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Negative impact on EU farmers, agri-cooperatives and manufacturers of a trade liberalisation with Ukraine

Introduction

The Association Agreement as agreed with Ukraine in 2014 set 40 TRQs for the imports of Ukrainian agricultural products to the EU and several entry price restrictions. Those various elements have been carefully negotiated at the time taking into account the potential negative impact of Ukrainian products could have on the EU market due to the difference in competitiveness and general agricultural structure. With the Russian invasion in 2022, it was decided to proceed to a temporary trade liberalisation with Ukraine in order to support its war effort. However, the Ukrainian agricultural structure has not changed, and although temporarily slightly depreciated, the competitiveness of its agricultural sector remains much higher than ours in many sector. Consequently, many agricultural products on the EU market have been heavily impacted by this liberalisation, and it is clear that EU farmers and agri-cooperatives will not be able to sustain this pressure any longer. EU farmers, their cooperatives and manufacturers can contribute to the EU effort to support Ukraine, but they cannot anymore bear the disproportionate burden that they had to carry since the liberalisation.

The impact of the successive Autonomous Trade Measures (ATMs)

In June 2022, the first ATM fully liberalising trade with Ukraine was introduced until June 2023. It was then renewed until June 2024, and this year, a new ATM was introduced from June 2024 until June 2025 which again fully liberalised trade with Ukraine except on some sensitive products such as poultry, sugar, eggs, honey, groat, oat and maize on which some thresholds have been included above with tariffs are reintroduced. This liberalisation resulted in a complete flooding of the EU market on a few key agricultural products as shown in the table below:

	Poultry meat	Eggs and albumins	Sugar	Common wheat	Oilseeds (oilseeds, oilseeds meal, oilseedoil)	Barley	Maize
Association Agreement TRQs	70 000t +20 000t (net weight)	3 000t (expressed in shell eggs equivalent) +3 000t (expressed in net weight)	20 070t	1 000 000t	/	350 000t	650 000t
Imports volumes for year 2021	75 742t (net weight) = 92 441t cwe	5 590t	17 500t	288 195t	5 465 425t	52 687t	7 421 973t
Imports volume for year 2022	118 296t (net weight) =142 253 t (cwe)	23 622t	153 000t	3 029 070t	8 565 976t	729 013t	12 047 627t
Imports volume for year 2023	172 765t (net weight) = 206 310t (cwe)	43 622t	496 000t	6 171 237t	7 790 687t	682 528t	12 828 292t
Imports volume since January 2024 to July 2024	89 490t (net weight) = 109 926t (cwe)	33 563t	325 000t	3 817 085t	5 732 052t	394 710t	9 806 389t

If we compare before and after the liberalisation, the **increase of imports is simply enormous:**

- **Poultry meat: + 128% between 2021 and 2023** **=> UA imports = 1,3% of the EU production / 16% of EU imports in 2023**
- **Eggs and albumins: + 680% between 2021 and 2023** **=> UA imports = 0,66% of the EU production / 66% of the EU imports in 2023**
- **Sugar: + 2735% between 2021 and 2023** **=> UA imports = 3,5% of the EU production / 35% of the EU imports in 2023**
- **Common wheat: + 2041% between 2021 and 2023** **=> UA imports = 5% of the EU production / 64% of EU imports in 2023**
- **Oilseeds: + 42% between 2021 and 2023** **=> UA imports = 25% of the EU production / 16% of the EU imports in 2023**
- **Barley: + 1195% between 2021 and 2023** **=> UA imports = 1,3% of the EU production / 36% of the EU impots in 2023**
- **Maize: +73% between 2021 and 2023** **=> UA imports = 20,4% of the EU production / 64% of the EU imports in 2023**

Of course, as it can be expected this huge increase had an impact on the market with a decrease of prices, loss of markets and slow down of the trade. Realising the reality of the situation, it was decided to include some limits for the current ATM that will run until June 2025, however**, the current ATM limits are not sufficient. For the products that benefit from a maximum threshold** after which tariffs are reintroduced, the threshold is too high.

For sugar threshold of 262,653 tonnes is more than 13 times the TRQ agreed in the Association Agreement. This sharp rise in imports has deeply impacted the EU sugar sector, which is already struggling with significantly higher production costs due to surging energy and fertiliser prices. With the temporary suspension of tariffs and quotas for Ukrainian agricultural products in June 2022, sugar imports from Ukraine to the EU have increased significantly. In the 2022/23 sugar marketing year, EU imports from Ukraine reached around 420,000 tonnes of sugar, i.e. almost 21 times the original EU import quota of 20,070 tonnes/year for Ukraine. In the 2023/24 sugar marketing year, Ukrainian sugar exports to the EU rose to around 520,000 tonnes. This corresponds to almost 26 times Ukraine's original EU import quota and around 40% of total EU sugar imports. This is far more than the EU sugar market could cope with in the long term. The negative effects of the increased Ukrainian sugar imports on the EU market have been increasingly noticeable since autumn 2023. The latest figures from the EU Commission show that EU prices for sugar are falling continuously.

Moreover, the influx of Ukrainian sugar has disrupted market dynamics—adding to the EU such sugar supply also displaced part of the imports from traditional suppliers such as ACP and LDC countries. The Ukrainian sugar imports has brought cheaper sugar into the EU market, with prices driven down by Ukraine's significantly lower production costs. These lower costs stem first from a very different structure of sugar production (focusing on agro-holdings) and second from factors such as a lack of alignment with EU environmental, social, and production standards, as well as Ukraine's comparatively lower energy and fertiliser expenses. This has undercut EU sugar producers and driven prices to unsustainably low levels, making sugar beet cultivation economically unviable for many EU farmers and forcing them to reconsider their production choices.

This destabilisation of the EU sugar market risks long-term damage to the sector. EU producers operate under strict regulatory frameworks designed to uphold high production, environmental, and social standards—frameworks that Ukrainian imports do not comply with. This disparity not only creates an uneven playing field but also exacerbates the competitive disadvantages EU producers face. Without immediate corrective measures, including the alignment of standards and stricter import controls, the sustainability of the EU sugar sector and the livelihoods of thousands of European farmers and manufacturers will remain at serious risk.

For eggs, the threshold of 23 189t still represents nearly 4 times the TRQ agreed in the association agreement. Furthermore, although the threshold has been reached, Ukrainian eggs imports continue as paying the duty remain interesting for them, because of lower cost of production, as they do not yet comply with the same production standards at EU producers. This demonstrates that we should not only reintroduce TRQs, but also reflect on increasing some duties or about a condition of using the same production standards.

For poultry meat, Characteristics of Ukrainian production:

Ukraine has the ability to produce poultry meat with much lower cost than EU producers: we estimate the competitiveness gap to 30-40 %. This is mainly explained by the concentration of the sector, with one single company responsible for 70 % of the production and 90 % of the exports. They produce in giga farm complex (up to 2 Million chickens in one farm), and benefit from large access to land and feed, which represents 70 % of the production cost of a chicken. Other factors may explain this competitiveness gap: lower standards (on environment and animal welfare in particular, access to finance with loans from international organization, lower labour cost,...),

- **Effects of liberalisation**

The full liberalisation of the import back in 2022 led to a significant increase of the quantities imported in the EU: + 128 % increase of imports between 2021 and 2023. Imports have in 2023 reached more than 173 000 T net weight, almost twice the quantity of the existing TRQ of 90 000 T foreseen in the DCFTA.

This increase has especially destabilised the bulk breast meat market, leading to a decrease of prices and margins for EU producers, and preventing EU poultry companies to maintain investments that were foreseen before the trade liberalisation.

In addition, especially in neighboring countries, the imports from Ukraine have been used by retailers to negotiate down the prices although imports from Ukraine were not ending up in this distribution channel.

Although the amount of 137 000 T was too high, the capping of the imports in the latest version of the ATM sent a very positive market signal and the situation has improved since then, showing that TRQs is the best tool to avoid market disruptions.

- **Position in upcoming negotiations:**

The initial TRQ negotiated in the first version of the DCFTA back in 2014 was 40 000 T. This quantity has already been more than doubled to reach 90 000 T, following the circumvention by Ukrainian operators of the existing tariffs back in 2018. Thus, the specificity of poultry meat is to have already a very large access to Ukrainian exports of poultry meat.
EU authorities should therefore acknowledge the EU poultry sector as a sensitive sector and carefully consider the appropriateness of granting additional access to Ukraine for the poultry tariff lines in the renegotiations of the agreement under article 29.
Any tariff quotas for poultry meat allocated to Ukraine should in all cases:

- fully respect and comply fully all relevant EU legislations, for instance on animal welfare (as already foreseen but not yet implemented in Ukrainian law)
- be regularly audited by the Commission to make sure standards are truly implemented on the ground
- take into account the effects of the high level of concentration and structure of the Ukrainian poultry sector vs EU production

- **Additional points:**

-Make sure that the management of the Tariff Rate Quotas stays on the EU side and ensures that the entire TRQ is not allocated to one or few producers and exporters in Ukraine
-All the quantities conceded in other Trade Agreements (Mercosur, Thailand,...) will reduce the capacity of the EU sector to absorb increase concessions to Ukraine

For maize, the European market has been profoundly destabilised by Russia's invasion of Ukraine, particularly in 2022 and 2023. This situation has led to an influx of low-priced maize onto the European market, particularly in neighbouring countries, and to the inclusion of maize in the ATM emergency brake. However, the ATM threshold of 11,2 Mt for maize represents more than 17 times the 650,000 tonnes quota agreed in the association agreement. Due to the special system of customs duties on maize, we are calling for the utmost caution in the forthcoming revision of the 2014 association agreement between the European Union and Ukraine, and **for the 650,000 tonne quota for maize grain to be maintained.**

Indeed, the system of 'floating' customs duties in force for grain maize is the last remaining market protection for European producers. These customs duties are not permanently activated and are triggered for relatively short periods - 2 months when they were last applied in 2020 - in the event of a serious market crisis (price of US maize delivered to Rotterdam below €155/t). Given that the European Union imports between 1.5 and 2 million tonnes of maize per month, depending on the year, any increase in the 650,000 tonne quota would mean that customs duties would lose what remains of their effectiveness when they are triggered, rendering this last-resort safety net ineffective for European grain maize producers.

In addition, the quota of 1,500 tonnes (net weight) for canned or frozen sweetcorn should also be maintained at this level, given the sensitivity of this market at European level and the very strong capacity of the Ukrainian agro-industrial sector to adapt. Indeed, converting 50,000 to 60,000 hectares for maize, around 1% of Ukraine's grain maize area, into sweetcorn would be enough to cover European consumption of canned and frozen sweetcorn (around 400 000 tonnes, net weight).

Lastly, we are calling for the global safeguard measures provided for in Article 40 of the Association Agreement to be strengthened, including automatic triggering, in order to effectively protect agricultural products that do not benefit from a quota. This is the case of seed maize which imports from Ukraine have increased 63-fold since 2019 (from 600 tonnes to 38,000 tonnes), resulting in a fall in the prices paid to seed maize producers in the European Union and reductions in the area under seed maize multiplication. The annual loss is estimated at over €200 million in sales for European seed maize producers.

For products not protected by the emergency break mechanism: Then, it is also important to note that **key products** that have been deeply impacted by the liberalisation are still not protected by any emergency break mechanism, **such as common wheat or barley.** At the time, this decision was officially justified that despite the incredible increase of imports, the EU market for those products was not impacted. We profoundly disagree with this assessment and **believe that it is extremely important to reintroduce for those products TRQs close to those originally agreed upon in the Association Agreement.** This necessity is clearly demonstrated by simple numbers. For example, before the war, Ukraine used to export between 0,5 to 1 million t of **Common wheat to the EU.** Since the war it exported around 6.5 million t per year. However, Ukrainian imports do not replace other imports as we went from 2-3 million t to 9.5 million t of overall common wheat imports for the EU. If the EU production of common wheat had gone down by 5.5-6 million t in 2022 and 2023 compared to 2021 or 2020, it would make sense, but this is not the case. In 2020 the EU produced less than 2022 and 2023 and in 2021 we produced 1 more million tons than in 2023 and 3 more than 2022, very far away from 6.5-7.5 million tons difference. It could eventually be justified by a sudden increased need for feed, as the common wheat exported by Ukraine is used for that. However, the was now increase of common wheat consumption for feed or feed in general:

- EU cereals consumption for feed 2021/22: 160 million tons
- EU cereals consumption for feed 2022/23: 156 million tons
- EU cereals consumption for feed 2023/24: 156 million tons

There could also be the assumption that our imports of common wheat replace other cereals that can be used in the same way, but this is not the case, as the overall EU cereals imports went from 22 million t in 2020 and 20 million t in 2021 to 34 million t in 2022 and 33 million t in 2023, and increase of more than 50%. At the same time, the overall EU cereals exports did not increase going from 52 million t in 2020 and 48 million t in 2021 to 45 million t in 2022 and 50 million t in 2023, which means that we have a surplus.

Thus, **Ukrainian imports resulted in a minimum of a 5 million t surplus of common wheat on the EU market,** resulting in a decrease in prices and a slow down of the market. The prices we see now are much lower compared to before the war (e.g. 170 euros/t for common wheat in Belgium compared to 230 euros/t before the war in 2021). However, some point out that the prices we see today are comparable to what we had back 5 or 6 years ago. Still, this is misleading because it does not take the normal inflation into account, and more importantly, it does not consider the fact that **production costs are not at all the same than before the war (see table below).** Since COVID-19 and then the beginning of the war, fertilisers prices skyrocketed (Urea was around 200€ before the war, then 1000€ at the start of the war and now around 400€), while they represent more than 30% to 50% of the production costs for cereals and oilseeds depending on the region. This is why for example in France this year, farmers are losing 550 euros/ha of common wheat.

Average prices and production cost for common wheat since 2018:

	Average price 2018	Production costs 2018	Average price 2019	Production costs 2019	Average price 2020	Production costs 2020	Average price 2021	Production costs 2021	Average price 2022	Production costs 2022	Average price 2023	Productio costs 202
France	195€/t	1372€/ha	183€/t	1253€/ha	209€/t	1414€/ha	304€/t	1512€/ha	296€/t	1771€/t	227€/t	2065€/ha
Romania	189€/t	805€/ha	176€/t	920€/ha	184€/t	905€/ha	259€/t	870€/ha	249€/t	1235€/ha	172€/t	1235€/ha
Belgium	183€/t	1405€/ha	168€/t	1453/ha	195€/t	1449€/ha	250€/t	1514€/ha	275€/t	1967€/ha	185€/t	1800€/ha
Italy	196€/t	1300€/ha	194€/t	1300€/ha	195€/t	1300€/ha	250€/t	1300€/ha	355€/t	1900€/ha	250€/t	1900€/ha
Ireland	193 €/t	1265€/ha	135 €/t	1360€/ha	166€/t	1309€/ha	210€/t	1330v/ha	310€/t	1861€/ha	205€/t	2199€/ha

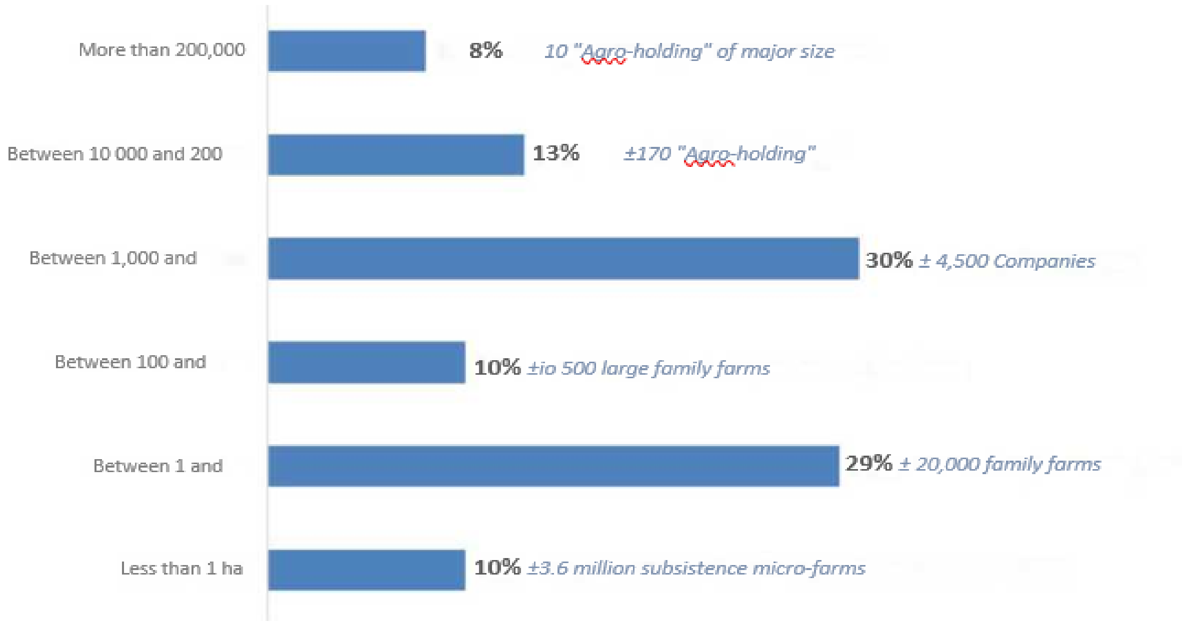
The necessity to take the medium to long-term perspective into account

The revised association Agreement will lay down the terms for trade with Ukraine until its accession to the EU. **It is thus extremely important to take into account the evolution of Ukrainian agricultural production in the future in the revision of the Association Agreement with Ukraine.** Due to its agricultural structure, Ukraine has the capacity to very rapidly switch its production. This means that **products that might not appear as sensitive today, may very well be in few years.**

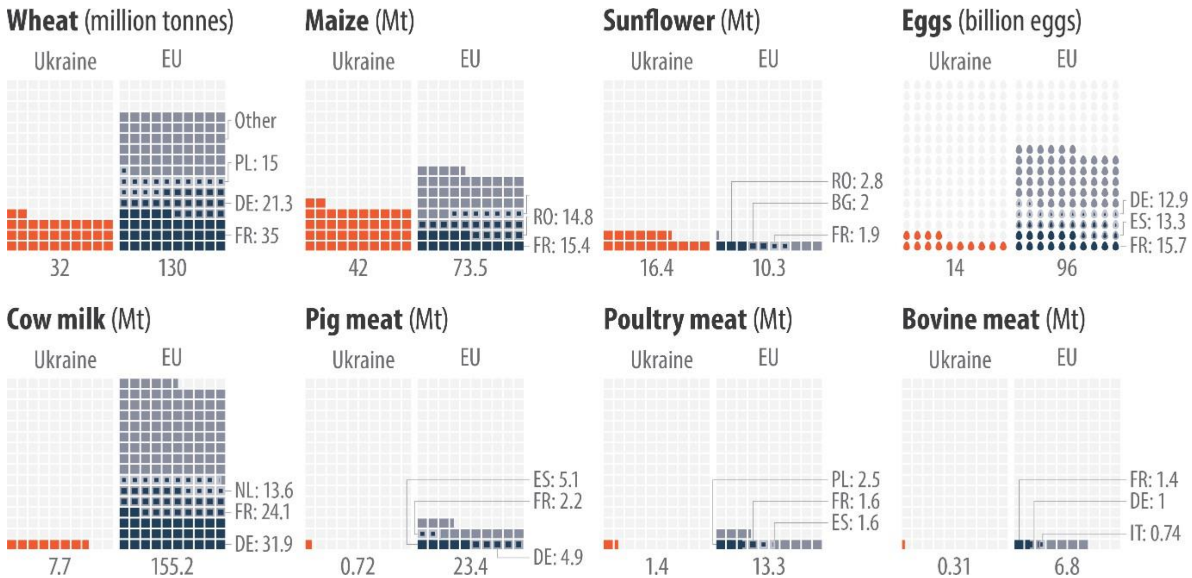
Ukraine's economy is strongly dependent on its agriculture which represents **10.9% of its GDP** in 2021, **13.8% of its employment** (one in seven people work in the agricultural sector) and **45.1% of its exports in value.** With **41.3 million ha** of agricultural area utilized, of which 32.5 million ha is arable land, Ukraine is the biggest European agricultural country in terms of land. **In comparison**, Spain and France have respectively 23.9 million and 27.4 million ha of utilised agricultural land and represent the largest share of the **EU's 157 million ha of used agricultural land.**

In terms of structure, Ukraine presents a very fragmented picture that could be divided in three broad categories:

1. **Subsistence holdings**, with almost four million holdings of less than 1 ha, exploiting 10% of the UAA;
2. **Family farms** at around 20,000 holdings of a few dozen ha, exploiting 30% of the UAA and larger 500 family farms of between 100 and 1000 ha.
3. **Commercial farming** with what is known as employers' companies of several hundred ha, or even 'agro-holdings' of several tens of thousands of ha. 21% of the UAA is owned by 180 entities with more than 10,000 ha – half of which (12% of the UAA) is owned by holdings with more than 100,000 ha.



In terms of yield, despite showing big improvements in past years, Ukraine yields for **arable crops are only at 60% or 70% of a country like France. Ukraine thus enjoys large room for improvement.** This is of course important to note as Ukraine agricultural holdings are already more competitive than EU farms while they could still become more competitive by improving their yields. They still use much less fertilisers, do not benefit from proper irrigation systems, and have outdated machinery, all elements where they could close the gap very quickly and which will be most probably favoured and accelerated via the support received by third countries, including the EU, for the reconstruction.



Comparison of Ukrainian and EU production of selected agricultural products for the year 2021

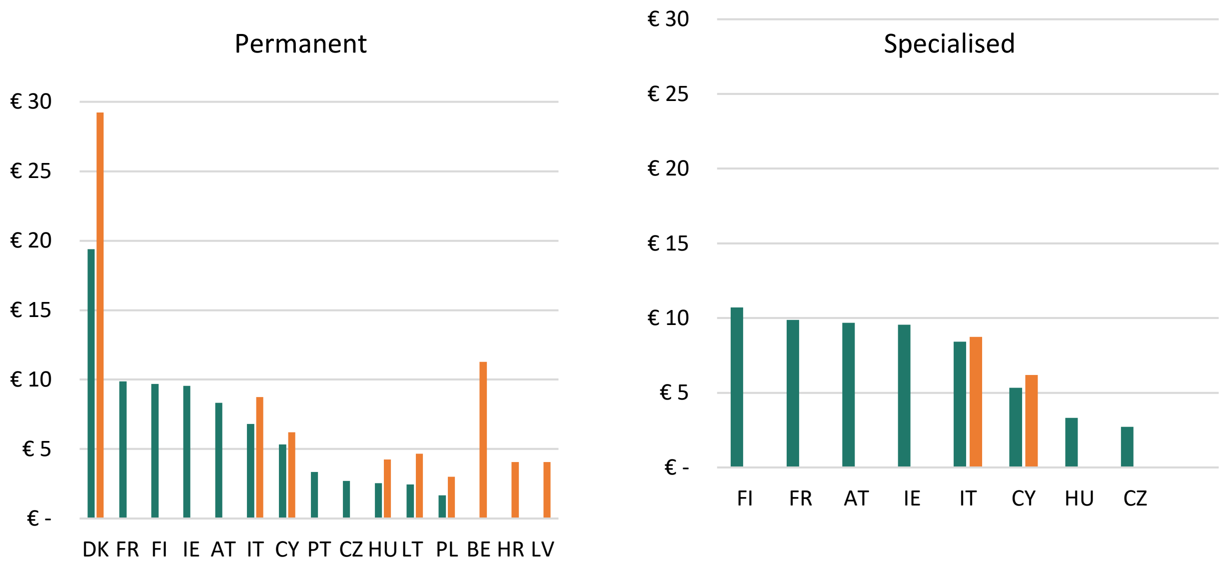
Regarding livestock, the country's production has changed dramatically between 2000 and now. In 2000, pork and beef represented 86% of Ukraine's meat production and only 11.6% of that was poultry. In 2022, the share was 56.8% poultry with 42% pork and beef. Generally, and especially in comparison to arable crops, Ukraine's livestock sectors is rather small, but remains still **significant for milk (which represents 5% of the EU production)** although Ukraine remains a net dairy importer, and **especially for poultry meat (it represents 11% of the EU production) where Ukrainian exports have a strong impact on the EU market.**

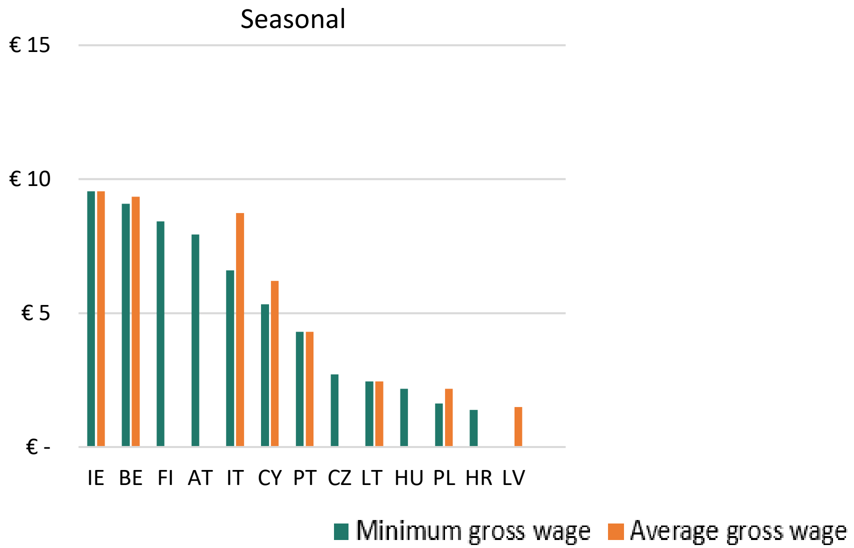
In addition**, wages in Ukraine are quite low**, which directly contributes to the competitiveness of its agriculture. Here are some key figures in comparison to some EU Member States:

- **Wages in Ukraine (gross):**
    - Average general salary: 525 euros/month
    - Minimum salary: 160 euros/month – 0.96 euros/h
    - Average agricultural worker salary: 340 euros/month
- **Average wages in the EU for agricultural workers (gross):**
    - Romania: 732 euros/month
    - Poland: 900-1000 euros/month
    - France: 1600 euros/month

The figure below shows wages per hour across different types of workers in the agricultural sector in EU Member States. In comparison, the average gross salary per hour for agricultural workers in Ukraine is 2.0 euros/h.

Comparison of minimum and average gross wages by type of worker





Furthermore, **most sectors in Ukraine are highly concentrated:**

- **Tomatoes:** 85% of the production of processed tomatoes by the company Agrofusion.
- **Sugar:** 95% of the area under beet (now 200 000 to 300 000 ha) is owned and cultivated by integrated enterprises. The use of independent growers to produce the sugar beet seem to be only occasional and conjunctural (18% of Astarta's processing volumes in 2021, for example).
- **Poultry meat:** one large producer (MHP) controlling over 70% of the market. Five mid-size companies control between 1 and 6 % of the market each with the remaining share split among a large number of very small producers
- **Eggs:** at the end of 2018, the agricultural holding occupied 30% of the industrial egg market and 66% of the Ukrainian market of dry egg products

This very concentrated structure with low production costs and associated with a considerable room of manoeuvre to improve production efficiency means that Ukraine agricultural sector is not only already more competitive than the EU, but it could become even more competitive in the future. Furthermore, this concentration, also means that Ukraine **could very quickly and easily switch its production if there is a market opportunity for it, as it was demonstrated with sugar in the past year.** Indeed, Ukraine went from 220 000 ha of sugar beet in 2021 to more 300 000 ha in 2024. This could be easily repeated for tomatoes or potatoes or even sectors requiring more investments as the concentration of the Ukrainian agri-holdings provide them with high and rapid investment capacities. This is why the **Association Agreement should also protect products that might not appear as sensitive at the moment but could become sensitive in the future.**

The necessity to impose reciprocity in terms of production standards

In order to ensure a fair level playing field, it is also essential to **ensure that any further liberalisation with Ukraine compared to what was originally agreed in the Association Agreement in 2014 is made conditional to the respect of the same production standards.**

According both to Ukrainian authorities themselves and the Thünen University analysis, Ukraine has **only transposed around 40% of the EU acquis** on agricultural production into its own legislation. For animal welfare, Ukraine has passed legislation to align with the EU acquis, but they will only enter into force between January 2026 and January 2027 and still nothing on animal transport. Regarding PPPs, if we are only looking at sugar, Ukraine is still using at least 29 PPPs forbidden in the EU. **However, this is not only a question of transposition of the EU acquis, but also of its enforcement.** This question of enforcement is quite crucial, and a good example of that is the use of GMOs. Indeed, although there is no legitimate commercial production of GMO crops in Ukraine, a USDA report from 2022[1] showed that positive test results for corn, rapeseed, and soybeans at export facilities indicate that there is GMO crop production in Ukraine. Industry sources in Ukraine reported that 50-65% of soybeans, 10-12% of rapeseed, and less than 1% of corn produced for export test positive for GMO.

1 https://apps.fas.usda.gov/newgainapi/api/Report/DownloadReportByFileName?fileName=Biotechnology%20and%20Other%20New%20Production%20Technologies%20Annual_Kyiv_Ukraine_UP2022-0078