



MINISTRY OF ECONOMIC  
DEVELOPMENT AND TRADE  
OF UKRAINE

STUDY

# EXPORT STRATEGY FOR FOOD AND BEVERAGES SECTOR



2019–2023



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## ACRONYMS

|                |   |
|----------------|---|
| CMU/Government | Cabinet of Ministers of Ukraine                       |
| FSCPA          | Food Safety and Consumer Protection Agency            |
| HS             | The Harmonized System                                 |
| MAPF           | Ministry of Agrarian Policy and Food of Ukraine       |
| MEDT           | Ministry of Economic Development and Trade of Ukraine |
| MEU            | Ministry of Education and Science of Ukraine          |
| MFA            | Ministry of Foreign Affairs of Ukraine                |
| MFU            | Ministry of Finance of Ukraine                        |
| MIU            | Ministry of Infrastructure of Ukraine                 |
| MoH            | Ministry of Health of Ukraine                         |
| NAAS           | National Academy of Agricultural Sciences of Ukraine  |
| SFS            | State Fiscal Service of Ukraine                       |
| SSS            | State Statistics Service of Ukraine                   |

## EXECUTIVE SUMMARY

Ukraine is naturally endowed with a large volume of fertile land and diverse climate zones that enable a broad range of agricultural production, as well as sustainable traditions of agro-production. This resource provides a good basis for developing the food and beverages (F&B) sector to take advantage of the fast-growing USD 10 trillion global market.

However, current exports are mostly made up of bulk commodities with very little value-added. Much of Ukraine's F&B production is from SMEs (Small and Medium-Sized Enterprises) who do not traditionally work together to provide the consistent quality and volumes of supply demanded by a world market dominated by large players.

The following trends in global food and beverage markets and the structure of the F&B sector in Ukraine have shaped the overall approach to the F&B strategy:

- **The high level of domination by large corporations in global grocery retail, food service and food manufacture** means that the Ukrainian F&B industry will have to focus on selling to the main distribution channels to have any significant impact. These corporations mostly require large quantities and flexible contracts and prices with short order times. In their turn, F&B producers strive to ensure a sustainable uninterrupted supply of semifinished food products and ingredients based on 10-year investment plans.
- Increasingly stringent **hygiene and food safety standards** mean that F&B manufacturers at all stages of the value chain must have high-level quality systems in place to ensure that their products are acceptable in the export market. Costs of compliance must be factored into the F&B business model.
- Consumers' **evolving environmental concerns** mean that many retailers want to source nearby and deliver by road. Ukraine can offer the EU (the biggest retail grocery market in the world) a range of products to meet such consumer demands, but producers will have to monitor systems of CO<sub>2</sub> calculations and follow the trends in packaging requirements and the use of alternatives.
- Growing **trends towards healthier and organic foods** mean that Ukrainian F&B producers will need to adapt their product portfolio, recipes and contents (for instance, lowering fats and offering safer foods to those who suffer from allergies) to respond to trending consumer demand and strengthen the use of organic certification by accredited bodies when targeting these market segments.
- Gross **agricultural production in Ukraine is quite significant (18%-19% of GDP)** and employs almost 3 million workers, approximately **18% of the working population** of Ukraine.
- **Agricultural production has increased by 6.8%** in the last 4 years to UAH 268.6 billion in 2018 (74% crop and 26% livestock production).
- **The main agricultural exports are commodities:** sunflower oil representing 22% (Ukraine is a world leader); 16% for wheat; and 19% for corn. Other important exports are soybeans, sunflower meal, barley and poultry.

The major challenges to the F&B sector in Ukraine addressed in the Strategy are as follows:

**Firm-level constraints:** low productivity with high underlying costs; inability to supply high enough volumes to be attractive for international buyers; local companies reluctant to change/alter their products/technology to sell what the market is demanding; shallow domestic market; lack of R&D, innovation and use of technologies in all but the largest companies; lack of experienced certified professionals in food safety and agriculture; lack of adequate technical training in the industry (including training of market analysis experts, economists trained specifically for the agricultural sector, as well as food safety experts); a dearth of experts for controls of food safety and agro-products; lack of skills to use market data to plan change.

**Business environment constraints:** inadequate infrastructure (roads, ports, elevators and cold chain); lack of infrastructure to consolidate small consignments of agro-products, especially critical for some agro-products such as fruits, vegetables, berries, milk and meat (poultry excluding); the unsatisfactory speed of agricultural sector development in the absence of an “open” agricultural land market; foreign currency restrictions; labeling laws; implementation of sanitary and phytosanitary (SPS) and food safety laws of the EU; lack of testing and certification facilities; non-compliance with international standards; divergence between Ukrainian and international product requirements and standards; little or no access to bank loans (at the level of business); lack of financial planning and modelling for the medium- and long-term perspective; high cost of financing; and the reluctance of the financial institutions to support the sector as exports are perceived as risky.

**Market constraints:** national market distortions; customers’ trust in products and quality is undermined by imprecise labeling in both domestic and export markets; absence of fair competition on the internal market; poor agricultural and business services support; lack of reliable and integrated market data; lack of state support to address high credit costs for product development (programs of state financial support are concentrated on raw products); no research and development (R&D) support at the national level; lack of national promotion and branding; lack of promotion of Ukrainian F&B products in foreign markets (limited support by trade attaches).

The F&B Strategy of Ukraine is a five-year policy to address the identified constraints that limit existing export potential. It has been developed through a consultative process between public and private sector stakeholders and is aimed at resolving identified issues that limit the available export potential of the sector). To achieve the Strategy’s targets stakeholders will need to coordinate actions, monitor progress and mobilize resources for its implementation, creating a collaborative partnership between the public and private sector.

The overall vision is for *“Ukraine to be recognized as a reliable global partner working together to offer a diverse range of value-added F&B products of high quality and authentic taste”* through responding to the needs of the global market, improving competitiveness and ensuring quality throughout the F&B sector in Ukraine.

The strategic Plan of Actions (PoA) responds to this vision by addressing key constraints and leveraging opportunities in a comprehensive manner. Implementation will be based upon the strategic objectives outlined below.

Support Ukrainian F&B exporters to respond to world demand by increasing market share and visibility in existing markets and diversifying into new markets

Government and trade support institutions to develop and implement consistent global communications strategies to raise the international profile of F&B, promote Ukraine as a quality reliable supplier and identify new opportunities for producers (it is crucial to ensure that the positive image of the sector is supported by the adequate performance).

Strengthen the competitiveness of F&B enterprises by supporting improvement and diversification of product and service offerings

Business support organizations (including research and innovation, training, financial intermediaries and sector business organisations) must support the F&B sector to become more efficient, innovative and competitive in a dynamic global environment where technologies and market trends change and evolve rapidly.

Improve the national standards and quality management framework of Ukrainian agriculture and F&B industry.

Ukraine needs to develop a strong national quality standards framework and culture based on international good agricultural practice and food production safety standards. There is a large gap between global and national Ukrainian requirements which prevents F&B exports and fragments the market.

Initially, the product focus will be based on current opportunities for existing Ukrainian offerings in the F&B sector, but as the Ukrainian F&B sector develops and world markets evolve the product focus of the Strategy will adapt and respond.

| Target markets   | Products  |
|--|---|
| The EU, UK, Japan, China, West Africa (Nigeria and Ghana)                                      | Poultry (HS 0207): packed poultry, convenience food from poultry, ham, sausages<br><i>Poultry consumption is fast-growing; there is a capacity to supply more. There is a need to unlock markets like Nigeria and Ghana through government efforts.</i> |
| The EU, UK, China, Middle East   | Beef (HS 02, 0202): ready-made products like sausages, ham and traditional smoked products—halal and kosher<br><i>There is a growing consumption of such food products, which could boost the development of the beef production sector.</i>            |
| The EU, UK, UAE, Saudi Arabia, China (sweet berries), USA and Canada (frozen berries)          | Berries (HS 08): packed fresh berries, packed frozen berries<br><i>Growing periods differ from the specified regions; the demand is more than the supply and this tendency will continue.</i>   |
| The EU, UK, Hong Kong, Africa, ex-USSR countries, Asia   | Pork (0203): ready-made products like sausages, ham, traditional smoked products and packed pork parts<br><i>This a traditional sector in Ukraine, one of the most important kinds of meat.</i>   |
| Asia, including Japan, MENA, Poland, Moldova, other Eastern Europe countries, USA, Italy, Iraq | Hard cheese (HS 0406)<br><i>There is a growing capacity where the producers are consolidated. There is good demand and our prices are competitive when compared with Australia, Netherlands, China and the USA.</i>                                     |
| Japan, Germany, UK, Malaysia, Australia, Bangladesh, Israel                                    | Medicinal plants (HS 1511) and aromatic plants (oils and euphoria oleum, essential oils)<br><i>Japan has a strategy to diversify its supply chain and move away from China.</i>   |
| The EU, UK, Eastern Europe, Israel   | Bread and bakery products (frozen croissants, bread)<br><i>There is a demand in the HORECA segment to consume frozen bakery products at competitive prices.</i>   |
| Asia, Israel, The EU, UK   | Processed cereals (HS 11)<br><i>There is a growing demand for oatmeal.</i>  |
| The EU (excluding Italy), UK, Egypt, Asia, Japan, Israel                                       | Tomatoes prepared or preserved (2002)   |
| Asia, UAE, India, Africa, The EU, UK   | Flour, flour enriched with trace elements, trace elements are dependent on the geography of the real export market.   |
| India, Arab Countries  | Beans and legumes<br><i>Highly demanded. There is an opportunity to develop local brands of beans and legumes.</i>  |
| China  | Pears (0708), wheat (1001), sorghum (1007), rapeseed (1205).  |

Coordinating activities, monitoring progress and mobilizing resources for implementation will be critical to the successful achievement of these targets. A number of mechanisms to implement the activities and strategic objectives are proposed and based on a participatory approach and partnership between government and the private F&B sector.



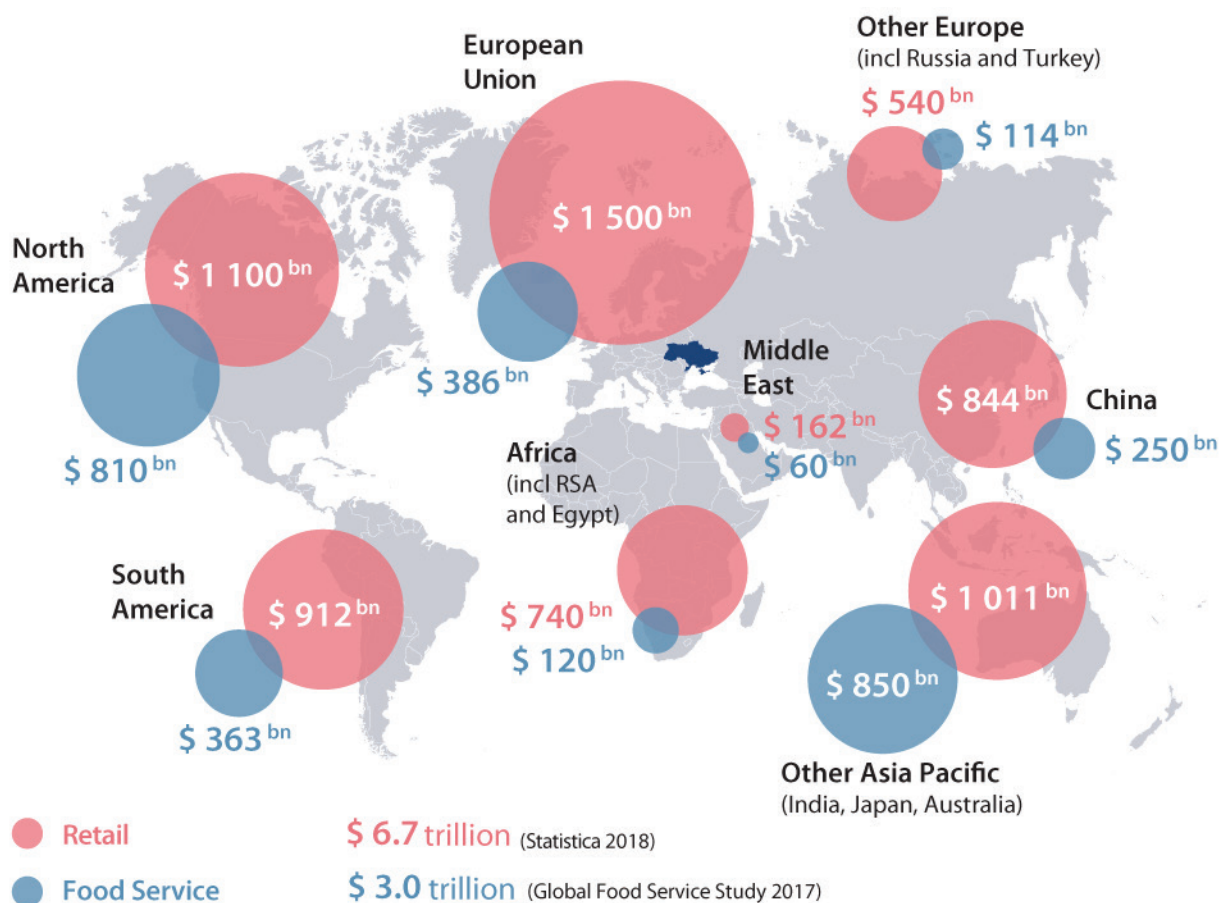
# FOOD AND BEVERAGES SECTOR IN UKRAINE

## Global perspective

### ◇ Global trends in food and beverages

World demand for food and beverages is estimated at around USD 10 trillion, comprising both grocery sales and food service. Grocery sales are those at a retail level whereas food service includes catering to businesses and consumers (restaurants, fast food, hotels, airlines and the public sector). North America (US, Canada and Mexico), the EU and Asia-Pacific countries (including India, Japan and Australia) represent the largest markets for food and beverages, each valued at around USD 1.9 trillion. Together they comprise about 60% of the world market. China is also a significant market, valued at around USD 1 trillion or 10% of global sales.

Figure 1. Global demand for food and beverages



SOURCE: Calculated from Statistical (2018) and Global Food Service Study (2017-2021)

Over 80% of The EU food and beverage markets are concentrated in grocery sales with only 20% in food service.

Distribution channels can vary and include manufacturers direct to end-seller; producers (ingredients); category buyers (who buy on behalf of retailers/food service across a range of similar products, for instance, fresh processed and ready-to-eat fruits and vegetables) and via brokers/hubs who repack and sell to end-sellers and manufacturers. The traditional wholesale/importer model (which acts as intermediaries to sell and distribute food) has all but disappeared in the EU and North America as retailers and food service companies buy direct from suppliers and importers. This model of distribution is rapidly declining across

other regions as well. Integration into large supply chains has become crucial to supply globally.

Important trends in global food and beverage markets that will affect how Ukraine approaches its own F&B sector development include the following:

1. Concentration of sales on a few channels;
2. Increasing importance of high hygiene and food safety standards;
3. Evolving consumption patterns based on environmental concerns;
4. Growing trend towards healthier and organic foods.

The following subsections examine each of these in more detail.

## Market concentration

Food and beverage sales are becoming increasingly concentrated both in retail and food services segments, as well as in manufacture. In the EU, 10 retail companies<sup>1</sup> account for 40% of all grocery sales with supermarkets accounting for 60 to 90% of grocery sales in any single country (with particular dominance in France and UK).

Table 1. Concentration of The EU food retailers

| Supermarket Group                        | Brands  | Main Type of Operation                 | T/O in the EU (bn €) | Country of Origin |
|--|---|--|----------------------|-------------------|
| <b>Schwartz</b>                          | Lidl, Kaufland  | Discounter                             | 86                   | Germany           |
| <b>Carrefour</b>                         | Carrefour, Carrefour Express, CarrefourMarket                 | Hyper market, supermarket, convenience | 67                   | France            |
| <b>Tesco</b>                             | Tesco, Tesco Express, Booker (Budgens, Londis, Premierstores) | Supermarket, convenience               | 65                   | UK                |
| <b>Aldi</b>                              | Aldi, Hofer, Diskont  | Discounter                             | 54                   | Germany           |
| <b>MetroGroup</b>                        | Metro   | Wholesale                              | 51                   | Germany           |
| <b>Edeka</b>                             | Edeka, Spar, Markthauf  | Supermarket, convenience               | 48                   | Germany           |
| <b>Rewe</b>                              | Rewe, Nahkauf, Toom, Penny, Merkur                            | Supermarket                            | 44                   | Germany           |
| <b>E Leclerc</b>                         | Leclerc   | Supermarket                            | 44                   | France            |
| <b>Auchan</b>                            | Auchan, Alcampo, Jumbo  | Hypermarket, supermarket               | 37                   | France            |
| <b>LesMousquetaire (ITM interMarche)</b> | Intermarche, Ecomarche, Netto, Roady                          | Hypermarket, supermarket, convenience  | 34                   | France            |

Similarly, in the USA 10 retailers account for approximately 74% of retail grocery.

Table 2. Concentration of US retailers

| Supermarket Group    | T/O in USDB  | %           |
|----------------------|--------------|-------------|
| <b>Walmart</b>       | 232          | 29.0        |
| <b>Kroger</b>        | 88.8         | 11.1        |
| <b>Albertsons</b>    | 51.2         | 6.4         |
| <b>Ahold</b>         | 41.6         | 5.2         |
| <b>Publix</b>        | 40.0         | 5.0         |
| <b>H-E-B grocery</b> | 34.4         | 4.3         |
| <b>Mejer</b>         | 31.2         | 3.9         |
| <b>WholeFoods</b>    | 26.4         | 3.3         |
| <b>Target</b>        | 24.8         | 3.1         |
| <b>TraderJoes</b>    | 23.2         | 2.9         |
| <b>Total</b>         | <b>593.6</b> | <b>73.9</b> |

SOURCE: Progressive grocer<sup>2</sup> (2017)

<sup>1</sup> Planet Retail (2018)

<sup>2</sup> <https://progressivegrocer.com/top-50-grocers-amazon-8th-place-while-rest-industry-restrategizes-reshuffles>

In African<sup>3</sup> countries, such as Egypt and South Africa, the top five retailers account for 25% and 43% of grocery sales respectively, while in China<sup>4</sup> 10 supermarkets dominate (featuring national and foreign brands such as Carrefour and joint ventures with Auchan and Walmart).

Similarly, the EU food service market is dominated by large international groups mainly from the USA, UK, France and Germany who provide catering in quick-service (fast food) restaurants (32% of food service sales); sit-down restaurants (9%); contract catering (25%) (including public service buildings such as hospitals, schools, prisons and many civil service establishments); hotels (9%); and others (25%).

The top 10 companies<sup>5</sup> represent about 14%-15% of the food service market with the top 100 covering around 25%.

Table 3. Top 10 foodservice companies by turnover in the EU

| Group   | Main brands                             | Main sector              | T/O (bn €) | Country of origin |
|---|---|--------------------------|------------|-------------------|
| <b>McDonald's</b>   | McDonald's, McCafé                      | Quick-service restaurant | 15.0       | USA               |
| <b>CompassGroup</b>   | Eurest, Scolarest, Medirest,            | Contract catering        | 6.6        | UK                |
| <b>Sodexo</b>   | Sodexo                                  | Contract catering        | 5.9        | France            |
| <b>Elior</b>  | Avenancel'arche, Mojo SerunionArpège    | Contract catering        | 3.2        | France            |
| <b>Mitchells&amp;Butlers</b>                                      | All Bar One, Vintage Inns, Toby Carvery | Pubs                     | 2.8        | UK                |
| <b>Yum!</b>   | KFC, Pizza Hut, Taco Bell               | Quick-service restaurant | 2.7        | USA               |
| <b>BurgerKing</b>   | Burger King                             | Quick-service restaurant | 2.0        | USA               |
| <b>Accor</b>  | Sofitel, Mercure, Ibis                  | Hotel                    | 1.7        | France            |
| <b>LSG Sky Chefs Group</b><br>(Global leader in airline catering) | LSG Sky Chefs                           | Travel                   | 1.3        | Germany           |
| <b>Aramark</b>  | Aramark                                 | Contract catering        | 1.3        | USA               |

SOURCE: Food Service Europe<sup>6</sup> (2017)

The EU food and beverage manufacturers produce USD 1337,9 billions of retailer branded (for specific retailers) and other branded goods. These are very large companies with the largest 15 representing 25% of total food manufacturing in the EU.

Table 4. Largest F&B manufacturers in the EU

| Company                         | HQ    | USDB T/O | Products                      |
|---------------------------------|-------|----------|-------------------------------|
| <b>Nestlé</b>                   | CH    | 95.1     | multi-products                |
| <b>AB InBev</b>                 | BE    | 45.0     | beer                          |
| <b>Unilever</b>                 | NL/UK | 26.5     | multi-products                |
| <b>Danone</b>                   | FR    | 25.8     | dairy, water, baby nutrition  |
| <b>Heineken</b>                 | NL    | 23.6     | beer                          |
| <b>Lactalis</b>                 | FR    | 19.0     | dairy                         |
| <b>Diageo</b>                   | UK    | 16.2     | alcoholic beverages           |
| <b>FrieslandCampina</b>         | NL    | 13.0     | dairy                         |
| <b>Arla Foods</b>               | DK    | 11.8     | dairy                         |
| <b>Ferrero</b>                  | IT    | 11.0     | confectionery                 |
| <b>Carlsberg</b>                | DK    | 10.1     | beer                          |
| <b>Pernod Ricard</b>            | FR    | 9.8      | alcoholic beverages           |
| <b>Associated British Foods</b> | UK    | 9.6      | sugar, starch, prepared foods |
| <b>Danish Crown</b>             | DK    | 9.2      | meat                          |
| <b>DSM</b>                      | NL    | 8.9      | multi-products                |

SOURCE: FoodDrinkEurope Association<sup>7</sup> (2018)

<sup>3</sup> USDA 2016 and 2017 respectively

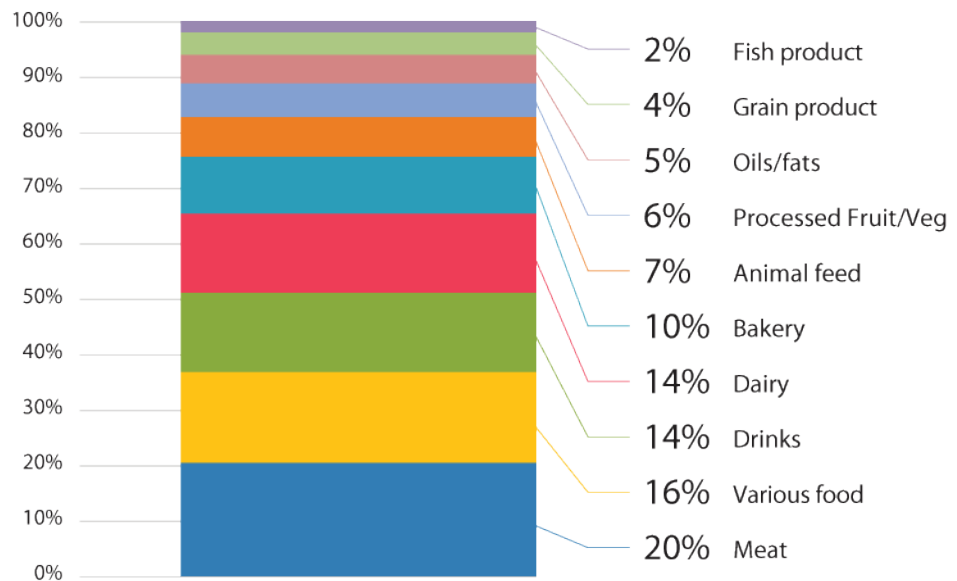
<sup>4</sup> <https://www.bizvibe.com/blog/top-10-largest-food-retailers-china/>

<sup>5</sup> <https://www.food-service.de/europe/>

<sup>6</sup> <http://www.foodserviceeurope.org/>

<sup>7</sup> <https://www.fooddrinkurope.eu/>

Figure 2. The EU manufacturing by food type



SOURCE: FoodDrinkEurope Association (2018)

Manufacturers of food and beverages in the USA produce USD 877 billion worth of products with the largest 20 manufacturers<sup>8</sup> accounting for 25% of all production:

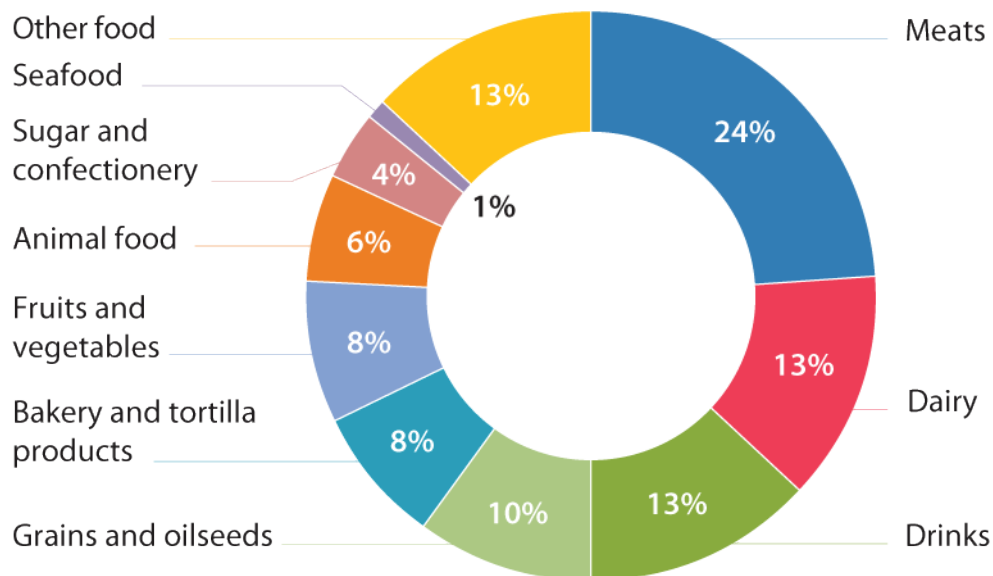
Table 5. Largest F&B manufacturers in the USA

| Company                          | International HQ | USDB T/O |
|----------------------------------|------------------|----------|
| <b>PepsiCo Inc.</b>              | USA              | 39.2     |
| <b>Tyson Foods Inc.</b>          | USA              | 37.7     |
| <b>Nestlé (USA &amp; Canada)</b> | Switzerland      | 29.0     |
| <b>JBS USA</b>                   | Brazil           | 20.7     |
| <b>Kraft Heinz Co.</b>           | USA              | 20.5     |
| <b>Anheuser-Busch InBev</b>      | Belgium          | 15.6     |
| <b>Smithfield Foods Inc.</b>     | USA              | 15.3     |
| <b>Coca-Cola Co.</b>             | USA              | 14.7     |
| <b>General Mills Inc.</b>        | USA              | 12.0     |
| <b>Mars Inc.</b>                 | USA              | 11.7     |
| <b>Cargill Inc.</b>              | USA              | 9.0      |
| <b>Saputo Inc.</b>               | Canada           | 8.9      |
| <b>Kellogg Co.</b>               | USA              | 8.7      |
| <b>Hormel Foods Corp.</b>        | USA              | 8.6      |
| <b>Pilgrim's Pride</b>           | USA              | 8.5      |
| <b>Molson Coors Co.D</b>         | USA              | 8.1      |
| <b>Conagra Brands Inc.</b>       | USA              | 7.9      |
| <b>Dean Foods Co.</b>            | USA              | 7.8      |
| <b>J.M. Smucker Co.</b>          | USA              | 7.4      |
| <b>Mondelez International</b>    | USA              | 6.8      |

SOURCE: Food Processing Magazine (2018)

<sup>8</sup> <https://www.foodprocessing.com/top100/top-100-2018/>

Figure 3. US manufacturing by food type



SOURCE: Food Processing Magazine (2018)

#### Conclusions:

This high level of market domination by large corporations in global grocery retail, food service and food manufacture, means that:

- there is relatively little opportunity to supply outside the main distribution channels and therefore any market penetration with significant impact for the Ukrainian F&B industry will have to focus on selling to these segments;
- given the size of turnover of these sector players, they are only interested in large quantities from one supplier (they are not going to buy from 100s of sources);
- grocery and food service contracts are generally flexible; specific prices and quantities are not fixed but rather respond to current demands in the market. To avoid the surplus stock, products are often ordered through automated online systems, often at discounted prices (discounts that are then passed onto suppliers) at short notice;
- manufacturers of processed food products can plan in the longer term. Retailers look for stable reliable supplies rather than just needing to meet shorter-term consumer demands.

#### ◆ Increasing focus on high hygiene and food safety standards

Scandals in major markets over the last 20 years have seen a rapid rise in food safety and hygiene requirements in most markets. Standards in the EU are the highest in the world and are increasingly being adopted globally, one reason being that EU retailers are present with significant shares in all major markets (outside North America).

These standards are driven by both legislative requirements (which include legal liability) and even more importantly by the increasing use of private standards to protect reputations in a fiercely competitive grocery and food service environment. More recently, there has been an increasing trend among manufacturers to insist on compulsory private food safety standards. The costs of increasing compliance requirements are largely passed on to suppliers. If they want to supply they must comply as there are few alternative market segments.

In order to sell food and beverages to most markets, Ukrainian businesses will have to comply with two sets of legal requirements, sanitary and phytosanitary measures (SPS),

which are concerned with food safety and disease control, and technical regulations (labeling and marketing quality).

The SPS measures to be complied with generally fall into the following categories:

- Health control of products of non-animal origin;
- Health control of products of animal origin;
- Control of contaminants;
- Control of pesticide residues;
- Control of residues of veterinary medicines;
- Traceability.

In each of these cases, businesses will have to prove compliance through certification by an accredited laboratory and obtain a Ukrainian Government health certificate which certifies that food intended for export meets quality standards as required by the importing country. Depending on the country of importation, additional requirements may be needed, such as sample testing at the entry point or pre-approval of processors (particularly for products of animal origin).

In addition, food and beverages may have to comply with relevant marketing and labeling requirements of the specific country:

- general food labeling requirements, including metrology;
- marketing standards or specific quality standards for products (e.g. rules for sizes of wine bottles in the EU, rules on cocoa content of chocolate);
- labeling and temperature control of quick-frozen food.

In addition to these regulatory requirements, many buyers around the world insist on compliance with privacy standards as a precondition to buying. For fresh products (including fresh cut, washed and ready to eat), private farm standards such as GLOBALGAP are often required. GLOBALGAP certifies three areas of production: crops, livestock and aquaculture, and consists of a total of 16 standards. A producer willing to comply with GLOBALGAP standards must apply the relevant standards for the product. A producer willing to adhere to the GLOBALGAP system may download respective standards free of charge. Once the quality systems are in place, the GLOBALGAP approved certification body conducts an on-site inspection. After compliance is confirmed a GLOBALGAP Integrated Farm Assurance Standard V5 certificate and unique number is issued. Buyers can then use this number to verify compliance with the standards.

In food and beverage manufacturing processes, many buyers in export markets require higher standards to demonstrate food safety. The most simple and basic food safety standard is HACCP<sup>9</sup> and many governments (such as the EU) set this as a legal requirement. However, most retailers, food services and manufacturers require at least ISO 22000<sup>10</sup> food safety standards. Many buyers will insist on private versions of this such as the FSSC 22000<sup>11</sup> certification system rather than the basic ISO. In more developed markets such as the EU even higher levels of safety standards are required, an example being the British Retail Consortium (BRC), International Featured Standard (IFS) or Safe Quality Food (SQF) standards. Given a large number of food safety standards that exist, in order to reduce the need for multiple certifications for different customers the Global Food Safety Initiative was established. Buyers can then understand which standards are equivalent, will be better able to accept differing standards that match their requirements, and therefore can reduce the need for multiple compliance for different markets.

**These quality and standard requirements mean that:**

- food and beverage manufacturers at all stages of the value chain: production, packaging, transport and/or holding must have high-level quality systems in place to ensure their products are acceptable in the export market;
- the costs of certification to meet regulatory and private standards must be factored into the food and beverages business model.

<sup>9</sup> Hazard Analysis and Critical Control Point.

<sup>10</sup> Food Safety Management System

<sup>11</sup> FSSC 22000 is a certification scheme for food manufacturers and is owned by the Foundation of Food Safety Certification.

## ◇ Evolving patterns based on environmental concerns

In more developed markets such as the EU, North America and Australia, there is a growing trend to examine the environmental impact of food and adapt purchasing behavior accordingly. Commonly, this relates to the carbon cost of food and therefore some consumers select and differentiate between similar products based on carbon footprint. Some retailers are responding with the provision of labeling and information on the CO<sub>2</sub> costs of delivering the product.

Given that air freight is the costliest CO<sub>2</sub> producer, some labeling details "air miles". In response, some buyers are looking for sources of food imports that are "truckable," that is, can be delivered by truck, and this has led to the "buying local" campaign. It is particularly important for off-season supplies or other decreased business activity. The foregoing demand boosted the demand for local supplies.

Some consumers are looking for more sophisticated CO<sub>2</sub> calculations. For example, locally grown tomatoes heated off-peak under glass can have a larger CO<sub>2</sub> impact than those grown outdoors and flown in. There is, therefore, an increasing demand on producers of food and beverages to analyze and measure CO<sub>2</sub> footprint in detail and label products accordingly.

The impact of food production on the climate is another issue that consumers are concerned about and standards and impact studies are being used to identify potential damage. It is too early to see the impact of this, but it could favor the smallholder over large-scale production (without compromising quality or volumes). This may be an advantage for the Ukrainian F&B sector which is currently more structured towards SME production.

Food packaging is also of interest to consumers. There is increasing pressure to reduce (and in some cases, governments may even tax) single-use packaging. However, packaging materials still have to be food-contact safe (that is, does not damage the food or allow migration or permeation of contaminants into the food) and must protect its integrity (including use of intelligent packaging that prolongs shelf life). Food packaging is becoming an increasing challenge with both regulation and voluntary measures (e.g. the recent UK ban on plastic straws and tax on plastic bags, and Starbucks' "voluntary tax" on single-use cups which is given to environmental charities).

### **These trends mean that:**

- the desire of many retailers to source food and beverages that can be delivered by road means that Ukraine can offer the EU retailers (given that the EU is the biggest F&B retail market in the world) a range of products to meet these consumer demands;
- Ukrainian F&B producers will have to monitor trends in CO<sub>2</sub> calculations to comply with emerging standards and labeling as well as seeking to reduce emissions;
- there is a need to follow the trends in packaging requirements and use of alternatives in order to maintain marketability of final products;
- it is important to introduce National Report on Greenhouse Gas Emissions linked to manufacturing and turnover of crops aimed at for further processing into biofuel in the EU countries. Introduction of monitoring, reporting and verification of greenhouse gas emissions will help to maintain current positions and will enhance the volume of agro exports for further production of biofuel in the EU.



## ◇ The growing trend towards healthier and organic foods

Global consumer preferences towards healthier eating and fresh foods are having an effect on consumer purchasing of food and beverages. This includes healthier (low fat, low sugar and low carb) nutritional content, organic production and allergen-free products. Some key trends in the EU are:

- Organic sales are 2% of food sales across the EU, growing by 10% per annum. However, the profitability of organic berries is 79% higher compared to non-organic (50% of the respective margin is retained by retailers);
- Health food retailers currently account for 0.1% of food sales, growing by 5% per annum, which is similar to traditional retailers' growth rate.

While the "health" claims about organic and health foods are generally not regulated, organic and allergen claims are based on the application of private standards within a national legal framework.

### **These trends mean the following:**

- Ukrainian F&B producers should follow trends and adapt recipes and content accordingly (e.g. offering low fat and allergen-free options);
- Consider the use of organic certification by accredited bodies if targeting these segments.

## ◇ Ukraine's food and beverages major exports and trends

Gross agricultural production in the past 4 years has increased by 6.8%, reaching UAH 268.6 billion in 2018. Crop production amounts to 74% of total agricultural production; an increase is 11.8% UAH 198.7 billion since 2014. Livestock production (26% of total agricultural production); decrease is 5.2% to UAH 69.6 billion compared to 2014.

The mainstay of plant growing in Ukraine is leguminous crops. The figures for key crops in 2018 are as follows: wheat, 6.6 million hectares or 24% of arable land; sunflower – 6.0 million hectares or 21% of arable land; corn – 4.6 million hectares or 17% of arable land; barley – 2.5 million hectares or 9% of arable land; soybeans – 1.7 million hectares or 6% of arable land; and rape – 1 million hectares or 4% of arable land. Overall, these crops occupy 81% of the arable land in Ukraine.

The main agricultural export product is sunflower oil (22% of agricultural exports as at the end of 2018). Ukraine is a world's leader by volume of production and export of sunflower oil and its growth could be one of the key drivers of agrarian export growth. The second is wheat at 16% of agricultural exports, with corn third – at 19%. Other important export items are soybeans, sunflower meal, barley and poultry.

The growth of export demand has been the greatest stimulating effect on the increase of grain crop production in Ukraine. From 2010 to 2016, domestic demand for grain crops declined by 18% or 4.2 million tons, while export demand for the same period increased almost threefold by 27.2 million tons, making up 95% of general production.

The main components of animal husbandry in Ukraine are the cultivation of farm animals (meat) and milk production. Poultry and pork are predominant, with beef production somewhat reduced. In 2017, total meat production in Ukraine amounted to 2.3 million tons, equivalent to the previous reporting year.

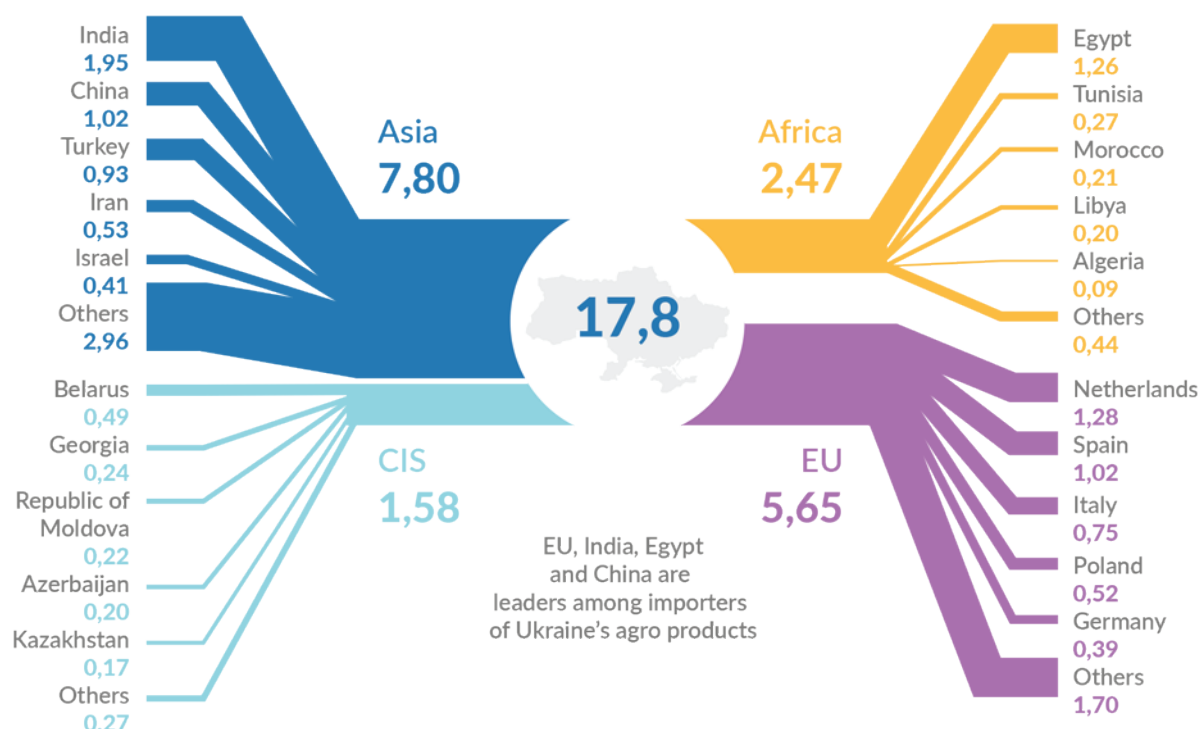
A decline in export demand in the milk sector created negative pressure on the market. In conditions of relatively stable purchasing power of the population, the reduction in volumes of export of dairy products between 2008 and 2013 led to a decrease in milk production and a drop in the dairy industry along with the gradual increase of dairy imports. The development of export markets for dairy products in the period of 2015-2016 helped reverse the negative trend in the industry and formed a background for the rehabilitation of the dairy industry. From January to September 2017, the industrial production of dairy products increased by 1.1% and the volume of milk production in agricultural enterprises



increased by 1.4% compared to the same period of preceding reporting year. The export of milk and dairy products increased by almost 78% in 2017 compared to 2016.

The major markets for Ukrainian agricultural exports are Asia, representing 48% of total agricultural exports, EU 27%, Africa 16% and the CIS countries 7%.

Figure 4. Ukraine's agro-exports by destination (2017)

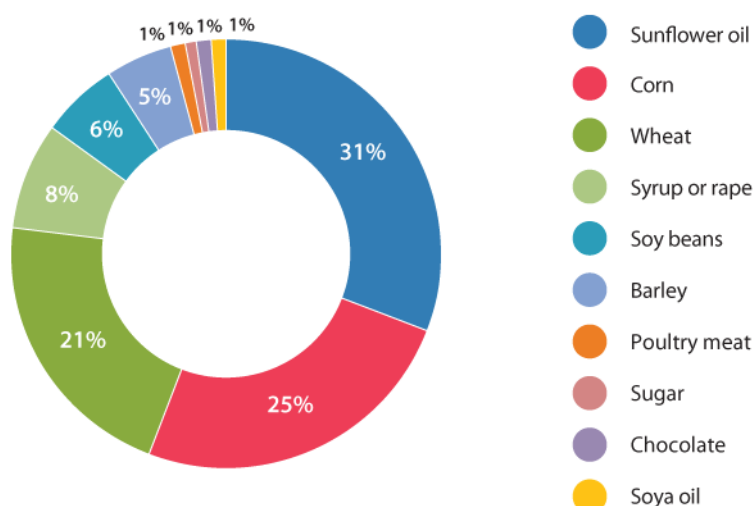


SOURCE: Ministry of Agrarian Policy and Food of Ukraine

#### Latest trends in Ukrainian food and beverages export in 2018

In 2018, Ukraine exported<sup>13</sup> USD 18,6 billion of food and agro-food products. This accounts for 39.3% of Ukraine's total exports. Grain crops were the largest exports, totaling USD 7,2 billion, followed by fats and oils, ready-made edible fats, and waxes (USD 4,5 billion); seeds and seed oils (USD 2 billion); crop meal and fodder (USD 1.2 billion); meat and edible offal (US\$ 646 million); milk and dairy products, poultry eggs, and natural honey (US\$ 481 million). In comparison with 2017, the export of poultry increased by 30%, chocolate by 13%, soybean oil by 22%, rapeseeds by 15%, and wheat by 9%.

Figure 5.  
Ukrainian agricultural exports (2018)



SOURCE:  
Ministry of Agrarian Policy and  
Food of Ukraine

<sup>13</sup> Data from analytical department of the Food Export Council (UFEB)

## ◆ Global trade outlook for key Ukrainian F&B subsectors

### Milk and dairy products

In developing countries, it is expected that the consumption of fresh dairy products will increase while developed countries will consume predominantly processed products. It is predicted that world consumption of fresh dairy products and processed dairy products will grow annually by 2.1% and 1.7% respectively over the next decade. In 2026, the main consumers of dairy products will be developing countries, especially Asia (50%), Africa (16%) and the Middle East (13%).

In general, the import of cheese in developing countries will grow faster (2% annually) than in developed countries (1.6% annually). It is projected that the Russian Federation, Japan, China, USA and Mexico will become the five largest importers of cheese by 2026. China imports of cheese and oil annually will increase by 4.3% and 3.1% respectively; by 2026 China's share of world imports will amount to 10% for oil and 7% for cheese, while the Middle East and North Africa will account for 19% of world cheese imports.

### Fats and oils

The main importers of oils are the Russian Federation, Egypt, China and Saudi Arabia, reflecting an increase in domestic consumption. The Middle East and North Africa will provide 35% of world oil imports. Egypt will confirm its position as the main importer of oil with a share of 11% of world oil imports by 2026. In developed countries, there is renewed consumer enthusiasm for the consumption of butter and milk fat as opposed to the use of vegetable oil substitutes. As a result, these products are increasingly used in bakery products and confectionery.

### Dry Milk

Developing countries will import 97% of world exports of dry whole milk. It is projected that Asia will increase its share of imports from 59% to 62% by 2026. China is the main importer and will import 22% of world trade in dry milk by 2026. China will continue to be the leading global importer of skimmed milk with a 5.3% annual import growth. It is projected that import growth rates in other major importing countries – Egypt, Mexico, Algeria, Indonesia, Malaysia, the Philippines and Vietnam – will decrease over the projected period compared to the previous decade due to high demand and limited growth (considering the increasing consumption of fresh dairy products).

### Meat products

Weak growth of imports of meats of all types is projected over the next ten years due to the decrease in imports from the largest consumers, China and Russia. However, in the second half of the forecast period imports will start to grow due to the growth of procurement volumes in developing countries. The most significant increase in imports of all types of meat will be observed in the Philippines and Vietnam as well as in Sub-Saharan Africa.

Meat demand will be lower during the next ten years due to pork imports decrease by China. This trend will be compensated partially by the growth of beef imports into Sub-Saharan Africa and the Asia Pacific. Over the forecast period, an increase in meat production in China will not suffice to meet the local demand. Hence the need for increased imports will grow. The significant growth of imports of all types of meat is projected in Vietnam. It will be possible due to the overall favorable economic environment. Africa is another fast-growing imported, though many countries of the region show low base import rates.

Growth of import will benefit from higher poultry demand – mainly in developing countries. Also, these countries will consume a major part of the increased beef import (predominantly in Asia). In contrast, pork imports will grow in developed countries.

### Cereals

The supply of cereals continues to exceed demand. It contributes to the accumulation of stocks, which in turn continues to cause negative pressure on prices on international markets, which remain significantly lower than in the past decade. It is projected that cereals' consumptions will continue to grow by 13% and will hit approximately 2,863.0 million tons by 2026.

Global wheat consumption is expected to grow by 11% by 2026. The use of wheat in feed is projected to increase in China, Pakistan, and Vietnam. Share of 5 biggest wheat importers (Egypt, Indonesia, Algeria, Brazil, and Japan) will remain the same.

The growth of corn consumption per person is expected to increase in African countries by an average of 3% per year. Vietnam is also predicted to replace Egypt as the 5th largest corn importer.

The third-largest grain crop, rice, will also show growth. It is expected that rice consumption will increase to 560 million tons by 2026. The most significant increase will be in Asia (by 80% of the total growth) and the Middle East, as well as steady growth in Africa, Latin America, and the Caribbean. Rice consumption will also grow in Europe. Biggest importers will not change – China, Nigeria, Côte d'Ivoire, the Philippines, and Saudi Arabia.

### Oil crops and oil products

In 2016 world production of vegetable oils increased for the first time in several years. Production of vegetable oil started to grow in 2016 (following significant shortages in 2015 resulting from unfavorable weather conditions and natural disasters). However, it has been not sufficient to meet the demand and contribute to the price decrease.

Global exports of soybeans constitute approximately 50% of the total harvested product. The leading consumer of soybeans is and will remain in Asia. It is forecast that Chinese soybean imports will grow by 2.6% annually to about 117 million tons in 2026, which will account for two-thirds of the world's imports of this commodity.

It is expected that the consumption of vegetable oils will grow slower during the next decade compared to a couple of recent years – on average, up to 1.1% compared to 3.1%. India is and will be the main consumer and importer. India is expected to increase import up to 2,6% annually and will reach a consumption rate of 21 kg per capita by 2026.

The largest importer of seed meal is the EU, where imports will continue to grow slowly, about 0.3% a year. It is also expected that imports will grow in Asia; in particular, Vietnam and the Philippines will increase their imports by 3.0 million tons and 0.8 million tons by 2026 respectively.

## National context

### ◇ Food and beverages in the Ukrainian economy

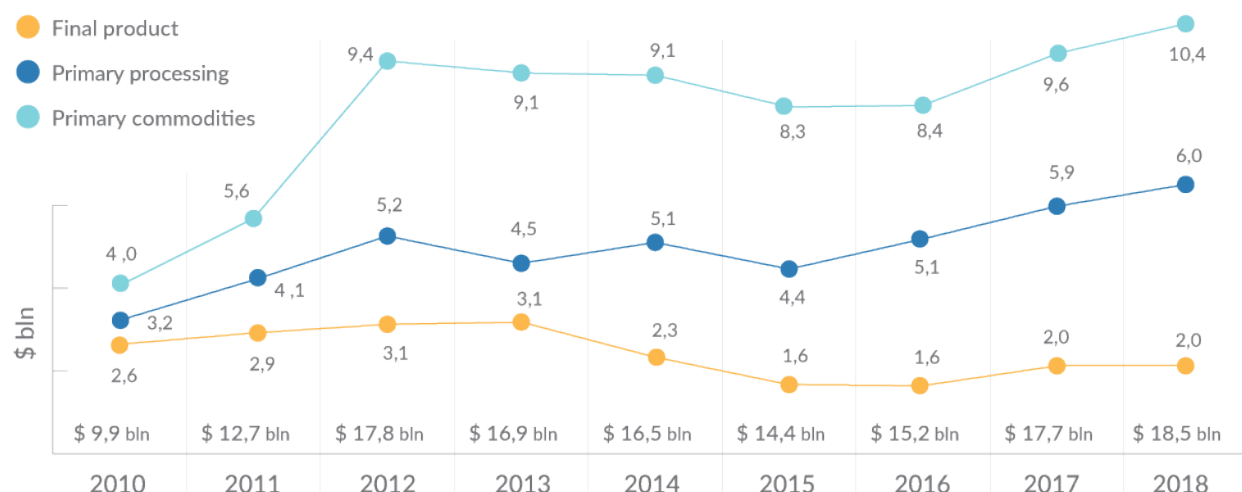
Over the past decade, the agricultural sector has moved to the forefront of the Ukrainian economy, becoming one of the top three industries. In 2018 nominal agricultural turnover increased by 19% compared to 2017 and grew from USD 707.8 million to USD 843.3 million. Approximately 18% of the working population is employed in the food and beverages sector. Agricultural exports have been the largest export category since 2013.

The importance of agriculture to the Ukrainian economy becomes more visible in the context of foreign trade. For 2014–2018 the share of agricultural products in total exports increased to 39%.

The structure of industrial production and exports in Ukraine has been in a recession. To date, Ukrainian exports mainly consist of intermediary goods with a relatively low technological component. In 2015 Ukrainian high-tech exports amounted to only 6.5% of Ukraine's total exports. There is a need to update technology at Ukrainian enterprises to be more innovative and more competitive in world markets.

Despite the financial and economic upheaval experienced by the country since 2008, significant progress has been made in terms of human development. According to the United Nations Development Program, since independence, the Human Development Index (IDLP) in Ukraine has shown a significant increase, from 0.662 in 1995 to 0.747 in 2014. It allowed the country to rank 81st out of 188 in country rankings in terms of human development. Despite the country's difficult circumstances, the average annual growth rate of human development in Ukraine increased by 0.51% during 2010–2014. An example of this change is that there have been significant improvements in life expectancy, from 67.9 years in 1995 to 71.0 years in 2014.

Figure 6. Growth in Ukrainian F&B exports 2010-2018



SOURCE: Ministry of Agrarian Policy and Food of Ukraine

Exports of intermediate goods and imports of consumer goods prevail in the commodity structure of Ukraine's foreign trade. Ukrainian exports, which are predominantly products of metallurgy and agriculture, are represented mainly by intermediate goods which are used as source material for the production of end-consumer products.

In 2018 total exports of goods and services amounted to 45.2% of GDP. In 2015 the value of commodity exports dropped by about 43% and decreased from USD 67 billion to USD 38.1 billion compared to 2008, mainly due to the reduction in exports of steel products, machinery, and vehicles. Ukrainian exports were also significantly affected by the destabilization of production and the drop-in world prices for raw materials. Besides, the imbalance in the commodity structure, which has been preserved since the Soviet era, led to instability in export earnings as a result of periodic trade slumps.

The analysis of the presence of Ukrainian exports in foreign markets confirms a significant increase in the number of target markets in the period from 2005 to 2015. In general, Ukrainian exports are characterized by the rise in Ukraine's presence in new markets alongside a high risk of declining exports and a low probability of creating new products for export. It indicates the non-systemic fragmentary nature of trade relations, which may be a sign of poor product quality.

The presence of Ukraine in the global production network has increased significantly over the past ten years but remains insufficient. Exports and imports of spare parts and components, as a share of total exports, can be used to assess the degree of integration of the country into regional and global value-added chains. The levels of trade in spare parts and components can be considered as an indicator of participation in production networks.

For active inclusion in the global chains of added value, it is necessary to switch to the production of medium- and high-tech products. The structure of Ukrainian exports has hardly changed since the transition to a market economy. It largely remains dependent on several relatively simple export products, the production of which does not usually require a high level of qualification.

As a result of macroeconomic instability, exports of services have declined significantly in recent years, showing a decrease of approximately 36% in 2015 compared to 2008. Nonetheless, this segment demonstrated higher sustainability compared to exports of goods, which decreased by about 43% over the same period. With the cost of services exported in 2014-2015 valued at USD 13.6 billion, Ukraine remains a net exporter of services with a trade surplus of about USD 2 billion.

Over the past few years, there has been a tendency to diversify Ukrainian exports due to the gradual decrease of Ukraine's orientation towards CIS markets, although these markets remain traditional for Ukrainian exporters (in 2017 the share of exports to the CIS markets was 8.9%). Ukraine exports show the trend towards entry to the new markets, the EU market

being the top. The aggregate share of the EU market in terms of Ukrainian exports increased from 27.3% in 2008 to 37.1% in 2017, in particular, as a result of Ukraine's trade preferences following the EU-Ukraine Association Agreement. Other popular markets are India and Egypt; in 2017 they accounted for more than 18% of the total exports of Ukrainian goods.

The results of the analysis show that Ukraine does not sufficiently use the potential of foreign trade with some leading countries, including Canada, China, France, Germany, Ireland, Japan, Sweden, Switzerland, the United Kingdom and the United States of America.

Ukraine should continue to concentrate its efforts on promoting trade in the EU as well as in Asian and African markets.

## ◇ Policy, legislation and regulatory framework

Apart from the Export Strategy of Ukraine (ESU), this Strategy complies with the following Ukrainian legislation:

- ***The Decree of the President of Ukraine "On the Strategy for Sustainable Development "Ukraine 2020," signed on 12 January 2015, No. 5/2015***

The Strategy for Sustainable Development "Ukraine 2020" determines goals and indicators of their achievement as well as directions and priorities of state development. Thus, Section 3 of the Strategy "Roadmap and the Top Priorities in Implementation of the Strategy," among other top priorities, envisages the development of Ukrainian export, agricultural reform (Vector of the development) and improvement of the food safety and quality sector (Vector of responsibility). It also envisages programs of popularization of Ukraine in the world as well as the promotion of state interests in the global information space and creation of the "Ukraine" brand (Vector of dignity).

- ***"The Action Plan of the Cabinet of Ministers of Ukraine" approved by the Cabinet of Ministers of Ukraine as of 14 April 2016, No. 294 and approved by the Resolution of the Verkhovna Rada of Ukraine as of 14 April 2016, No. 1099-VIII (Vidomosti Verkhovna Rady, 2016, No. 18, Article 208)***

In Section IX of the Action Plan, "Regulatory policy, development of entrepreneurship and ensuring competition", the government identifies export promotion among its key priorities, emphasizes its primary importance and envisages the following objectives: (i) facilitation of bringing to export markets of Ukrainian products with high added value: development and approval of export promotion programs for international markets, provision of insurance and concessional loans; (ii) harmonization of the technical regulation systems with the EU requirements; (iii) opening new and expanding existing markets for Ukrainian products, effective state trade policy.

In Section XI "Reform of Agricultural Sector" the following key priorities are envisaged: (i) attraction of investments to the development of the agricultural sector of Ukraine, the application of various forms of state support, and (ii) introduction of state support programs for farm enterprises by simplification of the tax system, concessional loans, creation of conditions for the use of state infrastructure and promotion of exports of agricultural products.

Section XIII, "Infrastructure and transport," among other key priorities envisages in particular (i) enhancement of railway system efficiency and quality of services by creating a competitive market of cargo operators; (ii) ensuring access of business entities to the railway infrastructure that remains in the state property; (iii) efficient use of port infrastructure, attraction of investments for the development of sensitive facilities in order to ensure their competitiveness and to increase the volume of goods transshipment, development of inland waterways; (iv) development of the international transport corridors network and priority transport hubs.

- ***"The Agricultural Sector Development Strategy for the Period up to 2020", approved by the Cabinet of Ministers of Ukraine as of 17 October 2013, No. 806***

The Agriculture Development Strategy envisages an annual increase in exports of agricultural products by 3 to 4% as one of the key goals for the development of the industry. In order to achieve these goals, the following priorities are indicated:

- increasing domestic agricultural production to develop its export potential (provided the state ensures compliance with food safety requirements);
  - providing for the competitiveness of local agricultural products by creating incentives for technological re-equipment and modernization of agricultural products processing industries, in particular by giving necessary machinery and equipment for cooperatives;
  - promoting the development of industry-specific and inter-cooperative associations of agricultural producers and increasing their responsibility for formation and adherence to industry-specific interrelations, for quality and safety of products produced by its members, by the creation of regional products trademarks;
  - developing a system for coordination of economic interests within the production processes, processing, and trade;
  - supporting the implementation of a system for the joint implementation of domestic agricultural products on international target markets;
  - creating conditions for in-depth processing of export products;
  - building sufficient agricultural market infrastructure and ensuring the increased access of agricultural producers to the regulated channels of domestic agrarian products sales, in particular to the network of storage and elevator facilities, as well as the expansion of the capacities of individual farming enterprises and medium-sized farms in the regulated agricultural market.
- ***The Framework for the State Policy on Development of the Agricultural Sector of Economy for the Period up to 2020, approved by the Cabinet of Ministers as of 30 December 2015, No. 1437-p***

The aforementioned document stipulates that strengthening of Ukraine's presence in the world market of agricultural products and foodstuffs will be one of the key priorities for development and implementation of the State Policy on Development of the Agricultural Sector of Economy for the period up to 2020.

- ***Action Plan for Implementation of the Rural Development Framework, approved by the Cabinet of Ministers of Ukraine as of 19 July 2017, No. 489-p.***

This action plan directly envisages diversification and development of the rural economy through the creation of financial and economic conditions for increasing economic stability and competitiveness of agrarian industries, ensuring the growth of crop and livestock production, increasing export of agricultural products and stimulating the innovative development of the agricultural sector. Such steps will ensure the improvement of products' quality and expediting implementation of standards following WTO and EU requirements.

Since the export of goods produced by the food and processing industries are dependent on ways and means of their transportation from the manufacturer or storage facility to a final consumer or agents, the strategy is interlinked with the strategic documents that define long-term plans for the development of the transport sector both at large and in the context of particular transport subsectors. Also, it considers data and assessments thereof.

- ***The National Transport Strategy of Ukraine for the period until 2030, approved by the Cabinet of Ministers of Ukraine as of 30<sup>th</sup> of May 2018, No. 430-p***

The National Transport Strategy of Ukraine outlines the conceptual principles of formation and implementation of the state policy on ensuring the stable and efficient functioning of the transport sector at large. Moreover, it envisages the creation of conditions for the social and economic development of the country with an increase in competitiveness of the national economy in international markets.

The Ministry of Agrarian Policy and Food of Ukraine sets the policy framework for the development of the agricultural sector and the food industry. Therefore, its policy framework focuses on governing food safety and plant protection.

The Strategy considers requirements of the effective legislation of Ukraine that regulates various aspects of domestic export of agricultural products, specifies its order and mechanisms with reference to certain types of products, as well as methods of financial support and state



support priorities, and proposes amendments to it in order to ensure implementation of the strategy's provisions.

Overall, the scope of the Strategy includes certain aspects of the following **laws of Ukraine**:

1. «On Ensuring the Large-Scale Expansion of the Export of Goods (Works, Services) of Ukrainian Origin through Insurance, Guaranteeing and Reducing the Cost of Export's Lending» of 20 December 2016, No. 1792-VIII;
2. «On Basic Principles and Requirements for Organic Production, Circulation, and Marking of Organic Products» dated 7 October 2018, was put into operation on 2 August 2019;
3. «On Aquaculture» of 18 September 2012, No. 5293-VI;
4. «On Sea Ports of Ukraine» of 17 May 2012, No. 4709-VI;
5. «On Fishery, Industrial Fishery and the Protection of Water Bioresources» of 7 August 2011, No. 3677-VI;
6. «On the System of Engineering and Technical Support of the Agro-Industrial Complex of Ukraine» of 5 October 2006, No. 229-V;
7. «On Peculiarities of the State Regulation of Activities of Business Entities Involved in Disposal and Export of Timber» of 8 September 2005, No. 2860-IV;
8. «On Grapes and Grape Wine» of 16 June 2005, No. 2662-IV;
9. «On State Support of the Agricultural Industry of Ukraine» of 24 June 2004, No. 1877-IV;
10. «On Milk and Dairy Products» of 24 June 2004, No. 1870-IV;
11. «On Farming Enterprise» of 19 June 2003, No. 973-IV;
12. «On Fish, Other Living Water Resources and Food Products Thereof» of 6 February 2003, No. 486-IV;
13. «On Seeds and Planting Material» of 26 December 2002, No. 411-IV;
14. «On Grain and Grain Market in Ukraine» of 7 July 2002, No. 37-IV;
15. «On Beekeeping» of 22 February 2000, No. 1492-III;
16. «On the Basic Principles and Requirements for Safety and Quality of Food Products» of 23 December 1997, No. 771/97-BP. The latest changes came into force on 6 August 2019;
17. «On State Regulation of Production and Circulation of Ethyl Alcohol, Cognac and Fruit Spirits, Alcoholic Beverages and Tobacco Products» of 19 December 1995, No. 481/95-BP. The latest changes will come into force on August 6, 2019;
18. «On Priority of Social Development of Villages and Agro-Industrial Complex in the National Economy» of 10 October 1990, No. 400-XII;
19. «On Plant Quarantine» of 30 June 1993, No. 3348- XII.

And regulations:

Resolutions of the Cabinet of Ministers, including the following:

1. Resolution of the Cabinet of Ministers of Ukraine as of 9 June 2011, No. 641, «On Approval of the List of Paid Administrative Services Provided by the State Service of Ukraine for Food Safety and Consumer Protection, Institutions and Agencies Subordinated Thereto, and Fees Payable for their Provision»;
2. Resolution of the Cabinet of Ministers of Ukraine dated 28 December 2011, No. 1348, «Some Issues of Provision of Services by the State Service of Ukraine for Food Safety and Consumer Protection, Institutions and Agencies Subordinated Thereto»;

Documents issued by the Ministry of Agrarian Policy of Ukraine:

3. Order of the Ministry of Agrarian Policy of Ukraine 21 November 2006, No. 690, «On Approval of the Procedure for the Registration of Persons Carrying Out Business Activities Associated with the Production and Circulation of Objects Being the Subject to Regulation».

National Standards of Ukraine (DSTU)

## ◆ Institutional framework

Ukrainian institutions are divided into four categories to structure the network available for support of export of goods and services produced by food and processing industries:

- A. Trade policy support institutions;
- B. Business associations;
- C. Commercial institutions;
- D. Non-governmental organizations (NGOs).

Table 5. Stakeholder mapping in Ukraine's F&B sector

| A. Trade policy support institutions   |
|--|
| <p><b>National-level institutions:</b><br/>President of Ukraine; Cabinet of Ministers of Ukraine; Verkhovna Rada of Ukraine, National Bank of Ukraine; Ministry of Agrarian Policy and Food of Ukraine; State Service of Ukraine for Food Safety and Consumer Protection; Ministry of Economic Development and Trade of Ukraine; State Tax Service of Ukraine; State Customs Service of Ukraine; Ministry of Justice of Ukraine; Ministry of Education and Science of Ukraine; Ministry of Foreign Affairs of Ukraine; State Service of Export Control of Ukraine; State Statistics Service of Ukraine.</p> <p><b>Others:</b><br/>State Enterprise "Derzhzovnishinform"; National Academy of Agrarian Sciences of Ukraine; Council of Entrepreneurs under the Cabinet of Ministers of Ukraine; State Institution "Export Promotion Office of Ukraine".</p>   |
| B. Business associations   |
| <p><b>Business associations:</b><br/>Ukrainian Food Export Board; Ukrainian Chamber of Commerce and Industry; European Business Association; American Chamber of Commerce; Ukrainian Agrarian Confederation; Independent Bank Association of Ukraine; Ukrainian Agribusiness Club; Agrarian Union of Ukraine; Association "Ukroliaprom"; All-Ukrainian Association of Bakers; Association of Ukrainian Producers "Ice-Cream and Frozen Products"; Association "Union of Poultry Breeders in Ukraine"; Association "UKRSADPROM"; Association "Berry Industry of Ukraine"; Ukrainian Grain Association; Non-Governmental Association "Sheep and Goat Industry of Ukraine"; Corporation "Ukrvinprom"; National Dairy Association of Ukraine "Ukrmolprom"; Association "Ukrkondprom"; Ukrainian Fish and Seafood Importers Association; Association of Honey Exporters and Processors; Ukrainian Stock Breeders Association; Seed Association of Ukraine; National Association of Joint-Stock Companies Producers of Baby Food, Canned Milk and Juice Products "Ukrkonservmoloko"; National Association of Meat and Meat Products Producers of Ukraine "Ukrmiaso"; National Association of Agricultural Advisory Services of Ukraine; National Association of Sugar Producers of Ukraine "Ukrtsukor"; Union of Certified Organic Products Producers "Organic Ukraine"; Ukrainian Association of Potato Producers; Ukrainian Nut Association; Federation of Organic Movement of Ukraine; Ukrainian Pulse Association; Flour Millers Association of Ukraine; Association "Greenhouses of Ukraine"; Ukrainian Association of Soy Producers and Processors; Association "Ukrsortnasinnievovoch"; Association of Organic Products Producers "Biolan Ukraine"; Ukrainian Phytosanitary Association.</p> <p><b>Others:</b><br/>Ukrainian Agrarian Council; Center for Rural Areas Development; Ukrainian Business Council; Business Community Club; Business Protection League.</p> |
| C. Commercial institutions   |
| <p><b>Commercial Services:</b><br/>Ukrainian Laboratory on Quality and Safety of Agrarian-Industrial Products under the National University of Life and Environmental Sciences of Ukraine.</p> <p><b>State Enterprises:</b><br/>State Enterprise "Ukrpromzovnisheksperytyza"; State Enterprise "Sea Ports Administration of Ukraine".</p>  |



## D. NON-governmental organizations (NGOS)

### Technical Support Providers:

International Finance Corporation (IFC); U.S. Agency for International Development (USAID); European Bank for Reconstruction and Development (EBRD); Food and Agriculture Organization of the United Nations (FAO); Better Regulation Delivery Office (BRDO); Deutsche Gesellschaft für internationale Zusammenarbeit (GIZ) GmbH, Swiss Cooperation Office in Ukraine (SECO).

### Research and Educational Institutes:

Institute for Economic Research and Policy Consulting; National Research Center; Institute of Agrarian Economy; State Organization «Institute of the Economy and Forecasting of the National Academy of Sciences of Ukraine»; State-Owned and Private Business Schools; the National University of Life And Environmental Sciences of Ukraine; Kyiv-Mohyla Business School (KMBS), MIM-Kyiv.

## ◆ Internal factors affecting the food and beverages sector in Ukraine

In the spring of 2014, following the annexation by the Russian Federation of the Autonomous Republic of Crimea, more than 10,000 Ukrainian citizens died after the occupation of parts of Donetsk and Luhansk Oblasts. Over 2 million people in these regions were forced to leave their homes and became internally displaced persons, having lost their homes and their livelihoods. Military actions in the east of Ukraine destroyed a significant part of the industrial potential of the Donetsk and Luhansk regions (most of the factories in the occupied territory were either destroyed or exported to the territory of the Russian Federation), which in turn negatively affected economic activity and income level of the population, leading to a significant reduction in Ukraine's GDP.

According to the Law of Ukraine "On Ensuring Civil Rights and Freedoms, and the Legal Regime on the Temporarily Occupied Territory of Ukraine" dated 15 April 2014, No 1207-VII and the Resolution of the Cabinet of Ministers of Ukraine dated 7 November 2014, No 1085-p "On the List of Territories Temporarily Being Beyond the Public Authorities and the List of Settlement Bordering with ATO Zone" (revised and amended), following the above unlawful actions the territory of Ukraine decrease almost by 50K - from 603.7 sq.km to 557.5 sq.km. A threefold devaluation of the national currency in February 2015 and high inflation (highest from 1995) has significantly reduced domestic demand, which is the main driver for the development of the agrarian sector.

Military operations affected more significantly the regions of the heavy engineering, energy, metallurgical, and chemical industries. The agriculture and food and processing industries were the least affected sectors in the country with only slight reductions in production and remained profitable. Currently, the volume of production by the domestic agrarian sector for certain types of products exceeds the needs of the local market, which provides significant opportunities to increase exports.

As of late 2017, this sector employed almost three million workers with exports accounting for nearly 40% of the total currency revenues of the state (more than USD 52.3 billion over the past five years).

Against the background of the weak dynamics of development of most other sectors of the Ukrainian economy, the agrarian sector demonstrates high growth rates of output and has a significant additional unrealized potential for increasing exports. Its further development (subject to stable food security provision of the state) will be able to secure Ukraine's status as a reliable supplier of quality affordable food to the world market and also become a powerful driver of economic development.

Today the controlled territory of Ukraine is characterized by an extremely high rate of agricultural development as agricultural land accounts for 71% of its territory. The area of agricultural land is 42.7 million hectares, of which 70% is arable land (32.5 million hectares); 13% is attributed to pastures (5.4 million hectares); 2.4 million hectares or 6% make up hayfields, and 892,000 hectares are perennial plantations.

## ◆ Investment attractiveness of the food and beverages sector

Beginning in the mid 2000s, Ukraine started to gain investment attractiveness when it initiated the privatization process of large state-owned enterprises (GPs), in particular in the energy and telecommunications sectors. In the period 2000-2008, characterized by strong economic

growth, the volume of foreign direct investment (FDI) in Ukraine increased at a record pace, averaging 43.8% per year, and in 2008 reached a maximum of USD 10.9 billion. Due to the global financial crisis in 2009, the growth of FDI revenues slowed, only doubling to USD 5.6 billion. The growth of investment activities in 2012-2014 was too short. The economic downturn was accompanied by a consistent reduction in the inflow of foreign direct investment in Ukraine. In 2014, influenced by tensions with the Russian Federation, the net inflow of foreign direct investment in Ukraine dropped to USD 2.5 billion.

In 2016, foreign investors invested USD 4.4 billion in direct investment (equity) in Ukraine, compared to USD 3.8 billion in 2015. As of October 2016, the three countries leading foreign investment in Ukraine invested almost 50% of the total FDI inflow: Cyprus (USD 11.1 billion), the Netherlands (USD 5.9 billion) and Germany (USD 5.4 billion). Other important investors include Austria, the United Kingdom, the British Virgin Islands, France, Switzerland, and Italy. FDI from the European Union amounted to 76.3% or USD 32.4 billion of total investments in Ukraine.

In general, the volumes of FDI in labor-intensive sectors are somewhat limited as the wholesale and retail trade, tourism services and food sector account for only 14.2% even though they provide 38.8% of jobs. On the other hand, the number of employees in the financial services sector in 2015 was only 1.5% of the total number of employees, although in the same year this sector accounted for 27.3% of FDI.

The financial sector (financial services and insurance) attracted the biggest portion of foreign investments in 2016 – its share in the total investments hit 29.7%. 29.4% was invested in the industry; 25.3% – into the processing sector (in particular, steel production and final steel products); 11.7% was attracted by machinery and equipment manufacturing.

### ◆ Investments in agricultural production

In general, the share of investment in agriculture has increased in the portfolios of foreign investors due to the reduction of investments in other sectors. In recent years there has been a significant reduction of direct foreign investment in industry, wholesale trade, and construction. The past three years saw an increase in the proportion of agro-industrial complexes in the investment portfolio of international investors in Ukraine. It is due to the export orientation of the agro-companies that are mainly engaged in wheat harvesting, production of vegetable oils and poultry.

Currently, the most significant share of the Ukrainian financial market is held by international financial organizations. Thus, Ukrainian agro-companies attracted EUR 97.4 million from EBRD. Share of bonds issued by agro-companies in the IFC's securities portfolio reached USD 411.6 million by the beginning of 2017.

Capital investment in agriculture, forestry, and fisheries, according to the results of 2016, amounted to UAH 50.5 billion, representing 14.1% of total investment in the country's economy. The total market value of securities of Ukrainian public agricultural companies as of August 2017 amounted to USD 3.4 billion. Despite the relative advantage of Ukraine's agricultural sector, its share in the total volume of FDI remains extremely limited (1.1%) and barely exceeds USD 500 million.

It should be noted that in recent years, the inflow of FDI to Ukraine has been particularly volatile. In addition to the unfavorable geopolitical situation, serious barriers to investing include corruption, underdeveloped infrastructure, a weak institutional structure and insufficient protection of investors' rights (in particular property rights and intellectual property rights), as well as imperfect law enforcement institutions and bureaucracy of state bodies and institutions.

Besides, although Ukraine has some investment incentives, they are not attractive enough for either domestic or foreign investors. For example, according to the Global Competitiveness Index (prepared by the World Economic Forum), from 2016 to 2017 in the category of "impact of tax incentives on investment attractiveness" Ukraine stands at 133rd among 138 countries.

### ◆ Conclusions

Despite an increase in the positive balance of international trade in agro-industrial products as a whole, a more in-depth analysis shows that the transformation of the structure of foreign

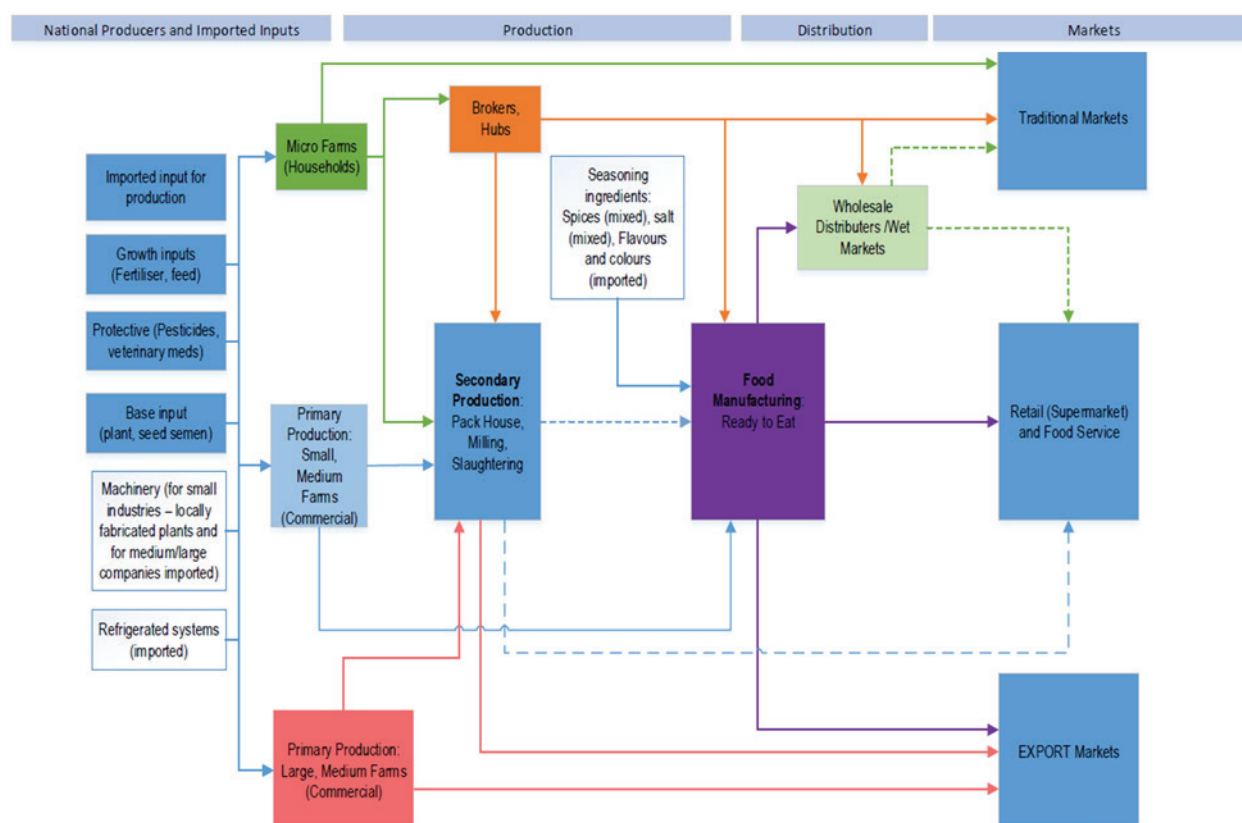
trade in agrarian products is extremely slow. Three groups of products comprise more than half of the exported products: cereals, fats, and vegetable oils, fruits and seeds of vegetable oil crops. The total share of these groups in the export revenue exceeded 75% in 2016. Currently, the ratio of raw materials, final and processed products in the export structure of agricultural products are 52/37/11. It shows the parity value of raw materials and products with different processing levels. At the same time, the first 24 UKTZED (Ukrainian Customs Classification) groups cover raw materials (104 items), 6 - initial processing products (34 raw materials items), and 10 last - final ready-for-consumption products (61 items). Eggs, honey, fresh fruits, and vegetables, as well as certain other products, were classified as raw materials to ensure proper evaluation.

Ukraine has already made some progress in improving its investment policy and has introduced reforms aimed at improving the business climate and attracting investment. Going forward, the country should review its approach to creating an investment-attractive image by identifying prospective sectors that have the potential for growth, the development of innovation and the creation of new jobs, as well as the use of FDI for the needs of regional development. A stable and predictable regulatory policy, adequate incentives for attracting investment, coordinated governance, and appropriate competition rules are the elements that will create favorable conditions for investment. Implementation of reforms under the EU-Ukraine Association Agreement is expected to impact the enhancement of the business environment positively.

### ◇ Current value chain

The food and beverages value chain is very complex. There are many products, and by-products/derivatives of both animal and non-animal origin, as well as many ways that raw material can be used. Ingredients designated for final consumption, further processing or use in cooking may also be included in the preceding category.

The following diagram represents a generic approach to all food and beverages. In the subsequent analysis, the main groups of products/sectors are considered: plant products (including cereals, fruits and vegetables); plant derivatives (including proteins, syrups, isoglucose and other ingredients); meat and fish products; and other products of animal origin (by-products such as dairy, eggs and honey).



**Inputs to primary production** in the food and beverages sector can be classified into five elements and can either be sourced locally or imported:

**Base materials:** materials upon which the primary production is based, such as plants or seeds for plant products and semen or juveniles for animal production (e.g., day-old chicks in poultry meat production).

**Protective measures:** inputs such as pesticides/herbicides for plant products and veterinary medicines for animal products that in general, are used to prevent pests and disease from infecting the crop or herd. These chemicals have to be controlled as they can adversely affect human health.

**Growth enhancers:** inputs that are used to develop the primary production either to be larger or develop quicker and can include fertilizers for plant products, supplements for animals and feed for both plants and animals.

**Technology:** equipment that can be used to automate or generally improve productivity and efficiency of production (some technologies are also used for quality/hygiene reasons) and can include essential equipment such as tractors and harvesters as well as washing machines for crop collection trays.

**Cold chain:** facilities to ensure cold-chain integrity from initial production and would include both freezer and refrigeration, as well as packing house design and temperature-controlled loading bays.

**Primary production** is essential agricultural production: the growing of livestock or crops where the outputs would be the animal raised and ready for slaughter or exploitation (e.g., milking, eggs) or harvested crops (cereals, fruits, and vegetables). In Ukraine (depending on the product) much primary production is undertaken at a household level with further commercial production in small and medium-sized farms.

**Food processing** includes the first operations of primary production that lead to food or intermediate products that can be sold for further processing/manufacturing (ingredients). Processing operations can include the following:

**Plant products:** including grading, sorting, de-husking, pressing and packing of crops (for bulk resale, ingredients or sale to consumer) and may also include some further processing such as freezing, washing, and cutting, or mixing (e.g., washed, cut and mixed bags of vegetables for retail sale). They can also include milling from grains to flour and drying operations.

**Plant derivatives:** including the processing of plant material beyond the crop itself, such as protein extraction, isoglucose production, and similar operations, mostly then used as food manufacturing ingredients.

**Meat and fishery products:** initial processing of animals would include slaughtering and cuts which can either be packaged and sold directly or as ingredients to further processing.

**Animal by-products:** these include the processing of animal products, including milking (raw milk), eggs, and honey collection.

While initial processing of primary production may not seem like a high-value addition in the food and beverage value chain, fresh meats, fruits and vegetables, and animal by-products can have high value-added with limited processing. For example, the washing, sorting, and grading of fruits can add substantial value for high-grade products, more than many food manufacturer products or processes.

**Food manufacturing:** manufacturing is distinct from processing in that it generally involves secondary processing or uses a combination of different products in a recipe that produces only the final product. Food manufacturing can include the following:

**Plant products:** further processing of plant products into final food and beverages such as fruit juices, bakery, pasta, breakfast cereals, and vegetable oils;

**Plant derivatives:** processing of plant material to produce starches, sugar syrups and others;

**Meat and fishery products:** further processing of meat and fish such as fillet, sausages, and cured and smoked products;

**Animal by-products:** further processing, for example, dairy (cheese, pasteurized/UHT milk);

**Ready to eat (combinations):** manufacturing of food products and ready-to-eat recipes such as “meals” (pies, pizza, lasagne and ready-made meals), confectionery, ice cream, breaded meats (e.g. chicken Kyiv) and drinks (sodas, beers, spirits which may use plant and plant derivatives, and cream and dairy).

In Ukraine, **the distribution channels** for food are fragmented and can go from primary producers, processors, and food manufacturers straight to the end market (e.g., farmers delivering to retailers) or can be sold through traders or wholesale wet markets. The leading players in the distribution chain in Ukraine are the following:

**Retailers:** there is a mix of supermarkets (local and foreign-owned), wholesale, retail, convenience stores, local markets and street/underground vendors distributing food throughout Ukraine;

**Wholesale food market (wet markets):** in major cities, there are wholesale food markets that sell mainly to businesses, e.g., Shuvar in Lviv is the largest in Ukraine with other major wet markets in Kyiv, Kharkiv, and Dnipro;

**Traders:** food and agricultural traders are commonplace in Ukraine and act as middlemen in the distribution chain; however, they rarely engage in any other activities/ value addition beyond collection from producers and delivery and do not work as producer/food hubs, repackers or even sorters.

When it comes to export distribution channels, the majority of processing companies export directly. Considering the deficit of required investment, such companies are mostly focused on some specific activities, for instance on exports, and do not sell their products on other markets (i.e., the national and export markets). It means that producers often limit their activities either to export or national market (in some cases the latter includes the traditional market of CIS countries), except for honey, which is collected by traders mostly from households and then sell it in bulk to producers.

## SECTOR DIAGNOSTICS

A country’s competitiveness depends on several factors, ranging from supply of export goods and services, the quality of the business environment, market-entry, to the development impact of the country’s trade which is essential to its sustainability. For an export strategy to be effective, it must address a more comprehensive set of constraints across all four dimensions of competitiveness.

### ◇ Firm-level constraints

Supply-side issues affect the production capacity of the country. These issues include challenges in areas such as availability of appropriate skills and competencies, diversification capacity, technology, and value addition in the sector’s products.

#### Box 1: Supply-side constraints

##### Supply-side constraints affecting trade competitiveness

###### Capacity development

- Low productivity with high underlying costs
- Inability to supply high enough volumes to be attractive for international buyers
- Local companies want to sell what they have first and are reluctant to change their products/technology to sell what is in demand in the market

###### Capacity diversification

- Shallow domestic market
- Lack of R&D, innovation and use of technologies in all but the largest companies

###### Developing skills

- Lack of experienced quality and certification professionals in food safety and agriculture
- Lack of adequate technical training in the food and beverages industry, including market analysts, agricultural economists and food safety and quality experts
- Lack of skills to use market data

## Capacity development

**Low productivity with high underlying costs (though current exchange rate and the cost of labor allow exporting products alongside with preserving competitiveness in the short run).**

This encompasses the inadequate use of technologies, techniques and modern varieties and breeds, with low productivity in Ukrainian agriculture, including cereals production. Relatively cheaper costs (partly due to exchange rates and labor) make Ukraine competitive, but productivity is low due to lack of pressure to reduce costs and lack of use of technologies, varieties, and techniques to increase yield and productivity.

**The way forward.** It includes the updating of technical and technological capacities and processes according to export priorities: through R&D stimulation, training and introduction of international best practice techniques in processing and farming, as well as the creation of innovation centers for crop and product researching best practice and providing guidance to industry.

**Plan of Action reference:** Activities 1.3.1, 2.1.1, 2.1.2, 2.1.3, 2.1.4 and 2.3.1

**Inability to supply high enough volumes to be attractive for international buyers.** This includes fragmented production capacities and inability and/or unwillingness to cooperate. Today a consensus on a cooperative model is still absent which undermines efforts made on its promotion.

**The way forward.** It includes the transformation or establishment of NGO associations into producer groups; creation of functional associations of SMEs for participation in export; promotion of cooperatives, contract farming, and nucleus farms to build volumes; further promotion of the need to cooperate (cooperatives) and strengthening BSOs capacity based on the consensus between the private sector and the government.

**Plan of Action reference:** Activities 2.2.1 and 2.2.2

**Local companies want to sell what they have first and are reluctant to change their products/technology to sell what is in demand in the market.** The big difference between local quality and standards needs to be compared with international markets.

**The way forward.** Bridge the gap between international/EU markets and market requirements in Ukraine through the EU-Ukraine Association Agreement, standards, and consumer discrimination, so that the Ukrainian market is EU-market equivalent.

**Plan of Action reference:** Activities 3.1.1, 3.1.2 and 3.1.3

## Capacity diversification

**Shallow domestic market.** This includes the low purchasing power of consumers and their inability to discriminate between quality choices (including organic and non-organic and food safety standards).

**The way forward:** develop new products and upgrade production processes to reduce production costs; strengthen Ukrainian quality standards of food and especially labeling; raise awareness among consumers on the definitions and meaning of various quality standards; encourage retailers, food manufacturers, and foodservice businesses to demand quality and food safety standards; bridge the gap between international and Ukrainian requirements to enable mixed market solutions for Ukrainian producers.

**Plan of Action reference:** Activities 3.1.3 and 3.2.3

**Lack of R&D, innovation, and use of technologies to all but the largest companies.** It includes the low quality of national F&B production.

**The way forward:** create innovation centers on a product basis (see other references to innovations center).

**Plan of Action reference:** Activities 2.1.1 and 2.1.3

## Developing skills

**Lack of experienced quality and certification professionals in food safety and agriculture.** Historically, these types of professionals were not in demand (due to exports to the Russian Federation, for example).



**The way forward:** tie into technical schools to train and certify professionals; link up with training programs, e.g., the EU PIP program.

**Plan of Action reference:** Activities 3.2.2

**Lack of adequate technical training in the food and beverages industry, including market analysts, agricultural economists and food safety and quality experts.** Outdated techniques, often from the Soviet era, mean that "experts" and newly qualified people are not aware of the latest best practices to manage competitiveness, along with a lack of quality and food safety culture in Ukraine (the option to buy from the village is best but with no safety).

**The way forward:** set up innovation centers to follow international R&D recommendations, however, adapted them for Ukraine; provide training in new techniques and seek to find ways to improve efficiency; see above on expert training.

**Plan of Action reference:** Activities 1.3.2, 2.1.1 and 3.2.2

**Lack of skills to use market data.** There is no understanding of what international markets want.

**The way forward:** engage advisors, establish training for market advisers to advise the industry.

**Plan of Action reference:** Activities 1.1.4, 1.2.2, 1.3.1 and 1.3.2

## ◇ Business ecosystem-level constraints

Business environment constraints are those that influence transaction costs, such as regulatory environment, administrative procedures and documentation, infrastructure bottlenecks, certification costs, internet access, and the cost of support services.

### Box 2: Business environment constraints

| Business environment constraints |   |
|----------------------------------|---|
| <b>Infrastructure</b>            | <ul style="list-style-type: none"> <li>• Inadequate infrastructure (roads, ports, elevators and cold chain)</li> <li>• Lack of infrastructure to consolidate small consignments of agro-products, which is especially critical for some agro-products such as fruits, vegetables, berries, milk and meat (excluding poultry)</li> </ul>                 |
| <b>Regulatory environment</b>    | <ul style="list-style-type: none"> <li>• Unsatisfactory speed of agricultural sector development in the absence of a formal market for agricultural land</li> <li>• Foreign currency restrictions</li> <li>• Labeling laws (liberalization)</li> <li>• Implementation of SPS and food safety laws of the EU</li> </ul>                                  |
| <b>Quality infrastructure</b>    | <ul style="list-style-type: none"> <li>• Lack of testing and certification facilities</li> <li>• The gap between local and international standards</li> <li>• The divergence between legal Ukrainian and international product requirements and standards applicable to agricultural products</li> </ul>  |
| <b>Access to finance</b>         | <ul style="list-style-type: none"> <li>• Firm-level: little or no access to loans from banks, especially for SMEs</li> <li>• Challenged financial planning and modeling in the medium and long perspective</li> <li>• The high cost of financing, reluctance to financial institutions as exports perceived as risky, lack of export finance</li> </ul> |

## Infrastructure

**Inadequate infrastructure (roads, ports, elevators and cold chain):** chronic under-financing and corruption (in road construction and maintenance, etc.).

**The way forward:** creation of logistic centers with specially-equipped terminals to provide conditions for storage of food products, providing the possibility of renewal of the private car park, marine containers for the food industry and creation of selected road posts.

**Plan of Action reference:** Activities 2.4.1

**Lack of infrastructure to consolidate small consignments of agro-products, which is especially critical for some agro-products such as fruits, vegetables, berries, milk and meat (excluding poultry):** the absence of export hubs/consolidators in Ukraine with adequate cold chain and processing skills.

**The way forward:** encourage the development of agricultural/food export hubs as a business (along the lines of Shuvar in L'viv). Other wholesale markets could provide export hubs of the toll packing of fresh and frozen products. It requires small investments to achieve a significant volume of exports.

**Plan of Action reference:** Activities 2.2.1

## Regulatory environment

**Unsatisfactory speed of agricultural sector development in the absence of a formal market for agricultural land.**

**The way forward:** development of a land bank for Ukraine as an online tool to audit available agricultural land plots, soil, access to water, access to roads, etc. and provide reliable information on available plots for agricultural use and production; establish an online land market place that would be fully transparent on transactions, property titles, and buyers and sellers of land destined for agricultural use of production.

**Plan of Action reference:** Activities 2.2.2

**Foreign currency restrictions:** unpredictable changes of the currency regulations and currency exchange rate volatility; inability to access finance; and requirements to be paid within certain limits after export.

**The way forward:** liberalization of currency legislation towards export/import transactions considering best practices of currency controls applicable to foreign economic activities; allow exporters keeping their currency proceeds in Ukraine to mitigate currency fluctuations, as well as to allow paying for imports in euro if other foreign currency from available currency proceeds.

**Plan of Action reference:** Activities: 2.3.2 and 2.3.3

**Implementation of SPS and food safety laws of EU.** EU-Ukraine Association Agreement has quite a few experts now, including in Food and Agriculture. The main issue has been the implementation of the law.

**The way forward:** support the national implementation of EU-adopted regulations under AA, especially with Food Safety and Consumer Protection Agency.

**Plan of Action reference:** Activities 3.1.1 and 3.1.2

## Quality infrastructure

**Lack of testing and certification facilities.** There is a lack of modern laboratories for testing F&B products destined for export according to international standards. At the same time, there is no expertise in different tests (veterinary, halal, non-gluten, non-GMO, organic, etc.).

State laboratories for testing F&B are accredited to test according to international standards; however, they do not have the necessary equipment, nor the financial incentives to work for small businesses, as the local market for F&B testing is too small. Without accredited testing certificates required by specific markets, export is legally not possible for those products.

**The way forward:** audit the tests required for the F&B sector and develop feasibility for viable testing market; encourage state and non-state players, including producers themselves or associations, to become accredited laboratories in specific areas. Where no viable market for tests is possible, inform producers on accredited foreign laboratories and costs.

**Plan of Action reference:** Activities 3.2.1 and 3.2.2

**The gap to international standards.** The jump to international standards is too extreme and costly for the current Ukrainian economic context. Lack of demand for national quality or best practice standards means that there are no standards and companies that make an effort in extra costs that competitors do not have.

**The way forward:** access to legal, financial, market intelligence, certification, etc. services can be addressed through state subsidies according to the list of needs in demand and a database of respective business support organizations (BSOs), i.e., cost compensation for exporting SMEs; adopt own standards halfway through to international standards instead of implementing world best practices; develop local GAP and GFSI Global Market Program standards as stepping-stones in the Ukrainian context, as well as the development of



national standards by industry leaders that are "halfway" to international standards (e.g. local gap by Billa in Bulgaria and GFSI Global Market Program by Metro in Serbia).

**Plan of Action reference:** Activities 3.1.1, 3.1.2, 3.1.3, 3.2.1 and 3.2.3

## Access to finance

**Firm-level:** there is little or no access to loan costs from banks, especially for SMEs.

**The way forward:** targeted compensation (reimbursement) of the lending rate and clear definition and refinement of processing criteria for food products; request programs in hard currency (lower interest) but with a 5-year repayment holiday to enable finding export markets.

**Plan of Action reference:** Activities 2.3.1

**Challenged financial planning and modeling in medium and long perspective:** there is volatility in the financial system and high devaluation risks.

**The way forward:** creation of aggregation data (macroeconomic data, branch, and statistics on the economics of other states); methodological and informational support of exporters (quotas, barriers, phytosanitary requirements, markings, taxes, certificates and requirements for product quality); improving financial literacy in the F&B sector through training.

**Plan of Action reference:** Activities 2.3.2

**The high cost of financing, reluctance to financial institutions as exports perceived as risky, lack of export finance:** there is a lack of targeted state policy to stimulate agribusiness funding as well as an inability to get credit to finance imports or access foreign currency for imports.

**The way forward:** setting up and ensuring the Export-Credit Agency is fully operational; providing access of Ukrainian enterprises to other operators of the financial and insurance market of the world; government support of the agricultural sector (direct payments, subsidies and tax benefits, within the boundaries of the WTO rules); provision of credit programs for upgrading, including second-hand imports; working with agro-machinery sector of Ukraine to produce alternative/lower cost machinery; and creation of special crediting programs in order to stimulate the production of value-added F&B products and their exports.

**Plan of Action reference:** Activities 2.3.3

## ◇ National-level constraints

Market entry constraints include issues such as market access, market development, market diversification, and export promotion. Possible solution:

### Box 3: Market constraints

| Market constraints  |
|---|
| <b>National market distortions</b> <ul style="list-style-type: none"> <li>Customers' trust in products and quality is undermined by imprecise labeling and quality requirements, for both domestic and export markets</li> <li>"Grey market" and limited control over farming within the internal market</li> </ul>   |
| <b>Agricultural and business services support</b> <ul style="list-style-type: none"> <li>Lack of reliable and integrated market data</li> <li>Lack of state support to address credit cost problems for production development (too expensive credits for business); currently, the programs of state financial support are concentrated on raw products</li> <li>No R&amp;D support at the national level</li> </ul> |
| <b>National promotion and branding</b> <ul style="list-style-type: none"> <li>Lack of promotion of Ukrainian F&amp;B products in foreign markets, including support from commercial attachés</li> </ul>   |

## National market distortions

**Customers' trust in products and quality is undermined by imprecise labeling and quality requirements, for both domestic and export markets:** some producers are known to abuse existing gaps in regulations, using inappropriate or unfair information about the product. It generally affects the image of a product made in Ukraine and may lead to extra costs to prove quality.

**The way forward:** enforcement of national legislation (adopted from the EU); rapid adoption of EU rules; encouragement of businesses to demand quality and food safety standards in addition to consumer demand and especially media/NGO lobby.

**Plan of Action reference:** Activities 3.1.1, 3.1.2, 3.1.3 and 3.2.3

**Absence of fair competition on the internal market.** "Household" suppliers who do not have any formal tax standards or control with the resulting lower overheads compete in the mainstream market, lowering prices and undermining enterprise growth (competing to the lowest denominator). These households can still compete but must comply with food safety standards and cold-chain requirements such as for fresh milk collection and refrigerated storage and transport.

**The way forward.** "Household" suppliers can still compete but must comply with minimum food safety standards and cold-chain requirements; formalize and align requirements for the so-called "Household" with those for professional processors and formal retail and foodservice segments; enforce traceability in the market, development of local agro-markets.

**Plan of Action reference:** Activities 2.2.1

## Agricultural and business services support

**Lack of reliable and integrated market data:** there is a lack of understanding of what the international markets require.

**The way forward:** strengthening agricultural market research capacity to develop and deliver market information and intelligence to exporting companies and operators; profile associations and agencies; and strengthening cooperation between market players and statistics authorities.

**Plan of Action reference:** Activities 1.2.2 and 2.1.2

**Lack of state support to address credit cost problems for production development** (credits are too expensive for business). Currently, the programs of state financial support are concentrated on raw products, with no government support of concrete enterprises and industries and a lack of specific legislation related to the industries' development.

**The way forward:** approach major donors for an F&B loan program for exports based on low rates (will have to be hard currency loans) with 25 years' repayment and five years' holiday as per WB Horticultural Fund in Uzbekistan or EBRD in Georgia.

**Plan of Action reference:** Activities 2.3.1

**There is no R&D support at the national level:**

**The way forward:** development of state programs supporting R&D by domestic research organizations, institutions of higher education and private enterprises; link to the creation of sector/product innovation centers.

**Plan of Action reference:** Activities 2.1.1

## National promotion and branding

**Lack of promotion of Ukrainian F&B products in foreign markets, including support from commercial attachés:** there is a lack of demand from MOFA and MOAPF for these officers to perform business development and promotional activities for export products and a lack of skills and understanding of these products and related industries. Even though large companies mainly represent the sector, there is a recognized need to access the market information of the destination country or at least access to providers of such data. One-entry information point in Government to obtain such information is needed. Insufficient coordination and practice exchange make it problematic to channel the necessary information to the business. It relates both to domestic business support organizations (BSOs) and to experts. A significant portion of data provided is non-reliable or useless.

**The way forward:** develop a national F&B communications strategy with defined messaging and information for use by FTRs and others including ministerial and high-level speeches and missions; develop national plans of promotion of the sector by FTRs in key markets and connect to industry through advertisements, Embassy events, linking to foreign associations, attending trade fairs, etc.

**Plan of Action reference:** Activities 1.1.1, 1.1.2, 1.2.1, 1.3.1 and 1.3.2

# THE WAY FORWARD

The key strategic framework of the Export Strategy for Food and Beverages Sector comprises a vision statement, strategic and operational objectives, a selection of priority sectors and markets, and a Plan of Action. It has been developed based on a comprehensive analysis of key aspects of Ukraine's food and beverages sector, trade performance, national economy, innovation, and investment framework, as well as an examination of Ukraine's institutional landscape, development plans, and competitiveness constraints.

## ◇ Vision and strategic objectives

The vision statement set out below has been formulated and agreed upon by stakeholders who participated in the consultations for the design of this Strategy to guide the implementation of the Strategy in the next three to five years<sup>14</sup>. It represents the ambitions of the country as well as a consensus among stakeholders over the role of exports in the Ukrainian food and beverages sector.

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**"Ukraine is recognized as a reliable global partner working to offer a diverse range of value-added F&B products of high quality and authentic tastes"**

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Three strategic objectives have been formulated to realize the vision and guide the implementation of the Strategy across the three key areas where actions are required over the next five years. The three strategic objectives are as follows:

### **1. Support Ukrainian F&B exporters to respond to world demand by increasing market share and visibility in existing markets and diversifying into new markets.**

Ukraine is a significant producer of agricultural products with the underlying competitiveness of some of the best soil in the world (black earth zones). However, currently (as noted in the Export Strategy of Ukraine) most of Ukraine's agricultural exports are bulk commodities with very little value-added. In contrast to exports, the domestic food and beverages market has a broad range of nationally manufactured food products available for sale. On this basis, there is an opportunity for Ukraine to expand existing export markets with more value-added and to explore new markets for its food products.

This strategic objective is directly aimed at high-level government and trade support institutions in Ukraine. The objectives propose the development and implementation of a consistent global communications strategy across ministries, departments, and agencies (MDAs) to promote the image of Ukraine and to support the exploration of opportunities by food and beverage exporters. The objective has two goals: to raise the international image of the Ukrainian food and beverages sector and to enable Ukrainian F&B producers to identify opportunities and how to realize them. Promoting the image of Ukraine as a quality, reliable supplier of food and beverages must be "backed up" in reality; that is, producers must live up to this image.

At the operational level, there are the following sub-objectives:

- 1.1. Support F&B exports to existing and new markets and diversify the F&B export basket:** direct support to F&B enterprises in terms of know-how and support in export sectors that facilitate export to markets through traditional export promotion activities (B2B and for learning/research).
- 1.2. Creation and promotion of the image of Ukraine as a reliable supplier of quality F&B products:** this would involve a coordinated campaign (as part of a broader "Ukraine Now" branding) but is specifically aimed at promoting the F&B sector across the globe through economic diplomacy, PR and national promotion. It would also seek to promote niche-marketing opportunities (such as fair trade) as well as establish Ukrainian brands in targeted segments.
- 1.3. Improved access to information and market research for exporters:** by building specific knowledge bases on target sub-sectors and markets in the F&B sector. It would include capacity and skills development of staff of trade support organizations as well as the training of F&B producers and exporters on how to more effectively utilize such information.

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<sup>14</sup> These consultations took place in Kyiv during three rounds between July and November 2018

## **2. Strengthening the competitiveness of F&B enterprises by supporting the improvement and diversification of product and service offerings.**

The needs of global F&B markets are under the control of large corporate players. There is a need to provide consistent quality and volumes of supply to sell into these value chains. However, much of Ukraine's F&B production is from SMEs who do not traditionally work together. Products are also focused on national and traditional market needs and tastes. Ukraine must be price competitive and innovative and consolidate production into the viable quantities needed to satisfy the global players in key markets.

This strategic objective is calling for business support organizations to assist the F&B sector in becoming more competitive and in remaining so in a dynamic global environment where technologies, market trends, and tastes change and evolve rapidly. It would include the full range of business support organizations such as research and innovation, training institutions, national and international financial intermediaries, and sector business organizations.

At the operational level, these are the following sub-objectives:

**2.1. Encouragement of innovation, value-added production, and application of modern technologies in the F&B production chain**, including innovation centers or research hubs/demonstration farms (there are examples of quite successful models that positively impact berry planting). For instance, R&D center Kentville in Canada<sup>15</sup>. This center is engaged in experimental planting of strawberries, raspberries, blackberries, and grapes. Center experts evaluate the quality of and properties of these berries, check planting technologies and management (including organic production), support launch of commercial use of the best breeds, develop new fruits processing and planting opportunities, as well as monitor and evaluate operations related to processing of perishables in all segments of the cold chain.

**2.2. Support for the consolidation of SME producers and processors** through a range of activities and production models establishing cooperatives/seller groups (for example, in the UK one cooperative now accounts for 30% of the UK market<sup>16</sup> for berries); arranging cooperatives of berry farms/producers led by one managing company that must ensure necessary packing and/or processing capacity (this requires the leading farm to provide significant volumes of materials needed and managing capacities in order to cooperate with partners and deal with customers effectively); contract farming with enforceable contracts between processors and farmers (as a general rule, processing companies do not have their production – they enter into contracts with producers and agree on fixed prices and quality of products); Toll Packing facilities which could exploit facilities of wholesale markets in Lviv, Kyiv, Kherson, Kharkiv and Dnipro – these have a place and background for the development of the facilities that provide the packing/processing service to the producer who then retains ownership once it has been sorted/packed or processed.

**2.3. Improving access to finance for SMEs and other operators**, so those producers can make the necessary investments in technology and quality to compete internationally as well as accounting for contract and payment terms. Typically, financing of agriculture and horticulture investments by World Bank, EBRD and IFC provides repayment of loans over 25 years with a 5-year grace period and, given the five years with no repayment, this allows marketing time for exports so that loans could be taken in hard currency at much lower interest rates. World Bank's horticulture credit facility in Uzbekistan (USD 500 million) or EBRD horticulture development projects in Georgia, Moldova, Tadjikistan, and Uzbekistan can be referred to as an example.

**2.4. Increase transport and logistics potential, including infrastructure, equipment, processes, and procedures**, such as roadside parks (with adequate power and facilities for refrigerated trucks), border post facilities, and simpler crossing procedures.

**3. Improve the national standards and quality management framework of Ukrainian agriculture and the F&B industry aimed at ensuring the competitiveness of their exports.**

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<sup>15</sup> <http://www.agr.gc.ca/eng/science-and-innovation/research-centres-and-collections/atlantic-provinces/kentville-research-and-development-centre/?id=1180623750202>

<sup>16</sup> <https://berrygardens.co.uk>

International good agricultural practice and food safety standards are a prerequisite for export, but the absence of any requirements in Ukraine means the difference between global and Ukrainian market requirements is large. It not only prevents F&B exports but also fragments the market: companies that invest in the introduction of such standards may sell for export; however, they incur an additional cost, which makes them less competitive in the national market.

This strategic objective is directly aimed at businesses themselves to develop and insist on national standards as well as building the capacity to develop and test for standards nationally.

At the operational level, there are the following sub-objectives:

**3.1. Eliminating differences between national and international standards and certification procedures for F&B products:** it will facilitate access to global markets and encourage the use of higher standards in retail and foodservice markets in Ukraine (e.g., a local GAP). Hence, buyers will demand GAP certification from their suppliers. Standards should be developed and enforced by retailers and foodservice providers. Ukraine may refer to Bulgaria's best practices<sup>17</sup> – where Billa (ReweGroup) developed a national certification system; similarly, producers may approve "halfway" GFSI to move towards food safety certificates. Metro introduced such an approach in Serbia and Bulgaria following GFSI<sup>19</sup>. Also, accelerate the adoption of national legislation that matches international standards and certification procedures (particularly, SPS covered by Deep and Comprehensive Free Trade Area (DCFTA)) which would bring Ukrainian standards closer to those of the EU, which in turn are likely to be more widely accepted worldwide.

**3.2. Ensuring capacity at the national level, to improve the quality and research of products at the enterprise and institutional level (laboratories):** it will address the cost of food safety and quality standards by providing capacity for guiding enterprises and external testing and also develop quality professionals who could work in facilities and F&B manufacturers to ease the transition and quality culture.

## ◇ Future product and market focus

### Product focus and prioritization

The Export Strategy of Ukraine (approved by Cabinet of Ministers of Ukraine) highlights Food and Beverages as a priority sector. It states the following:

- Most of the food products for export are [currently] primary products: corn, wheat, barley, fresh fruits and vegetables, and meat. All these products are processed in Ukraine and can be processed even more and exported with higher value-added, namely because there is a growing food demand in the world;
- Food ingredients (fresh-cut and semi-processed products) include any food preparation, preserved food, fresh-cut, frozen and prepared vegetables, juice concentrate, paste, and any other products;
- Ready-made food of Ukrainian products is quite diverse and includes confectionary, poultry, beverages, sunflower oil, honey, juices, tomato paste, canned vegetables, dairy, etc;
- Organic products can help Ukraine find its niche in the organic-growing interest globally. Favorable climatic conditions and fertile soils can make Ukraine a competitive producer and exporter to Europe;
- All these products are exported successfully, and there is still great potential to discover new markets. For instance, under the DCFTA with the EU.

The overall objective within the Export Strategy of Ukraine is to increase value-added through value chain upgrading (further processing and niche marketing).

<sup>17</sup> <https://www.globalgap.org/de/newsartikel/BILLA-Bulgaria-Implements-localg.a.p.-Program-to-Upgrade-Domestic-Food-Safety-from-Farm-to-Fork/>

<sup>19</sup> [http://www.mygfsi.com/files/Information\\_Kit/Case\\_Study\\_METRO\\_Global\\_Markets\\_Programme\\_2015.pdf](http://www.mygfsi.com/files/Information_Kit/Case_Study_METRO_Global_Markets_Programme_2015.pdf)

Given that the food and beverage sector is extensive, we could adopt a matrix framework that would be used to attribute relevant problems/issues by type of product that would be as inclusive as possible across two dimensions: level of processing and type of product.

#### Dimension 1:

- Primary products [sold in bulk]
- Semi-processed (including ingredients), [sold in bulk]
- Processed and ready to eat [including fresh sorted, graded and in retail packs]

#### Dimension 2:

- Plant products [the crop itself]
- Plant derivatives [extracts from the plant products]
- Meat and fish products [using animals as the product]
- Other products of animal origin [including products produced from animals]

Revealed comparative advantage (RCA) indices are the standard practice to determine a country's comparative advantage based on demonstrated (i.e., actual) export performance. This formulation states the export performance of a specific product/industry from a country as the relative share of the country's entire world, divided by the partner's share of the same product in its world exports. That is, countries (even if one has an absolute advantage) will specialize in products where they have a competitive advantage (and resources, etc.). More specifically, the revealed comparative advantage index of product *j* exported from Ukraine, Ukr (RCA<sub>UKRj</sub>), can be expressed as follows:

$$RCA_{UKRj} = (X_{UKRj}/X_{UKRw})/(X_{Wj}/X_{Tw})$$

where:

$X_{UKRj}$  = exports of product *j* from Ukraine

$X_{UKRw}$  = world exports of Ukraine

$X_{Wj}$  = exports of product

$X_{Tw}$  = total world exports

The RCA index ranges from 0 to infinity with one as the break-even point. That is, an RCA value of fewer than one means that the product has no comparative export advantage in the EU, while a value above 1 indicates that the product has a "revealed" comparative advantage.

The revealed comparative advantage<sup>20</sup> of Ukrainian global exports relative to total global exports has been analyzed to identify those products (or subsectors) produced in Ukraine that are competitive,

Potentially significant sectors have been added to the product/sub-sector prioritization framework as follows:

- Projects with RCA > 0.9 (assuming that some products, if problems are addressed, could be competitive even if currently there is no RCA - accounting for 90% of Ukraine's exports)
- Products listed in the Export Strategy of Ukraine
- Products identified by Association 4U project as underperforming in the EU market (global market share > market share in the EU)

Ukraine exports 189 F&B sub-sectors worldwide. These are valued at USD 15.9 billion. Ukraine has a comparative advantage in 21 of these sub-sectors (which comprise 85% of the total export value).

<sup>20</sup> Based on Ricardo's theory. The RCA measure was developed by Balassa (1965) and further refined for comparative analysis between countries



|                                 | Primary products<br>[sold in bulk]   | Semi processed<br>(incl. Ingredients)<br>[sold in bulk]   | Processed and ready to Eat<br>[including fresh sorted,<br>graded and in retail packs]   |
|---------------------------------|--|---|---|
| Plant Products                  | <ul style="list-style-type: none"> <li>– <b>Grains</b> [HS 1001 Wheat USD 2,572 mn (RCA 6.20); HS 1003 Barley USD 715mn (RCA 10.52); HS 1005 Maize USD 2,882 mn (RCA 8.37); HS 1002 Rye USD 3 mn (RCA 0.99)]</li> <li>– <b>Seeds</b> [HS 1008 Buckwheat, millet and canary seeds USD 15 mn (RCA 1.29); HS 1205 Rape seeds USD 615 mn (RCA 5.25); HS 1512 Sunflower-seed USD 3,679 mn (RCA 36.75); HS 1201 Soya beans USD 950 mn (RCA 1.78); HS 1204 Linseed USD 16 mn (RCA 1.53); HS 1206 Sunflower seeds USD 42 mn (RCA 1.07)]</li> </ul> | <ul style="list-style-type: none"> <li>– <b>Flour</b> [HS 1101 Wheat or meslin flour USD 80 mn (RCA 2.72)]</li> <li>– <b>Margarine and Veg Oil</b> [HS 1517 Margarine USD 58 mn (RCA 1.16); HS 1507 Soya-bean oil USD 115 mn (RCA 1.16); HS 1514 Rape, colza or mustard oil and fractions thereof USD 77 mn (RCA 1.09)]</li> <li>– <b>Malt</b> [HS 1901 Malt Extract € 98 mn (underperforming Index 0.06)]</li> <li>– <b>Processed fruit and vegetables</b> [HS 2002 Tomatoes prepared or preserved USD 33 mn (RCA 0.77); HS 2009 Fruit juices USD 86 mn (RCA 0.51)]</li> </ul> | <ul style="list-style-type: none"> <li>– <b>Confectionery</b> [HS 1704 Sugar confectionery not containing cocoa USD 107 mn (RCA 0.92); HS 1806 Chocolate USD 148 (0.49)]</li> </ul> |
|                                 | <ul style="list-style-type: none"> <li>– <b>Fruits and Vegetable Preparations</b> [HS 0811, Fruit and nuts, uncooked or cooked by steaming or boiling in water, frozen USD 51 mn (RCA 0.95); HS 0708 Leguminous vegetables, shelled or unshelled, fresh or chilled USD 15 mn (RCA 0.90); HS 2001, HS 2005 and HS 2008 preserved in vinegar € 97.9 mn (underperforming Index 0.69)]</li> </ul>  |   |   |
| Plant Derivatives               | <ul style="list-style-type: none"> <li>– <b>Residuals from processing</b> [HS 2306 Oil-cake and other solid residues USD 781 mn (RCA 11.54); HS 2302 Bran, sharps and other residues USD 73 mn (RCA 3.93)]</li> </ul>  | <ul style="list-style-type: none"> <li>– <b>Food Ingredients</b> [HS 2101 and 2106 [Sucrose/ isoglucose, glucose, starch, syrups, and protein concentrates USD 91.4 mn (underperforming Index 0.47)]</li> </ul>   |   |
| Meat and Fish Products          |  | <ul style="list-style-type: none"> <li>– <b>Meat and by-products</b> [HS 0207 Meat and edible offal, of the poultry, fresh, chilled or frozen USD 303 mn (RCA 1.25)]</li> </ul>   |   |
| Other products of animal origin |  | <ul style="list-style-type: none"> <li>– <b>Honey</b> [HS 0409 Natural honey USD 105 mn (RCA 4.01)]</li> <li>– <b>Eggs</b> [HS 0408 Birds' eggs, fresh, dried, cooked, frozen USD 29 mn (RCA 2.53); HS 0407, Birds' eggs, in shell, fresh, preserved or cooked USD 64 mn (RCA 1.63)]</li> </ul>   |   |

## ◆ Target markets

Based on the analysis of competitive exports and markets with potential, the following markets and products will be the initial focus of the Export Strategy for Food and Beverages Sector (further supporting data is provided in the Appendix):

| Target markets   | Products  | The way forward  |
|--|---|--|
| EU, Japan, China, West Africa (Nigeria and Ghana)                            | <ul style="list-style-type: none"> <li>• Poultry (HS 0207): packed poultry, convenience food from poultry, ham, sausages;</li> <li>• Poultry consumption is fast growing; we can supply more, we need to unlock the closed new markets like Nigeria and Ghana by government efforts.</li> </ul>     | <p>Trade missions; successful communication between Ukrainian and target markets' certification bodies; contacts with key players among food processors.</p> <p><b>Plan of Action reference:</b> Activities 1.1.1, 1.1.3, 1.1.4 and 1.2.2</p>  |
| EU, China, Middle East   | <ul style="list-style-type: none"> <li>• Beef (HS02, 0202): ready-made products like sausages, ham, traditionally smoked products – halal and kosher (there is growing consumption in the world which could boost the development of the beef production sector).</li> </ul>                        | <p>Halal and kosher certificates to be obtained; need to prove that Ukraine has the status of a country free from BSE; Ukraine has to start monitoring BSE in the country; cooperation between producers and working towards authorization in these markets for beef products.</p> <p><b>Plan of Action reference:</b> Activities 1.1.3, 3.1.1 and 3.1.2</p>   |
| EU, UAE, Saudi Arabia, China (sweet cherry), USA and Canada (frozen berries) | <ul style="list-style-type: none"> <li>• Berries (HS 08): packed fresh berries, packed frozen berries.</li> </ul> <p><i>Geography: our growing periods differ from the specified regions; the demand is more than the supply, and this tendency will continue; it is a traditional product.</i></p> | <p>Cooperation between the producers (collaboration is obligatory here) with the possible assistance of consolidators; it would be useful to have government support to establish effective networking between berry producers and consolidators; help is needed to build excellent quality cooling storages for the berries to have the appearance and taste quality preserved; there is some governmental program, but it requires assistance with budgeting; additional certification (ISO and HACCP are not enough here); we need to have a good additional standard including BRC; cold chain is weak in Ukraine making it more difficult to sell abroad; trade missions, B2B platforms, trade fairs participation; target audience – big importers-distributors.</p> <p><b>Plan of Action reference:</b> Activities 1.1.4, 2.2.1, 2.4.1, 3.1.3 and 3.2.1</p> |

| Target markets   | Products   | The way forward  |
|--|--|--|
| EU, Hong Kong, Africa, ex-USSR countries, Asia                                       | <ul style="list-style-type: none"> <li>• Pork (0203): ready-made products like sausages, ham, traditionally smoked products; packed pork parts.</li> </ul> <p><i>This a traditional sector in Ukraine, one of the most important kinds of meat.</i></p>  | <p>Standards to be adopted as per the EU standards, harmonization of standards; trade missions, B2B platforms; participation in trade fairs; target segment food processing companies and distributors; reconstruction of the meat processing plants. The three critical support measures by the government:</p> <ol style="list-style-type: none"> <li>1. ACHS disease: to establish an enterprise that will check for disease and guarantee the absence of illness.</li> <li>2. Government programs supporting reconstruction and modernization of production facilities.</li> <li>3. Unite producer and processor: there is a problem in Ukraine wherein the local market for pork the demand is greater than the supply.</li> </ol> <p>The sector requires investment in research on pork growing/production. Innovation centers are essential for the meat sectors. Education is also important. To determine who and to what extent should finance these efforts.</p> <p><b>Plan of Action reference:</b> Activities 1.1.3, 1.1.4, 2.1.1, 2.3.1, 3.1.1 and 3.1.2</p> |
| Asia, including Japan, MENA, Poland, Moldova, other Eastern Europe, USA, Italy, Iraq | <ul style="list-style-type: none"> <li>• Hard cheese (HS 0406) there is an excellent growing capacity where the producers are consolidated, there is a demand, and our prices are competitive compared to Australia, Netherlands, China, USA.</li> </ul> | <p>National pavilion at Foodex; trade missions (with B2B), harmonization of phytosanitary and veterinary standards; target segment food processing; contacts with importers-distributors or direct importers from HORECA; Japan has already opened its milk market for Ukrainian products (in 2017); essential to understand the standards of these countries for Ukrainian producers. The country is reaching the point of running out of cheese. Currently, Ukraine cancels customs duty for other countries. The challenge is a lack of material for cheese production.</p> <p><b>Plan of Action reference:</b> Activities 1.1.4, 1.2.1, 1.3.1 and 1.3.2</p>  |
| Japan, Germany, UK, Malaysia, Australia, Bangladesh, Israel                          | <ul style="list-style-type: none"> <li>• Medicinal plants (HS1511) and aromatic plants (oils and essential oils).</li> </ul> <p><i>Japan has a strategy to diversify its suppliers' chain and move away from China.</i></p>                              | <p>Boost production of medical plant extracts and concentrates, functional products (healthy products), production of green (bio/phyto) cosmetic products, essential oils; production of dietary additives which will be used for chicken growing, production of bio-products for plants protection (veterinary medicine).</p> <p><b>Plan of Action reference:</b> Activities 2.1.1</p>  |
| EU, UK, Eastern Europe, Israel   | <ul style="list-style-type: none"> <li>• Bread and bakery products (frozen croissants, bread).</li> </ul> <p><i>There is a demand in the HORECA segment which can consume our bakery frozen products at reasonably competitive prices.</i></p>           | <p>Contacts with importers-distributors or direct importers from the HORECA; trade missions, B2B, sourcing days, country branding. Owing to the DCFTA, there are no tariffs and levies now (flour customs duty). Here the most important thing is branding. Ukraine is branding as a bread and bread products producer.</p> <p><b>Plan of Action reference:</b> Activities 1.1.4, 1.2.1, 1.3.1 and 1.3.2</p>   |
| Asia (including China), Israel, EU   | <ul style="list-style-type: none"> <li>• Processed cereals (HS 11).</li> </ul> <p><i>There is a growing demand for oatmeal.</i></p>  | <p>Importers-distributors for selling to retail and HORECA; importers who sell to gas stations, other stores where this kind of product is baked/made for direct selling and consumption.</p> <p><b>Plan of Action reference:</b> Activities 1.1.4, 1.2.1, 1.3.1 and 1.3.2</p>   |
| EU (excluding Italy), Egypt, Asia, Japan, Israel                                     | <ul style="list-style-type: none"> <li>• Tomatoes prepared or preserved (2002).</li> </ul>   | <p><b>Plan of Action reference:</b> Activities 1.1.4, 1.2.1, 1.3.1 and 1.3.2</p>   |



| Target markets                                   | Products   | The way forward   |
|--|--|---|
| China, Asia, the Emirates, India, Africa, the EU | <ul style="list-style-type: none"> <li>• Cereals and oilseed crops, mainly wheat (HS 1001), sorgo (HS 1007), and rape (HS 1205).</li> <li>• Flour enriched with trace elements; trace elements are dependent on the geography of the export market - the realization of existing potential.</li> </ul> | <p>Execute the minutes between Ukraine and China that would establish requirements for Ukrainian export of these products.</p> <p>State support, regulatory and legal regulation, establishing effective communication in promoting the product through sales representatives (personal contacts), retail and wholesale consultative support at the embassy level.</p> <p><b>Plan of Action reference:</b> Activities 1.2.1, 1.2.2, 3.1.1 and 3.1.2</p> |
| India, Arab Countries                            | <ul style="list-style-type: none"> <li>• Beans to develop the domestic brand.</li> </ul>   | <p>Certification and standardization, active marketing, presentation of the product at international exhibitions, establishing effective communication when promoting the product through sales representatives (personal contacts).</p> <p><b>Plan of Action reference:</b> Activities 1.1.3, 1.1.4, 2.1.1, 2.3.1, 3.1.1 and 3.1.2</p>   |

## PLAN OF ACTION 2019-2023

| Strategic objective 1: Support Ukrainian F&B exporters to respond to world demand by increasing market share and visibility in existing markets and diversifying into new markets |  |          |       |          |   |                               |                                  |
|---|--|----------|-------|----------|---|-------------------------------|----------------------------------|
| Operational objectives  | Activity   | Priority | Start | End      | Targets   | Leading implementing partners | Supporting implementing partners |
| 1.1.<br>Support F&B exports in existing and new markets and diversify the F&B export basket   | <b>1.1.1. Constant monitoring of external and internal markets/ sectors:</b> <ul style="list-style-type: none"> <li>Approve the structure which will be responsible for the regular monitoring of export markets and sectors</li> <li>Develop a methodology for assessing the potential attractiveness of markets and export potential; conduct assessments on an ongoing basis</li> <li>Monitor and analyze the potential attractiveness of markets and export potential of agricultural, food, and processing industries following the approved Methodology</li> <li>Preparation and submission of a monitoring report for prioritization</li> <li>Placement of monitoring results on the web-portal of the Ministry of Agrarian Policy</li> </ul> | 1        | 2019  | Ongoing  | Ukraine is always targeting best F&B global opportunities (new and existing markets and new products) | MAPF                          | MEDT, MSU, MFU, SFS              |
|   | <b>1.1.2. Establishing an annual plan for participation in official events in priority markets:</b> <ul style="list-style-type: none"> <li>Creation of a working group whose task will include the identification and approval of priority markets, sectors, product groups, goals and objectives, and plan for participation in official events for the following year</li> <li>Publicizing this plan to attract representatives of the business environment, donors to participate in the events</li> <li>Develop and approve procedures for participation of producers of agricultural and food products and their associations in profile exhibitions, including abroad</li> <li>Information support for participation in events</li> </ul>      | 1        | 2020  | Annually | Ukrainian F&B products offered in key targeted markets (or events where targets are present)          | MAPF                          | MEDT, MFA                        |
|   | <b>1.1.3. Explore international negotiations with governments at the state level:</b> <ul style="list-style-type: none"> <li>To conduct an inventory of international agreements (trade, mutual recognition agreements)</li> <li>Hold annual forum with F&amp;B business on barriers to market access in target markets</li> <li>Initiating the launch of a negotiation process with Governments of target countries to improve access to markets (including trade agreements, mutual recognition of certificates, authorities, and agreements on product approvals)</li> </ul>  | 1        | 2019  | Annually | Market access to target markets free of trade barriers  | MAPF                          | MEDT, MFA, business associations |

| Operational objectives   | Activity   | Priority | Start | End     | Targets   | Leading implementing partners | Supporting implementing partners   |
|--|--|----------|-------|---------|---|-------------------------------|--|
|  | <b>1.1.4. Organization and conducting of trade missions, research and study visits in cooperation with branch associations, visiting trade fairs, exhibitions, trade missions, forums:</b> <ul style="list-style-type: none"> <li>• Encourage all those engaged in F&amp;B export promotion to prioritize products and markets identified in 1.1.1 above</li> <li>• Coordinate and align export promotion through dialogue among providers (as part of structure proposed in 1.1.1)</li> <li>• Build capacity of B2B participants to effectively represent their product at trade fairs (training and individual support) - based on established templates/checklists/methods common to export promoters</li> <li>• Ensure follow-up with participants of events (monitoring of follow up through the above structure in 1.1.1)</li> </ul>   | 1        | 2019  | Ongoing | Active participation of Ukrainian F&B producers in key targeted markets (or events where targets are present) | Business associations         | MEDT, Chambers of Commerce and sector associations   |
| 1.2. Creation and promotion of the image of Ukraine as a reliable supplier of quality F&B products | <b>1.2.1. Global awareness campaign dedicated to the Ukrainian F&amp;B industry:</b> <ul style="list-style-type: none"> <li>• Development of a strategy for external communication and campaigns for the food and processing industry</li> <li>• Integration of the communications strategy under GrowUkraine, UkraineNow and Trade with Ukraine branding campaigns</li> <li>• Approval of the structure/unit for coordinating and supporting the implementation of the Strategy (preparation of a set of information tools, monitoring, and evaluation)</li> <li>• Implementation of the external communications strategy for the sector (development and integration of information messages for speeches by diplomats and ministers, support for export by foreign trade missions and embassies of Ukraine, promotion of products at trade fairs, advertising in target markets, publications in the media and online, working with relevant associations)</li> </ul> | 1        | 2019  | Ongoing | Ukrainian F&B image presented in key targeted markets   | MAPF                          | MEDT, MFA, Ukrainian diplomatic missions abroad, Ministry of information policy of Ukraine |
|  | <b>1.2.2. Strengthening the institutional capacity of the state in terms of promoting the interests of domestic exporters of agricultural F&amp;B products:</b> <ul style="list-style-type: none"> <li>• Development and approval of the concept of a trade attaché function in Ukrainian embassies</li> <li>• Trade attaché function to be performed as mandated and reporting to the Working Group established in 1.1.2, to include communications, promotion, and support to realizing trade and investment</li> </ul>  | 2        | 2019  | 2022    |   | MAPF, MFA,                    | MEDT, Ukrainian embassies abroad   |

| Operational objectives  | Activity   | Priority | Start | End     | Targets  | Leading implementing partners | Supporting implementing partners                |
|---|--|----------|-------|---------|--|-------------------------------|---|
| 1.3.<br>Improved access to information, market researches for exporters   | <b>1.3.1. Creating a single information platform:</b> <ul style="list-style-type: none"> <li>• Creation of a web portal within the updated site of the Ministry of Agrarian Policy for informational support of Ukrainian F&amp;B exporters</li> <li>• Assignment of a group of specific individuals whose sole job is to research and maintain the above portal</li> <li>• Development of capacity of web-portal staff to research F&amp;B markets and trade regimes</li> <li>• Placing up-to-date information on the external markets, information on quotas, trade barriers, phytosanitary requirements, labeling, taxes, certification, product quality requirements; information on legal and financial issues, certification, etc.</li> <li>• Placing information on market trends, consumer preferences, technologies of production, cultivation, storage, processing, transportation of food products that are not specific to the Ukrainian market (niche products) but trendy and scarce on the markets of other countries, on the website of the Ministry of Agrarian Policy</li> </ul> | 1        | 2019  | Ongoing | F&B companies in Ukraine are able to understand the market and access requirements and formulate export strategies   | MAPF                          | State Statistics Service, business associations |
|   | <b>1.3.2. Improved access to the results of the agricultural market research:</b> <ul style="list-style-type: none"> <li>• Providing government financial support to compensate for advisory services for SME that export their products</li> <li>• Training of qualified advisors</li> </ul>  | 2        | 2019  | 2023    | F&B companies with export marketing strategies for targeted sectors/markets  | MEDT, advisory services       | MAPF  |
| <b>Strategic objective 2: Strengthening the competitiveness of F&amp;B enterprises by supporting the improvement and diversification of their product and service offerings</b> |  |          |       |         |  |                               |   |
| 2.1.<br>Encouragement of innovation, value-added and application of modern technologies in the F&B production chain   | <b>2.1.1. Creation of innovation centers for best practices training as well as appropriate benchmarks for the industry development (based on existing resources and initiating the creation of a separate structural unit responsible for the implementation and coordination of innovation activities):</b> <ul style="list-style-type: none"> <li>• Development of a strategic plan for innovation centers</li> <li>• Creating and seeking opportunities for partnership (financing and knowledge sharing)</li> <li>• Support for the development of innovation centers</li> <li>• Conducting research and providing services to industry</li> <li>• Preparation and dissemination of benefits for value-added and best practices</li> <li>• Consolidation of information on innovations in F&amp;B processing and placing it on the website of the Ministry of Agrarian Policy in the relevant section</li> </ul>  | 2        | 2019  | 2020    | Ukrainian F&B companies using research, best practice guidance and know-how to produce quality, competitive products | MEDT, MAPF                    | NAAS  |

| Operational objectives | Activity   | Priority | Start | End     | Targets  | Leading implementing partners  | Supporting implementing partners   |
|------------------------|--|----------|-------|---------|--|--------------------------------|--|
|                        | <b>2.1.2. Creating financial incentives to improve the competitiveness of the F&amp;B industry:</b><br>Develop mechanisms for state financial support of F&B enterprises, which would include, in particular: <ul style="list-style-type: none"> <li>• Inclusion of equipment for the F&amp;B sector to the program of compensation of the cost of machinery and equipment for agro-industrial complex;</li> <li>• Partial reimbursement of the interest rate on money borrowed in national currency by bank loans engaged for modernization and introduction of state-of-art and energy-efficient technologies into production and processing</li> <li>• Initiate a reduction in the tax, burden and provide other incentives for investments in upgrading the production and processing of high value-added export products</li> </ul> | 1        | 2019  | 2020    | Increase in investment in F&B equipment/technologies, especially among SMEs                      | MAPF, MFU, SFO                 | Banks, business associations   |
|                        | <b>2.1.3. Creation of state support programs for R&amp;D projects aimed at increasing the efficiency of production, storage, transportation and the processing of products:</b> <ul style="list-style-type: none"> <li>• Identify and approve priority programs and goals</li> <li>• Definition of state partners, including domestic research institutions and universities</li> <li>• Implementation and maintenance of these programs</li> <li>• Dissemination of the results</li> </ul>  | 2        | 2019  | Ongoing | Increase in availability of relevant domestic research on F&B and processing issues and know-how | MAPF, NAAS MFU                 | R&D and Educational institutions   |
|                        | <b>2.1.4. Increasing the availability of modern equipment and technologies for local producers in the F&amp;B industry:</b> <ul style="list-style-type: none"> <li>• Identifying the needs of producers and processors in new technologies and equipment to improve the efficiency of the sector's production</li> <li>• Encouragement of machine-building enterprises for the agrarian sector to produce new types of equipment/more economical and efficient equipment</li> </ul>  | 2        | 2019  | Ongoing | More affordable technology and modern equipment available to F&B sector in Ukraine               | MEDT<br>Cross-sectoral support | Agro-machinery associations/trade fair companies organizing agro-machinery fairs |

| Operational objectives  | Activity   | Priority | Start | End  | Targets   | Leading implementing partners   | Supporting implementing partners                              |
|---|--|----------|-------|------|---|---------------------------------|---|
| 2.2.<br>Support for the consolidation of SME producers and processors       | <b>2.2.1. Promoting the consolidation of small and medium-sized exporters:</b> <ul style="list-style-type: none"> <li>Initiate a program of state financial support for small and medium-sized producers/processors of agricultural and food products at the creation and consolidation of production, including cooperatives, selling groups, hubs, and re-packers, contract production, and toll packing</li> <li>Provide the relevant information on the mechanisms for the creation, operation, support programs and legal regulation of the activity of consolidated production on the website of the Ministry of Agrarian Policy</li> <li>Conduct exercises, creating and disseminating methodological recommendations, providing advice on setting up consolidation operations</li> </ul> | 1        | 2019  | 2020 | Increase in the number of SMEs in "consolidated" groupings offering F&B exports | MAPF                            | CMU, MFU, MEDT, EPO   |
|   | <b>2.2.2 Facilitating access to land resources:</b> <ul style="list-style-type: none"> <li>Creation of a land bank for Ukraine as an online tool that can ensure the audit of available agricultural land, soil, water access, access roads, etc., as well as provide reliable information on the availability of plots for agriculture and production</li> <li>Establish an online land market with fully transparent transactions and land rights for buyers and sellers of agricultural land</li> </ul>   | 1        | 2019  | 2021 | Increase in economy of scale of production in agriculture                       | Verkhovna Rada of Ukraine (VRU) | MAPF  |
| 2.3.<br>Improving access to finance for SMEs and other operators in the F&B | <b>2.3.1. Facilitating the establishment of long-term SME financing programs and innovative technology implementation projects supported by major international financial institutions (IFIs):</b> <ul style="list-style-type: none"> <li>Conduct consultations with representatives of financial institutions</li> <li>Assistance with development of applications for funding programs</li> </ul>  | 2        | 2019  | 2020 | Increase in level of SME investment financing in Ukraine                        | MAPF                            | MFU, IFIs   |
|   | <b>2.3.2. Facilitating the attraction of financing to the food and processing industry:</b> <ul style="list-style-type: none"> <li>Strengthening work with creditors/investors to identify key requirements and programs</li> <li>Information support for producers regarding existing funding programs</li> <li>Increasing the financial literacy of exporting producers through educational activities</li> <li>Work with lenders to unify the documents required for sector financing</li> </ul>  | 1        | 2019  | 2020 | Increase in availability of finance (short and long term) to F&B sector         | MAPF                            | Business associations, National Financial Institutions (NFIs) |

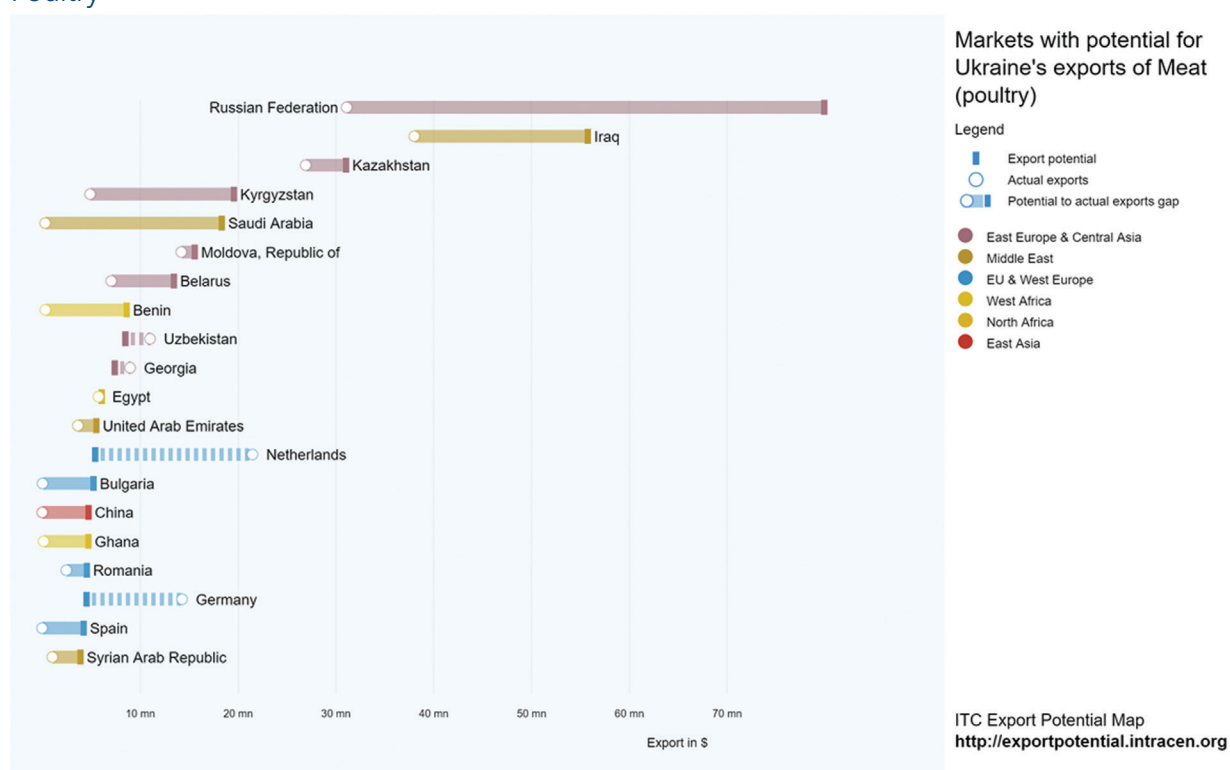
| Operational objectives   | Activity   | Priority | Start | End                   | Targets  | Leading implementing partners | Supporting implementing partners         |
|--|--|----------|-------|-----------------------|--|-------------------------------|--|
|  | <b>2.3.3. Strengthening the role of the Export-Credit Agency (ECA) in exporting food products and processing industries:</b> <ul style="list-style-type: none"> <li>To propose in the draft law on amendments to the Law of Ukraine «On ensuring the large-scale export expansion of Ukrainian producers through insurance, guarantee and cheapening of export lending»; supplement list of F&amp;B products covered by relevant programs.</li> <li>Information support for ECA exporters</li> </ul>   | 1        | 2019  | 2020                  | Increase in use of export finance among the F&B sector   | MAPF                          | MEDT VRU, ECA                            |
| 2.4. Increase transport and logistics potential, including infrastructure, equipment, processes, and procedures  | <b>2.4.1 Maintenance and improvement of logistics operation for export of the F&amp;B sector:</b> <ul style="list-style-type: none"> <li>Enhancement of interagency coordination on export logistics for F&amp;B industries</li> <li>Develop a draft law on amendments to certain legislative acts regarding the possibility of wholesale markets to provide services for customs clearance and formation of export dispatches</li> <li>To facilitate the creation and development of logistics centers with terminals whose equipment provides the necessary conditions for storage and cooling of food products</li> <li>Facilitate programs for the renewal of the private park for vehicles and marine containers for the food industry</li> </ul> | 2        | 2019  | 2022                  | Cheaper and available outbound F&B logistics required for quality products                                       | MIU, MAPF                     | MEDT, freight and logistics associations |
| <b>Strategic objective 3: improve the national standards and quality management framework for greater competitiveness of Ukrainian enterprises and their exports</b> |  |          |       |                       |  |                               |  |
| 3.1. Eliminating differences between national and international standards and certification procedures for F&B products to facilitate access to global markets       | <b>3.1.1. Alignment of sanitary, phytosanitary and food safety measures to relevant international standards:</b> <ul style="list-style-type: none"> <li>Creation and approval of a separate action plan for the current period (based on the review of national SPS plan under EU-Ukraine Association Agreement)</li> <li>Fast track the adaptation of national legislation to EU SPS/ food safety requirements and international standards</li> <li>Preparation of draft normative legal acts in accordance with EU requirements</li> </ul>   | 1        | 2019  | According to the plan | Ukraine aligned with EU SPS acquis   | MAPF, FSCPA                   | CMU, VRU                                 |
|  | <b>3.1.2. Alignment of sanitary and veterinary control in the field of food safety:</b> <ul style="list-style-type: none"> <li>Creation and approval of a separate action plan for the current period</li> <li>Adaptation of national control mechanisms and procedures to align with those of the EU</li> <li>Implementation and enforcement of relevant controls of production of animals and products of animal origin</li> </ul>   | 1        | 2019  | According to the plan | Increase in the number of sectors of animal origin authorized for export to EU (especially any priority sectors) | MAPF, FSCPA                   | CMU, VRU                                 |



| Operational objectives   | Activity  | Priority | Start | End     | Targets   | Leading implementing partners | Supporting implementing partners                                      |
|--|---|----------|-------|---------|---|-------------------------------|---|
|  | <b>3.1.3 Increasing the level of compliance with private food safety, quality standards and organic labeling in Ukraine:</b> <ul style="list-style-type: none"> <li>Preparation and dissemination of methodological recommendations for the implementation of the Global Food Safety Initiative (GFSI) and the National Program for Good Agricultural Practices (GAP)</li> <li>Encouraging major retailers in Ukraine to “require” quality assurance (through private standards) and only use legal labeling (for instance, respective labeling for certified organic food)</li> <li>Providing producers and processors assistance through advising on the introduction of GFSI standards for local GAP standards and obtaining relevant certificates.</li> </ul> | 1        | 2019  | Ongoing | The difference between retail quality and food safety in Ukraine and target export markets is small (and decreasing), so the cost of moving from supplying nationally to exporting is lower | Advisory service              | Retailer organizations, producer associations, consumer organizations |
| 3.2.<br>Ensuring capacity at the national level to improve the quality and research on products at the enterprise and institutional level (laboratories) | <b>3.2.1. Support for increasing availability of SPS and food safety and quality services among manufacturers:</b> <ul style="list-style-type: none"> <li>Determine service requirements in the sector (including laboratory skills, equipment, and quality assurance)</li> <li>Preparation and updating of methodological materials</li> <li>Preparation and implementation of information activities on quality and technology of product research, skills in F&amp;B SPS and quality assurance</li> </ul>  | 2        | 2019  | Ongoing | Adequate services for SPS control and food safety certifications are available for all target products/sectors  | MAPF, FSCPA                   | Business associations, R&D and educational institutions               |
|  | <b>3.2.2. Training of qualified experts on food safety and quality:</b> <ul style="list-style-type: none"> <li>Updating and harmonizing standard curricula</li> <li>Facilitating the introduction of these curricula in vocational and higher education institutions in all regions of Ukraine</li> <li>Conducting internship and professional orientation of specialists at the enterprises of the sector</li> <li>Promotion of training plans among employers</li> <li>Awareness campaign and promotion of establishing senior quality, food safety, or compliance personnel within F&amp;B companies</li> </ul>  | 2        | 2019  | 2023    | Increase in the number of qualified food safety and quality personnel in designated positions in F&B companies  | MEU, NAAS                     | MAPF  |
|  | <b>3.2.3. Create a culture of quality in the F&amp;B sector:</b> <ul style="list-style-type: none"> <li>Development of informational and advertising materials devoted to the safety and quality of food products</li> <li>Strengthening communication campaigns in the media to inform consumers on the importance of food safety and the meaning of different quality marks and standards</li> </ul>  | 3        | 2019  | Ongoing | Consumers in Ukraine selecting food safe and high-quality products  | MAPF/MoH                      | FSCPA, Media  |

## ANNEX: MARKET PROSPECTIVE IN UKRAINE BY CERTAIN FOOD PRODUCT

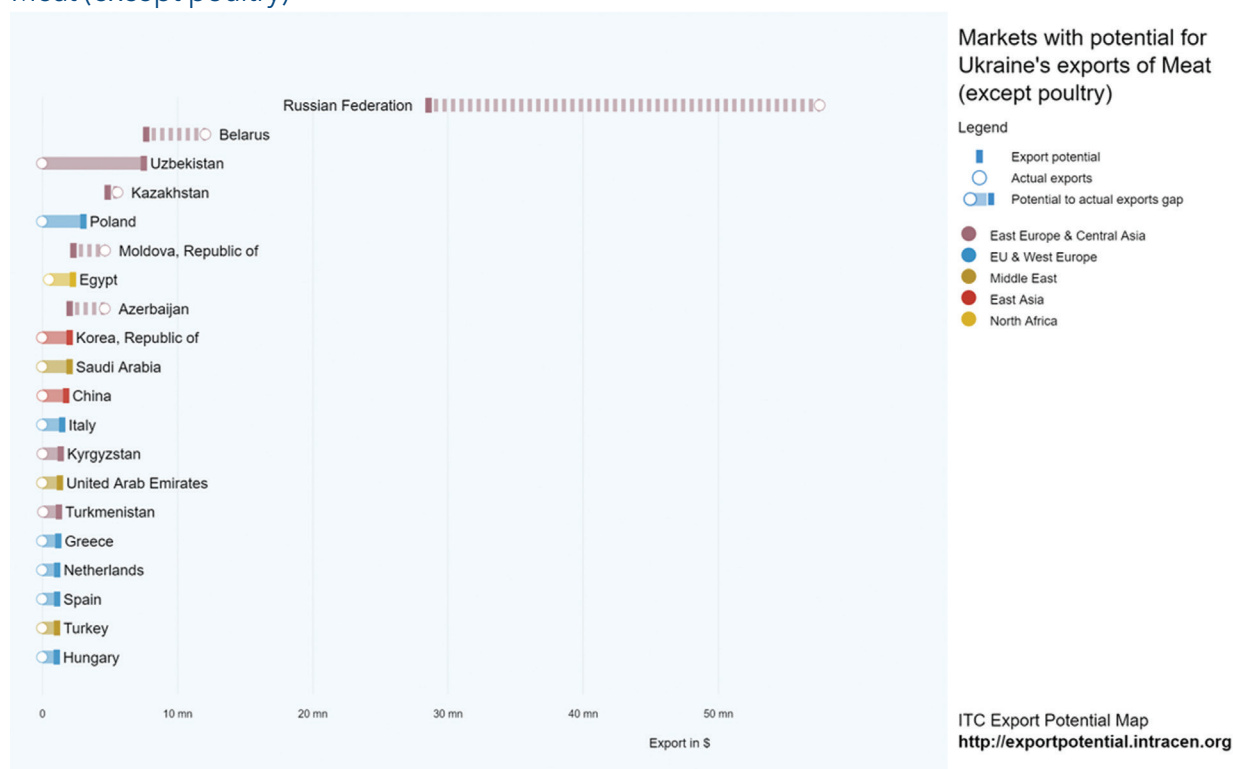
### Poultry



#### Key findings

The markets with greatest potential for Ukraine's exports of Meat (poultry) are the Russian Federation, Iraq and Kazakhstan. The Russian Federation shows the largest absolute difference between potential and actual exports in value terms, leaving room to realize additional exports worth \$48.1 mn.

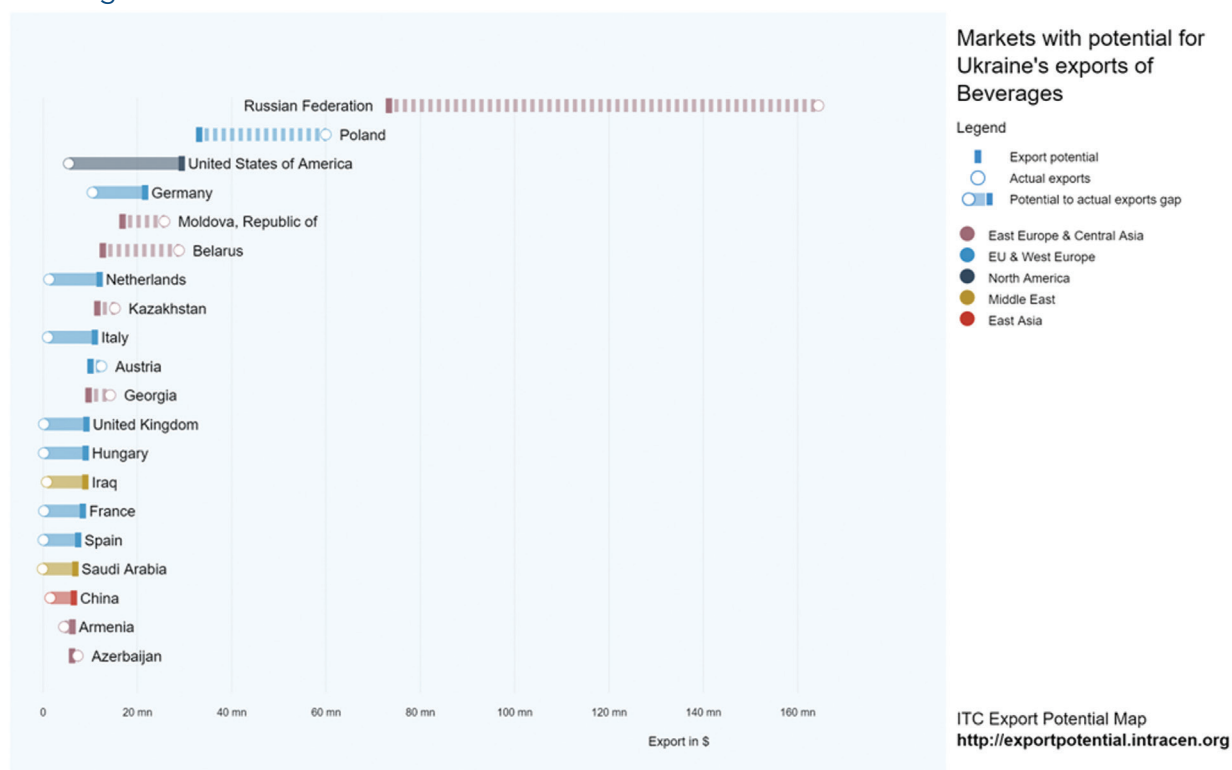
### Meat (except poultry)



#### Key findings

The markets with greatest potential for Ukraine's exports of Meat (except poultry) are the Russian Federation, Belarus and Uzbekistan. Uzbekistan shows the largest absolute difference between potential and actual exports in value terms, leaving room to realize additional exports worth \$7.0 mn.

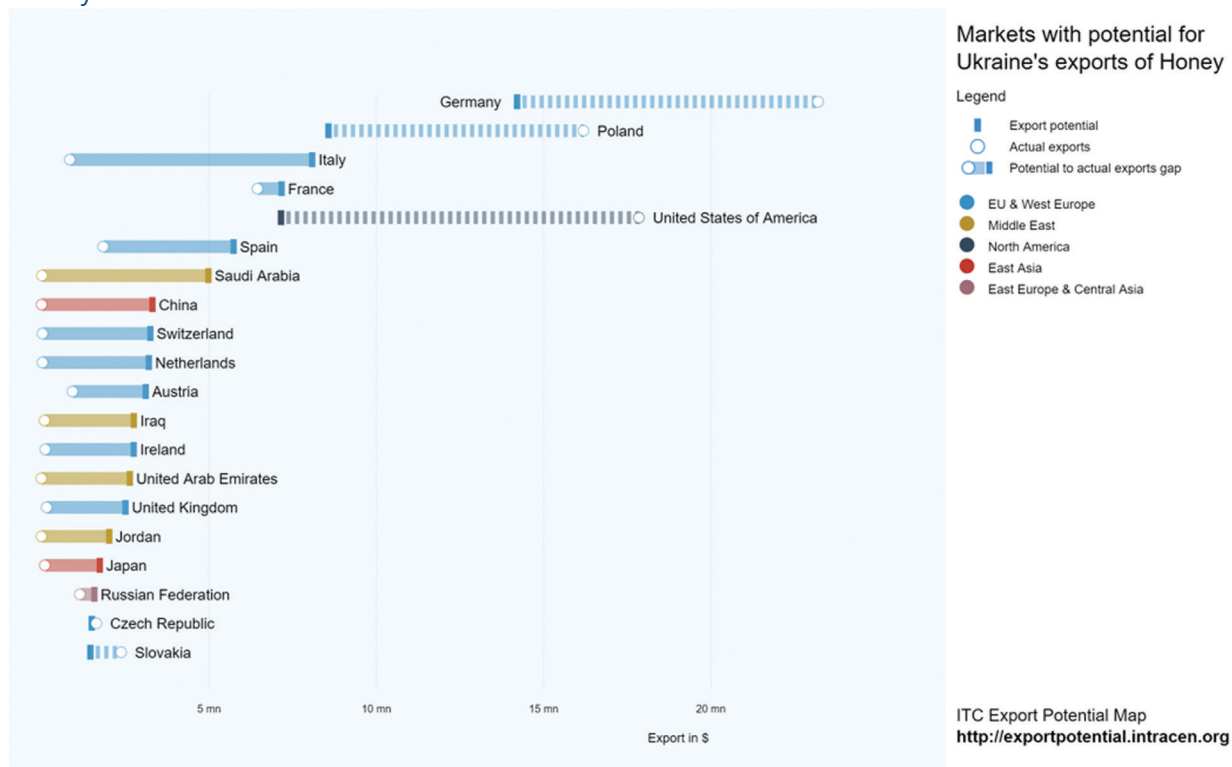
## Beverages



### Key findings

The markets with greatest potential for Ukraine's exports of Beverages are the Russian Federation, Poland and the United States of America. The United States of America shows the largest absolute difference between potential and actual exports in value terms, leaving room to realize additional exports worth \$22.8 mn.

## Honey



### Key findings

The markets with greatest potential for Ukraine's exports of 040900 Honey are Germany, Poland and Italy. Italy shows the largest absolute difference between potential and actual exports in value terms, leaving room to realize additional exports worth \$7.0 mn.

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