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Report Highlights:

Post forecasts Ukraine's total fluid milk production to decline in 2027 due to lower cow inventory and production challenges related to the Russia-Ukraine war. However, Ukraine will increase industrial milk processing to meet rising domestic demand for dairy products. Post forecasts dairy product consumption to increase in 2026 and 2027, driven by growth in disposable incomes. Post expects strong cheese imports led by EU suppliers. Butter and skim milk exports will be lower in 2026 and 2027, following an export market price drop and strong domestic demand. Russian attacks on Ukrainian infrastructure and the mobilization of workers remain the main risk factors for both milk producers and dairy processors.

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

***Data included in this report is not official USDA data. Official USDA data is available at http://www.fas.usda.gov/psd*. Data for Crimea is included in the PSD tables wherever possible.**

***Important Data Note*: Animal inventory and raw milk production data published by the State Statistics Service of Ukraine (SSSU) do not include data from areas affected by war or from occupied territories. SSSU resumed publishing official dairy processing data in early 2026, so all 2025 PSD indicators are based on official numbers.**

Executive Summary

Ukraine is producing less milk, and its dairy industry is becoming smaller, more industrialized, more export-oriented, and more closely linked to EU markets. FAS/Kyiv expects Ukraine's total *fluid milk* production to continue its steep downward trend in 2026 and 2027. Producers will remain under significant pressure due to war-related factors, including electricity outages, labor shortages, supply chain interruptions, currency devaluation, and the general economic slowdown. Milk production will remain split between industrial farms and households. Industrial production is more efficient; therefore, Post expects industrial farms to cope better with the economic challenges, resulting in a gradual production increase. Household milk production will remain inefficient, with dropping milk yields and raw milk market share in 2026 and 2027.

Post expects combined fluid use domestic consumption to decrease in 2026 and 2027, following the significant decline in household milk production, the decline in household-produced basic dairy products, and a shift toward industrially produced products. At the same time, industrial milk use will increase due to increases in cheese, whole milk products, and butter production. Consumption of staple dairy products will remain strong despite economic turbulence.

Post forecasts *cheese* production will increase in 2027 due to strong domestic demand. Imports will also grow in response to additional demand for product diversity and quality. Post expects the EU to remain the largest cheese supplier in 2026 and 2027. Ukrainian producers will remain strong in the domestic mass market segment, and Ukrainian consumers will expand their taste for imported cheeses, despite the higher prices and worsening domestic economic situation. Post forecasts cheese exports will remain limited and concentrated in traditional neighboring markets.

In 2027, Post forecasts *butter* production will remain strong despite decreasing domestic and export prices. After the revision of the EU-Ukraine Association Agreement in October 2025, Ukraine retained access to the EU market with a new tariff rate quote (TRQ). Post expects Ukrainian butter exports to remain concentrated in neighboring markets.

Skim milk powder (SMP*)* production is tied to butter production, and Post expects it to increase in 2026 and 2027. Post expects roughly half of Ukraine's SMP production to be exported, as the Ukrainian food processing industry has limited demand. SMP markets will stay diversified, with the EU becoming a central partner with a new, stable TRQ.

FAS/Kyiv forecasts a small increase in *whole milk powder* (WMP) production in 2027. WMP has limited domestic demand in the confectionery and bakery industries. Exports are small due to low demand and better margins from other dairy products.

Fluid Milk

Table 1: Fluid Milk Production, Supply, and Distribution*

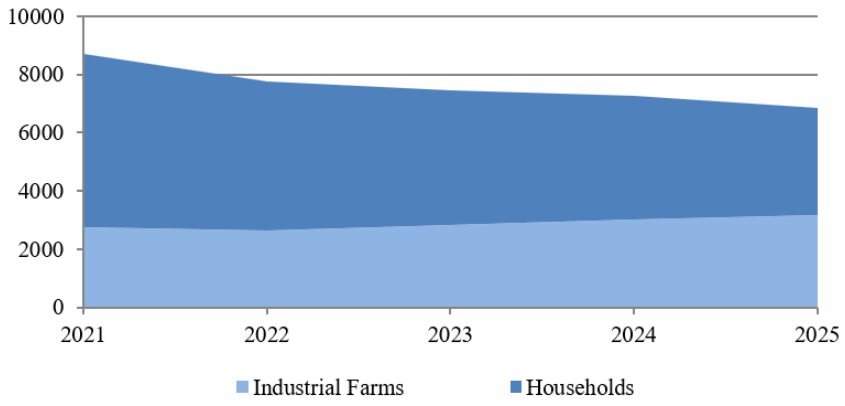
Dairy, Milk, Fluid Ukraine, Thousand Metric Tons	2025		2026		2027
	Market Year Begin: Jan 2025		Market Year Begin: Jan 2026		Market Year Begin: Jan 2027
	USDA Official	New Post	USDA Official	New Post	New Post
Cows In Milk	1,202	1,225	1,140	1,027	880
Cows Milk Production	6,950	6,907	6,650	6,032	5,200
Other Milk Production	150	135	145	113	100
Total Production	7,100	7,042	6,795	6,145	5,300
Other Imports	3	3	2	10	2
Total Imports	3	3	2	10	2
Total Supply	7,103	7,045	6,797	6,155	5,302
Other Exports	22	22	25	23	25
Total Exports	22	22	25	23	25
Fluid Use Dom. Consum.	3,052	2,829	2,827	1,782	727
Factory Use Consum.	3,449	3,618	3,395	3,800	4,000
Feed Use Dom. Consum.	580	576	550	550	550
Total Dom. Consumption	7,081	7,023	6,772	6,132	5,277
Total Distribution	7,103	7,045	6,797	6,155	5,302

*These are not official USDA numbers
Includes Crimea data

Production

Post expects combined (industrial and household) raw milk production to continue to decline in both 2026 and 2027 (Figure 1).

Figure 1: Ukraine's Fluid Milk Production, thousand metric tons (TMT)

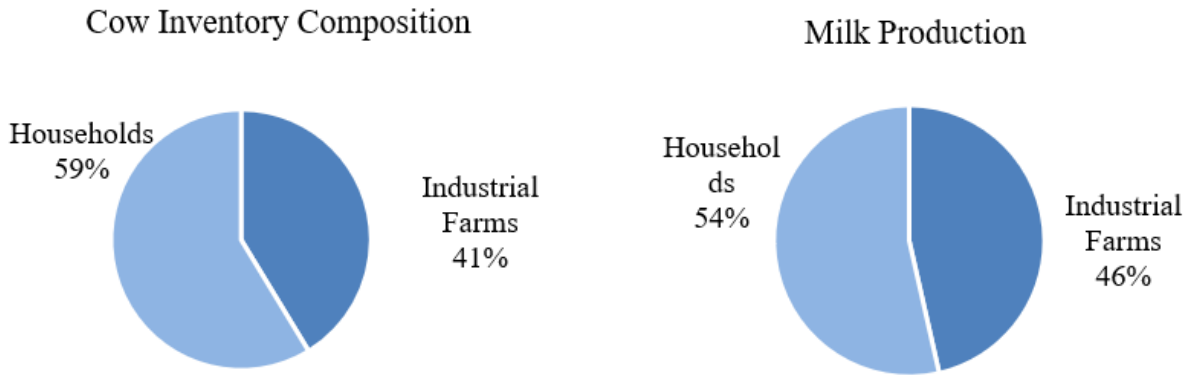


Source: SSSU

A harsh economic environment damaged the industrial milk sector but also catalyzed changes. Industry contacts expect animal inventories and milk deliveries to increase in both 2026 and 2027.

Households remained relatively inefficient, and both animal inventory and milk yields continued to decrease, though households remain dominant in the sector (Figure 2). In 2026, the decline of the household sector accelerated, with animal inventory dropping by over 35 percent from July 2025 to July 2026.

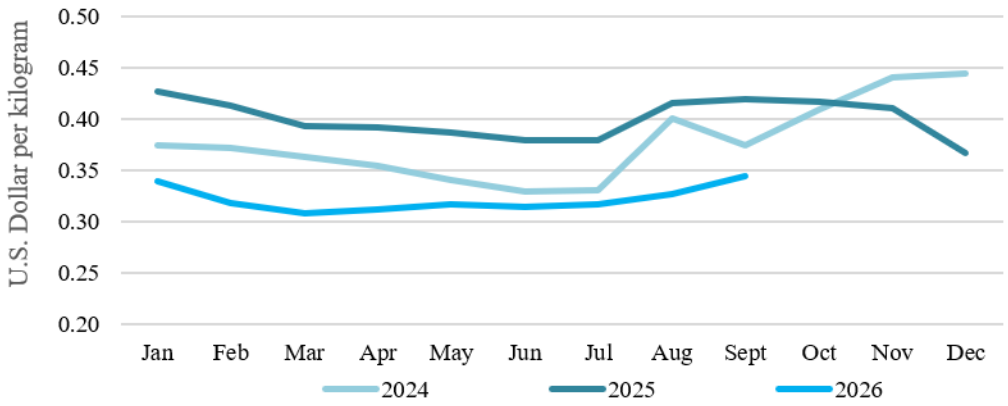
Figure 2: Dairy Cow Inventory Composition (as of January 1, 2026) and Milk Yield (2025) by Subsector



Source: SSSU

After a peak in 2025, raw milk prices dropped sharply in December 2025, ending their four-year growth trend (Figure 3). Prices stayed low through the first three quarters of 2026. This drop negatively affected small industrial farms and households. According to industry, large industrial farms remained profitable and maintained investments in production expansion. While inefficient households are the main reason for the milk production decline, the Russia-Ukraine war also has far-reaching effects. For example, many war-affected regions lost over 10 percent of their cow population, as farms relocated from the front lines to western and central Ukraine.

Figure 3: Average Raw Milk* Procurement Price



* A weighted average of all three milk quality grades
Source: Association of Dairy Producers of Ukraine

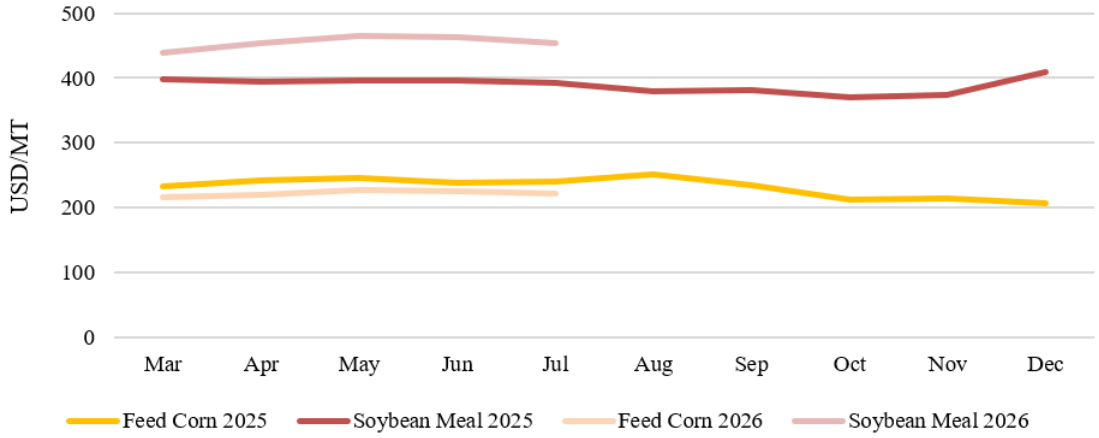
In addition, with increased attacks on energy infrastructure, dairy processors, and cold storage facilities, many Ukrainian farms faced higher input costs. Mobilization led to a labor shortage and higher labor costs for large industrial dairy farms. It also significantly affected household production, as conscription makes it very difficult to keep a cow in a household.

In 2027, the Ukrainian dairy sector will continue its structural transformation that began in 2022. While Post projects total milk production to decline, commercial dairy farms will continue to expand their share of marketable milk supplies. As household production contracts further, processors will rely increasingly on larger commercial suppliers that can deliver higher-quality milk and maintain consistent safety standards. This transition is expected to improve processing efficiency and dairy product quality and will lead to the concentration of production in fewer regions, larger farm sizes, and change rural lifestyles for many households. In the long run, this transition will address Ukrainian dairy industry concerns by improving foreign market access through improved food safety and product quality.

Feed Supplies

Post expects feed supplies to remain stable in marketing year 2026/27, with corn yields projected to exceed 2025/26 levels and winter wheat and soy crops slightly larger than the previous year. Feed prices were stable in early 2026, with soy prices slightly above and corn prices slightly below last year (Figure 4). Increased Russian attacks on Ukrainian export infrastructure and vessels in summer and fall 2026 have reduced feed prices and contacts expect this to continue through early 2027. While lower feed prices have reduced milk production costs, they will also reduce profits for crop enterprises. As nearly all Ukrainian industrial dairy farms rely on their own feed supplies, these losses will negatively impact overall cash flows. Therefore, the combined impact of lower grain and oilseed prices on the industry is likely to be negative due to reduced sales, the consequent slowdown in industry-financed expansion programs, and additional crop storage costs.

Figure 4: Feed Component Costs



Source: APK-Inform Consulting

Processing

In 2026 and 2027, Post expects Ukrainian dairy processors to increase raw milk procurement and the production of various dairy products, including the major commodities covered in this report (Figure 5). Household-produced milk will remain stagnant, locked in the open-air market segment. These developments create an unusual situation of declining fluid milk supplies and growing processing.

Although both subsectors sell milk for industrial processing, industrial farms added 2 percentage points to their market share in 2025, with market share kept increasing in the first half of 2026 (Figure 5). The majority of household milk does not enter official channels and is sold in open-air markets throughout the country. The low-quality of household milk remains the main impediment, as dairy processors buy it at a significant discount (Figure 6).

Figure 5: Raw Milk Sales for Industrial Processing in 2025

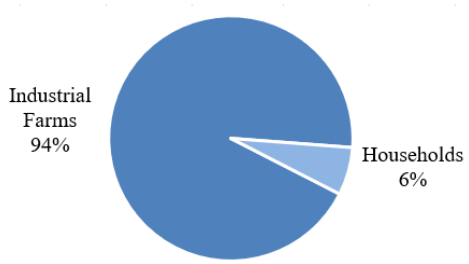
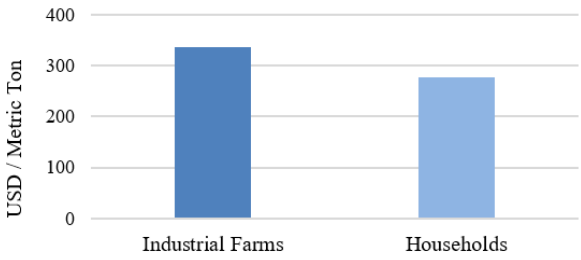


Figure 6: Raw Milk Procurement Price in 2025



Sources: SSSU; Association of Milk Producers

Dairy processors remain concerned about rising Russian attacks on the energy grid and retail distribution centers, which intensified in 2026. Many Ukrainian retailers are negotiating new cost-sharing schemes that could make dairy processors partially or fully liable for product losses resulting from attacks on retailers' warehouses and retail distribution centers. These unexpected costs covering risks beyond processors' control may further increase dairy product costs, undermining industry performance in 2026 and 2027.

Consumption

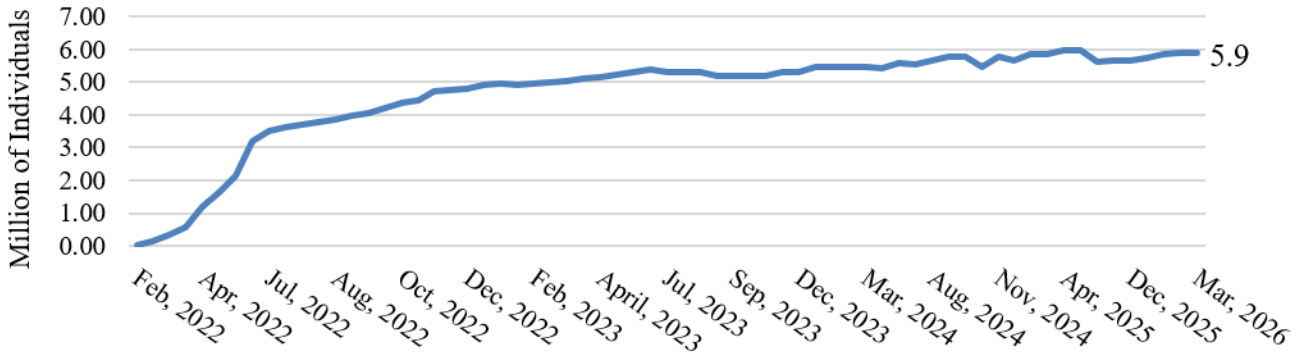
In Ukraine, consumption of fluid milk and dairy products is split by production channel. Most household-produced raw milk is consumed by rural families, their relatives, and friends, but a significant portion is also sold at open-air markets. In addition to raw, non-pasteurized milk, household milk is sold in the form of traditional basic dairy products, including cottage cheese, sour cream, and to a lesser extent, butter. This market segment constitutes a separate niche, distinct from organized trade or exports. Only a small share of household milk is processed industrially. Because statistical data are limited, this report does not include household-made product production or consumption data.

Post expects modest growth in disposable incomes in 2027 despite continued economic weakness due to wage adjustments and government support. The National Bank of Ukraine expects a 0.4 percent year-over-year decline in GDP in 2026, driven by power shortages due to infrastructure damage, reduced budget spending, delays in external financing, and an unusually cold 2025/26 winter.

Post expects the consumption of fluid milk and processed dairy products to remain strong in 2026 and 2027. Most Ukrainian dairy products fall into the staple mass-market segment. Consumers tend to maintain or increase consumption of those products as their incomes rise.

Population outflows stabilized in 2026, and Post does not expect them to be a significant factor (Figure 7).

Figure 7: Number of Refugees from Ukraine*



Source: Office of the United Nations High Commissioner for Refugees

* This graph does not include individual refugees (refugees who did not apply for the temporary protection status), and refugees in Russia and occupied territories

Cheese

Table 2: Hard and Soft Cheese Production, Supply, and Distribution*

Dairy, Cheese Ukraine, Thousand Metric Tons	2025		2026		2027
	Market Year Begin: Jan 2025		Market Year Begin: Jan 2026		Market Year Begin: Jan 2027
	USDA Official	New Post	USDA Official	New Post	New Post
Beginning Stocks	7	7	7	7	7
Production	135	144	139	160	170
Other Imports	42	42	45	52	55
Total Imports	42	42	45	52	55
Total Supply	184	193	191	219	232
Other Exports	15	14	16	15	16
Total Exports	15	14	16	15	16
Human Dom. Consumption	162	172	168	197	209
Other Use, Losses	0	0	0	0	0
Total Dom. Consumption	162	172	168	197	209
Total Use	177	186	184	212	225
Ending Stocks	7	7	7	7	7
Total Distribution	184	193	191	219	232

*These are not official USDA numbers
Includes Crimea data

Production

Because SSSU renewed its official cheese production statistics publication in 2026, the 2025 production number is based on this newly published official data.

Post forecasts cheese production will increase in 2026 and 2027. Cheese is a staple food, and strong domestic demand is the main driver of the increase. According to Ukrainian dairy processors, cheese production remains one of the most profitable uses of raw milk, after some premium whole dairy products. Previously, the industry's biggest impediment was the lower quality of Ukrainian cheese, which was produced from household-procured milk. The situation has changed in recent years as cheese manufacturers switched to industrial milk. The gradual quality improvement increased domestic demand and opened new export markets, boosting production; however, Ukrainian cheese production is still primarily focused on the domestic market. Ukrainian producers are strong in the lowest market segment but increasingly less competitive in the middle and upper segments.

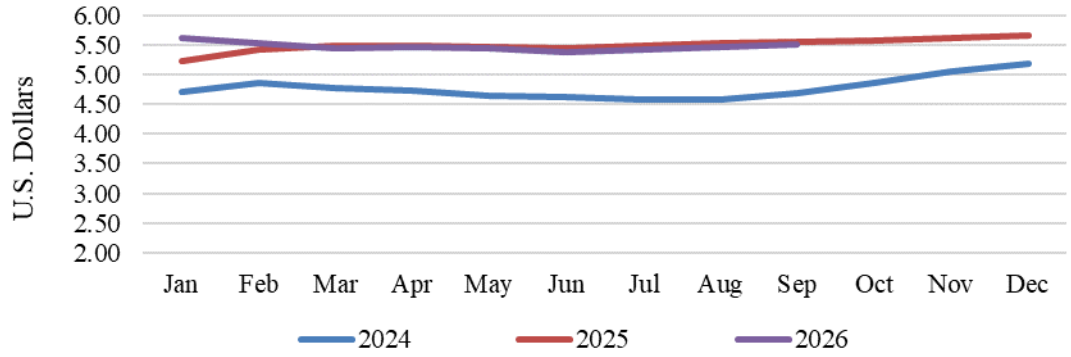
Consumption

Industry expects most of the additional demand in 2027 to come from middle-income buyers. Lower-income buyers, including those on social assistance and internally displaced people, will likely maintain stable consumption. The consumption of "cheese-like" products, where butterfat is replaced by vegetable oils (predominantly palm oil) and food fiber-enriched cheese, remains strong. Most of these

products are in the lowest market category and compete with inexpensive domestic cheese. Consumers do not view these cheese products as healthier products, but rather as a cost-effective alternative to traditional cheese. In many cases, those products are distributed through small grocery stores and open-air markets.

The lower raw milk price in 2026 did not result in a corresponding decrease in cheese prices throughout the year, except in January 2026. Other market factors, including rising input costs and the shifting of war risks to dairy processors, kept prices stable (Figure 8).

Figure 8: Cottage Cheese Retail Price (for 1 kilogram)



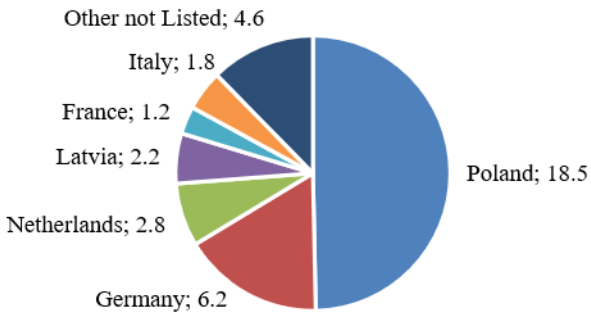
Source: Ukraine's State Statistics Service; FAS/Kyiv calculations

Trade

Post forecasts cheese imports will increase in 2026 and 2027, driven by strong domestic demand. Stabilizing disposable incomes is the primary driver of strong demand in the upper and middle market segments. Post expects the EU to remain a major cheese supplier.

The lower quality of Ukrainian-produced cheese created a significant opening in the upper and middle segments. Polish, Dutch, German, and Latvian suppliers dominate the middle segment. Cheese manufacturers from these countries send substantial quantities of semi-hard and hard gouda, emmental, edam, and cheddar cheeses. Italian and French producers dominate in the upper market segment with their soft cheeses (Figure 9).

Figure 9: Ukraine's Cheese Imports in Jan-Sep 2026, TMT



Source: Trade Data Monitor, LLC (TDM)

Post forecasts cheese exports to recover slowly, increasing modestly from 2025 to 2027. Improved Ukrainian cheese quality has facilitated a gradual recovery in traditional, neighboring country markets; however, logistics remain complicated due to ongoing attacks on border crossing points.

Although Post expects domestic cheese production to increase, imported cheese will continue gaining market share in the middle- and premium-price segments. Contacts note the growing availability of imported products may encourage further quality improvements among domestic manufacturers.

Butter

Table 3: Butter Production, Supply, and Distribution*

Dairy, Butter Ukraine, Thousand Metric Tons	2025		2026		2027
	Market Year Begin: Jan 2025		Market Year Begin: Jan 2026		Market Year Begin: Jan 2027
	USDA Official	New Post	USDA Official	New Post	New Post
Beginning Stocks	10	10	10	10	10
Production	72	67	73	71	74
Other Imports	1	2	2	3	3
Total Imports	1	2	2	3	3
Total Supply	83	79	85	84	87
Other Exports	14	14	10	8	8
Total Exports	14	14	10	8	8
Domestic Consumption	59	55	65	66	69
Total Use	73	69	75	74	77
Ending Stocks	10	10	10	10	10
Total Distribution	83	79	85	84	87

*These are not official USDA numbers
Includes Crimea data

Production
In 2026, SSSU resumed the publication of official butter production statistics. The production figure for 2025 is derived from this newly released official data.

Post forecasts butter production will remain strong in 2026 and 2027, driven by demand that shifted from the export market to the domestic market. The butter-and-SMP combination pays a good margin and remains an alternative to cheese production. Butter and SMP production will remain seasonal, helping utilize additional milk produced during the excess milk supply period from May to September.

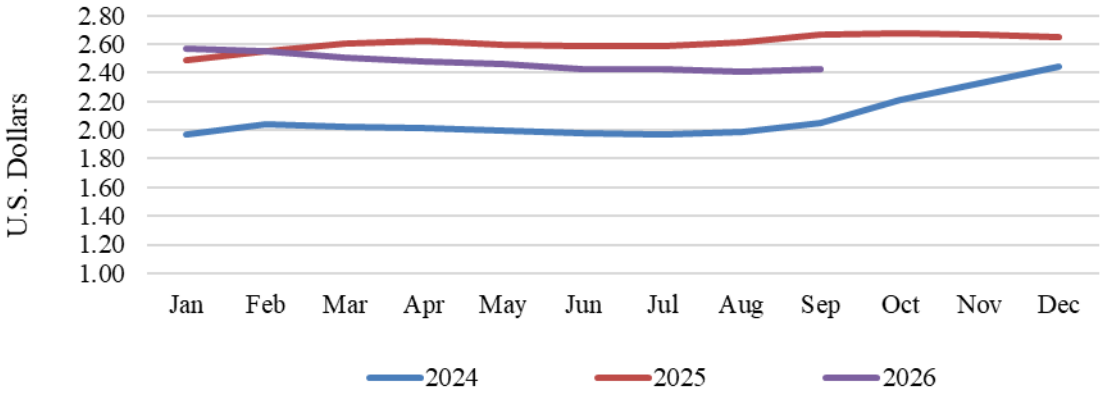
The war-related factors described above also impact butter and SMP production. Industry considers power outages to be the most significant production risk and the retail loss-sharing clause to be the largest business risk. Logistics and workforce availability are also concerns.

In 2026-2027, the Ukrainian butter market appears to be shifting from an export-driven growth model toward one supported only by domestic consumption. Unless international butter prices return to the exceptionally high levels observed in 2024 and early 2025, domestic sales are likely to remain the primary outlet for additional production.

Consumption

In 2026 and 2027, Post forecasts butter consumption will grow, following other staple dairy products. Growing incomes and slightly lower retail prices will be the main growth drivers (Figure 10). Exports are no longer as attractive as they were in 2024 and first half of 2025, when butter prices were at record-high levels. The high 2025 price also contributed to depressed consumption in 2025 and a notable consumption rebound in 2026.

Figure 10: Butter Retail Price (for 0.2-kilogram standard package)



Source: SSSU; FAS/Kyiv calculations

Trade

EU market access uncertainty decreased after the European Commission (EC) announced a renewed agreement on October 13, 2025, reopening the EU market to approved Ukrainian producers (Table 4).

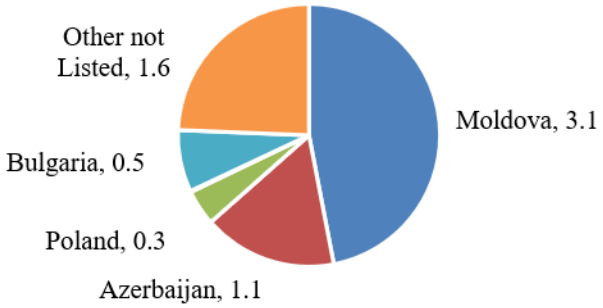
Table 4: EU's Butter Import TRQ for Ukraine 2025-2027

Product	Tariff classification (CN 2025)	TRQs under EC Decision 2121	Old TRQ under the Association Agreement
Butter and dairy spreads, anhydrous milk fat (AMF), and butteroil	0405 10 (11-19-30-50-90) 0405 20 (90) 0405 90 (10-90)	7,000 MT	3,000 MT

Source: EC Council Decision (EU) 2025/2121 that replaced Proposed Document 52025PC0450

The new import TRQ size was based on increased 2024-2025 Ukrainian butter exports, when Ukraine more than doubled its exports to the EU. Those exports were driven by extremely high EU butter prices. As butter prices decreased in 2026, the TRQ remained unfulfilled. Ukrainian producers returned to the domestic market and to traditional neighboring markets, with Moldova accounting for almost half of all exports (Figure 11).

Figure 11: Ukraine's Butter Exports in Jan-Sep 2026, TMT



Source: TDM

Post forecasts Ukraine will maintain modest export levels, with the EU losing its role as the main export destination in 2026 and 2027. However, the EU may return to the market in the future, as it can accept significant export volumes and pays a premium compared to other destinations.

Butter imports are small and concentrated in the premium market segment. Imports come from only a few EU exporters.

Skim Milk Powder

Table 5: SMP Milk Powder Production, Supply, and Distribution*

Dairy, Milk, Nonfat Dry Ukraine, Thousand Metric Tons	2025		2026		2027
	Market Year Begin: Jan 2025		Market Year Begin: Jan 2026		Market Year Begin: Jan 2027
	USDA Official	New Post	USDA Official	New Post	New Post
Beginning Stocks	6	6	4	4	4
Production	32	45	33	49	51
Other Imports	1	1	1	1	1
Total Imports	1	1	1	1	1
Total Supply	39	52	38	54	56
Other Exports	27	27	25	25	25
Total Exports	27	27	25	25	25
Human Dom. Consumption	8	21	9	25	27
Other Use, Losses	0	0	0	0	0
Total Dom. Consumption	8	21	9	25	27
Total Use	35	48	34	50	52
Ending Stocks	4	4	4	4	4
Total Distribution	39	52	38	54	56

*These are not official USDA numbers; Includes Crimea data

Production

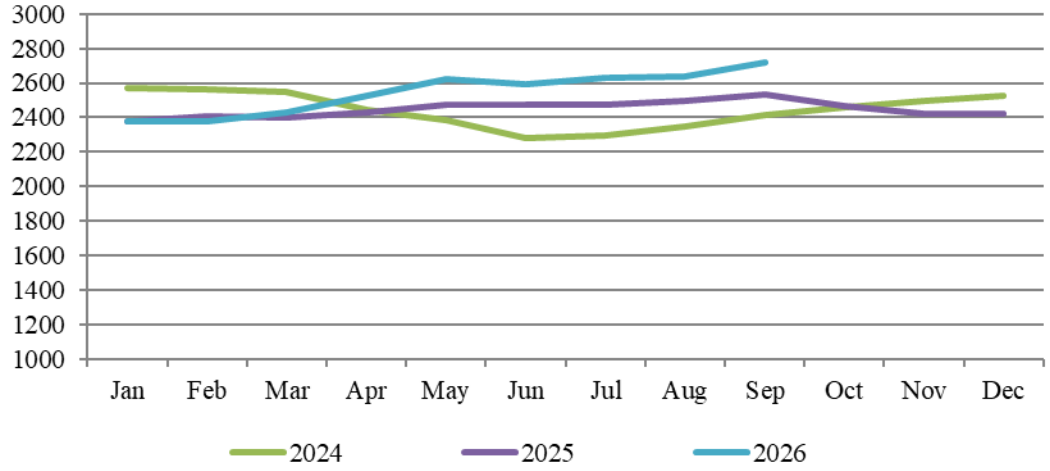
In 2026, SSSU resumed the publication of official SMP production statistics. The production figure for 2025 is derived from this newly released official data.

Post expects SMP production to follow the same trend as butter in 2026, as production of these two products is bundled. Domestic demand will remain strong, as SMP is widely used to produce a variety of dairy products. A significant portion of milk supplied to households and by industrial farms during the spring-to-fall milk yield peak is processed into butter and SMP. Ukraine's SMP is often lower quality and sold at lower prices compared to EU-produced SMP.

The worldwide trend toward higher protein content in healthy drinks and other products targeting health-cautious consumers is not yet evident in Ukraine, and consumers are not ready to pay a premium for protein-enriched products. However, export demand for SMP and dry whey remains strong. Producers' SMP prices rose above the 2024–2025 level in the second half of 2026 (Figure 12).

Among Ukraine's major dairy export products, SMP has historically been the most export oriented. Growing EU market access and stable international demand could support exports in the short term; however, future export growth may increasingly depend on improvements in product quality and Ukrainian processors' ability to compete in higher-value markets. These challenges appear to have driven the Ukrainian dairy industry transformation described above.

Figure 12: Ukraine's SMP Wholesale Price, USD/MT



Source: SSSU; FAS/Kyiv calculations

Like other dairy products, Ukraine established an export TRQ with the EU in October 2025 (Table 6). However, unlike for other dairy commodities, the EU export TRQ may become binding in 2026 as EU demand for SMP remains strong.

Table 6: EU SMP Import TRQ for Ukraine 2025-2027

Product	Tariff classification (CN 2025)	TRQs under EC Decision 2121	Old TRQ under the Association Agreement
Skimmed milk powder	0402 10 (11-19-91-99)	15,400 MT	5,000 MT

Source: EC Council Decision (EU) 2025/2121 that replaced Proposed Document 52025PC0450

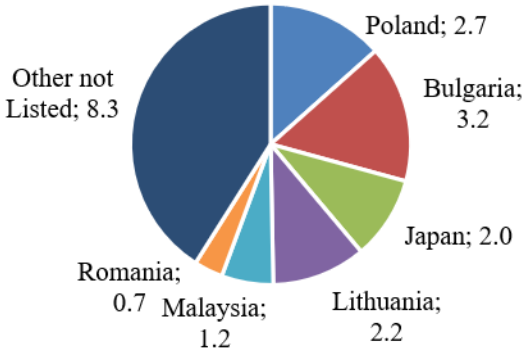
Consumption

Domestic SMP consumption is limited to industrial food producers and remains vulnerable to war-related risk factors. In this case, war-related factors double their impact as increased electricity outages and rationing may also negatively affect industrial SMP consumption, depressing domestic production and facilitating exports.

Trade

Post expects Ukraine to maintain stable SMP exports in 2026 and 2027. Increased demand for dry protein by domestic processors of whole milk products and the lower quality of Ukrainian SMP may become the limiting factors. EU countries accounted for almost 50 percent of all export sales in the first three quarters of 2026 (Figure 13). In some cases, EU traders re-export Ukrainian SMP outside of the EU.

Figure 13: Ukraine's SMP Exports, Jan-Sep 2026, TMT



Source: TDM

Post does not expect Ukraine to import significant quantities of SMP in 2026 or 2027.

Whole Milk Powder (WMP)

Table 7: Whole Milk Powder Production, Supply, and Distribution *

Dairy, Dry Whole Milk Powder, Ukraine, Thousand Metric Tons	2025		2026		2027
	Market Year Begin: Jan 2025		Market Year Begin: Jan 2026		Market Year Begin: Jan 2027
	USDA Official	New Post	USDA Official	New Post	New Post
Beginning Stocks	0	0	0	0	0
Production	8	15	8	14	15
Other Imports	1	1	0	0	0
Total Imports	1	1	0	0	0
Total Supply	9	16	8	14	15
Other Exports	2	2	2	2	2
Total Exports	2	2	2	2	2
Human Dom. Consumption	7	14	6	12	13
Other Use, Losses	0	0	0	0	0
Total Dom. Consumption	7	14	6	12	13
Total Use	9	16	8	14	15
Ending Stocks	0	0	0	0	0
Total Distribution	9	16	8	14	15

*These are not official USDA numbers
Includes Crimea data

Production

In 2026, SSSU resumed the publication of official dry WMP production statistics. The production figure for 2025 is derived from this newly released official data.

Ukraine's WMP production is insignificant compared to other dairy products. Post forecasts 2026 WMP production will remain steady due to stable domestic food industry consumption and will grow insignificantly in 2027. The majority of WMP is produced for the domestic market. As noted above, industry receives better margins from SMP and butter, discouraging WMP production, trade, or significant investment in additional WMP processing capacity.

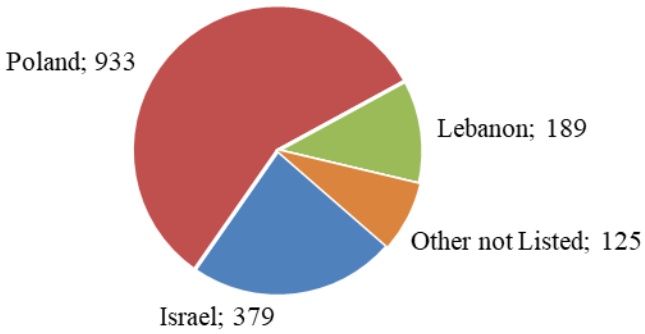
Consumption

Post expects the Ukrainian bakery and confectionery industries, the primary consumers of WMP, to increase consumption in 2027 as domestic demand rises. However, Post expects this growth to be limited. To control costs, many food producers operating in the lower market segments switched from WMP to SMP and palm oil, limiting WMP use to premium-segment products.

Trade

WMP was never a major traded item. During renewed TRQ negotiations under the Association Agreement, Ukraine did not request nor receive expanded market access for WMP. An existing TRQ of 5,000 MT remains in place for 2026 and 2027. Unlike butter and SMP, WMP exports are concentrated in traditional export markets in the Middle East and the former Soviet Union. However, some EU traders may be interested in Ukrainian WMP for re-export (Figure 14).

Figure 14: Ukraine's WMP Exports, Jan-Sep 2026, MT



Source: TDM

Attachments:

No Attachments