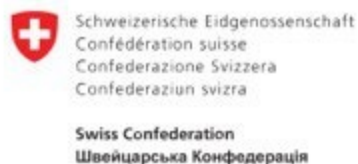


BULLETIN #1

24 June, 2025



TRENDS IN EXPORT OF UKRAINIAN DAIRY TO THE EU

Special information bulletin produced by Infagro analytical agency in the frame of the set of expert discussions for dairy exports support and promotion during the war

Dynamics, structure, geography

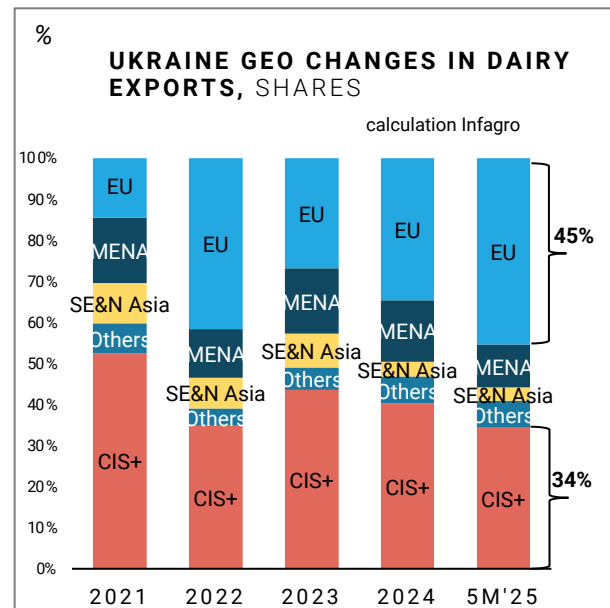
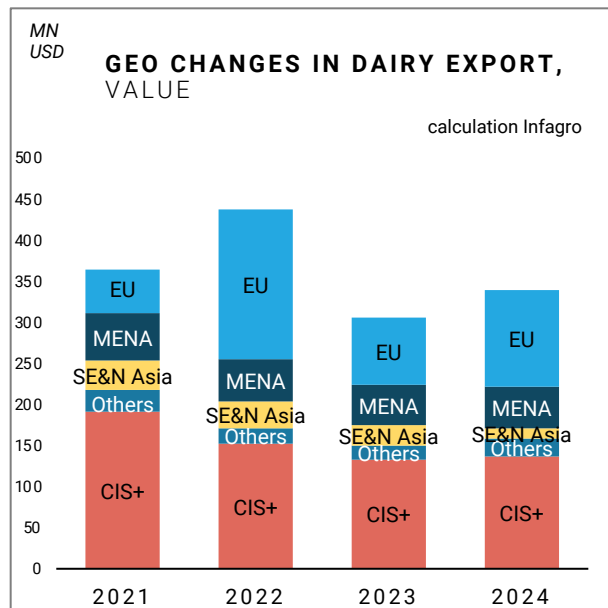
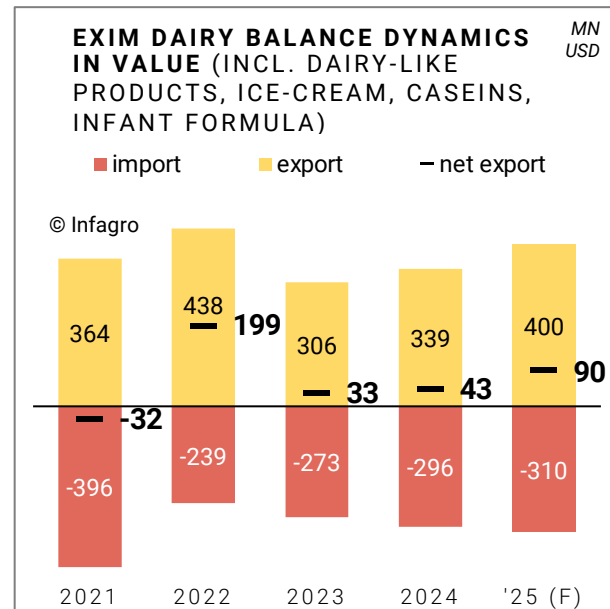
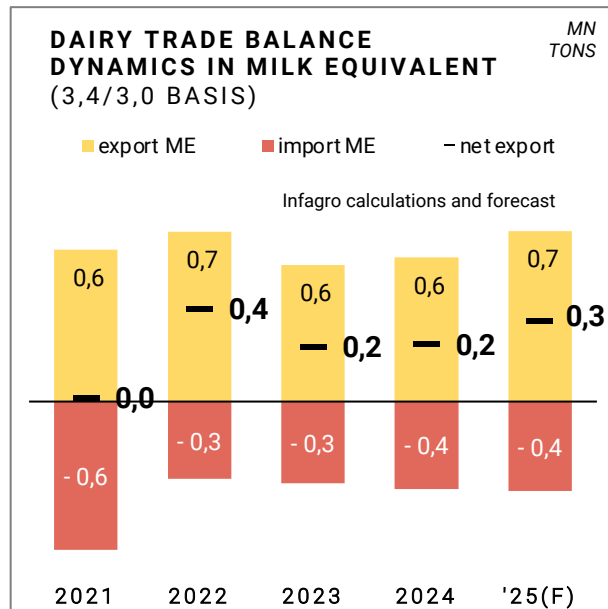
Before the full-scale invasion of the Russian Federation, Ukraine was on the verge of dependence on dairy imports. Later, since 2022, the trade balance has changed, and export volumes, both in milk equivalent and in monetary terms, have increased again. It is a pity that this happened due to a significant decrease in the consumption of dairy products in Ukraine.

Today, Ukraine is a net exporter of dairy products, but at the same time, there has been no significant increase in volumes compared to the indicators from the last pre-war years. As of 2021, exports from year to year fluctuate in the range of 0.6-0.7 million tons in milk equivalent. There was a certain jump in sales in 2022, since it was then that the consumption of dairy products was the lowest due to the mass outflow of refugees from the country, disruptions in milk production, logistics and trade.

In 2025, we expect an increase in the volume of external sales of dairy products compared to 2024. The reasons for such forecasts are slightly different from the factors of 2022. The supply of raw materials for processing is growing faster than consumption is recovering, so in order to form a normal raw material balance, producers need to export significant volumes. This year, exports of dairy products in milk equivalent may amount to about 0.7 million tons, or about 20% of the total volume of raw materials that will be processed. The growth in export value will be even more significant due to rising international demand prices for dairy products. We assume that revenue from dairy product exports may reach the level of 400 million USD.

Exports could be lower if there were no gradual recovery of imports, primarily cheeses. In 2022, compared to 2021, before the full-scale invasion of the Russian Federation, the volume of external purchases in milk equivalent decreased by half to 0.3 million tons. This indicator remained the same in 2023, but in 2024, imports began to increase gradually. This year, a further increase in cheese purchases is recorded, so we assume that imports in milk equivalent will exceed 0.4 million tons. In monetary terms, it will also be the largest in the last four years.

The volume of dairy exports has not undergone any fundamental changes in recent years, but the geography of supplies has changed radically. If previously the leading importers were post-Soviet countries, recently the leadership has been shifting to the countries of the European Union.



This happened mainly because the European Union provided preferential conditions for the supply of Ukrainian goods. On June 5, 2022, the European Commission introduced a regime of autonomous trade measures (ATM), which provided for the abolition of all quotas and duties for the import of goods from Ukraine to EU countries. As a result, in 2022, the share of Ukrainian dairy product exports to the European Union in monetary terms immediately increased to 42%.

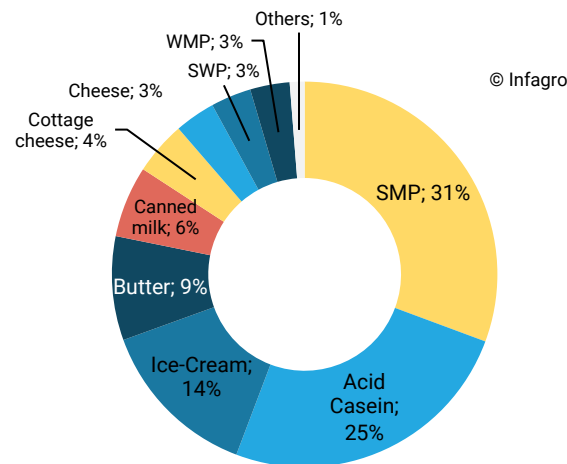
The following year, this figure decreased due to unfavourable price conditions: Ukrainian cheese ceased to compete in price in the EU, supplies decreased significantly, and butter exports almost stopped altogether due to low demand prices. In 2024, supplies of Ukrainian butter to the EU resumed, but the volumes were not yet significant. In the first 5 months of this year, exports of butter and dry dairy products fell significantly, precisely due to increased supplies to Europe. As a result, during this period, the EU's share in imports of Ukrainian dairy products has risen to 45%.

In addition to butter and powdered milk, EU countries import significant volumes of other goods from the "commodities" category to Ukraine, such as casein and whey powder. It should also be noted that the gradual increase in deliveries to the European Union of dairy products with added value includes ice cream, canned milk, certain types of fresh dairy products, and processed cheeses.

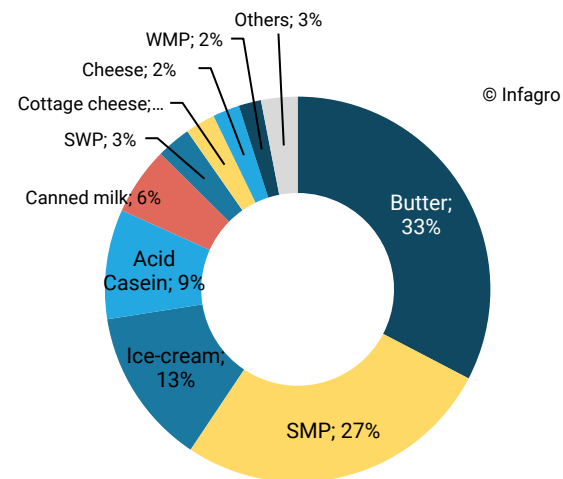
Poland is the largest supplier of dairy products to Ukraine, and at the same time, is considered the largest importer of Ukrainian goods. Traders from this country show the most significant interest in purchasing butter, powdered milk, casein and whey. The share of dairy product deliveries to Germany has increased significantly. In addition to casein, Ukrainian producers are rapidly increasing deliveries of finished dairy products, condensed milk, and fresh fermented milk cheeses. Bulgaria and Romania show the most significant interest in purchasing powdered milk and butter. However, these countries are up-and-coming in terms of increasing supplies of Ukrainian dairy with added value. In addition to "commodity" goods, the Baltic countries may also increase purchases of finished dairy products. It is essential to increase exports of dairy produce with higher added value to the EU because, in the future, there may be certain tariff restrictions on goods that currently form the basis of Ukrainian exports to the EU (butter, powdered milk).

It should be recalled that the European Commission has cancelled the ATM regime for Ukrainian imports since June 6, 2025, after 3 years of operation, so now there is a quota of duty-free supplies for a number of goods (powdered and condensed milk, butter and the category of fresh products). We hope that in the near future the Ukrainian government will agree with the European Commission on the abolition of quotas, at least for dairy products.

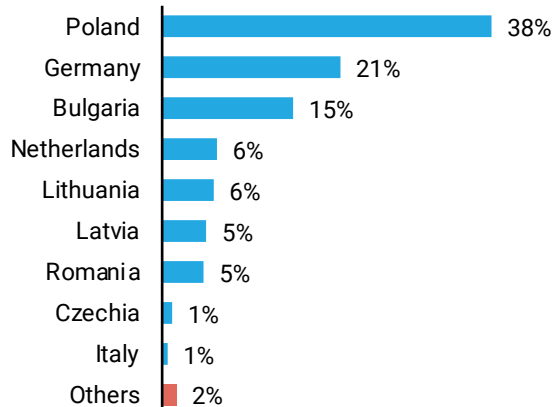
DAIRY EXPORT STRUCTURE IN USD VALUE, 2024



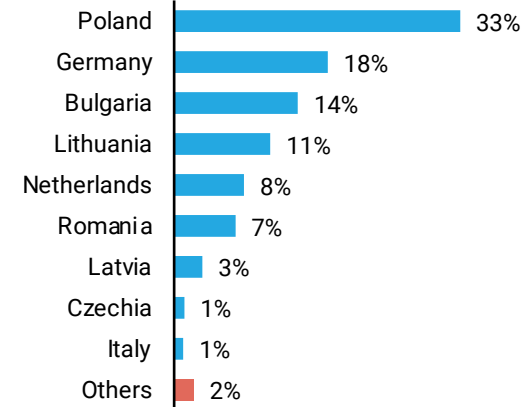
DAIRY EXPORT STRUCTURE IN VALUE, 5M'2025



UKRAINE DAIRY EXPORT TO EU STRUCTURE BY COUNTRY, 2024



UKRAINE DAIRY EXPORT TO EU STRUCTURE BY COUNTRY, 5M'2025



Butter

Since the beginning of Russian aggression in 2014 and the automatic loss of the Russian market, Ukrainian dairy farmers have had to reduce cheese production in favour of butter paired with skimmed milk powder or casein. As a result, in 2017-2018, Ukraine exported more than 36,000 tons of butter annually. However, later, due to the simultaneous growth in consumer demand and a reduction in the supply of raw milk for processing, factories were forced to reduce butter exports.

The full-scale invasion of the Russian Federation in 2022 caused the resumption of large volumes of butter production due to a drop in consumer goods sales in Ukraine. The destruction of established logistics routes and the blockade of Ukrainian ports made selling large surpluses of goods critical.

The crisis was overcome by assistance from the European Union, which allowed Ukraine to sell goods to the countries of the Community without quotas and duties. Within a few months after June 5, 2022, large volumes from warehouses were sold for export, and the market got balanced. Butter exports increased by more than a quarter compared to 2021 to a level of over 14 thousand tons. Almost half of the volume was sold to the EU.

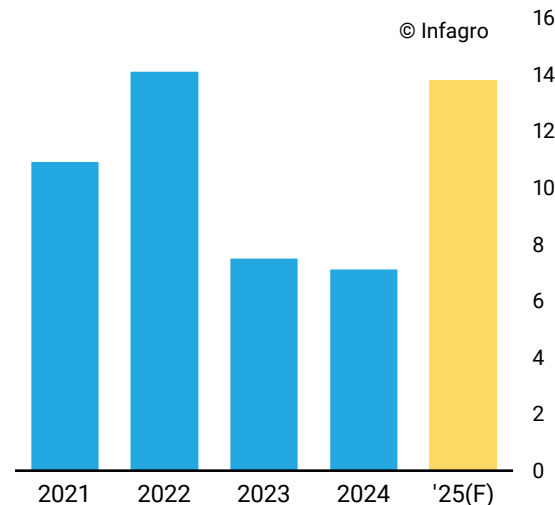
In 2023-2024, the balance of the butter market changed again. Total consumption of dairy products increased due to the return of citizens, which resulted in a noticeable decrease in butter production, causing a significant drop in its exports. In 2023, it amounted to 7.5 thousand tons, and in 2024, only 4.1 thousand tons. Moreover, in the off-season of 2023-2024, due to a shortage of fats, a significant amount of European butter was imported into Ukraine.

In 2025, the situation changed dramatically. Butter production increased significantly due to a number of reasons. A relatively favourable price situation has also formed on global markets. As a result, in 5 months more of this product was sold on foreign markets than in the whole of 2023 or 2024, almost 8 thousand tons. At the same time, more than half of the volume was sent not to post-Soviet countries, as before, but to the European Union. It should be noted that due to the unfavourable market situation, in 2023, butter exports to EU countries were completely negligible. This is not surprising, as domestic market prices at the time were higher than those offered by European traders, who during the "big season" agreed to buy butter only at prices of about 4,500 USD/ton. Now these same traders are ready to pay even 7,500 USD/ton for Ukrainian butter, so one of the main reasons for the current growth in butter exports is demand in the EU.

BUTTER EXPORT DYNAMICS

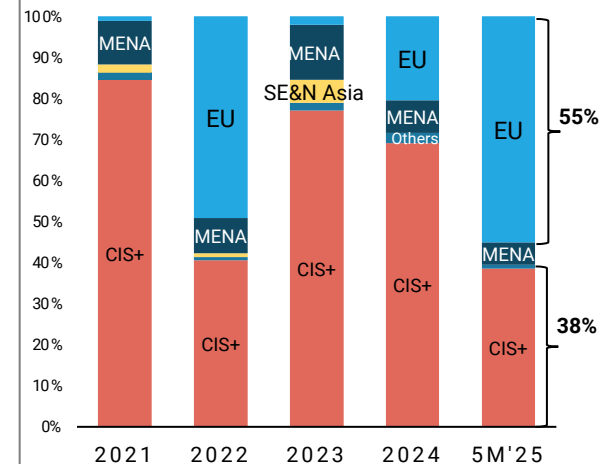
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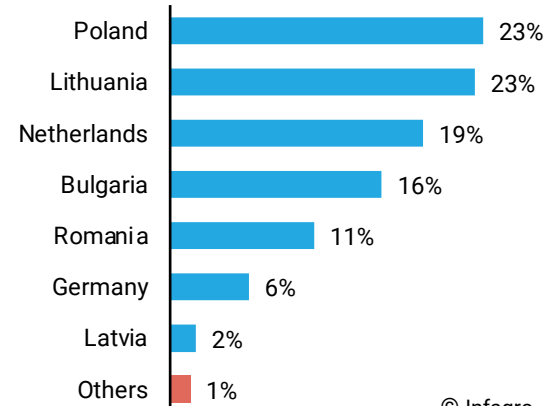


UKRAINE GEO CHANGES IN BUTTER EXPORTS, VALUE SHARES

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BUTTER EXPORT TO EU STRUCTURE BY COUNTRY, 5M'2025

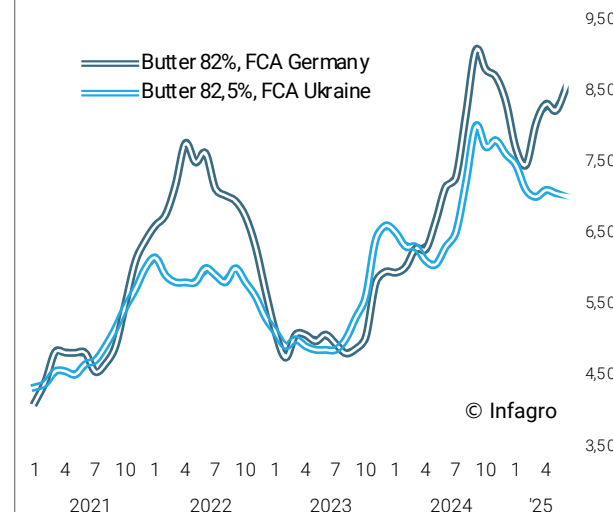


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BUTTER 82-83% FCA PRICE COMPARISON

USD/KG
W/O VAT

Butter 82%, FCA Germany
Butter 82,5%, FCA Ukraine



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Skim milk powder

Since 2016, exports of skimmed milk powder (SMP) from Ukraine have been steadily declining due to a reduction in the supply of raw materials and overall production. In 2021, only 13.2 thousand tons of SMP were exported from Ukraine. For comparison, in 2014-2017, 29-34 thousand tons were sold abroad annually.

Only with the beginning of the full-scale Russian invasion in 2022 did dairies have to increase production and exports of SMP significantly. Then, foreign sales immediately increased by 70% to 22 thousand tons. This happened exclusively due to the help of friendly European countries, who introduced the ATM (autonomous trade measures) regime for the supply of Ukrainian goods to the EU from June 5.

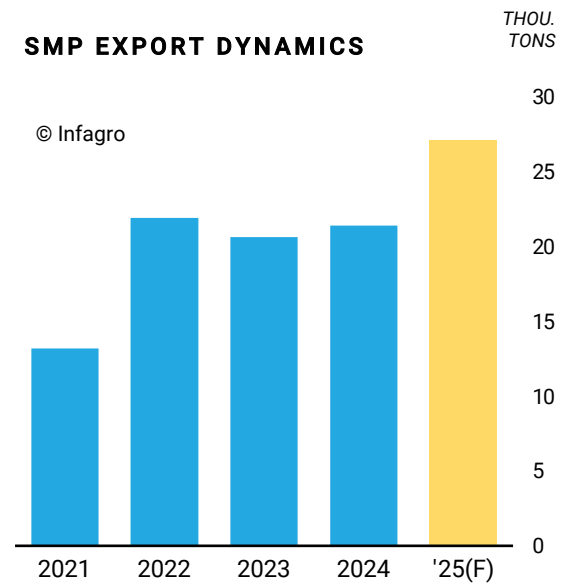
Until that time, no more than 5 thousand tons of milk powder could be sold duty-free to European Union countries per year. But even this quota was not used. For example, in 2021, only 1.7 thousand tons of skimmed milk powder were sold in the EU. The fact is that before the war in Ukraine, there were few certified milk powder producers for supplies to EU market. In addition, traditional milk sales markets were formed in Asia and Africa, and post-Soviet countries also bought this product. However, since February 2022, the logistics for exports to these countries have been completely broken. Traditional container deliveries through Ukrainian Black Sea ports have become impossible. The only possible option is either transit exports through European ports or directly to the EU.

This year, the increase in butter production is accompanied by an increase in the supply of skimmed milk powder (SMP). Consumption of this product in Ukraine remains limited, so the lion's share is subject to external sales. Exports of SMP in 2025 are likely to be at a record high since 2017 and, according to preliminary estimates, may even exceed the level of 26 thousand tons, which is 22% more than the average for the last three years.

This result can be achieved solely due to the possibility of supplying SMP to the EU. With the active certification of Ukrainian plants for European supplies, the share of exports to the European Union is constantly growing. Both last year and this year (5 months), 70% of all exports of goods were carried out precisely to EU countries. It is due to the more convenient logistics and higher prices compared to exports to Asian and African countries. For instance, recently (until June 5), traders paid about 2,500 USD/t FCA for Ukrainian SMP to the EU, while for supplies to other countries, no more than 2,350 USD/t.

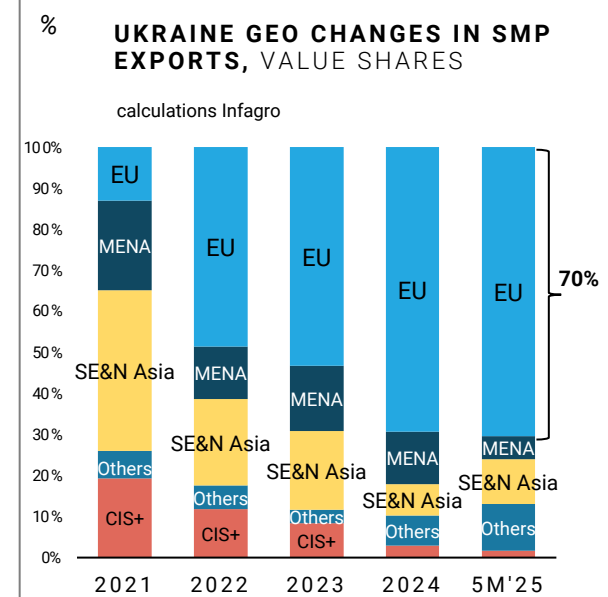
SMP EXPORT DYNAMICS

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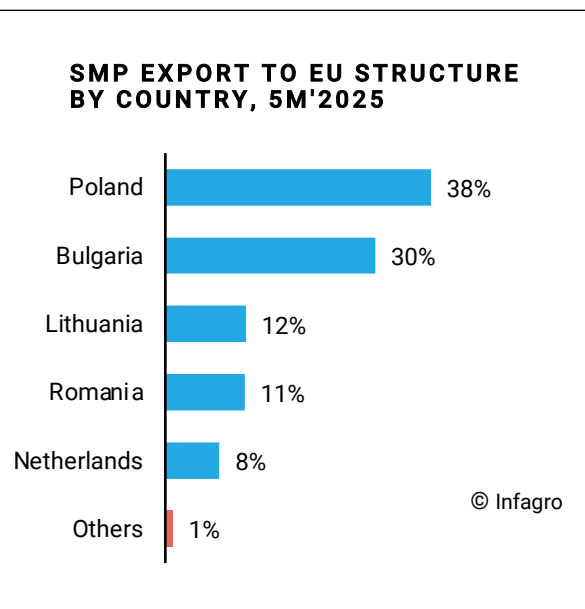
UKRAINE GEO CHANGES IN SMP EXPORTS, VALUE SHARES

calculations Infagro

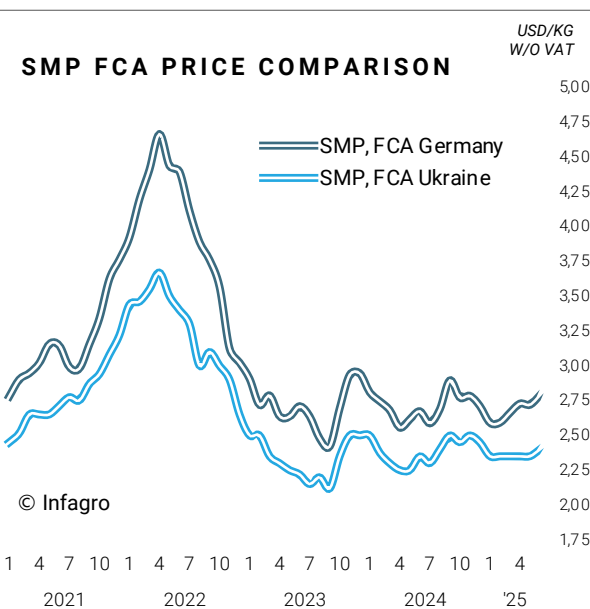


SMP EXPORT TO EU STRUCTURE BY COUNTRY, 5M'2025

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SMP FCA PRICE COMPARISON



Whey powder

Ukraine remains a serious player in the world trade in whey powder despite a significant decrease in its production and exports in recent years.

If in 2017-2018 the export of this product was about 30 thousand tons per year, then with the beginning of the full-scale invasion of the Russian Federation, external sales of the product did not exceed 18 thousand tons.

The production of cheeses in Ukraine continues to fall; therefore, there is no reason to predict an increase in whey exports this year. In the best case, 17 thousand tons will be exported from Ukraine, as was the case in 2022-2023.

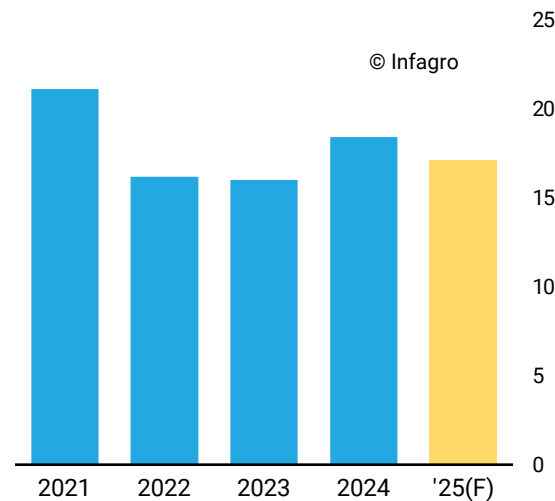
Before the war, Ukrainian exporters focused exclusively on demand from Asian and MENA countries. Since 2022, logistics through Ukrainian ports has become impossible, and sellers have begun to look for alternatives. Initially, deliveries were established through European ports to Asia, and then exporters began to work on increasing sales directly to European Union countries. If in 2022 the share of supplies to the EU was only 14%, then in 2025 (5 months) it will be 38%.

Polish companies are the largest importers of Ukrainian whey in the EU, and they often use it as a raw material for the manufacture of other mixtures. Ukraine exports demineralised whey of good quality, but its cost is usually 10 per cent lower than that of similar products from EU countries. There is a prospect of increasing whey powder exports to Bulgaria, Romania, or other Central European countries as raw materials for confectionery and other food industries.

Unlike butter or powdered milk, there are no special barriers (no quotas or duties) to increasing whey exports to the European Union countries. Therefore, in the second half of the year, whey powder exports to this region will remain quite significant.

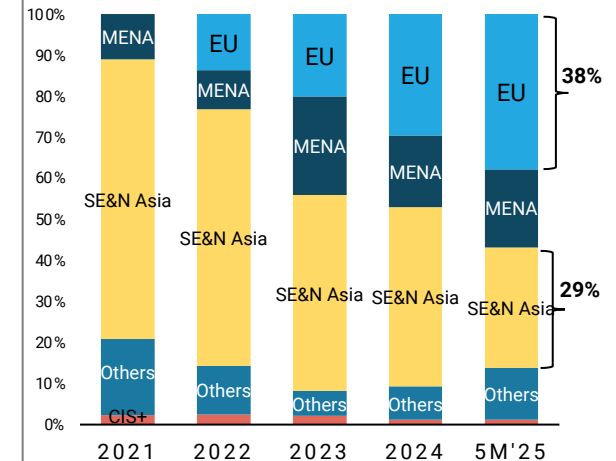
The share of exports to the EU will be greater if Ukrainian sellers can establish supplies for end consumers of the goods (bread, confectionery, dairy industries). In this case, the demand prices may be higher. So far, traders have offered prices for deliveries to the EU almost the same as those of China or MENA countries. Now they reach the level of 1000 USD/t. However, it is not worth completely abandoning exports to African and Asian countries. The EU itself exports huge volumes of whey, so European prices are identical to Ukrainian ones (for example, in 2021). For this reason, diversifying export destinations remains essential.

SWP EXPORT DYNAMICS

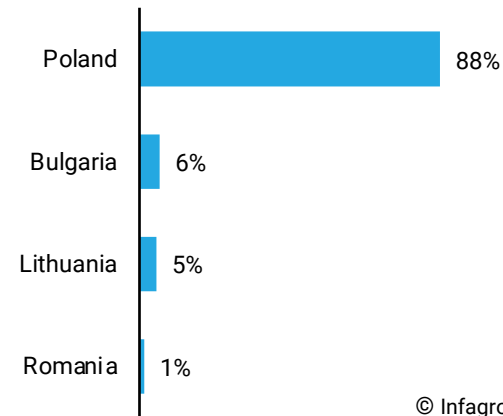


UKRAINE GEO CHANGES IN SWP EXPORTS, VALUE SHARES

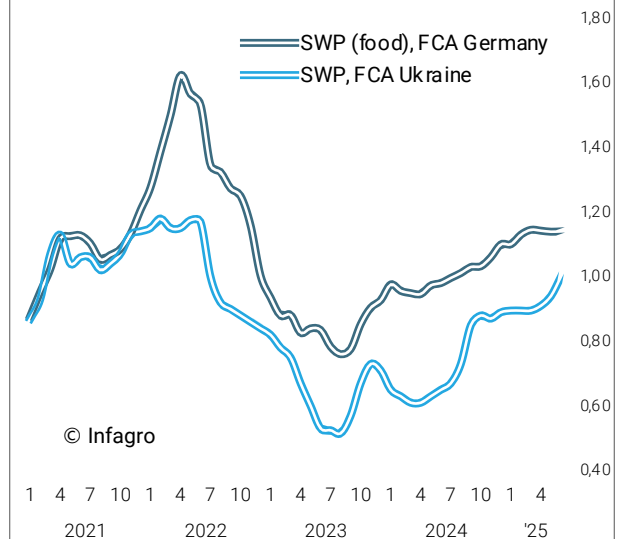
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SWP EXPORT TO EU STRUCTURE BY COUNTRY, 5M'2025



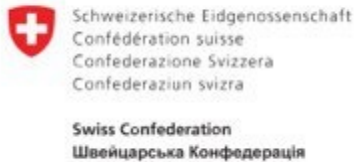
SWP FCA PRICE COMPARISON



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These activities are carried out jointly with the state institution The Entrepreneurship and Export Promotion Office and the analytical agency Infagro within the framework of the Swiss-Ukrainian Program "Higher Value Added Trade from the Organic and Dairy Sector in Ukraine" implemented by the Research Institute of Organic Agriculture (FiBL, Switzerland) in partnership with SAFOSO AG (Switzerland), www.qftp.org.



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