

## Trends and Experience with Ukrainian imports in Western Europe.

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### 1. What has changed:

As from 1 January 2016, all imports from designated Eastern European countries must be officially tested for pesticide residue at each border crossing into the EU and checked for possible pesticide residues. Only after the authorities have given their approval, the goods can be imported as organic products in the further economic cycle.

These procedures are carried out differently in every member state (which makes trading a very elaborate process) This creates extremely different costs per unit and thus leads to further distortions of competition.

*Origins of organic wheat (sheet)*

*Growing organic Cerals (sheet)*

### 2. Consequences in the Retail market and the industry.

The fraud case of 2014 mentioned earlier lead to the greatest economic damage in the German organic egg production history. In Germany, in such cases, the authorities respond with rather long-lasting and therefore expensive penalties. These add up quickly to millions of Euros.

Another current example of what consequences residues can trigger is the Fipronilscandal. In this case, unauthorized pesticides were used for the disinfection of henhouses chickens. Meanwhile, residues can be found are in up to 40! Countries. The final consequences are not yet assessable. What is clear, however, is that manufacturers and food retailers will try to get lost profits from their suppliers back. What remains is a lasting damage to the reputation of all market participants.

*Sales of organic products (sheet)*

### 3. Advantages and disadvantages in daily business:

The follow-up investigations of lots from the Ukraine in 2014 led to export restrictions of organic soft commodities from there. Due to the frauds in Ukrainian, customers are already restrained to buy goods with origin in Ukrainian. In my experience its helpful to get good qualities in products like Millet and wheat and reliable distribution in Ukraine. In case a customer agrees to buy soft commodities, a number of barriers complicates the process. Import conditions and processes are difficult. They depend on authorities and therefore the approval for further processing can take a long time. Thus, the existing implementing regulation for import is expensive, slow, and not at least long-term efficient. Only the argument of complete sampling is currently helpful in sales, in addition to the product-specific characteristics for origin from Ukraine to trade.

#### 4. Sales situation in the current season:

The markets in Western Europe were completely cleared before this running season has started. Additional demand was often not covered by the soft commodity market. Besides the classic oil crops, such as organic rape, organic sunflowers are still protein-rich organic wheat and organic millet peeled or as raw material important raw materials, which in particular Ukraine can provide. In these segments, the fraud cases of the past did not really affect demand negatively. Especially the peeled millet enjoys a stable demand due to its very good processing properties. However, here again and again small discoveries of residue disturb the course. Each known case causes inquiries to explain, what we do to avoid it. Organic wheat from the Ukraine could be of growing importance if the transparency in the offered lots increases. Especially great lots (in the form of wessel parties) transported in vessels seem to be not very suitable, especially since the determination of some individual market participants does not appear very strong to me.

#### 5. Foracast, Long-term development

Sales volumes in organic products for human consumption in retail market shows above-average growth rates. Like statistics from 2016 indicate, the gains (blue marked) are between 5 and almost 18% depending on the product segment. Growth in the European organic market for the soft commodities is positive. This trend will continue at least for the next 18 - 24months. Negative influences such as regional mischiefs and scandals in the organic sector tend to be fierce, but they have short-term and medium-term effects without affecting the long-term trend. However, the consequences can be of partial existential importance. In particular for the market participants themselves! In market saturation tendencies, imports with uncertain third-country inheritance are the first to collapse. This mechanism will continue to exist in the future. The new EU Organic Regulation, which has just been adopted in Brussels, will not change this either. Different standards are not the cause of any fraud.

*Price trends in germany (sheet)*

#### 6. Summary:

Organic raw materials from Ukraine are currently a part of the growing demand in the EU for organic products. In the case of saturation claims, however, exports are immediately impacted. (*Example: organic Spelt, some exporters or producers knows what I 'm talking about*). Here, the fraud cases of the past have an even greater negative effect. The current import regulations duties are not particularly helpful. If we do not manage to increase and enhance the exchange of information among the inspection bodies and market participants, Ukrainian organic farming will not be sufficiently integrated into the value chain. As an importer, I see opportunities for a transparent organic production in the Ukraine or their marketing, if the political backwind from Brussels, the involved authorities and inspection bodies significantly increase and speed up the data exchange with us market participants. Only then we have a chance to isolate frauds and keep them away from the serious organic market.

Thank you very much for attention!