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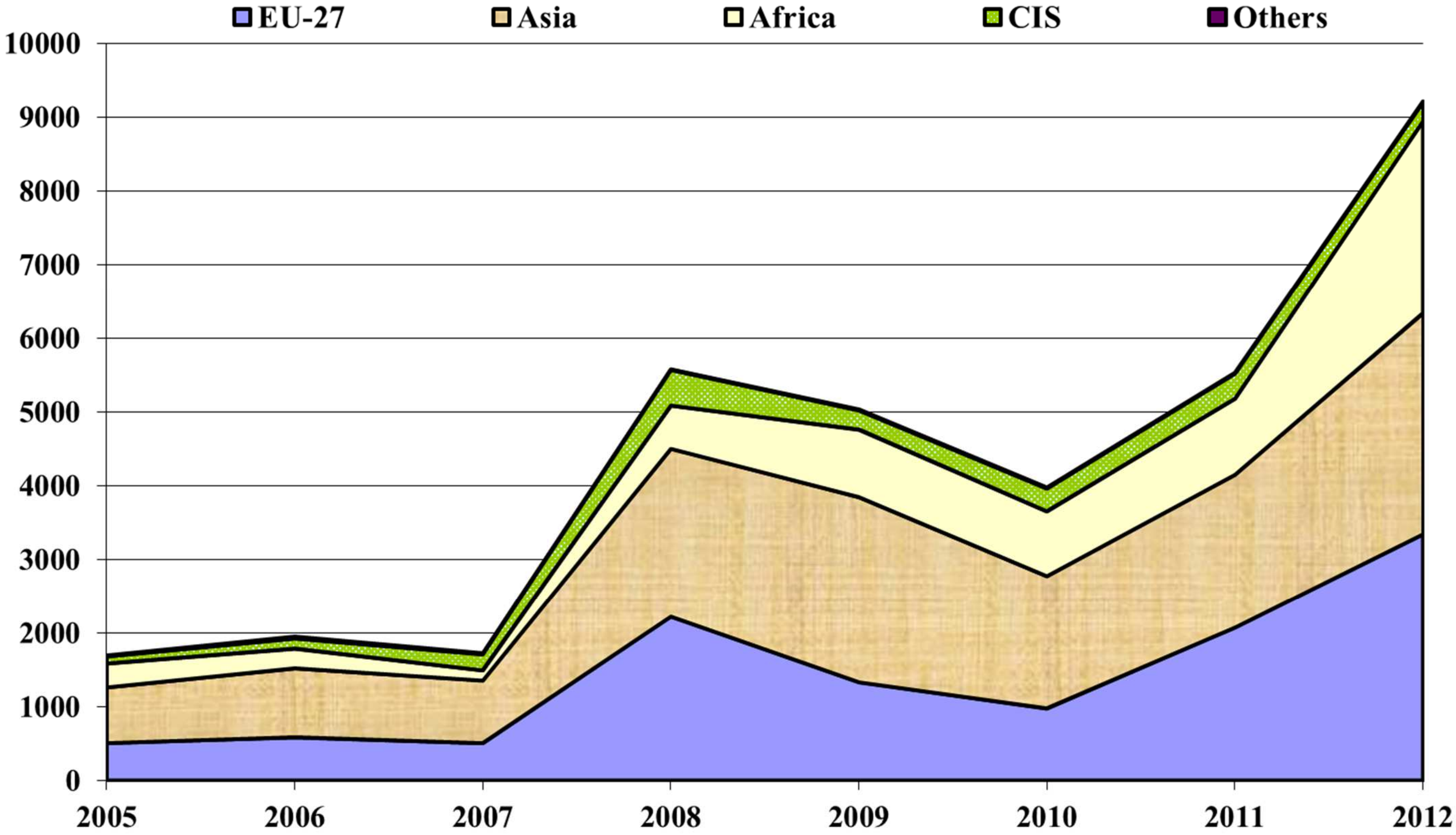
The development of Ukrainian –EU bilateral food trade after the Association Agreement's signing

Kateryna Kvasha

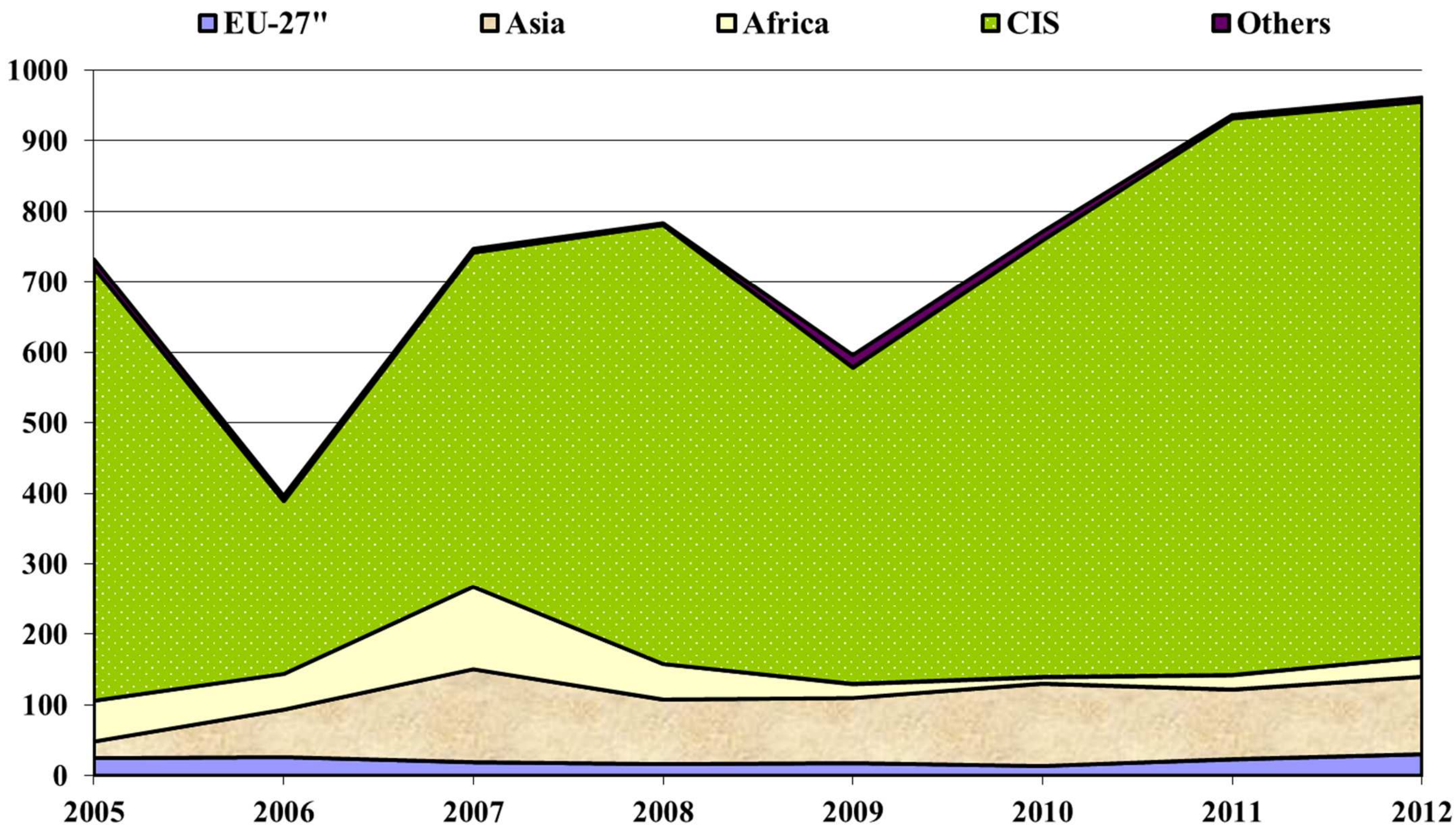
THE NEW EU AGRICULTURAL POLICY – CONTINUATION OR REVOLUTION?

Jachranka
9-11 December 2013

Export dynamics of cereals, Mio USD



Export dynamics of meat, Mio USD



Export dynamics of oil and fat industry , Mio USD

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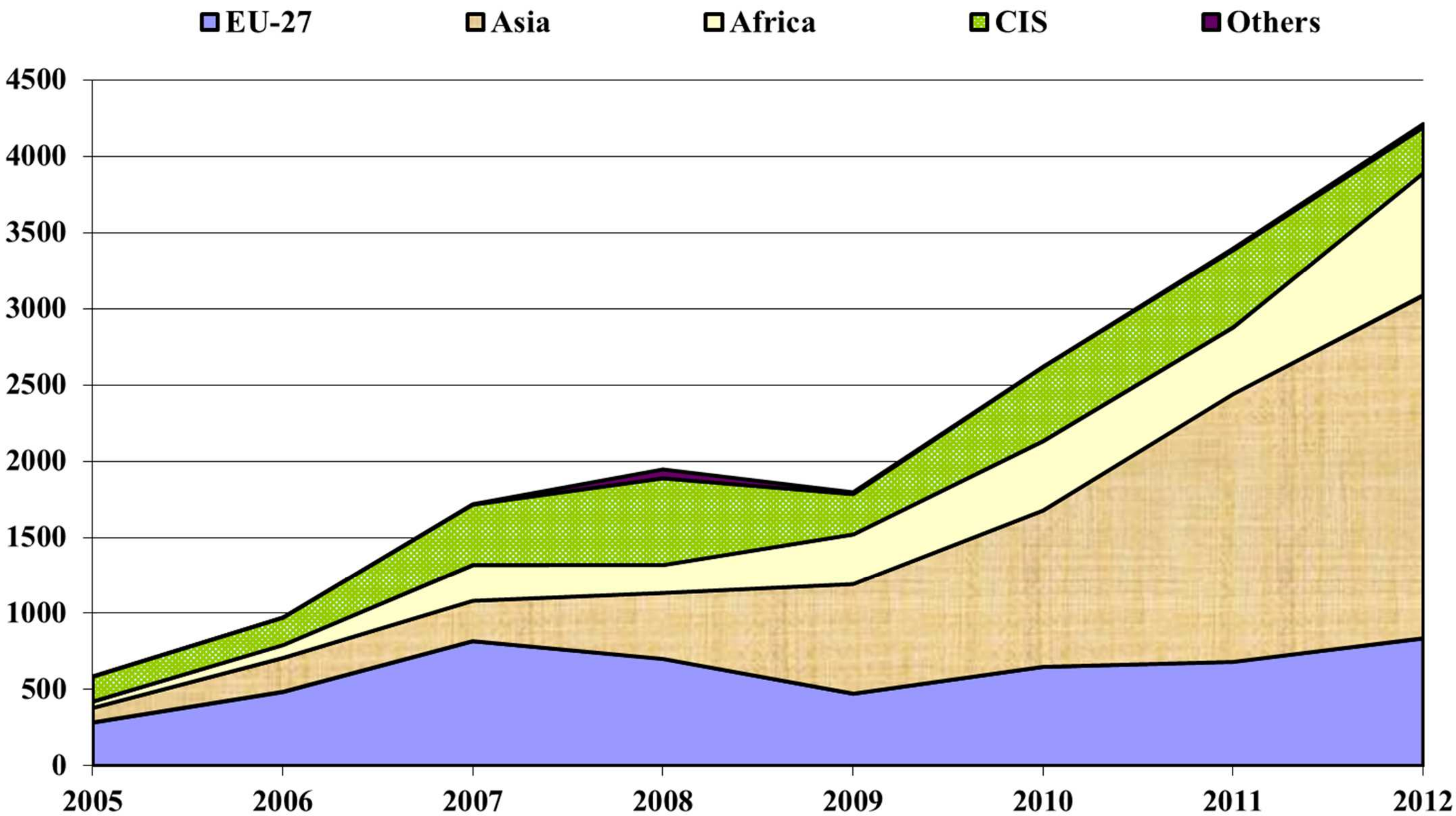
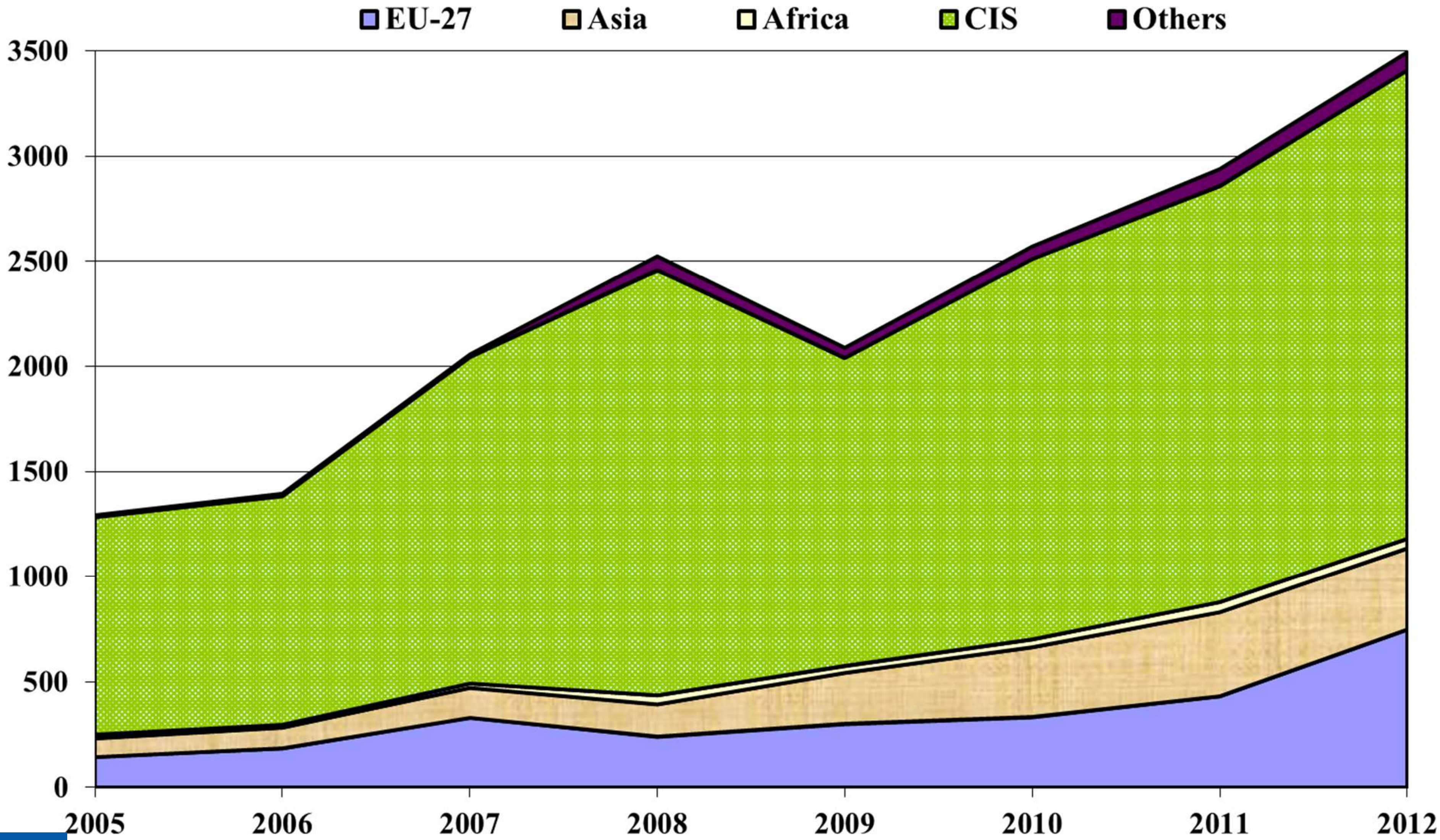
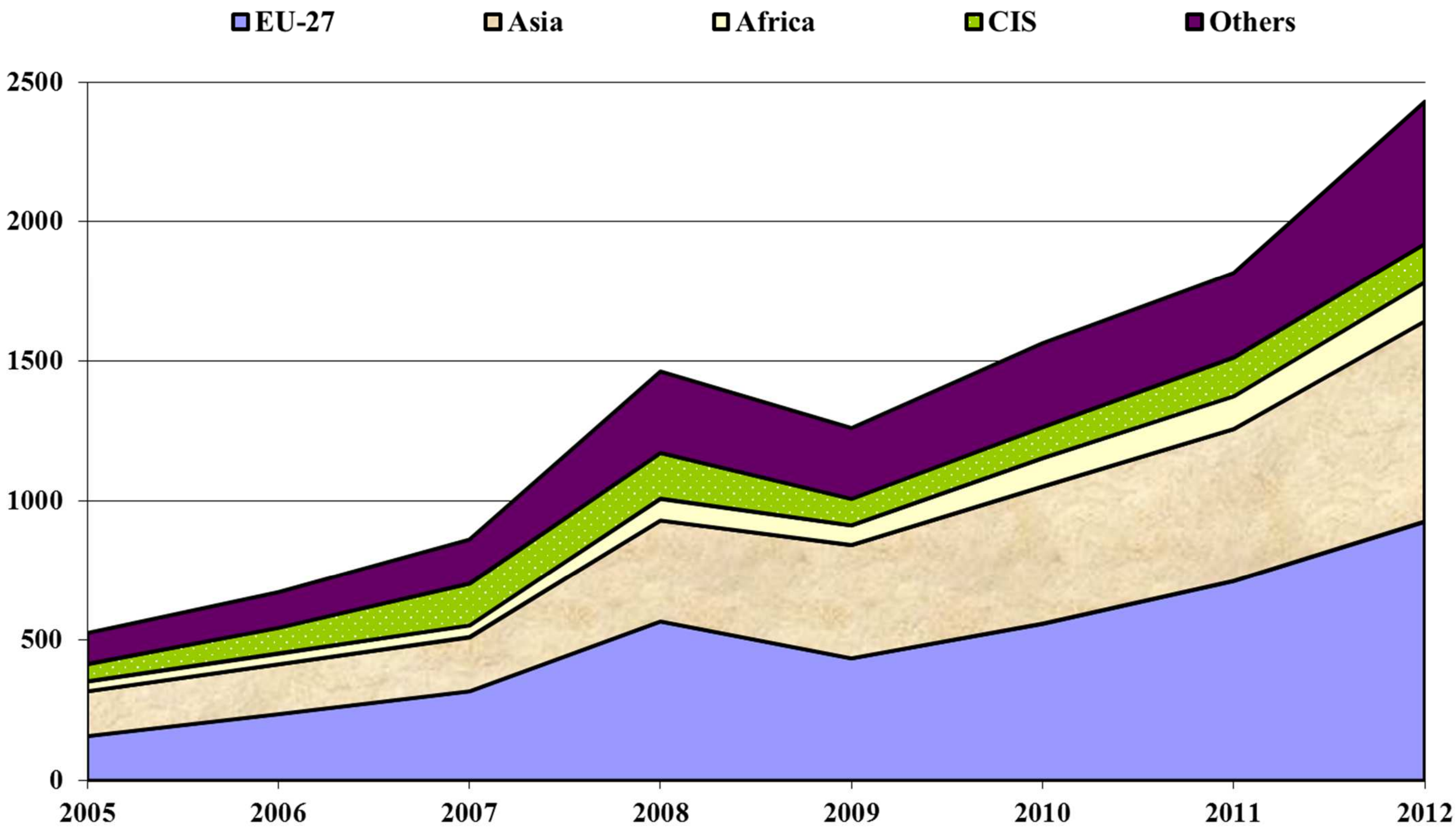


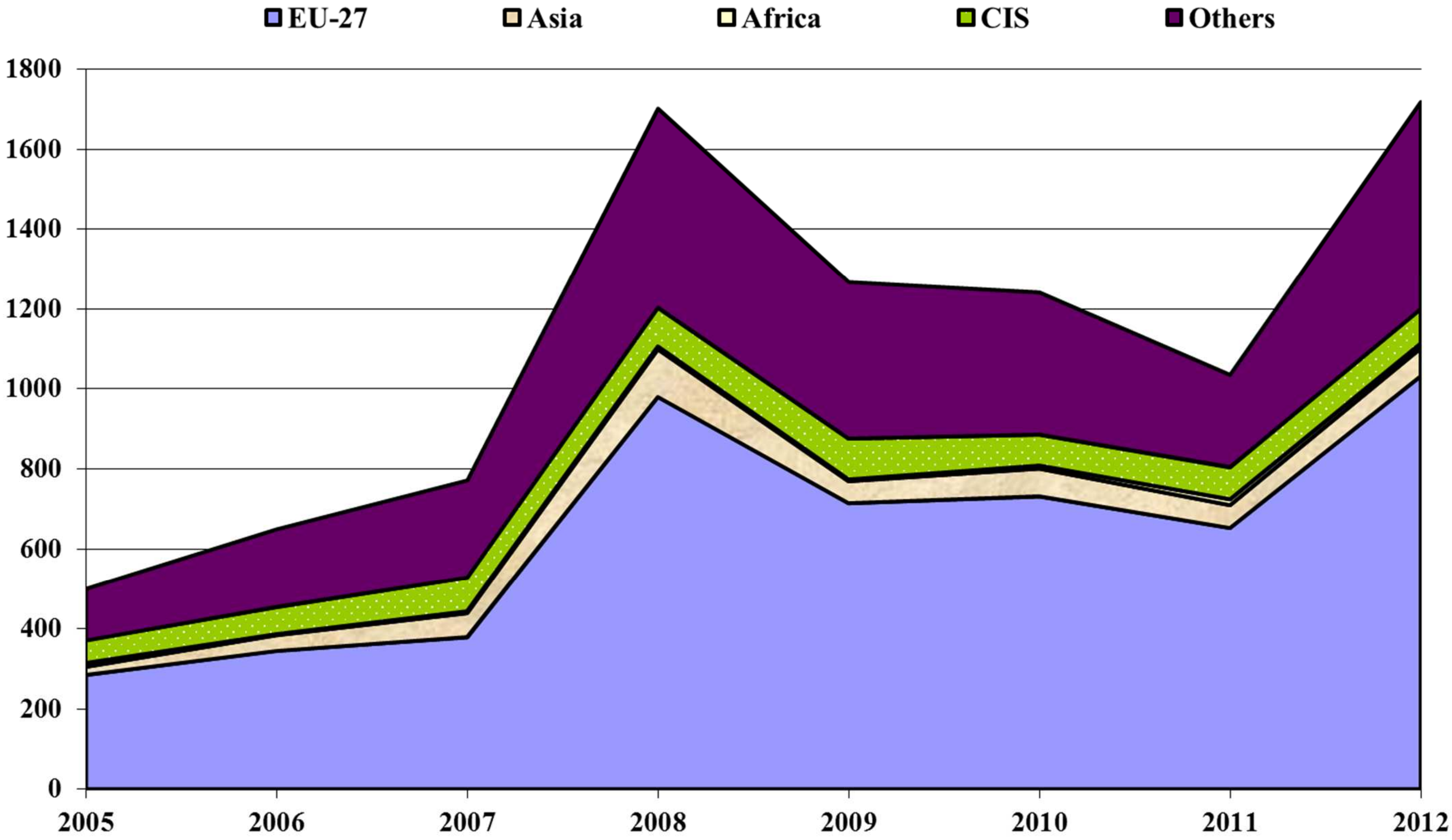
Export dynamics of food products, Mio USD



Import dynamics of cereals, Mio USD



Import dynamics of meat, Mio USD



Import dynamics of oil and fat industry, Mio USD

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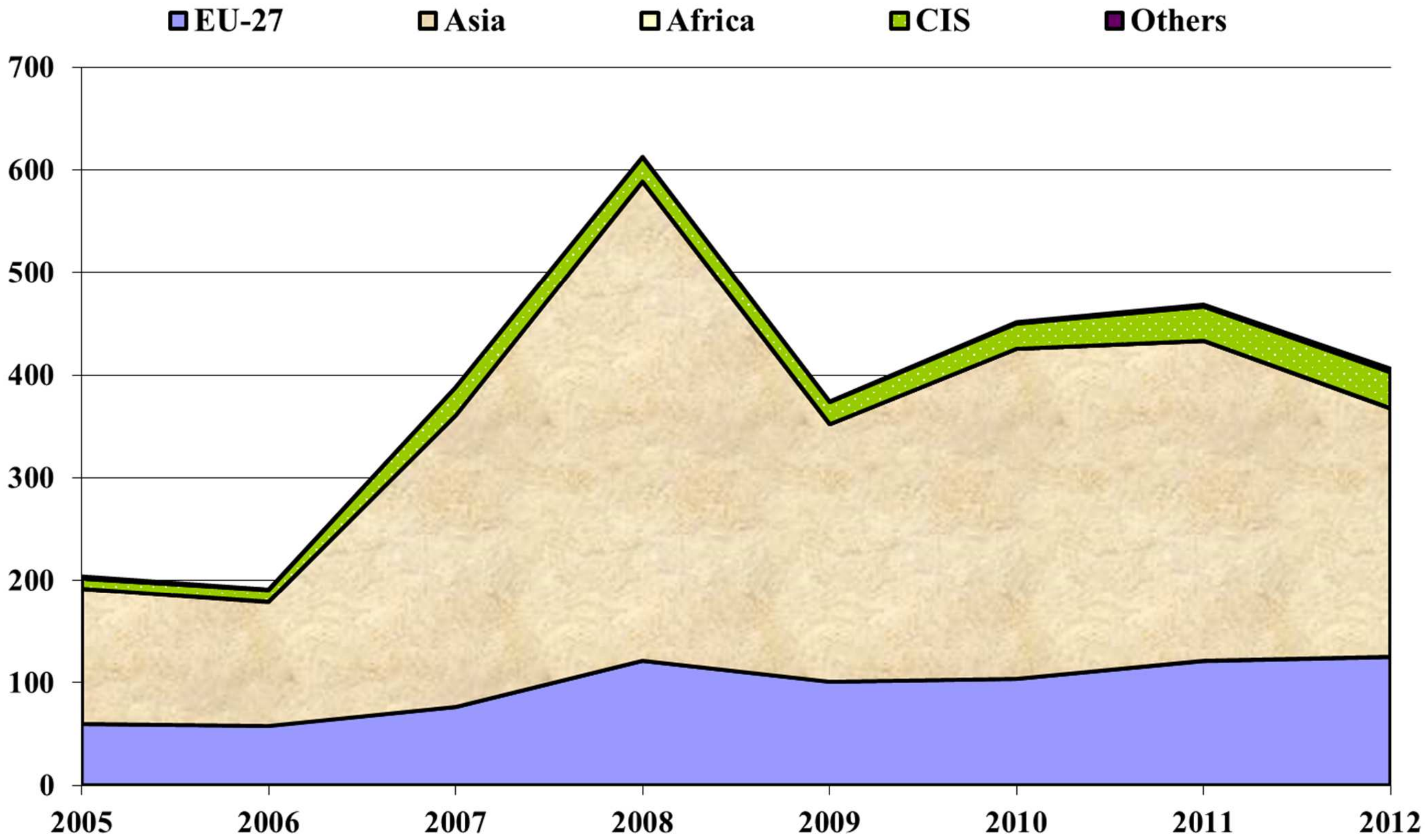

Import dynamics of food products , Mio USD

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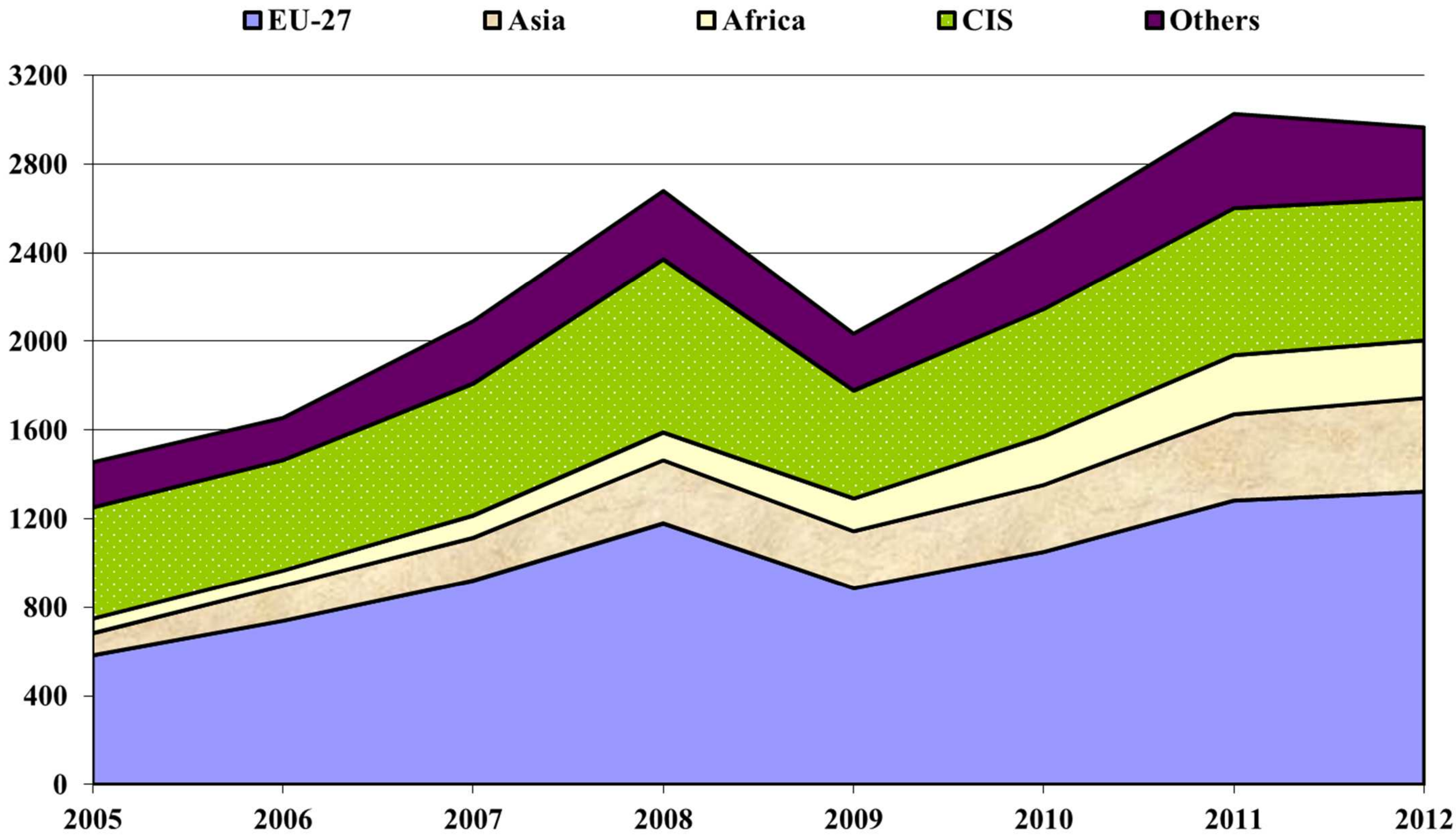

Dynamics of foreign trade in agricultural products between Ukraine and the EU, Mio USD

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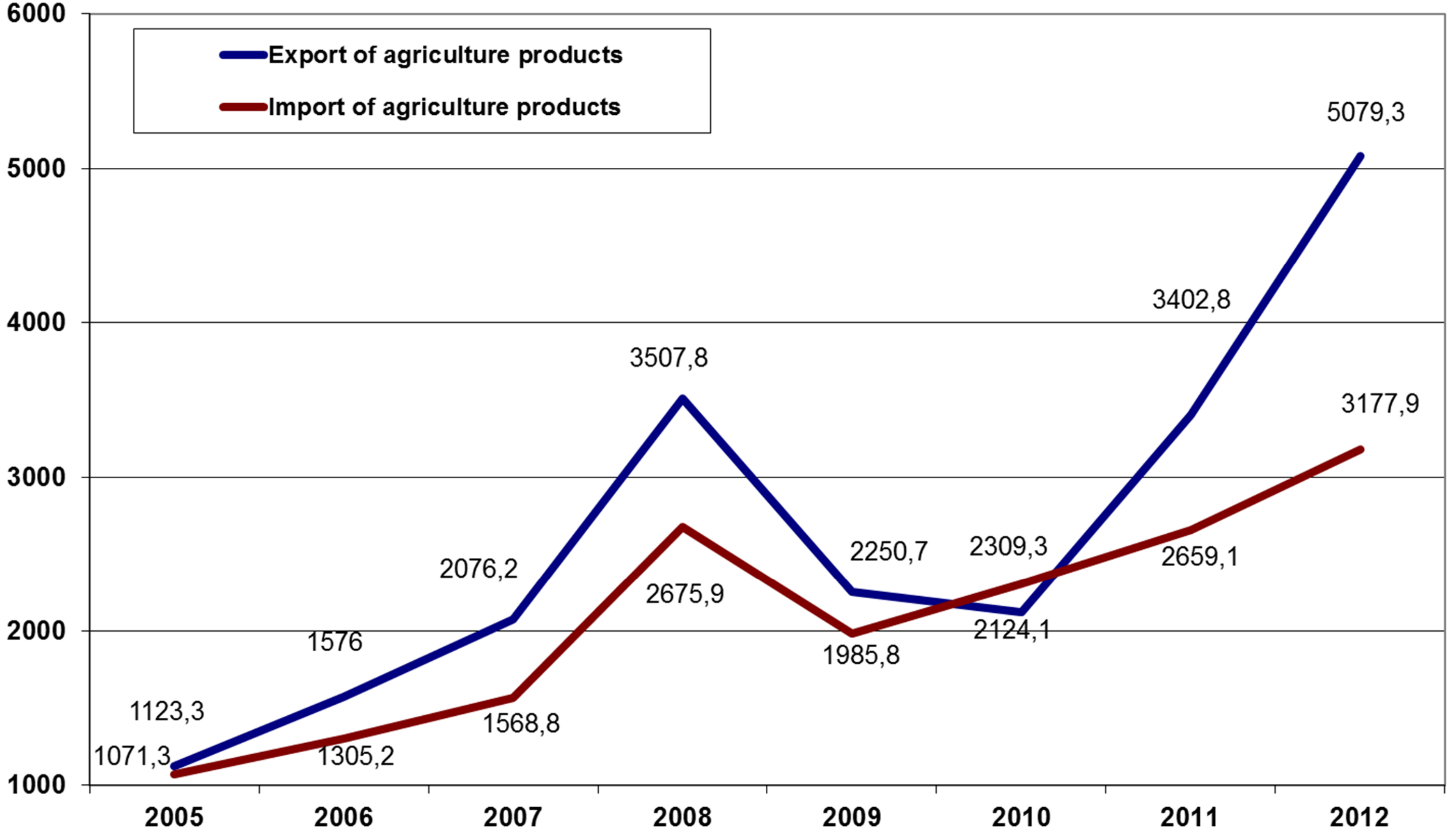

The EU-Ukraine Association Agreement counts in total over 1200 pages and comprises of

- *A **Preamble** as an introductory statement of the Agreement, setting out the Agreement's purpose and underlying philosophy;*
- ***Seven Titles** which concern General Principles; Political Cooperation and Foreign and Security Policy; Justice Freedom and Security; Trade and Trade related matters (DCFTA); Economic and Sector Cooperation; Financial Cooperation with Anti-Fraud Provisions, as well as Institutional, General and Final Provisions;*
- ***43 Annexes** "setting out the EU legislation to be taken over by a specific date and";*
- ***Three Protocols.***

Indicative aggregate TRQs for imports into the EU meat and meat products

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Product	Quantity
Beef meat	**12 000 tons/year**
Sheep meat	**1500 tons/year with linear increase in 5 years to 2 250 tons/year**
Pork meat	**20 000 tons/year**
Poultry meat and poultry meat preparations	**16 000 tons/year with linear increase in 5 years to 20 000 tons/year**

Indicative aggregate TRQs for imports into the EU cereals and sugar

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Product	Quantity
Wheat, wheat flours and pellets	950 000 tons/year with linear increase in 5 years to 1 000 000 tons/year
Barley, flour and pellets	250 000 tons/year with linear increase in 5 years to 350 000 tons/year
Maize, flour and pellets	400 000 tons/year with linear increase in 5 years to 650 000 tons/year
Oats	4000 tons/year
Barley groats and meal, cereal grains otherwise worked	6 300 tons/year with linear increase in 5 years to 7 800 tons/year
Bran, sharps and other residues	15 000 tons/year with linear increase in 5 years to 20 000 tons/year
Sugars	20 070 tons/year
Sugar syrups	2000 tons/year

Indicative aggregate TRQs for imports into the EU milk and dairy products

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Product	Quantity
Milk, cream and yoghurt	8000 tons/year with linear increase in 5 years to 10 000 tons/year
Milk in powder	1500 tons/year with linear increase in 5 years to 5000 tons/year
Butter and other fats derived from milk	1500 tons/year with linear increase in 5 years to 3000 tons/year
Eggs	1500 tons/year with linear increase in 5 years to 2000 tons/year
Natural honey	5000 tons/year with linear increase in 5 years to 6000 tons/year

Indicative aggregate TRQs for imports into the EU

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Product	Quantity
Garlic	500 tons/year
Mushrooms	500 tons/year
Apple juice, grape juice	10 000 tons/year with linear increase in 5 years to 20 000 tons/year
Processed tomatoes	10 000 tons/year

Indicative aggregate TRQs for imports into the Ukraine

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Product	Quantity
Pork meat	10 000 tons/year expressed in net weight
Poultry meat and poultry meat preparations	8 000 tons/year with linear increase in 5 years to 10 000 tons/year
Sugars	30 000 tons/year with linear increase in 5 years to 40 000 tons/year

Benefits from exports to the EU agro-food products within the quota of Ukraine

Indicators	2014	2019
Export value of goods within the quota to the EU	2,24 bln USD	2,32 bln USD
Economy due to the elimination of import duties in the EU within the quota	367,6 Mio EUR	379,8 Mio EUR

Implications for the budget of Ukraine from the reduction of import duties on agriculture products

Scenario 1. Volumes of import to Ukraine during the next 10 years remain at the level of 2012. With an average duty rate of 5.2% and with the volume of import of agricultural products from Europe at the level of 2012 customs revenues in 2014 will amount 105.9 million USD and in general, it reduced to 37 million USD. In 2023, with the same volume of imports and with the level of the duties of 0.9 % customs income will be $ 48.9 million dollars, or 94 million dollars less than 2012.

Scenario 2. Volumes of import of agricultural products from Europe to Ukraine will be held in accordance with the trends of the period 2005-2012, will grow annually by 14%. Calculations show that with a duty rate of 5.2% and imports volumes of 1.7 billion USD in 2014 customs revenues will be 126,4 million USD, or at 16.5 million USD less than in 2012. In 2023 with a duty rate of 0.9% and imports 5.6 billion USD customs revenues will amount 87.3 million USD, or 50.6 million USD less than in 2012.

Scenario 3. Import volumes will continue to grow with an accelerated rate of 20% annually. In such case with a duty rate of 5.2% and import volumes of 1.9 billion USD in 2014 customs revenues will be 136,1 million USD, or 16.5 million USD less than in 2012. In 2023 with a duty rate of 0.9% and imports 5.6 billion USD customs revenues will amount $ 87.3 million USD, or 50.6 million less than in 2012.

The consequences of the FTA with the EU for Ukrainian producers

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POSITIVE:

1. Unification of phyto - sanitary standards will lead to the strengthen positions of Ukrainian products on the global market ;
2. Investment in manufacturing and processing industries can help to double the volume of production and to create additional workplaces;
3. Increase of volumes in organic production;
4. Improving the quality and safety of products;
5. Growth of export of confectionery, meat, dairy, oil, fruit and vegetable products;
6. Strengthening the processes of farms cooperation;
7. Imposition by the EU zero import duties on products covered by tariff quotas (about 85 tariff lines);

NEGATIVES :

1. The outflow of personnel as a result of an additional agreement of the free movement of labour;
2. Structure of Ukrainian agriculture export isn’t satisfy needs of demand;
3. A small number of companies certified according to international standards;
4. The poor quality of some food products will not allow to export them to the EU;;
5. Underdeveloped infrastructure will hamper exports to EU ;
6. The loss of part of the internal market, with increasing of imports of food products
7. The problem of name changes because of the commitment to comply with their geographic indications

The consequences of the FTA of the EU for Ukrainian consumers

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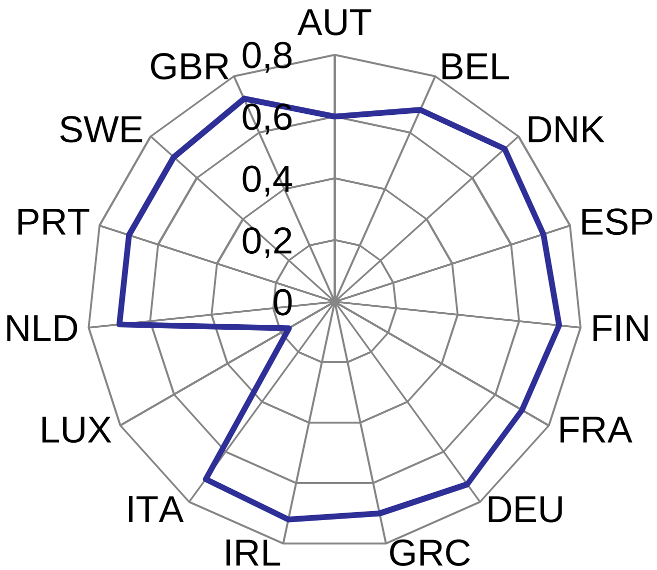
POSITIVES:

1. A slight decrease in prices of imported food products in the initial period of its import ;
2. The ability to buy food at higher quality;
3. Increasing of the assortment of food products.

NEGATIVES:

1. Possible trend to the growth of domestic prices for sunflower oil as a result of increased prices for raw materials;
2. For some consumers' acquaintance with new products will be difficult from the point of the knowledge of good maintenance and equivalence in price.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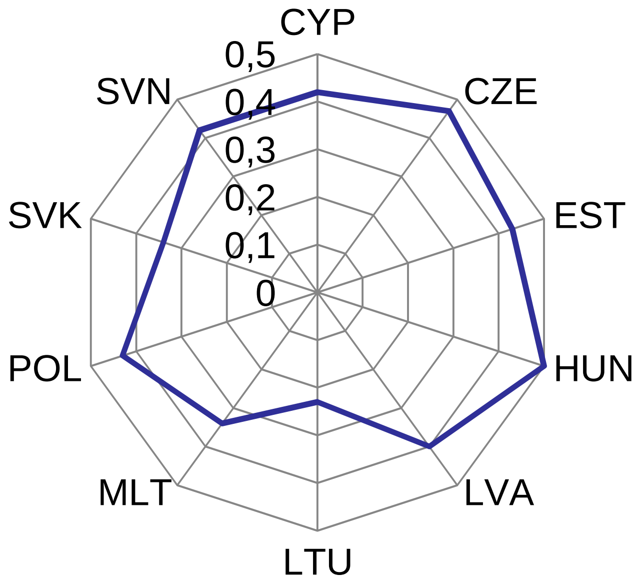
a) EU – 15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b) EU - 10

Density of trade relations under the EU agricultural market

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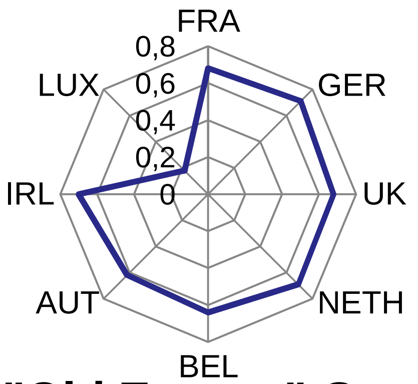
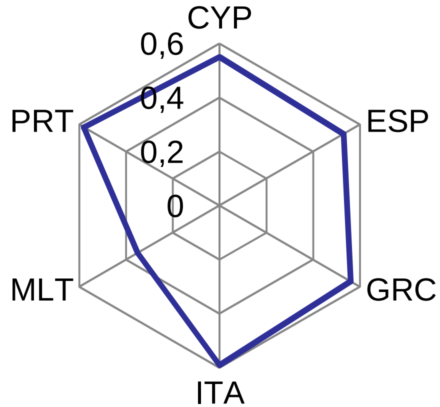
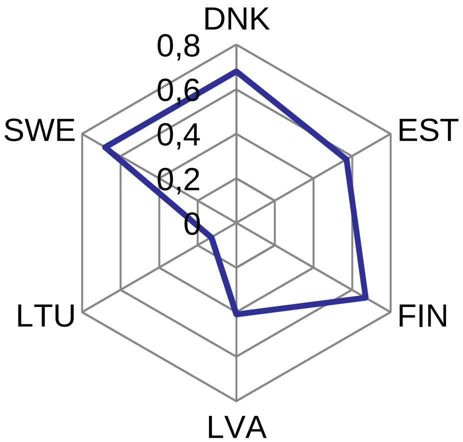


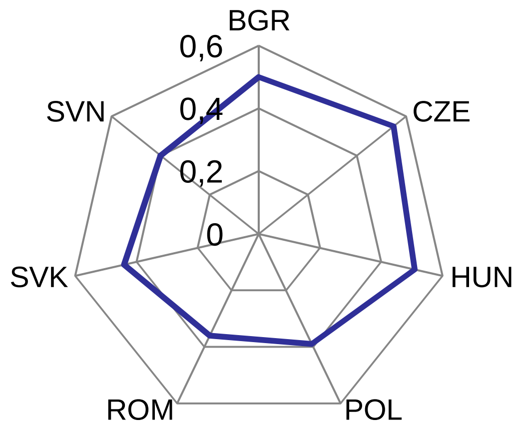
a) "Old Europe" Group



b) "Mediterranean Group"



c) "Nordic" Group



d) Warsaw Agreement Group

Conclusion

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- **between different approaches the level of trade density demonstrates depth of integration inside the EU.**
- **even inside the common market, with common monetary and trade policy the one of the most important factor is the *geographical disposition of trading countries*, closing of markets as well as *historical aspect of integration*.**

In further researches we are going to analyze the opportunity of Ukraine in the trade of agriculture productions and evaluate the potential market shares for particular markets.

Thank you for your attention!