Country: Ukraine

Overseas Market Introduction Service

Report on Seafood Export Profiles Ukraine

Sea Fish Industry Authority

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EXECUTIVE SUMMARY

Summary of the Enquiry

This report was commissioned by Seafish. Seafish is funded by a levy on the first sale of seafood landed and imported in the UK. It aims to support and improve the environmental sustainability, efficiency and cost-effectiveness of the industry, as well as promoting sustainably-sourced seafood.
Seafish has requested UK Trade & Investment (UKTI) to compose/update a number of market reports on various countries, including Ukraine. UKTI Ukraine has agreed to compose the report on Ukrainian seafood market.

Methodology

UK Trade & Investment compiled information for the report principally through desk research, using open public sources:

- Commercial databases
- Web-based research
- Industry contacts, previously established by the UKTI
- Trade associations and other relevant organisations
- Trade publications

UKTI has used the latest possible statistics available in general covering 2012: in a few instances data for 2011, 2010, 2009 or even 2008 has had to be included as the most recent available.

Note: some figures in this report are indicated in US Dollars and not converted into GBP due to frequent changes of exchange rates.

SECTION 1 MATCHING PROFILE

1.1 UKRAINE - AN OVERVIEW

Geography and Topography

Ukraine is located in Eastern Europe and covers a land area of 603,700 sq. kilometres, having a coastline of 2,782 kilometres, making it the second largest country in Europe after the European part of Russia. It borders the Russian Federation to the east, Belarus to the north, Poland, Slovakia, Hungary, Moldova and Romania to the west, and the Black Sea and the Sea of Azov to the south.

Population

The population of Ukraine is approximately 45.7 million (as of 1 November 2011), with a population density of about 75.7 people per sq. kilometer. Approximately 78% of the population are ethnic Ukrainians and 17% ethnic Russians. The remaining 5% of the population includes ethnic Byelorussians, Moldovans, Poles, Jews, Bulgarians, Tatars, Hungarians, Romanians, Greeks, and other nationalities.

Economy

(2011 est.)

GDP (purchasing power parity)	**$333.7 billion**
GDP (official exchange rate)	$165 billion
GDP - real growth rate	5.2%
GDP - per capita (PPP)	$7,300
GDP - composition by sector	agriculture: 9.4% industry: 34.4% services: 56.2%
Labour force	22.09 million
Labour force - by occupation (2008)	agriculture: 15.8% industry: 18.5% services: 65.7%
Unemployment rate (officially registered; large number of unregistered or underemployed workers)	7%
Investment (gross fixed)	20% of GDP
Inflation rate (consumer prices)	8%
Exports	$69.42 billion

	Exports - commodities: ferrous and nonferrous metals, fuel and petroleum products, chemicals, machinery and transport equipment, food products Exports - partners: Russia 27.3%, Turkey 5.9%, Italy 4.7% (2009 est.)
Imports:	$83.22 billion Imports - commodities: energy, machinery and equipment, chemicals Imports - partners: Russia 30.8%, Germany 9.1%, China 8.9%, Poland 5.3%, Belarus 5% (2009 est.)
Fiscal year	calendar year
UK imports - Ukraine (2012 Jan-Aug)	£ 196 million
UK exports - Ukraine (2012 Jan-Aug)	£ 389 million

Ukraine benefits from a consumer market of approximately 45.7 million people, and enjoys an opportune geographical location, a mild climate, a fertile land, a rich natural resource base, a highly educated labour force, a well-developed transport infrastructure, and a well-developed tradition of scientific research and development. Despite the fact that Ukraine has experienced steady economic growth over the past five years, the country faced serious challenges in sustaining the negative consequences of the world economic crisis and remains in need of investment in all sectors of industry, with many industrial plants unable to meet current consumer demand.

Following the independence from the Soviet Union, export restrictions have been significantly reduced on various categories of products produced in Ukraine. The core export categories include ferrous and non-ferrous metals and metal products; chemical products; fertilizers; plastics and rubber; agricultural products and foodstuffs; engineering goods; various types of machinery and equipment (including various types of transport vehicles); textiles; and a wide variety of raw materials. In late 2010, in order to eliminate the deficit of grain and to control an increase in crop prices on the domestic market, the government has introduced export quotas for certain types of grain crops which remained in force through May 2010.

The Ukrainian financial sector has undergone substantial changes and improvements in the past several years with an effective regulatory framework being progressively created and a modern financial system, based on market principles, steadily emerging. However, like in other economies, Ukrainian financial sector is experiencing the negative effects of the world financial crisis. The National Bank of Ukraine and the government are implementing a number of measures in order to fight the negative consequences of the world financial crisis. Such measures, *inter alia*, include recapitalization of Ukrainian banks, limitation of the outflow of capital from Ukraine and facilitation of the performance of debt obligations by Ukrainian borrowers.

In 1996, shortly after the adoption of the new Constitution, the National Bank of Ukraine successfully launched the new Ukrainian currency, the Hryvnia (UAH).

Foreign Relations

Since gaining independence in 1991, Ukraine is currently party to more than 400 multilateral treaties and over 2,000 bilateral agreements. Among others, Ukraine is a constituent member of the United Nations and various other multilateral organizations, including the IMF, IBRD, IFC, MIGA, EBRD, BSTDB, EIB, OSCE, and the Council of Europe. In 2008 Ukraine joined WTO. Ukraine also cooperates with the OECD, the European Union and NATO. Ukraine has stated its intention to ultimately join the European Union within the next decade and to continue cooperation with NATO in various areas. To this end, Ukraine has signed and ratified the *Treaty On Partnership and Cooperation* with the EU and the *Cooperation Agreement* with NATO, both of which are now in force.

Ukraine has also ratified the *Agreement on the Common Economic Space* (CES). The CES establishes a free-trade zone among Ukraine, Russia, Belarus, and Kazakhstan to promote the strengthening of economic cooperation among these member-states.

Regional Structure

Ukraine is a unitary state divided into 24 oblasts (regions), the Autonomous Republic of Crimea, and the cities of Kyiv and Sevastopol (each of which is deemed a separate administrative unit). Every oblast and each of the cities of Kyiv and Sevastopol has a governor, who is appointed by the President. The Autonomous Republic of Crimea has its own constitution, Verkhovna Rada (Parliament), and government, but remains subordinate to the central Government of Ukraine. It is anticipated that major administrative and territorial reforms will take place in Ukraine in the medium-term.

1.2 THE SEAFOOD SECTOR

On average Ukrainian households spend about 55% of their incomes on food and drinks, excluding alcohol and tobacco products. Including alcohol and tobacco products this share picks up to almost 60%.

In general, food consumption patterns in Ukraine have been following the world patterns. As the income of population grows, more protein rich products tend to replace the staple food.

Table 1: **Per capita food consumption in Ukraine, kg per year**

Food category	2000	2005	2007	2008	2009	2010	2011
Meat and meat products	32.2	39.1	45.7	50.6	49.7	52.0	51.2
Milk and milk products	199.1	225.6	224.6	213.8	212.4	206.4	204.9
Eggs	166.0	238.0	252.0	260.0	272.0	290.0	310.0
Bread products	124.9	123.5	115.9	115.4	111.7	111.3	110.4
Potato	135.4	135.6	130.4	131.8	133.0	128.9	139.3
Vegetables, melons etc	101.7	120.2	118.4	129.2	137.1	143.5	162.8
Fruits, berries and grapes	29.3	37.1	42.1	43.5	45.6	48.0	52.6
Fish and fish products	**8.4**	**14.4**	**15.3**	**17.5**	**15.1**	**14.5**	**13.4**
Sugar	36.8	38.1	40.0	40.9	37.9	37.1	38.5

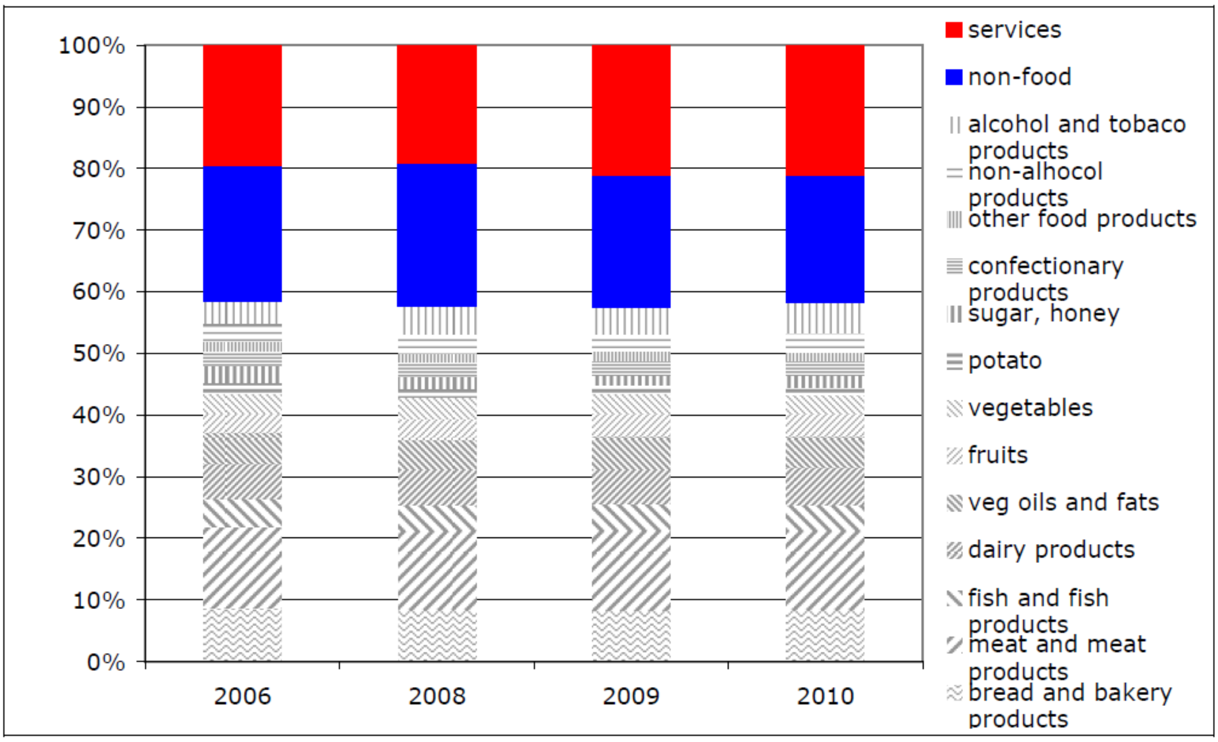
According to the State Statistics Committee of Ukraine, per capita consumption of fish has almost doubled from 8.4kg in 2000 to 15.0kg in 2009. At the same time it has slightly decreased during the last two years to 13.4 in 2011.

Nowadays the volume of official sales in Ukrainian fish market constitutes USD 1 billion. In 2010 the volume of Ukrainian fish and sea products market constituted 674 thousand tons, and saturation level comprised 67-73%. The market decreased by 14% in 2008-2010, affected by USD/UAH exchange rate upsurge, decline of household disposable income, and fish and sea products supply contraction. In 2011 national average fish and sea product consumption equalled to 13.4 kg per capita. Upper middle and high income households consumed annually 24-30 kg per capita in 2008-2010, almost twice as much as low income groups.

Table 2: **Fish and seafood consumption in Ukraine, thousand tons**

Year	2000	2005	2006	2007	2008	2009	2010
Fish and seafood consumption, thousand tons	412,5	676,5	661,5	710,3	810,8	696,9	674,0

Figure 1: **Structure of consumption expenditures of households in Ukraine**



Imports

According to the State Statistics Committee, in 2010, capture of fish and other water products (molluscs, crustacean, etc.) has reached 218,681 thousand tons:

- 69,725 thousand tons – Ukrainian sea economic zone
- 110,592 thousand tons – sea economic zones of other countries.

Ukraine possesses the most powerful port potential among all countries of the Black Sea region. Along its Black and Azov Seas coastline there are 18 merchant seaports: Reni, Izmail, Ust-Dunaisk, Belgorod-Dnestrovskiy, Ilyichevsk, Odessa, Yuzhniy, Nikolaev, Oktyabrsk, Kherson, Skadovsk, Yevpatoria, Sevastopol, Yalta, Theodosia, Kerch, Berdyansk, Mariupol, as well as 12 port points.

The waterfront and port territories are equipped with about 600 gantry cranes, thousands of lift trucks of different types and other units of port machinery. These ports have over 330,000 sq. m. of sheltered warehouses and over 2.5 million sq. m of open storage yards.

The most important Ukrainian ports are those of Odessa, Ilyichevsk and Yuzhniy, all situated not far from each other in the north-western part of the Black Sea. These three ports alone totally account for 56.6 % of the entire cargo turnover in Ukrainian merchant seaports and 38.28 % of cargo handling in all ports and terminals of the country. These ports offer the best approach ways (drafts of vessels accommodated are 11.5 – 14.5 m.). The other ports in Ukraine can only accommodate ships with considerably less draft.

The major container terminals in Ukraine are also located in the ports of Odessa, Ilyichevsk and Yuzhniy.

Domestic capture fishery and aqua-farming supplied not more than 33-39% of total market volume in 2008-2010, and domestic supply continued to fall driven down by high level of Ukrainian shipping fleet depreciation and lack of investment to aquaculture development. Besides that, local producers have outdated cold storage facilities, outmoded processing facilities, problems with securing quotas for fishing in international waters. Thus, Ukrainian market remains strongly dependent on import. Norway, Iceland, Canada, and Estonia are the major importers of fish to Ukraine. In the segment of fresh and chilled fish the share of Norway in total Ukrainian import reaches 92-94%. The strength of Norway is that they supply a wide range of products and secure regular deliveries. Norwegian exporters also use state promotion programs.

Table 3: **Ukrainian Imports of Fish and Crustaceans, Molluscs and Other Aquatic Invertebrates, thousand tonnes**

Product	2005	2006	2007	2008	2009	2010
Live Fish	20	23	10	1	1	1
Fish Fresh Or Chilled (No Fillets or Other Meat)	397	2316	6110	9241	8721	9224
Fish, Frozen (No Fish Fillets or Other Fish Meat)	330283	262420	295380	348409	311755	344222
Fish Fillets and Other Fish Meat, Fresh, Chilled or Frozen	32097	50309	78907	123623	71419	53177
Fish Dried, Salted etc., Smoked, etc; Edible Fish Meal	3745	6376	4325	3863	2701	2228
Crustaceans Live, Fresh, Chilled, Frozen, Dried, Salted, Smoked etc.	2325	8418	13455	13189	7089	9874
Molluscs & Aquatic Invertebrates Live, Fresh, Chilled, Frozen, Dried, Salted, Smoked etc.	1813	2787	7508	9287	2052	4442
Fish Cooked or Preserved; caviar	52493	61529	57738	64293	37997	41030
Crustaceans, Molluscs & Aquatic Invertebrates Cooked or Preserved	2692	2443	3283	6043	2614	4030

1.3 CONSUMER TRENDS

More than 95 percent of all food products consumed in Ukraine are produced domestically. Current domestic production and consumption of agricultural and food products in Ukraine is still only half the level recorded during the last years of the Soviet era. The seafood, fruits and vegetables, and beverage sectors have developed very quickly over the past five years.

During the period of 2005-2008 there was a high growth rate of fish and seafood consumption – up to 14% per year. In 2008 consumption of fish and seafood per capita amounted 17,5 kg. According to the Ukrainian Agrarian Confederation (UAC) in 2009 the average annual consumption of fish and fish products in Ukraine has decreased by 15% to 14.9 kg per person and came close to the minimum recommended level of 12 kg per person per year. The main factors that influenced the decrease in fish consumption were: currency devaluation, lower incomes, and as a consequence, the market shift towards "low cost" varieties. These issues have practically stopped import of the most marginal varieties – salmon, trout, and other delicacies fish. So, in 2009, imports decreased by 20%, exports increased in 86 times compare with 2008, reflecting a change in the exchange rate. Currency devaluation has stimulated exports, the volume of which increased from 0.3 tons in 2008 to 29.5 tons in 2009, and has kept imports – from 485 tons in 2008 to 395 thousand tons in 2009.

The profile and preferences of higher income groups determine several trends of market demand. In 2010, despite 26% price growth, import of fresh and chilled fish went up by 6% in natural units resulting in 33% growth of that segment in monetary terms. In January-August 2011, contrary to frozen fish and molluscs import contraction (by 18% and 22% correspondingly); fresh, chilled, filleted, and dried fish, and crustacean segments demonstrated an upward trend. Dramatic plummeting of fish import and export led to domestic market shrinkage. Thus, during 8 months of 2011 overall market contraction substituted to 23%. The total domestic market volume amounted to 324.6 thousand tons.

1.4 COMPETITION PROFILE

There are more than 3000 operators in the Ukrainian market, however, domestic market is marked with substantial concentration level: 5 companies supply more than 75% of total market volume. Nowadays there are five major companies in Ukrainian fish market: Ukrains'kaya Vostochnaya Rybnaya Kompaniya (UVRK), Skandynaviya Fish, Mizhnarodna Grupa Moreproductiv, Ricon, and Klion.

Skandinaviya Group

- founded in 1997
- 100 varieties of frozen fish and sea products
- two own logistic refrigerating plants in Kyiv (capacity 18,000 tons; built in 2007) and Berdiansk (capacity 18,000 tons; built in 2008)
- logistic center "Arktika": customs storage (for 300 vehicles), 20,000 tons refrigerating storage, fish processing capacities, fish and sea products supermarket

Ukrainian Eastern Fish Company Ltd.

- founded in 1996
- fish processing plant (annual production capacity equals to 12,000 tons)
- wide storage network, more than 50 reefer-trucks
- refrigerating facilities (capacity 5,000 tons) in Kupiansk (Kharkiv region, Ukraine)
- "Don Mare" franchising network of specialized fish shops
- trademarks: Norven, U.F.C, Ohotskaia, Ruskiy Posol, etc.
-

ISG International Seafood Group

- founded in 1999
- trademarks: Flagman, Flotilia, Pyvnyi NABEER (Beer Snack), and Gourmand-Menu
- 300 varieties of fish and sea products
- TOP 5 Ukrainian fish products traders (2006)
- processing facilities (projected capacity – 100 thousand tons per annum)
- logistical refrigerating plant "Ice Terminal", storage capacity 25,500 tons, customs terminal, and storage for bonded cargo
- a certificate of quality correspondence which grants a right to export fish products to EU

Klion group

- founded in 2005
- the second largest distributor of fish and sea products to Ukrainian market
- 100 varieties of fish, including fish for industrial processing, specialty fish, table fish and sea products
- trade mark Veladis

Rikon

- founded in 1998
- fish products supply to 563 Ukrainian companies, 48% of which have been cooperating with Rikon for more than 3 years
- any own fish processing capacities and own logistic facilities.

SECTION 2 DOING BUSINESS PROFILE

2.1 THE SUPPLY STRUCTURE

Ukraine: Import supply structure, logistics and distribution

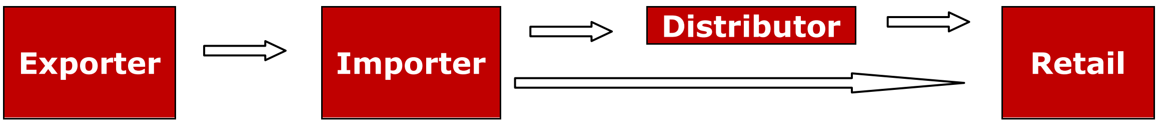


Table 4: **Exporters Advantages and Problems**

Exporters Advantages	Exporters Problems
Population of 45.7 million. A growing number of consumers who can afford to purchase high-quality food products	Despite general income growth, majority of consumers continue to save money on food or rely on home produced food products
Demand for higher quality food products is growing especially in high-end establishments	Many customers have a prejudice against imported food products due to the boom of low-quality food product imports in the early 1990's
Ukraine's HoRECa sector is expanding, which creates a number of opportunities to perspective exporters.	Frequently changing trade legislation and policies often impact trade. Import tariffs remain very high
Changes in urban life-styles has increase demand for eating out	Rapid development of local manufacturers producing ready-to-cook products creates competition for similar imported goods
UK-made food and drinks are still new for the majority of the population, but rather popular among the younger generation	Growing number of domestically produced generic products; lack of knowledge towards UK products
In general restaurant owners are opened to new products in order to attract customers	Strong competition with suppliers of similar products from Russia and European Union
Existence of large importers experienced in importing food products to Ukraine	Difficulties in finding a reliable partner or distributor

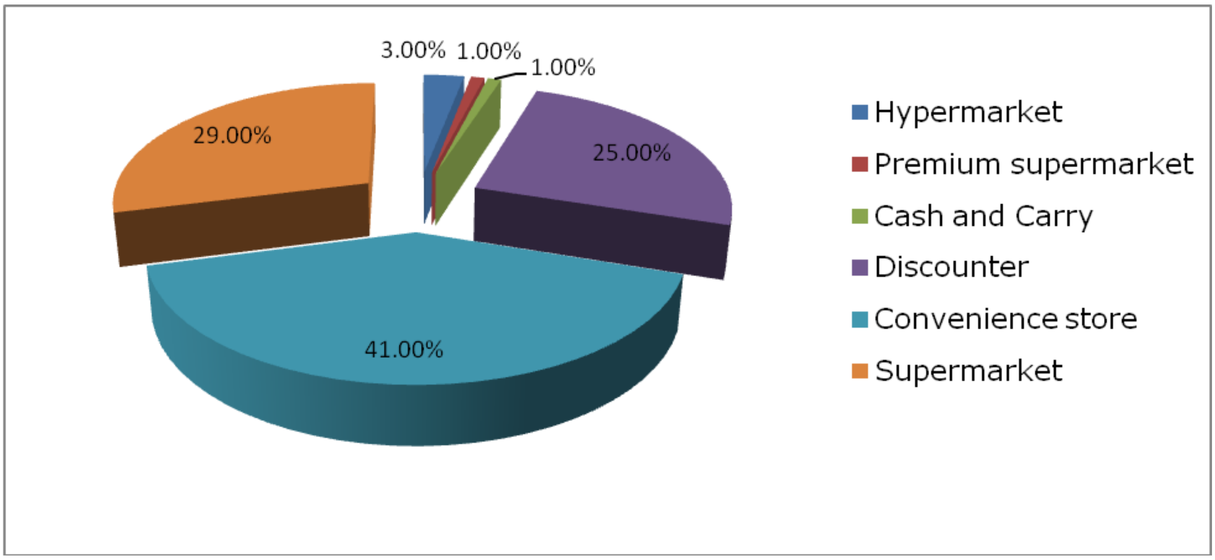
2.2 FOOD RETAIL MARKET

Ukrainian retail market averaged more than 20% growth a year during 2003-2008, according to the data of the Ukrainian Statistics Committee. As retail industry is heavily dependent on consumer spending, the growth was strongly correlated with an average 15% increase in real disposable personal income over these years. In 2009, the retail market plummeted by 16.6% due to the effect of recession that hit the world economy. In 2010 and 2011 retail market was back on track with 20% and 27% growth respectively. The market growth rates in 2011 in Ukraine were among the highest in CIS countries. Real disposable personal income increased by 10.2% and 8.7% over 2010 and 2011 respectively.

Ukraine has one of the least concentrated retail markets in Eastern and Central Europe. In 2010 the Top-10 retailers accounted for just 30% of the total food sales turnover (50% - in other retail segments such as consumer, electronics, shoe and fashion). During 2009 – 2011 there were a number of deals on acquisition of smaller retail networks by larger ones, especially in food retail sector.

The most popular retail formats were convenience stores and discounters. The share of modern large hypermarkets remained small. The types of new stores opened during first three quarters of 2011 were the following:

Chart 1: **Stores opened in 2011**



Source: Deloitte's assumptions

In 2011 – 2012 retailers declared diversification of formats. For example, French retailer Auchan decided to introduce in Ukraine another format – "city hypermarket" that will have trading area 3 times smaller than that of the current formats. Fozzy Group, the chain of food retail stores, opened its first "premium supermarket" under the brand Le Silpo.

One of the hot topics of retail development is development of private labels. It means vertical integration through purchase of small factories or organization of franchise production. Private labels allow gaining additional profitability and keeping prices attractive. Private labels are most popular among food retailers, cosmetics and home care retailers.

Food retail segment is presented by a number of retail networks operating in different regions of Ukraine. The largest food retail chains are:

- Fozzy Group – 206 supermarkets,
- ATB-Market – 540 discounters and convenience stores,
- Metro Cash&Carry - 26 hypermarkets,
- Furshet – 117 supermarkets,
- Auchan – 8 hypermarkets,
- Amstor - 24 trade centers,
- Velyka Kyshenya – 47 supermarkets,
- EKO Market – 82 supermarkets,
- Billa Ukraine – 21 supermarkets,
- Novus – 18 supermarkets,
- Ukrainian Retail – 103 supermarkets.

Supermarkets, neighbourhood stores and cash & carries are the leading retail formats. Share of unorganized trade (open markets, kiosks, etc.) is still very high equalling circa half of total retail turnover. Ukrainian retail market is mostly dominated by domestic retail networks. Among international networks the largest ones are Metro Cash&Carry (Germany), Billa (Austria), Auchan (France).

Ukrainian retail market remains highly fragmented compared to other European countries as the top-5 food retail chains controlled circa 15 % of the market in 2010:

Table 5: **Top-5 Food Retail Chains**

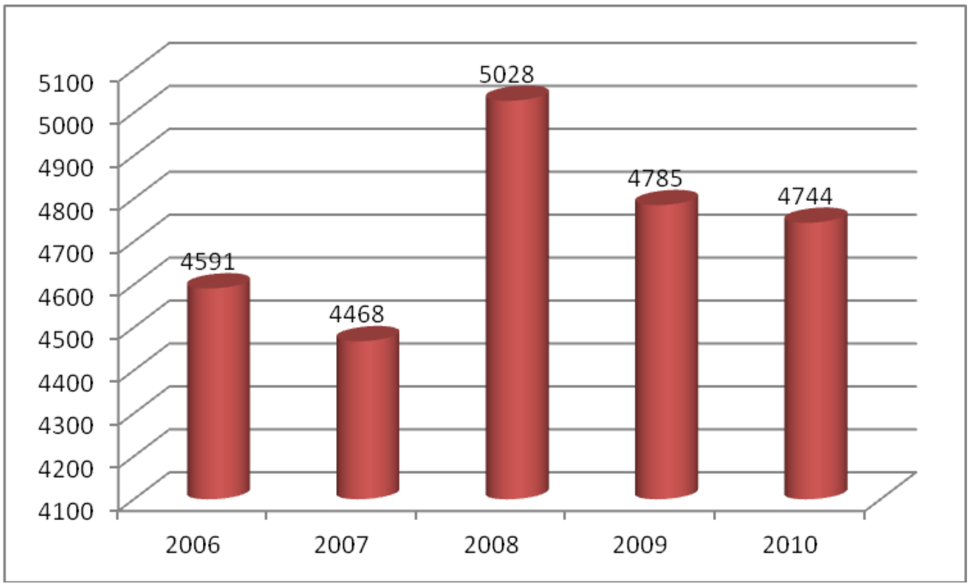
Company	Number of outlets	Total Sales Area, sqm	Average Sales Area, sqm	Grocery Market Share, %
Fozzy Group	350	284220	812	4.84
ATB Market	457	297050	650	4.04
Metro Group	27	236200	8748	2.57
Furshet	115	184000	1600	2.14
Retail Group	52	108300	2083	1.35

2.3 THE FOODSERVICE CHANNEL

The number of restaurants in Ukraine grew quickly before the 2008 crisis, but the financial crisis significantly undermined this sector development leading to lower revenues and bankruptcies of some establishments. The industry is back to growth in 2010-11, but the growth rate is much slower. The crisis changed short run market behaviour but did not change the overall market trend which is influenced by long-term factors. A rapid increase in income growth over the past years has allowed more lower to middle class consumers to eat out. This trend is the driving force behind the expansion of the foodservice industry. The Ukrainian food service sector continues to be dominated by individual (standalone) cafés, bars and restaurants, although development of national pizza chains, and national and multinational fast food and coffee shop chains are expected to reshape the market in the next three to five years.

The economic hardships of the 1990’s and the legacy caused by the deficiencies of the Soviet public foodservice system meant that consumers did not eat out. The economic recovery that began in 1999 resulted in an increase in disposable incomes and the creation of a middle class who had pent up demand for dining out. Also, low incomes resulted in the significant growth of cheap fast food restaurants, coffee shops and pizzerias (currently the fastest growing sector) with full-service restaurants, clubs, ethnic cuisine restaurants and bars taking the lead. Ukrainian consumers are very perceptive to western lifestyle and began socializing in cafés and restaurants. This trend quickly became part of the normal business and leisure cultures. For these reasons, Ukrainian customers rarely take food home and prefer to enjoy a meal out on the town. The younger generation (35 and younger) has become the major driving force behind the growth of the sector. Ukrainians will continue to spend more on eating out.

Chart 2: **Number of Restaurants and Other Food Service Providers**



Currently, independent establishments dominate the Ukrainian foodservice market with the exception of fast food restaurants, pizzerias and coffee shops. The overall presence of international food chains remains very limited. The Ukrainian fast food sector and pizza chains are developing quickly (for both corporate and franchised establishments). Chelentano Pizza (the owners also control Kartopliana Hata, Café Punkt and Yuppie networks) is leading the pack with 130 franchised pizzerias all over the Ukraine. There are many newly introduced networks at different stages of development (franchising) which are slowly moving into the middle-class and even into the high-end restaurant segment (especially ethnic or specialized food establishments). The cheaper street hot-dog stalls and kiosks are slowly being removed from larger cities and moving to provincial towns with less prosperous and less demanding consumers. Many Ukrainian fast food restaurants and chains avoid associating with "fast food," preferring to be called "fast service restaurants." This is a result of the negative perception that fast food chains have in the Ukrainian society. In public statements, managers underline their devotion to freshly procured products and a rejection of semi-processed food ingredients and fried food. Potential suppliers should be aware of this recent trend for healthier fast foods.

The high-end foodservice segment is represented by full-service independent restaurants and two large restaurant groups: The Royal Card and The World Map. These groups are independent businesses, but use single food procurement and distribution center, as well as common discount programs. Many of the independent full-service restaurants began operations in the mid-1990's, targeting the affluent business clientele who could spend in excess of $100 per person per meal. The emerging middle class is still not too numerous, so growth in high-end restaurant segment is insignificant when compared to fast-food establishments.

2.4 KEY REGULATIONS

Import regulations

While Ukraine has established a generally open trade environment with only modest protection of agricultural production from imports, some regulations specific to the agriculture sector apply that can represent bottlenecks for investments and innovation.

The import of agricultural inputs and products is regulated by the law of Ukraine "On state regulation of import of agricultural produce" of July 17, 1997 amended). Article 4 of this law states that agricultural produce that is imported into the territory of Ukraine is subject to obligatory certification, sanitary-epidemiological, radiological and – for certain types of produce – veterinary and phytosanitary control. The following documentation is required for customs clearance:

(a) Certificate of conformity. This document confirms that agricultural products are properly identified and comply with the requirements of the obligatory quality and safety norms and standards in force in Ukraine. It is issued by the State Committee of Ukraine on Standardization, Metrology and Certification or an authority that is authorized (accredited) by the State Committee. There are more than 100 institutions authorized to conduct certification in the Ukrainian Certification System UkrSEPRO. Foreign certificates are taken into account only in cases when mutual recognition of such certificates is included in provisions of respective international agreements and, in such cases, require a certificate of recognition of the foreign certificate of conformity. The certificate of conformity can be received for a series of shipments if all consignments are shipped to one single recipient or for each specific consignment in all other cases.

(b) State sanitary and epidemiological expertise certificate. The State Sanitary and Epidemiological Service of the Ministry of Health Care of Ukraine issues to the importer the certificate of state sanitary and hygiene testing stating that the produce is (or is not) conforming to the medical requirements of safety for human life and health.

(c) Veterinary certificate. Every consignment imported into Ukraine is inspected and sampled regardless of the statements made in the accompanying veterinary health certificate. The importer/exporter will have to bear the costs associated with testing in the border laboratory or in the Central State Veterinary Laboratory in case of appeal. The costs of testing vary between USD 80 and USD 500 depending on the number of tests required and the number of uniform lots in the shipment. The testing procedure takes up to 7 days, making the import of some highly perishable goods impossible.

(d) Quarantine import permit/phytosanitary certificate. The phytosanitary certificate confirms that quarantine materials correspond to the requirements of safety standards. Ukrainian phytosanitary inspectors conduct an initial inspection of the cargo at the port of entry and take product samples for the laboratory test to verify that live quarantine pests are not present in the cargo. If the exporting country has no state bodies on quarantine and plant protection, import is allowed after a quarantine import permit is granted. The quarantine import permit is issued by Golovderzhkaranteen (Main State Inspection on Quarantine of Plants of Ukraine) and confirms that the product corresponds to the requirements of safety standards.

The completion of the customs clearance process requires 7-10 days including additional required laboratory tests.

The import of animals and inputs of animal origin carry a customs duty of 0-15% and requires the following certificates: a) certificate of the State sanitary-hygienic examination, b) certificate of conformity and c) veterinary certificate.

More detailed information on customs clearance is given below in this paragraph.

Food Standards and Regulations

Ukraine possesses a complicated and costly food safety system inherited from the Soviet Union. Controls are implemented by various state agencies that often have overlapping functions. In late 2010 the Government of Ukraine started a major reform of the regulatory system aimed at reducing the number of controlling bodies and clear separation of their authorities. Although the Government of Ukraine intended to finish most of the transformation by the end of 2011, the process slowed down and very limited reforms were conducted in 2011/12. The authority scopes of both new and old agencies in transformation are provided in the report where possible. Due to ongoing reform these scopes are changing over time. So far the reform has not led to simplification of food import regime.

The following state agencies are involved in assuring the safety of domestically produced and imported fish and seafood products:

Table 6: **Agencies, which activities are directed and coordinated by the Cabinet of Ministers of Ukraine via the Ministry of Agricultural Policy and Food**

Agency (inspection)	Description of activity
State Veterinary and Phytosanitary Service of Ukraine (www.vet.gov.ua)	provides implementation of state policy in the field of veterinary medicine, food safety, quarantine and plant protection, protection of plant variety rights, state supervision of breeding livestock; Key functions: a) conducts veterinary-sanitary control and supervision of animal health, safety and quality of food, non-edible products of animal origin, feed and other products to prevent dissemination of dangerous diseases on the territory of Ukraine; b) ensures state control over compliance with regulations of pesticides and agrochemicals; c) sets quarantine in case of a contagious animal diseases; d) authorizes laboratories to evaluate the parameters of safety and quality of food, products of animal origin, reproductive material, biological products (including the criterion of GMO presence); e) verifies the compliance with standards and technical conditions during transportation and storage of food, participates in development of safety and quality

	parameters for food.
State Agency of Fish Industry of Ukraine (www.dkrg.gov.ua)	Implements state policy in fish industry, protection, use and reproduction of aquatic resources, management of fisheries, safety of fisheries vessels fleet; submits to the Minister of Agricultural Policy and Food proposals regarding state policy in this field. Key functions: a) enforces fisheries regulations, issues a special permit for fishing aquatic resources in the exclusive (maritime) economic zone of Ukraine; b) exercises state control over technical conditions of fish protection facilities, conducts fish-protective measures for water collection and reclamation systems engineering structures; c) monitors compliance with standards and limits of the aquatic resources use; monitors compliance with the rules of the use of animals in terms of aquatic resources; issues certificates for companies and vessels in accordance with the requirements of the International Convention on standards; issue permits and certificates in accordance with international agreements regarding fishery and trade of fish and seafood; d) maintains records of business entities engaged in the production of canned food (made from fish and other aquatic resources), maintains a register of fishing vessels; e) provides the distribution of quota limits on the use of aquatic resources, submits them for the approval to the Ministry of Agrarian Policy and Food.

Table 7: **Agencies, which activities are directed and coordinated by the Cabinet of Ministers of Ukraine via other Ministers**

Agency (inspection)	Description of activity
State Inspection of Ukraine on Protection of Consumer Rights (SIUPCR) (www.dssu.gov.ua)	Its activity is directed and coordinated by the Cabinet of Ministers of Ukraine via the First Vice Prime Minister of Ukraine (who is simultaneously the Minister of Economic Development and Trade of Ukraine). The SIUPCR implements the state policy in the following areas: - state control over observance of legislation on consumer protection and advertising in this area; - state supervision over the market; - state supervision over compliance of products with existing technical regulations, quality and safety standards. Key functions: a) exercises state control over consumer protection, and advertises and supervises the compliance with technical regulations and standards; b) performs within its competence measures to produce and distribute public service advertising; c) provides international cooperation and participates in the preparation of international treaties of Ukraine within its competence; represents the Cabinet of Ministers of Ukraine on behalf of international organizations and during international agreements; facilitates implementation in Ukraine of the Guidelines for Consumer Protection adopted by the UN General Assembly on April 9, 1985; d) assists local governments to protect consumers; provides the consumers with advice on protecting their rights; provides public access to the legal knowledge in the field of consumer protection.
State Sanitary and Epidemiological Service of Ukraine (www.dsesu.gov.ua)	Its activity is directed and coordinated by the Cabinet of Ministers of Ukraine via the Minister of Health of Ukraine. It ensures implementation of state policy on sanitary and epidemiological welfare of population. Key functions: a) supervises the enforcement of sanitary legislation

	by the executive authorities and local self-government, enterprises (incl. agricultural), individuals and citizens; b) provides state sanitary and epidemiological expertise; oversees the compliance with sanitary standards; c) issues permits, hygiene certificates and other documents provided by law; d) participates in the expertise of jobs due to the compliance with sanitary standards at enterprises (incl. agricultural), institutions and organizations regardless of ownership; e) controls harmful substances and ingredients in tobacco products that are sold in Ukraine, and monitoring the effectiveness of measures taken to prevent and reduce tobacco use and its harmful effects on health; f) implements measures to prevent infectious diseases, occupational diseases, poisoning, radiation affection, etc.; g) introduces sanitary measures to protect the territory of Ukraine from spreading of especially dangerous (including quarantine) and dangerous infectious diseases; ensures the state sanitary and epidemiological supervision of the state border; h) provides proposals to limit or prohibit the entry into the territory of Ukraine, for its citizens, foreigners, goods from countries or region with dysfunctional epidemic situation.
State Ecological Inspection of Ukraine (www.menr.gov.ua/content/category/252)	Its activity is directed and coordinated by the Cabinet of Ministers of Ukraine through the Minister of Environment and Natural Resources of Ukraine. It ensures state control over the environmental protection, rational use, reproduction and protection of natural resources. Key functions: a) supervises the compliance the activity of central and local bodies, enterprises (incl. agricultural),organizations regardless of ownership with legislation on environmental and radiation safety;

	b) supervises the compliance with legislation on land use and protection (implementation of environmental requirements in the provision of property rights and land use, including the lease of land); c) supervises the compliance with legislation on the protection, use and regeneration of forests, reproduction of fish and other aquatic resources; d) controls the availability of permits, limits and quotas for special use of natural resources, compliance with their conditions; imposes administrative penalties in cases provided by law.

Labelling

Imported food products must meet the same requirements as domestically produced foods. While enforcement of food safety norms has been generally effective, outdated nutritional norms have not been rigorously enforced. All food products sold in Ukraine must have Ukrainian language labels attached to the package that contain the following information:

- Name of food product;
- Nominal quantity of food product (weight or volume in metric system measurement);
- List of all ingredients found in the food product, including other food products and food additives used;
- Nutritive values and energy;
- Expiry date or the date of production with indicated shelf life;
- Storage conditions;
- Name, country, address of producer, packer, exporter and importer of the product;
- Terms of use (if any);
- Presence or absence of genetically modified organisms (GMO) - please note text explanation below;
- Consumption of food product warnings for certain consumer categories (children, pregnant, senior people, athletes etc.)
- Consumption warning for food products by certain consumer categories (children, pregnant, elderly, athletes, etc.).

This information must be present even on the packaging of products not intended for retail trade. Stick-on labels that meet Ukrainian food safety law requirements are allowed and can be affixed on the side or over the standard US label. Customs authorities require compliance with the Ukrainian labeling requirements prior to granting final clearance to the product. Most importers prefer to deal with products that already contain labels and meet Ukrainian requirements although some chose to attach labels in the customs licensed warehouse in Ukraine. Health claims and statements targeting particular consumer groups (children, pregnant women, and athletes) are prohibited without prior approval from the Ministry of Health.

The product's expiration date (or shelf life indication containing the date of production) must appear on the label. Although Ukrainian food safety legislation allows producers to determine the shelf life of the product, it is highly advisable to verify with the importer whether it meets existing Ukrainian technical regulations (GOST or DSTU).

According to the Government of Ukraine Resolution #661, any food product that contains more than 0.9 percent of GMOs, or if any ingredient in a food product contains GMOs as well as food products that do not contain any GMOs but are produced at least in part with agricultural products that contain GMOs and the total weight of GMO or GMO derived products is a single food product package exceeds 0.9 percent of its total weight, this food product has to be labelled "Contains GMO." If a single package of food product contains no GMOs or less than 0.9 percent GMOs, it has to be labelled "No GMO." Products without relevant labelling are not permitted for sale in Ukraine and are a subject to confiscation and fines. GMO food product labelling is a responsibility of the producer/supplier. Stick-on labels may be used. Please note that there are potential new recent developments in the law that could change these requirements.

Food Additives Regulations

Ukraine maintains a positive list of food additives and establishes its own maximum residue limits for chemical and biological contaminants in food products. Recommendations from the CODEX Alimentarius Commission, an international food safety standard setting body is considered in approving new food additives; however Ukrainian authorities conduct their own risk assessment for each new substance. Importing food products that contain food additives that have not received official approval is prohibited.

Packaging and Container Regulations

As a part of the mandatory state sanitary and hygiene testing, the packaging of imported food products is also checked for transfer of polymers (and other elements) to food products. Exporters must consider utilization of used/recycled packaging material while planning their shipment to Ukraine. Ukrainian legislation on Waste Products requires the provision on utilization or re-exportation of used packaging materials in the export contract.

There are no particular container requirements in Ukraine. Due to small shipment volumes from overseas, exporters should be prepared to ship mixed product loads in one container. A separate health or veterinary certificate for each homogenous product lot in the container is required. Odessa and Illichivsk Sea Ports are by far the largest ports for handling containerized cargoes in Ukraine and can accept general-purpose containers. Both ports can handle refrigerated containers. It is highly advisable to verify with the freight forwarder whether or not other ports can process a particular cargo, pallet or container size.

Other Regulations and Requirements

Agricultural and food products imported into the customs territory of Ukraine shall be subject to sanitary testing, compulsory certification, radiological, veterinary and/or phytosanitary inspections.

Sampling and Testing Requirements

Sampling and testing of imported products are regulated by the Cabinet of Ministers Decree #833 adopted on June 14, 2002. The Decree defines "uniform allotment of the product" and establishes sample sizes and sampling time. The uniform allotment of product is defined as any quantity of the product of the same kind, name, production date, processing method, produced by the same shift with the same technological regime.

For fish uniform allotment may be comprised of up to 5 consecutive production dates with sample size of 5-6 kilograms, but no less than 5 fishes if weight of 1 fish exceeds 3 kilograms. For canned food products one allotment is limited to 1 date and 1 production shift of 1 producer.

Given total sampling and testing of imported products in Ukraine, sampling (especially of expensive products such as caviar, fish or chilled meat) as well as testing fees may pose a significant burden on the importer. In many cases the exporter may receive a request from the importer to put as few "uniform allotments" in the container as possible. The potential importer should be prepared for inevitable losses associated with testing of product.

All imported commodities undergo testing at destination point, although in ports only random testing is performed. The testing period may vary from four days for certain meat products to 15 days for canned products.

State Sanitary Inspection of Food Products

The state sanitary inspection of food products is the major control element in the Ukrainian food safety system. It is especially true for processed products that are not subject to veterinary and/or phytosanitary control. The State Sanitary and Epidemiological Service of the Ministry of Healthcare of Ukraine (MHC) tests imported food products for compliance with the Medical and Biological Requirements and Sanitary Norms of Quality of Raw Food Materials and Food Products. The MHU will grant the certificate of state sanitary and hygiene testing to the importer upon the completion of required testing. The importer or producer must pay for such testing for each food product.

Imported products will be tested for compliance with state safety norms (tolerance levels of toxic elements, pesticides, micro-toxins, bacterial contamination and radio nuclides).

Conformity Certification

The Ukrainian certification system is based on the Law on Standards, Technical Requirements and Compliance Evaluation Procedures, Law on Standardization, law on Conformity Certification, and Presidential Decree "Provision on State Inspection on Consumer Rights Protection". These regulations define the development and application of Standards (known by the Ukrainian abbreviation "DSTU") and Technical Regulations. Ukrainian legislation on conformity certification also contains multiple Cabinet of Minister Resolutions. Current legislation also puts the State Inspection on Consumer Rights Protection (SICRP) created on April 6, 2011 and eight other authorities in charge of certification and compliance. Compliance Certification of agricultural products will be conducted through the SICRP, State Veterinary and Phytosanitary Service, State Agricultural Inspection of the Ministry of Agriculture and Food and State Sanitary Epidemiological Service of the Ministry of Health of Ukraine.

In its design current Ukrainian legislation in many instances mimics EU system, but remains in transition from Soviet-type scheme to a modern one. This transition adds to uncertainty that agricultural producer or importer face. The system is based on both compulsory (Technical Regulation a.k.a. Technical Reglaments) and voluntary (State Standard) regulations.

Technical Regulations are legal public acts establishing mandatory requirements for product, service, or production process to eliminate threats to national security, to protect life, health, and property rights of consumers, protect animals, plants and environment. It may also contain requirements for terminology, labels, packaging, marking or labeling requirements as they apply to a product, process or production method.

State Standards (DSTUs) are documents approved by the competent authority, which provides guidelines or characteristics that relate to the products, production processes or services with which compliance is not mandatory. The standard also may include requirements for terminology, labels, packaging, marking or labeling requirements as they apply to a product, process, or service. In a view of legislator, Standard is a auxiliary document that if followed allows to achieve compulsory safety requirements listed in Technical Regulation; although producer is free to chose other production techniques that can yield the same safety result. Although clearly marked as "not mandatory" safety requirements of DSTUs may be considered as mandatory in case if related Technical Regulation is not yet adopted (majority of products). Another Law also recognizes DSTU as mandatory in cases if there is a direct reference to DSTU in a Technical Regulation, but in both cases qualitative requirements of the DSTUs are not compulsory. SICRP remains in charge for compliance certification since no Law guiding state market surveillance and control of food products is adopted.

There are more than 100 institutions that are authorized to conduct certification under the Ukrainian State Certification System (UkrSEPRO). The importer should seek out the lowest certification price. In most cases the samples are collected independently from the samples collected for the sanitary and veterinary inspections, thus an importer should be ready to pay the additional associated charge.

The applicant is charged the cost of the certification (either exporter or importer). There are usually two options available to exporters and importers depending on the value and the frequency of shipments. The first option requires compliance by a foreign facility to existing Ukrainian norms and regulations on quality and safety. The supplier receives a certificate of conformity valid for two to three years. This approach avoids the requirement of certifying each shipment. The second option involves certification of each product shipment with mandatory laboratory tests upon arrival in Ukraine.

The State Inspection on Consumer Rights Protection (SICRP) is in charge of conformity certification procedures and either grants of denies issuing valid certificates for eligible food products sold in the customs territory of Ukraine. The SICRP also maintains the Single State Register of Certified Products.

Voluntary Certifications

Ukrainian importers will likely demand a Quality Certificate (QC) from the exporter. This certificate has no connection to the Ukrainian certification bodies and can be viewed as a generic wholesomeness certificate issued by the producer. Normally the QC requested of the producer/supplier will contain the following:

- Name of the producer and facility number;
- Name of the supplier (if different from the producer);
- Statement that the product “fits for human consumption”;
- Number of the containers in the shipment (if more than 1);
- Net weight of the product in the container;
- Number of boxes supplied;
- Production date(s) (usually only month of the production is required);
- Expiry date (shelf life) of the product.

Being a semi-official document (not bilaterally negotiated and agreed) it speeds up both customs and veterinary procedures, so the QC is demanded by both authorities. Usually the QC will be on the company letterhead and written and may be under the signature of different employees, depending on Company’s operational structure and availability.

Veterinary Inspection

The requirements for products that are subject to state veterinary surveillance and control are governed by Order #71, which was adopted by the State Veterinary and Phytosanitary Service (SVPS) on June 14, 2004. The order contains a complete list of products under their control and lists the requirements for each product. Besides other products, the list includes:
Fish, Live fish, fish roe, crustaceans, mollusks, and other aquatic animals;
Fish, seafood and ready to eat seafood products after thermal treatment;
Feed fishmeal;

Ready to use feeds and feed additive of animal origin, including those made of poultry and fish;
Feeds and feed additive of animal origin, including those made of poultry and fish.

Ukrainian state veterinarians will conduct inspections at the border of ready-to-eat seafood products and frozen fish. Every shipment arriving in Ukraine will be inspected and sampled regardless of the statements made in the accompanying health certificate. The exporter or importer will have to bear the costs associated with border lab testing or the cost of appeal, which is arbitrated at the Central Laboratory of the Veterinary Service. The cost of testing varies between $80 and $500 depending on the number of tests required and the number of uniformed lots in the shipment. The testing procedure takes up to seven days, which makes importing some highly perishable goods impractical or impossible. In some cases Ukrainian veterinarians may examine a shipment for compliance with safety norms of Ukrainian State Standards (DSTUs).

Radiological Inspection of Food Products

Following the Chernobyl accident in 1986, the Government of Ukraine rigidly controlled food contamination of radionuclides in order to protect consumers. In 1997, the MHU approved the state hygienic norms (so called DR-97) that established the maximum allowable levels (MAL) for the two most occurring radionuclides – Cesium-137 (137Cs) and Strontium-90 (90Sr).

Samples Shipped Via Express Mail

Samples worth less than €200 can be cleared duty-free according to Ukrainian legislation. The regulations do not distinguish product samples from food products; therefore, samples shipped via express mail could be subject to sanitary, veterinary, phytosanitary, radiological and ecological inspection if the customs officer determines that such control is necessary.

2.5 Trade Fairs

Forthcoming food exhibitions in Ukraine:

- Hotel & Restaurant Expo, 27-29 March 2013-01-21

  Web: http://www.pe.com.ua/en/exhibitions/hotel_restaurant/

- Food Expo, 10-12 April 2013

  Web: http://www.prodexpo.kiev.ua/en

- WorldFood Ukraine, 30 October – 1 November 2013

  Web: http://www.worldfood.com.ua/en/

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2. www.bakermckenzie.com
3. www.tradecommissioner.gc.ca
4. www.investukraine.com
5. www.sifservice.com
6. www.gain.fas.usda.gov
7. www.ibcontacts.com.ua
8. www.ukrstat.org

ANNEX 1

List of Companies Involved in Importing of Fish Products and Seafood

Alaska LD
49B Zaliznichna Street, Kalinovka village, Vasilkovskiy district, Kyivv region 08623 Ukraine
Tel/Fax: (380 4571) 42075; 42025
Import and manufacturer, retailer and wholesaler of ocean fish of delicious and dining varieties, red caviar and seafood.
Website: http://alaskald.com.ua/

Ascania Frozen Foods
Mr Igor Cisar, CEO (cip@ascania.com.ua)
Ms Oksana Tikhonova, Head of purchases department (ovt@ascania.com.ua)
23 km. Kharkivske shosse, Kyiv 02121 Ukraine
Tel: (380 44) 206 4692
Fax: (380 44) 206 4675
Email: mst@ascania.com.ua;
Website: www.ascania-ff.com.ua

Conus-Plus Ltd.
10/14 Radischev Street, office A-204, Kyiv 03680 Ukraine
Tel/Fax: (380 44) 206 2339, 206 2330/40
Email: info@conus.com.ua; sales@conus.com.ua
www.conus.com.ua

Donetsk Ryba
3 Sechenova Street, Donetsk 83059 Ukraine
Tel.: (380 62) 294 2190, 294 3216, 295 2481
Fax: (380 62) 345 2275
Email: donfish@donetskfish.com.ua
Website: http://www.donetskfish.com.ua/
Importer of fish, sea food

Fish Invest Ukraine/ PROLIV
33-a Reshetilovskaya Avenu, Dnipropetrovsk 49026 Ukraine

Tel./Fax: (380 562) 38 0044
Email: proliv@proliv.dp.ua
Website: www.proliv.com.ua
Fish canning enterprise

ISG International Seafood Group
152 Brovarska St., village Velyka Dymerka. Brovarsky district, Kyiv region 07442
Tel: (380 44) 495 8880
Email: managers@seafood.com.ua; office@seafood.com.ua
Website: www.seafood.com.ua
Seafood importer

Klion Group Company
Ms Alona Uzhneva, Chief of Purchasing Department (alena@klion.net.ua)
Ms Irina Zelenskaya, Import manager (irina@klion.net.ua)
Ms Kate Kolesnikova, Import manager (kate.k@klion.net.ua)
Ms Katerina Chiglakova, Import manager (katrin@klion.net.ua)
236 Skvortsov street Zaporizhia 69106 Ukraine
Tel/Fax: (380 61) 228 52 70; 228 5282
Website: www.klion.net.ua
The company specializing in importing, trading and processing of fish and seafood

Korall + Co., Ltd.
205 Kotlova Street, Kharkiv 61139 Ukraine
Tel: (380 57) 712 9164
Email: mailto:mkorall-trade@yandex.ru
Importer of seafood

Lekso
Mr Igor Volodymyrovych Lutsenko, Director (Mob: 380 67 446 8112)
15 General Naumov Steet, Kyiv 03164 Ukraine
Tel/Fax: (380 44) 502 1242
Email: lekso@krechet.com.ua
Website: www.krechet.com.ua
Fish and seafood distributor

Morskoi Dom Ltd
66 Povitroflotsky Avenu, Kyiv 03151 Ukraine
Tel/Fax: (380 44) 495 1263
Email: info@morskoidom.com
Website: www.morskoidom.com
Imports of delicacy food products for Japan and European Cuisine

Pelican
2 Vasilenko Street, Kyiv 03113 Ukraine
Tel.: (380-44) 251-1883, 239-9771
Fax: (380-44) 239-9773, 251-1883
Email: office@pelican.kiev.ua

Website: www.pelican.kiev.ua
Frozen Fish & Seafood Wholesaler

Rikon
1D Bohatyrskaya Street, Kyiv 04655 Ukraine
Tel/ Fax: (380 44) 501 6583
Email: rikon@rikon.kiev.ua
Website: www.rikon.kiev.ua
Fish & Seafood Importer

Royal Seafood
2 Mykola Vasylenko St., Kyiv 03113 Ukraine
Tel.: (380 44) 332 31 42, 332 3132
Fax: (380 44) 453 3009
Email: info@seafood.kiev.ua
Website: www.seafood.kiev.ua
Fish & Seafood Importer

Scandinavia-Fish
Victor Ivanovich Prykhodko, Director, International Development
46A Chernovola Street, Sofiivskaya Borschagovka, Kyiv region 08133 Ukraine
Tel/Fax: (380 44) 220 4848
Email: referent@scand.com.ua
Website: www.scandinavia.com.ua
Importer and wholesaler of the chilled and frozen fish, seafood

Ukrainian Eastern Fish Company Ltd.
55 Dzerzhinsky Street, Kupiansk, Kharkiv region 63700 Ukraine
Tel.: (380 44) 323 2111
Fax: (380 57) 425 1711
Email: uvrk@uvrk.com
Website: www.uvrk.com
Importer, producer and wholesaler of fish and seafood