

AGRO-INVEST UA Index

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1. THE WEEK

The news that MCB Agricole had taken the plunge to move from listed GDRs to a full-fledged IPO on the WSE is more important than word that Ukraine's parliament passed land market legislation in first reading.

Let's start with the less important, Parliamentary adoption in first reading of a farmland market law. As expected the law that was adopted in first reading provides no answers other than there will be a farmland market and it will be under government control. The draft law will be further amended to say there will be a farmland market and it will be under government control. The principle that the market is between buyer and seller acting in a regulatory framework is absent and will remain so until the parliament, government, president and current elite changes: nothing new.

The latest idea to emerge is that investors will take positions in Ukraine's agro holdings. Unlike other sectors, scared to fail in an initial European offering, Ukraine's agrarians appear ready to take the risk that their asking price will be met. The question is why take that risk. All along we have been saying that Ukraine's financial market cannot meet financial operating needs. This may be the reason aside from several other reasons.

On the other hand it may be that MCB Agricole is truly a great company which is undervalued and investors will be glad to take a part in its future growth. If the share uptake meets company expectations then we can assume that the company is a great growth prospect and that Ukraine's agro sector is worth investor interest. Either this fact is valid or it may be that Phoenix Capital has done a great job in the road show.

If the share uptake is less than expectations then we can write it off against market sentiment, conditions, etc. In any case we will not be able to say that the company, Ukraine's agricultural sector or Phoenix did not meet the grade.

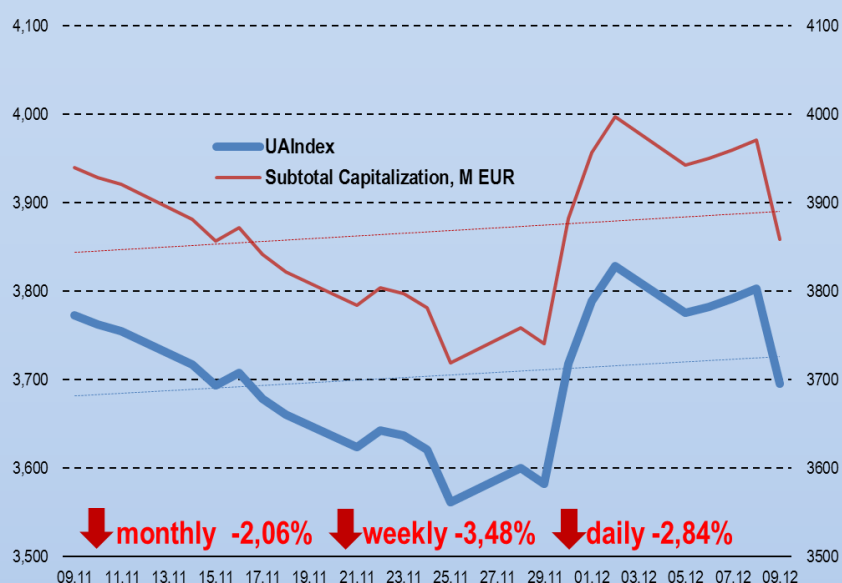
We applaud MCB and Phoenix because someone needs the courage to try. The wreath of victory only goes to those like MCB and Phoenix.

Best Regards, Executive Advisor, Bohdan Chomiak

2. AGROHOLDING SECTION

2.1. Ukraine Aggregated Index

UAIndex: Monthly Performance



Analytical comment: Overall decline of indices this week is explained by highly controversial economic situation in Europe and numerous attempts of European officials to come up with the document which would link government fiscal policies closer together and would allow more regulations regarding spending and borrowing. The main problem with such situation is that Great Britain, is completely against such policy and vetoes any decisions made by committee in Brussels, complicating situation even more. Ukraine in this situation has its own political issues, namely criminal case against Ex-Prime Minister Yuliya Tymishenko might completely disrupt any further agreements with EU regarding cooperation as Ukraine's President and EU representative will meet to discuss further cooperation in one-week time. UAIndex down -2.84% with several stocks hitting all-time-low this week.

Best Performing Companies

Company	Ticker	Last	Weekly δ	Volume
Astarta	AST	310,07	1,94%	59 900
Agroliga	AGLP	3,50	1,45%	511
Ovostar	OVO	82,39	1,43%	6 666

Analytical comment: Astarta, Agroliga and Ovostar were the growth leaders this week, showing moderate growth in high volatility conditions.

Worst Performing Companies

Company	Ticker	Last	Weekly δ	Volume
Sintal	SNPS	37,88	-13,53%	0
Avangard	AVGR	299,20	-12,87%	69 255
MCB Agricole	4GW1	39,90	-12,45%	37 437

Analytical comment: Sintal is seen as a poorly performing company, Avangard is planning shares buyback as it became part of Bahmatyuk's Ukrlandfarming and lost trust of investors, while MCB Agricole is aiming at IPO in Poland, on WSE.

Volume Leaders

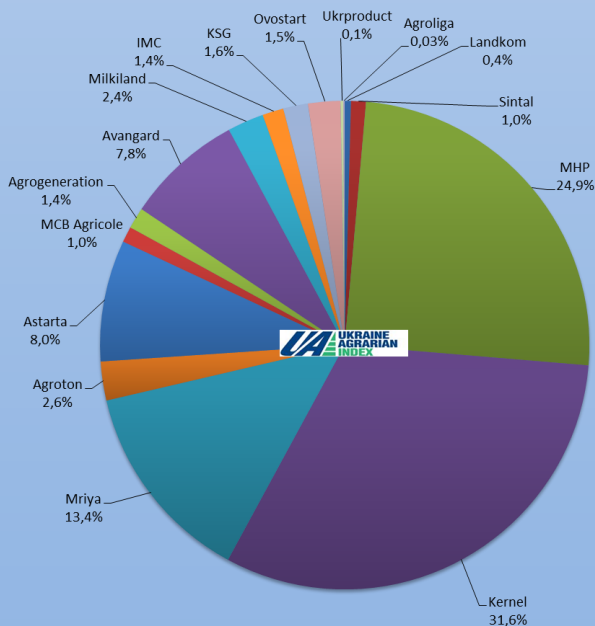
Company	Ticker	Last	Weekly δ	Volume
Landkom	LKI	15,95	0,63%	3 130 394
Kernel	KER	1 218,98	-4,63%	781 453
MHP	MHPC	961,95	0,52%	675 685

Analytical comment: Three most traded companies remain to be Landkom, Kernel and MHP.

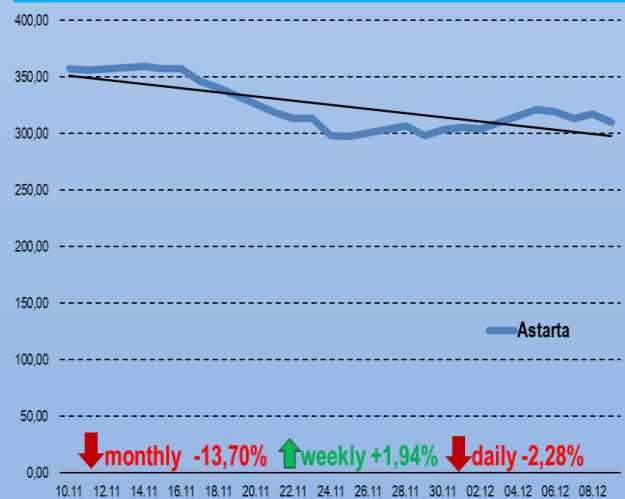
Dynamics of Capitalization

Parameter	Ticker	Last (09.12.2011)	Daily change	Weekly change	Monthly Change
UAIndex	UAI	3 858,54	-2,84%	-3,48%	-2,06%
Agrogeneration	ALAGR	54,04	-0,53%	0,00%	-2,07%
Agroliga	AGLP	3,50	3,84%	1,45%	-4,38%
Agroton	AGT	99,35	-4,29%	-4,30%	-9,30%
Astarta	AST	310,07	-2,28%	1,94%	-13,70%
Avangard	AVGR	299,20	0,58%	-12,87%	-17,94%
IMC	IMC	54,07	-2,31%	-9,41%	-7,63%
Kernel	KER	1 218,98	-5,30%	-4,63%	1,62%
KSG	KSG	62,99	-0,74%	-0,91%	-9,98%
Landkom	LKI	15,95	0,71%	0,63%	0,68%
MCB Agricole	4GW1	39,90	-0,43%	-12,45%	21,47%
MHP	MHPC	961,95	-2,68%	0,52%	16,82%
Milkiland	MLK	92,74	-5,29%	-12,17%	-32,01%
Mriya	MAYA	518,50	0,00%	-2,40%	-9,12%
Ovostar	OVO	82,39	-1,05%	1,43%	-3,37%
Sintal	SNPS	37,88	0,00%	-13,53%	-21,23%
Ukrproduct	UKR	7,02	0,71%	0,63%	2,51%

Total Capitalization Break-Down, December 9th, 2011



Weekly Highlight: Growth Leader: Astarta (AST)



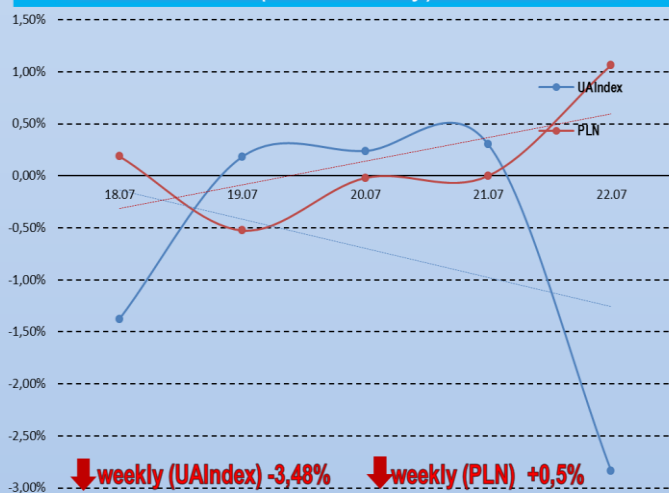
Analytical comment: Majority of the companies suffer decline of market capitalization this week as stock markets with their increased volatility are seen as riskier assets and are being avoided for the most part by the investors. There is still a high chance of sovereign debt issues in Europe, therefore markets will be volatile over the next week as well.

2.2. Currency Fluctuations (Euro)

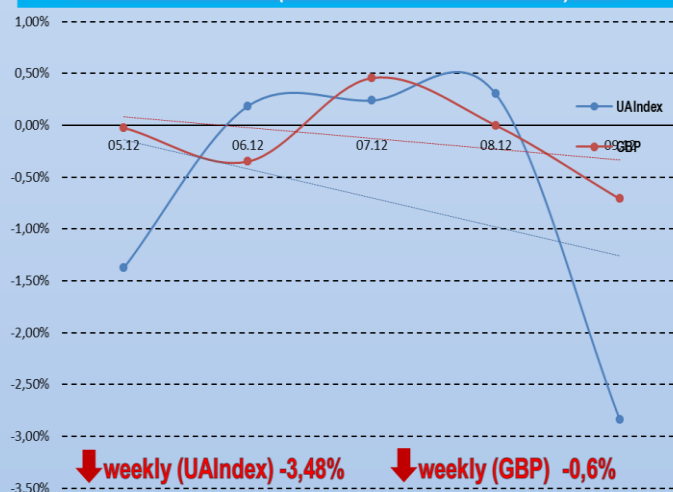
Currency Rates, EUR

	Last	Daily	Weekly	Monthly	Annual
PLN	4,52	0,0%	0,5%	2,0%	12,7%
GBP	0,85	0,0%	-0,6%	-0,2%	0,9%
USD	1,34	0,1%	-0,3%	-2,0%	0,1%

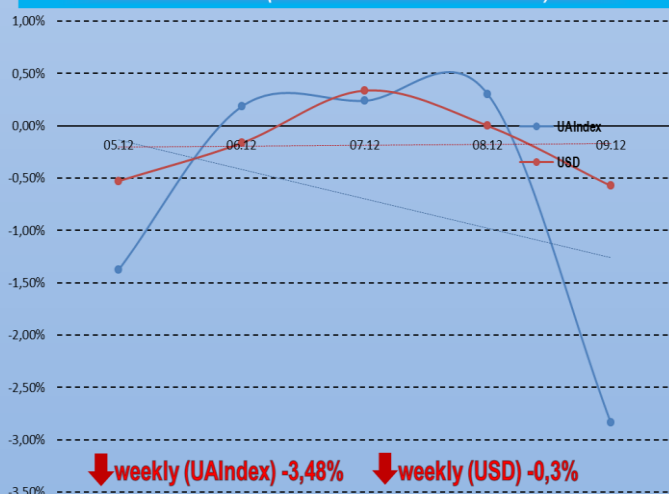
UAIndex vs PLN (Polish Zloty)



UAIndex vs GBP (Great Britain Pound)



UAIndex vs USD (United States Dollar)



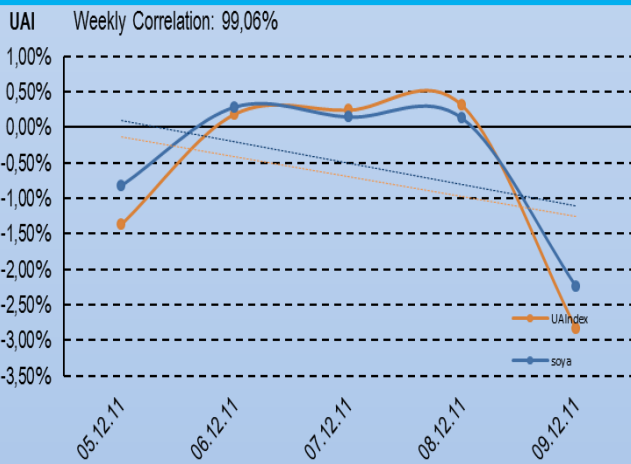
Analytical comment: Euro has strengthened its positions against PLN, lost against USD and GBP. Uncertainty in Eurozone continues as sovereign debt of European countries remains the most actively discussed topic today.

2.3. Commodity Prices

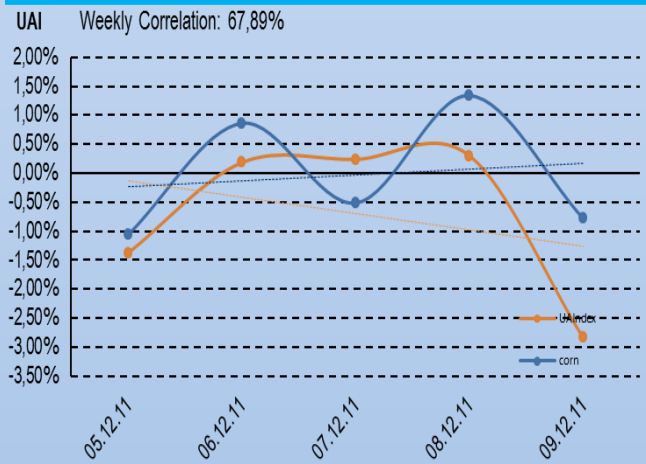
Commodity Prices

	Last	Daily	Weekly	Monthly	Annual
Crude oil	99,41	1,1%	-1,5%	2,7%	12,5%
Wheat	573,4	-0,6%	-6,3%	-12,7%	-23,4%
Corn	585,4	-0,8%	-0,2%	-11,4%	4,5%
Soya	1107	-2,2%	-2,5%	-7,4%	-13,6%
Sugar	605,2	-2,9%	-1,4%	-8,4%	-16,8%

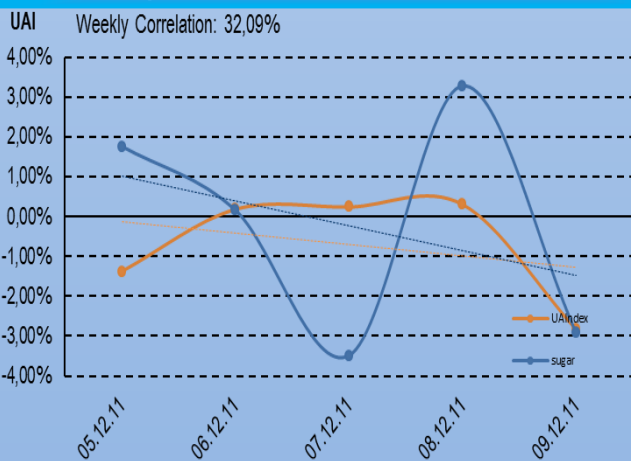
UAI vs soya, CME, c/bu, %



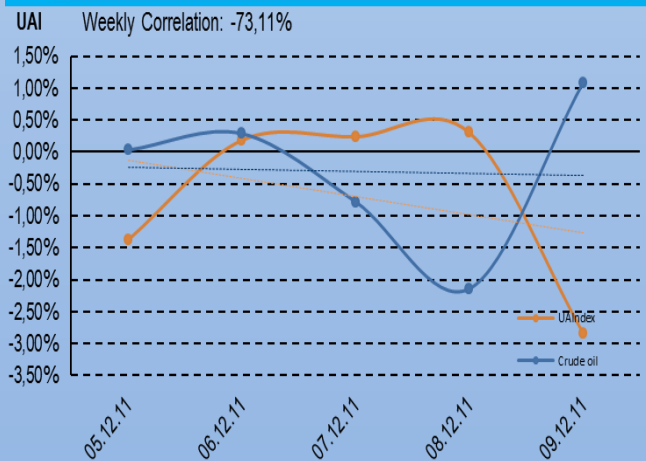
UAI vs corn, CME, c/bu, %



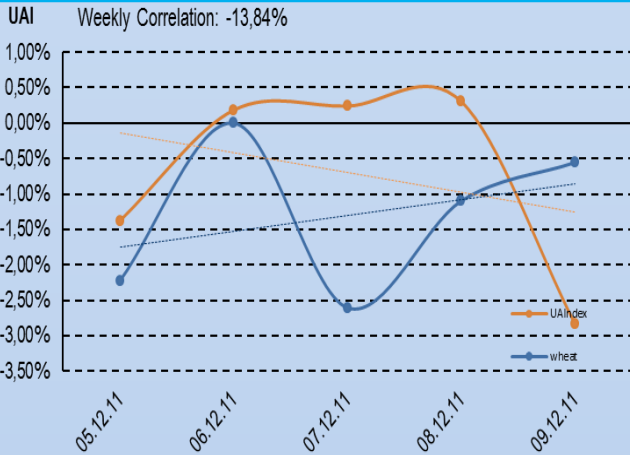
UAI vs sugar, LIFFE, \$/t, %



UAI vs Crude oil, CME, \$/bbl, %



UAI vs wheat, CME, c/bu, %



Analytical comment: Commodity prices have declined over the week's period, indicating overall decline of consumption, ergo lower prices for commodities for attracting customers. UAI Index is most correlated with Soya (+99.06%) price fluctuations this week and has strong negative correlation with Crude oil (-73.11%).

2.4. Global Indices

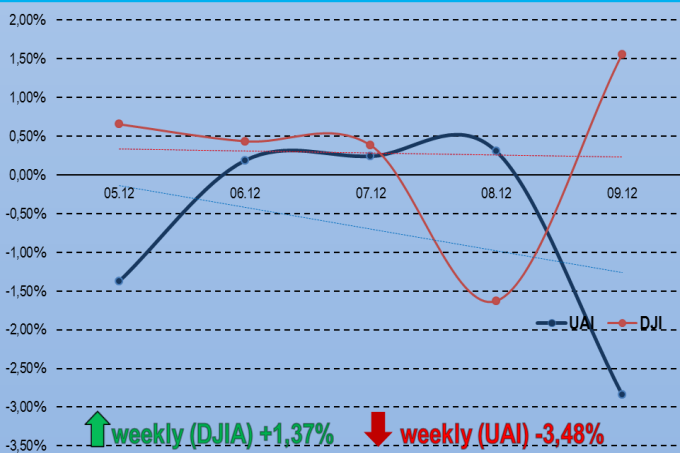
Global Indices

	Last	Daily	Weekly	Monthly
UAI Index	3858,54	-2,84%	-3,48%	-3,92%
DJI	12184,26	1,55%	1,37%	0,12%
WIG	38637,17	0,42%	-1,30%	-6,56%
PFTS	610,71	-1,00%	-0,29%	7,74%
FTSE-100	5483,77	-1,15%	-0,10%	-0,49%
DAX	5874,44	-2,01%	-2,67%	-0,91%
China-AFF	2329,82	-0,12%	-2,39%	-7,17%

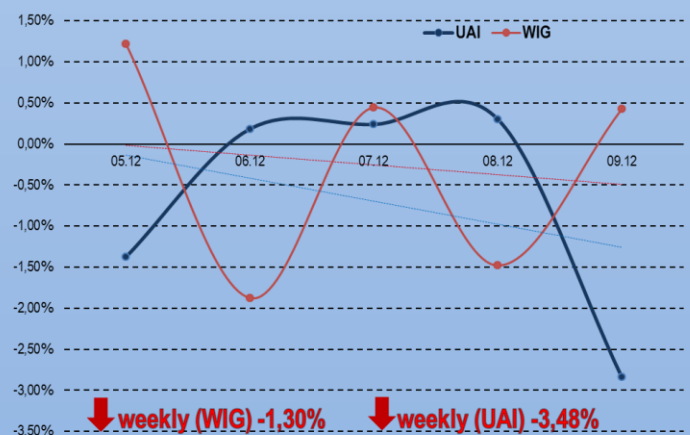
Weekly Correlations with UAI

Index	Correlation
DJI	-72,0%
WIG	-59,6%
PFTS	46,2%
FTSE-100	33,1%
DAX	37,9%
China-AFF	-0,4%

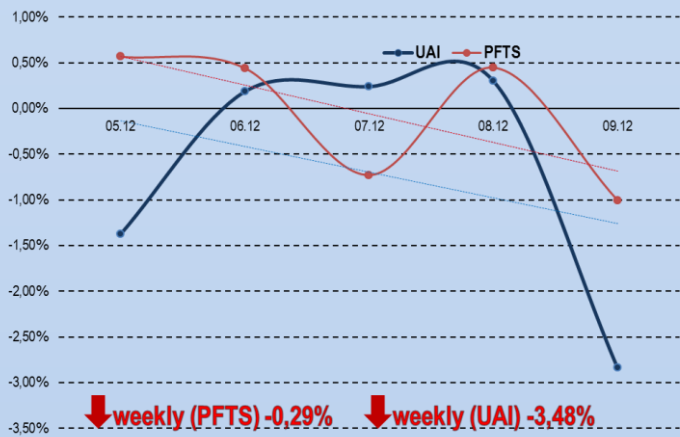
UAI Index vs Dow Jones Industrial Average Index



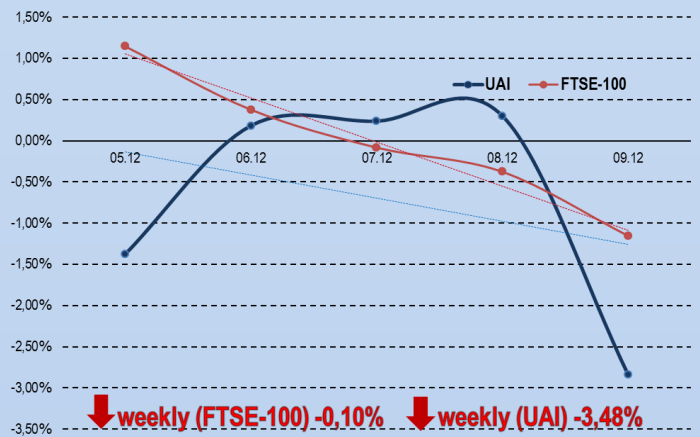
UAI Index vs Warsaw Stock Exchange WIG Index



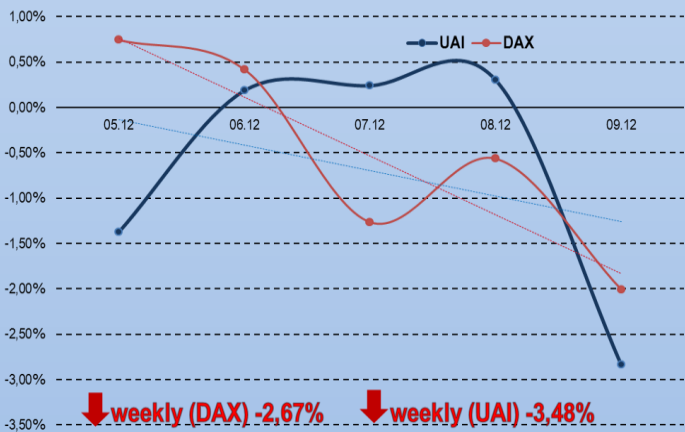
UAIindex vs PFTS Stock Exchange Index



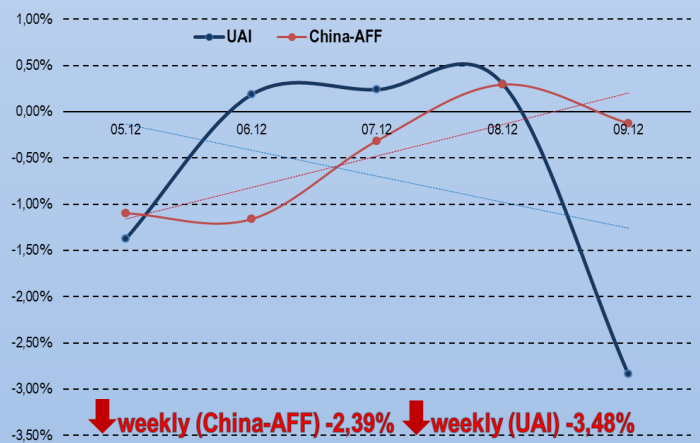
UAIindex vs FTSE-100 Index



UAIindex vs Deutsche Aktien Index



UAIindex vs China-AFF Index



Analytical comment: UAIindex declined over the week's period, with strong negative correlation with DJIA index as European sovereign debt issues are not seen as a major threatening factor to U.S. economy at the moment.

2.5. Weekly Risk Assessment

Risk-Return Analysis

Company	Ticker	Sigma	Average Daily Return	CV
UAI Index	UAI	1,39%	-0,71%	-1,95
Landkom International Ltd.	LKI	0,44%	0,11%	3,80
Ukrproduct	UKR	0,44%	0,11%	3,80
Ovostar	OVO	1,50%	0,28%	5,34
Astarta Holding HB	AST	3,18%	0,41%	7,70
Agroliga	AGLP	2,08%	0,26%	7,96
Mironyvskiy Khlipoproduct	MHPC	1,82%	0,10%	17,49
Agrogeneration SA	ALAGR	0,53%	-0,01%	-46,92
KSG	KSG	1,40%	-0,19%	-7,53
Mriya Agroholding Public Ltd.	MAYA	1,07%	-0,49%	-2,18
Agroton Public Ltd.	AGT	2,66%	-0,86%	-3,09
Kernel Holding SA	KER	3,51%	-0,91%	-3,87
IMC	IMC	1,49%	-1,96%	-0,76
Milkiland	MLK	1,72%	-2,56%	-0,67
MCB Agricole Holding AG	4GW1	3,91%	-2,57%	-1,52
Avangard Ltd.	AVGR	2,99%	-2,69%	-1,11
Sintal Agriculture PLC	SNPS	5,00%	-2,77%	-1,81
Risk-free asset (U.S. 10-year Treasury Notes)	T-notes	0	0,01%	0

Capital Allocation Line Analysis (UAI Index)



Analytical comment: Best investment choice this week was cheap price-per-share Lankom showing lowest sigma and slow growth along with Ukrproduct. Sintal is the most volatile declining stock this week, losing -2.77% in share price in daily terms.

3. AGRINEWS

3.1. UKRAINIAN COMPANY NEWS

LIST OF UKRAINE FINANCIAL DIRECTORS

According to “&.Financier” magazine ratings “Top 10 financial directors of Ukraine in 2011” Petro Rubin, financial director of Astarta ranked 9th. Such ratings are put together on an annual basis since 2010, by a commission comprised of 10 experts: Radoslaw Kojevskyi (business-school IESE, Poland), Rafal Mania (Estate Fellows, Altus TFI S.A., Poland), Kateryna Katznelson (CJSC "Lunch", Russia), Valeriy Martsynovych (Hay Group, Ukraine), Nataliya Polishchuk (Advent International Ukraine).

SMITHFIELD’S 2Q NET INCOME DOWN, SALES UP

Net income for Smithfield Foods Inc. second quarter of fiscal 2012 was \$120.7 million compared to \$143.7 million the same quarter last year. EPS was \$.74. Sales of \$3.3 billion were up 10 percent, primarily due to higher average unit selling prices and volumes in its Pork segment. The company represents the benchmark for the pork industry globally.

CARGILL CUTS GLOBAL WORKFORCE BY 1.5%

The company, a global agricultural industry giant, has chosen to cut its workforce in response to the continued weak global economy and are part of an overall effort to reduce expenses and simplify work processes, it said. Apparently the company believes that the agricultural sector is not immune to the decline in the financial economy. However a 1.5% trim is minimal, and in as large an organization as Cargill may have no visible impact.

MCB AGRICOLE ANNOUNCES IPO

The company announced that on December 8 it opened its book for investor acquisitions of shares. The IPO is under the lead of Phoenix Capital. Currently the company has GDRs placed in Frankfurt. MCB Agricole plans to place three million of additionally issued shares or 25.9% of the increased charter capital, and EUR 25-33 million could be raised, or EUR 23.6-31.3 million, taking into account expenses on the share placement. The bid book will be closed on December 14. We believe that this step was necessitated by difficulty in raising debt, and that in the current market may be less successful than hoped. On the other hand given that there have been few new listings in Warsaw since the start of the Euro Zone crisis, MCB may be able to tap into pent up demand.

AVANGARD DOES NOT BELIEVE THE MARKET

The company has postponed an extraordinary general meeting of shareholders scheduled for November 30, 2011 to December 28, 2011. The meeting was to seek shareholder approval of a share buyback program of the company's shares in the form of global depositary receipts (GDRs). According to Victoria Korolchuk, the head of Investor Relations at Avangardco, the company's shares on the market were undervalued.

BILLA-UKRAINE PLANS TO OPEN 48 MORE NEW SUPERMARKETS

Billa-Ukraine opened its sixth supermarket in Kiev and the 21st in Ukraine. The company plans to open 48 more new supermarkets by 2015. The strategic goal is to enlarge the retail chain up to 68 supermarkets and shops, with a floor space from 400 up to 2000 sq.m. Clearly they will also focus on the supply chain and this provide opportunities for agricultural producers and wholesalers.

3.2. GOVERNMENT NEWS

NATIONAL BANK OF UKRAINE DEFENDS THE HRYVNIA

The NBU announced last week that its defense of the Hryvnia in November cost it 700 million USD. One month earlier the NBU spent \$1,48 billion. In total the NBU has spent \$3,2 billion this year defending the Hryvnia or slightly less than 10% of total reserves. Clearly at some point the defense will stop and the Hryvnia will devaluate.

UKRAINIAN GOVERNMENT TRACTOR STATIONS

This year the Ukrainian government operated tractor stations provided harvesting service to small and midsized farms. Total area harvested was 380 thousand hectares, or roughly one farm the size of MHP. So far the government operator has already signed contracts to harvest 232 thousand hectares. Although no financial information was released about the service we suspect that the overall cost of the service will be twice as high as at MHP. One reason will be that the government operator requires program approval every year from the Cabinet of Mionisters.

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