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# UKRAINE

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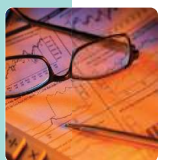
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## BUSINESS OMBUDSMAN'S OFFICE PROPOSES GOVERNMENT CHANGE CRIMINAL LAW TO REDUCE PRESSURE ON BUSINESS

The Business Ombudsman Council has proposed the government convene an expert group to develop changes to criminal laws, which would reduce pressure on business on the part of law enforcement agencies. "We propose to the government set up an expert group to develop amendments to the Criminal Code and the Criminal Procedure Code, inviting our experts, law enforcement authorities, the Ministry of Justice and other interested parties to take part in the process," Business Ombudsman Algirdas Semeta said at a press conference. Deputy Business Ombudsman Yaroslav Hryhorchak explained that today one-third of complaints from businesses concern the actions of law enforcement agencies, in particular, the tax police.

According to him, major violations relate to the opening of criminal proceedings, refusal to open criminal proceedings, violations during investigations and the inefficient administration of pre-trial investigations.

He also added that the business ombudsman's office proposes putting amendments to criminal laws, which would more protect businesses from law enforcers. ■

## U.S. BUSINESS READY TO COOPERATE WITH UKRAINE, MULLING INVESTMENT



Ukrainian entrepreneurs and industrialists have held a series of meetings in Washington, D.C., with representatives of U.S. companies and business associations, including the U.S.-Ukraine Business Council. The sides discussed the need to strengthen the Ukrainian economy as a prerequisite for Ukraine's national security, improve the investment climate, and establish closer ties between Ukrainian and U.S. entrepreneurs.

Despite rather negative indicators of domestic production and a decline in GDP in the past year by almost 11%, Ukrainian businesses actively get involved in the process of reforming economic, fiscal, monetary policy, sharing their own success stories and proposing joint work with the government's officials.

The Ukrainian business community sees the launch of full-fledged free trade with the European Union as of January 1, 2016, as a huge incentive for the Ukrainian producer, which requires modernization, rapid adaptation to technical regulations and quality standards used in Europe. Certainly, there are still many issues to be addressed, in particular, preparation by Ukraine of its own homework: the fight against corruption, the creation of conditions for the rule of law and equality before the law, energy security, and innovation policy as well.

"We are sure that European integration efforts will significantly invigorate our cooperation with North America," President of the Ukrainian League of Industrialists and Entrepreneurs (ULIE) Anatoliy Kinakh said at the meeting.

The U.S. side has completely supported this view, stressing that the primary task of the Ukrainian government and civil society should be the modernization of the economy. "Economic self-sufficiency is the main "weapon" to protect national interests," the U.S. partners said.

In this context, they positively evaluated an anti-crisis plan of joint actions of the Ukrainian government and businesses, which was presented to them. This only comprehensive plan available in Ukraine now to overcome the negative factors in the economy, which was developed by hundreds of Ukrainian business associations, entrepreneurs, academics and professional analysts, was previously presented to top officials in Ukraine and is now pending joint implementation with possible amendments or modification.

"The ULIE and the Anti-Crisis Council of NGOs are willing to step up interaction with U.S. businesses, strengthen cooperation in investment, joint work on bilateral markets and on the markets of third countries," the ULIE president concluded. ■

## RADA RATIFIES AGREEMENT WITH EUROPEAN COMMISSION ON UKRAINE'S JOINING CREATIVE EUROPE PROGRAMME



The Verkhovna Rada has ratified an agreement between the Ukrainian government and the European Commission on Ukraine's joining the Creative Europe programme.

According to the explanatory note to the bill, the Creative Europe programme is the European Union programme for the cultural and creative sectors and Ukraine and the European Union will cooperate in the MEDIA sub-programme.

The implementation of the agreement envisages the creation of the national bureau of the Creative Europe programme in Ukraine. The bureau will accompany the implementation of the program in Ukraine, analyze the impact of the programme on development of the Ukrainian cultural and creative sectors, conduct events aimed at spreading knowledge about modern trends in the Creative Europe programme and other EU programmes (conferences, seminars, training and other events).

Deputy Prime Minister and Minister of Culture Viacheslav Kyrylenko said presenting the bill in the parliament, soon a tender to select a head of the bureau will be announced. ■

## ULIE DEMANDS RELOADING, FORMATION OF TECHNOCRATIC GOVERNMENT



The Ukrainian League of Industrialists and Entrepreneurs (ULIE) and the Anti-crisis Council of NGOs demand to increase the level of professionalism and responsibility in the public administration area, call on starting the team work of all branches of power jointly with business and society to allow the economy to stably develop.

"We demand that the president and parliament reloads the government. The state need the technocratic government that would stick to a plan on going out of the crisis... would be personally responsible for concrete results in the set terms and would remove the principles of personal fidelity or party liabilities from practice," the ULIE said in a press release after discussing the government's report for 2015 on February 12.

The League said that the positive results of the government's work last year were restructuring of debts, diversification of energy sources, reform of public procurement and attempts to trigger the tax reform, in particular, to reduce single social security tax to 22%, refuse from advance payments of profit tax by companies, revoke the imports duty, as well as deregulation measures.

"However, there are not enough convincing arguments that enough grounds were created to resume growth of the Ukrainian economy and to carry out long-awaited reforms in 2016 as it is forecasted in the government's report," the ULIE said, pointing at the worsening of investment conditions and state support of national producers on the global markets.

"The currency restrictions, too high credit rates at Ukrainian banks do not allow receiving funds required to diversify exports of Ukrainian companies that suffer from the Russian embargo most of all," the ULIE said, citing Head of the crisis Council of NGOs and ULIE President Anatoliy Kinakh. ■

## BUSINESS ASSOCIATIONS EBA, ULIE URGE AUTHORITIES TO UNITE IN FIGHTING CORRUPTION, ACCELERATING REFORMS



The worsening of the political situation in the country, delay in reforms and retaining corruption are a threat of further worsening of the economic situation and the loss of trust of international donors, according to the statements of the European Business Association (EBA) and the Ukrainian League of Industrialists and Entrepreneurs (ULIE) issued on Thursday in response to the resignation statement of Ukrainian Economic Development and Trade Minister Aivaras Abromavicius made on February 3.

"Investors consider this latest political drama as an appalling symptom, which is likely to have very negative repercussions," the EBA said, pointing that business has lost trust to actions of authorities.

"We're alarmed at a new portion of political statements around the government and parliament showing that there is no consolidated position in the top state management, a lack of trust between the different branches of power, the inability to work jointly on finding the way out of the social and economic crisis and further development of the Ukrainian economy," the ULIE said in a statement.

The associations said that Ukraine urgently needs reforms, constructive and consolidated efforts of the president, parliament and cabinet.

"Ukraine's economy is undergoing challenging and turbulent times... Failure to mount a comprehensive fight against corruption will further worsen Ukraine's situation if the authorities once again fail to implement serious changes. With Ukraine being dependent on international support and financial aid, cooperation with the IMF is at risk unless the political leadership shows tangible commitment to fighting corruption," the EBA said.

The association urges Ukraine's leaders to take action, to transparently and independently investigate all accusations that are being voiced, to finally enforce a zero tolerance stance on corruption and carry out vital structural reforms and protect investor-friendly technocratic reform leaders with support of the business community.

"...a technocratic government is required that would work on the plan how to withdraw from the crisis, that would be responsible for achievement of concrete results in the set terms and that would give up the principles of personal party allegiancy... The modern government must be renewed and strengthened thanks to responsible and active professionals," the ULIE said, citing its head Anatoliy Kinakh. ■

## ORBITAL ATK SIGNS \$1.5 BLN CONTRACT WITH NASA TO IMPLEMENT CARGO MISSIONS TO ISS USING ANTARES AND ATLAS-5 CARRIER ROCKETS FROM 2019



U.S. - based Orbital ATK, the world's leader in aerospace and defense industries, has signed an eight-year contract worth about \$1.5 billion with NASA to implement from 2019 six commercial cargo flights to the International Space Station (ISS) using Antares carrier rockets created and produced in cooperation with Ukraine.

According to an official report from the company, within the framework of the contract signed after a tender, Orbital ATK for cargo flights to the ISS in addition to upgraded Antares carrier rockets could also use Atlas-5 carrier rockets of United Launch Alliance (the United States).

In addition, the contract includes an option for the execution in 2021-2024 of additional cargo flights "on the basis of operational requirements for the ISS." The amount of the option is not specified.

According to a contract worth \$1.9 billion between NASA and Orbital Science Corp., signed in 2008, the U.S. company should by the end of 2016 provide eight regular cargo flights to the ISS using Antares carrier rockets and the Cygnus spacecraft built in cooperation with Thales Alenia Space and deliver goods with a total weight of 20 tonnes. Ukraine's Pivdenne design bureau and Pivdenmash (Dnipropetrovsk) in the framework of a long-term contract (up to 2019), signed with Orbital Science Corp. in 2008, provided the development and manufacture of the first stage of the Antares carrier rocket. ■

## ENTREPRENEURS WORKING ON TAXATION PROPOSALS TO BRING ECONOMY OUT OF THE SHADOWS, FILL THE STATE'S COFFERS



A number of major business associations, NGOs and think tanks in Ukraine are now working to prepare a package of proposals to qualitatively improve the tax system, which, in turn, should stimulate the economy and ensure GDP growth in the current year.

A new bill, as proposed by the business community, should provide for a radical reduction in all major fiscal rates, preserve the simplified tax system along with the settlement of controversial issues around it, maintain special rules of taxation for the agricultural sector, cancel advance payment of taxes, which is stipulated in the current Tax Code, and VAT accounts, etc.

Related debates go on as part of round table discussions and meetings of NGOs' expert groups and other organizations. The Ukrainian League of Industrialists and Entrepreneurs and the Anti-Crisis Council of NGOs stress that the preparation of the package of the proposals should be completed in the first quarter of this year, so that the expert debates could shift to the parliamentary level in spring.

The implementation of the bill, which is being prepared, will not in general have a negative impact on budget revenues, representatives of the Ukrainian business community say, as its provisions are aimed at a reduction in the share of the shadow economy, a recovery in business activity, an increase in the investment attractiveness of Ukraine's economy (primarily through stimulating the domestic investor), and the restoration of economic growth.

The reduction in the tax rates will be compensated by an increase in tax revenues thanks to the growth of production and sales of goods and services, invigoration of the domestic market (an increase in households' purchasing capacity and the development of small-sized businesses), measures to bring the economy out of the shadows. Ukraine's GDP is expected to grow by 17% as a result of these efforts.

What is more, a large-scale business forum has been scheduled for March 2016 to discuss the business and investment climate, tax reform, activation of the domestic market as well. ■

## INFRASTRUCTURE MINISTRY TO CREATE UKRAINIAN ROADS GEOINFORMATION SYSTEM THANKS TO EU FINANCIAL AID

The Infrastructure Ministry of Ukraine will create a Ukrainian roads geoinformation system thanks to funds received as part of the technical assistance from the European Union (EU), the director of the road market and transportation strategic development of the ministry, Roman Khmil wrote on his Facebook page.

"We've received financing for the creation of the Ukrainian roads geoinformation system. We want to create an integrated system that would be useful both for road workers, sector managers and the public," he said. Khmil said that earlier similar projects were created by volunteers, although they had restricted opportunities.

"The next step is designing of technical specifications that would describe the requirements to the system. Then we put it for the open and transparent tender," Khmil wrote. The ministry's press service told Interfax-Ukraine that the EU technical assistance for the projects in the transport area will reach UAH 294 million, and some of the funds will be sent to the creation of the geoinformation system. ■

## EIB PLANS TO INCREASE FINANCING OF LARGE BUSINESS IN UKRAINE IN 2016

The European Investment Bank (EIB) plans to expand support of large corporate business in Ukraine in 2016, Senior Corporate Banker for EU Neighbouring Countries at the EIB Jean-Jacques Soulacroup has said.

“We would like to emphasize the focus that we are putting on this year in Ukraine is increasing our targets with our volumes with the private sector. Not only on SME side and mid-caps, but also on the large caps, the large corporates, because we think that we are now in a position that in the context Ukraine seems to be more and more favorable for financing the large corporates as well,” Soulacroup said at the international conference entitled “Focus Ukraine: Global Export Credit Agency and Multilateral Financial Institutions Strategy Meeting.”

“Our 40% of portfolio dedicated to SMEs is basically intermediated through banks, local banks. If I am really looking honestly about the picture of the EIB in Ukraine than on the pure corporate side we have financed basically 11% of our portfolio. So this is still very minor and we want to increase that. We want to do more. What we want to do is to target is to work with champions in Ukraine. When I say the champions I mean the companies that are the leaders in their market or that are the best managed and with best potential for development. I think this is important. But we want to target these champions that are suffering from the current economic environment,” he said.

The banker said that these companies need not only short-term money, but also long-term money.

He said that the EIB has EUR800 mln to commit for this year as part of the 2014-2016 portfolio.

“We have been part of the package of EU commission for providing 11 billion to Ukraine and we committed ourselves to provide 3 billion. And out of these 3 billion over 2014 2015 and 2016 we’ve already signed 2.2 billion. As you have understood, we have EUR800 mln to commit for this year. Hopefully in 2017 we might be able to keep it going, probably with these amounts, hopefully with more,” he said. The banker said that the bank is already in the discussion with the Ukrainian government for projects in transport, transit energy and possible trade support. ■

## POLSA PRESIDENT: POLAND INVESTED IN JOINT PROMOTION OF UKRAINIAN ROCKET SOLUTIONS TO EU MARKET

Ukraine has state-of-the-art rocket technologies, and Poland shows a serious interest to cooperation in their joint gradual promotion to the EU market, President of the Polish Space Agency (POLSA) Marek Banaszkiwicz has told Interfax-Ukraine.

“I think that there is a very large potential for promotion of rocket technologies that are well developed in Ukraine to the EU space market. This would be not an easy task: as you know, there is a mature market in Europe with companies that define the competitive positioning on the market,” he said after a first meeting of the ad hoc working group for space of the Ukrainian-Polish interagency commission for economic cooperation held in Kyiv and Dnipropetrovsk. Banaszkiwicz said that today Ukraine “has access to the market that operates and develops on the verge of competition and cooperation and could take part in the competitive fight on it.”

“I think that first there is sense to develop cooperation in the area that are open for partnership,” he said, adding that one of the projects where Ukrainian rocket technologies could be of great demand is the Ariane 6 new-generation launcher program being implemented in the EU.

Among promising areas for bilateral partnership is the creation of new rockets, Banaszkiwicz said. One of the projects could be the project on the creation of a new European light launcher proposed for joint realization by the Polish Aviation Institute and Pivdenne Design Bureau (Dnipropetrovsk).

Banaszkiwicz said that at present, the Polish government shows the interest to the development of space solutions, and first solutions in the interests of the security and defense sector as part of the future development of Polish industry.

Assessing the investment attractiveness of Pivdenne Design Bureau and Pivdenmash state enterprise that are being prepared for reformation, he expressed confidence that the two enterprises are interesting for investors. ■

## TURBOATOM'S PORTFOLIO OF ORDERS FOR 2016 INCLUDES ONLY EXPORT CONTRACTS – CEO



PJSC Turboatom, the largest Ukrainian producer of turbine equipment, 75% of whose shares belong to the state, currently has a portfolio of orders for the current year, however it is formed at the expense of export orders, while there are no orders from Ukrainian companies, Plant CEO Viktor Subotin has said.

“Against the backdrop of the overall difficult situation in Ukraine, energy machinery manufacturers, of course, have fewer orders this year than two or three years ago. But our main problem is that, for example, in total sales in 2015 only 26% were deliveries in Ukraine. And if last year there was one order – the delivery of a condenser to Yuzhnoукраїнск nuclear power plant, then this year there are no domestic orders at all. Ihor Bilous [the head of the State Property Fund] meant this,” Subotin said, commenting on Bilous’ statement about absence of orders at Turboatom in an interview.

Subotin noted that he appealed to the SPF head with the request to assist in obtaining orders from Ukrainian companies. ■

## GERMAN INVESTORS INVEST EUR 2 MLN IN EQUIPMENT FOR KME-MAGMA SERVICE UKRAINE, RESUME OPERATIONS IN MARIUPOL



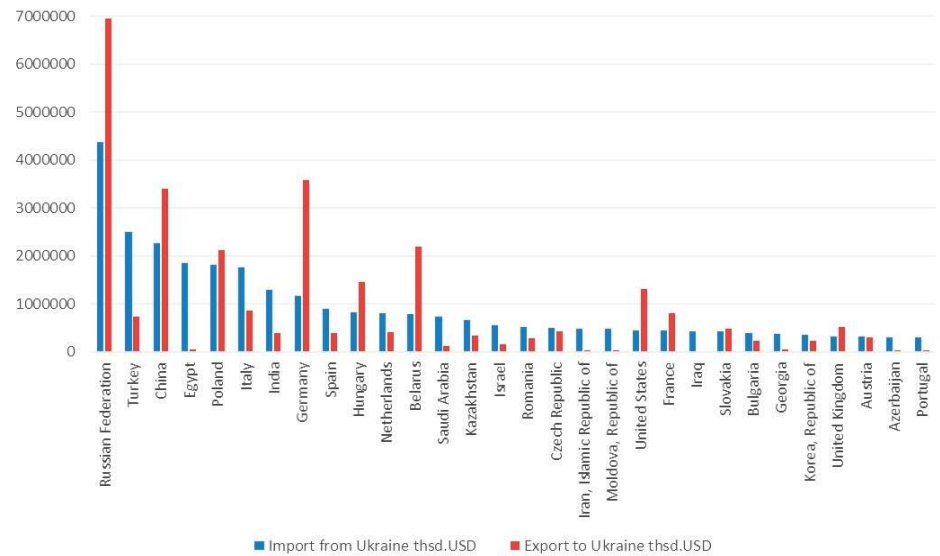
**K**ME Germany GmbH & Co. KG, a European industrial group with leading positions on the global copper and copper alloy products, the co-founder of KME-Magma Service Ukraine LLC (Mariupol, Donetsk region), has resumed investment in the development of the joint venture in Ukraine that repairs casting-mold machines' parts.

The Illichivets newspaper reported that German investors resume cooperation with Mariupol: at present new equipment is being actively installed at KME-Magma Service Ukraine. The equipment to repair details of ingot-forming equipment was shipped from Germany.

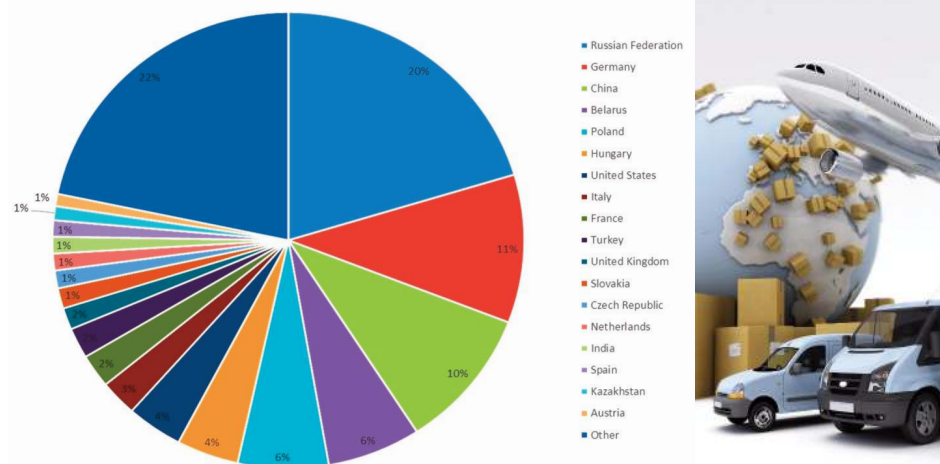
The joint venture was created in 2013 by Mariupol-based Magma LLC, an engineering company, and KME Group. Only three years later foreign investors came to Mariupol. "We consider Mariupol as the steel region which is famous by steel production in the world and which should continue developing," Marketing Director at KME Norbert Folkman. He said that the fact that the German group decided to invest in the Mariupol company is a signal that Europeans think that the situation here will develop positively.

Folkman said that over EUR 2 million has been invested in the project and this is only the start. The new line at KME-Magma Service Ukraine will be launched in May and 20 places of work will be created there. ■

## TOP-30 COUNTRIES EXPORTERS TO UKRAINE, JANUARY-NOVEMBER 2015



## EXPORT TO UKRAINE THSD.USD



Excluding the temporarily occupied territories of the Autonomous Republic of Crimea, the city of Sevastopol and part of the anti-terrorist operation zone.

## NEW CAR SALES IN UKRAINE 23% UP IN JAN - UKRAUTOPROM

**N**ew car sales in Ukraine in January 2016 increased by 23% compared to the same month in 2015, to 3,183 cars, according to the Ukrautoprom association.

At the same time, compared to December last year the sales fell by 41.3%, but December last year was one of the most successful months of sales for the entire year. In January last year the market of new passenger cars declined by 4.6 times compared to January 2014.

According to the association, the leader in sales in January this year was Toyota with 303 cars, which is 68% higher than in January 2015, when it ranked fourth.

Nissan ranked second with 282 cars (17% less). Renault ranked third with 261 cars (up by 30%). Volkswagen with 227 cars ranked fourth, a rise in sales was 67%. In January 2015, the position was occupied by Toyota. ■



## LVIVVODOKANAL OBTAINS EUR 27.5 MLN TO UPGRADE WASTEWATER TREATMENT INFRASTRUCTURE, PRODUCE BIOGAS – EBRD



The European Bank for Reconstruction and Development (EBRD), the Nordic Environment Finance Corporation (NEFCO) and the Eastern Europe Energy Efficiency and Environment Partnership (E5P) provide a financing package of EUR 27.5 million to Lviv city to implement a project on the upgrade of wastewater treatment in the city, the EBRD said in a press release.

“The new project would enable municipal enterprise Lvivvodokanal to rehabilitate and upgrade the wastewater treatment infrastructure, install a biogas production capacity in the city,” the bank said. The project is supported by an EBRD loan of up to EUR 15 million, a EUR 5 million loan from NEFCO and an investment grant of up to EUR 7.5 million from E5P.

“The proceeds will be used to significantly improve the efficiency and environmental performance of Lvivvodokanal, the major municipal utility which operates a 1,000-kilometer network of water supply systems and water treatment facilities and provides services to 760,000 residential and industrial users,” the EBRD said.

The investment programme will enable Lvivvodokanal to install a wastewater biogas combined heat and power plant (CHP), which will be able to generate up to 39,400 MWh of electricity annually thus allowing the company to achieve significant energy savings and will also lead to the reduction of greenhouse gas emissions equivalent to approximately 128,600 tonnes of CO<sub>2</sub>.

Technical assistance, necessary to accomplish the feasibility study and the environmental due diligence, was provided by the Swedish International Development Cooperation Agency (SIDA).

As reported, referring to the EBRD, on December 16, 2015 the board of directors decided to provide a loan of EUR 15 million to Lvivvodokanal to realize this project. It was planned to sign the agreement in January 2016.

The total cost of the project is estimated at EUR31.5 million. Lvivvodokanal will finance up to EUR 4 million. The EBRD is the largest international financial investor in Ukraine. As of July 1, 2015, the bank had a total cumulative commitment of EUR 11 billion in 345 projects in the country. ■

## FIRST BATCHES OF NUT-CONTAINING SWEET PRODUCTS FROM UKRAINE ARRIVE TO EU MARKET

Ukraine has removed barriers regarding the health certificates that allows exporting confectionary nut-containing products to the EU.

“Our one-year saga to remove one of the barriers to export Ukrainian confectionary products to the EU successfully finished. In 2014, the technical regulations took effect in the EU that required health certificates for our nut-containing confectionary products. No Ukrainian power agency took responsibility for the issue of the certificate,” President of Ukrkondprom Association Oleksandr Baldyniuk wrote on his Facebook page. In November 2015, the issue was put on the table of Deputy Agricultural Policy and Food Minister for European Integration Vladyslava Rutytska. The State Veterinary and Biosecurity Service of Ukraine has drawn up the required procedure under her control and started issuing the certificates to exporters.

“Last week first batches of these products went to the European Union,” he said. ■

## AGRICULTURE MINISTRY PREDICTS RISE IN GRAIN EXPORTS IN 2015/16 AGRI-YEAR TO 37 MLN TONNES



The Agricultural Policy and Food Ministry of Ukraine predicts that grain exports in 2015/16 agricultural year (July-June) will expand to 37 million tonnes. “With the revision of figures we do not see 36 million tonnes, but 37 million tonnes [for exports],” Agricultural Policy and Food Minister of Ukraine Oleksiy Pavlenko said in Kyiv.

He said that it is planned to export 15 million tonnes of grain in the next five months, while since the beginning of the agricultural year 22 million tonnes of grain has been exported.

Earlier it was reported, referring to the Ukrainian Grain Association (UGA) that since early 2015/16 agri-year as of February 3, 2016, Ukraine exported 23.85 million tonnes of grain, including 11.066 million tonnes of wheat, 3.94 million tonnes of barley and 8.691 million tonnes of corn. UGA President Volodymyr Klymenko said that in general exports of grain and flour reached 24.092 million tonnes. ■

## LOZOVA MACHINERY PLANS TO START BULK PRODUCTION OF HARVESTER TRAILERS JOINTLY WITH BRITAIN'S LARRINGTON TRAILERS



**L**ozova Machinery, the agricultural machinery brand manufactured at Lozova Forging-Mechanical Plant (Kharkiv region), plans to start bulk production of the Harvester trailer with a dump body as part of joint production created with one of the leading manufacturers of trailer for farmers in Britain Larrington Trailers.

The press service of the UPEC Group, which incorporates Lozova Forging-Mechanical Plant, reported that the two-axle trailer with a carrying capacity of 18 tonnes will transport and unload grain, edible roots, ensilage and other cargos. The trailers can be used with 150 hp and more powerful tractors.

The Harvester will be the first in the line of trailers which production will start in Ukraine in the future. The first sample made in Ukraine will be exhibited at the Grain Tech Expo 2016 in Kyiv on February 10. ■

## AGRICULTURAL COMPANIES INVEST BILLIONS OF HRYVNIA IN DEVELOPMENT OF FACILITIES AT UKRAINIAN SEAPORTS IN 2015



**S**ome agricultural companies invested billions of hryvnias in the development of facilities at Ukrainian seaports in 2015, according to a report of the Cabinet of Ministers published on its website.

Noble Agri (China) used around UAH 500 million to realize a project on building a grain terminal in the rear part of berths 1 and 2 at Mykolaiv seaport.

Bunge (the U.S.) invested around UAH 1.7 billion in construction of a modern grain terminal and a seed crushing plant in the rear parts of berths 13 and 14 of Mykolaiv seaport.

Brooklyn-Kyiv LLC (Louis Dreifus, France) is building a grain terminal in the rear part of berth one of Odesa seaport. The Ukrainian Sea Port Authority is implementing a project on construction of berth 1-z for general cargos. Brooklyn-Kyiv raised \$60 million from the European Bank for Reconstruction and Development to create the grain complex with an annual capacity of 4.5 million tonnes.

HPC Ukraine (Germany) is the operator of a container terminal on the Quarantine Mole of Odesa seaport and the investor in its expansion. Total investment in the project is UAH 5.18 billion. The construction will be finished in 2018. At present, the readiness of the project is 61.5% and UAH 3.192 billion has been used.

In 2015, state-run enterprises managed by the Infrastructure Ministry of Ukraine and companies investors signed several memorandums of intent. On July 19, 2015, a memorandum of intent was signed between Illilchivsk Maritime Merchandise Port and Soufflet Negoce S. A. The memo envisages investment in construction of a new terminal on one of the port's berths. Total investment will be up to \$100 million.

On August 13, 2015, a trilateral memo of cooperation between the Ukrainian Sea Port Authority, MV Cargo LLC and AT Cargill on the joint realization of affiliated projects on building a grain handling terminal with berth 25 and the creation of a working water area near the berth 16 meters deep. Total investment is planned at some \$130 million.

Then the memorandum of intent was signed between Oktiabrsk Sea Port and public joint-stock company ArcelorMittal Kryvyi Rih. The document announces joint actions and development of cooperation in the sea transport and metal exports area. ■

## UKRLANDFARMING TO START BUILDING GRAIN TERMINAL IN YUZHNY PORT IN 2017

**U**kraïne's largest agricultural holding Ukrlandfarming is in talks with investors to start the construction of a grain terminal in Yuzhny port (Odesa region) in 2017. "Our top priority in 2016 is Yuzhny port. We are now in talks with investors, and next year we will begin construction," deputy director general of the holding Ihor Petrashko said in an interview.

According to him, the company has built seven elevator and feed complexes, their overall storage capacity is estimated at 2.5 million tonnes. Ukrlandfarming planned to invest in rolling stock, rent grain wagons for 20 years, build an oil extraction plant, developed a project for lysine production. Currently terrestrial infrastructure projects are suspended.

"I can only say that we have a constructive dialogue with Odesa regional administration [with respect to the terminal]. All should be interested in this. These are 5,000 additional jobs, competition in the port, an increase of transshipment. Those who build only theoretically are trying to block this process in every possible way. When they see how we got ahead in the search of an investor, they started using PR attacks," Petrashko said. ■



## ASTARTA EXPORTS PRODUCT WORTH \$120 MLN IN 2015 – TENTATIVE DATA



Astarta agro-industrial holding exported products (grain, soybean products, sugar and heifers) tentatively worth some \$120 million, Astarta CEO Viktor Ivanchyk said in Kyiv. He said that in January-September 2015 the exports share of total sales was 38%. Soy oil and grain are exported by over 90%. The company exported around 30,000 tonnes of sugar in 2015.

He said that currently Astarta is actively working on boosting sugar exports to the EU as there is a shortage of sugar on the European market. In 2015, Astarta exported 10,000 tonnes of sugar to the EU.

“The quota for sugar exports by Ukraine to the EU is 20,700 tonnes. The counter quota is up to 30,000 tonnes. The EU has a chance to supply more sugar to our territory than Ukraine to the EU. Ukraine produces some 1.5 million tonnes of sugar and the EU – over 15 million tonnes which is 10 times more... The huge EU market today faces a shortage. We could cover it, supplying fairly and proportionally to the size of the market. They have ten times more market – give us ten times more quota, 200,000-250,000 tonnes,” he said.

He said that the company is also interested in the markets of the Middle East, North Africa, Southeast Asia, in particular, China, Japan and South Korea.

“India is also an interesting market for us, they did not have a good harvest, and I’m sure that wheat will go there in the near term,” he said.

Astarta does not export its products to the Middle Asia (Kirgizstan and Kazakhstan), Georgia.

“Our government does nothing for opening the markets in Afghanistan, Iran and Iraq. These markets could seriously expand geography of exports. We fail to develop the market with Turkey. They have large opportunities for developing public private partnership by Ukraine,” he said.

Ivanchyk said that Astarta is working with Chinese companies on signing contracts to export corn. China has distributed the quota, but the contracts will be signed after New Year holiday in China starting from February 15, 2016. ■

## STATE FOOD-GRAIN CORPORATION EXPORTS 1.5 MLN TONNES OF GRAIN IN H1 2015/16 AGRI-YEAR



Public joint-stock company State Food-Grain Corporation in H1 2015/16 agricultural year (July 2015-June 2016) exported around 1.5 million tonnes of grain, the company’s press service has reported, referring to the director of the logistics department Dmytro Shmokarev.

“The result was achieved thanks to the centralized work of the foreign economic department and purchase and logistics department and thanks to new rules introduced,” he said.

Among key changes in logistics is the creation of the transport and shipping servicing department that allows both shipping products using own forces and provide services to bailors. “In the period since November 2015 over 100,000 tonnes of grain has been shipped using this,” he said. The electronic document turnover system is being introduced in the corporation. Shmokarev’s division also worked to return dispatch bonuses worth over \$500,000 for the previous periods.

In August 2010, the government decided to create the State Food and Grain Corporation of Ukraine. The corporation has a chain of branches, comprised of grain storage facilities, flourmills, fodder factories and a cereals factory. The 53 subdivisions of the corporation can store a total of 3.75 million tonnes of grain, which includes the grain handling capacities of Odesa and Mykolaiv ports of around 2.5 million tonnes of grain cargo per year. ■

## UKRAINE EXPORTS ALMOST 24 MLN TONNES OF GRAIN AS OF FEB 3, MILLS RECEIVE FIRST QUOTA FROM EU



Ukraine since the beginning of 2015-2016 agricultural year (July-June) as of February 3, 2016 had exported 23.85 million tonnes of grain, including 11.066 million tonnes of wheat, 3.94 million tonnes of barley and 8.691 million tonnes of corn. President of the Ukrainian Grain Association Volodymyr Klymenko said at a press conference in Kyiv on Thursday that 180,000 tonnes of wheat flour and 1,600 tonnes of other flour were exported. Exports of grain and flour reached 24.092 million tonnes. Director of Millers of Ukraine association Rodion Rybchinsky said that Ukrainian millers received a first quota from the EU that is separate from grain traders.

“Yesterday first a Ukrainian enterprise officially received a quota of 5,000 tonnes to export flour to the EU without duties,” he said. Rybchinsky said that there is a common quota for supplies of wheat and wheat flour to the EU of 900,000 tonnes, which grain traders used by the middle of summer without millers. Before 2016, flour almost was not shipped to Europe.

“There was a certain scheme for operation. Several companies worked out technological and logistic processes and this year received first quotas... Now three more companies are passing the same process to receive the quota of some 15,000-17,000 tonnes,” he said. Rybchinsky said that despite a decline in flour production in 2015 by 24%, exports are growing. If in 2014 245,000 tonnes of flour was exported, in 2015 304,500 tonnes worth \$70 million was exported.

However, the general average cost of exports contracts fell by 20% compared to 2014. The largest importers of Ukrainian flour are China, North Korea (via China), Israel, Moldova, Indonesia, Palestine, South Korea, Syria, Panama and Philippines.

“If Israel and Moldova are permanent importers of Ukrainian flour, North Korea, Panama, Philippines and Indonesia are considerably boosting exports – by 1.5-2 times compared to 2014,” he said.

He said that in 2014 Ukraine exported flour to 44 countries and in 2015 to 69 countries. ■

## GRAIN CORPORATION IN 2016 TO MODERNIZE ELEVATORS FOR \$150 MLN



P JSC State Food and Grain Corporation plans in 2016 to modernize elevator capacities for \$150 million from the first tranche of a credit from the Export-Import Bank of China. According to the press service of the agency, this will allow to increase the volume of grain reception and significantly improve the competitiveness of enterprises.

First Deputy Minister of Agricultural Policy and Food Yaroslav Krasnopol'sky in November 2015 reported on the negotiations with the Chinese side about the possibility of obtaining \$300 million for the modernization of the corporation's elevators within the first tranche of a loan from the Export-Import Bank of China for \$1.5 billion.

According to him, following a meeting of the subcommittee held in China, a group of four signatories of the agreement (Export-Import Bank of China, Ukreximbank, CCEC, State Food and Grain Corporation) was set up to clarify all the nuances of the implementation of the corporation's credit agreement. ■

The Ukrainian League of Industrialists and Entrepreneurs (ULIE) is the largest union of business associations and individual enterprises in Ukraine with its members ranging from vertically integrated corporations to small and medium enterprises (SMEs). For already more than 20 years the League's key mission is to promote and protect interests of the Ukrainian business within Ukraine and beyond. With its central offices in Kyiv, ULIE manages 28 regional subsidiaries, 73 branches, 22 representative offices and 34 commissions on key sectors of the economy.

The League is also a signatory to 155 international agreements on cooperation and has representative offices in 21 countries, including Representative Office in the EU in Brussels.

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