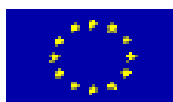




Ministry of Agrarian Policy of Ukraine



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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 between February 24, 2011 and March 02, 2011

WTO and ENP Frameworks

The European Union has officially notified Ukraine of suspending the direct budget support of Ukrainian government authorities because revision of the state procurement procedure by the Ukrainian Parliament. Following this EU decision, a Euro 31 million tranche is put on ice. According to Brussels officials, other sanctions with regard to Kyiv will follow.

Jose Manuel Pinto Teixeira, the Ambassador and Head of the EU Delegation to Ukraine to Ukraine, stated that the European Union had suspended the programme of budget support to Ukraine. Brussels is indignant with a recent increase in the number of exceptions from the Ukrainian tender legislation. Following the EU sanctions, Ukraine did not receive the previously planned Euro 31 million tranche for energy efficiency programmes.

Source: Commersant-Ukraine; 24.02.2011

The Agreement on Free Trade Area between Ukraine and EU is ready for 90 per cent, said Ukrainian Prime Minister Mykola Azarov at the meeting with deputies of the European Parliament. "What is left is to agree on provisions regulating export of Ukrainian agriculture products to the EU and exercise of Ukrainian enterprises' right to render services including road transportation services. There are also a few minor contentious issues on geographical names and market protection tools; but they are not that essential," stated M. Azarov. As the Ukrainian Prime Minister has noted, Ukraine is most concerned with the EU position on the quota principles of supply of Ukrainian agriculture products to the EU market.

Source: <http://news.liga.net/>, 24.02.2011

Ukraine is interested to increase cooperation with the European Bank for Reconstruction and Development in the agri-industrial sector, stated Andriy Klyuev, the First Vice Prime Minister and Minister of Economic Development and Trade, at the meeting with EBRD delegation headed by EBRD Vice President Jan Fischer.

Mr. Fischer, in turn, mentioned such prospective areas of cooperation as power engineering, energy security and energy saving. "We could work jointly on improving the investment and business environment and make Ukraine more attractive to other investors," stated Jan Fischer.

Source: Press Service of the Ministry of Economic Development and Trade; 24.02.2011

While visiting Ternopol, Minister of Agrarian Policy and Food Mykola Prysiashnyuk once more confirmed Ukraine's position that Ukraine would not sign the Agreement on Free Trade Area with the EU on terms and conditions putting Ukraine in a disadvantageous position.

"After 15 rounds of the negotiation we have not agreed on the terms and conditions of the Agreement yet. I cannot understand how come that, on the one hand, we are reproached for setting quotas, and then we are given the yearly quota of 60,000 tons of barley or 100,000 tons of

wheat. That is why the position of the President and Government is clear: reaching a compromise is the only way to have this Agreement signed by Ukraine," underscored the Minister.

Source: Press Service of the Ministry of Agrarian Policy and Food; 01.03.2011

According to "Kommersant Ukraine", Ukraine and European Union have arrived to agreement on settling a conflict that arose after the adoption of amendments to the State Procurement Law because of which Brussels suspended the programme of budget support to Ukraine. The Presidential Administration, European Commission, and World Bank managed to resolve the conflict: Kyiv agreed to make changes to the current legislation on state procurements on which Brussels insisted; in so doing such changes will not be limited to cancellation of new provisions introduced in January. "At the moment, intense discussions are underway; the legislation is being agreed on. If we settle the situation quickly enough we may expect to receive tranches totalling Euro 126 million in summer," stated the First Deputy of the Head of Presidential Administration, Irina Akimova. Ms. Akimova mentioned that the total value of programmes in question was over Euro 280 million.

Source: <http://news.liga.net>, 02.03.2011

Food Safety

Inspectors of the Russian Veterinary and Phytosanitary Supervisory Authority detained several large consignments of fruit and vegetable which were shipped from Ukraine to Russia. This news was communicated by the Press Service of this Russian Federal Service. Specifically, Russian inspectors did not let in Russia a 30 ton consignment of Ukrainian apples because the content of phosalone (pest control agent) in the apples was twice as large at the permissible content. A 30 ton consignment of beet was detained because of high nitrate content. All detained goods were returned to Ukraine.

Source: <http://delo.ua>, 28.02.2011

According to the Kherson Oblast Veterinary Medicine Department, a veterinary inspection found a pig carcass suspected for trichinosis on February 27, 2011. As a matter of urgency, a task force was set up on February 27, 2011 consisting of representatives from the State Veterinary Medicine Service which conducted an epizootic investigation. Following the investigation, deratization measures were taken locally and test samples from 12 animals were taken for testing purposes. An instruction was issued to all animal owners not to slaughter animals without pre-mortem inspection and post-mortem tests. Currently, the situation is under control of the State Veterinary Medicine Service of Ukraine.

Source: <http://www.vet.gov.ua/>, 28.02.2011

From March 01, 2011 through March 03, 2011, the EU-funded Food Safety Twinning Project conducts a training seminar on EU legislation on residues of veterinary preparations and other contaminants in food products and "State Monitoring Plan" for specialists of Kyiv, Kyiv Oblast and raion offices of the State Veterinary Inspections and specialists from the Chemical-and-Toxicology Office of the State Research Institute for Laboratory Diagnostics and Veterinary-and-Sanitary Expertize. The training is conducted by Dache Miyerina, an expert of the Latvian Food and Veterinary Service; Tim Petersen, an expert from the Danish Medicines Agency; and Allan Bagge, the Resident Twinning Advisor to Ukraine.

<http://www.vet.gov.ua/>, 02.03.2011

Market Infrastructure

A large number of merger and acquisition transactions in the agriculture sector took place in the year of 2010. This trend is characteristic of early 2011 as well. Yaroslav Sverdlichenko, a partner of OMP law firm stated so at the recent round table "Money for business. Financial instruments and their specific aspects", which was organized by the New Agency "LigaBusinessInform" and the Editorial Board of the LIGA.Finance Project.

"There were many transactions in the agriculture sector during the last year. They occurred on a regular basis. There were translations even during the New Year holiday season. There are transactions underway now. Despite ongoing problems with cancellation of VAT for resale and export of grains and quotas. However, assets are very interesting, and large volumes of funding are attractive. There are both foreign and Ukrainian investors", told Mr. Sverdlichenko.

Source: www.liga.net, 24.02.2011

According to the data of the State Statistics Committee, Ukrainian milk is getting better. For example, production of raw milk of the premium quality rose by 2.5 per cent in the last year. Milk production becomes more profitable. In the year of 2010, Ukrainian processing enterprises received 4,793,200 tons of milk or by 51,400 tons more as compared to the previous year. Production of many dairy products was increased, namely, production of cream rose by 23% per cent, dairy products containing vegetable oil – by 22.3%, processed milk – by 6.8%, ice cream – by 6.3%, butter – by 6.2%, milk and cream powder – by 2%.

Import of dairy products dropped by 25.1% (12,000 tons) down to 33,600 tons and totalled USD 113,1 million in 2010.

Source: Press Service of the Ministry of Agrarian Policy and Food; 01.03.2011

Rural Development

In order to reinstate the agriculture produce procurement and distribution network, the UkoopSpilka assets need to be returned to rural communities, said the Minister of Agrarian Policy and Food, Mykola Prysiashnyuk, in his presentation at the Sumy oblast workshop "Status and Prospects for Development of the Sumy Oblast Agri-Industrial Sector". "The assets of UkoopSpilka belong to rural communities. We need to resume the operations UkoopSpilka underwent twenty years ago," told the Minister.

Mykola Prysiashnyuk explained that UkoopSpilka must have its procurers in every village and issue orders to village councils based on consumption patterns estimated by oblast state administrations. "We will bring UkoopSpilka to rural communities in six months", assured the Minister.

Source: Press Service of the Ministry of Agrarian Policy and Food; 25.02.2011

When answering questions on when rural residents would be able to dispose their own land the way urban residents dispose their apartments and when at last land would become merchandise as part of the "Conversation with the Country" Project, the President emphasized that "grey privatization of land and use of land resources have assumed threatening forms".

The President underscored that he is well aware that not only the rural population but also investors are waiting eagerly for completion of the land reform. Discussions of the land reform in Ukraine have been underway for many years, and completion of the land reform cannot be delayed any longer.

"We have wasted a lot of time, the land reform is ripening, and we need to speed up this process. We are quite able to resolve land issues in 2011 and 2012 and make sure that the Ukrainian land market is fully functional in 2012", summarized the head of the state. Besides, the President believes that establishment of a land bank in Ukraine is an integral part of the land reform.

Source: Official web site of the President of Ukraine; 25.02.2011