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The Ukrainian Sugar Sector

Civil Dialogue Group on Agricultural markets

06 June 2024

A bit of geographical and logistical context

Road access to the EU market

- Poland
- Slovakia
- Hungary
- Romania

Road access to the East

- 800 km between Kyiv and Moscow
- Iran
- Kazakhstan (< 200 km)

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A bit of geographical and logistical context

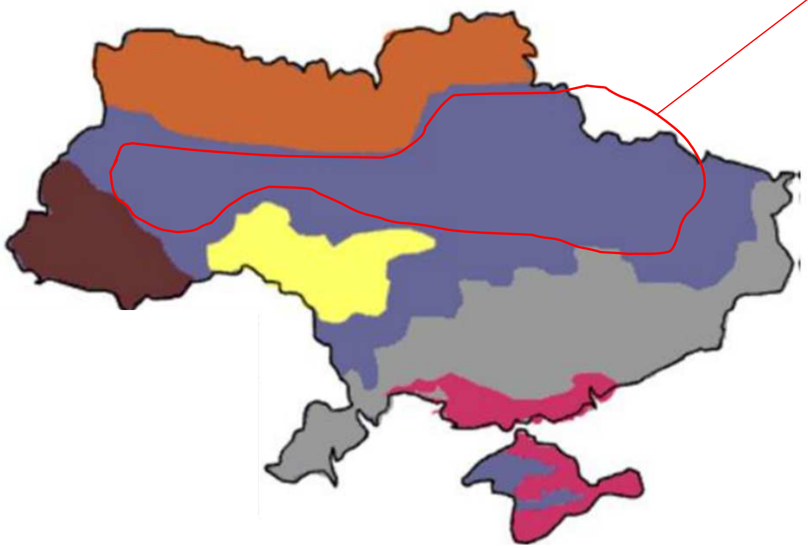
<u>Sea</u> access for maritime exports

Black Sea

Mediterranean sea
Suez Canal

A bit of agricultural context

- 90 % of lands : plains



30 % of Ukrainian lands = « rich tchernozioms »

		(Metropolitan) France		Ukraine
Total area		549 000 km²	+ 10 %	604 000 km²
Agricultural area		28,8 Mha	+ 43 %	41,3 Mha
Arable lands (% agricultural area)		18,5 Mha (64 %)	+ 75 %	32,5 Mha (79 %)
Population (2020)		67,4 M	2 / 3	44,1
Per capita GDP (2020)		40 886 $	1 / 10	4 534 $
% agricultural activities (2020) in…	GDP	1,6 %	x 6	9,0 %
	Employment	2,5 %	x 5	13,8 %
	Exports value	14,0 %	x 3	45,1 %

Source : CIRAD
(https://agritrop.cirad.fr/583933/1/Rapport%20final%20Ukraine_V2.pdf)

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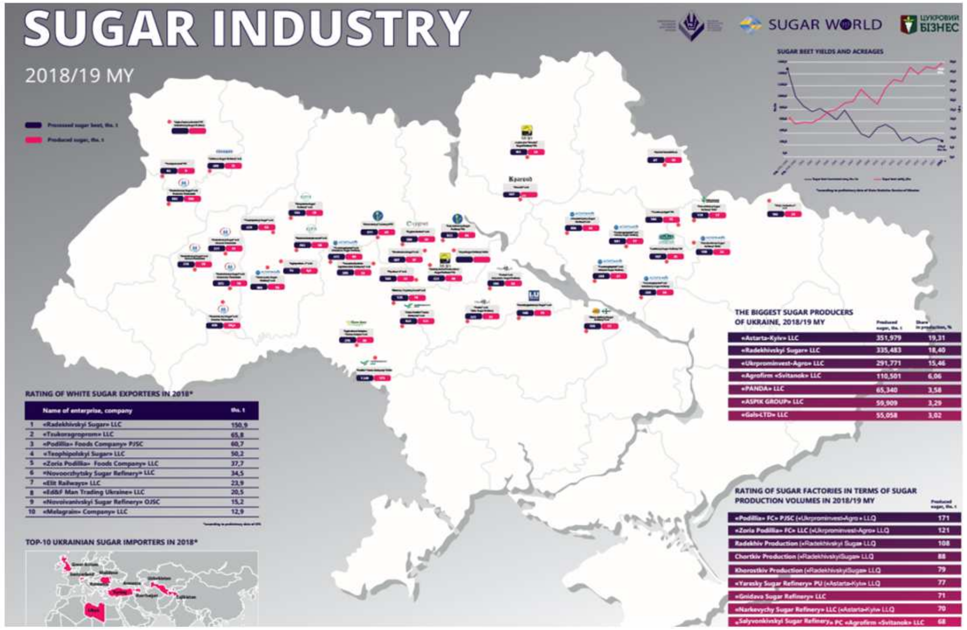
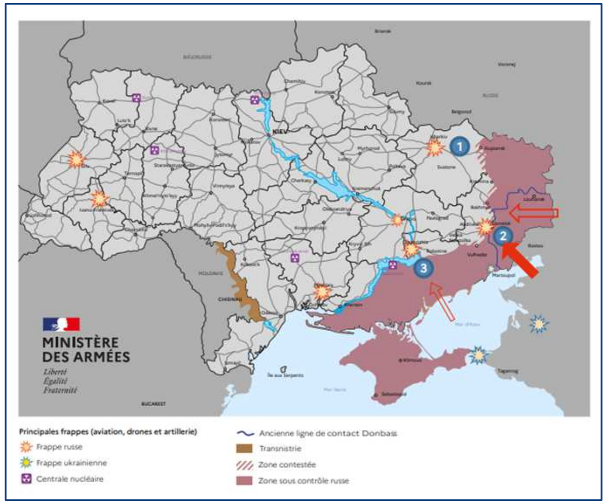
The sugar industry at a glance

- ❑ The sugar industry is almost exclusively located on rich tchernozioms (best agricultural land of the country)





Source : Ministère des Armées (https://www.defense.gouv.fr/ukraine-point-situation)
Ukrsukar http://www.ukrsugar.com/en/post/ukrainian-sugar-industry-catalogue

- ❑ Relatively far from « frontline » conflictual zones

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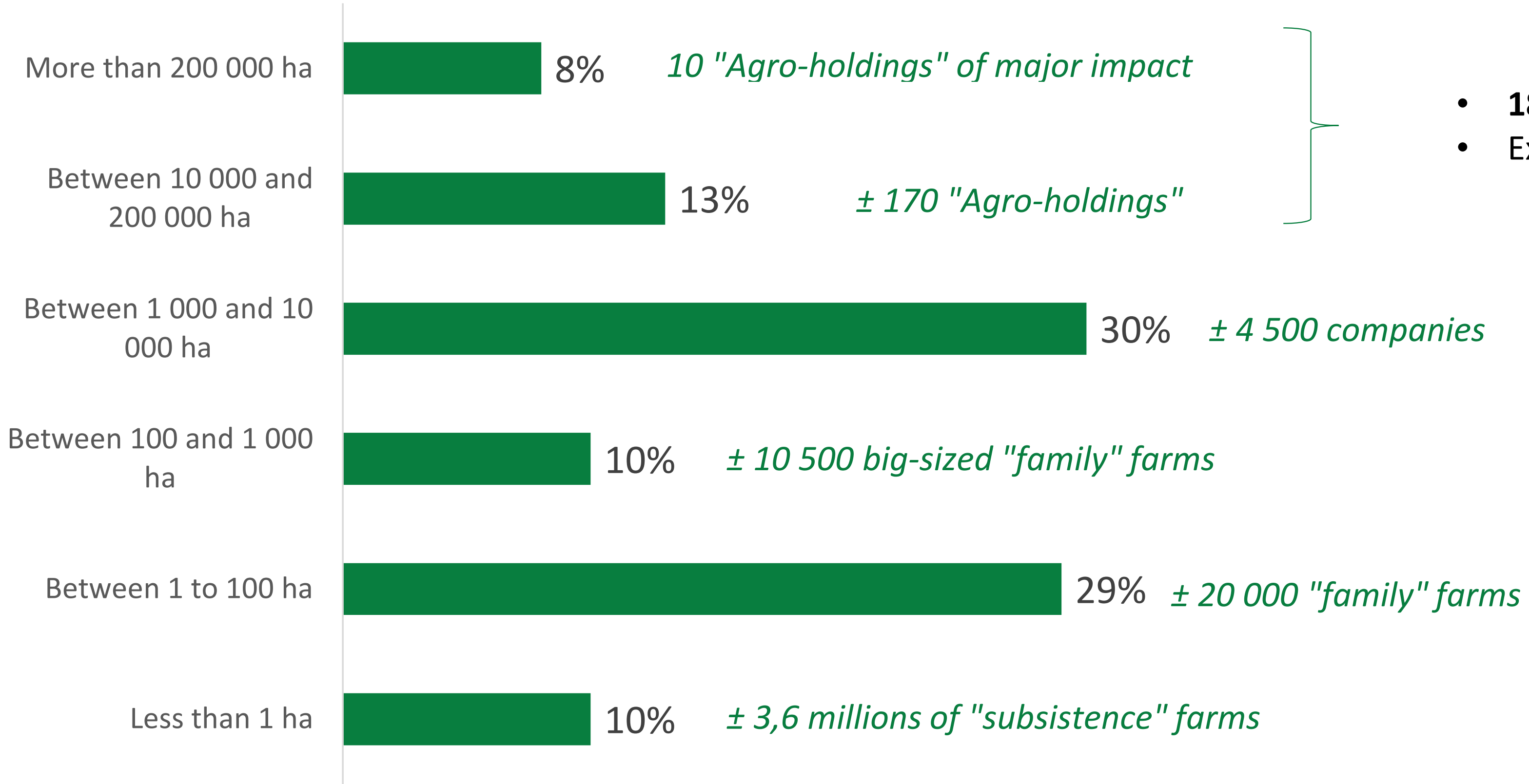
A multifaceted agricultural sector



- **180 « Agro-holdings »**
- Export-oriented activities

95% of the total Ukrainian beet producton

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About « Agro-holdings »

- Derived from the privatization of the economy in 1991 (indépendance of the country)

- Correspond to **former State-controled farms** with integrated storage and processing facilities

- Between 2001 and 2021 (and due to excessive trade in agricultural lands), **ban imposed on land-trading activity**

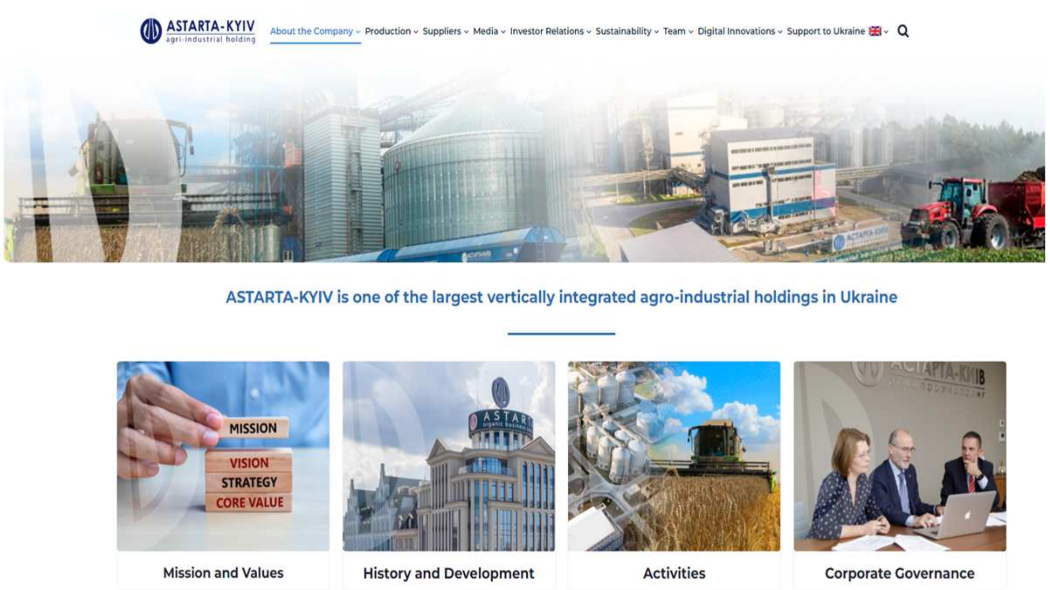
  → Since 2021 : expansion of farms performed thanks to **49-year land leases**

- To date, 7 out of the 10 major agro-holdings are not headquartered in Ukraine

About « Agro-holdings » : the example of Astarta

- N°5 company in terms of cultivated area (≈ 220 000 ha)

- Founded in 1993 by Victor Ivanchik



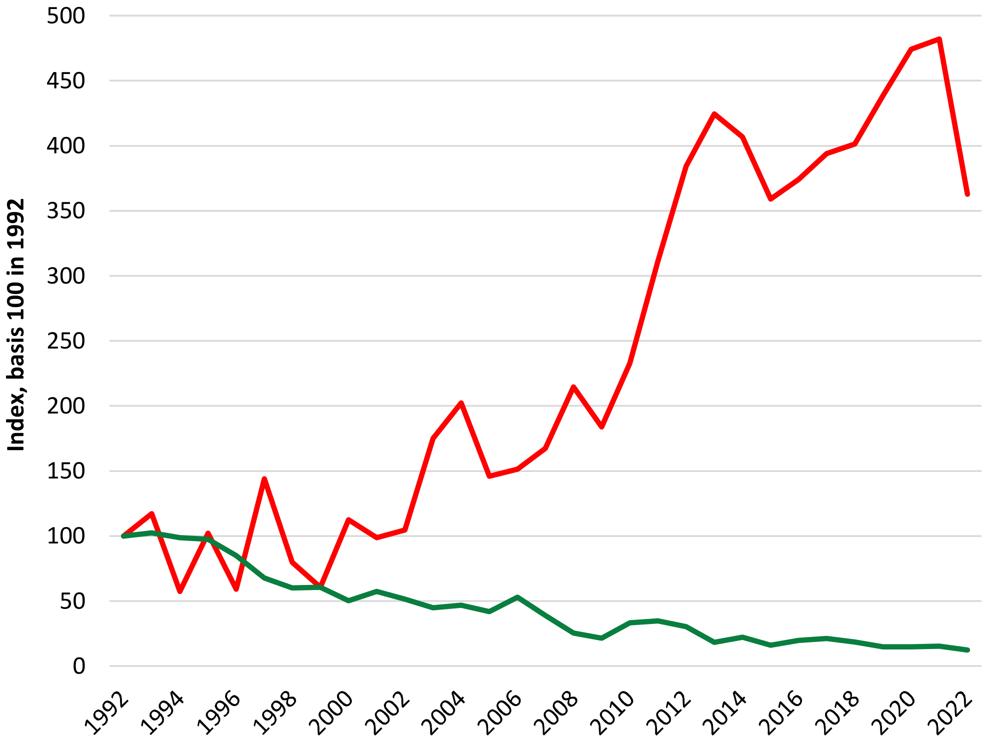
https://astartaholding.com/en/about-the-company/

In 2022 :

- 1,8 Mt of harvested beets (21% of total Ukrainian beet production)
- 0,3 Mt of corn
- 0,2 Mt of wheat
- 0,1 Mt for soybeans
- 0,1 Mt for sunflowers
- Milk : 23 000 dairy cows
- 6 sugar mills
- Grain storgae facilities : capacity of up to 0,5 Mt
- Transportation (ownerships of 200 grain wagons

Historical trends between 1990 and 2020

Corn and beet acreage
(FAO)



Corn : no tangible measures to control flows with the EU

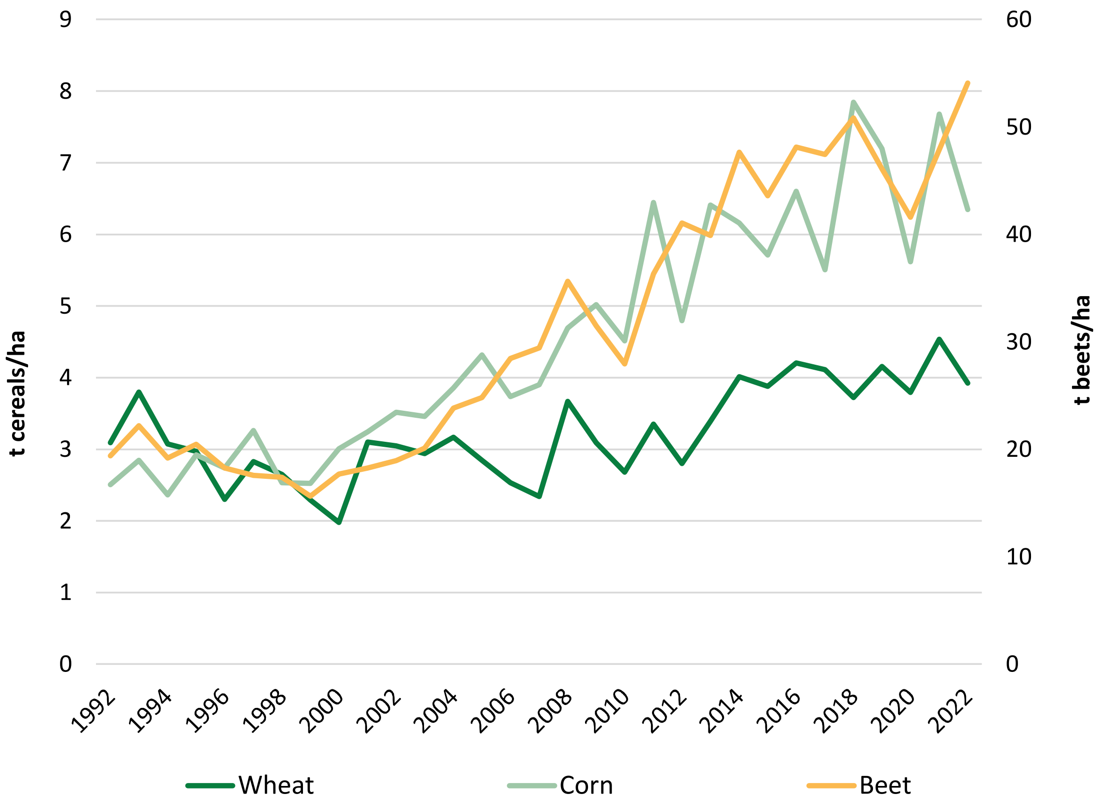
	2000	2015
Production	5 Mt x 8	40 Mt
Exports to the UE	0,3 Mt x 30	11 Mt

Sugar : No access to the EU and closure of the Russian market in parallel

	2000	2015
Production	5 Mt	2 Mt
Number of processing facilities	190 %6	30

Historical trends between 1990 and 2020

Historical evolution of wheat, corn and sugarbeet yields since 1992 (FAO)



- ❑ Massive **improvement** of beet yields…
- ❑ but **disappointing** when compared to the **potential** witnessed in some EU Member States (60 to 70 % of FR yields)
  - Differences between farms (multi-gear agriculture)
  - Only 0,6 Mha of irrigated beets (2,6 Mha under the USSR regime)
  - 2018 : 50% less amendments than in FR
  - Soil fertility issue (due to historical short-term approaches) ?

Nowadays :

- 80 Mt of cereals (x2 in 10 years),
- Mainly corn (unlike FR where wheat is predominant)
- 16 Mt of sunflower (x8 since 1990) – 8 times more than in France

Cerela exports (≈2020)

- USA : 90 Mt
- Ukraine : 50 Mt (x5 vs. 2000)
- Russia : 45 Mt
- France : 30 Mt

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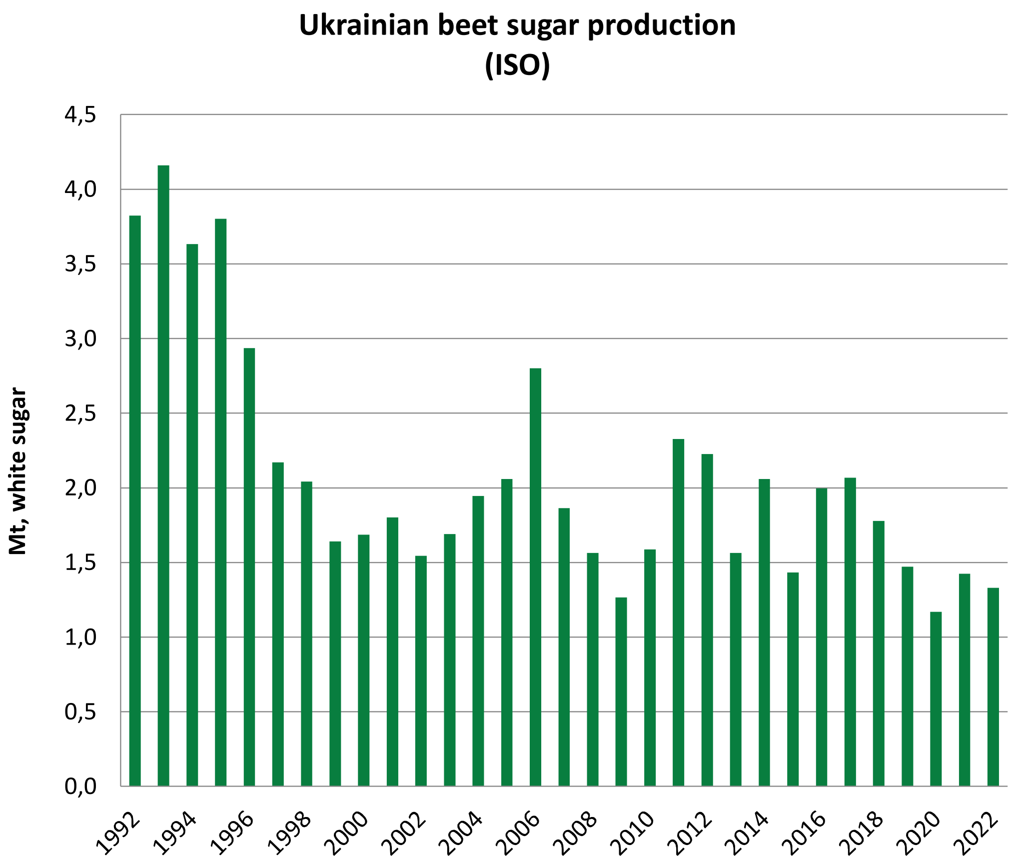
The Ukrainian sugar sector



- **5 Mt** during **USSR time** with **190 operating mills**

- Before the start of the **2022** war:
    - ✓ Between **30 to 40 operating mills** per campaign (variability depending on beet production level)
    - ✓ **1,4 to 1,8 Mt** of sugar produced
    - ✓ Consumption : **1,4 Mt**
    - ✓ **Surplus (0,4 Mt)** being exported to Eastern countries

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7 companies shaping the Ukrainian sugar production

- 2 groups producing **> 0,3 Mt of sugar each** (20 % of the national production) :
  - **Astarta** (5th agroholding of the country) with a total cultivated land of 220 000 ha which owns 6 sugar mills ;
  - **Radekhivskyi**, (X? ha), with Pfeiffer & Langen as a unique shareholder since 2010, 6 sugar mills (last acquisition in 2023).

- 2 groups producing around **0,1 Mt of sugar each** :
  - **Ukrpromoinvest** (108 000 ha, 11th agro-holding of the country, 2 sugar mills) ;
  - **Agrofirm Svitanok** (100 000 ha, 2 sugar mills).

- 3 groups with a less significant importance **(<0,1 Mt of sugar each)** :
  - **Panda group** (59 000 ha, 3 sugar mills)
  - **Aspik** (X ha?, 2 sugar mills),
  - **Gal agro** (5 000 ha, 2 sugar mills).

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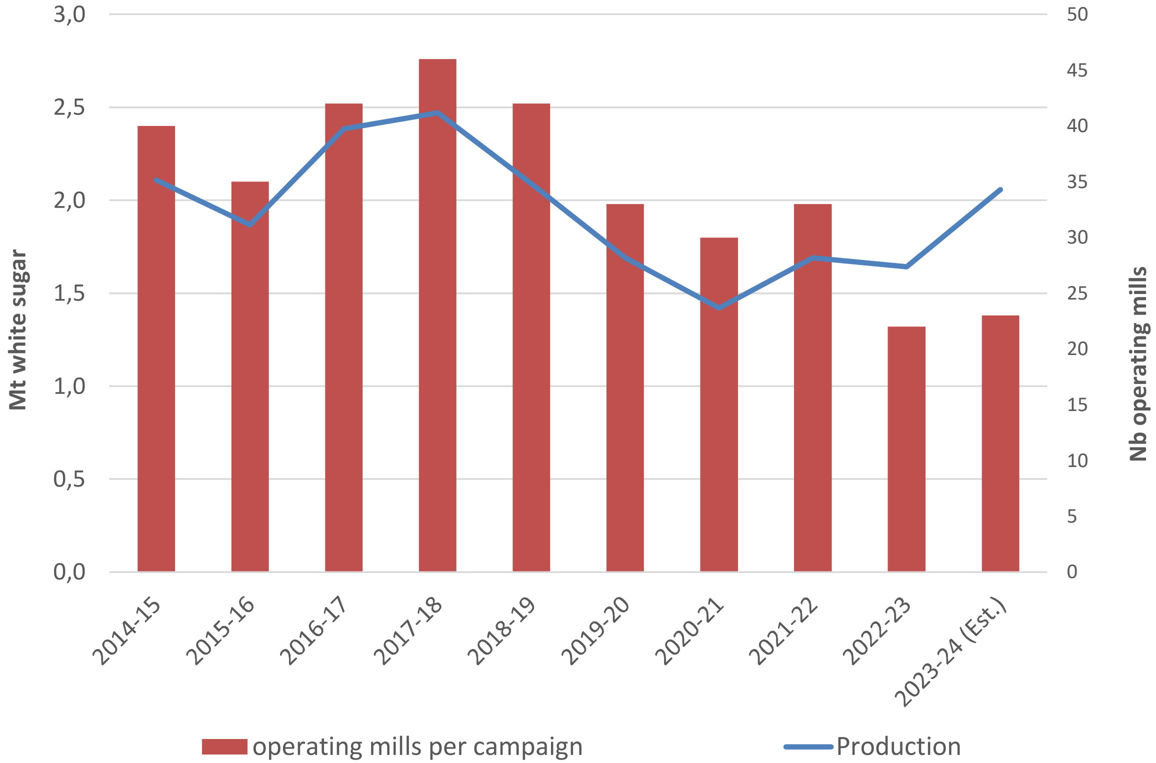
Adjustable sugar production capacities

Ukrainian sugar production and number of operating sugar mills (USDA, S&P)



Between 23 to 40 operating mills over the past decade

Production costs

- Gas-dependent (65% self-sufficiency), coal (40 %), oil (15 %).
- Exchange rates (divided by 2 in 4 years)
- Around [400 – 450] €/t sugar ? (Astarta, 2022)

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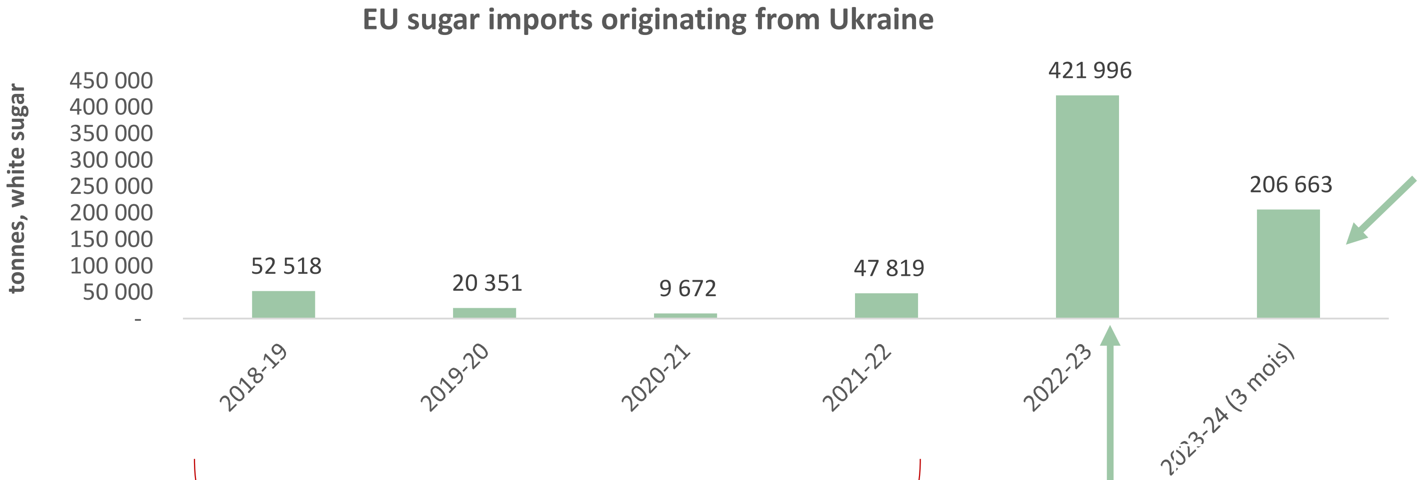
Historical trade flows between Ukraine and the EU



2023-2024

- Already 311 kt over [Oct 23 – Mar 24]
- Closer to the million-ton mark on a mid-term perspective according Ukrainian producers

Before the start of 2022 war

FTA –20 000 t duty-free quota

May 2022

Unlimited duty-free access to the EU market (annual regulation valid from June N to June N+1)

- Trade flow craze (up to 70 000 t / month)

>> Ukrainians concerned about the own domestic supply : ban on exports in September 2023 (until the next campaign) !

- Around 0,4 Mt = historical « surplus » usually destined to Eastern countries
- Impact on 2023-2024 perspectives : beet acreage up 35% !

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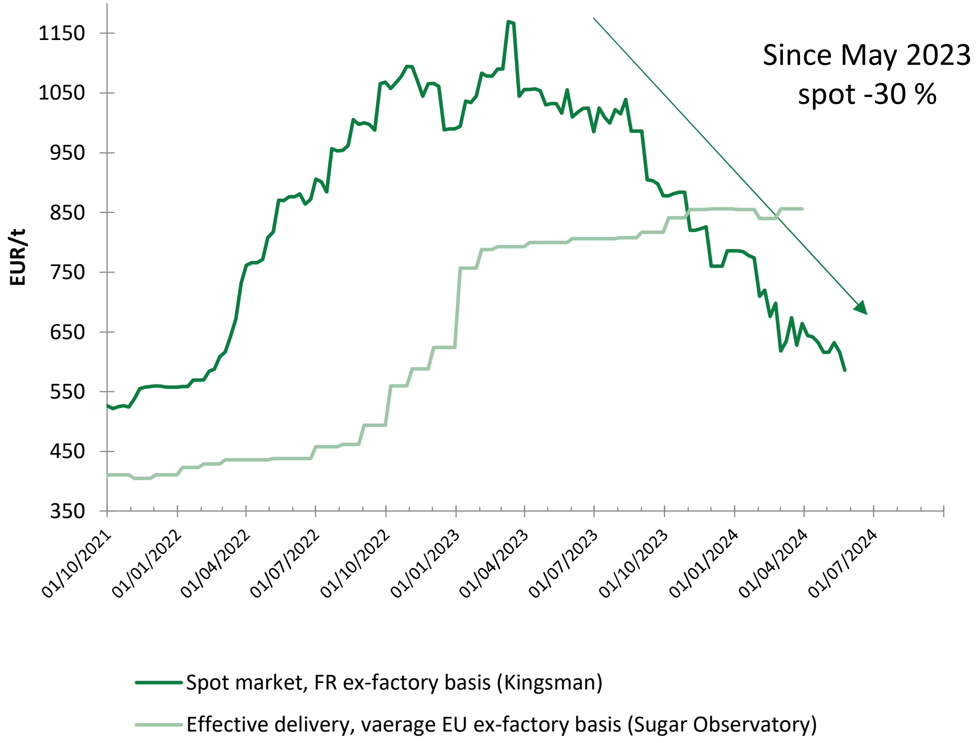
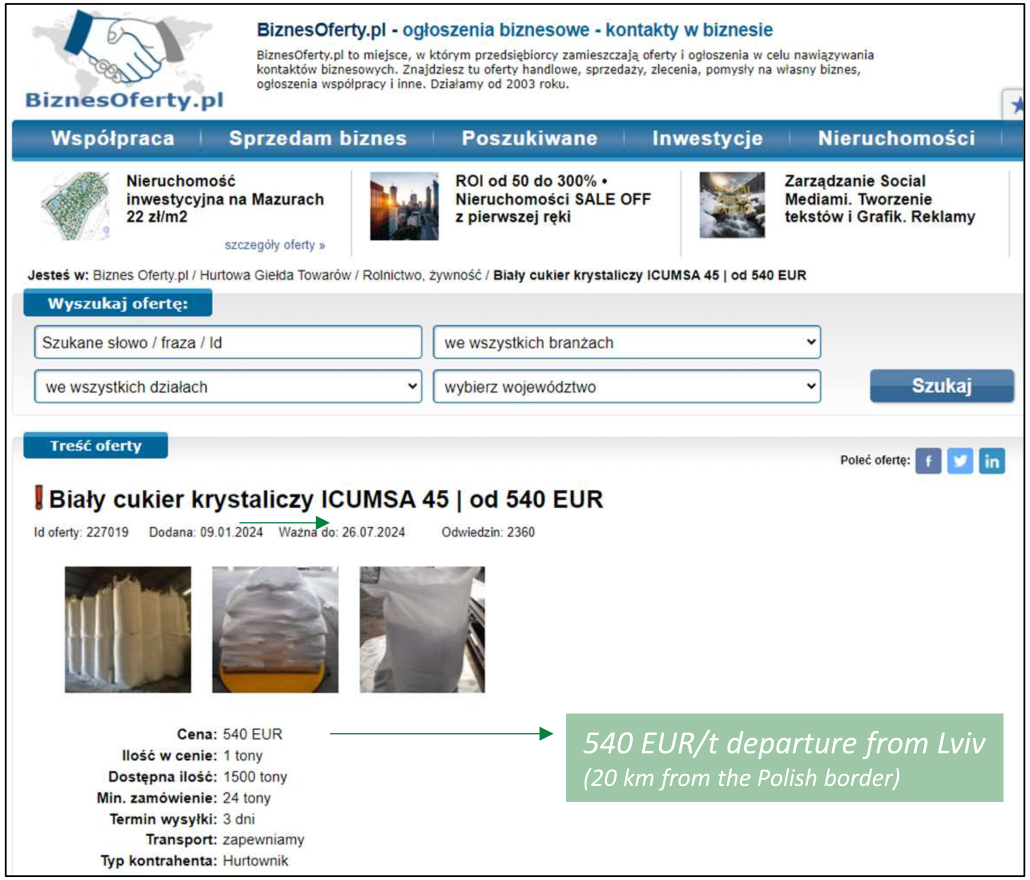
Impact on European prices





https://www.biznesoferty.pl/o/bialy-cukier-krystaliczy-icumsa-45-od-675-eur,227019.html

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What's next ?

- ❑ Review of the Deep and Comprehensive Free Trade Area (DCFTA) agreement >>to be enforced from 06 June 2025 onwards ?

- ❑ Lower beet acreage in Ukraine in 2025 (stability in 2024) ?

- ❑ Challenges posed by the integration of Ukraine within the EU
  - CAP is clearly shaped for a different agricultural model than the one currently in place in Ukraine
  - Alignment to existing European standards and regulations (GMOs, neonics,…)

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