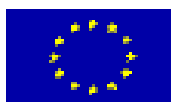




Ministry of Agrarian Policy of Ukraine



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**Implementation of Ukraine's Commitments under WTO and ENP Frameworks in the Rural Sector (Sector Wide Approach), Ukraine
(Europeaid/126205/C/SER/UA)**

**Overview of Latest Rural Developments
December 17, 2009 – December 23, 2009**

WTO AND ENP Frameworks

The Cabinet of Ministers of Ukraine approved a draft Agreement on funding the twinning project "Twinning and Technical Assistance in implementing the European Neighborhood Policy". The relevant Cabinet of Ministers Instruction, # 1535-p, which was issued on December 16th, authorizes the Economy Minister, B. Danylyshyn, to sign the said Agreement.

The Twinning Project was launched in 1998 on the initiative of the European Commission as part of preparation for the European Union expansion. It is intended to help accession countries strengthen their administrative and legislative capacities as future member of the EU.

Source: LigaBusinessInform; December 21, 2009

A meeting of the Task Force on the agriculture sector was held on December 17, 2009 as part of Donor Coordination Committee activities. Mr. S.P. Ivashchuk, the Director of the Foreign Economic Cooperation Department moderated the meeting. The meeting was attended by the EU Delegation officer responsible for coordinating international technical assistance programs in the agriculture sector, representatives from international donor organizations and other stakeholders. The agenda included the progress report on implementing the Dutch Project "Selection of Pure Pig Breeds in Ukraine", report on developing a draft concept of the national Program for Sustainable Rural Development of Ukraine until 2020 and discussion of new areas of cooperation which were approved by donors.

The meeting participants also discussed proposals on launching new technical assistance projects in the Ukrainian agri-industrial sector put forward by structural units of the Ministry of Agrarian Policy of Ukraine. The next meeting is scheduled for the first quarter of 2010.

Source: Ministry of Agrarian Policy of Ukraine; December 22, 2009

Food Safety

The press conference of the Chairman of the State Veterinary Committee of Ukraine, P.I. Verbytsky, "Summary of activities of the State Veterinary Service of Ukraine in 2009 and its

tasks with regard to ensuring national food security" was held on December 16, 2009.

Mr. Verbytsky began with providing media representatives with the following statistics:

- The State Veterinary Inspection made 3,604 inspections of business companies operating at the agriculture produce market in 2009;
- Ukraine succeeded in preventing occurrence of anthrax, brucellosis, highly pathogenic avian influenza, Newcastle disease, African swine fever, bluetongue, bovine spongiform encephalopathy;
- Veterinary-and-sanitary control measures detected 47 when imported products did not comply with national requirements;
- There are 1,539 markets in Ukraine at which 1,262 state veterinary-and-sanitary laboratories operate.

According to Mr. Verbytsky, Ukraine maintains a stable and safe epizootic situation. The State Veterinary Medicine Service of Ukraine does its best to keep under control the situation with dangerous contagious animal diseases, in the first place those that are common for animals and people.

Source: agroua.net; December 17, 2009

The Parliament of Ukraine passed two laws concerning food safety.

- The Law "On amending the Law of Ukraine 'On Safety and Quality of Food Products' (with regard to informing consumers on GMOs content in food products)"

This law amends two articles of the Law of Ukraine "On Safety and Quality of Food Products": (i) Article 2 – with regard to removing mentioning of GMOs and (ii) Article 38 – with regard to supplementing the list of requirements to labeling food products failure to meet which shall lead to prohibition on circulation of relevant food products in Ukraine (Point 10 has been added saying that all food products containing GMOs must be marked accordingly).

- The Law "On amending Ukrainian laws in respect of providing information on the content of genetically modified components in produce". This law amends the Law "On Consumer Protection" and the Code of Ukraine on Administrative Offenses.

The following changes will be made to Article 15 of the Law "On Consumer Protection":

- (a) To amend Item 5 of Paragraph 2 of Part 1 so that it clearly say that relevant marks will be put on products both containing and not containing GMOs;
- (b) To add new Part 6-1 requiring that producers (sellers) replace untrue information on goods within one week if such goods does not endanger consumers' lives, health or property

New Parts 3, 4 will be added to Article 156-1 of the Code on Administrative Offenses which will set forth the administrative liability (penalty) for providing untrue information on goods and for failure to eliminate such deficiency.

Source: RBK-Ukraine; December 17, 2009

Market Infrastructure

The Antimonopoly Committee of Ukraine issued a permit to Glencore International AG for purchasing over 50 percent of shares of 17 agriculture companies. The land owned by these agriculture companies totals some 80,000 hectares. Glencore is a major grain trader in Ukraine. It owns an elevator in Illichivsk port with the storage capacity of 120,000 tones and plans to increase it up to 200,000 tons in 2010. Involvement of a large international holding in the Ukrainian agrarian business proves its attractiveness for overseas investors.

Viterra, a Canadian grain trader, revealed its plans to lease arable land in Ukraine in November. At the moment, there are several grain traders in Ukraine which are involved in growing grain crops as well, such as Kernel, Sintal, Nibulon, Volary. According to experts the above decision of Glencore was caused by non-refund of VAT. This problem is faced by many grain traders in Ukraine. To avoid paying VAT, some traders purchase grain from farmers in the port. Having a grain producer in its structure will enable Glencore to compensate this negative effect.

Source: Ukrainian Business Resource; December 18, 2009

On the instruction of top managers of agriculture enterprises and animal producers agrarian non-government associations sent a letter to the First Vice Prime Minister of Ukraine, Alexander Turchynov, requesting him to intervene in the meat market and resume operation of the Interdepartmental Task Force within the Cabinet of Ministers on monitoring compliance at the domestic meat market. According to the letter, existing criminal schemes for importing meat and meat products of poor quality inflict a substantial damage on Ukrainian producers and the state budget.

The letter was signed by Y. Karasyk, the Chairman of the Pan-Ukrainian Union of Agriculture Enterprises; L. Kozachenko, the President of the Ukrainian Agrarian Confederation; O. Bakumenko, the Chairman of the Committee on Domestic Market Protection and the Chairman of the Board of the Association "The Union of Ukrainian Poultry Producers"; S. Hnatyuk, the Chairman of the Board of "TvarynProm" Corporation.

Source: UAK Information Centre; December 22, 2009

"Ukrainian milk producers complain they are not able to compete with imported Belarusian butter which is cheaper than Ukrainian butter", says Vadym Chaharovsky, the Vice President of Terra-Food. "Belarus has been increasing sales rapidly. Belarus exported 9,000 tons of products in 2008 and as much as 15,000 tons during nine months of the current year. The deficit of the Ukrainian market is 30,000 tones", added Mr. Chaharovsky.

According to Mr. Chaharovsky, the reason for the increase in Belarusian import lies in the government support of large food producers in Belarus leading to increased production of milk, butter and dairy raw materials (dried milk, casein etc.). Milk production in Ukraine dropped from 4.2 million tons to 3.7 million tons between January and September 2009. During the same period, Belarus, whose population is ten times as small as the Ukrainian population, produced 4.4 million tons of milk*. "The government support of large farms in Belarus resulted in prices for Belarusian milk being as low as 33 cents per litre whereas Ukrainian milk costs 30 to 45 cents per litre. Ukraine will have to purchase more and more milk and butter from Belarus and other countries unless the Ukrainian government supports the milk sector", Mr. Chaharovsky pointed out.

* The presenter was wrong: in reality, the Belarusian population was 9,664,100 people 26 percent of which resided in rural areas (www.prime-tass.ru)

Source: RBK-Ukraine; December 22, 2009

"Ukraine's GDP will rise by over three percent in the year of 2010 under any situation. This projection is realistic", said Economy Minister Bohdan Danylyshyn. The Ministry of Economy projects the 2010 inflation at 9.7 percent.

As far the 2009 situation is concerned, the Economy Minister pointed out that the yearly GDP patterns may turn out to be better than expected. "We see gradual improvement quarter by

quarter... Based on the current situation in the industrial and agriculture sectors, we may expect the actual GDP patterns be better than earlier projections".

According to earlier projections of the Ministry of Economy, GDP would be drop by 12 percent this year. Beside that, the Economy Minister told that there had been no threatening inflation trends so far.

Source: Interfax-Ukraine; December 18, 2009

Rural Development

The Parliament of Ukraine approved a basic draft law on extending the moratorium on land purchase to the year of 2012. The draft law envisages extension of the prohibition on contributing land units in business companies' charter capital until January 01, 2012. Besides, it is proposed to establish that sale and purchase of agriculture land, state- and communal-owned land (except for expropriation for public needs) as well as sale and purchase or alienation of land plans in other ways and rezoning of land will be introduced effective January 01, 2012 on the condition that laws of Ukraine on the state land cadastre and land markets are enacted which will determine specific aspects of circulation of state- and communal-owned land and land used for agriculture production.

Source: <http://news.finance.ua>; December 12, 2009