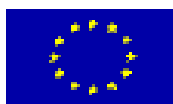




Ministry of Agrarian Policy of Ukraine



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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 Developments in Agriculture and Rural Areas**

**January 21, 2009 – January 27, 2009**

***WTO AND ENP Frameworks***

By its Order # 535 dated December 17, 2009 the State Veterinary Medicine Committee of Ukraine approved the Regulation on issuing international certificates for exporting poultry to EU member countries which was registered with Justice Ministry of Ukraine under # 40/17335 on January 18, 2010. The Regulation was developed for the purpose of implementing a system of integrated official veterinary-and-sanitary control and supervision in the process of certification of food products of animal origin, specifically, in the process of issuing international veterinary certificates.

This approach will have a positive effect on development of cooperation between Ukraine and EU and further export of Ukrainian food products of animal origin to EU member countries.

The Regulation sets forth unified terms and conditions for issuing veterinary documents on poultry intended for exporting to EU. In particular, international veterinary certificates will be issued by official veterinary medicine doctors to operators which have been granted a permit for operating production facilities. Besides, the Regulation addresses issues associated with implementing HACCP system or similar food safety and quality assurance systems at enterprises willing to export poultry to EU.

The certificates will be issued according to importing country's requirements to their form and content by official veterinary medicine doctors at the request of an applicant or person duly authorized by the applicant.

*Source: APK-Inform; January 26, 2010*

***Food Safety***

"Products containing genetically modified organisms (GMOs) may find their way to every Ukrainian consumer because standards which could be used by Ukrainian producers for checking GMO content in food products are not legislated", say representatives of Agropolis group (dairy products produced under "Shedry Vechir" trade mark).

"The Ukrainian legislation regulates use of GMOs only figuratively. In reality, even producers are not aware of what standards they should use to check food products", Agropolis specialists say. Existing laws and regulations are not harmonized with the law which was passed in

December 2009 and introduced mandatory marking of food products containing GMOs. "Even the most law-abiding producer does not know what products should be checked for GMO content and how often the GMO content should be checked, let alone a possibility to prepare a text for the label, agree on it with the State Committee on Technical Regulation and Consumer Policy and provide a consumer with a free choice", draws the bottom line Ms. Tetiana Lerit, Agropolis Chief Technologist.

*Source: LIGABusinessInform; January 25, 2010*

According to the official notification of the International Office of Epizootics the occurrence of Newcastle bird disease was registered in Israel. Ukraine put a ban on importing poultry, poultry products and poultry raw materials from Israel.

Import of other goods from Israel which fall under supervision of the State Veterinary Medicine Service of Ukraine must comply with existing veterinary requirements to import of goods subject to official veterinary-and-sanitary control and supervision.

*Source: <http://www.vet.gov.ua/>; January 26, 2010*

During the year of 2009, inspectors of the state supervisory enterprise "LvivStandardsMetrology" checked food products totaling UAH 31,722,308. The value of rejected products is UAH 4,371,042 (13.7 percent of the total value of checked products). 209 inspections (81.6 percent) revealed incompliance with requirements of existing regulations.

Major reasons for which food products were rejected include deviation from established physical, chemical and organoleptic parameters and incompliance with marking requirements (around 40 percent). Over 30 percent of checked industrial products fail to comply with existing regulatory requirements because of poor marking, incompliance with geometrical parameters or violation of mandatory certification rules. Over 20 percent of checked products have appearance defects and metrological flaws.

*Source: State Committee of Ukraine on Technical Regulation and Consumer Policy*

### ***Market Infrastructure***

The Cabinet of Ministers of Ukraine is planning to approve the Regulation on allocating, distributing, and utilizing funds intended to subsidize agriculture producers for milk and meat in live weight supplied to processing enterprises. This proposal is included in the Draft Resolution of the Cabinet of Ministers of Ukraine "On implementing Item 11.21 of Article 11 of the Law of Ukraine 'On Value Added Tax'" which was posted on the official web site of the Ministry of Agrarian Policy of Ukraine.

According to the Draft Resolution, the said Regulation shall set forth a mechanism for allocating, distributing, and utilizing funds to be paid by processing enterprises as subsidies to agriculture producers regardless of their institutional form and specifics of business operations including individual farmsteads for milk and meat in live weight supplied to food processors effective December 31, 2009.

The subsidies will be calculated and paid out by food processing enterprises of all institutional forms operating own and rented processing facilities. However, the Resolution shall not apply to supplies of milk, dairy products, meat and meat products produced by processors from imported raw materials, raw materials supplied not in live weight or not produced by agriculture producers, milk and meat in live weight supplied by intermediaries, and raw materials supplied on a give-and-take basis.

*Source: APK-Inform; January 22, 2010*

On January 23, 2010, *Uryadovy Courier* published Resolution of the Cabinet of Ministers of Ukraine # 40 dated January 20, 2010 "On approving the list of goods prices for which are subject to state regulation and period of such regulation in 2010 and 2011". The list of products prices for which will be subject to regulation in 2010 and 2011 includes hard and soft wheat, grain mix of wheat and rye, winter and spring rye, barley, wheat and rye flour. The period of price regulation is set for July 01, 2010 through June 30, 2010.

Besides, the list includes granulated (beet) sugar (the period of regulation is September 1, 2010 through August 31, 2011), maize (October 1, 2010 through June 30, 2011), evaporated milk (April 1 2010 through August 31, 2010) and butter (April 1, 2010 through December 31, 2010).

*Source: APK-Inform; January 22, 2010*

According to the last report of the US Department of Agriculture, wheat from the Black Sea region, in particular, from Ukraine, is forcing American grain out of international markets. USAID projections for the marketing year of 2009/2010 with regard to export of the American wheat are rather pessimistic: as little as 22.45 million tons which will be the lowest figure since the marketing year of 1971/1972 or by 5.2 million tons less than in the marketing year of 2008/2009. The major reasons of losing the competition with Ukrainian wheat are high purchase prices and a longer way to end customers.

Ukrainian farmers and traders are in a better situation. According to AGRICULTURE experts, rapid growth of production and export of Ukrainian wheat which began in the marketing year of 2006/2007 and was triggered by huge investments in the agrarian sector has already reduced the US export potential by 11.9 million tons (from 34.3 million tons in 2007). The carryover wheat stock in US is estimated to grow by 2.1 million tons up to 26.6 million tons by the end of 2009/2010 marketing year to exceed that of 2008/2009 marketing year by 8.9 million tons. The average weighted producers' prices for wheat in the USA projected for the current year range from \$173/ton to \$184/ton; even without allowance for freight costs this is considerably higher than prices in the Black region.

*Source: IDK.ru; January 26, 2010*

"The recent panic at the Ukrainian sugar market was caused by far-fetched reasons in order to raise prices at the domestic market. In reality, there is no problem", Mykola Yarchuk, the Chairman of UkrTshukor Board said. According to Mr. Yarchuk, the wholesale prices for sugar rose from UAH 5,500/ton to UAH 7,500/ton on average over the last month. Such substantial growth was caused by existing trends at the global sugar market where prices reached its historical maximum for the last 29 years. Mr. Yarchuk pointed out that sugar stock at the domestic market was 1.3 million tons as of January 1, 2010 with the average monthly consumption being some 130,000 tons.

"As of January 1, 2010, the sugar balance was 1,270,000 tons – by 20 percent or 315,000 tons less than on the same day of 2009," confirms the Deputy Director of the Ukrainian Agrarian Confederation Olexander Yaroslavsky. He says that changes in the volume of available sugar were immediately reflected in prices. The Ukrainian Agrarian Confederation predicts prices for sugar to reach their peak in March or April of the current year.

*Source: UAK Information Centre; January 26, 2010*

"Capitalization of ten major public companies in the Ukrainian agri-industrial sector, whose shares are listed on international stock exchanges, tripled over the last year and reached \$3.7 billion," a representative of the "Ukrainian Agrarian Business Club" association told to a UNIAN journalist. He also emphasized that a group of leading Ukrainian agrarian companies which had been always attractive to international investors, such as Myronivsky Khiboproduct, Kernel, Mriya and Astarta, was joined in last December by Luhansk holding "Agroton" which now ranks fifth by capitalization level among Ukrainian public companies in the agri-industrial sector.

Ukrainian Agrarian Business Club experts point out to an increased interest of Ukrainian companies in raising overseas investment because of limited investment opportunities in Ukraine. In so doing, they recommend that agrarian companies be reasonable in selecting both investment partner and investment mobilization tools. Unfortunately, some large Ukrainian companies which are not able to overcome crisis because of a failed partnership are no longer considered to be trustworthy by investors.

*Source: UNIAN; January 27, 2010*

### ***Rural Development***

"Issuance of free land titles to Ukrainian citizens is a radical step toward elimination of corruption in the government," said Prime Minister Yulia Tymoshenko during her visit to Cherkasy oblast. "The very fact of this meeting intended to demonstrate our will to fight corruption and ensure that titles to land plots are issued for free is another evidence of that fighting corruption is possible. The old corrupted rules must be changed. Bureaucrats taking bribes must be removed from power. The fact of issuing land titles proves that such developments are underway", stressed Julia Tymoshenko. She also pointed out that sometimes corruption is so strong that even the Prime Minister's powers are not sufficient. "Luckily, we have a chance to carry this through and eradicate corruption. It is not an easy task to improve the existing situation. However, we will not be Ukrainians if we give up now".

*Source: <http://myland.org.ua>; January 24, 2010*

The land that is leased out by owners of land units totals 17.5 million ha or 64 percent of all previously public land was split into units. The average yearly rental is UAH 260.2 per ha.

2009 payments for leasing land units total UAH 4.2 billion including UAH 2 billion paid to rural pensioners (47.6 percent). Such payments are effected predominantly in kind (71.6 percent). This is a negative phenomenon as prices for agriculture products that are used for in kind payment purpose, are set by managers of agriculture enterprises. As audits show such prices exceed market prices. UAH 4,166,100,000 was paid out as of January 01, 2010 (91.6 percent).

*Source: State Committee on Land Resources; January 25, 2010*