



ukrainian agribusiness club

IMPORTANCE OF THE FUTURE UKRAINE-EU TRADE ARRANGEMENTS: FIGURES AND FACTS

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Ukraine's agri-food sector is the foundation of the country's economic sustainability

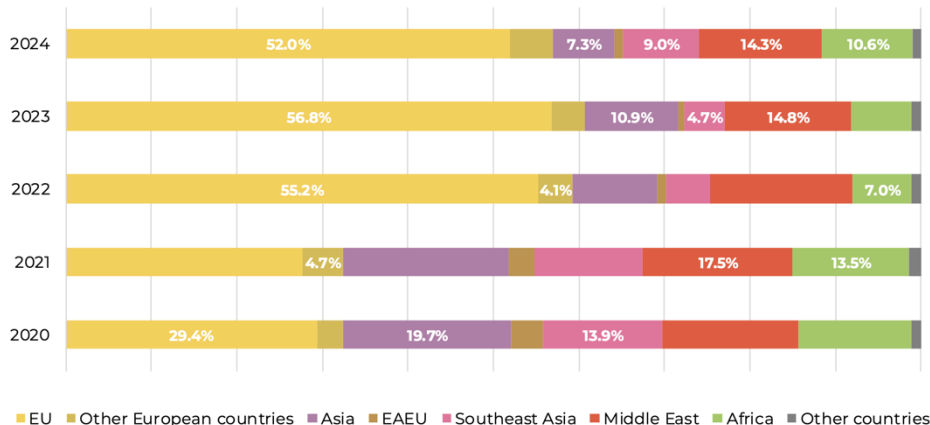
- ◆ **More than 15% of Ukraine's GDP;**
- ◆ **59.3% (\$24.7 bln) of foreign exchange earnings** from Ukraine's exports of goods in 2024 (40.7% or \$27.7 bln in 2021).
- ◆ **Ukraine's agri-food sector is one of the largest taxpayers in the country in 2024:**
 - Local budgets: €1.14 bln; 11% of total tax revenues (compared to €1.03 bln; 9.4% in 2023);
 - State budget: €3 bln; 7.5% of total tax revenues (compared to €2.6 bln; 7.8% in 2023).

The unprecedented impact of the war on Ukraine's agri-food sector:

- ▲ \$80 bln in direct and indirect losses :
 - the total value of destroyed assets is \$10.3 bln;
 - other losses (lost income, increased production costs, etc.) amounted to \$69.8 bln.
- ▲ In 2024, ~181 thous. units of agri machinery and equipment were partially damaged or destroyed.

Ukraine's agri-food sector is critically dependent on the EU market: in 2024, the EU's share in Ukraine's total exports of agri-food products amounted to 51.8% (\$12.8 bln).

EXPORT DESTINATIONS OVER THE YEARS



Source: UCAB Outlook for Ukrainian agricultural market, 2025

- **The EU plays a key role in providing Ukraine with the necessary resources for the agricultural sector:** Ukraine annually imports \$10 bln worth of inputs (pesticides, fertilisers, machinery, etc.) and fuel. **The EU-27 is the leading supplier of inputs, accounting for more than 60% of the total.**
- Given that a significant portion of the necessary high-value-added inputs are purchased in the EU, a drop in production will have a broader economic impact, affecting not only Ukrainian producers but also European suppliers.
- ***The stability and development of the EU manufacturing sector depend on the success of the recovery and further development of the Ukrainian agri-food sector.***

- **Key elements of trade arrangements based on Article 29 of the AA:**
 - ✓ Full liberalisation of trade in non-sensitive agri-food products;
 - ✓ Controlled and predictable trade liberalisation in sensitive agri-food products based on 2024 ATMs;
- **Negotiations on a future agreement must be accelerated to avoid the worst-case scenario of no agreement after the 2024 ATM expires on June 5, 2025.** This would mean an automatic return to the DCFTA 2021 and large-scale losses for the Ukrainian economy.
- If the parties realise that an Art. 29-based trade arrangement is not within reach by the time the ATMs expire, **the EU must take urgent measures to exceptionally extend the current ATMs for the additional period necessary for the completion of the negotiations.**

Automatic return to DCFTA 2021 can cause an economic shock:

- potential losses of foreign exchange earnings could reach about **€3.3 bln** in 2025.
 - return of the TRQs will result in export reductions of ~€2.4 bln and will lead to a 1.9% drop in national GDP;
 - return of the import tariffs will cause losses of ~€841 mln, cutting Ukraine's GDP by an additional 0.62%.

As a result, the return to the tariffs and tariff quotas that applied to Ukrainian agri-food products in 2021 is expected to result in a **2.52% drop in GDP.**

- The overall drop in tax revenues to budgets of all levels will reach 4.15%.
- the main adverse effects will be on agriculture – dropping by 7.74%.

Indicators	The effect of tariff quotas	The effect of import duties	Overall effect
GDP	-1,90	-0,62	-2,52
Taxes	-3,03	-1,12	-4,15
Profit of enterprises	-2,07	-0,64	-2,71
Income of employees	-1,29	-0,42	-1,71
Agriculture	-6,08	-1,66	-7,74
Processing industry	-2,39	-0,91	-3,30
Services sector	-0,79	-0,27	-1,06

Source: own calculations

- Key elements of trade arrangements based on Article 29 of the AA:
 - ✓ **Full liberalisation of trade in non-sensitive agri-food products**
 - ✓ **Managed trade in sensitive agri-food products based on 2024 ATMs:**
 - The current ATM safeguard measures represent a balanced compromise that can be used as an initial basis for future TRQs, with the prospect of gradual progressive liberalisation in line with the spirit of Article 29 of the AA.
 - The list of sensitive products includes poultry, eggs, sugar, honey, groats, oats, and corn.
 - Revising the product nomenclature in the different TRQs that included commodity groups that contained raw materials and processed products (for example, wheat/flour/cereals) or commodity items that were irrelevant to the quoted product (for example, sugar/maltodextrin, wheat/flour).

- **Ukrainian poultry products exported to the EU are 100% European origin:** parent stock, hatching eggs or day-old chicks, veterinary products, and other inputs for poultry production in Ukraine are entirely sourced from the EU.
- **The success of the EU suppliers also depends on the success of Ukrainian poultry producers.**
- The European Union's poultry sector is currently in crisis due to a high number of avian influenza outbreaks. Given the reduction of EU poultry production and disruptions in supply chains, the European Union will increasingly rely on imports to meet domestic demand.
- **Ukraine, already an important supplier and a reliable and predictable partner, can support the balance of poultry meat in the EU.**

Poultry meat	2021	2022	2023	2024
EU import, c.w.e., t	797 056	854 651	895 067	901 574
Brazil	251 887	301 239	290 184	283 663
United Kingdom	274 667	210 851	170 513	200 338
Ukraine	102 892	162 837	231 777	194 162
% of Ukraine in EU import	12,9%	19,1%	25,9%	21,5%
Thailand	130 658	131 223	148 602	156 821
China	20 916	32 864	36 467	44 856
Other	16 037	15 637	17 523	21 734
EU consumption, c.w.e., thous. t	11 806	11 949	12 399	12 871
% of Ukraine in consumption	0,9%	1,4%	1,9%	1,5%

Source: own calculations based on Eurostat, DG AGRI

Sensitive products: EGGS

- **Ukrainian poultry products exported to the EU are 100% European origin:** parent stock, hatching eggs or day-old chicks, veterinary products, and other inputs for poultry production in Ukraine are entirely sourced from the EU.
- **The success of the EU suppliers also depends on the success of Ukrainian poultry producers.**

Eggs	2021	2022	2023	2024
EU import, weight equiv. in t	41 886	53 897	91 679	123 139
Ukraine	8 235	26 010	54 697	74 718
% of Ukraine in EU import	19,7%	48,3%	59,7%	60,7%
United Kingdom	21 769	15 067	14 162	19 051
Türkiye		39	6 255	9 458
Argentina	1 940	3 238	2 980	4 616
North Macedonia	453	903	2 017	4 061
Other	9 489	8 640	11 568	11 235
EU consumption, thous. t	6 660	6 466	6 578	6 584
% of Ukraine in consumption	0,12%	0,4%	0,83%	1,13%

Source: own calculations based on Eurostat, DG AGRI

- Total EU egg production decreased from 7,096 thous. tonnes in 2021 to 6,664 thous. tons in 2024 (a drop of 432 thous. tons or around 6%). Egg imports increased from 42 thous. tons in 2021 to 123 thous. tons in 2024 (an increase of almost three times), but this was not enough to compensate for the reduction in production (123 thous. tons of imports versus 432 thous. tons of production loss). **Thus, imports (60% from Ukraine) played a stabilising role, partially mitigating the deficit, but could not fully balance the market.**
- Given the current difficulties connected to avian influenza outbreaks, **Ukraine can support the balance of eggs in the EU.**

- EU imports increased by roughly 1.1 mln tons (from 1.497 to 2.575 mln tons) between 2021/22 and 2022/23, but over the same period, EU production fell by over 2 mln tons, and domestic sugar prices increased to over \$800/ton. Hence, imports from Ukraine in 2022/23 helped to relieve a domestic shortage.
- The EU sugar market remains in short supply, and the EU is an active importer.
- Given its geographical proximity and technological similarities, **Ukraine is ready to be a reliable supplier of sugar to Europe.** Ukrainian sugar can support food security in the EU and the stable work of the sugar processing industry.

Sugar	2021/2022	2022/2023	2023/2024
EU import, tons	508 644	1 056 086	966 895
Ukraine	40 172	406 777	509 729
% of Ukraine in EU import	7,9%	38,5%	52,7%
United Kingdom	26 813	37 502	92 044
Mauritius	79 873	101 660	64 207
Serbia	99 911	40 688	53 116
Cambodia	0	78 663	48 468
Other	261 874	390 796	199 332
EU consumption, thous. t	16 910	15 950	15 830
% of Ukraine in EU consumption	0,2%	2,6%	3,2%

Source: own calculations based on Eurostat, DG AGRI

Sensitive products: HONEY

- **Ukrainian honey is an indispensable part of the EU market, holding a ¼ of the EU imports.**
- The high demand for Ukrainian products led to Ukraine exceeding the established level of the honey TRQ.
- Given the stable EU demand of 170 thous. tons annually, the current honey TRQ does not correspond to market reality. Its adaptation could eliminate barriers and optimise trade, strengthening the Ukraine-EU trade ties.
- For this reason, European distributors support further trade liberalisation with Ukraine, recognising its importance for the stable supply of the EU market.

Natural honey	1000 tons			mln €		
	Extra EU-27	UA	UA, %	Extra EU-27	UA	UA, %
2014	146,1	20,7	14,16%	316,0	39,9	12,62%
2015	165,4	20,7	12,49%	419,1	44,6	10,65%
2016	162,1	36,5	22,53%	364,6	64,4	17,65%
2017	172,5	46,6	27,03%	386,7	81,0	20,96%
2018	167,5	40,6	24,27%	390,3	74,5	19,09%
2019	167,1	44,5	26,64%	355,3	74,7	21,02%
2020	174,9	54,8	31,33%	360,0	83,7	23,25%
2021	173,5	53,8	31,03%	406,8	101,6	24,97%
2022	190,4	46,1	24,20%	504,4	121,1	24,01%
2023	164,0	45,8	27,93%	360,1	94,8	26,34%
2024	174,5	54,0	30,93%	338,3	94,9	28,04%
AVG 2014-24	168,92	42,20	24,98%	382	80	20,83%

Source: own calculations based on Eurostat

Sensitive products: CORN

Corn	mln tons			mln €		
	Extra EU-27	UA	UA, %	Extra EU-27	UA	UA, %
2014	13,56	7,73	56,98%	2 530	1 306	51,61%
2015	11,45	7,73	67,54%	2 082	1 292	62,06%
2016	11,91	6,72	56,43%	2 091	1 103	52,77%
2017	15,54	8,25	53,07%	2 675	1 386	51,82%
2018	20,72	10,85	52,38%	3 514	1 796	51,12%
2019	22,17	14,20	64,06%	3 815	2 386	62,54%
2020	15,72	8,76	55,73%	2 783	1 512	54,32%
2021	14,11	7,42	52,60%	3 221	1 633	50,70%
2022	23,77	12,05	50,69%	7 152	3 385	47,33%
2023	20,04	12,79	63,83%	5 381	3 310	61,52%
2024	20,08	13,79	68,69%	4 370	2 943	67,34%
AVG 2014-24	17,19	10,03	58,34%	3 601	2 005	55,67%

Corn	2023/2024
EU import, tons	19 032 086
Ukraine	12 984 088
% of Ukraine in imports	68,2%
Brazil	2 807 601
Canada	1 040 641
Serbia	723 339
Russia	370 367
Other	1 106 051
EU consumption, thous. t	76 000
% of Ukraine in consumption	17,1%

Source: own calculations based on Eurostat, DG AGRI

- According to the medium-term forecasts published by the European Commission in 2024, **the EU will need 20 mln tons of corn annually by 2035**, driven by the growing consumption of plant proteins and biofuels.
- Further cooperation between the EU and Ukraine in corn trade creates a chance for the EU to diversify sources of supply and reduce dependence on volatile markets such as Brazil or the US.

I. Art. 29, DCFTA revision

- The **long-term** nature of the agreement guarantees **predictable access** for UA food products to the EU market until EU membership in 2030.
- **2 months left before the expiry of the current ATM, and the position of the EC is unknown.**
- Official negotiations have not started.
- Currently, **unpredictable outcomes for both the EU and UA food markets.**

II. DCFTA 2021

- For Ukraine, it creates the situation of the May 2022.
- **Economic shock:** loss of foreign exchange earnings of up to €3.3 bln, a 2,5% drop in the GDP and a 7.7% decline in agricultural production.
- **The prices for the EU processors and final customers will increase, requiring a surge in imports from third countries.**
- Unpredictable outcomes for the EU processing industry and EU exports.

III. Exceptional continuation of current ATM

- With the **current list of sensitive products** and **existing safeguard measures.**
- Provides **extra time for the Parties to negotiate** and finalise Art. 29 of AA (**end of 2025?**).
- **No economic shock for the Ukrainian economy.**
- Stable market prices for EU processors and final customers.
- Predictable trade for both Ukraine and the EU.

Thank you for your attention!



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