

Ukraine: blooming market for feed

The last AgriHort exhibition in Kiev from 12 to 14 February showed that the Ukrainian animal production and feed industry is a dynamic one. The country also seems to be more open for international investors.

By Philippe Caldier



The statistics produced by the Ukrainian feed producers association confirm the dynamics of animal production in the Ukraine, with an increase of feed production of 19% from July to November 2007 compared to the same period in 2006 (Table 1). Table 2 shows that the biggest five represent almost 20% of the total feed production. On a total of 20 quoted companies, the top 5 produce between 18,000 and 30,000 tonnes of feed per month, while the rest is composed of one company producing 10,000 tonnes per month and 14 other smaller companies between 3,000 and 6,000 tonnes per month.

Agriculture in the Ukraine

A dossier published on February 8, 2008 by the French Embassy in Kiev points out the driving forces of Ukrainian agriculture. "Ukraine has a huge agricultural potential for 3 reasons":

Firstly, 30 million ha of arable land (about half of the total surface of the country), of which 40% are composed of "tchernozioms" or very fertile black soils. Secondly, a moderate continental climate in spite of severe winters and frequent lack of rain in spring and thirdly, a long rural and agricultural tradition.

Agriculture and food industry still play a leading role in the Ukrainian economy, representing around 17% of the GDP. More than 30% of the population (around 15 million people) are living in rural areas and directly depend on agriculture. However, agricultural products still only represent in value 12% of the total exports of the country, far below steel (42%). The adhesion of the Ukraine to WTO (which will liberalise exchanges) and the arrival of new investors will boost



Stéphane Lemoine (export manager Techna) surrounded by his Ukrainian team at their stand at AgriHort

Table 1 - Feed production of the main Ukrainian companies in the first five months of 2007-2008 campaign

Month	July 07	Aug 07	Sept. 07	Oct.07	Nov. 07	Jul-Nov 2007	Jul-Nov.07/ Ju-Nov 2006 (%)
Feed production (t)	474,666	494,931	496,133	536,291	528,735	2,530,756	+19%

(source: Ukrainian association of feed producers)

Regional focus

Table 2 - Top-5 Ukrainian feed producers (t)

Month	Jul 07	Aug 07	Sept 07	Oct 07	Nov 07	Jul-Nov 07
ОАО Миронівський завод комбикормов	26,085	27,747	24,081	31,559	30,646	140,118
Філіале Київкомбикорм ЗАО Комплекс Агромарс	21,771	20,352	19,063	20,672	21,493	103,351
ОАО Бориспільський Експериментальний Комбикормовий завод	17,977	16,801	17,463	12,653	15,772	80,666
Філіале ОАО Таврійська Миронівський завод	16,122	15,866	15,270	17,246	15,384	79,888
ООО Екаторинопільський Елеватор	7,366	11,591	19,006	20,662	18,562	77,187

Ukrainian agriculture and increase its importance.

The Ukrainian government has made numerous structural reforms since 1991 in order to privatise agriculture and its old kolkhozes and sovkhoses. “Ukrainian agriculture still has three pillars”, explain the French authors: on the one hand, some thousands of “agro holdings” and privatised kolkhozes are very dynamic and specialised on crops, on the other hand, the so-called “population farms” gather around 12 million people working on more than 5 million individual farms producing three-quarters of the animal production. Between these two groups, private farms form a rather heterogenous third category, being either niche markets or following big enterprises models. The Ukrainian agriculture is based on crops as follows:

- Sunflower (4.8 Mt in 2007, 4th world producer, 15% of the world production)
- Barley (6.2 Mt in 2007, 5th world producer, 5% of the world production)
- Wheat (13.8 Mt in 2007, 12th world producer and 2% of the world production)
- Maize (6.3 Mt), sugar beet (15.4 Mt), rape (1.2 Mt)

The country still suffers from low average yields: 2.29 t/ha for wheat, 3.23 t/ha for maize, 1.19 t/ha for sun-

flower. According to the French Embassy, around 1 billion US dollars in investments from abroad have been registered by the Ukrainian agriculture and food industry since 1992.

European competition is very high in all sectors, and the most present countries are Germany, Denmark and The Netherlands.

Growing premix market

With more than 240 exhibitors from 23 countries, AgriHort is a good place to measure the dynamics of the Ukrainian market. “We have an agent here since one and a half years and it has helped us to better know the feed market which is in effervescence here”, says Stéphane Lemoine, export manager of the French service company Techna.

According to Lemoine, the Ukrainian feed market demands innovation and know-how, but the key is to find a good representative. Nikolai Chapovski, general director of Biochem Ukraine explains that the premix market in the Ukraine is growing. Founded in 2000, the subsidiary of the German Biochem sells enzymes, probiotics and disinfectants in the Ukraine and has a 30% market share for enzymes in Ukraine. According to Chapovski, Ukraine used to



Robert Rucki (Dossche Sp.z.o.o): “Our feed plant will open next year”



Yuri Malyarevsky (VitameX): “Mentalities should change and we will focus on consulting”



Michail Dolud (left) and Torsten Schmidtke (Amandus Kahl Hamburg): “We have several potential projects in Ukraine”

import 40 to 50,000 tonnes of premix every year thanks at low import tax rates. However, due to the recent increase of these taxes, more and more premix units are being built, of which the largest produces 4 to 5,000 tonnes per year.

Difficulties

Two Belgian additives providers also had a stand at AgriHort, of which Dossche Sp.z.o.o, Polish subsidiary of the Belgian group Dossche. Dossche Sp.z.o.o is a major actor in the Polish feed industry, with production of complete feed, concentrates and premixes for



Dimitri Zimmer (Onexx) with Shao Jianxin, vice general manager of Jiangsu Zhengchang Group, were present in Kiev and also at the Kombikorma exhibition in Moscow

all kinds of animals. Robert Rucki, export manager of the company is based in Poland, but spends three days a week in the Ukraine. According to Rucki, the Ukrainian feed market is a growing one, and will definitely keep on growing in the next few years. However, two main difficulties mark this industry he continues. Firstly, to find the right skilled people and secondly, there is still a black market in the country. According to our interlocutor, the government is more open than before to foreign investments and the mafia changed, but it is still present. Another step of growth will be completed in 2008 by Dossche Sp.z.o.o when they will purchase a feed plant located 120 km from Kiev. “The country suffers from a lack of technology and efficiency and the future belongs to consulting”, says Yuri Malyarevsky, general director of Vitamex in the Ukraine. The company is the result of a joint-venture in 1997 between the Belgian Vitamex and the Ukrainian partner Agrovita Ltd. In 2008, the company will focus on dairy consulting and will work with another partner specialised in reconstruction of pig units.

Feed mill construction

Many feed plant constructors were present at AgriHort, of which some came from China (Jiangsu Muyang Group and Jiangsu Zhengchang Group). “We are mainly active in the Ukraine and Russia where we have 12 to 15% growth per year”, explains Dimitri Zimmer, managing director of Onexx, a German company, which represents Jiangsu Zhengchang Group in Europe. Onexx mainly reconstructs old plants, ranging from 5 to 40 tonnes per hour. “We started our activity in the Ukraine two years ago with the reconstruction of a poultry feed plant located in Dnepropetrovsk”, explains Torsten Schmidtke and Michail Dolud in charge of CIS countries for Amandus Kahl Hamburg. The German company is also active in the sugar and starch industry, and has several potential projects in the feed industry. ●



Overview of Nikopol feed plant reconstructed by Amandus Kahl Hamburg (20t per hour for any kind of poultry) near Dnepropetrovsk