

FEATURES OF DAIRY PRODUCTS EXPORT DURING THE WAR

Dairy industry is one of the most important and promising components of the market of Ukrainian agro-industrial complex, which provides the population with the necessary dairy products. During the full-scale war, dairy farms in the country began to lose their position in the market due to infrastructure damage, reduction in the number of cattle and complexity of logistics, which led to a decrease in the production and sale of dairy products.

So, the most dairy processing enterprises see the main direction of life support in exporting their products. The main markets for Ukrainian dairy products in 2021 were the CIS countries (Kazakhstan, Belarus, Uzbekistan, Turkmenistan, Tajikistan, etc.) and Georgia, which together covered 53% of the total dairy exports. In second place was the Middle East and North Africa (MENA region) – 16%. Further, European countries with an export share of 14%, as well as Southeast and North Asia – 10% [3]. However, due to the blocking of Ukrainian ports, logistics capabilities have deteriorated significantly and have risen in price. Therefore, the main export directions have become the European Union.

Despite the war and the blockage of seaports in 2022, Ukraine exported dairy products for \$344.6 mln., which is 39% more than in 2021 (Chart 1).

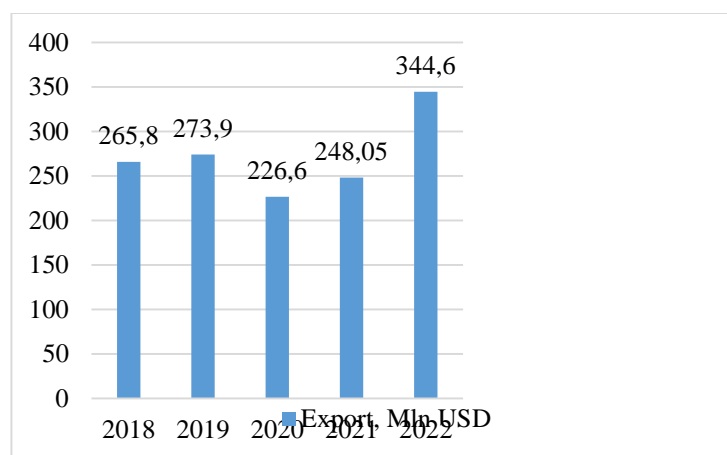


Chart 1. The dynamics of the dairy product export in monetary value [1]

There were three main reasons for the increase of export of dairy products in 2022:

- promoting the European community in the liberalization of trade between Ukraine and the EU;
- high world prices for dairy products during the first three quarters of the year 2022;
- competitiveness of Ukrainian dairy products in the European market in the summer-autumn period.

The main market, as expected, was Europe (41.8%), due to logistical advantages, high prices, and the abolition of customs regulation. The structure of other countries

importing dairy products is: the Eurasian Economic Union (EAEU) (17.4%), Asian countries (14.8%) and the Middle East (10.9%).

Instead, the main export categories (in monetary terms) were milk powder (26% of the total structure), butter (24%) and casein (21%) (Chart 2). Thus, exports of milk powder and condensed milk amounted to 26.7 thousand tons, bringing Ukraine \$90 mln. (+56,9%). Butter and casein sales increased in \$81.7 mln. (56.3%) and \$74.2 mln. (34.3%), respectively with the main market in Europe.

At the same time, in 2022 sales of condensed milk and cream amounted to \$16.4 mln. (+ 58%)., and sales of dairy products decreased in 44.5%, bringing \$4.7 mln. Due to the logistic blockade of seaports, exports of whey also decreased significantly by \$15.8 mln. (31,3%). Ice cream sales decreased in 7.5% (6.9 thousand tons), but in monetary terms increased in 4.5% (\$19.5 mln.). Also, with the devaluation of the hryvnia, purchases of cheese, the main import category of dairy products, dropped significantly and domestic cheese makers began to increase production to meet the needs of the domestic market and for export. In 2022, 9 thousand tons of cheese (+ 29.8%) were delivered to foreign markets for a total value of \$42.3 mln. (+58,4%) [2].

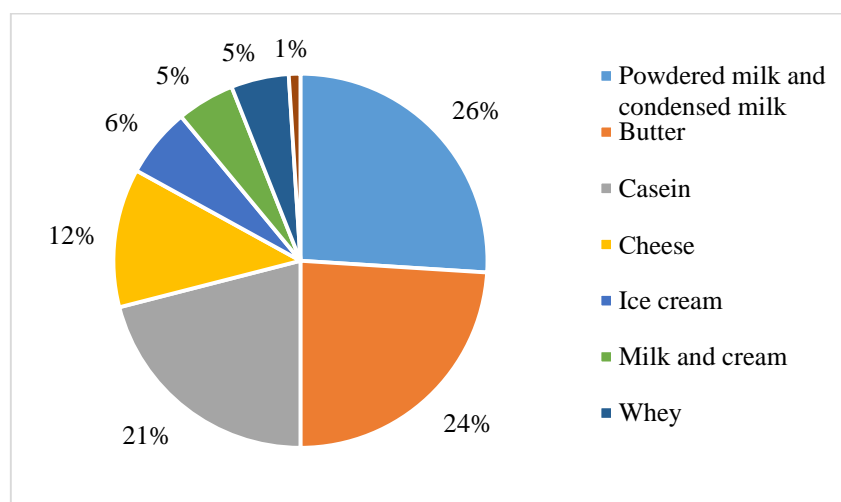


Chart 2. The structure of dairy products exports in 2022, %

The main objectives for increasing exports of milk and dairy products are to support the industry from the state, restore cattle farms, search and establish new international relations with countries for the export of products, ensure proper transportation of milk and dairy products.

Modernization of production capacities and global transition to high international dairy standards will help Ukrainian producers to integrate faster into international markets.

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3. Quality FOOD Trade Program. 180 degree turn: The impact of the war on the dairy sector and export markets. Retrieved from <https://qftp.org/zmina-kursu-na-180-hradusiv-vplyv-vijny-na-stan-molochnoho-sektoru-ta-eksportni-rynky/> [in Ukrainian].