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Ukraine's agricultural sector after accession to the WTO

This country study is a part of the FAO series of case studies on assessing the impact of the WTO accession on agriculture in countries of the region

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A. Changes in Ukraine's agricultural trade policy after accession to the WTO

Ukraine became an official WTO member on 16 May 2008. Upon Ukraine's accession to the WTO, the Verkhovna Rada of Ukraine passed a series of laws elaborated by the Cabinet of Ministers of Ukraine (CMU) to bring the Ukrainian legislation in line with the WTO accession commitments.

Import duties when importing goods into the customs territory of Ukraine are levied according to the Law of Ukraine on the Customs Tariff of Ukraine, No. 584-VII of 19.09.2013. The new wording of the Customs Tariff adapts Ukraine's statistical system to the international methods, standards and classification as well as brings import duty rates on goods into conformity with the rates determined for goods in Annex 1 to the Protocol ratified by the Law of Ukraine on Ratification of the Protocol of Accession of Ukraine to the WTO, No. 250 of 10.04.2008.

Upon expiry of the transformation period¹, the average arithmetic rate of the final bound tariff is 10.1 percent for agricultural goods and 4.85 percent for industrial goods.

Commitments on the reduction of import tariff rates have been fully complied with by Ukraine in accordance with an adopted tariff reduction schedule.

Table 1. MFN import duty rates for Ukrainian agricultural goods after accession to the WTO

Indicators	Tariff rates, final level (2013)
Tariff lines with a zero rate (% of all tariff lines)	10.0
Tariff lines with an ad valorem rate (% of all tariff lines)	95.5
Average arithmetic rate of import tariffs, %	10.1
Maximum rate, % (only for ad valorem rates)	50.0

The highest import duty rate (50 percent) applied by Ukraine is that applied on imports of white and raw cane sugar.² In the course of a difficult negotiation process, the parties endorsed the Ukrainian party's proposal on the introduction of an annual tariff quota in the amount of 267 800 tons (some influential WTO member states insisted on the amount of 480 000 tons) with a 2 percent import duty rate within the quota for the raw cane sugar, which is an optimal amount to protect the market, ensure competition and establish an insurance fund for a possible sugar beet yield failure.

However, the quota has remained virtually unused since 2012 due to high carryover stocks.

¹ For Ukraine 2013 year

² The most significant debate in the process of Ukraine's accession to the WTO was caused by the question about access to the domestic market of raw cane sugar. It concerned the need to ensure minimum access to Ukraine's domestic market in accordance with the WTO rules (not less than 5 percent of domestic consumption). The tariff for sugar and raw cane sugar at the level of 50 percent but not less than EUR 300 per ton meant actual closure of the market, which was unacceptable not only to the WTO members but to the Ukrainian consumers as well. For a few last years prior to its accession to the WTO introduced additional quotas for preferential import of raw cane sugar on an annual basis. The annual tariff quota in the amount of 267 000 tons was agreed for the raw cane sugar. At the same time outside the tariff quota, the Ukrainian party managed to defend the protective import tariff with a 50 percent rate.

In February 2015, Ukraine used GATT provisions that permit special measures to stabilize balance of payments. A 5 percent import tariff surcharge on industrial goods and 10 percent import tariff surcharge on agricultural goods were introduced on all imports to Ukraine for a period of twelve months. The maximum rate of 10 percent is applied to all agro-food imports (HS 01-24). Although the majority of WTO members acknowledged the deterioration of Ukraine's balance of payments, they claim that the surcharges are causing a burden on their exporters and urged Ukraine to remove the measure no later than the end of 2015.

Ukraine also meets its obligations as to reduction of export duties on oil seeds, livestock and hides and skins.

Table 2. Transformation of Ukrainian export duty rates after the accession to the WTO

Goods description	United Commodities Classifier (UKTZED) code	Applied export duty rate			Final rate for compliance with commitments and deadlines
		Upon accession, 2008	2009	2014	
Linseeds, sunflower seeds, false flax seeds	120400 120600 1207999900	14%	13%	10%	To 10% in 2012
Livestock	0102900500 0102902100 01029029000	50%	45%	20%	By 5 percentage points annually to 10%
Raw skins and hides	4101 4102 4103900000	30%	29%	24%	1 percentage point annually to 20%

The ministries and experts continuously examine drafts of legislative and regulatory legal acts developed by executive authorities on the subject of their compliance with Ukraine's commitments made in the time of acceding to the WTO. Should they find that such drafts fail to comply with the WTO rules, they provide corresponding comments on the impossibility of adopting such draft acts due to violation of the Ukrainian commitments envisaged by the Protocol on the Accession of Ukraine to the WTO.

For the purpose of gradual adaptation of economy to the WTO rules, the government developed a short-term action programme – the Plan of Priority Measures to meet Ukraine's commitment within the WTO Membership Framework³ and an action programme for a medium-term period – The Action Plan on the Adaptation of Ukrainian Economy to the WTO requirements.⁴

The notifications on domestic support in agriculture for 2009, 2010 and 2011 provided by Ukraine to the WTO Secretariat indicate that Ukraine has met all its commitments as to not exceeding its Total Base-bound Aggregate Measurement of Support (AMS) of 3.043 bln. hryvnias per year (USD 133 million at the NBU official exchange rate at 1 November 2015). According to the notification for 2009, the AMS amounted to 1.11 billion hryvnias (35

³ Cabinet of Ministers of Ukraine Order No. 1570-p of 17.12.2008.

⁴ Cabinet of Ministers of Ukraine Order No. 1381-p of 30.10.2008.

percent of the base level); in 2010, it was 2.18 billion hryvnias (72 percent of the base level), and in 2011 current AMS support was 73 percent of its base AMS.

Ukraine's WTO membership and commitments assumed call for new approaches to the forming of a government agricultural support policy. The Programme of Economic Reforms for 2010-2014 in Ukraine stated that transformation of the government agricultural support policy should proceed towards improvement of the system of subsidies to raise competitiveness of the sector according to the WTO Agreement on Agriculture and towards retargeting of subsidies to the "green box" measures in line with the WTO provisions.

During the analyzed period after the accession of Ukraine to the WTO there were no new "green box" programs for domestic support of agricultural producers developed and established. Traditional support programs were being used although the Ministry of Agrarian Policy and Food of Ukraine was having discussions of various ideas for new "green box" programs.

Export quotas. As a WTO member, Ukraine made a commitment not to apply quantitative export restrictions, unless there was a critical-level shortage of food products essential to the exporting country. Ukraine also pledged to cancel the grain export restrictions existing as of its accession date.

Prior to its accession to the WTO, export quotas for grain and oil crops in Ukraine used to be introduced as a way of mitigating any impacts of a grain crop failure on growth of food prices. During 2006-2008, wheat export quotas were introduced in the country five times. The grain export quota valid from July through December 2007 amounted only to 12 000 tons (3 000 tons for each of wheat, barley, rye and corn), which actually meant an export ban. Between January and March 2008, quotas were increased to 1 203 000 tons (600 000 tons of corn, 400 000 tons of barley, 200 000 tons of wheat, and 3 000 tons of rye). Since April, the quotas were extended to 1 July 2008 whereas quotas for wheat and barley were raised to 1,200 and 900 000 tons, respectively, and corn export restrictions were cancelled.

On 23 May 2008, the Cabinet of Ministers of Ukraine Resolution No. 470 on abolition of grain export quotas came into force.

Soon after the country's accession to the WTO (in 2008), a sunflower oil export quota (300 000 tons) and an export quota for sunflower seeds (1 000 tons) were introduced for a short period of time. That decision was cancelled by the President of Ukraine due to not being in compliance with Ukraine's commitments to the WTO.

In 2009, the government abstained from introduction of any quantitative export restrictions. In 2010, however, it re-introduced grain export quotas. Export quotas were set for five grain crops (wheat, corn, barley, rye, and buckwheat).

This time, the export quota was introduced because of an excessively hot summer in 2010 that entailed a drought. The unfavorable weather conditions caused a relatively low production of grain crops: 32.2 Mt in 2010 against 46.0 Mt in 2009. These circumstances reinforced expectations of price growth in the grain market. Prices of grain crops demonstrated an active growth tendency in recent years, both in Ukraine and globally. Taken together, these factors could influence growth of food product prices, first of all for bread and bakery products, as well as decrease accessibility of forage grain for the animal husbandry sector – both due to

high prices and because of insufficient domestic supply volumes. As a result, the authorities adopted the simplest instrument of control over the grain balance under the given circumstances, namely introduction of grain export quotas.

However, just as the experts predicted, the export quotas resulted in losses for grain exporters and producers. Also, the question was raised about Ukraine's violation of the relevant WTO provisions. These restrictive measures also had no substantial influence on the level of retail food prices.

Another adverse consequence of the quota introduction consists of their non-transparent allocation. For technical reasons, the Ministry of Agrarian Policy of Ukraine failed to timely issue some companies documents confirming that they have the declared export volumes of grain available. For this reason, some companies were not allowed to take part in allocation of quotas, including well-established international grain traders such as Cargill, Louis Dreyfus Commodities and others.

On 7 April 2011, the Verkhovna Rada of Ukraine adopted the draft law № 8324 on quota auctioning. In early May, the President of Ukraine vetoed the law. One of the reasons for the vetoing was that quota auctioning was not in compliance with Ukraine's WTO commitments, namely Article VIII of the GATT 1994.

Export duties. In 2000-2010, no export duties were applied in Ukraine to any grain crop. Since 1 July 2011, the government introduced export duties to regulate supplies of some grain crops for export: wheat – 9 percent but not less than 17 EUR per ton, barley – 14 percent but not less than 23 EUR per ton, corn – 12 percent but not less than 20 EUR per ton.

As a result of this measure, grain exports dropped to their lowest levels in the marketing year, and domestic grain stocks increased, which, given shortage of modern storage capacities, led to a loss of the grain's quality characteristics. As a consequence, the export duties for wheat and corn were abolished as soon as early October 2011 whereas the export duty for barley remained unchanged and valid until 1 January 2012 to be cancelled as from that date.

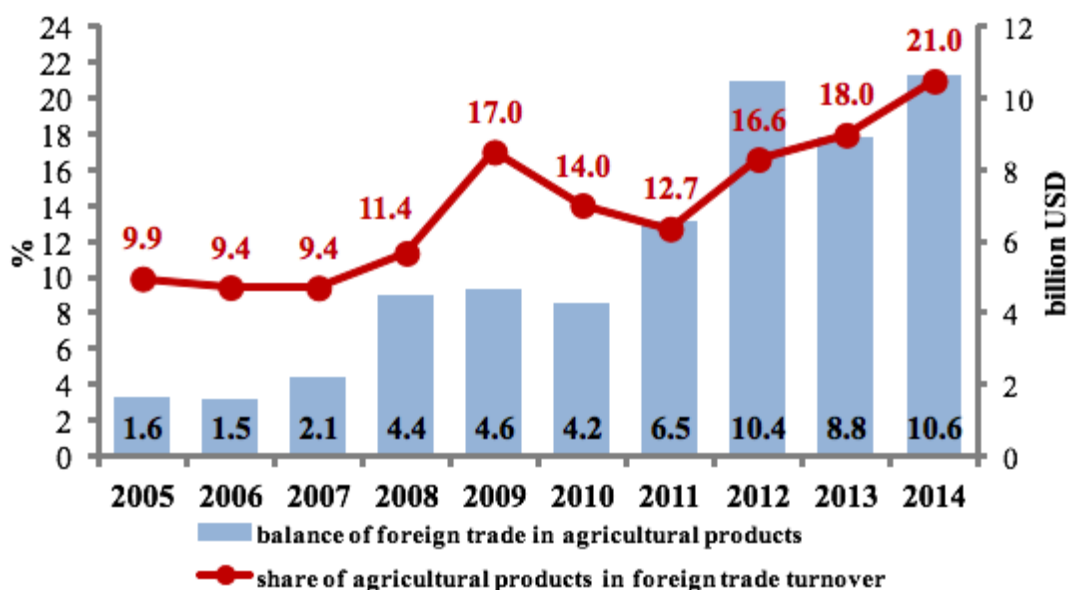
After 1 January 2012 export duties and export bans on grain exports have not been applied in Ukraine.

B. Developments in Ukraine's agriculture and foreign trade of agricultural goods in 2008-2014 years

This chapter analyses the trends in foreign trade (subchapters 1-0) and in the development of agricultural sector (subchapter 3) after Ukraine's accession to the WTO.

Before and after WTO accession, the balance of Ukraine's foreign trade in agricultural products was positive, unlike its foreign trade balance for industrial commodities which was negative. A positive balance remained even amid the global financial crisis when demand in global commodity markets slumped. In 2009, world trade shrank by 12 percent and dropped to the 2006 level. This fact indicates high competitiveness of Ukrainian agricultural products in world markets (Figure 1).

Figure 1. Ukraine's foreign trade in agricultural products ⁵



Source: State Statistics Service of Ukraine

The positive results of the agricultural sector's foreign trade activity became possible largely due to successful export operations. Strong support was provided to Ukrainian agricultural product trade by two significant factors: first, global trends of growing food demand, and, second, Ukraine's integration into the world economy.

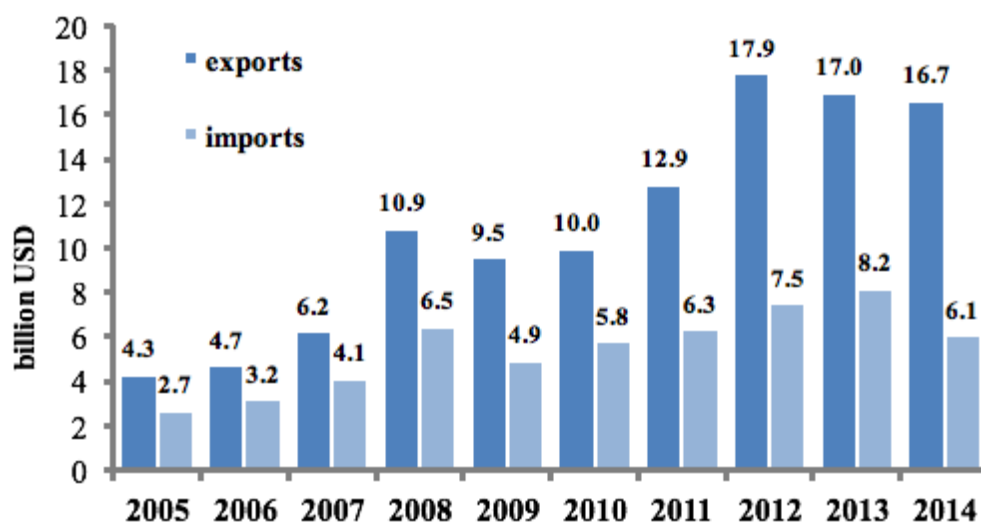
Upon Ukraine's accession to the WTO, development of agricultural product exports acquired a new momentum. In 2008, the share of agricultural product exports in overall commodity exports from Ukraine was 16.2 percent; it was 24.1 percent in 2009, 26.9 percent in 2013 and 30.9 percent in 2014.

The export value of agricultural goods in 2014 reached USD 16.7 billion. It should be noted that this build-up of export supplies has a number of reasons: favorable price conditions for key agricultural goods of Ukrainian exports; growing demand for food in the Asian countries; increasing competitiveness of Ukrainian goods due to hryvnia devaluation; accession to the WTO.

While value of agricultural product imports into Ukraine also increased since 2009, their growth rates markedly yield to those of export supplies (Figure 2).

⁵ Products in product groups 01-24 of the UKTZED - Ukrainian Foreign Economic Activity Commodity Classification

Figure 2. Ukraine's export-import of agricultural products



Source: State Statistics Service of Ukraine

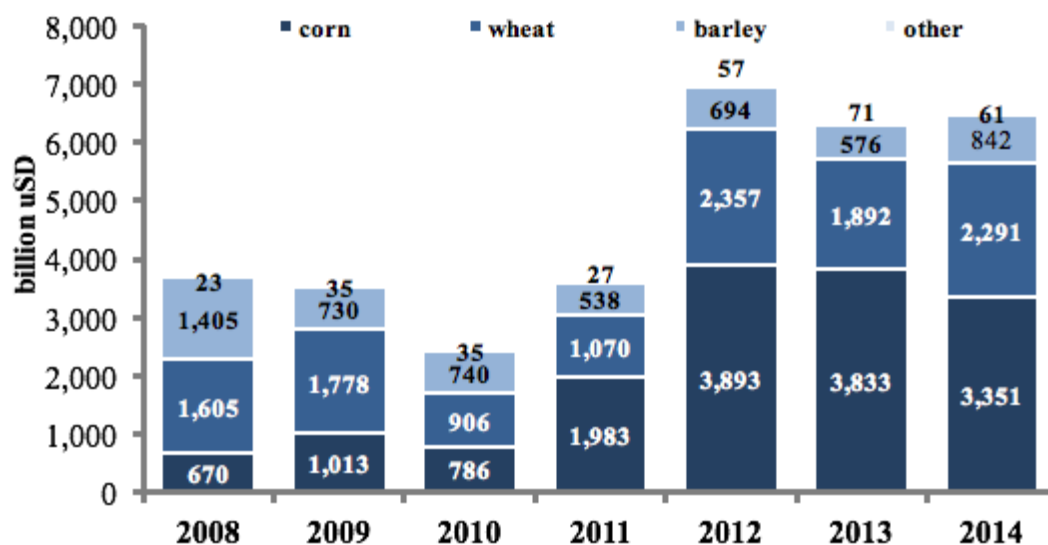
1. Transformation of the commodity pattern of foreign trade in agricultural products

Exports

In 2008-2014, value of export of agricultural goods from Ukraine increased almost in all product groups. Cumulatively, export supplies of agricultural products reached USD 16.7 billion by 2014, that is 53.3 percent greater than the level of 2008. However, the basis of Ukrainian agricultural exports is formed by products with low and medium processing degrees such as grain crops, oil crops and sunflower oil. Therewith, the share of the above-mentioned commodity items has been growing dynamically: for example, their total proportion was 65 percent in 2008 but it increased to 72 percent during 2014.

Grain crops provide a basis of the Ukrainian exports. Their supplies are traditional leaders in the ranking of export-oriented products. On the other hand, grain crops are a strategic product also in the domestic market for use both as food and forage. That's why exports of these crops were repeatedly subjected to regulation by public authorities. In 2010, the government introduced quotas for grain exports, replacing the export quotas with export duties in 2011. To a greater extent, export restrictions were applied to wheat, Ukraine's key grain crop. As a result, the pattern of export grain supplies changed in 2011-2012, with corn taking the lead in Ukraine (Figure 3).

Figure 3. Exports of UKTZED group 10 Grain crops



Source: State Statistics Service of Ukraine

Oil crops

Export supplies of oil crops were notable for their considerable volatility between 2008 and 2014, which is mainly explained by the decrease in rape exports.

Producers' declining interest in rape growing was also influenced by the need to certify Ukrainian products for exportation to the EU countries. For example, Directive 2009/28/EC of 23 April 2009 on the promotion of the use of energy from renewable sources introduced new rules concerning raw materials for biofuel production, including rape.

At the same time, export supplies of sunflower seeds increased, which was a direct consequence of Ukraine's commitments to the WTO as to reduction of export duties for sunflower seeds.

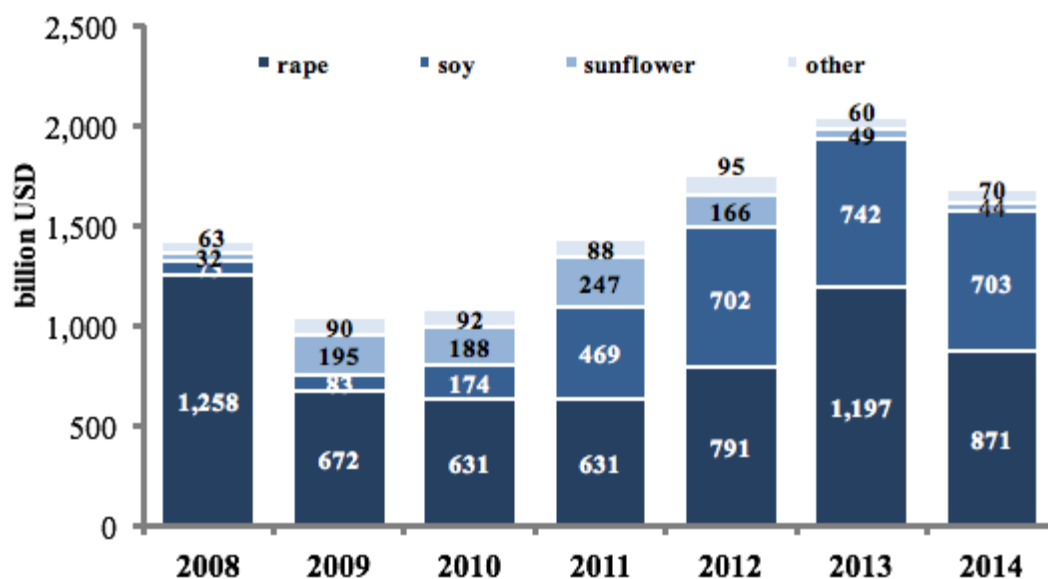
Soy became the oil crop that offset the rape export volumes. The main reason for this circumstance is the world market's high interest in the Ukrainian-grown soybeans, which urges the domestic producers to enlarge planted areas for this crop. In particular, the value of soy exports grew 9.7 times from 2008 to 2014 (Figure 4).

Vegetable and animal fats and oils

Ukraine's natural resources allow farmers to engage in sunflower cultivation successfully. The active development of the oil-extracting industry and modern processing capacities let Ukraine hold the leading position in sunflower oil exports globally.

Currently, there is a situation in Ukraine when the processing sector's capacities exceed sunflower seed production. Therefore, reducing export duties on sunflower seeds under Ukraine's commitments to the WTO promoted stronger competition for raw sunflower seeds among processors. In 2012, the sunflower seed export duty was decreased to 10 percent.

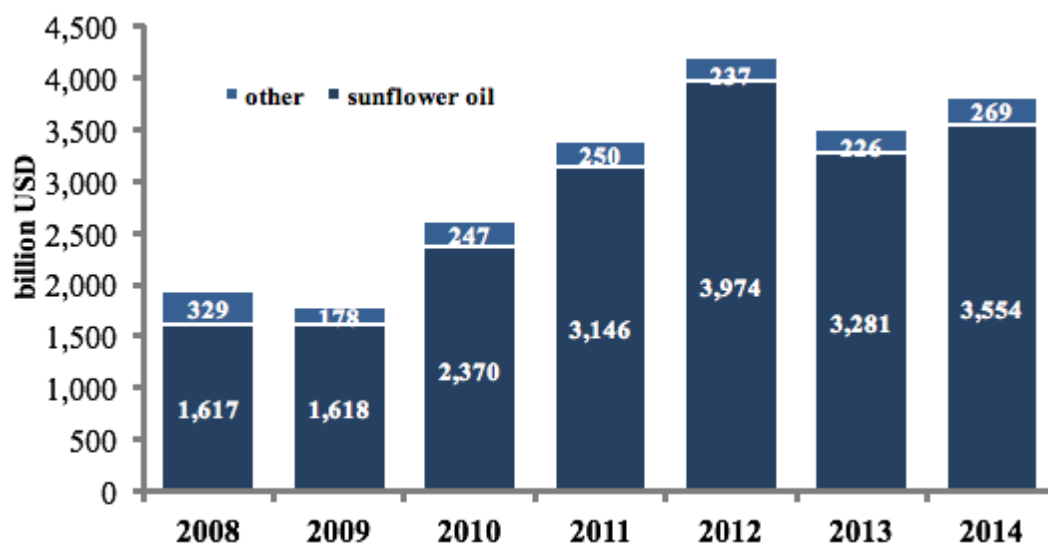
Figure 4. Exports of UKTZED group 12 Oil seeds



Source: State Statistics Service of Ukraine

Likewise, Ukraine actively exports margarine products, soybean and palm oils (Figure 5). External palm oil supplies constitute re-export, mainly to the Russian Federation.

Figure 5. Exports of UKTZED group 12 Vegetable and animal fats and oils



Source: State Statistics Service of Ukraine

Dairy products and eggs

The share of dairy products in Ukraine's exports has been continuously declining, from 6 percent in 2008 to 4.6 percent in 2011 and 3.5 percent in 2014.

This downward trend is explained by both external and internal factors. Among the external factors, the narrowness of sales markets should be mentioned first and foremost. Before 2015 the Russian Federation was the key consumer of Ukrainian dairy products, primarily cheese, which had the largest share in supplies. The RF Federal Service for Veterinary and Phytosanitary Surveillance carries out certification of the Ukrainian dairy factories and issues

a permit for exportation of their products to Russia. The results of such inspections are often prohibitive and based on political relations between the two countries. As a consequence, cheese supplies from Ukraine to the Russian Federation fell by 4.2 times between 2008 and 2014.

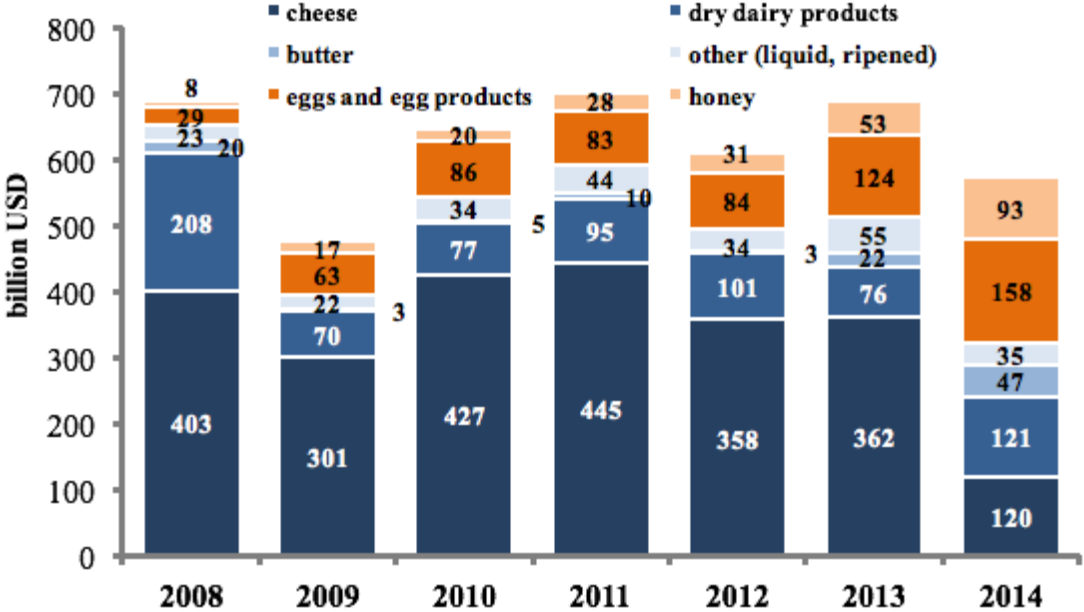
As to internal difficulties hindering export supplies, we should mention the low quality of raw milk and seasonal supply fluctuations. The main reason for this is small scale of production. In the last two years, some positive tendencies have emerged in terms of the organization of large-scale production and the big businesses interest in investing in the dairy industry.

Continuously growing energy carrier costs pose another major problem. Dairy factories consume large quantities of electricity and natural gas to maintain production processes: heating, evaporation and drying, cooling, freezing as well as pressurized air production systems. Under such conditions, production of some dairy product types becomes economically unprofitable.

Such a situation results in a dramatic drop in exports of certain dairy product types: for example, powdered milk export have declined from USD 208 million to 121 million between 2008 and 2014 (Figure 6). Back in 2008, milk powder was one of the main export products, with 32 percent in the dairy product supply structure, but in 2014 it had only 21 percent. Losing export positions in the milk powder segment will have an adverse implication for Ukrainian dairy enterprises. This commodity segment is of special importance because of a broader sales market geography, unlike cheese and butter, which were mainly consumed by Russia.

Progress in exports of eggs and egg products as well as honey should be highlighted. Egg exports have increased 5.4 times between 2008 and 2014. The massive export supplies of eggs and egg products are attributed to the industry consolidation processes. There has been formed a range of enterprises that are able to promote their products in external markets actively. Agroholding Avangard is an undoubted leader in Ukraine.

Figure 6. Exports of UKTZED group 04 Milk and milk products, eggs; honey



Source: State Statistics Service of Ukraine

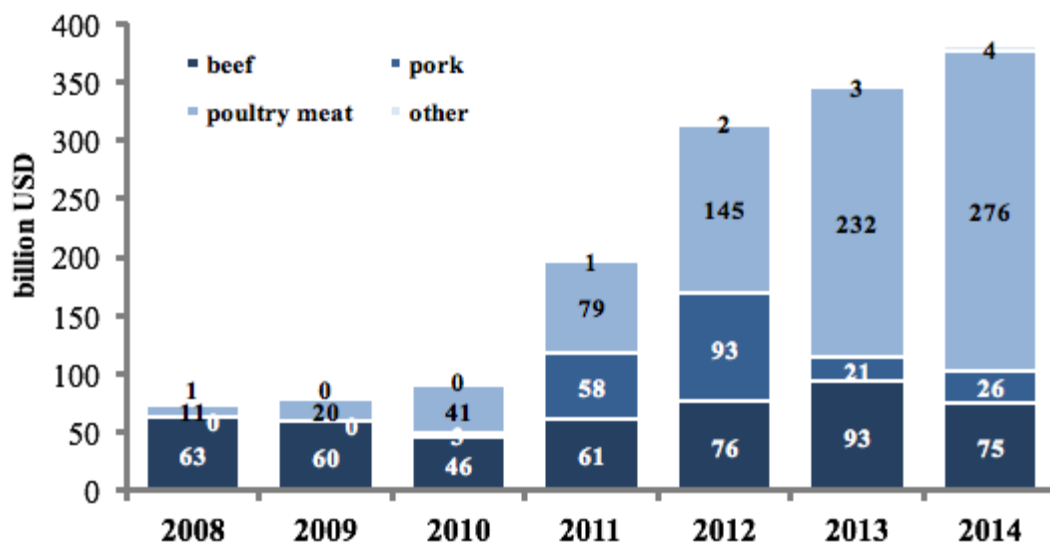
Meat and by-products

During years of the WTO membership, export supplies of meat products in Ukraine have been developing more actively as compared to dairy products. Most important are exports of pork and poultry, which is explained by a high degree of consolidation in these sectors and, as a consequence, producers' greater interest in exports. Dynamic growth is taking place against the backdrop of a limited sales markets: the most solvent EU market is closed for meat products except for poultry meat, due to the non-compliance of Ukrainian products with the EU requirements to food safety; the situation with supplies to the Russian Federation is similar to dairy product exports.

Poultry meat exports increased by 25 times between 2008 and 2014. At the same time, exports of pork increased compared with 2008, but declined sharply in 2013-14. This is connected to the almost complete closure of the main market for Ukrainian meat export - the Russian Federation (Figure 7).

Beef export supplies are stagnating because of domestic production problems, nevertheless, some minor increase can still be seen in two recent years.

Figure 7. Exports of UKTZED group 02 Meat and byproducts



Source: State Statistics Service of Ukraine

Imports

Increase of agro-food import supplies to Ukraine in 2008-2014 was determined by the following factors:

- decrease in import tariffs after accession to the WTO in May 2008;
- consumer demand recovery in Ukraine.

At the same time import supplies of agricultural goods to Ukraine were negatively impacted by the following factors:

- the global financial crisis in late 2008 and early 2009;
- devaluation in 2014, when the Ukrainian national currency (hryvnia) fell against the dollar by almost three times.

No massive imports of food products occurred, due to customs regime liberalization as a result of the WTO membership. On the contrary, import supplies in 2009 decreased by 24 percent year-on-year, and only in 2011 the value of imports approached their 2008 figure.

The product groups in which continuous growth of import supplies was observed include: meat and by-products; vegetables and root crops; edible fruits; grain and oil seeds; sugar and confectionery.

In 2008 (Ukraine's first WTO membership year), imports of meat and meat products increased considerably. The main reasons of the increase included domestic market disparities between production and consumption, as well as a several-fold reduction of import duties. This way, pork import duty rates dropped by four times on average whereas the decrease for poultry meat was between two and six times depending on the product code.

In the following three years (2009-2011), there was a steady tendency towards decreasing import supplies because of growth of in-country poultry meat and pork production, which was explained by structural changes in poultry farming and swine breeding. The structural changes mean that production is ramped up at large enterprises that are structural units of large holdings rather than in households. It was build-up of industrial-scale production of meat in large vertically-integrated structures that furthered meat import substitution. In 2012, however, meat product imports were stepped up again, which was caused by a price difference between imported and Ukrainian-produced products in the segment for meat processing enterprises.

Building up industrial-scale production of grain and oil crops, first of all corn, sunflower, soy and rape, requires adequate provision with seeds for planting. In the context of surging intensification, importation of foreign-selected seeds into Ukraine is the optimal alternative.

After Ukraine's accession to the WTO, imports of fresh vegetables and fruits continued to show a growing trend. The reasons for this include: high domestic demand for vegetables and fruits, especially in winter and spring; an insufficient number of storage locations for Ukrainian-produced products; increased availability of the vegetables and fruits not grown in Ukraine due to natural and climatic conditions, caused by the reduction of import tariff rates upon accession to the WTO.

Increase in imports of the UKTZED group 17 (sugar and confectionery made thereof) was caused by a domestic shortage and by growing world prices of sugar. To meet domestic demand and fill the sugar shortage, both white sugar and raw cane sugar were imported within the import tariff quota for subsequent processing.

2. Changes in foreign trade geography

Exports

The geographical pattern of Ukrainian agricultural product exports underwent a series of transformations in 2008-2014. WTO membership and reduction of freight rates because of the global financial crisis promoted penetration of Ukrainian-produced products into new markets and stronger positions in their traditional markets. First of all, it concerns exports of grain crops and oil crops as well as sunflower oil.

Exports to the Middle East and North Africa (MENA) increased substantially: while the share of supplies to these countries was about 29 percent in 2008, it went up to reach 32 percent by 2014 (Table 3).

We should also point out larger supplies to the countries of South and Southeast Asia, Sub-Saharan Africa, and East Asia.

At the same time, a sharp fall was observed in exports to the EU countries in 2009 and 2010, which was caused by export restrictions introduced in Ukraine for grain crops.

Table 3. Geographical pattern of agricultural product exports from Ukraine

	2008		2009		2010		2011		2012		2013		2014	
	m \$	%	m \$	%	m \$	%	m \$	%	m \$	%	m \$	%	m \$	%
Total	10 877	100	9 549	100	9 984	100	12 869	100	17 900	100	17 024	100	16 671	100
Middle East and North Africa (MENA)	3 203	29	3 055	32	3 311	33	4 177	32	6 574	37	5 199	31	5 313	32
EU	3 186	29	2 085	22	1 947	19	3 197	25	4 924	28	4 476	26	4 763	29
Former USSR	3 694	34	2 653	28	3 466	35	3 947	31	3 806	21	3 834	23	2 705	16
South and Southeast Asia	282	3	1 039	11	791	8	1 065	8	1 398	8	1 739	10	2 171	13
East Asia	188	2	361	4	168	2	207	2	615	3	1 140	7	1 230	7
Sub-Saharan Africa	61	1	179	2	134	1	71	1	324	2	357	2	279	2
Other	174	2	123	1	127	1	169	1	206	1	209	1	139	1
The Americas	89	1	54	1	40	0	37	0	53	0	71	0	70	0

Source: State Statistics Service of Ukraine

Export value to all regions of the world increased, except in those American countries that are themselves the world's largest centers of agricultural production. This increase was driven not only by increase in supplies in natural terms but also by a favorable price situation.

Countries of the Middle East and North Africa (MENA) are Ukraine's strategic trade partners, which is explained by their logistic proximity, large populations, and the impossibility of active build-up of food production outputs because of their difficult climatic conditions.

The bulk of exports to the MENA countries is formed by grain crops, both for food and forage use. Their supply volumes depend not so much on demand in that region as on internal reasons in Ukraine.

Sunflower oil export supplies are developing actively in Ukraine. At the same time, some decrease in dairy product supplies can be seen, which draws particular attention because the region was a traditional sales market for such products.

The EU market is a priority for Ukrainian exporters in many commodity items but development of trade is hindered by SPS regulations imposed by the EU countries. This reason makes supplies of actually all animal product categories impossible. Therefore, the largest share in Ukrainian exports to the EU belongs to raw commodities – grain crops, rapeseeds and sunflower oil.

Supplies to the post-soviet countries, especially to the Russian Federation, are of strategic importance to Ukraine, not only because of their territorial proximity and close economic ties but also due to similar quality standards and consumer preferences. These factors position

Ukraine as a supplier of high value-added products: dairy products, confectionery, alcohol beverages, etc.

Imports

The evolution of the geographical pattern of agricultural product imports into Ukraine in 2008-2014 was determined by the factor of greater imports of certain product groups such as vegetables, fruits, meat and meat products. Therefore, import supplies also shifted to the regions that increased import supplies of such commodities into Ukraine, namely the EU and the American countries, and primarily Brazil and the US (Table 4).

Table 4. Geographical pattern of agricultural product imports into Ukraine

	2008		2009		2010		2011		2012		2013		2014	
	m \$	%	m \$	%	m \$	%	m \$	%	m \$	%	m \$	%	m \$	%
Total	6 457	100	4 936	100	5 762	100	6 346	100	7 500	100	8 184	100	6 052	100
Middle East and North Africa (MENA)	2 512	39	1 832	37	2 122	37	2 449	39	2 968	40	3 073	38	2 470	41
EU	1 085	17	894	18	1 003	17	963	15	1 330	18	1 486	18	860	14
Former USSR	1 070	17	789	16	880	15	1 007	16	1 016	14	1 191	15	811	13
South and Southeast Asia	337	5	333	7	405	7	436	7	610	8	770	9	516	9
East Asia	761	12	470	10	603	10	643	10	606	8	627	8	543	9
Other	353	5	318	6	342	6	355	6	476	6	571	7	443	7
Sub-Saharan Africa	154	2	175	4	260	5	303	5	304	4	264	3	236	4
The Americas	184	3	124	3	146	3	190	3	190	3	202	2	172	3

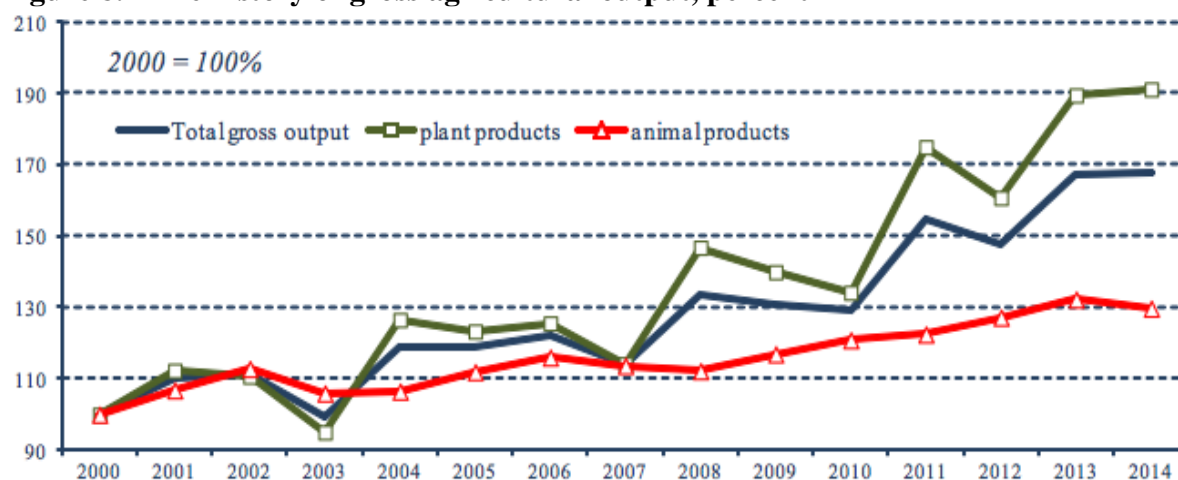
Source: State Statistics Service of Ukraine

In some regions of the world, there was observed a decrease of agricultural product imports into Ukraine.

3. Trends of Ukrainian agricultural development after accession to the WTO

Ukraine's agriculture is of paramount importance, being one of the top-priority and vital economic sectors, first of all in the field of ensuring the country's food security.

Figure 8. Time history of gross agricultural output, percent



Source: State Statistics Service of Ukraine

Although the global financial crisis 2008-2010 years entailed a demand contraction and greater volatility of agricultural product prices, a positive tendency towards production output increase was maintained in the Ukrainian agricultural sector. This way, gross agricultural product output increased by 15.8 percent on average during 2008-2011 as compared to the 2004-2007 figure. In particular, crop product output went up by 21.7 percent while animal product output increased by 5.4 percent (Figure 8).

In the agricultural production structure by producer category, we should undoubtedly point out a sustained downward trend in the share of households.⁶ In 2011, agricultural enterprises⁷ established themselves as a leader for the first time during recent 15 years, by manufacturing 51.8 percent of the total gross agricultural output. While the share of agricultural enterprises in production of animal products was about 20-25 percent before, in 2011 it was as high as 40.6 percent. In 2014 the share of agricultural enterprises in the total gross agricultural output reached 55 percent, and in production of animal products – 45 percent.

Table 5. Structure of the gross agricultural output in Ukraine, percent, 2000-2014

Years	Total gross agricultural output		Crop production		Animal production	
	agricultural enterprises	households	agricultural enterprises	households	agricultural enterprises	households
2000	38.4	61.6	49.3	50.7	21.0	79.0
2005	40.5	59.5	48.6	51.4	26.2	73.8
2007	43.2	56.8	50.1	49.9	32.3	67.7
2008	50.3	49.7	58.0	42.0	34.4	65.6
2009	48.6	51.4	54.9	45.1	36.7	63.3
2010	48.3	51.7	53.6	46.4	38.8	61.2
2011	51.8	48.2	56.7	43.3	40.6	59.4
2012	50.7	49.3	55.0	45.0	41.8	58.2
2013	54.0	46.0	58.6	41.4	43.5	56.5
2014	55.0	45.0	59.3	40.7	44.9	55.1

Agricultural production development during the 2008-2014 period allowed not only to expand agricultural product outputs but also to build up the agribusiness' share in Ukraine's GDP.

The analysis of food balances and the capacity of internal agricultural markets allows to estimate an impact of import liberalization after Ukraine's accession to the WTO on domestic agricultural production and on import dependence / food self-sufficiency.

4. Changes in Ukraine's food balances before and after accession to the WTO.

According to the FAO's methodology, analysis of the country's food situation assumes evaluating it with two indicators: IDR (import dependency ratio) and SSR (self-sufficiency ratio). Namely:

$$IDR = \frac{imports}{production\ output + imports - exports} \cdot 100$$

⁶ Households – producers executing their economic activity for both purposes – self-sufficiency by foodstuff and production of agricultural produce for sale. This category of producers also includes persons who are entrepreneurs working in the agriculture.

⁷ An agricultural enterprise is defined as independent business entities which has legal right and carries out productive activity on agriculture. The structure of agricultural enterprises includes private farms also.

$$SSR = \frac{\text{production output}}{\text{production output} + \text{imports} - \text{exports}} \cdot 100$$

IDR, import dependency ratio, provides an understanding of how much of the available internal resources are imported and how much comes out of domestic production. The IDR of 100 means that 100 percent of the given commodity's supplies in the country depends on imports.

SSR, self-sufficiency ratio, provides estimates of production's self-sufficiency in relation to domestic use. The SSR of 100 means that 100 percent of supplies in the country is ensured by domestic production. In the food security context, SSR is often viewed as an extent to which the country relies upon domestic production. The greater the ratio is, the higher the self-sufficiency is.

Grain crops and grain processing products

In recent years, gross grain crop harvests have grown substantially, primarily owing to building up the share of corn in the production structure. Also, gradual improvement of production efficiency and yield capacity of main grain crop types can be observed. Core areas for increasing production outputs of grain crops include developing Ukraine's export potential and securing the growing food requirements attributed to active development of animal husbandry. In line with this, food consumption of grain crops have been steadily going down during the recent years (Table 6).

Table 6. Balance indicators of the grain crops, thousand tons

	2005	2007	2008	2009	2010	2011	2012	2013
Production	38 016	29 295	53 290	46 028	39 271	56 747	46 216	63 051
Changes in stocks	-314	948	9 952	-6 079	-2 054	12 784	-10 052	6 933
Imports	226	343	222	136	175	273	228	242
Total resources	38 556	28 690	43 560	52 243	41 500	44 236	56 496	56 360
Exports	12 650	4 490	16 668	26 160	14 239	14 825	27 798	27 836
Other use (forage, losses, etc.)	18 156	17 110	19 871	19 223	20 453	22 681	22 045	21 916
Consumption	7 750	7 090	7 021	6 860	6 808	6 730	6 653	6 578
as per capita annually, kg	123.5	115.9	115.4	111.7	111.3	110.4	109.4	108.4
Domestic market capacity	25 906	24 200	26 892	26 083	27 261	29 411	28 698	28 524
Import dependency ratio (IDR), %	0.88	1.36	0.60	0.68	0.69	0.65	1.22	0.68
Self-sufficiency ratio (SSR), %	148.5	116.5	144.6	230.1	155.8	134.5	247.9	177.8

Source: State Statistics Service of Ukraine

The current domestic market capacity ("production output" – "stocks change" + "imports" – "exports") of grain crops in Ukraine is estimated at 28-29 Mt. Considering the current upward growth trends in animal husbandry, the stable annual domestic market demand can grow to 30 Mt in the short-run.

Meat and meat products

Accession to the WTO not only resulted in an increase of imports of meat and meat products to Ukraine, but also provided a stimulus for the development of competitive domestic production, first of all, of pork production. For example, average annual growth rate of pork production output in Ukraine was 5.4 percent after country's accession to the WTO. At the same time, underdevelopment of the market infrastructure, along with slow growth of people's purchasing power, slightly hampered growth of the domestic market capacity.

Most producers of meat and meat products associate further increases in domestic meat production with the prospect of development of export markets, along with product range expansion of high-processing-degree meat products (finished meat byproducts) and active development of the HoReCa segment.⁸

Table 7. Balance indicators of the meat and meat products, thousand tons

	2005	2007	2008	2009	2010	2011	2012	2013
Production	1 597	1 912	1 906	1 917	2 059	2 144	2 210	2 389
Changes in stocks	-11	-20	76	16	-3	-37	23	-20
Imports	325	245	550	439	378	244	423	332
Total resources	1 933	2 177	2 380	2 340	2 440	2 425	2 610	2 741
Exports	82	45	28	40	48	79	125	182
Other use (forage, losses, etc.)	7	7	12	10	8	7	7	9
Consumption	1 844	2 125	2 340	2 290	2 384	2 339	2 478	2 550
<i>as per capita annually, kg</i>	39.1	45.7	50.6	49.7	52	51.2	54.4	56.1
Domestic market capacity	1 851	2 132	2 352	2 300	2 392	2 346	2 485	2 559
Import dependency ratio (IDR), %	17.7	11.6	22.7	19.0	15.8	10.6	16.9	13.1
Self-sufficiency ratio (SSR), %	86.8	90.5	78.5	82.8	86.2	92.9	88.1	94.1

Source: State Statistics Service of Ukraine

The current capacity of Ukraine's domestic market of meat and meat products is estimated at 2.35-2.40 Mt (Table 7). With account of existing investment projects in poultry farming and swine breeding, along with gradual substitution of imported volumes with domestic produced products, the domestic market capacity can grow to 2.50-2.55 Mt in the short-run.

Pork

The pork market has recently been one of the fastest growing segments of animal husbandry in Ukraine. Compared to 2008, pork output has increased by 27 percent in 2013.

It should be noted that pork producers took the road of not only ensuring demand from the domestic market but also of actively developing export sales markets. In light of this, maintenance of sufficiently large volumes of import pork supplies to Ukraine is related to the specifics of the current trends in domestic pork production. In particular, industrial-scale production of meat-breed pigs is being built up in Ukraine but the lard-breed niche remains not filled while demand for lard breeds is formed by meat-processing plants using pork fat for manufacture of sausage products. And it is pork fat and pork byproducts that shape a considerable import supplies to Ukraine.

The current capacity of Ukraine's domestic pork market is estimated at 0.85-0.86 Mt. In the short-run, the capacity of this market can grow to no less than 0.90-0.93 Mt. Consequently, we can expect a reduction of import dependency to 12-15 percent due to restoring the production of lard-breed pigs.

Beef and veal

A protracted crisis in cattle breeding resulted in a considerable production decline, thereby strengthening the general negative downward trend in domestic consumption of beef and milk, both by individuals and processors. In the beef cattle breeding segment, the situation was also aggravated by processes of active substitution of beef, as a raw material for the meat-processing industry, with more affordable poultry meat and pork. It was also furthered by

⁸ Horeca refers to the hotels, restaurants and catering segment of the food service business.

foreign trade liberalization in the framework of Ukraine's accession to the WTO. The current capacity of Ukraine's domestic beef market is estimated at 0.41-0.42 Mt. Considering the current tendencies in dairy cattle breeding development, the domestic market capacity can grow to 0.45-0.47 Mt.

Poultry meat

The poultry market is 75 percent shaped by industrial production of broiler chicken meat, while more than a half of the entire production output is provided by three companies, which indicates a high degree of market concentration.

Active build-up of production outputs has been slightly hampered in recent two years, which was caused by the saturation of Ukraine's domestic market with chicken meat. In the current situation, producers are trying to develop export sales market actively and to encourage increase of domestic consumption of chicken meat through the HoReCa segment as well as by expanding the range of finished and prepared food products.

The current capacity of the domestic poultry meat market in Ukraine is estimated at 1.05-1.07 Mt. In the short-run the poultry meat market can be expected to grow to 1.10-1.12 Mt.

Milk

Despite a traditionally high demand for dairy products from the Ukrainian domestic market, a gradual decrease in the number of cows and in raw milk production resulted in a substantial increase in dairy product prices, which in turn provoked a tangible decline of consumption of these products. For example, consumption of dairy products in Ukraine in 2010-2011 decreased to the lowest levels in almost fifty years.

The current level of demand for raw milk is estimated at 4.9-5.1 Mt. Although these quantities correspond to only 41-43 percent of total milk production output, availability of these quantities for milk-processing enterprises is limited. This is due to great fragmentation of raw supply streams, considering that milk production is basically concentrated in households.

The current capacity of Ukraine's domestic milk market is estimated at 10.8-11.3 Mt. In 2013, the capacity of the domestic milk market decreased by 3.5 percent as compared to 2008.

Table 8. Balance indicators of the milk and dairy products domestic market, thousand tons

	2005	2007	2008	2009	2010	2011	2012	2013
Production	13 714	12 262	11 761	11 610	11 249	11 086	11 378	11 488
Changes in stocks	27	-72	-78	230	-11	-9	90	-45
Imports	112	199	234	455	273	257	410	548
Total resources	13 799	12 533	12 073	11 835	11 533	11 352	11 698	12 081
Exports	1 901	939	1 140	919	956	964	820	769
Other use (forage, losses, etc.)	1 273	1 146	1 043	1 136	1 107	1 025	1 072	1 262
Consumption	10 625	10 448	9 890	9 780	9 470	9 363	9 797	10 050
<i>as per capita annually, kg</i>	225.6	224.6	213.8	212.4	206.4	204.9	214.9	220.9
Domestic market capacity	11 898	11 594	10 933	10 916	10 577	10 388	10 878	11 312
Import dependency ratio (IDR), %	0.9	1.7	2.2	4.1	2.6	2.5	3.7	4.8
Self-sufficiency ratio (SSR), %	115.0	106.4	108.3	104.2	106.5	106.8	103.7	102

Source: State Statistics Service of Ukraine

Over the last few years, building up milk production has been one of the top priorities in Ukraine's agricultural policy; it includes active stimulation development of the large-

commodity production segment as well as of small farming production. As a result, milk production output in Ukraine in 2013 increased by 3.6 percent year-on-year. In the short run, the milk and dairy products market will maintain a positive growth trend, which allows expecting the domestic market capacity to go up to 11.5-11.7 Mt (Table 8).

Fruits, berries and grapes

The market of fruit and berry crops and grapes demonstrated stable growth tendency during 2008-2013, mainly due to an increase in the yields of apples and table grapes. These two crops form almost 78 percent of the overall yield of fruits, berries and grapes.

Steadily large volumes of fruit imports are also related to the culture of consumption of considerable quantities of citrus fruits and bananas in Ukraine. Besides, imported fruit and berry products enjoy great popularity in the winter period.

Table 9. Balance indicators of the domestic market of fruits, berries and grapes, thousand tons

	2005	2007	2008	2009	2010	2011	2012	2013
Production	2 133	1 829	1 919	2 087	2 154	2 418	2 465	2 871
Changes in stocks	297	52	245	131	10	76	8	105
Imports	860	1 254	1 235	1 139	1 130	1 163	1 171	1 172
Total resources	2 696	3 031	2 909	3 095	3 274	3 505	3 628	3 938
Exports	305	370	252	284	353	239	351	392
Other use (forage, losses, etc.)	641	703	647	710	718	861	845	986
Consumption	1 750	1 958	2 010	2 101	2 203	2 405	2 432	2 560
<i>as per capita annually, kg</i>	37.1	42.1	43.5	45.6	48.0	52.6	53.3	56.3
Domestic market capacity	2 391	2 661	2 657	2 811	2 921	3 266	3 277	3 546
Import dependency ratio (IDR), %	32.0	46.2	42.6	38.7	38.6	34.8	35.6	33.0
Self-sufficiency ratio (SSR), %	79.4	67.4	66.1	70.9	73.5	72.4	75.0	81.0

Source: State Statistics Service of Ukraine

The 50 percent rise in production of fruit and berry crops and grapes between 2008 and 2013 entailed an almost equivalent increase in the domestic market capacity, that being 3.2-3.5 Mt in recent years (Table 9).

Note also that the market of fruit and berry crops features the lowest self-sufficiency ratio (SSR) as compared to other products.

Vegetables

Vegetables are another type of agricultural crop that are mainly (about 85 percent) produced by households in Ukraine. In recent years, agricultural enterprises have also gradually started developing production of vegetables but for the most part in greenhouses – mainly tomatoes, cucumbers, and greens.

Table 10. Balance indicators of the domestic market of vegetables, thousand tons

	2005	2007	2008	2009	2010	2011	2012	2013
Production	7 606	7 317	8 489	8 976	8 873	10 562	10 815	10 668
Changes in stocks	196	-85	689	534	-22	514	458	-13
Imports	100	158	356	232	311	285	213	237
Total resources	7 510	7 560	8 156	8 674	9 206	10 333	10 570	10 918
Exports	150	298	251	347	335	303	346	379
Other expenses (forage, losses, etc.)	1 697	1 753	1 930	2 015	2 290	2 590	2 772	3 108
Consumption	5 663	5 509	5 975	6 312	6 581	7 440	7 452	7 431
<i>as per capita annually, kg</i>	120.2	118.4	129.2	137.1	143.5	162.8	163.4	163.3

Domestic market capacity	7 360	7 262	7 905	8 327	8 871	10 030	10 224	10 539
Import dependency ratio (IDR), %	1.3	2.2	4.1	2.6	3.5	2.7	2.0	2.2
Self-sufficiency ratio (SSR), %	100.7	102.0	98.8	101.3	100.3	100.2	101.2	101.2

Source: State Statistics Service of Ukraine

Vegetable production growth over the recent five years has resulted in the vegetable market capacity of 10.0-10.5 Mt (Table 10).

Vegetable oils

Sunflower oil is Ukraine's second export-oriented agricultural product in terms of significance. In 2014, proceeds of the sales of sunflower oil in the foreign market has amounted to about 21 percent of the value of all agricultural goods export.

Steadily high consumer demand from the global market has given rise to boosting of production outputs of vegetable oils in Ukraine. After Ukraine's accession to the WTO production output of vegetable oils and their exports in Ukraine doubled (Table 11).

Table 11. Balance indicators of the domestic market of vegetable oils, thousand tons

	2005	2007	2008	2009	2010	2011	2012	2013
Production	1 437	2 294	1 966	2 899	3 101	3 268	4 067	3 712
Changes in stocks	114	-150	117	-30	-151	33	-75	10
Imports	264	410	480	316	319	249	231	296
Total resources	1 587	2 854	2 329	3 245	3 571	3 484	4 373	3 998
Exports	900	2 140	1 590	2 483	2 850	2 814	3 742	3 353
Other use (forage, losses, etc.)	52	50	45	51	41	45	40	41
Consumption	635	664	694	711	680	625	591	604
<i>as per capita annually, kg</i>	13.5	14.3	15.0	15.4	14.8	13.7	13.0	13.3
Domestic market capacity	687	714	739	762	721	670	631	645
Import dependency ratio (IDR), %	33.0	72.7	56.1	43.2	56.0	35.4	41.5	45.9
Self-sufficiency ratio (SSR), %	179.4	406.7	229.7	396.0	544.0	464.9	731.5	575.5

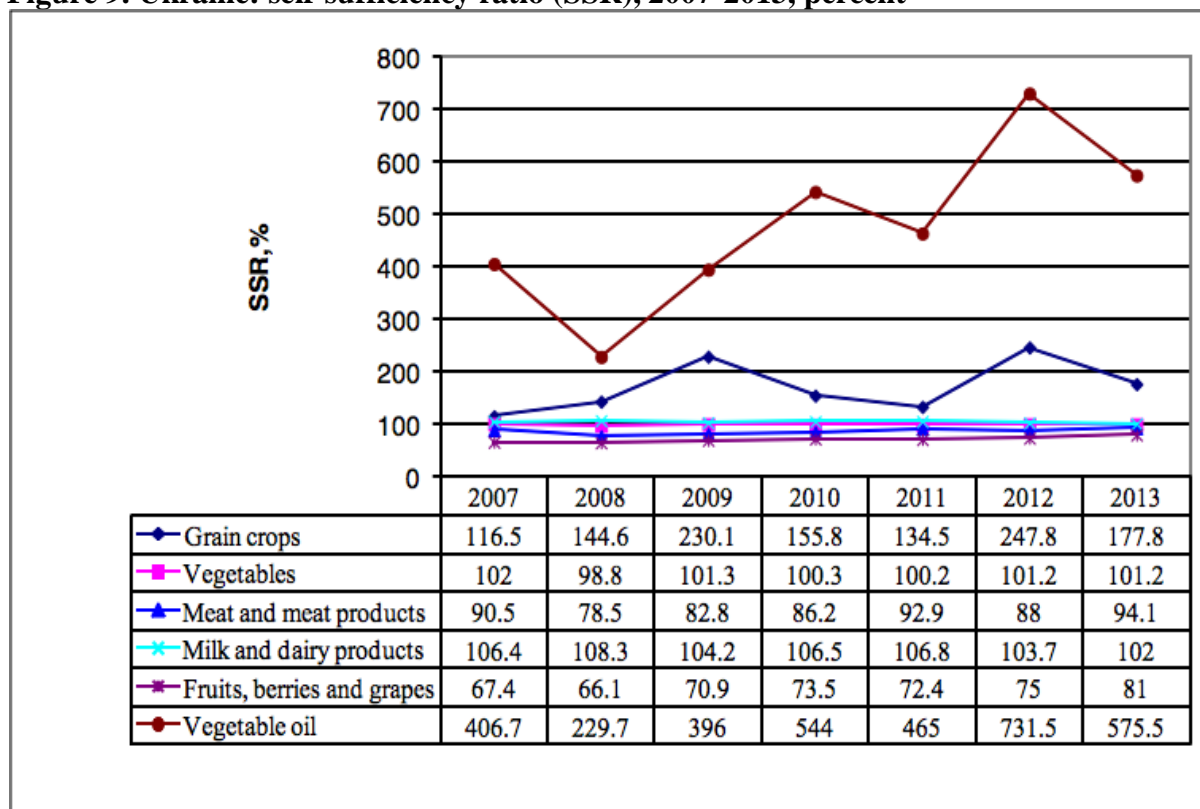
Source: State Statistics Service of Ukraine

As regards the Ukrainian domestic market capacity, it amounts to 0.6-0.7 Mt, where 40-45 percent accounts for imported vegetable oils, mainly palm and coconut oils imported for the use in food industry.

Analysis of the capacity of Ukraine's main food markets before and after its accession to the WTO has shown that the self-sufficiency ratio of Ukraine's domestic market remains very high (Figure 9).

In most food products, the self-sufficiency ratio is much higher than 100 percent: for example, 247.8 percent (2012) for grain, or 735 percent (2012) for vegetable oil. Even for such import-dependent markets as those of vegetables and fruits, the self-sufficiency ratio is at least 70 percent; besides, during Ukraine's WTO membership period, the ratio for fruits has been going up steadily – from 66 percent (2008) to 81 percent (2013). Despite an increase in meat imports into Ukraine, the self-sufficiency ratio for meat has also been growing – from 78.5 percent in 2008 to 94.1 percent in 2013. **This goes to prove that increase in imports did not have any destructive impact on domestic agricultural production and food self-sufficiency.** Besides, predictive evaluation of Ukraine's key agricultural markets has shown that domestic production of these commodities will be increasing.

Figure 9. Ukraine: self-sufficiency ratio (SSR), 2007-2013, percent



C. Improving the agrarian support policy of domestic producers in compliance with WTO

The notifications on domestic support in agriculture for 2009, 2010 and 2011 provided by Ukraine to the WTO Secretariat indicate that Ukraine has met all its commitments as to not exceeding its Bound Total Aggregate Measurement of Support (AMS) of 3.043 billion hryvnias per year (USD 133 million at the NBU official exchange rate at 1 November 2015). According to the notification for 2009, the AMS amounted to 1.11 billion hryvnias (35 percent of the base level); in 2010, it was 2.18 billion hryvnias (72 percent of the base level), and in 2011 current AMS support was 73 percent of its base AMS.

According to the draft modalities for agriculture negotiated in the WTO Doha Round, Ukraine's assumed commitments concerning its bound domestic support and import tariff rates will remain unchanged. In particular, Ukraine, as a very recently acceded WTO member, will not be required to assume new obligations on the final Bound Total AMS, i.e. it is entitled to the annual AMS of UAH 3.043 billion without any reduction. Moreover, Ukraine, as a country from the VRAM (very recently acceded members) group, will have the right to use a *de minimis* support with no decrease, amounting to 5 percent plus 5 percent. In addition, Ukraine will not be required to decrease its final bound tariffs.

After accession to the WTO, the state policy of domestic support must be more focused on efficiency of budget support programmes and on clear definition of indicators for evaluation of performance of each budget programme. A core principle of state support for agriculture should consist of the concentration of budget funds on addressing concrete tasks that are topical for the next few years as well as of the efficiency of the use of limited state financial resources.

Developing and implementing new “green box” programmes should become one of the determining directions of the state support policy for agriculture after Ukraine’s accession to the WTO. In Ukraine, most budget funds under the green box programmes are used to finance so-called general services (about 95 percent) including: research; pest and disease control; training and retraining services; vocational higher and technical education, and material support for the training process; general inspection services, including inspection of agricultural and food products.

New conditions of doing agricultural business in a competitive environment, which emerge after accession to the WTO, require transformation of the state policy of general services provision in order to reduce operational expenses of market entities. This will in turn allow more competitive goods to be supplied to Ukrainian consumers than to their foreign analogues.

The most urgent tasks on development of animal can be addressed by using the “green box” budget programs, for example through the development and implementation of such programmes as structural adjustment assistance provided through investment aids, or regional assistance to agricultural producers doing business in disadvantaged regions, for example, with adverse climatic conditions, which can be directed exactly to support for animal husbandry.

The Ministry of Agricultural Policy and Food of Ukraine can consider using “blue box” measures; i.e. transferring some support programmes from the amber box into the blue box by means of retargeting budget funds to eliminate surplus capacities in some sectors (for example sugar plants) or merging inefficient small landholdings. At the same time, programmes of social support and retraining, belonging to the green box measures can be developed for former agricultural workers.

A solution is required for the issue of transformation of domestic support provided to agricultural producers via the special VAT regime (the VAT accumulation by agricultural producers according to Article 209, Chapter V, Tax Code of Ukraine), in order to prevent non-fulfillment of the commitments assumed by Ukraine when acceding to the WTO. The base period AMS (2004-2006) can be exceeded because of considerable dependency of the support, accumulated via the special VAT mechanisms, on actual selling prices. The latter feature a steady upward trend.

After Ukraine’s accession to the WTO, price support for agricultural commodities, along with other amber box programmes, is possible but without exceeding its Base bound AMS. The system of setting minimum prices and intervention purchases may result in domestic prices exceeding world prices, thereby undermining Ukrainian goods competitiveness in global markets.

To prevent any temporary supply shortage and mitigate price fluctuations in agricultural product and food markets and to ensure food security, the government should pursue a predictable, timely and transparent policy of either public procurement for the State Reserve or intervention purchases by the Agricultural Fund. If food purchases by the government are made at current market prices and sales from food security stocks are made at no less than the current domestic market prices for the product and quality in question, then these measures will not be included in the amber box (or the AMS). As another mandatory condition for this,

agricultural products from food security stocks must be sold only provided that the world price covers the purchase price and marketing costs. Therefore, one would manage to avoid export subsidies for these agricultural goods.

The minimum prices of sugar beets supplied for sugar production under the A quota are set to ensure unprofitable business in the sector. The calculation of Ukraine's AMS includes the sum of market price support for sugar. It is calculated by taking the difference between the minimum purchase price and the fixed reference price of white sugar and multiplying the price difference by the domestic production of sugar from sugar beets in Ukraine. The market price support for sugar amounted to about 700 million hryvnias on average in 2004-2006, but in recent years it has increased to 2 bln hryvnias, thereby reaching as much as 72 percent of the base bound AMS. It is connected with the fact that the Cabinet of Ministers of Ukraine rises minimum sugar prices on the yearly basis because of inflationary developments in the country.

Having abandoned setting minimum selling prices of sugar in the domestic market, the government can use a considerable AMS amount for direct budget payments to producers of sugar beets or other agricultural products.

In order to preserve the natural potential and improve quality of the use of natural resources, agricultural producers should receive budget support that conforms with certain ecological standards. The government should encourage application of resource-saving and environmentally safe production technologies in animal husbandry, expand areas of budget support for protection and improvement of soil fertility, and consider a possibility of withdrawal of agricultural land from processing in exchange for per-hectare payments in the territories with critical environmental conditions.

For the purpose of ensuring food security at household level, it is reasonable to practice targeted subsidies to the extremely poor population groups. According to the WTO provisions, such governmental measures are included in the "green box" state support category because granting of targeted subsidies to the population actually guarantees sales of a certain part of agricultural product output, which undoubtedly has the effect of supporting a certain part of agricultural production in the country.

D. Using the WTO membership status for support of agricultural sector in Ukraine

Adoption of the internationally recognized rules and standards used by the WTO member countries is taking place in Ukraine by means of implementing the Protocol on the Accession of Ukraine to the WTO. An important benefit of a country's membership is that it is possible to participate in the work of the Organization's bodies, various committees, ministerial conferences, and the Doha Development Round of multilateral negotiations for the purpose of influencing other countries' trade policy.

Taking part in the work of the committees and other WTO bodies, Ukraine can raise specific questions and voice its stance concerning certain aspects of other countries' trade policy. As a rule, to protect its interests in the WTO framework, a country joins a certain group of countries because it is easier to express its viewpoint by relying upon the group's stand. Ukraine is a member of the VRAM (very recently acceded members) group.

As a WTO member, Ukraine has already used the WTO trade dispute settlement procedure several times.

In 2009, the dispute with Georgia regarding the excise duty on imported tobacco products was settled. A Ukrainian tobacco product manufacturer approached the government concerning a discriminatory excise duty rate set by Georgia for imported products. The dispute was settled already in the stage of consultations between the two governments, without referring to the Dispute Settlement Body (DSB). In 2010, a dispute with Armenia was settled after Ukraine had approached the DSB to establish an expert review group to consider a number of Armenia's discriminatory measures concerning alcohol and tobacco products: the applied import duty rates were higher than the bound ones; internal taxes on imported tobacco products were higher than on domestic products; excise duties were also higher. In 2011, a procedure of consideration of a trade dispute between Ukraine and Moldova began (an expert review group established) concerning a discriminatory ecological fee that adversely affects Ukrainian beer and juice producers in the sales in Moldova's market.

In view of these processes, the government has started cooperating more actively with business associations on foreign trade issues. It is also important to involve business to participate in the events held within the WTO. The WTO organizes the Public Forum for public non-governmental organizations on a yearly basis. Non-governmental organizations may attend plenary sessions of ministerial conferences and regularly receive brief information from the WTO Secretariat on conference working meetings.

Based on the information received through the WTO Secretariat, the division for processing of requests, notifications and information support within the Ministry of Economic Development and Trade of Ukraine (MERT) prepares information letters on the measures taken by the WTO member countries that can be quite important to Ukrainian companies and are an essential element in their corresponding business decision-making. The above-mentioned information is regularly placed on the official MERT website (<http://www.me.gov.ua/Documents/MoreDetails?lang=uk-UA&title=ObrobkaZapitivINotifikatsiiSot>) and systematically circulated to commodity producers' associations for reference and use in their work.

At the same time, despite all the positive sides of accession to the WTO, it should be stated that the global financial crisis has adversely affected most sectors of Ukraine's economy. The government of Ukraine received requests from certain industry associations and domestic business representatives asking to take adequate measures to protect the domestic market, in particular to modify Ukraine's tariff commitments in the WTO. Guided by paragraph 5 of Article XXVIII of the General Agreement on Tariffs and Trade 1994, for the first time Ukraine on 27 October 2011 reserved the right to modify Ukraine's schedule CLXII for the duration of the next three-year period beginning on 1 January 2012. The working group for modification of tariff commitments under the MERT was taking active measures to examine the possibility and reasonability of revision of Ukraine's tariff commitments in WTO, but there was no need to modify the tariff schedule.

For the second time Ukraine reserves its right under Article XXVIII:5 of the GATT 1994 to modify its schedule CLXII during the three-year period commencing 1 January 2015. Ukraine informed the WTO Committee on Market Access 23 December 2014 (Ukraine's notification G/MA/318). The above-mentioned reservation allows Ukraine, in case of economic reasonability and given a relevant decision made by the Government, to commence

negotiations with the relevant WTO member-countries on modification of bound import duty rates.

After accession to the WTO, the Ukrainian government has been conducting active bilateral talks with the WTO member countries to ensure greater openness of their markets for Ukrainian exports within the framework of free trade agreements. On 24 June 2010, the Free Trade Agreement between Ukraine and the European Free Trade Association (EFTA) was signed. Consultations and negotiations are underway concerning future free trade agreements with Canada, Israel, Morocco, Serbia, Singapore, and Turkey.

WTO membership status has allowed Ukraine to hold and complete negotiations on the establishment of a free trade area between Ukraine and the European Union. In the course of the talks, the Ukrainian negotiators managed to achieve certain concessions from the EU and mitigate certain commitments assumed by the country when acceding to the WTO. For example, the EU offered a duty-free access within import tariff quotas and gave up application of export subsidies for agricultural goods when exporting to Ukraine. The Ukrainian party, equally with partial liberalization of the import regime for agricultural goods, secured the right to use safeguard measures and additional trade conditions; e.g. application of a input prices system.

On 16 September 2014, the Association Agreement between Ukraine and the European Union, including free trade area provisions, was simultaneously ratified by the Ukrainian Parliament and the European Parliament.

Conclusions

The WTO membership provided a strong impetus for reforming the trade regime, and allowed the expansion of export markets and an increase in Ukrainian agricultural goods export.

During seven years of the WTO membership, Ukraine's foreign trade in agricultural goods has shown a positive trend, with a USD 7 billion positive annual balance (for 2008-2014 on average), while the overall balance for all goods is minus USD 11 billion. Ukrainian agricultural product exports have substantially grown during the years after the entry into WTO – from USD 6.2 to 17.0 billion. It was ensured due to global price growth resulting from the world food crisis, good grain harvest, and hryvnia devaluation in 2008-2009 and 2014 that improved competitiveness of the Ukrainian-made goods. Upon Ukraine's accession to the WTO, the share of agricultural goods in the total exports of goods increased up to 26 percent (prior to the accession – 12 percent).

Analysis of capacity of main Ukrainian food markets before and after the accession showed that the food self-sufficiency ratio of Ukraine's internal market is very high. For most agricultural products, the self-sufficiency ratio is much higher than 100 percent, for example 247.8 percent (2012) for grain, and 735 percent (2012) for vegetable oil.

At the same time, a considerable share of raw products and products with an incomplete processing cycle in the structure of agricultural export supplies from Ukraine cannot but raise concerns. These commodities are sensitive to a foreign economic climate and feature strong price volatility. Generally, world commodity markets of high value-added products have a highly competitive environment; hence state authorities need to pay special attention to measures for promotion of Ukrainian-produced products to external markets. It is necessary to

elaborate a new, more efficient model of Ukrainian diplomatic missions' work for supporting exports of Ukrainian goods in other countries.

Although Ukraine's accession to the WTO did not entail any massive growth of import of agricultural goods, some goods lines demonstrated their considerable increase. First and foremost, it concerned fruits, vegetables, meat and meat products. However, despite an increase in meat imports into Ukraine, the self-sufficiency ratio for this product has grown – from 78.5 percent in 2008 to 94.1 in 2013. The self-sufficiency ratio for vegetables and fruits is at least 70 percent; besides, its steady growth for fruits can be seen throughout the period of Ukraine's WTO membership – from 66 percent (2008) to 81 percent (2013).

This goes to prove that increase in imports did not have any destructive impact on domestic agricultural production and food self-sufficiency. Apart from that, predictive evaluation of Ukraine's main agricultural markets shows that domestic production of these commodities will be increasing.

It is a positive fact that considerable subsidies were directed during two recent years into construction of pig-breeding complexes; current priorities of budget support included meat and dairy cattle breeding, and construction of wholesale agricultural product markets and vegetable storages.

To achieve a positive trade balance in these commodity items, it is necessary to pay greater attention to efficiency of budget subsidy programmes for these areas further on.

Subsequent prospects of agricultural goods export from Ukraine largely lie in the realm of developing new sales markets. State authorities must take an active stand in this aspect by working towards the creation and reformation of a proper legislative framework on SPS requirements and food safety.

A promising area for Ukraine consists of development of large-commodity production in meat and milk sectors. It would allow the country to rectify an internal imbalance between agricultural production and consumption and to develop promising export segments. A positive example is provided by experience of the Ukrainian poultry meat producers who almost drove imported products out of the domestic market in the fresh or chilled poultry meat segment, and commenced large-commodity export supplies since 2008, nearly doubling them annually.

It is important to raise awareness of the public, domestic consumers on the national system of food safety control, that is a major component of domestic agricultural goods' competitiveness compared to similar imported goods.

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