Improvement of Logistics Services and Marketing Channels for SMEs in Agriculture
Project No.
EuropeAid/115691/C/SV/UA

Report on First International Conference on Wholesale Market Development

Author: Natalie Kushko

This project is funded by the European Union

A project implemented by a Scanagri led consortium
Your contact persons with a Scanagri led consortium:

Bo Rosenqvist (Project Manager)

Ukraine

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Date: 29-09-06

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Address
Scanagri Sweden AB
Klara Ostra Kyrkogata 12
SE-105 33 Stockholm
Sweden

Telephone: + 46 8 787 54 04
Telefax: + 46 8 21 89 40
E-Mail: scanagri@scanagri.se
Discussion Points
Discussions about the wholesale markets development have been ongoing in Ukraine over recent years. Wholesale markets are places where the fresh fruits, vegetables, meat, fish and flowers are traded, and the daily price is set. They raise the safety and quality levels of food products, reduce the loss of fresh products, stabilize the end consumer price and, thus, lower the level of inflation, increase the sales volumes of agricultural and food products, strengthen the position of regional small and medium enterprises, develop merchandising of the products available at the market and increase its competitiveness. The wholesale markets also increase the budget revenues due to the transparency and the increased number of legal transactions, carry out information analysis and provide information to all the participants of the wholesale selling of agricultural products and other parties concerned. Ukraine has enormous agricultural potential, however it has not been realized in full due to the absence of the developed agricultural market infrastructure and efficient market sales mechanisms for agricultural products and processed foods.

Considering the importance of the wholesale markets, the conference participants have emphasized the following priority areas:
- to acknowledge the wholesale markets as integral chain in the marketing chain for agricultural products and make the state support available;
- to establish a favourable legal environment for the development of wholesale agricultural markets by adopting the Law on wholesale agricultural markets and the Programme of wholesale agricultural markets development;
- to implement organizational measures for the creation and operation of the wholesale agricultural markets system;
- to address recommendations to local state authorities, local self-governing bodies to enhance activities in the creation of wholesale agricultural markets, the establishment of favourable conditions at the local level for their foundation and development;
- to streamline the efforts of research institutions, analytical centres, international technical assistance projects towards the study of international experience in the creation and development of wholesale markets, the engagement and the role of the state authorities in these processes;
- to create a dynamic system of agricultural market information;
to support the initiatives put forward by the food market Shuvart, live stock market Charodiy in the field of wholesale selling development and the establishment of regional agricultural centres.

The conference participants visited the wholesale agricultural market Shuvart where they saw a wide variety of fruits and vegetables as well as a packing and grading area. During the conference, the reports Typical models of wholesale agricultural markets for Ukraine and The concept for the wholesale agricultural markets development in Ukraine were made respectively by Mr. Jacek Austen, expert of AgroLogistics Project and Mr. Richard Rozwadowski, Agrologistics Project’s Team Leader. The AVEC group presented the results of previous technical and economic feasibility report for the creation of a wholesale market in Kharkiv, worked out within the Agrologistics Project, and Odessa representatives presented their proposal to develop a new market.

Detailed presentation and the list of participants is available at www.agrilogistics.com.ua for consideration and attention of the interested parties.

Additional documents and presentations concerning wholesale market development is available upon the request in the office of Project Improvement of Logistics and Marketing Channels for SMEs in Agriculture on info@agrilogistics.com.ua

Resolution of the Conference

The conference has been developed and approved by the participants:

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It has been pointed out in the Main guidelines for the establishment and operation of wholesale food markets, approved by the Resolution of the Cabinet of Ministers of Ukraine # 997 dated June 9 1999 that, quote, current state of agricultural products and food market is characterized by a rather slow formation rate of the market scheme of products promotion to the consumer, that would be capable of ensuring the reduction of loss of agricultural products, increasing its quality, contributing to the market price formation, unquote. Unfortunately, the declarative statements of the state authorities have not turned into real decisions: no legal framework has been prepared, that would be favourable for the establishment and development of wholesale markets, there have been no effective state policy of financial and credit, information and advisory support for the development of such markets.

As the worldwide experience shows, the wholesale market is not only a place where the purchase and sale process of agricultural products is taking place, this is one of the most important elements of marketing agricultural infrastructure, due to which a transparent price formation for agricultural products is being performed, as well as distribution of food flow produce. This is also the essential mechanism of assuring the country’s food safety, development of competition, a tool to increase the efficiency of agricultural producers, and reduce the rate of shadow economy. The experts affirm that the improvement in the distribution of agricultural products through wholesale markets is the instrument to decrease the level of inflation. By means of wholesale markets, local and central authorities can carry out the policy of balanced development of a specific region and the country as a whole.

Ukraine has enormous agricultural potential, however it has not been realized in full due to the absence of the efficient market sales mechanism for agricultural products and processed foods.
Ukraine has good examples of implemented business initiative in the development of wholesale agricultural markets – food market *Shuvar* (Lviv), live stock market *Charodi* (town of Zhashkiv). However, the financial resources of Ukrainian business are rather limited, while the conditions for large-scale investment into this business are not favourable. The conference participants have pointed out that the development of wholesale agricultural markets can be carried out only under the condition of organizational and financial support of the state. There is a vital need for an understandable to market players, transparent and efficient state policy concerning these issues. And that has also been proved by the worldwide practice.

The conference participants have addressed the Ministry of Agrarian Policy, the Cabinet of Ministers, Verkhovna Rada (The Parliament) and the President of Ukraine with the following request:

1. To acknowledge the wholesale markets as the integral chain in the growing and marketing cycle for agricultural products and make the available to them the state support mechanisms that are designated for agricultural producers.

2. To establish a favourable legal environment for the development of wholesale agricultural markets by adopting the Law of Ukraine *On wholesale agricultural markets* and the Programme of wholesale agricultural markets development in Ukraine, etc.

3. To implement organizational measures for the creation and operation of the wholesale agricultural markets system in Ukraine.

4. To address recommendations to local state authorities, local self-governing bodies to enhance activities in the creation of wholesale agricultural markets, the establishment of favourable conditions at the local level for their foundation and development.

5. To streamline the efforts of research institutions, analytical centres, international technical assistance projects towards the study of international experience in the creation and development of wholesale markets, the engagement and the role of the state authorities in these processes.

6. To create a dynamic system of agricultural market information.

7. To support the initiatives put forward by the food market *Shuvar*, live stock market *Charodi* in the field of wholesale selling development and the establishment of regional agricultural centres, sharing their experience with the purpose of learning and implementation across all the regions of Ukraine.

8. To address recommendation to the Ministry of Agrarian Policy of Ukraine to approve a Provisional draft regulations on the regional wholesale agricultural centre.

The conference participants have also approved the initiatives put forward by the European Union’s Project *Improvement of Logistics and Marketing Channels for SMEs in Agriculture*, USA Agency for international development’s Project *Reforming in Agriculture, legislative and normative base improvement* and the Project of agricultural marketing for the development of wholesale trade of agricultural products, and addressed other international organizations, business institutions, public professional organizations of Ukraine with the appeal to join these activities.

We are confident that the required combined effort of business, state, public and international institutions in the field of establishment of the wholesale agricultural market system will help open up the agrarian potential of Ukraine.