook Report,” was developed in 2016 to provide U.S. equipment suppliers with information to consider in assessing the Ukrainian market. This report includes: market overviews of each sub-sector; market insight from small and medium sized producers regarding upcoming performance and modernization plans as well as factors that influence equipment purchase decisions; and finally an overview of Ukraine’s macroeconomic indicators and their impact on the poultry, egg, and feed sub-sectors.

Taken together, the information reveals that despite recent and dramatic events in Ukraine that affected the country’s safety and overall economic output, Ukraine’s agriculture sector has buttressed the economy. In the face of adversity, it exhibited growth, and when traditional trade relationships were cut off, Ukrainian agricultural companies pivoted and found new trading partners and routes. It also shows that Ukraine’s entrance to the European Union will stimulate growth and investments in modernization, thereby creating opportunities for U.S. equipment suppliers to enter the market and compete with European equipment suppliers.

 ABSTRACT	2
INTRODUCTION	4
HIGHLIGHTS	5
MARKET OVERVIEW	6

**POULTRY PRODUCTION & PROCESSING**

Supply	7
Demand	8

**EGGS PRODUCTION & PROCESSING**

Supply	12
Demand	13

**FEED PRODUCTION**

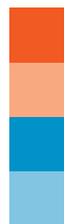
Supply	16
Demand	19

**MARKET INSIGHT**

Short Term Equipment Purchase	21
Factors Influencing Purchasing Decisions Plans Past and future financial performance	22

**MACROECONOMIC BACKDROP**

Key Macroeconomic Indicators for Ukraine	23
Impacts on Poultry, Egg, and Feed Sub-Sectors	24
Regulatory Factors	25
International Financial Institutions	26
<b>ACKNOWLEDGEMENTS</b>	<b>28</b>





**Irina Trubnikova,**  
Commercial Specialist, Agriculture  
U.S. Commercial Service Kyiv

Welcome to this special report prepared by the U.S. Commercial Service in Kyiv. As an agency dedicated to delivering services and information that ensure U.S. businesses can compete and win in the global marketplace, the impetus for this report was to provide U.S. equipment suppliers with insight into the key agricultural subsectors of poultry farming, egg production, and feed production.

Despite recent and dramatic events in Ukraine that affected the country's safety and overall economic output, Ukraine's agriculture sector has buttressed the economy. In the face of adversity, it exhibited growth, and when long standing relationships ceased, Ukrainian agricultural companies pivoted and found new trading partners and routes.

While there are many trade statistics that explain story of perseverance against all odds, the human side of this story is simple. Ukraine's agriculture sector lies at the heart of the nation's identity – a resource and force that has defined its past, shapes the present, and will propel Ukraine to a brighter future. In fact it is agriculture that will ensure Ukraine's transition to a global economic power. As Ukraine's Minister of Agricultural Policy and Food,

Oleksiy Pavlenko, recently articulated, "Ukraine is a crucial country for the food security of the planet. We are not just a breadbasket anymore, we are a food basket."<sup>1</sup>

Perhaps surprising to some who may still associate Ukrainian farming with antiquated Soviet systems of subsidies and artificial supports, today Ukraine's agriculture sector is more self-sufficient than many countries in Western Europe. According to Gilles Mettetal, the European Bank for Reconstruction and Development's Agribusiness Team director, "The success of the Ukrainian farming sector is not coming at a financial price to the state. Unlike many of its neighbors and competitors within the EU, Ukraine has been unable or unwilling to provide costly agricultural subsidies, which has actually made the sector's private companies stronger and more resilient in a crisis."<sup>2</sup>

Because it is clear that Ukraine's agriculture sector is only at the beginning of a long growth projectory, CS Kyiv invites you to evaluate and consider new trade opportunities in agricultural sub-sectors, such as poultry, egg, and feed processing, that show particular promise and become a participant in driving Ukraine's economic prosperity.

# 2015 2016

Ukraine's poultry, egg, and feed industries grew in 2015 due to increased export demand, industry consolidation, and recent investments in modernization. Despite Ukraine's economic downturn and Russian trade embargos, the poultry, egg, and feed industries experienced export-driven growth. Producers met increased demand for exports thanks to the economies of scale resulting from consolidation and investment in these sub-sectors.

In 2016, Ukraine's broiler meat production is projected to increase by 3 percent<sup>ii</sup>, meanwhile, the projected real economic growth (GDP) is projected to grow by 1 percent<sup>iv</sup>. Large vertically integrated poultry producers, assisted by international financial institutions, will continue to expand and increase their market share. This growth will be driven by exports to the European Union (EU), Middle East, and Asia.

**N**ew trade agreements, particularly with the European Union (EU), are the key drivers of increased export opportunities. The Deep and Comprehensive Free Trade Agreement with the EU includes the progressive removal of customs tariffs and quotas and the extensive harmonization of Ukraine's laws, norms, and regulations in various trade-related sectors. Over the next five years the DCFTA will radically changes trade flows and volumes of Ukrainian poultry.

Export driven growth in poultry farming will lead to growth in domestic animal feed production, creating opportunities for U.S. suppliers of food ingredients and feed equipment. Market analysts consider investments in high quality feed production as strategic, given the positive projections for domestic and export demand for Ukrainian poultry and egg/egg products. Many food ingredients are currently imported due to relatively lower quality domestic production, but a trend towards import substitution is beginning.

While many poultry meat producers already meet EU standards, harmonization with EU standards will stimulate modernization of egg and egg products production facilities. Ukrainian exporters are required to be able to meet EU requirements for bird care and treatment in order to expand exports to international markets. Additionally, companies are oriented towards exporting value added processed products which have a higher profit margin.

European poultry production and processing equipment suppliers currently dominate the Ukrainian market, but the market is not yet saturated and overall growth will create opportunities for new suppliers over the next five years. Dutch and German companies are heavily linked to poultry operations in Ukraine through the supply of technology, provision of corporate loans, and partnerships in distribution. Competition from European suppliers is likely to increase for a variety of reasons related to Ukraine's pending entrance into the EU.

# Acknowledgements

## | Business and Industry Associations

The U.S. Commercial Service in Kyiv would like to thank the following organizations for assistance in reaching out to Ukrainian poultry, egg, and feed producers:

Association Poultry Union of Ukraine	<a href="http://www.poultryukraine.com">www.poultryukraine.com</a> 
Interregional Union of Poultry Breeders and Fodder Producers of Ukraine	<a href="http://www.ptahokorm-union.com">www.ptahokorm-union.com</a>
Ukrainian Chamber of Commerce and Industry	<a href="http://www.ucci.org.ua">www.ucci.org.ua</a>
Vynnytsa Chamber of Commerce	<a href="http://www.cci.vn.ua">www.cci.vn.ua</a>
Ivano-Frankivsk Chamber of Commerce	<a href="http://www.cci.if.ua">www.cci.if.ua</a>

## | Survey Respondents

The U.S. Commercial Service in Kyiv would also like to thank the respondents from poultry, egg, and feed community for giving their time to take part in this qualitative research into the sector. Respondents were asked X questions, the highlights of which have been provided in this report.

## | Contacts



Irina Trubnikova

Commercial Specialist, U.S. Embassy Kyiv

Email: [Irina.Trubnikova@trade.gov](mailto:Irina.Trubnikova@trade.gov)

[www.export.gov/ukraine](http://www.export.gov/ukraine) 