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Eucolait views on possible further trade liberalisation under the association agreement between EU and Ukraine

Under Article 29(4) of the association agreement between the EU and Ukraine, a review of trade concessions is possible five years after the entry into force of the agreement to allow for 'accelerating and broadening the scope of the elimination of customs duties on trade between themselves'. Ukraine has formally requested the launch of this process.

The creation of the Deep and Comprehensive Free Trade Area (DCFTA) has been beneficial for the dairy sector and Eucolait welcomes the prospect of further improvement of market access conditions for EU dairy exports to Ukraine. In particular cheese trade has grown substantially since the provisional application of the DCFTA in 2016. Exports of cheese to Ukraine have increased fivefold during the first 5 years of application, reaching almost 50 000 tonnes in 2020. Most EU cheeses can already enter Ukraine duty free by virtue of the agreement, except for some processed cheese lines which are subject to a low duty. Since the application of the DCFTA, we have also witnessed the growth in exports of most other dairy categories, including butter and butteroil, SMP, whey powder, milk and cream as well as fermented products. In the context of the review, Eucolait calls for the elimination of all remaining tariffs applied to EU dairy products (currently ranging between 5% and 8%).

With respect to imports from Ukraine, we support improving market access for Ukrainian dairy, in particular butter and SMP. This would allow for increased sourcing opportunities for European operators, especially in the event of a firm EU market characterized by product shortages. In our opinion, the size of the import quotas can be increased considerably in exchange for free access to the Ukrainian market and without adverse affects for the European dairy sector. The current quota for butter represents about 0,15% of the European butter market and the EU exports more than 6 times the amount of the quota every month. The current powder quota is also without significance in relation to the huge European production of SMP and WMP production of which around half is being exported. In addition, the powder quota has been constantly underused and

butter imports from Ukraine have also decreased to below the available quota since 2019. Considering the declining milk production taking place in Ukraine in recent years and the structural issues that exist there, we expect that imports from Ukraine will be more sporadic in nature rather than a constant inward flow into the EU.

In the context of the review, it should also be ensured that no safeguard investigation into imports of EU dairy products is launched, as this has reportedly been under consideration since the beginning of this year.