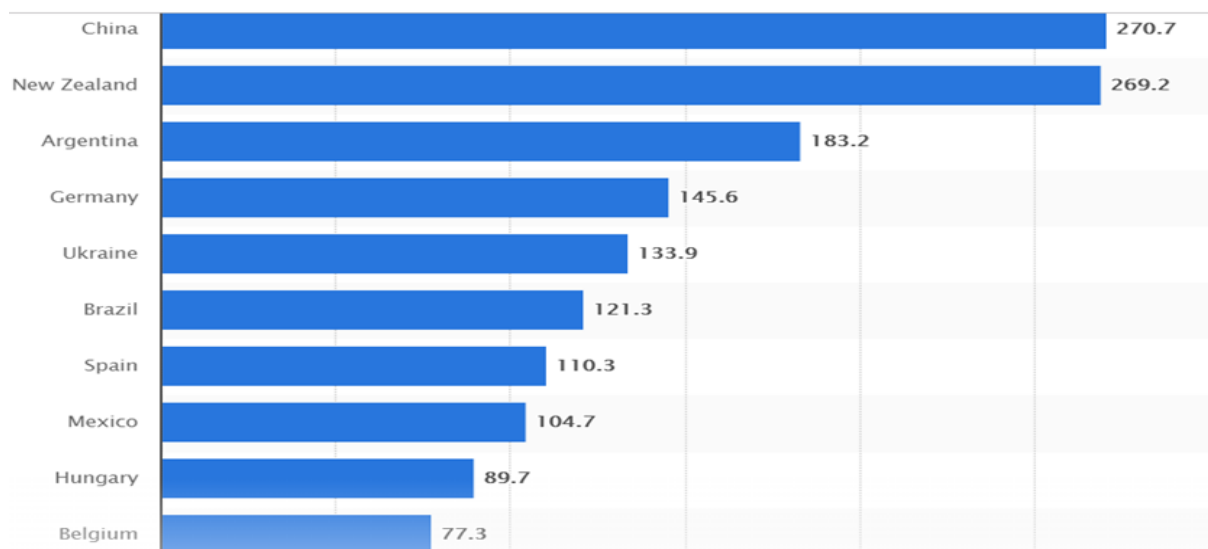


EXPORT OF HONEY FROM UKRAINE: CURRENT STATE, PROBLEMS AND SOLUTIONS

1. Current state.

Over the past five years, Ukraine has become a strong player in the global honey market. In 2017, Ukraine ranked first in Europe, and the fifth in the world in terms of honey production, officially producing almost 70,000 tons of honey, accounting for 5-6% of world production. With a record amount of honey export at 67,8 tons, Ukraine ranked third among the world's exporters in term of volume, after China and Argentina, and fifth in term of value. [1]



Pic. 1. Export value of natural honey worldwide in 2017, by leading country (in million U.S. dollars)
[2]

From 2011 to 2017, the volumes of honey export from Ukraine have grown almost 7 times.

In 2019, Ukrainian honey exports of 49,900 tons saw a decrease of 26,6 percent in comparison to the previous year. Ukraine had the risk of losing not only in monetary terms, but also in positions on the key markets for Ukrainian products. [3]

2. Problems

Ukrainian honey producers face a number of challenges which prevent the country from becoming the world's largest honey exporter. Let's take a closer look at how we can overcome them.

2.1. Problems of quantity

In 2018, export of honey from Ukraine decreased by 26.6% compared to the previous year, making it lost status as the world's third-largest honey exporter. Exports fell due to high competition in the international market and various diseases of bees.



Pic. 2. Dynamics of export of honey from Ukraine [1]

Ukraine is facing tough competition from India, Vietnam with dramatically increasing the supply of cheap honey in one of the most important market – The United States. Meanwhile, last year, beekeepers were confronted with the unprecedented pests of bees as a result of using pesticides by agrarians. Bees have died in almost all areas. According to official statistics of the State Committee for Consumer Goods and Consumer Protection, nearly 13 thousand bee families perished. The Union of Beekeepers of Ukraine estimates losses in 45 thousand bee families. In the monetary equivalent, it was a loss of more than 130 million UAH. [3]

2.2. Problems of Quality

Ukraine exports honey as a raw product. The question is why exporters sell raw materials instead of finished products with high added value. One of the main drawbacks of Ukrainian honey quality is its rapid crystallization, even after pasteurization. While consumers prefer the liquid product, this problem is a challenge for exporters to break into foreign markets with large volumes of packaged products.

There is another problem related to the safety of Ukrainian food. There have been unfortunate incidents with exported Ukrainian food products such as antibiotics in honey sold in the Czech Republic in 2016. Such situation occurred causes distrust and worry among European consumers of Ukrainian products. Rather than upholding standards, however, the Ukrainian government seems to simply rely on the integrity and responsibility of domestic producers.

As a result, the average export price of Ukrainian honey is \$2 per kg, while the packaged honey in Germany costs already around 10 EURO per kg. At the same time, the average price of 1 kg of honey imported to Germany from another EU country varies between 3,5-7 EURO. It is the same story in USA, If a U.S. customer buys honey for \$20 per kilogram, Ukrainian companies supply honey at \$2.50 per kilogram at most[4].

Table.1

The average export price for 1 kg of honey, \$

Country	Price	Country	Price
China	2.09	Brazil	4.48
New Zealand	24.32	Spain	4.46
Argentina	2.61	Mexico	3.78
Germany	5.81	Hungary	4.03
Ukraine	1.98	Begium	3.91

From all of these countries, Ukrainian honey is the cheapest in the world - less than \$ 2 per kilogram. The highest price is in New Zealand,\$ 24.3 [5].

2.3. Regulatory Problems

Ukrainian regulations, including those of the central bank, the National Bank of Ukraine (NBU), are to blame, making it easier for Ukrainians to export raw materials while discouraging them from exporting finished products.

Instead, foreign companies come to Ukraine to source raw materials and collect the added value, opening offices to purchase raw materials for export to other countries. The regulations for selling value-added products in Ukraine are completely different. If you want to sell such products, you have to have representative offices in other countries. And establishing a representative office requires a license from The National Bank of Ukraine. The procedure takes a lot of time, is heavily regulated, and a company must send all of its earnings to Ukraine within a 180-day period. Because of this over-regulation, many businesses have given up trying to export value-added products.[6]

The increase of EU export quotas for honey is also an issue as their current volume is ten times lower than the current scope of Ukrainian honey products export to the EU.

For the export of natural honey (code according to the EU-EC 0409), a duty-free tariff quota operates within the framework of the EU-Ukraine Free Trade Agreement between Ukraine and the EU: [6].

The size of the duty-free quota	The import duty rate within the quota limit	The duty rate over the quota
5000 tons / year (with a gradual increase over 5 years of 200 tons/year to 6000 tons / year)	0%	17,3%

The tariff quota does not mean a ban on exports, but when the quota is exceeded, the EU import duty rate is applied - 17.3% . In addition, in autumn 2017, an additional duty-free quota for honey in the amount of 2500 tons / year for a period of 3 years was introduced in the framework of the EU's temporary additional trade preferences for Ukraine. [7]

By 11 January 2018, 100% of the export quota for the supply of honey to the EU has been used up, even given that the EU has increased quotas in 2017 to 7900 tons / year. [8]

3. Solutions

In order to compete with other countries, the retail trade of honey under Ukrainian trademarks may become a solution. Ukrainian exporters must enter the EU markets with products that have significantly higher added value, in particular, not to sell barrels, but in small packages. Though, in order to achieve it, local honey producers have to invest more resources into marketing. Even high quality, organic honey should come in an attractive and handy package. Product promotion on external markets also requires comprehensive marketing strategy. The least one can start with, is to translate the company's site into English.

Another way out is to obtain certificates of ecological products. Although such certificates are not easy to obtain, they open the market to exporters with less competition and greater cost of production. An effective promotion strategy also includes putting emphasis on organic nature of the product. USA and EU countries consumers at the key buyers of Ukrainian honey and they adore organic products.

In order to overcome the challenge of "Death of bees", Ukrainian producers need to implement more ecologically sustainable farming and treatment technologies.

Honey producers should unite in order to influence the state policy on honey production. Ukrainian authority must strengthening of control over the quality of honey. The reform of export regulations should be prioritized, at the same time, Ukraine should negotiate a better deal with the EU to expand the duty-free quota.

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