

**Market structure, opportunities, limitations and  
strategies for penetrating the Ukrainian market with  
Norsvin genetics**

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**Abstract**

The purpose of this study is to investigate the market structure of pig breeding in Ukraine, competitor survey, opportunities and limitations for penetrating the Ukrainian market with Norsvin genetics. In the first part, I review the structure of the pork chain on the international swine market. The current situation in the pig breeding and production sector is then reviewed and evaluated in detail. In addition, geographical and socio-economic factors expected to influence Norsvin business opportunities in Ukraine were reviewed. The information was gathered through literature surveys, personal interviews, company visits and conference participation. Analysis of pig breeding in Ukraine and business environment factors was carried out using SWOT and PESTLE methods. The study showed that there exists a market potential for Norsvin in Ukraine. Alternative strategies for entering the Ukrainian market are suggested.

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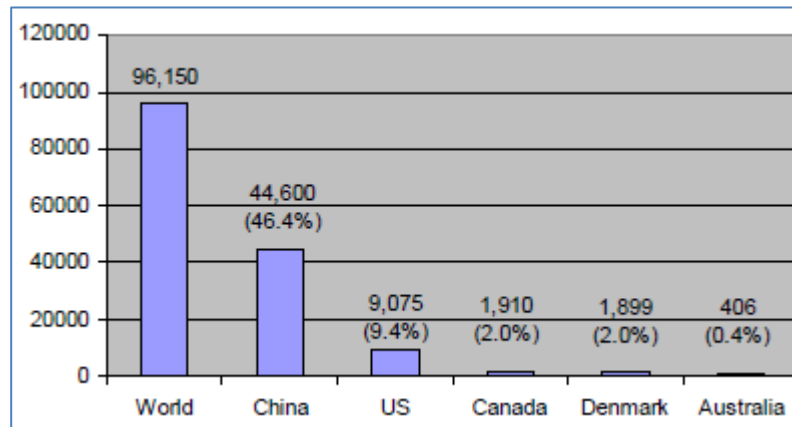
# **1 Introduction**

## **1.1 Project overview**

Pig breeding and pork processing constitute one of the most important sectors of modern global agribusiness. This thesis presents a survey of pig breeding, production, marketing and consumption of pork in Ukraine. The purpose of the investigation is to serve as one of the foundations for the Norwegian swine breeding company Norsvin to evaluate its market potential in Ukraine. The structure of the thesis is as follows: in the introduction, I give a general description of the international swine market, including the economic, political and quality parameters that drive this market. I then describe Norsvin's business strategy, products and international market presence. In the result section, I first present a survey of the general economic and social conditions in Ukraine that are likely to affect Norsvin's business opportunities, including the political and historical situation of nowadays Ukraine, economic profile, social situation, population profile in general with some more details for agriculture and rural market, government system and banking system in Ukraine, Ukrainian habit of business culture and business ethics and corruption level. I then go on to describe the past and present status of pork production in the country. I give a detailed description the "pork chain" in Ukraine, including a survey of the presence of potential Norsvin competitors on the Ukrainian market. In the discussion section, I evaluate the effect of each market factor on Norsvin's market potential. Together, these data are used to assess the current market potential for Norsvin products in Ukraine and to suggest a strategy to penetrate the Ukrainian market.

## **1.2 The international swine market**

Pork is the most widely consumed form of animal meat, representing around 40% of the world meat consumption (Moore, 2007). The twenty-first century pork industry is evolving at a rapid pace and world pork production has increased more than 42% since 1990 from 65.9 million ton to 93.6 million in 2005 (Boal, 2006).



**Figure 1 World pork producers, listed in order of decreasing production (tonnes\* 1000) (Taylor et al., 2006)**

In comparison, over the same period, beef production increased only 2%, while poultry production more than doubled (Boal, 2006). Figure 1 gives an overview of the top world's producers of pork, followed by China, USA, Canada, Denmark and Australia. The global pork production market is dominated by China, with about 50% of the global pig production (Boal, 2006). China is also the largest individual consumer. Most of its production is consumed by its population of more than 1.3 billion inhabitants (Roppa, 2008). But Europe is still important production and consumption area ([www.thepigsite.com](http://www.thepigsite.com)).

Major pork importing countries tend to fall into two broad categories; those countries with consumers who have a strong preference for high value pork, whose domestic production is stable at best, such as Japan, and those countries where domestic production is increasing but is still insufficient to meet growing demand, such as Mexico, Russia and *Ukraine* (Boal, 2006).

Brazil has stated itself on the world pork stage over the last decade. The low cost of feed, land, buildings and labour contribute to this (Roppa, 2006).

Canada has continued to cement its position in the world market. The Canadian pork industry has an international reputation for its quality products end elite health standards (Roppa, 2006).

Interestingly, while the EU has become a less significant pork exporter it has also become a less significant importer, reducing its overall dependency on pork imports.

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Import to the EU has fallen from 154,000 tonnes in 1990 to only 54,000 tonnes in 2005 (Boal, 2006). This shift can be attributed to the expansion of the EU to include countries such as Poland, who is a significant pork producer, but also to the maintenance of prohibitive market access barriers that artificially support domestic production.

### **1.3 The “pork chain”**

Pork is a commodity that is produced through, and is influenced by, a number of factors sometimes described to in the literature as the “pork chain” (Fig. 2). As can be seen from the figure 2, the core of the chain is represented by a chain of events starting with breeding and ending with consumption (A). This chain of events depends on the input in the form genetic material, feed as well as the regulatory and financial conditions provided by the stakeholders in the industry (column B). Players in sectors like transport and distributors also have majors influence on the activity in the pork chain (column C). Overall conditions for the pork industry are set by regulatory frameworks, government policies and environmental and animal protection rules and regulations (column D). The sequential dependency between pork chain activities takes the form of a chain in which the output of one activity becomes input of another. Detailed knowledge of the pork chain is essential for optimizing market business strategies, including Norsvin’s business strategy for penetration the Ukrainian market. In the following, I will describe the pork chain in some detail in markets outside Ukraine as a background for my marketing research on the Ukrainian pig breeding sector.

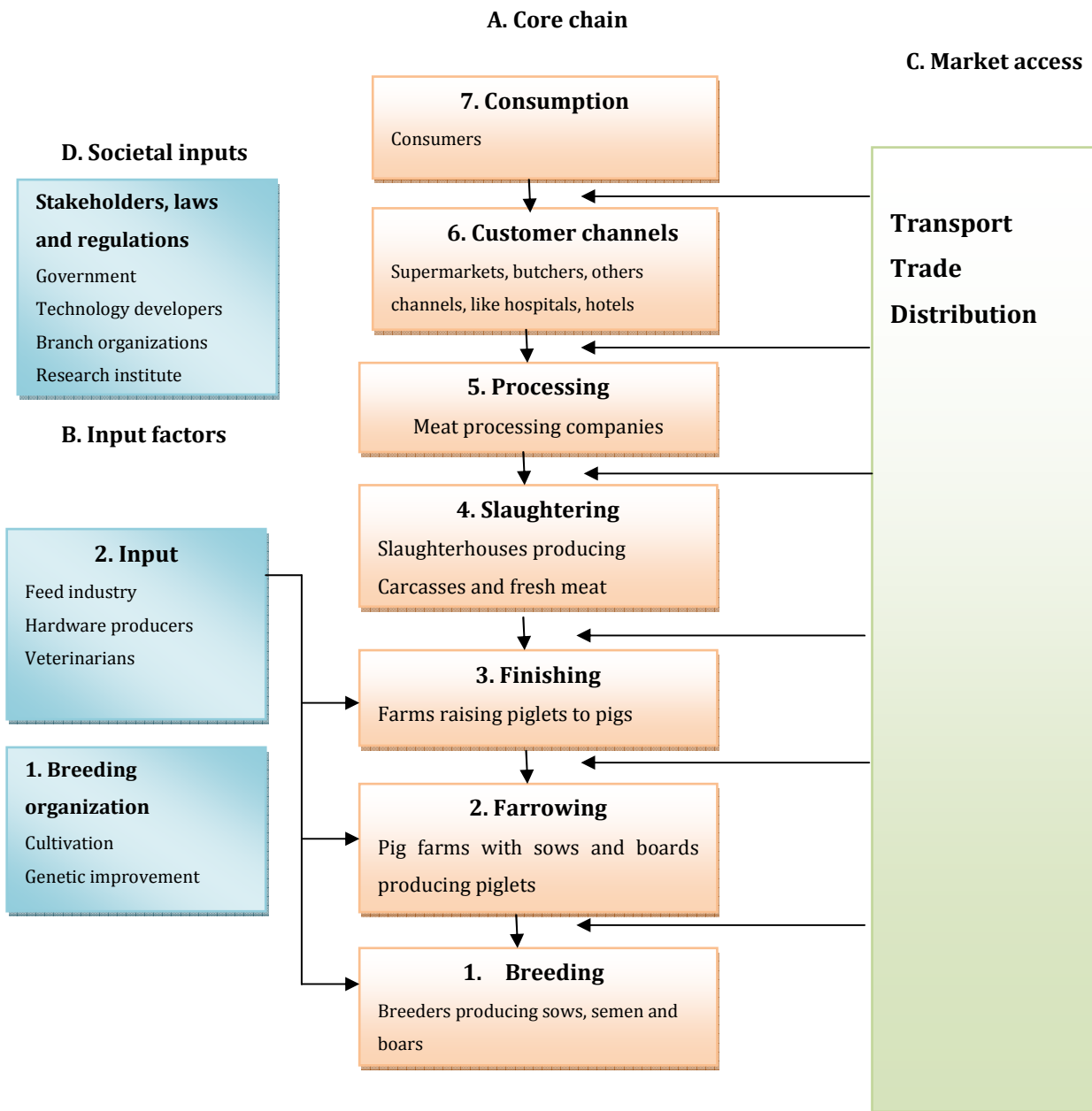


Figure 2 Components of the pork chain (Trienekens, 2009)

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## 1.3.1 The core chain

### 1.3.1.1 Breeding

High performing breeding stock is the main goal for successful swine breeding. Modern swine breeding is undergoing a series of changes that affect the underlying strategies for genetic improvement. Selection pressure is enhanced through the use of artificial insemination, embryo transfer and potentially, marker-assisted selection (Rathje, 2000). Also, the pig industry has usually competed on the basis of low cost per kilo of lean meat. The genetic objectives have therefore been to increase lean growth rate and pigs produced per sow per year. However, the structure of the industry is shifting towards larger more integrated pyramids serving specific needs of retailers. As well as production efficiency, value-added aspects such as quality, uniformity and differentiated products are becoming more important. The way society views animal production now carries more weight, including issues of naturalness, traceability, the environment, sustainability, ethics and animal welfare (Webb et al., 2000).

Artificial insemination (AI) was the first great biotechnology applied to improve genetics of farm animals (Foote, 2002). AI for pigs offers many advantages in different fields (health, management, genetic improvement) which are greater than the ones found in natural breeding (Rillo, 1989). Using AI allows farmers to buy the best genetics without having to bring a new animal into the barn. AI provides unique genetic opportunities that allow progressive breeders and commercial producers to access the very best or most advanced genetic material available in the pig industry today. All leading farms employ artificial insemination technology and have developed protocols to ensure correct implementation (Branagh-McConachy, 2008).

Breeding companies are a driving force of swine breeding and pork production. They produce semen, sows and boars and supply the swine genetic for pig farms. Below the list major companies that represent potential competitors of Norsvin on the international markets, including Ukraine.

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**PIC** ([www.pic.org](http://www.pic.org)) is the international leader in providing genetically superior animals and technical support to the global swine industry for maximizing genetic potential to the global pork chain. The company combines quantitative sciences with leading edge biotechnology to develop breeding stock focused on meeting the needs of its customers (Nelson, 2008). The company's aim is to make pork production more profitable through innovative and outstanding genetic technology, health and service, provide better meat for processors while providing the quality, taste and safety pork that consumers demand. PIC presented on the globe market over 40 years, in the 30 countries worldwide (<http://www.thepigsite.com/focus/pic/561/pic-international-tailored-to-local-markets>).



**ACMC** – states that they provide genetically superior pig breeding stock to pig breeders ([www.acmc.co.uk](http://www.acmc.co.uk)). The company's products include the AC1 parent female, performing well both in and outdoors, the super-prolific Meidam GP, which is exclusive to ACMC, the Volante GP dam line boar and the terminal Vantage boars, which is claimed to ensure a consistently efficient, fast growing, top quality slaughter pig available live or through AI. The company is based in England.



**Hermitage- Seaborough LTD** ([www.hermitagengt.com](http://www.hermitagengt.com)) - an amalgamation of two of the world's largest breeding companies. Exclusively for the UK market, Hermitage Seaborough has a combined nucleus of over 8.000 sows producing an extensive portfolio of genetics, including purebred GP Landrace and GP Large White. In addition, Hermitage Seaborough advertize that they offer a wide range of terminal boars to suit all types of production systems, including Hylean LW, Hylean MQ and MQM, Duroc and Pietrain, optimizing growth and carcass performance.



**JSR Genetics Ltd** claims to be UK's leading supplier of pig breeding stock and AI offers a range of genetically-advanced boars and gilts for both indoor and outdoor production. This includes prolific gilts, GPs and GGPs and sire line boars for the production of high lean content pigs with fast growth ([www.jsrgenetics.com](http://www.jsrgenetics.com)).



**Rattlerow Farms LTD** has over 50 years' of experience as an international pig breeding company, provides technical support and advanced genetics to improve the efficiency of its producers ([www.rattlerow.co.uk](http://www.rattlerow.co.uk)).



**Hypor** is one of the world's largest suppliers of high quality swine genetics. Hypor offers producers a robust product line. The company's marketing statement is to produce lines that thrive under all conditions for all producers worldwide ([www.hypor.com](http://www.hypor.com)).



**TOPIGS** is a global pig breeding organization that sells almost 1.000.000 gilts and boars in more than thirty countries each year. TOPIGS belongs to the top-three pig breeding organizations in the world and is market leader in the Netherlands with a market share of 85%. TOPIGS' mission statement is to develop and market genetic material and related services. TOPIGS' breeding strategy is based on reliable breeding value estimations based on data from large breeding animal populations in the Netherlands and abroad. TOPIGS' customers and partners are breeders, piglet producers, distributors and integrations. TOPIGS is directed by partners and buyers operating in the field ([www.topigs.com](http://www.topigs.com)).



**Newsham Choice Genetics** advertises to be a leading producer of superior performing swine genetics products based in USA, high health production system, innovative gene-delivery programs and outstanding service ([www.newsham.com](http://www.newsham.com)).



**Designed Genetics** is North America's largest Purebred Duroc Breeder. This swine breeding organisation states a strong commitment to research and development work in swine genetics. Their projects are directed towards improving

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efficiency, meeting more stringent consumer demands on pork quality, achieving faster and more diverse genetic change in swine populations ([www.designedgenetics.com](http://www.designedgenetics.com)).



Danbred is one of the leading swine genetic suppliers in the pig breeding business worldwide. The company is run by producers for producers. Danbred research-driven genetic system is focused on delivering a competitive advantage for customers. The company's aim is to provide their customers with high-quality and low-cost genetics designed to meet customers need ([www.danbred.com](http://www.danbred.com)).



**FRANCE HYBRIDES** ([www.france-hybrides.com](http://www.france-hybrides.com)) France Hybrides has experience during last 30 years in pig genetic improvement. Its products include a range of cross-bred parent stock animals and either fresh or frozen semen, technical services in both technical and genetic management of pig production. France Hybrides has been involved in various national and international projects within meat quality. The company owns several original pure bred pig lines and associated DNA and phenotypic records multigenerational databases ([www.q-porkchains-industry.org/France.151.0.html](http://www.q-porkchains-industry.org/France.151.0.html)). France Hybrids was acquired by Hypor in 08/09 and is a part of Hypor today.



**UPB Genetic World** ([www.upbgeneticworld.com](http://www.upbgeneticworld.com)) presents themselves as a global leader in pig breeding and swine genetics using the latest technologies in quantitative genetics and molecular biology to ensure on-going genetic improvement in all product lines. The company breeds animals in a high health status in order to optimise genetic improvement and ensure a definitive health warranty on its products. UPB Genetic World has operated for more than 40 years and states a total commitment to increase the productivity and profitability of its customers and partners through the maximisation of genetic progress and potential.



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### 1.3.1.2 Farrowing

The word "farrow" means to give birth to piglets ([www.pork4kids.com/Raised.aspx](http://www.pork4kids.com/Raised.aspx)).

Farrowing farms are farms that produce piglets. Sow's reproductive efficiency is one of the most important factors influencing farm profitability (Valros, 2003). Farming operation for breeding and farrowing (birthing) processes is different.



Sows can be bred by natural mating with boars or by artificial insemination (Sterle & Safranski, 1997). The pregnant sows are moved to gestation houses and then to a farrowing house just prior to giving birth. The litter of pigs will stay with the sow for approximately 2 to 3 weeks until they are weaned at which time the pigs will be transferred to a nursery farm. Sows are moved into the farrowing facility a few days before farrowing is expected. The sows are often moved back to the stalls once the piglets are weaned, or may be housed temporarily in group pens. The piglets are transferred to finishing farms after 10- 12 weeks of age ([www.sPCA.bc.ca/assets/documents/welfare/farm/factsheet\\_pig-production.pdf](http://www.sPCA.bc.ca/assets/documents/welfare/farm/factsheet_pig-production.pdf)).

### 1.3.1.3 Finishing farms: raising piglets to pigs

Next stage in the pork chain is finishing farms. The piglets are usually raised in finishing farms until their weight is around 110 kg and age is about 6 months old. Pigs can be raised in a variety of different ways, both indoors and outdoors. But most of farmers use the indoor production system to protect the animals (Juska & Juskiene, 2006). There are three basic production systems that producers manage when raising pigs:

- 🚧 Farrow to Wean farms (at such farms breeders sell the pigs to nursery farms)
- 🚧 Farrow to Nursery farms (pigs spend close to 6 weeks in the nursery, feed by carefully planned diet, then producers sell pigs to finish farms)
- 🚧 Farrow to Finish farms (pig breeders use all stages of production, from farrowing to finishing. At the pigs weigh 110 kg (250 pounds) producer will bring them to market)

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Farrowing (2) and finishing (3) can be performed by separate farms but very often they are combined in one kind of pig breeding farms.

#### **1.3.1.4 Slaughtering**

The modern slaughtering techniques and methods are highly efficient and in use by most of slaughterhouses worldwide. Pigs intended for pork are usually slaughtered 1-2 months younger than pigs for bacon ([www.hyfoma.com](http://www.hyfoma.com)). In most slaughter plants, hogs are immobilized either by electrical stunning or carbon dioxide gas suffocation. On the farm a hog can be stunned by striking it one sharp blow with a mechanical stunner or by shooting it in the forehead. After carcasses are cut into parts, the meat is sold to the processing companies (Cross et al., 1981).

#### **1.3.1.5 Processing**

Processing of the pork is one of the important parts of pork chain. Meat processing companies produce a variety of meat products, fresh meat, frozen meat and processed meat products. Good organization of meat processing and specialization of the processing plants are used for improvement of the product quality for bacon, industry, retail and food service ([www.meatprocess.com](http://www.meatprocess.com)). Pork is a biological product with a natural variation and pork quality can be defined in many different ways (lean%, weight, visual aspects, sensory perception, and suitability for further processing) and also varies according to different markets (Bruns, 2009). The pork processing industry has been specialized in sorting on weight and lean characteristics of carcasses and primal cuts. Sorting for Water-holding-capacity (WHC) is one of the most important pork quality traits as it improves the sensory appreciation of pork by consumers, affects amount of saleable meat by reducing purge loss, and increases processing yield of further processed products (Gunenc, 2007).

Often the slaughtering and processing stages of the pork chain are combined into one unit—the meat packing industry. The meat packing industry handles by parts of pork chain such a slaughtering, processing and distribution (customers channels) of pork to the retail.

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### **1.3.1.6 Customer channels and retail**

Producers of pork satisfy consumer's demands by chains of companies, each performing a particular stage of the process of transforming pork into ready meat products that satisfy t customers' demands. In order to fulfill the market wishes of the consumers, the pork supply chain was developed in which breeding, feeding, husbandry and meat processing industry work together to produce the desire products. Customer channels and retail of the pork are very important parts of the pork production. The largest proportion of meat products is distributed to retail. Other channels are so- called out of home channels, like restaurants, business canteens, hospitals and hotels (Wognum & Wever, 2008).

### **1.3.1.7 Pork consumption**

Consumers and consumption behavior strongly influence the pork production (Verbeke, 2006). The consumer demands are translated upstream by the retailer. Consumption of pork strongly depends on consumer purchasing power. Consumer buying power is an important determinant of consumer demand for pork. The term "buying power" reflects the ability of a consumer to purchase the desired quantity and quality of products (pork in our case) that will meet existing wants and needs. Correct understanding of the consumer buying power is critical to the operation of the pork chain in a given market. Buying power will naturally vary from one economic group to another. Generally, manufacturers will adapt to markets by providing several quality levels of the same types of products. This approach has led to the establishment of various types of retail outlets. Some of the outlets will cater to consumers who possess a lower level of buying power, while others will focus on attracting the smaller but more affluent group of consumers who can afford to spend more for a good or service that is slightly enhanced in some manner. Consumers may choose to exercise buying power in discount stores, upscale department stores, or in specialized boutiques that carry limited editions of highly prized goods ([www.wisegeek.com/what-is-buying-power.htm](http://www.wisegeek.com/what-is-buying-power.htm)).

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### **1.3.1.8 Meat quality**

The quality of pork is the result of a combination of genetic and environmental factors (Lammers et al., 2007a). Pork quality is the set of characteristics that make meat desirable. Those characteristics might be determined by: aesthetics (taste, smell, texture, and color); nutrition (vitamins, proteins, minerals, energy, type and proportion of fat); safety (absence of pathogens or toxins); intangible qualities (organic, or meat produced under high standards of animal welfare); and qualities such as convenience and reliability. Pork processors identify several other determinants of pork quality: low drip loss or fluid lost from fresh, uncooked pork; color and color consistency; limited external fat; and absence of defects

(<http://www.ers.usda.gov/Publications/aer835/aer835c.pdf>).

Muscle color, firmness or wetness and marbling are measurements which help predict the final eating quality of pork. The carcass traits of leanness and muscling and the presence of the stress gene can impact the eating quality of pork. Producing quality meat is important to maintain a market and public support for pork production (Nold, 2009).

## **1.3.2 Input factors**

### **1.3.2.1 Feed**

The feeding industry provides the input feed (B) by mixing raw material into feed suitable for particular stages of pig growth. Feeding is the most costly step in pig production. Pigs need a well balanced diet in terms of appropriate amounts of carbohydrate, protein, vitamins, minerals and roughage (Lammers et al., 2007 b). Pig fodder can be supplied by manufacturing companies or can be prepared on the farms. In optimal setting, on large-scale farms, pigs are fed concentrates manufactured by local feed factories.

Feed grain is the most important cost driver for pork production across the globe, accounting for at least half of all production cost worldwide (Boal, 2008). The feed for pigs consists of a balanced mix of grains such as barley, wheat, corn, canola meal and even peas or lentils (Shurson et al., 2002).

Farm pigs are also fed green and dried food made from meat, and some vitamins and minerals ([www.kidcyber.com.au/topics/farmpiggies.htm](http://www.kidcyber.com.au/topics/farmpiggies.htm)).

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Sows are fed limited amounts of feed typically once a day to keep their weight moderate. This helps to prevent farrowing difficulty, also known as dystocia

([www.sPCA.bc.ca/assets/documents/welfare/farm/factsheet\\_pig-production.pdf](http://www.sPCA.bc.ca/assets/documents/welfare/farm/factsheet_pig-production.pdf)).

Growing pigs are provided with high-energy feed at all times to maximize weight gains.

Weanlings in the nursery are provided with creep feed, which is more palatable to encourage smooth transition to solid food. Nursery feeds may contain some antibiotics in addition to vitamins and mineral supplements to protect young piglets from illnesses.

Supplements can be used to encourage a strong immune system and help the pig overcome a particular illness or disease

([www.sPCA.bc.ca/assets/documents/welfare/farm/factsheet\\_pig-production.pdf](http://www.sPCA.bc.ca/assets/documents/welfare/farm/factsheet_pig-production.pdf)).

### **1.3.2.2 Water availability**

One-half to two-thirds of a pig's body is made up of water. Water is used to regulate body temperature, aid in the removal of waste products and assist in digestion, absorption, transportation and utilization of nutrients ([www.goats4h.com/Pigs.html](http://www.goats4h.com/Pigs.html)).

Lack of water intake can be one reason why constipation occurs in a pig. As the environmental temperature rises, it is imperative to have fresh, clean water available at all times. During the cold weather, water is just as important and needs to be offered at a comfortable drinking temperature. If pig is consuming a high salt or mineral diet, have water available to as well as encourage increased water intake (Mikesell et al., 2004).

### **1.3.2.3 Veterinarian's service**

Veterinarian's service must be a consulting organization of good educated and experienced veterinarians that can provide a wide range of services for swine producers. Also such company should provide outstanding veterinary service by combining science with health and production, timely, evidence based health, management and consultation services that help clients improve their business. Experienced staff of veterinarians must offer advice to pig breeding farmers and monitor the health situation at farms and in it transports. Medicine and vitamins are added to the feed according to prescriptions by veterinarians as well (Thompson, 1996).

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### **1.3.3 Market access**

Transport, trade and distribution support exchanges between pork chain members.

#### **1.3.3.1 Transport**

Transport of pigs causes stress in pigs. Even healthy individuals can lose up to 5% of their body weight during a 4-hour transport (Thompson, 1996). Handling and transportation of boars and sows should be designed to minimize fighting in order to prevent injury and carcass damage. Animals should be shipped in groups of uniform weight and species. If mixing of animals is required, it is best done immediately before loading and transportation since pigs usually do not fight in a moving vehicle.

Recommendations of facility design for loading and unloading trucks, restraining animals and handling them in packing plants have been published (Grandin, 2001).

The efficiency of the chilled meat transport system and the handling of the product along the cold chain, from producers to markets, are vital to delivering quality chilled products to consumers (Rodrigue & Craig, 2008).

#### **1.3.3.2 Trade**

##### **1.3.3.2.1 Import of pork**

Imports, along with exports, form the basis of international trade (part C of pork chain). Import, normally requires involvement of the customs authorities in both the country of import and the country of export and are often subject to import quotas, tariffs and trade agreements (<http://en.wikipedia.org/wiki/Import>).

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### **1.3.3.2 Export of pork**

Export of commercial quantities of goods normally requires involvement of the customs authorities in both the country of export and the country of import.

### **1.3.3.3 Distribution**

The transportation distance, pork quality after transportation all this play major role in profitability of distribution of pork to consumers. Distribution of ready product must be managed properly that consumers must get high quality pork or pork products (Thompson et al., 2003).

## **1.3.4 Societal inputs**

### **1.3.4.1 Stakeholders**

Stakeholders are other important part of the “pork chain” and play major role in organization of pig breeding branch. As shown in the Fig. 2 stakeholders are government, which imposes rules and regulations, technology developers, financial institutes, branch organization, research organization and institutes.

### **1.3.4.2 Environmental regulations**

All swine operations must consider the environmental implications of their activities. Keeping water courses and ground water clean, and keeping air quality high are the primary objectives of a sound environmental plan, which benefits farmers and non-farmers alike. Raising breeding stock is no different from other types of swine production. Manure management, proper disposal of mortalities, and outdoor control are the major environmental concerns of most swine operations ([www.gov.pe.ca/photos/original/af\\_fact.swin99.pdf](http://www.gov.pe.ca/photos/original/af_fact.swin99.pdf)).

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### 1.3.4.3 Animal welfare

Amongst the many issues in the debate on farm animal welfare those that involve the close confinement of animals have given rise to the greatest public concern, including the use of gestation stalls and farrowing crates for sows. Pork producers have a profound interest in the well-being of their charges. Pig performance and welfare have significant impacts on the success and profitability of the pork production operation (Holden et al., 1999).

Issues of animal welfare and animal rights are concerns now facing the pork industry in many countries and laws banning the use of sow stall (also called a gestation crate) commonly in use for the whole of a sow's 16 week gestation period ban the use in Sweden and the UK. From 2013, they will be banned across the EU, except for the first 4 weeks of gestation ([www.ciwf.org.uk/farm\\_animals/pigs/welfare\\_issues/default.aspx](http://www.ciwf.org.uk/farm_animals/pigs/welfare_issues/default.aspx)). Feed regimens, teeth and tail cutting, castration and the use of farrowing crates are also issues raising concern in the industry (Swanson, 1999). For instance, in the Netherlands, growing public pressure is put on the industry to cease the routine castration of piglets, or, at the very least, for pain relief to be given.

Pigs are susceptible to transportation. They travel badly and are easily stressed by transport and by pre-slaughter handling. They do not have sweat glands and are particularly susceptible to heat stress during transport. Internationally, significant numbers of pigs die in transport each year ([www.ciwf.org.uk/farm\\_animals/pigs/welfare\\_issues/default.aspx](http://www.ciwf.org.uk/farm_animals/pigs/welfare_issues/default.aspx)).

### 1.3.5 Pork markets in different parts of the world

The description of the components and factors influencing in the pork chain are given above summaries most, if not all of the factors influencing the pork chain worldwide. As expected, the influence, and even the presence, of each factor vary substantially in each geographical region of the world. For instance, in Northern and Western European countries the 5 largest retailers have market shares of up to 90%. Southern European countries still have more grocery shops. In other countries, e.g., Eastern European, supermarkets are emerging rapidly. In most countries large slaughterhouses have the



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biggest market share, or are growing rapidly (e.g., the largest slaughterhouse in the Netherlands has more than 70% market share). In the processing stage concentration and up-scaling are also taking place, although many small, often specialised, companies remain (Germany, Spain). In the farrowing/finishing stage we still see many small farms in countries like France, Spain, and Germany. In the feeding stage there is a strong concentration tendency in all countries, just as in the breeding stage ([www.thepigsite.com/articles/7/markets-and-economics/2701/world-pork-trade-overview-april-2009](http://www.thepigsite.com/articles/7/markets-and-economics/2701/world-pork-trade-overview-april-2009)). Detailed overview of the most significant pork markets worldwide, available in Appendix 15.

#### 1.4 The Norsvin Company



Norsvin, headquartered in Hamar, Norway, operates a platform for swine genetic improvement focusing on marketing genetic material through semen ([www.norsvin.no](http://www.norsvin.no)). Norsvin organizes all pig breeding in Norway and is owned by the Norwegian Pig Breeders' Association (Sæther, 2002).

Norsvin was formed by the Norwegian Pig Breeders Association as a way to improve pork genetics for themselves and international customers (Johnson, 2010).

Since 1958, Norsvin has delivered genetic progress to the Norwegian pig sector. Norsvin has the largest AI station in Northern Europe, and its core business is breeding, AI, and developing management skills in their owners and customers.

In the later years, Norsvin genetics have contributed substantially to improve the production performance for international customers in Poland, Iceland, Sweden, Finland, Lithuania, Estonia, USA, Canada, Spain and Portugal ([www.ifaj2006.com/sitefiles/92/norsvin.pdf](http://www.ifaj2006.com/sitefiles/92/norsvin.pdf)). Currently, 40 % of the applied R&D expenses are covered by the international market. By 2010, Norsvin states that they aim at being a leading international genetic and AI company, covering 70 % of the applied R&D expenses by international agreements. The company has research cooperation with several national and international scientific environments in Norway, Denmark, Sweden, Netherlands and USA. Norsvin has organized its different R&D work in different daughter companies such as Geninova AS, Biobank AS, Team Semin and Norsvin Fagutvikling AS ([www.ifaj2006.com/sitefiles/92/norsvin.pdf](http://www.ifaj2006.com/sitefiles/92/norsvin.pdf)).

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### 1.4.1 Norsvin genetic products

The company offer breeds of Norsvin's Landrace, Duroc, LD and Yorkshire ([www.norsvin.no](http://www.norsvin.no)). Norsvin continuously gather data on traits related to the carcass- and meat quality, production, - reproduction, - maternal and longevity traits.

#### 1.4.1.1 Norsvin Landrace

The Norsvin Landrace, according to the company website, offers genetics with superior fertility and maternal ability, outstanding growth rate and feed efficiency and exceptional lean meat content. The Norsvin Landrace breed has experienced a significant increase in prolificacy, efficiency and lean growth the last decade as well as significant increase in litter size. From 1992, the breeding goal for Norwegian Landrace includes number of live born piglets, analysed by a repeatability model (Fig. 3).

Producers using Norsvin genetics have an advantage of nearly 1.5 more piglets born alive per litter, due to genetic progress made in the Norsvin Landrace, well-organized selection process and massive database. Sustainable genetic progress is ensured through an extensive genetic program including Norsvin controlled boar test stations, half-sib test units, on-farm testing and extensive use of data from the national litter recording scheme - InGris. InGris data is used to ensure genetic progress on low heritable reproduction- and maternal traits.

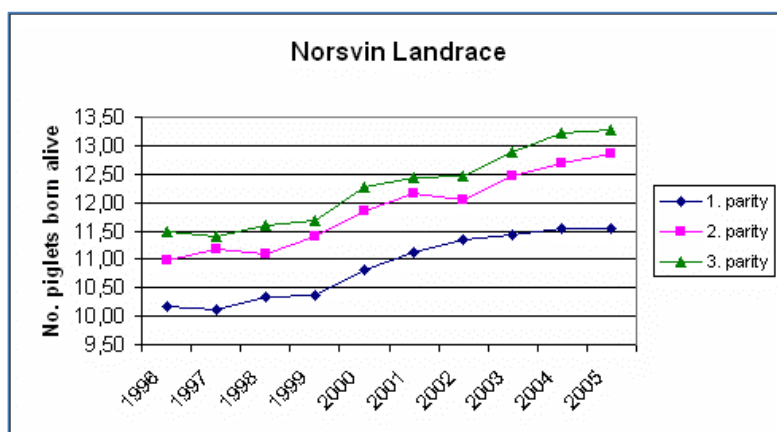


Figure 3 Number of piglets born live ([www.norsvin.no](http://www.norsvin.no))

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At the same time, Norsvin Landrace has developed to be a very lean and efficient breed. This combination probably makes Norsvin Landrace the best Landrace in the world (Sæther, 2002).

#### **1.4.1.2 Norsvin Duroc**

According to Norsvin information, Norsvin Duroc genetic parameters include outstanding combination of meat quality and leanness, siring robust piglets and market hogs with high growth rate and feed efficiency.

Norsvin's Duroc is being developed to ensure maximum genetic and phenotypic progress on production- and carcass traits, without reducing meat quality. The nucleus population of the Norsvin Duroc comprises almost 800 sows in nucleus herds in Norway. Their main role is to run the nucleus breeding program and deliver candidates to the station testing. A total dissection of sibs of potential selection candidates ensures high quality data on meat quality as well as a variety of carcass traits. Annually, approximately 1.100 pure Norsvin Duroc are dissected to get high accuracy on relatives breeding values ([www.norsvin.com](http://www.norsvin.com)).

#### **1.4.1.3 Norsvin LD**

Norsvin LD genetic parameters include an outstanding growth rate and feed efficiency, siring of robust piglets and market hogs as well as superior ability to combine exceptional leanness with good meat quality.

Norsvin LD provides robust piglets and an efficient marked hog, which are highly requested by the meat industry. Norsvin LD sired pigs combines the efficiency and meat quality of Norsvin Duroc with the leanness, efficiency and growth potential of Norsvin Landrace. Norsvin LD combines the efficient lean growth of Norsvin Landrace with the meat quality and the robustness of Norsvin Duroc. Norsvin LD is produced from Norsvin Elite Duroc semen on Norsvin Landrace sows selected on production, carcass and meat quality traits.

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#### **1.4.1.4 Norsvin Yorkshire**

Norsvin Yorkshire is claimed to be the perfect heterosis match to Norsvin Landrace that brings both robustness and soundness. Norsvin has been collaborating with FABA in Finland with the Yorkshire breeding. As from 2006, Norsvin work together with Quality Genetics in Sweden on the Yorkshire breeding to increase the annual genetic and phenotypic progress of the breed. The aim is to build the Swedish Yorkshire population to the same size as the Norsvin Landrace population, and to have more or less the same breeding goal for the Yorkshire as for Norsvin Landrace. Norsvin imports semen from the very best Yorkshire boars into one boar multiplying unit in Norway to produce boars for the Norsvin boar stud. Semen from these boars is then used to produce the commercial parent female, the Norsvin LY gilt.

#### **1.4.2 Norsvin market presence**

After several decades of intensive selection, the Norsvin population has gained in international focus ([www.ifaj2006.com/sitefiles/92/norsvin.pdf](http://www.ifaj2006.com/sitefiles/92/norsvin.pdf)). Norsvin has the exclusive right to market and distribute Norsvin genetics, technology and know-how outside Norway. The Norsvin genetics is especially appreciated by vertically integrated companies, controlling the entire chain of value of the production of pork.

The company has four core markets: the Nordic countries, the Baltic countries, Central Europe and North America. Norsvin is the only provider of genetic material to Iceland. In Sweden, Norsvin has a 100% market share on the maternal Landrace and 30 % on the terminal market with Norsvin LD boar. In Finland, Lithuania and Estonia Norsvin provides genetics to 60%, 50% and 40% respectively of the total market. In North America Norsvin is working closely with several of the largest providers of gilts and pork in the USA and in Canada.

From 2009 Norsvin is also present in Spain. Norsvin distributes genetic material for production of the gilts, boards and semen for the Portuguese markets as well. To be able to meet the demands of the global market, Norsvin strategic plan focus on two main aspects: keep the unique health situation and keep focusing on applied R&D and biotechnology ([www.ifaj2006.com/sitefiles/92/norsvin.pdf](http://www.ifaj2006.com/sitefiles/92/norsvin.pdf)).

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## 2. Materials and methods

The purpose of this master thesis is to conduct market research on the pig breeding sector in Ukraine for the Norwegian swine genetic company Norsvin. Data was collected during a ten months period. Data gathering has involved collecting information using internet-based and literature tools as well as field research. The collection of data has been done by web and literature reviews as well as mail, personal and telephone interviews, conference attendance (“Profitable pig production” Kyiv, 2009) and personal visits to relevant institutions (National Agricultural University in Kyiv, pig breeding institute in Poltava etc.). Meetings with persons involved in Ukrainian pig breeding were held during the data gathering period, included Gnatuk M., administrative director of “Tvarynprom”, Vernitskiy M., ProAgro, Loza A., Agro-Souz, Loxov V., Biomin, Kudlay N., Elita, Demchenko O., Statistical State Committee of Ukraine and Grushanka N., veterinarian, PhD NAU.

This master thesis is primarily based on a qualitative analysis of statistical data and marketing surveys. The macro-environment of the pig breeding market was analyzed through evaluation of social, technological, economical, ecological and political factors. In addition, SWOT analysis was used to evaluate Norsvin business opportunity in Ukraine. The SWOT analysis technique is credited to Albert Humphrey who led a research project at Stanford University in the 1960s and 1970s using data from leading companies involved in long range planning processes. The original goal was to identify why corporate planning failed ([www.cipd.co.uk/subjects/corpstrtg/general/swot-analysis.htm](http://www.cipd.co.uk/subjects/corpstrtg/general/swot-analysis.htm)).

I used PESTLE framework (Jonson, 2008) for analysis of the political, environment, social, technological, business and environmental factors in Ukraine. PESTLE analysis is a tool for understanding the industry situation as a whole and is often used in conjunction with a SWOT analysis to assess the situation of an individual business. PESTLE stands for “Political, Economic, Sociological, Technological, Legal and Environmental” factors. A PESTLE analysis is a business measurement tool for understanding market potential and situation, particularly indicating growth or decline and as such the position, potential and direction for a business ([www.businessballs.com](http://www.businessballs.com)).

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### 3. Results

#### 3.1 Societal factors affecting foreign business development in Ukraine

Ukraine is situated in the central part of Europe at the crossroads of major transportation routes from Europe to Asia and from Scandinavia to the Mediterranean region. It borders to Russia to the east; Belarus to the north; Poland, Slovakia, and Hungary to the west; Romania and Moldova to the southwest; and the Black Sea and Sea of Azov to the south. Ukraine is the second largest country in Europe after Russia with a land area of 603,700 sq km.

The country’s administrative structure comprises 24 regions and one autonomous republic of Crimea. The city of Kiev is both the capital and the largest city of Ukraine with population 2.8 million people (<http://en.wikipedia.org/wiki/Ukraine>). Other big cities of Ukraine are Kharkiv, Dnipropetrovsk, Donetsk, Odesa and Lviv (Pic.1).



Picture 1 Regions of Ukraine and autonomous republic of Crimea

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Ukraine is a republic under a semi-presidential system with separate legislative, executive and judicial branches. The official language is Ukrainian, which is the native language of 67, 5% of Ukraine's population (Government portal of Ukraine [www.kmu.gov.ua](http://www.kmu.gov.ua)). Russian is the native language of 29, 6% of Ukraine's population and widely spoken, especially in cities, due to many decades of Ukrainian membership in the part of U.S.S.R. Russian is the primary business language in the big cities. The dominant religion in the country is Eastern Orthodox Christianity.

### **3.1.1 Demographic situation in Ukraine**

Ukraine is home to 46.2 million people, 68% represents urban and 32% - rural population. The 77.8 % of who are ethnic Ukrainians, with sizable minorities of Russians, Belarusians and Romanians ([www.ukrcensus.gov.ua/eng/](http://www.ukrcensus.gov.ua/eng/)).

Ukraine is the fifth most densely populated country in Europe (only after Germany, Italy, Great Britain and France) and the 21st most populated country in the world.

Approximately 7 % of Europe's population live in Ukraine ([www.kosivart.com/eng/index.cfm/do/ukraine.population/](http://www.kosivart.com/eng/index.cfm/do/ukraine.population/)).

At the time of its independence from the USSR in 1991, Ukraine had a population about 52.2 millions and was the sixth biggest country in Europe. Since 1993 the population has decreased by 4.6 million (9.7%) during the last 11 years. An aging population, as well as decreased life expectancy will also lead to increased demographic loading on the working population in the coming years ([www.gmdh.net/pop/](http://www.gmdh.net/pop/)). Particularly emigration has a highly negative impact on the Ukrainian economy. Despite the crisis in Ukraine's educational system due to under-funding and shortage of staff, the level of general education is still very high.

Western companies have started to appreciate the "human resource" potential of Ukraine. A well educated, bright, and ambitious young generation can provide much necessary talent for such enterprises as software development, web design, programming, advertising, cartoon and movie making, and many others ([www.state.gov/r/pa/ei/bgn/3211.htm](http://www.state.gov/r/pa/ei/bgn/3211.htm)). Ukraine has about 150 colleges and universities, of which the most important are in Kyiv, Lviv and Kharkiv. There are about 70,000 scholars in 80 research institutes ([www.state.gov/r/pa/ei/bgn/3211.htm](http://www.state.gov/r/pa/ei/bgn/3211.htm)).

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### 3.1.2 Government structure and political situation

Ukraine is a parliamentary-presidential country. With the collapse of the Soviet Union, Ukraine declared independence on August 24 in 1991. Ukraine is a civil law country, and the Constitution of Ukraine provides the framework for its legislative system. The principal body of legislation consists of laws adopted by the Verkhovna Rada (i.e., the Parliament) of Ukraine. The laws are implemented through various normative acts, which are adopted by the relevant government bodies (i.e., the President, the Cabinet of Ministers, Ministries, and State Committees) (<http://www.infoukes.com/ukremb/doingbusiness-bm.pdf>).

The Constitution of Ukraine has the highest legal force (adopted on 28 June 1996) (<http://www.rada.kiev.ua/const/conengl.htm>). The Head of State is the President, elected by popular vote for a five-year term. For more information, please see Appendixes 2, 9 and 10.

### 3.1.3 Economy

Next to Russia, the Ukrainian republic was by far the most important economic component of the former Soviet Union, producing about four times the output of the next-ranking republic. Its fertile black soil generated more than one-fourth of Soviet agricultural output, and its farms provided substantial quantities of meat, milk, grain, and vegetables to other republics ([http://www.ukrainesf.com/inform/dovidky/basic\\_facts.html](http://www.ukrainesf.com/inform/dovidky/basic_facts.html)).

Likewise, its diversified heavy industry supplied unique equipment e.g. large diameter pipes and raw materials to industrial and mining sites in other regions of the former USSR. Nowadays, Ukraine depends on imports of energy, especially natural gas, to meet some 85% of its annual energy requirements.

Shortly after its independence in December 1991, the Ukrainian Government liberalized most prices and created a legal framework for privatization, but widespread resistance to reform within the government and the legislature soon stalled reform efforts and led to some economic setbacks. Output by 1999 had fallen to less than 40% of the 1991



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level. Loose monetary policies pushed inflation to hyperinflationary levels in late 1993. Ukraine's dependence on Russia for energy supplies and the lack of significant structural reform have made the Ukrainian economy vulnerable to external shocks ([www.geographicguide.net/europe/ukraine.htm](http://www.geographicguide.net/europe/ukraine.htm)).

Ukraine is a country with a market economy. After the breakdown of the USSR, the disintegration of economic ties with the countries of the former Soviet Union aggravated the economic situation in the country. In order to reform the economy inherited from the Soviet Union and overcome the deep economic crisis, a process of profound economic transformation was carried out in the 1990s. This reform has brought the following results:

- ✚ Reduced state control of price and commodity markets
- ✚ Introduction of Hryvnya (UAH) currency (September 1996)
- ✚ Conducted privatization (though the share of state and communal property still remains significant in such sectors as communal services, railroads, and fuels extraction and transportation industry)

Following eight years of declining GDP, the Ukrainian economy grew at an annual rate exceeding 7% from 2000 to 2008. Some momentum has been lost; however, as needed economic reforms have not fully progressed. Growth for 2008 was 2.1%, while 2009 recession is expected to be greater than 10%. The Ukrainian Parliament has adopted the protocol on WTO accession (May 16, 2008). Ukraine is also expected to sign a free trade agreement with the European Union within the next 2-3 years ([www.agribusiness.kiev.ua/en/analytics/1253542679/](http://www.agribusiness.kiev.ua/en/analytics/1253542679/)).

### **3.1.4 Ukraine GDP**

Most countries in Eastern Europe recorded low levels of growth in purchasing power in 2008. In terms of purchasing power, inhabitants in eastern European countries with weak economies are lagging far behind those in Western European countries. For example, a 7.5% increase in purchasing power in Norway will give an estimated increase per inhabitant of EUR 1,700 per year.

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By contrast, 13% rise in the Ukraine purchasing power corresponds to a rise of just less than 200 EUR. In total, Ukrainians with their per capita annual purchasing power of EUR 1,688 have only nine percent of the amount of which German consumers have at their disposal

([www.gfk.com/group/press\\_information/press\\_releases/003201/index.en.html](http://www.gfk.com/group/press_information/press_releases/003201/index.en.html)).

### **3.1.5 Infrastructure**

Ukraine has a well-developed transport infrastructure and is readily accessible by land or air. The transport network of Ukraine is dominated by railways, which total 23,350 kilometres (14,510 miles). It also has 273,700 kilometres (170,077 miles) of highways, 86 percent of which are paved ([www.nationsencyclopedia.com](http://www.nationsencyclopedia.com)). There is a relatively well-developed air transport communication system in Ukraine. Ukraine has more than 180 airports with most international flights landing at Boryspil International Airport, which is approximately 29 km from Kiev.

Other main airports in Ukraine include Zhulyany Airport (domestic) and Gostomel Airport (cargo). Ukraine has many regional airports that make travel between its cities convenient and affordable. Approximately 60 international air carriers serve the Ukrainian market including Delta, KLM, Lufthansa and Air France. For domestic flights within Ukraine travellers rely upon the national airlines, Ukraine International Airlines and regional carriers such as Air Ukraine. Ukraine International Airlines home page is [www.ukraine-international.com](http://www.ukraine-international.com). Wizz Air Ukraine is the first airline that flies directly from Kiev to Sandefjord Airport Torp, with three weekly rotations ([www.wizzair.com](http://www.wizzair.com)).

### **3.1.6 The Banking system**

The principal legislative acts governing the Ukrainian banking sector are the Law of Ukraine “On the National Bank of Ukraine” dated 20 May 1999 and the Law of Ukraine “On Banks and Banking Activity” dated 7 December 2000. These laws provide for a two-tier banking system, the first tier consisting of the NBU, the second tier of commercial banks ([www.bakernet.com](http://www.bakernet.com)).

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For more information on the Ukrainians banking system and national currency status, please see Appendix 11.

### 3.1.7 The labour force

Employment conditions in Ukraine are generally governed by the Labour Code. The social security system in Ukraine covers pensioners, workers and their dependants for work-related accidents, illness, retirement, death and disability benefits, sickness and maternity benefits, medical care, severance benefit, and for child and family allowances. Obligatory contributions to Ukrainian social security and pension funds only apply for salaries paid through the payroll of a Ukrainian entity or the Ukraine representative office of a foreign entity. Voluntary contributions to the State Pension Fund, the Employment Insurance Fund and the Social Security Fund are also possible (Monastyrskyy, 2009).

### 3.1.8 Corruption level and business ethics

Based on independent assessments by foreign financial companies working in the Ukrainian market, corruption in Ukraine is a serious problem. According to Transparency International, the global civil organization leading the fight against corruption, Ukraine is ranked 146-th out of 180 countries ([www.transparency.org](http://www.transparency.org)). The Corruption Perceptions Index (CPI) shows a country's ranking and score, the number of surveys used to determine the score, and the confidence range of the scoring (Tab.1).

Rank	Country/Territory	CPI 2009 Score	Surveys Used	Confidence Range
2	Denmark	9.3	6	9.1 - 9.5
3	Sweden	9.2	6	9.0 - 9.3
6	Netherlands	8.9	6	8.7 - 9.0
8	Canada	8.7	6	8.5 - 9.0
8	Iceland	8.7	4	7.5 - 9.4
11	Norway	8.6	6	8.2 - 9.1
14	Germany	8.0	6	7.7 - 8.3
14	Ireland	8.0	6	7.8 - 8.4
17	United Kingdom	7.7	6	7.3 - 8.2
19	United States	7.5	8	6.9 - 8.0
32	Spain	6.1	6	5.5 - 6.6

49	Poland	5.0	8	4.5 - 5.5
52	Lithuania	4.9	8	4.4 - 5.4
79	China	3.6	9	3.0 - 4.2
139	Belarus	2.4	4	2.0 - 2.8
146	Russia	2.2	8	1.9 - 2.4
146	Ukraine	2.2	8	2.0 - 2.6

**Table 1 Worldwide Corruption Perceptions Index (CPI)**

In Ukraine corruption differs significantly between sectors. In modern service-oriented industries this problem is relatively small, but it is big challenge in old large sector like metallurgy, for instance, where more local investors are involved (Iermolenko & Kurtmollaiev, 2010).

### 3.1.9 Customs administration of Ukraine

Business entities engaged in export/import operations are required to obtain accreditation at the customs office, which serves the area in which the company is located. *The State Customs Service of Ukraine* ([www.customs.gov.ua](http://www.customs.gov.ua)) is a specially authorized central body of executive power in the area of customs practice that was created in 1991 with the mission to direct, coordinates and controls the activities of customs authorities, specialized customs institutions and organizations in implementing the laws of Ukraine on customs practice. For more details please, see Appendix 12.

### 3.1.10 Trade

Ukraine became the 152nd member of the World Trade Organization (WTO) on 2008. The WTO is the only international body dealing with the rules of trade between nations ([www.wto.org](http://www.wto.org)). WTO accession marked the end of 15 years of negotiations and is expected to promote serious liberalization of Ukraine's trade regime ([www.ustr.gov/sites/default/files/uploads/reports/2009/NTE/asset\\_upload\\_file801\\_15511.pdf](http://www.ustr.gov/sites/default/files/uploads/reports/2009/NTE/asset_upload_file801_15511.pdf)).

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Upon becoming a WTO Member, Ukraine applied new lower MFN rates to all goods originating from WTO Members. Ukraine now applies the full rate to imports from only a few countries which are not WTO members. Preferential rates are applied to imports from 12 countries with which Ukraine has a Free Trade Agreement (FTA) or other preferential trade agreement, mostly from the CIS. Import duties are calculated in accordance with the law "On the Customs Tariff of Ukraine" ([www.ustr.gov/sites/default/files/uploads/reports/2009/NTE/asset\\_upload\\_file801\\_15511.pdf](http://www.ustr.gov/sites/default/files/uploads/reports/2009/NTE/asset_upload_file801_15511.pdf)).

### **3.1.11 Foreign Policy**

Ukrainian foreign policy after independence tries to balance between Russia and the West. Much time has been dedicated to raising the country's international profile and making clear Ukraine's ultimate desire to join the European Union and for closer ties with multinational organizations. Ukraine has established diplomatic relations with approximately 170 countries. The country is a member of the United Nations, the IMF, the World Bank, the EBRD, the Council of Europe, as well as a number of other international organizations, and cooperates closely with the Organization for Economic Cooperation and Development ([www.olcilaw.com/pdf/%5B428b1001e30db%5DDoing%20Business%20in%20Ukraine%20E.pdf](http://www.olcilaw.com/pdf/%5B428b1001e30db%5DDoing%20Business%20in%20Ukraine%20E.pdf)). More information about foreign economic activity is available in Appendix 7.

### **3.1.12 Foreign Relation of Norway and Ukraine**

Relations between the territories of present-day Ukraine and Norway can be traced more than a thousand years back in time. Norway recognized Ukraine's independence in 1991. In 1992 Ukraine and Norway established diplomatic and formal relations. Both countries are full members of the Council of Europe and have an embassy in Kiev and in Oslo ([http://en.wikipedia.org/wiki/Norway%E2%80%93Ukraine\\_relations#Ukraine](http://en.wikipedia.org/wiki/Norway%E2%80%93Ukraine_relations#Ukraine)).

Norwegian Embassy in Kiev has a trade representative assigned to help Norwegian trade and industry find opportunities in the Ukrainian market. Special focus areas are

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tourism, seafood, mining, hydro power, bio energy, shipping and the maritime sector, and petroleum. Telecommunications and information technology are already very promising and developing areas of Norwegian-Ukrainian cooperation. The Embassy works to ensure that Norwegian investors in Ukraine adhere to law, ethical standards and international norms ([http://www.norway.com.ua/Embassy/info/Innovation Norway/](http://www.norway.com.ua/Embassy/info/Innovation%20Norway/)).



**Picture 2 Norway and Ukraine on the Europe map**

Also, the Norwegian government supports cooperation with Ukraine bilaterally and through international organisations, such as the United Nations (and its specialised agencies), the Organisation for Security and Cooperation in Europe, the Council of Europe, the North Atlantic Treaty Organisation, the European Free Trade Association, etc ([www.norway.com.ua/Embassy/info/Grants and projects/](http://www.norway.com.ua/Embassy/info/Grants%20and%20projects/)).

A Norwegian-Ukrainian Chamber of Commerce is involved in activities aimed at supporting bilateral business development. More information is available in Appendix 1.

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### **3.1.13 Intellectual Property Regulation**

Ukraine has already established a comprehensive legislative system for the protection of intellectual property rights. Ukraine is a member of the Universal Copyright Convention (May 1973) and the Convention establishing the World Intellectual Property Organization - WIPO (April 1970). After independence, Ukraine became a signatory to a number of key international conventions. In addition, Ukraine has adopted laws regarding protection of rights in inventions, utility models, industrial designs, brand names and marks for goods and services etc. The protection of intellectual property in Ukraine has developed quickly along the lines of that in other European countries, based on the same principles and general rules of the major international treaties. Ukraine is a member state of the European system of protection of intellectual property rights created by the Paris Convention on Protection of Industrial Property and the Bern Convention on Protection of Copyright and Neighbouring Rights (Amblard & Lindner, 2001). The Constitution of Ukraine adopted in 1996 protects the results of intellectual activity of people as their exclusive property. The functions of the Ukrainian Patent and Trademark Office are vested in the State Intellectual Property Department of the Ministry of Education and Science of Ukraine (the Department). The Department is responsible for the following: carrying out the examination of industrial property applications; maintaining a system for the search and examination of industrial property applications; and granting patents and certificates on industrial property objects, as well as certificates with respect to copyright objects. The Department also certifies patent/trademark agents and maintains registries of patents, trademarks, and other intellectual property objects, as well as of certified patent agents (Baker & McKenzie, 2009). For more details on intellectual property right, please see Appendix 13.

### **3.1.14 Land ownership**

The Constitution of Ukraine has established two forms of land ownership: public and private. Public property consists of state property and municipal property. The principal law governing land issues in Ukraine is the Land Code of Ukraine (the Land Code), which entered into force on 1 January 2002. The Land Code applies to all types of land in Ukraine. It governs the legal relations of Ukrainian and foreign individuals and legal

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entities, state-owned companies, Ukrainian state and municipal authorities, and foreign states and international organizations, in the area of the ownership, use and disposition of land in Ukraine. The Land Code clearly distinguishes between agricultural and non-agricultural land, and establishes specific legal treatment for each type of land. The Land Code appears not to grant the right to own any land in Ukraine to Ukrainian companies with 100% foreign investment. It stipulates that only those Ukrainian legal entities which have been founded by Ukrainian individuals or legal entities and joint ventures may own land in Ukraine. However, the Land Code does not contain similar restrictions with respect to the lease of land by Ukrainian legal entities with 100% foreign investment (Baker & McKenzie, 2009). More information about land owning right is available in Appendix 14.

## **3.2 Agriculture in Ukraine**

### **3.2.1 General overview**

Ukraine has total area of 603.000 sq km, 55% of which is composed of arable land and 12% grassland. Ukraine is one of the richest soils and agricultural productivity in the world. Estimates show that one quarter of world black soil reserves are located in Ukraine. The climate of Ukraine is moderate continental. In the southern coastal area of Crimea, it is subtropical, similar to the Mediterranean. In the winter and autumn the weather depends on the activity of cyclones; as snow often melts. The average air temperature in the Northwest in January, which is the coldest month of the year, is to -7°C. In the southern coast of Crimea temperature fluctuates from +2 to +4°C. The primary food harvest products are barley, maize, potatoes, rice, soybeans, sugar beets, and wheat. Ukraine is one of the six world largest exporters of grains, supplying to 80 countries worldwide. The country is also the biggest exporter of sunflower oil and has substantial potential in growing and exporting rapeseed. The primary meat products are beef and veal, lamb, pork, chicken, horse and rabbit ([www.nationsencyclopedia.com/economies/Europe/Ukraine-AGRICULTURE.html](http://www.nationsencyclopedia.com/economies/Europe/Ukraine-AGRICULTURE.html)). Organizational structures are still problematic due to the Soviet past the land reform have not been very successful up till now.



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In 2001 a new land code was passed allowing domestic legal entities as well as domestic natural persons to purchase arable land subject to a limit of 100 hectares between 2005 and 2010. Officially the agricultural sector accounts for 15% Gross National Product and among 12% of population works in this industry. The agricultural sector in Ukraine has been reduced by 50% since the disintegration of the Soviet Union as a consequence of the decline of Russian imports. Under conditions of transition to market economy relations, Ukrainian animal husbandry branch and meat processing industry witnessed a period of depression. It was demonstrated by the sharp reduction of cattle and poultry livestock, decrease of production of meat and meat products, ageing of related equipment, distortion of infrastructure and meat markets, increased competition from the side of foreign producers of meat and meat products. Now, however, in some sectors, Ukrainian agricultural is showing clear signs of recovery from its crisis (Cramon-Taubadel et al., 2004).

### **3.2.2 Structure of farm ownership**

There are two major forms of agricultural structures. The first is private family farms, which emerged for the first time in the late 1980's, consisting of small-scale production units. The second type is large-scale agricultural enterprises, which inherited many of the assets and resources of the former collective agricultural farms. In 2000, state and collective farms were officially dismantled and farm property was divided among the farm workers in the form of land shares. Most new shareholders leased their land back to newly-formed private agricultural associations (<http://wdc.org.ua/en/node/29>). The number of farms has been decreasing meanwhile their size and product volumes have been growing. This is explained by the fact that larger farms have higher productivity and profitability levels, which provide the ground for this extensive expansion.

### **3.2.3 Current situation in agriculture**

The agricultural sector has a major role in Ukraine in Ukraine's economy, and contributes nearly 15% to the GDP ([www.wikipedia.org](http://www.wikipedia.org)). Furthermore, it is often the only industry creating jobs in rural areas of Ukraine. At the moment the industry's most pressing problems are the lack of financial recourses and low mechanisation. Obtaining

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credit is particularly expensive and the almost non-existence of an insurance market only adds to the problems. In addition, for family farms, an important topic is how to gain access to more know-how. Ukrainian agricultural businesses are currently at the beginning stage of developments. Due to the extraordinary quality of the soil and a considerable number of large enterprises, these businesses will be able to compete on the international market once minor sanitary standards are introduced. Small private family farms have also a wealth of possibilities in niches and, as developed during the last year's shows, they are also showing a surprising trend of being able to take advantage and use these possibilities.

Based on economic indicators measuring Ukrainian agriculture it is noteworthy that in the period from January 2010 to the same month last year, the total production of agricultural products increased by 5.4 %. In the same period the average selling price of agricultural products in rose almost by 30 %, including livestock by 16 %, and crop production by 70 %. Such dynamics is caused mainly due to rising price for wheat, corn and sunflower ([www.economy-ukraine.com.ua](http://www.economy-ukraine.com.ua)).

### **3.3 Pork production in Ukraine, past and presence**

Ukraine has an old tradition and experience in pig breeding and pork was a part of national kitchen comparable to salmon in Norway. During the Soviet period Ukraine was the major supplier of meat for over 200 million consumers. In 1981, the country produced 2.067 million tons of pork in slaughter weight. In 1971, Ukraine had over 21.4 million pigs. In Soviet time Ukraine was developing and introducing high technologies in pig production and had bred many local breeds of sows that were raising on large pig farms (up to 100 thousand pigs each) (Zarudna, 2006). Before political changes in 1990, pig breeding was practiced on large, industrial units.

Current day Ukrainian pig breeding is now lagging far behind world leaders like China, USA, Denmark, Brazil and Germany ([www.thepigsite.com](http://www.thepigsite.com)). Since 1989 the number of pigs has dramatically fallen resulting from the decision to dismantle the system of large-scale production based on collective ownership on land, and to emphasize private farming in view of higher productivity of individual small farms which existed at that time. The reduction in the number of pigs continued, and dropped threefold to mere 6.5

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million heads by the end of 2004, while the pork production decreased 2.7 times to 0.8 million tons (Zarudna, 2006).

According to estimations of Statistic State Committee, Ukraine has more pigs in 2010 than at the start of 2009. Ukraine's pig industry recorded 7.14 million pigs in January 1 of 2010, an increase of 9.3% from January of 2009 according to preliminary figures from Ukraine's State Statistics Committee ([www.ukrstat.gov.ua](http://www.ukrstat.gov.ua)). The rise in the number of pigs, compare to the past year, was registered in the majority of Ukrainian regions, especially in Mykolaiv (+23%), Ivano – Frankivsk (+ 29.1%) and Donetsk (+ 21.8 %) regions. The highest number of pigs at the beginning of 2010 was recorded in the Dnipropetrovsk region, totalling 507,000 heads (Tab. 2). Compare to the December 2008, the number of pigs at all pig breeding farms rose by 9.3 % ([www.pigua.info](http://www.pigua.info)).

Profitable production of swine in 2009 was influenced by the 2008 good crop's yield and led to significant changes in swine sector. The total grain crop reached a record high 53.3 million tons. A similar best result was registered in 1991 (51 million tons) during time when Ukraine was part of Soviet Union. The bumper crop is a result of significant investment in crop production as well as extremely favourable weather condition (Tarassevych, 2009).

<b>Regions, Ukraine</b>	<b>Head pigs, thousands</b>	<b>%, 1 February 2009 to 1 February of 2010</b>
Dnipropetrovsk	507,1	112,3
Cherkasy	459,3	113,4
Kyiv	458,6	107,4
Donetsk	441,5	121,8
Vinnytsia	382,1	107,0
Poltava	332,1	113,0
Zaporizje	323,7	106,6

Odesa	323,4	114,1
Ternopil	316,0	103,4
Volyn	307,9	99,5

**Table 2 Top ten regions in Ukraine**

Source: [www.ukrstat.gov.ua](http://www.ukrstat.gov.ua)

It is to be noted that state statistic committee of Ukraine has shown newer information about pig production in March of 2010. This data confirmed that cattle stock was down but pig stock and poultry up. The pig stock grew by 1.115 million heads against its number for the same period of the previous year ([www.inter-expo.org/InterAgroBusiness\\_News.htm](http://www.inter-expo.org/InterAgroBusiness_News.htm)).

Results in pig breeding last year grow up but for such big Ukrainian market it is not efficient changes (<http://pigcongress.org/2010/eng/index.php#hMenu>).

### 3.4 The “pork chain” in Ukraine

For analysis of current situation in the pig breeding sector in Ukraine, I have investigated each component step in the “pork chain” described in chapter 1.2 of this master thesis.

#### 3.4.1 Breeding

All breeding pigs in Ukraine were registered in National system for animal identification and registration in Ukraine. The state governmental bodies in the animal identification carry out the registration of the animals in all types of farms ([www.icar.org/Documents/Kuopio\\_Presentations/FAO ICAR Seminar/Ukraine.pdf](http://www.icar.org/Documents/Kuopio_Presentations/FAO_ICAR_Seminar/Ukraine.pdf)). More information about state registration of animals in Ukraine is in Appendix 18.

According to results of re-certification in 2009, the breeding base of Ukrainian pig breeding comprises of 591 breeding farms - 89 of them are vertically integrated

breeding complexes ([www.minagro.gov.ua/?lng=E](http://www.minagro.gov.ua/?lng=E)). It should be noted that status of players in the selective breeding arena is to be certified annually and thus their numbers is constantly changing.

The best part of the pig breeding stock is concentrated in breeding complexes. The main regions are Odesa (47 breeding farms), Kyiv (46), Dnipropetrovsk (45), and Vinnytsia (41) regions. The least significant role in pig breeding business play: Rivne (10), Luhansk (10) and Ivano-Frankivsk (6) regions. The plants where best breeding herd of pigs are concentrated are the following:

<b>Breeding plants</b>	<b>Breeds</b>
Breeding plant of a pilot farm "Elit" of Mironivskiy institute of wheat named after V.M.Remeslo, Kyiv region	Ukrainian Meat
Pilot farm "Tahtaulovo" of institute of pig breeding named after A.V Kvasnevskiy, Poltava region	Poltava Meat
Breeding plant of open company "Kolos-2002", Luhansk region	Poltava Meat
Breeding plant "Mayak", Khmelnytskyi region	Large white
Breeding plant "Agro-Ram LTD." Dnipropetrovsk region	Ukrainian Meat
Breeding plant "Krasnaya zvezda", Donetsk region	Large Black
Breeding plant "Agroindustrial Company LTD." Zaporizhia region	Large Black, Landrace
Join-Stock Company "Freedom Farm International" Kherson region	Large White
Breeding plant "Steppe", Zaporizhia region	Duroc
Breeding plant "Shabolat", Odesa region	Ukrainian Meat
Breeding plant "Pershe Travnia" Sumy	Mirgorodska

region	
Breeding plant "Askania Nova", Kherson region	Ukrainian Steep White
Breeding plant "Samarsky", Dnipropetrovsk region	Ukrainian Meat
Breeding plant "APK Donetsk LTD", Donetsk region	Landrace

**Table 3 Main pig breeding plants in Ukraine [www.ukrstat.gov.ua](http://www.ukrstat.gov.ua)**

### 3.4.1.1 Domestic breeds

The 13 main breeds of pigs are raised in the farms of Ukraine. The most widespread Ukrainians pig breeds are the Large White, Ukrainian steppe white, Ukrainian Spotted Steppe and Ukrainian meat breed. Researchers of the Poltava Swine Breeding Institute have developed Ukrainian meat breed (Dmitriev & Ernst, 1989). This breed occupies about 4.7% of all livestock in Ukraine. Pigs of this breed are produced by 20 breed farms, including 7 breeding plants.

The Ukrainian steppe white breed occupies about 3.3 %. Animals of this breed are concentrated on 19 breeding farms, including 5 breeding plants. The Poltava meat breed makes up about 2.9% of all pigs in Ukraine. Mirgorodskaja breed consist of 2.3% and pigs of this breed are raised in 12 breeding farms, including 2 breeding plants.

The most widespread foreign pig breeds are the Large White, Landrace, Duroc and Wales. The Large White, also known as the English Large White is one of the most widespread breeds in Ukraine as well as other countries. Large White is over 80% of total swine livestock in Ukraine.

The other most widespread breed of foreign selection in Ukraine is Landrace pigs. The share of this breed is about 3.1% of total livestock. Landrace are bred in various regions in Ukraine by 7 breeding farms.

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The main channel for sale of breeding animals is currently by purchasing directly from breeding farms. Auctions selling pigs have become more and more popular and are organized within the framework of agricultural exhibitions, both international and regional ([www.pigua.info](http://www.pigua.info)).

#### 3.4.1.2 Foreign pig breeding companies operating in Ukraine

**Hypor** ([www.hypor.com](http://www.hypor.com)) together with the distribution company of swine genetic in Ukraine **Servolux** ([www.servolux.com](http://www.servolux.com)) have established a joint venture company and started a local pig breeding centre for the production of parent stock on the territory of Ukraine (<http://servolux.com/breeding-pig/servolux-genetic/>).

**UPB LTD** is a daughter company of UPB and was established as a Ukraine registered company in 2006. The company has established both nucleus and multiplication production to produce UPB main product lines for sale in Ukraine ([www.itapg.com/cis/html/about\\_us.html](http://www.itapg.com/cis/html/about_us.html)). UPB LTD operates from regional office in Kiev. According to ProAgro news service UPB is currently engaged in designing and providing integrated breeding programs for the larger independent agribusiness ([www.proagro.ua](http://www.proagro.ua)).

Danish **DanBred** plays important roles in Ukrainian pig sector. Through this company Ukrainian farmers get an opportunity to build strong cooperation between the two nations based on Danish technologies and genetic materials (<http://www.danbredint.dk/view.asp?ID=3962>).

Belgian pig breeder **Rattlerow Seghers** has signed a deal to step up pig production in Ukraine. Agricultural services in both countries worked closely together to make this happen. In 2009, 192 breeding sows were shipped to “Elita” farm in Ukraine. This was the first delivery of a complete nucleus collaboration program between both companies and first shipment ever of breeding stock from the Benelux to Ukraine (<http://www.rattlerow-seghers.com/en/news/>).

“Elita” is leading farm that combine local resources with the best technology and know-how from Western Europe to improve results of pig farming in Ukraine ([www.elita2u.com](http://www.elita2u.com)).

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**JSR** plays a key role in Ukrainian pig breeding and has excellent reputation on the Ukrainian market. According to the information from the leading online news and technical resource within swine industry ([www.thepigsite.com](http://www.thepigsite.com)) the UK-based international pig breeding company JSR Genetics LTD have secured an agreement to supply two of the Ukrainian's largest pig producers with high-breeding stock (Large White and Landrace). JSR exports its livestock to LLC Plemzavod and LLC Evroresurs the large pig breeding farms in Kyiv region and "Vira-1" in the Volyn region. JSR have exported animals to the Ukraine in 2006 to supply "Vira-1" with over 1400 animals. "Vira-1" is a vertically integrated pork producing company that belongs to the agro-industrial group TM Pan Kurchak ([www.pankurchak.ua](http://www.pankurchak.ua)).

Other pig breeding and genetic company Irish **Hermitage** is selling its swine genetics on territory of Ukraine. The [www.thepigsite.com](http://www.thepigsite.com) reported that Hermitage has identified the Ukraine as a key international market for high health genetics, and have successfully exported both breeding stock on a regular basis to customers in the Ukraine from their German Multiplication Units and Golozow AI station. Hermitage will supply purebred and hybrid material lines to Ukraine, while also supplying market leading Maxgro™ terminal boar to sire the slaughter generation ([www.thepigsite.com/swinenews/22466/hermitage-appoints-sales-manager-in-ukraine](http://www.thepigsite.com/swinenews/22466/hermitage-appoints-sales-manager-in-ukraine)).

**PIC** genetics introduced to Ukrainian pig breeders. Swine genetic company PIC operates in Ukraine through production manager Gennady Popa ([www.proagro.com.ua/eng/conferences/pig/](http://www.proagro.com.ua/eng/conferences/pig/)).

**FRANCE HYBRIDES** ([www.france-hybrides.com/uk/index.php](http://www.france-hybrides.com/uk/index.php)) exports pigs to Ukraine as well. The first export of pigs was made in 2000- 2001 with 150 sows and boars exported in the Odessa region. Since then, FRANCE HYBRIDES has created daughter company FRANCE HYBRIDES-Ukraine in Lviv, West Ukraine. Also, the company has a project in Donetsk region. Mr. Goupir, director of FRANCE HYBRIDES estimates the situation is favourable for selling swine genetics and considers that Ukrainian market is mainly asking for purebred genetics. Mr. Goupir says: *"Ukrainian market has been changed and the country is more open for foreign investment"* (Caldier, 2005).



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The swine breeding company from Netherland **TOPIGS** supply breeding stock to Ukraine. **TOPIGS** working together with local partner “Agro Soyuz” one of the largest integrated agro-holdings in Ukraine (<http://en.agrosoyuz.ua/products/tech-conf-educ/pig-breeding>).

### **3.4.2 Farrowing and finishing farms**

The profitability of farrowing and finishing farms depend on the use of intensive technologies of pig raising and feeding as well as developed own parent herd that so far cannot be afforded by every Ukrainian enterprises even a large-scale one. Before political changes in 1990, breeding was practiced on large, industrial units. After 1990 the situation have changed and according to the Ukrainian ministry of statistics around 60 % of the pig population are concentrated in small privet farms (backyard farms) with remaining 40% in big industrial farms. Ukraine has about 3 million microforms’ with only several animals. Such local production sites as usual use low-quality swine genetic materials. Balanced diet and good genetics are not common on such farms ([www.thepigsite.com/articles/2398/ukraine-livestock-and-products-2008](http://www.thepigsite.com/articles/2398/ukraine-livestock-and-products-2008)).

Meat from household slaughter (backyard) is sold, as usual, through open-air markets with veterinary post-mortem inspection only. Backyard production is highly dependent on the market price for pork. The backyard farms and their production have negative impact on pig sector. Such farms cannot compete with modern industrial pig breeding farms that are using mostly imported nucleuses or pig genetics from leading genetic companies from England (UPB LTD, JSR, and PIC), Denmark (DanBred) or France (FRANCE HYBRIDES).

Overall, the pig breeding sector is observing positive changes. This can be explained by the use of modern feeding technology using concentrated fodders and quality pig genetics bought by large industrial pig breeding farms and medium farms that have access to foreign investments. The number of large-scale commercial pork producers’ increase in Ukraine few resent years. This kind of activities of the large scale complexes led to the positive results, which is quite positive tendency for Ukrainian pig breeding. Professor Rybalko V. pointed that during last 5 years the tendency towards the shift of

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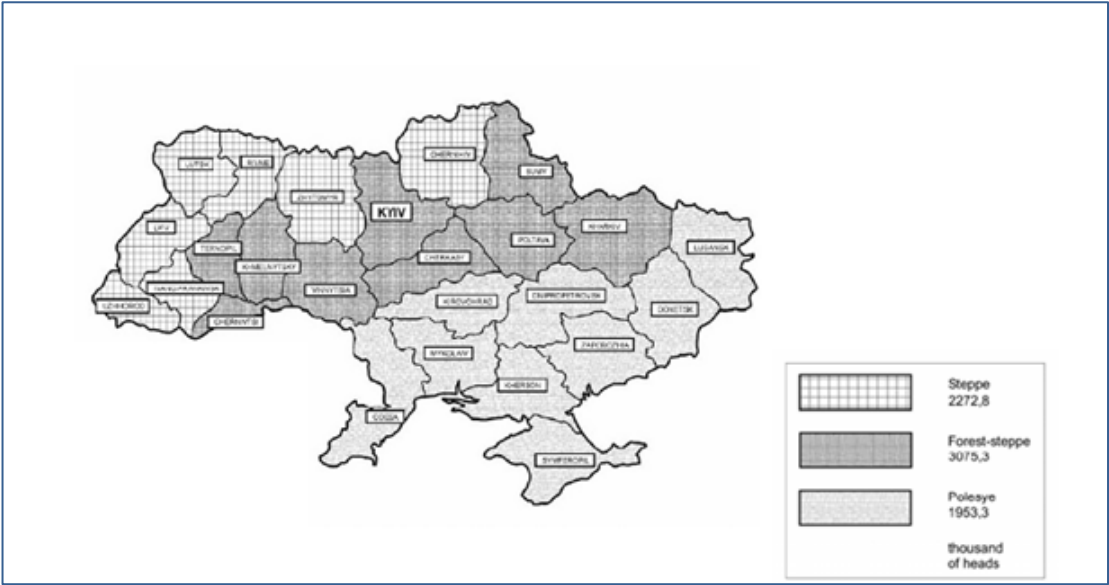
production from small land owners to the reformed agricultural enterprises is being observed ([www.svynarstvo.in.ua](http://www.svynarstvo.in.ua)).

According to the Ministry of finance of Ukraine ([www.minfin.gov.ua](http://www.minfin.gov.ua)) growth of the Ukrainian economy created favorable conditions for large-scale complexes and its increase of livestock, restoration of previously abandoned farms and the complete use of the production facilities of operating complexes. Such big farms appears to be able to cope with the negative factors of pig breeding in Ukraine and survive under conditions of constant price increase for fodder and energy as well as pork imports to Ukraine. But even big pig complexes began to feel the negative impact of these factors in 2007. On the other hand, as result, small unprofitable enterprises left the market and gave more space for profitable companies ([www.proagro.com.ua](http://www.proagro.com.ua)).

Around 40% of pig breeding farms in Ukraine are working effectively, are well managed and competitive ([www.pigua.info](http://www.pigua.info)). Pig breeding for commercial purposes is characterized by high concentration, despite smaller pig population compared to private households. The leaders in Ukrainian pig-breeding branch the agricultural plant “Slobozhanskiy” (Kharkiv region), “Agro-Soyuz” (Dnipropetrovsk region) and “Elita” in Kyiv region that have highly mechanized and automated industrial complexes for pig raising and feeding. Totally, in Ukraine around 13 000 pig production units that operate in pig breeding. The large-scale breeding complexes prefer to work with western breeding material; especially high-quality swine genetics are wanted ([www.svynarstvo.in.ua](http://www.svynarstvo.in.ua)). For example these vertically integrated farms already collaborate with western genetic companies “Vira 1” with JSR, “Elita” with Rattlerow Seghers, “Agro Souz” with TOPIGS, “Chornobaimiaso” with UPB etc.

The major part of pigs’ livestock in Ukraine is concentrated in Steppe and Forest-Steppe regions. Small number of livestock is concentrated in Ukrainian Polesye (pic.3).

TOP-largest manufacturers of pork are concentrated in Kyiv, Dnipropetrovsk, Donetsk, Cherkasy, Vinnytsia and Odesa regions that traditionally have the most favorable conditions for pig breeding. In these regions, the largest meat-processing facilities are also located and consequently. These regions are also regions with a high level of meat consumption (especially in Kyiv) ([www.proagro.com.ua](http://www.proagro.com.ua)).



**Picture 3 Pig livestock in different climate zones of Ukraine, data from 2007**

[www.proagro.com.ua](http://www.proagro.com.ua)

The large-scale commercial pig production and majority of large pig breeding farms are located in Dnipropetrovsk, Kyiv, Donetsk, Zaporizhia and Cherkasy regions of Ukraine. These are the regions where such pig breeding farms as “Eroresurs”, “Kalitiansky” and “Trubizh” are located in Kyiv, “Agro-Ram” and “Agro-Soyuz” in Dnipropetrovsk region, “BAS” and “Shakhtar” in Donetsk region, “Agro-Industrial Company” in Zaporizhia region, “Rus” in Cherkazy region.

In a Norsvin marketing perspective, detailed information about large-scale pork producers in Ukraine are of high importance. Only such companies and their managers are expected to be a potential market for high quality swine genetics, and at the same time keep necessary standards of health and welfare of animals. One of the leaders in the group of large- scale industrial pork manufacturers is the pig breeding farm

“Slobozhanskyi with about 88 thousand heads. “Slobozhanskiy” annually sells about 108.00 heads and produce 6 000 thorough bred replacement pigs for needs of the farm and for sale (<http://www.rada.com.ua/rus/catalog/34749/>).

Another highly integrated large pig raising complex in Ukraine is “Kalitiansky” in the Kyiv region. Amount of pig-raising complex in Ukraine is available in table 4.

<b>Region of Ukraine</b>	<b>Number of pig farms</b>
	<b>All categories of enterprises</b>
Crimea	130
Vinnutsya	314
Volyn	140
Kyiv(city)	10
Kyiv	289
Sevastopol(city)	3
Dnepropetrovsk	189
Donetsk	145
Zytomyr	195
Zakharpattya	28
Zaporizhja	167
Ivano-Frankivsk	39
Kirovogradska	233
Lyganska	137
Lvivska	85
Mykolaivska	171
Odeska	304
Poltavska	239
Rivenska	97
Sumy	199
Ternopil	182
Kharkiv	181
Herson	107

Khmelnysk	290
Cherkasy	241
Chernigiv	222
Chernivci	61
<b>All farms</b>	<b>4398</b>

**Table 4 Amount of all kind of pig farms in Ukraine [www.kmu.gov.ua](http://www.kmu.gov.ua)**

Join Stock company “Agro-Soyuz” used to be a strong pig farm from 1996 and has good chances of growing in the near future. The slaughter pigs from this farm are sold to two meat processing plants located in towns in the region. This company has developed its own integrated model of effective agribusiness. “Agro-Soyuz” technology prescribes a favorable environment and high animal welfare standard for pigs in order to receive better product. Access to water and feed are arranged in such a manner that the animal can use them at any time. Agro-Soyuz is looking for knowhow, technologies and is now investigating into potential supply sources of genetics from all around the world (<http://en.agrosoyuz.ua/products/tech-conf-educ/pig-breeding>).

The Kalyta group of companies, located in the Kiev region is one of the largest pig farms in Ukraine with a complete production cycle, which includes Agricultural Complex Kalyta, Kalyta Experimental Animal Feed Factory, and a horticultural unit of Agricultural Complex Kalyta. Agricultural Complex Kalyta was established in 1974 using. AC Kalyta owns a pig breeding farm and has a complete production cycle – from reproduction to fattening. Its production capacities is 108 thousand heads per year. In recent years, AC Kalyta has modernized its pig fattening unit and developed the program of complete modernization. Currently the animal stock of AC Kalyta accounts for 70 thousand pigs and 10 thousand animals in the breeding unit. The factory produces around 800-900 tons of pork monthly. AC Kalyta employs more than 760 workers.

Kalyta Experimental Animal Feed Factory is an industrial facility with its own processing and storage capacities that can process up to 24 thousand tons in one cycle. It produces animal feed mixes for pig farming and other types of animal feed. The plant can produce up to 400 tons of animal feed per day. It employs 170 workers. The agricultural unit of agro-consortium Kalyta cultivates around 400 000 acres of land and supplies Kalyta feed

factory with raw materials in the scope of 3 thousand tons of grains and 12 thousand tons of corn per year. Kalyta group of companies is currently working on modernizing its production facilities to improve its competitiveness, as well as quality of products. The group also considers further consolidations, in order to launch products of extended processing stages. First of all, it concerns slaughter and meat processing units ([http://smart-holding.ua/en/fields/list.php?SECTION\\_ID=22](http://smart-holding.ua/en/fields/list.php?SECTION_ID=22)).



**Picture 4 Largest vertically integrated pig enterprises in different regions of Ukraine, information provided by ProAgro**

Practically all of large industrial pigs-raising complex and specialized farms are joined under the association “Tvarynprom” (contact information is available in Appendix 3). This corporation is the Ukrainian organization for industrial meat production, helping pig breeding farmers by giving advice about new technologies in swine genetics, fodder, management etc ([www.minagro.gov.ua/page/?718](http://www.minagro.gov.ua/page/?718)). The corporations consist of 43 enterprises from 19 regions of Ukraine. Many large-scale pig farms that joined the association “Tvarynprom”, averaging an estimated 550, 000 to 13, 000 heads per farm.



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Many of them have their own agricultural land where they grow crops. Some of them also have their own plants or production units for pork processing.

### 3.4.3 The meat processing industry



One problem for meat-enterprises over the recent years has been feedstock recourses. Many domestic slaughterhouses and processors have a technology backlog because a lot of uncertainties, as the industry are suffering from the consequences of bird flu, price politics, illegal imports and export and the instable export situation. Currently pork takes about one-third share in structure of meat production in animal industries of Ukraine (Hess et al., 2009).

A significant product deficit led to extremely high domestic prices for red meat and consumption shifted to less expensive poultry products ([www.thebeefsite.com/articles/1670/ukraine-insufficient-production-and-insignificant-imports](http://www.thebeefsite.com/articles/1670/ukraine-insufficient-production-and-insignificant-imports)). Under such conditions, the meat processors find it more profitable to use imported feedstock (including smuggled sold at dumping prices) in order to reduce the cost of feedstock processing and increase profitability of production (<http://www.proagro.com.ua/eng/art/4015922.html>). Furthermore, using the low purchasing capacity of Ukrainian population, many meat-processing enterprises consciously use cheap imported feedstock to manufacture cheap cooked sausages.

In the condition of transition to a market economy, the national meat processing branch came to brink of survival. During the recent years the dynamic increase of investments to Ukrainian food processing industry and in meat packing in particular, promoted restoration of ready-made meat products manufacturing. Such growth is reinforced by growth of revenues of urban population, which are major consumers of processed meat products and meat itself. Restoration of normal operations of meat packing industry enterprises and relatively low purchasing capacity of population gave rise to increase of

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demand for safe cheap raw meat of proper quality in industrial scale volumes on Ukrainian market (<http://ukrexport.gov.ua/eng/economy/ukr/168.html>).

One example of a profitable meat processing company in Ukraine is the Myronivsky meat processing plant, a leading organization on the Ukrainian market. The Myronivsky meat processing plant, known under the subsidiary name of Lehko (organic products are marketed under this brand name), is one of the production departments of CJSC Myronivsky Khiboproduct, more well-known for the manufacturing of feeds and cereals and poultry processing. The new state-of-the-art plant is currently the largest Ukrainian semi-finished meat products enterprise and is the only one of its kind in the Ukraine.

The construction of the facility at one of the company's farms was started in October 2004 and was completed by December 2005. The outfitting of the facility with manufacturing equipment was carried out during 2006 and production was started in March 2006. The facility was constructed on a 4.3 Hectare Greenfield site about 120 km from Kiev and required an initial estimated investment of €17.8m. The demand for products from the factory immediately outstripped its production capacity and in February 2007 more processing capacity was added. The factory was constructed and outfitted by Myronivsky Khiboproduct with support from the Dutch company CFS. In March 2006, the factory was equipped with five industrial lines with a general capacity of 120t per day. The production lines included ready product lines, raw product lines; marinated poultry manufacture lines, minced meat manufacture lines and prepared dinner lines. The facility manufactures convenience products from chicken, beef and pork using raw material which is sourced exclusively from the farms of Myronivsky Khiboproduct; in particular, Agricultural LLC Druzhba Narodiv and the poultry farms Peremoga Nova and Oril-Leader.

The facility employs 179 workers. The opening of the plant in 2006 was a great success and immediately plans were made to expand. By February 2007 two new industrial lines were established at the plant, allowing an increase in capacity of up to 140–150t of convenience meat products per day. The product range is adjusted according to the demand from supermarkets and suppliers and, in the future, the product range of the plant could be expanded to 100 SKUs (stock keeping units). Future plans at the moment include the construction of new industrial workshops specialising in production for



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export. The Myronivsky convenience food plant has a capacity of 140–150t per day and will increase production in the future up to 240t per day of packed poultry, pork, and red meat products. The products will be distributed within the Ukraine and sold under the Lehko brand name. The facility is now one of the most advanced in the meat packing/processing industry and was the result of a joint effort by Myronivsky Khiboproduct and the Dutch company CFS (<http://ukrexport.gov.ua/eng/economy/ukr/168.html>).

Positive trends that became visible in the pig breeding complexes in last year's had a significant impact on the growth of production of pork by meat-processing enterprises. The majority of meat-processing enterprises demonstrated positive figures for all Ukrainian regions. From territory point of view the largest pork production facilities concentrate in the regions with developed pig farm breeding namely in Donetsk, Dnipropetrovsk, Poltava, Cherkasy and Zaporizhia regions. The positive changes can be explained not only by the high level of live pig purchases but also by the fact that some meat-processing enterprises have large fattening farms, including pig farms ([www.proagro.com.ua](http://www.proagro.com.ua)). Other meat plants on the country belong to big vertically integrated holdings that have compound feed plants in their structure (for example, Agro-Souze, Vira 1 and Kalyta).

Ukraine has everything needed to facilitate the production of high-quality meat products. These conditions include suitable climate, revival of the meat packing industry and related increase of demand for the raw stock, growing purchasing power of the population and as a result higher demand for meat and its products on the retail market, aggressive development of chains of retail trade enterprises, which improves the channels of product distribution, as well as the availability of skilled staff and relatively cheap labour (<http://ukrexport.gov.ua/eng/economy/ukr/168.html>).

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### 3.4.4 Customer channels, retail

The profitability and success of Ukrainian agricultural producers depend on how effective their products are marketed. Most producers use only a few distribution channels with varying importance, meanwhile a clear trend is visible: private family farms use different distribution channels than agricultural enterprises. Some products are sold directly to local farmer markets. Open-air markets (bazaars) still play a vital role in retail food marketing. The main reason for the appearance of these marketing channels are probably the low marketing cost and the low transportation cost.

It should be noted that reformed collective farms tended to have more diverse distribution channels than private farms. This fact can be explained primarily by their large production volumes and better developed markets (Kobzev, 2002).

The retail outlets super- and hypermarkets, i.e. discount stores account for around 40 % of the volume of Ukrainian food and drinks purchases, according to Ukrainian statistical data ([www.ukrstat.gov.ua](http://www.ukrstat.gov.ua)).

An example of pork retail is *Ukrainian trade network ltd*. Ukrainian trade network ltd is a national network of brand fresh meat stores, united under one trademark “Miasna Tochka” (in English “Meat Spot”). This commercial organisation “Miasna Tochka” has open stores and has excellent customer service in Lutsk, Rivne, Novovolynsk, Ternopil, Zhytomyr, Ivanychi and Lviv in the west part Ukraine. High level of service is provided due to the personnel training and professional developments. The assortment of the stores is wide range of fresh or chilled pork, sausage, pre-processed food produced by Agro-industrial group “Pan Kurchak”, the company that offers fresh and high quality meat products for reasonable price ([www.pankurchak.ua](http://www.pankurchak.ua)). “Pan Kurchak” is owner of pig breeding farm Vira1 that was mentioned above.

The majority of Ukrainians are not ready to pay a premium price for pork; consumers also have a preference for fresh meat (animal slaughtered the day before sale) that they purchase in open-air markets and chilled pork that is sold in supermarkets ([www.thecattlesite.com/articles/1174/ukraine-livestock-and-products-annual-2007](http://www.thecattlesite.com/articles/1174/ukraine-livestock-and-products-annual-2007)).

No frozen meat is available for sale in retail chains. The World Bank classifies Ukraine as a middle-income state (<http://data.worldbank.org/about/country-classifications/country-and-lending-groups>).

Consumption of pork as other kinds of meat, substantially depend on dynamics of per capita income and level of average meat price. The level of population income is direct factor for price rise. The growth in average incomes of Ukrainians is leads to higher consumption of meat. During the last years the purchasing power of Ukrainian population has been considerably growing (Tab.5). According to the 2008 data, consumption of some agri-food sector increased as well. For example in 2008, meat consumption rose up to 51 kg/capita (Lissitsa, 2009).

Years	2002	2003	2004	2005	2006	2007	2008
Income of population, UAH millions	185073	215672	274341	381404	472061	623289	856633

**Table 5 Income of population in Ukraine [www.minfin.gov.ua](http://www.minfin.gov.ua)**

The price of pork in Ukraine remained relatively stable in 2008-2009 years in local currency (UAH) equivalents, but during the abrupt currency devaluation at the end of 2008 the domestic industry received significantly less money in US dollar. The world economic crisis led to significant currency devaluation and an economic downturn with a consequent real income drop for Ukrainians. It had a negative impacted on trade. The balance of these two factors shaped pork trade in 2008/09 and will influence trade flow in 2010, reports *ThePigSite.com* ([www.thepigsite.com/articles/7/markets-and-economics/2946/ukraine-livestock-and-products-annual-2009](http://www.thepigsite.com/articles/7/markets-and-economics/2946/ukraine-livestock-and-products-annual-2009)).

Since achieving independence in 1991, impressive growth in retail trade increased consumer spending power. Retail stores are present in all major cities but the retail development is strongest in Kyiv, which is mainly due to high number of residents, a higher income level as well as large number of both domestic and international visitors ([http://www.mafcon.com/downloads/extra7-11\\_01.pdf](http://www.mafcon.com/downloads/extra7-11_01.pdf)). "Velika Kyshenya", "Silpo", "METRO Cash & Carry", "Pakko", MegaMaks, Spar, "Furshet", are the largest retail networks in Ukraine (<http://systemgroupinternational.com/index.php?id=23>). More information about main players of the pig breeding and pork market is available in Appendix 5.

**3.4.5 Pork consumption**

Annul pork consumption for Ukrainians is 13 kg per capita a year, according to SSCU while the normal consumption of pork is 28 kg. Before the political changes Ukrainian meat consumption was comparable with Western countries. In 1988 an average Ukrainian consumed 78 kg of meat per capita ([www.evd.nl/zoeken/showbouwsteen.asp?bstnum=141689&location=&highlight=E-business](http://www.evd.nl/zoeken/showbouwsteen.asp?bstnum=141689&location=&highlight=E-business)). In the years after 1990 the meat consumption dropped dramatically (Tab.6). The World research institute ([www.wri.org](http://www.wri.org)) provide information about dynamics of meat consumption in different countries worldwide, including Ukraine.

<b>Years</b>	<b>2009</b>	<b>2007</b>	<b>2000</b>	<b>1999</b>	<b>1997</b>	<b>1995</b>	<b>1994</b>	<b>1993</b>	<b>1992</b>
meat consumption, kg per capita	52,8	42	30,7	32,7	34	40,6	47,8	51,9	62,6

**Table 6 Dynamics of meat consumption in Ukraine; source provided by world research institute**

Active introduction of intensive technologies into pig breeding in last year’s promote the growth of pig breeding industry. It’s facilitated increase of average annual indicators among the pig breeding farms as well as consumers’ consumption of pork and meat products.

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The total meat consumption in 2007 was 42 per capita per year, including 12.8 kg pork per capita a year (<http://www.proagro.com.ua/eng/art/38300.html>).

This brought a Ukrainian consumer closer to average world indicators, although Ukraine is still behind other European state – Hungary (120 kg), Germany (86 kg), Holland (180 kg) and Poland (78 kg). According to information from State Export Support based on resource filling of internal market in 2008, meat consumption per person is estimated to be 52.8 kg a year, up by 15.5% more than in 2007. About 80% of consumption was provided at expense of own production, rest is at expense of imported raw material (<http://ukrexport.gov.ua/eng/economy/brief/ukr/2213.html>).

The consumption of meat in Ukraine strongly depends on buying power of the consumers. In the past years Ukraine's economy was in a recession which had great impact on the meat consumption. The increase of consumer's income led to the growing profitability of national agribusiness over the last years. For example, in 2004 and 2005, strong increase in real incomes stimulated demand for livestock products which in turn contributed to sharp increases in retail prices for meat and milk products ([www.oecd.org/dataoecd/42/8/37617351.pdf](http://www.oecd.org/dataoecd/42/8/37617351.pdf)).

But it was not so significant changes. Due to weak purchasing power and high meat prices, the average Ukrainian consumer only one third of the European Union average. Despite a certain increase of meat consumption in Ukraine the last years, its annual consumption fund is still not sufficient to satisfy the needs of Ukrainian consumers although it has all the grounds for a completely independent provision of meat to Ukrainian population using domestic resources (<http://www.proagro.com.ua/eng/art/4015922.html>). Certain misbalance is created due to the absence of adequate governmental support, restriction on foreign markets (especially Russian markets), constant growth of prices for grain forage, electric resources, high loan rates, investment risks, low purchase prices for meat, limited purchase capacity of population, import of meat and meat products (especially poultry meat) and many other reasons ([www.proagro.com.ua/eng/art/4015922.html](http://www.proagro.com.ua/eng/art/4015922.html)).

#### **3.4.6. Meat quality**

Ukrainian government recently tightened up regulation for safety and quality for meat products to make domestic meat industry close to international and to improve perception of the country's produce. The new Law On safety and quality of food and

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products raw materials (from January 1, 2010) which sets out the legal procedure for assuring safety of food products that are manufactured, distributed, imported and exported significantly reforms the domestic market. This law forbids the slaughter of all market animals other than in registered slaughterhouses. Pork derived from household slaughters will be banned from sale at open-air markets.

## **3.5 Input factors**

### **3.5.1 Feed**



Ukraine is a large producer and a significant net exporter of grains. Ukraine historically was world famous for its rich black soil and supplied grain to the many countries worldwide. The Soviet Union also relied heavily on Ukrainian grain supply. After the fall of Soviet Union Ukraine grain production went into a drastic decline because of a lack of capital, it's only the last five years that investors are waking up to the fact that Ukraine has millions of acres of land not in use. Nowadays, the grain market in Ukraine is regulated by the government. Among the many factors that influence commercial pork production, access to feed grain is by far the most important cost driver for pork production across the globe. Swine production in Ukraine depends mostly on the price for forage and pork. Ukraine has large potential for cultivation crops and excellent access to feed grain. Citing preliminary data of the State Statistics Committee, Ukraine in 2009 has collected 46 million tons of cereals and legumes. In comparison with the data from 2008 it is less in 13.7 % ([www.economy-ukraine.com.ua/?cat=24](http://www.economy-ukraine.com.ua/?cat=24)).

Forecast for next harvest year of 2010 by the agricultural specialists looks promising for grain yield. According to them grain harvest in Ukraine in 2010 will increase by 7-8 % compare to 2009, declared Eugen Leng, the director of Ukrzernoprom Agro LTD.

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His forecast was supported by president of the CJSC Rise Company Vitaliy Tsekhmisterenko ([www.zernoua.info/indexeng.php?action=ioverview](http://www.zernoua.info/indexeng.php?action=ioverview)).

The biggest production volumes of compound fodders were concentrated in regions where the main industrial livestock of pigs is concentrated. During the last few years, according SSCU, compound fodders for pig was produced in Donetsk (15%), Dnipropetrovsk (13%), Kharkiv (11%), Zaporizhia (10%) and Kiev region (9%).

The largest producers of compound feed for pigs on the Ukrainian market are “Grakivskiy MFP” (Kharkiv region), “Kalytinskyi compound feed and premix plant” (Kyiv region), “Apostolovske” and “Zernoproduct” (Dnipropetrovs’k region), “Mariupol metallurgic plant named after Illich” (Donetsk region), “Druzhba narodiv” (Crimea) Subsidiary undertaking “Agro- Avrora” (Dnipropetrovs’k region), “Konstanta-Agro” (Donetsk region), “Agro-Soyuz”.

In addition to already existing leaders in the fodder production branch, new companies are entering the market as a result of activation of Ukrainian pig breeding complex during the last two years. Some of them are either independent units or belong to large holding companies that only recently joined the pig breeding industry. Compound fodders are produced either by independently functioning enterprises (for example, Grakovsky MFP, Apostolovsky Mixed Fodder Plant) or enterprises which are included into integrated animal complexes (for instance, Joint-Stock company “Agro-Soyuz”, “Kalytinskyi compound feed and premix plant”). In the Ukrainian market of the vitamins used for fodder production in the pig breeding industry, mainly imported products are used. Production capacity for vitamins are available in Ukraine (Uman, Kyiv), but premixes are mainly imported from other countries. Enzymes and veterinary preparations are delivered to Ukraine by more than ten foreign companies such as Provini (Poland), Agrofeed (Hungary), Deutsche Vilomix Tierernahrung (Germany) etc.

### **3.5.2 Water availability**

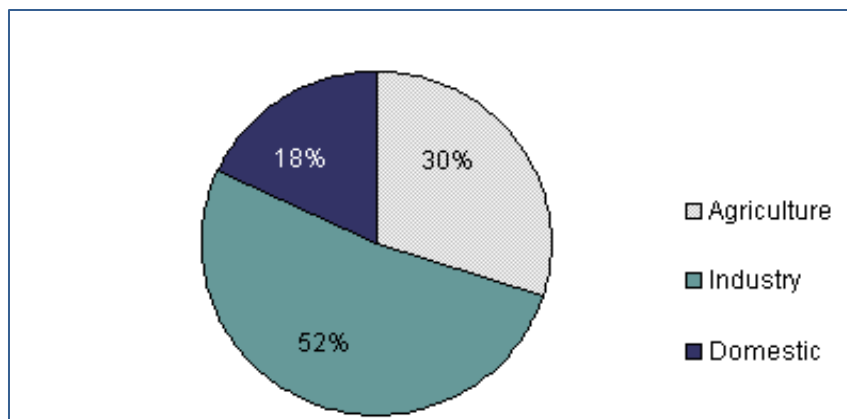
The natural water of the Ukraine includes rivers and lakes, water storages and ponds and underground water. In the south the Ukraine is washed by the Black Sea and Sea of Azov. The overwhelming majority of rivers at the Ukraine belong to the basins of the

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Black Sea and Sea of Azov; 44% belonging to the basin of the Dnieper and 16% of the Dniester. The rest belong to basing of the Danube, South Bug, Siverskij Donets and to smaller river basins. Only 4% of rivers carry their waters to the Baltic Sea

([www.ecologylife.ru/voda-i-zdorovje-2002/some-problems-water-resources-of-the-ukraine-short-servey.html](http://www.ecologylife.ru/voda-i-zdorovje-2002/some-problems-water-resources-of-the-ukraine-short-servey.html)).

30 % of all water resource in Ukraine is used by agricultural sector (Pic.5). Water on the territory of Ukraine has good quality and can be use for big breeding farms and be given to pigs.



**Picture 5 Surface water withdrawal in Ukraine** [www.earthtrends.wri.org](http://www.earthtrends.wri.org)

## 3.6 Market access

### 3.6.1 Transport

Transportation of live animals as well as pork and meat products depends on the quality of the roads. The infrastructure in Ukraine is extensive and well-developed, but the quality of the roads needs improvement. The distortion of the infrastructure has a negative impact on profitable pork production.

According to the State Office for Motor Roads of Ukraine ([www.ukravtodor.gov.ua](http://www.ukravtodor.gov.ua)) transportation cost is 1.5 times and fuel cost is 1.3 times higher than in the Western countries because of unsatisfactory road conditions. Ukrainian government need to invest in public infrastructure and improve providing service in the near future.

Ketil E. Bøe says: “*While deciding where to do business, think where the flights go and what the condition of transport infrastructure is! However, the situation will probably improve in the nearest future owing to EURO- 12*” (Iermolenko & Kurtmollaiev, 2010).



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### 3.6.2 Trade of pork

Inclusion of the Ukraine to WTO in May 2008 significantly changed the market situation and led to significantly increased pork imports via decreased import duties and liberalized veterinary barriers (Hess et al., 2009). These two factors have a positive influence on imports to Ukraine of cheap pork have hit domestic producers. The local trade group complains that meat imports are hurting local producers and has led to the stoppage of some pork farms and suspension of some investment projects in the pig breeding sector. Ukrainian Journal reports, that in 2009, Ukraine imported 375, 400 tons of meat, including 198,000 tons were pork ([www.thepigsite.com/swinenews/22805/cheap-imports-have-hit-ukraines-producers](http://www.thepigsite.com/swinenews/22805/cheap-imports-have-hit-ukraines-producers)).

Institute for Economic Research and Policy Consulting in Ukraine reports, that imports of pork to Ukraine in 2008/2009 were influenced by two major factors: Ukraine's WTO accession and world economic crises (significant impact felt since October of 2008).

Analysis from this institute asserts that adoption of new import duty rates is leading to a more transparent and more competitive market for imported meat within Ukraine that could potentially set out for dynamic development in the near future ([www.ier.com.ua/en/](http://www.ier.com.ua/en/)).

The increased pork imports to Ukrainian market was only enough to satisfy a small portion of domestic consumption, forcing Ukrainian producers to become more competitive in their battle for improved product. The director of the Pig Breeding Institute of Poltava, professor Rybalko Valentin, says that import of pork to Ukrainian market have badly affected the internal market for pork meat ([www.pigua.info](http://www.pigua.info)). But Arthur Loza (Agro-Soyuz farm) has other point of view. He is sure that pig breeding complexes using all Ukrainian standards of production will have no problem delivering pork competitively to meat processing units because of the pork having high quality fully competitive with European pork ([www.pigua.info](http://www.pigua.info)). Such market players will increasingly have to be concerned not only with problems of profitability and volumes of production, but also with problems of harmonization to the Ukrainian standard of production.

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On the other hand, specialists from leading market operator, large pig breeding farm “Agro-Soyuz” are saying that presently the pork production is restricted by different ecological requirements obligatory for member countries of WTO and traditional pig farms won’t be able to compete with world producers.

Ukraine’s accession to the WTO and increased pork import to Ukraine has had a negative effect on prices for domestic producers, although imports of meat to Ukrainian market only satisfy a small portion of domestic consumption. Notably, pork consumers in Ukraine prefer domestic pork to frozen meat from others countries ([www.svynarstvo.in.ua](http://www.svynarstvo.in.ua)). A significant pork deficit has led to high price for pork produced in Ukraine, reducing pork consumption compared to the consumption of less expensive poultry products (Tarassevych, 2008).

Under these conditions, the players in the meat processing industry find it more profitable to use imported feedstock in order to reduce the cost of processing and increase profitability of production ([www.proagro.com.ua](http://www.proagro.com.ua)). Currently, therefore meat imports to Ukraine are limited being restricted by high import tariffs and Free Economic Zones (FEZs). Only a few supplying countries have managed to negotiate import certificates with the Ukraine State Committee. Norwegian company Nortura is one of them. Nortura is Norway’s largest food supplier and largest meat producer ([www.pigprogress.net/news/norway-plans-to-supply-pork-to-ukraine-id3965.html](http://www.pigprogress.net/news/norway-plans-to-supply-pork-to-ukraine-id3965.html)).

## **3.7 Societal inputs**

### **3.7.1 Stakeholders**

The government support programs to encourage pig breeding development in Ukraine insufficient and nowadays misbalance in Ukrainian pig branch are created due to the absence of adequate government support. It seems to be that government support exists only on the paper. Ukrainian government had introduced the governments support programs for farmer’s how are working in the pig breeding. This notional programme are designed to support and increase national pig breeding and pork production. But the governments support programs for pig sector had not significant impact on the pig breeding. As result only few industrial pig enterprises can meet the Ukrainian government requirements for receiving support in money equivalent.

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Government payments are often delayed and as results pork producers receive money partly (Tarassevych, 2007). In such condition subsidies paid from the state budget essentially does not influence the market situation. Timely support from the state into modernization of available pig farms or construction of new farms will be profitable enough to increase pork production and make pig breeding in Ukraine self – efficient. However, most of the large –scale enterprises can get access to subsidies, according to market operator opinion “AAA” consulting agency ([www.aaa.com.ua](http://www.aaa.com.ua)).

According to the new secretary of agrarian policy of Ukraine, Prysjaznuk Mykola, pig breeding in Ukraine needs reconstruction and new partnership network between state and agribusiness ([www.svynarstvo.in.ua](http://www.svynarstvo.in.ua)). The policy is to assist Ukrainian farmers to turn agriculture profitable in the near futur ([www.minagro.kiev.ua](http://www.minagro.kiev.ua)).

The Ministry of Agrarian Policy of Ukraine are working to implement state agrarian policy, organizing all agricultural branches in Ukraine, working to elaborate and implement measures to guarantee state food security, recycling of agricultural products, organizing and implementing agrarian reform. Also, to realizing state policy for enterprises, coordinate the activity of executive power bodies for state agrarian policy realization and social policy in the countryside (<http://www.minagro.kiev.ua>).

### **3.7.2 Environmental regulations**

After Ukraine’s independence, the regulation of environmental protection was transferred to Ukraine. The Parliament and Ministry of Environmental Protection of Ukraine (established in 1991) prepared the Conception of National Environmental Legislation Development. The system of environmental legislation was created and renewed from 1991-1996. The Parliament has adopted different types of laws: a Law on Protection of the Natural Environment (1991), a Land Code (1992), Forest Code (1994), Water Code (1995), Code of Entrails (1994), Law on the Animal World (1993), Law on the Protection of Atmospheric Air (1992), Law on Nature, The Heritage Fund (1992), Law on the environmental Examination (1995), Law on the Sanitary and Epidemiological Prosperity of Population (1993) as well as other laws and regulations in Ukraine. The Law on Protection of the Natural Environment is the main, basic act. It consists of many really new principles and rules. Environmental protection, rational

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usage of natural resources, and the safeguarding of environmental security for human activity are regarded to be general conditions of sustainable economic and social development in Ukraine (Kravchenko, 2004).

Ukraine made progress towards achieving its Millennium Development Goals by adopting a national program on safe drinking water in March 2005. It took steps to control air pollution and replace obsolete and inefficient equipment in its factories. Like other ex-Soviet Republics, Ukraine remains one of the least energy-efficient countries in the world (<http://web.worldbank.org/>).

### **3.7.3 Animal welfare**

Healthy pigs are the success basis of any pig breeding enterprise

Regulation of animal welfare and animal protection in Ukraine is implemented by the present Law of Ukraine No. 3447 – IV “On the protection of Animals from cruelty”.

The present Law aims to protect animals from suffering and death as a consequence of being cruelly treated to protect their natural rights, and to reinforce morality and compassionate behavior in society. Farmers pay attention to such characteristics as the quality of reproduction, feeding and meat quality of the pigs. State Department of Veterinary Medicine of Ukraine controls veterinary and sanitary conditions of farms, animal’s health, movements of animals. Also Department of Veterinary Medicine control pork production and provide veterinary control on the meat processing enterprises. National veterinary organization working very well by checking imported livestock and pork to the territory of Ukraine.



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## 4. Discussion

Every company that think globally one day start to perform business activities that direct the flow of a company's goods or service to consumers in other international markets. The aim of Norsvin is to be the leading international genetic and AI Company ([www.ifaj2006.com/sitefiles/92/norsvin.pdf](http://www.ifaj2006.com/sitefiles/92/norsvin.pdf)). Norsvin distribute its products in Sweden, Finland, Lithuania, Estonia, Poland, USA, Canada, Spain and Portugal. Ukraine might also be an interesting market opportunity for Norsvin. Ukraine is a country with strong preference and demand for pork, and has a potential to significantly increase its pork production.

My evaluation of the Norsvin business opportunities in Ukraine is based on an evaluation of each major component that is expected to influence Norsvin opportunities


- 1) The general political, social, legal and economic conditions of the Ukrainian society and
- 2) The specific market conditions for Norsvin products and business strategy.

The macro-environmental factors are analyzed below through its general political and economic conditions in Ukraine by using the **PESTEL framework**

([www.oup.com/uk/orc/bin/9780199296378/01student/additional/page\\_12.htm](http://www.oup.com/uk/orc/bin/9780199296378/01student/additional/page_12.htm)).

### 4.1 PESTEL framework

#### The attributes of PESTEL:

-  Political
-  Economic
-  Social
-  Technological factors
-  Environmental factors
-  Legal

**PESTEL framework** facilitation techniques can be used to perform an external environment analysis of factors that can affect Norsvin business strategy. At least four elements of the PESTEL framework are particularly important in comparing conditions in Ukraine for Norsvin's entry into the market. In general all political factors refer to government policy such as the degree of intervention in the economy of the country.

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Ukraine is an interesting destination for European countries including Norway to invest in, first of all because of the huge domestic market, lower cost and similar culture. According to Sigmund Ekhougen, Ukrainian agriculture and pig breeding are holds an interesting investment potential.

Following the victory of Victor Yanukovich in February's 2010 presidential elections, a new ruling coalition was formed in the Ukrainian parliament and a new government headed by Prime Minister Mykola Azarov was approved (<http://unian.net/eng/>). The new Ukrainian government declared its willingness to introduce a number of structural reforms. Ukrainian state regulation of meat products is based on the acts directed, mainly, on the support of animal industries, including pig breeding as the main producer of raw material for the meat processing branch.

#### **4.1.1 The Political Situation**

The political situation in Ukraine has traditionally been unpredictable for foreign investors. But after the presidential election in 2010 the political situation is more stable and promising for the country's economic development. The new president has opportunity to put Ukraine on the right track. The improving economic and political situation in Ukraine and resuming risk appetite of foreign investors have allowed Ukrainian banks and companies to re-open foreign capital markets.

Sigmund Ekhougen explains *that for a long time Ukraine has been considered a politically and economically unstable country with low investments indicators. But Ukraine has great opportunity and if an investor has sufficient support, challenges can be overcome and the economic result of doing business in Ukraine would not give occasion to regret.*

It should be considered that Ukraine is a relatively young state and during its years of independence until today have struggled to find the right way for its development. The situation is complicated by Ukraine's location between the EU and Russia. The basic problem for doing business in Ukraine is the country's youth and political instability. Ketil Bøe explains: *"The Norwegian entrepreneurs can prepare beforehand for the political changes in Ukraine".* He is advising: *"Speak to Norwegian-Ukrainian chamber of commerce, embassies and local organization, have local lawyers and advisers. Try to get political support from Norway. But in many cases there is just a need for patience!"*

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During my marketing research I had interview with the Ambassador of Ukraine to the Kingdom of Norway Mr. Oleksandr Tsvetkov. He is open for cooperation to support Norwegians companies planning to enter the Ukrainian market. Mr. Tsvetkov helped Norwegian Nortura to establish in Ukraine. The Royal Norwegian Embassy in Kiev also offers help to Norwegians companies answering question about establishing business in Ukraine, particularly Elena Kovalenko (contact information: ber@mfa.no, +380445900476).

*“Ukraine has definitely shown that it is willing to follow democratic rules and principles. You can widely use the mass-media recourses to strengthen your position on the market”,* Thor Halvorsen, the Executive vice-president of Telenor, says.

#### **4.1.2 The Economic Situation**

The economic situation in Ukraine plays a significantly role for Norsvin’s future market choices. Since 1991 when Ukraine became an independent country, it struggled to shift from a centrally planned economy to a market environment ([www.pwc.com/ua/en/solutions/obg-business-environment.jhtml](http://www.pwc.com/ua/en/solutions/obg-business-environment.jhtml)). Ukraine has implemented significant positive economic and legal reforms that led to the rapid growth of the national economy. The economy in Ukraine is an emerging free market with a gross domestic product that experienced rapid growth until 2008 ([http://en.wikipedia.org/wiki/Economy\\_of\\_Ukraine](http://en.wikipedia.org/wiki/Economy_of_Ukraine)). Geographical position and natural resources and “human factor” are playing a key role in this achievement. In 2007 Ukraine’s GDP growth was 7.9 %. This growth was fuelled by strong domestic demand and solid consumers and investor confidence. Ukraine’s economy is ranked 45<sup>th</sup> in the world according to 2008 GDP ([http://en.wikipedia.org/wiki/Economy\\_of\\_Ukraine](http://en.wikipedia.org/wiki/Economy_of_Ukraine)). Despite the fact that Ukraine has experienced steady economic growth over the past five years, nowadays Ukrainian economy currently shown negative growth because of the financial and economic crises that have significant impacted on both real and financial markets due to world economical crisis in 2008. Ukraine’s economy was hit hard by the world economical crisis.

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But it was already showing signs of bouncing back in 2009. The recovery is expected to continue in 2010, but perhaps at a slower pace than in the other countries ([http://businessneweurope.eu/story1917/UKRAINE\\_2010\\_The\\_only\\_way\\_is\\_up](http://businessneweurope.eu/story1917/UKRAINE_2010_The_only_way_is_up)).

Ukraine has many of the components of a major European economy. It has rich farmland, a well-developed industrial base, highly trained labour, and a good education system ([www.eubusiness.com/europe/ukraine](http://www.eubusiness.com/europe/ukraine)). At present, however, the economy remains in poor condition in compare with the Norway's economic situation.

I have to note that despite of the unfavourable consequences of the world economic crises, the production level in domestic pig breeding was not affected. Specialists within pig breeding have pointed out that this is most likely caused by the shift from small land owners to the reformed big agricultural enterprises ([www.svynarstvo.in.ua](http://www.svynarstvo.in.ua)).

During the recent year, Ukrainian government has played special attention to the development of the animal husbandry sector and food safety to meet the standards set by Ukraine's WTO accession. Following this event, Ukraine adopted a number of important legislative instruments for the development of the agrarian sector and processing industry. For example, laws "*on support of production and development of agricultural products market*" and "*on quality and safety of food products and food feedstock*" aimed align Ukrainian legislation within the area of sanitary, veterinary with WTO standards. WTO entry is a positive step towards Ukraine's integration into Western Europe as well as development of the state forcing Ukraine to apply common transparent rules for both international markets and at the level of the national and regional economy (Burakovsky et al., 2004). It is recognized that Ukrainian pig breeders and meat producers require new approaches to the organization of delivery to and purchase of pork by processing enterprises with amendments to the applicable standards. Vernitskiy N. concludes that the number of western pig breeding companies will probably increase and investment into meat sector will grow after Ukraine joined WTO ([www.proagro.ua](http://www.proagro.ua)).

Another important economic factor is the inflation of the Ukrainian currency over the, making long-term and budget planning difficult because of the resulting decrease in the purchasing power of Ukrainian customers. During 2004-2006 official inflation rate was nearly 10%, according to the State Statistics Committee. The inflation worsened in 2008



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due to world crisis. Inflation in Ukraine has a negative impact on business for domestic companies as well as for foreign as pointed out by the National Bank of Ukraine (NBU). The government predicts slowdown in inflation in Ukraine in 2010 to 9.7%. According to the National Bank, business leaders expect growth in sales at both the domestic and foreign markets. The data for the first three months of 2010 has shown that the economic recovery in Ukraine is gaining in strength (Pogarska & Segura, 2010).

#### 4.1.2.1 The Ukrainian Financial Situation

The Ukrainian financial sector has undergone substantial changes and improvements in the past several years with an effective regulatory framework being progressively created as part of a modern financial system, based on market principles ([www.ukremb.org.sa/main3-2-7.html](http://www.ukremb.org.sa/main3-2-7.html)). Analysis of the political and economical situation in Ukraine shows that Ukraine has a positive environment for doing business. But for foreign companies it's not easy to come to the Ukrainian market without local support and help. *"The experience has shown that in order for a company to succeed in a foreign country like Ukraine, it needs a partner"* - explain NUCC Managing Director Sigmund Ekhougen.

The international chambers of commerce can give significant help to the enterprises on how to develop their business on the territory of Ukraine. It should be noted that there are a number of foreign business chambers established in Ukraine, including the Norwegian. From 2009 the Norwegian Ukrainian Chamber of Commerce ([www.nucc.no](http://www.nucc.no)) registered as an association with its headquarter in Oslo. NUCC members' includes such Norwegian companies as Telenor, Statoil and Wikborg. NUCC can be an efficient partner for Norsvin if Norsvin decided to enter the Ukrainian market. The advices of Norwegian entrepreneurs (the members of NUCC) experienced in doing business in Ukraine as well as [GUIDE TO DOING BUSINESS IN UKRAINE](#) (available only for members of NUCC) may help to prepare to the challenges (Appendix 4).

Helge Ranvik, the managing director of Scandinavian House says *"If you are developing business as a foreigner in Ukraine, you need guidelines." "Doing Business in Ukraine" is a valuable tool for my company. Develop business in Ukraine is not very difficult, but it is different from many western European countries, and therefore you need partners to guide you to the right decision making.*" ([www.frishberg.com/index.php?content=clients](http://www.frishberg.com/index.php?content=clients)).

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### 4.1.3 The Ukrainian Social Factors

Social factors are clearly important for identifying the future market potential for Norsvin. The availability of a well-trained workforce or the size of demographic market segments describes the opportunities for successful marketing of Norsvin's products. Changes in social trends can impact on the demand for a firm's products and the availability and willingness of individuals to work. Access to big markets, workforce with good education and extremely cheap cost of doing business in Ukraine compared to Norway make Ukraine an attractive destination for Norsvin. Ukraine enjoys an opportune geographical location. The country located in the very center of our continent, being only few hours away from Western Europe. It is one of important elements in the integration process of Western Europe companies into the Ukrainian market. *"Ukraine is very close to Norway, it takes only 2-3 hours to get to Kyiv"* – Sigmund Ekhougen says (NUCC).

Ukraine also benefits from a huge consumer domestic market with approximately 47 million people where demand for pork is high while supply is currently not sufficient *"The first reason for doing business in Ukraine is the huge market"* - tells Helge Ranvik (Scandinavian House). Sigmund Ekhougen adds: *"Ukraine is huge developing market with the big potential and with opened economy for foreign investor"*.

So far Ukraine has a relatively cheap labour force, which at the same time is hard-working and well educated. Ukraine's well educated workforce provides the competitive advantage, making the country an attractive investment destination. According to the State Statistic Committee of Ukraine ([www.ukrstat.gov.ua](http://www.ukrstat.gov.ua)) 23 million of Ukrainian inhabitants' are work force, 24 % of this work force being engaged in agriculture and forestry. Human capital is one of Ukraine's greatest assets - 75.8 % have high education the number of people with upper secondary education is more than 95%. The amount of people with the second higher education is 13%. The proportion of people with the upper high education in Norway is 43.3% with high education being 25%. The level of second higher education is less than 3% ([www.ssb.no](http://www.ssb.no)). In recent years, many students from Ukraine with high agricultural education have had practice on different types of farms in Western Europe, particularly in Norway and Denmark. This is important factor that show ability of specialist to use knowledge they have got during practise abroad.

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I am sure that the availability of skilled workforce and low labour cost will have a significant impact on the successful Norsvin activities on the market in Ukraine and will provide an ideal environment for Norsvin's business to prosper. I have to mention that Ukraine needs new management system and new technologies in pig breeding must be introduced. Norsvin can offer its modern technologies and proactive management.

Based on Thor Halvorsen's experience from the Ukrainian market his advice is *"Hire people from Ukraine, who speak the same language as a government and local officials. You do not need many people, but you need right people, who are able to build necessary relations."* Similar advice is given by Arne Mjøs (Itera Consulting): *"There is a lot of paperwork of paperwork, but the labour force is cheap, so hire Ukrainian accountants: they know how to do, where to go, whom to talk, thus bureaucracy will be solved."*

The majority of Ukrainians are bilingual, speaking both Ukrainian and Russian fluently. Recently, English is also used in business. This is supported by the fact that almost all web pages I have used during writing my master thesis have had an English version, including many government websites.

Businesses entering Ukraine should be ready to face different difficulties. In this case the cultural variation need to be considered before to Norsvin can start doing its business in Ukraine. Impact of the culture can influence the market entry because cultural differences have always had a great significance in business (Harris et al., 2007).

Cultural distance between Norway and Ukraine are related to difference in language, ethnic, religion and social norms. In my point of view cultural barrier can be crossed much more easily if Norsvin develops its own network in Ukraine.

I have to say few words about lack of leadership, management and decision making in business environment in Ukraine. Over 70 years of Soviet rule and the oppressive policies of the Soviet regime have left an indelible mark on the decision making process of the country at many different levels of industry, government and business. But many of Ukrainians current managers that have experience of working in Ukraine were educated abroad knowing international standards.

Helge Ranvik comments on the difference in style: *"In Norway we have very social type of management. It is normal to have usual daily coffee with the top managers, ask how they are and so on. In Ukraine there is a sub-down management style. The employees need to*

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*know what they should do today, and in most cases they can feel themselves uncomfortable if the owner proposes to drink a cup of coffee together”.*

#### **4.1.4 Ukrainian Technology factors**

Ukrainian technological institutions have been very strong at the time of its membership in the Soviet Union. It is believed that key researchers and technologists still are active. Presences of appropriate human resources, business and infrastructure support knowledgebase society.

#### **4.1.5 The Ukrainian Environmental factors**

Ukraine pays much attention to environmental safety and resource conservation. The conservation of natural resources is a stated high priority, although implementation suffers from a lack financial resources.

Ukraine established its first nature preserve “Askania-Nova”, in 1921, and has a program to breed endangered species. The researchers from Institute of animal breeding “Askania-Nova” have breed Ukrainian Steppe White and Ukrainian Steppe Spotted breeds of pigs (<http://www.itsrascania.ho.ua/indexeng.html>).

Ministry of Environment ([www.menr.gov.ua](http://www.menr.gov.ua)) has established a pollution fee system, which levies taxes on air and water emissions and solid waste disposal.

#### **4.1.6 The Ukrainian Legal factors**

The last element from PESTEL framework is legal factors that are related to the legal environment in which firms operate. IPR and corruption in Ukraine must be considering and evaluated by Norsvin managers before entering the Ukrainian market.

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#### **4.1.6.1 Corruption**

Corruption in Ukraine is probable a major factor arguing against doing business in Ukraine. It is difficult to advice foreign companies in how to deal with this problem. However, managers of international companies who have already experience from working in Ukraine ensure that it is possible to operate without corruption. Walter Prochorenko spent over 8 year by doing business in Ukraine says: *“Corruption exists in just about every country of the world. It is as old as business itself. I know of no country that it without corruption. Having dealt with, or worked in, just about every country of the world, I have seen every type of corruption that exists. However, the type and level of corruption that exists in Ukraine is far greater and different than in other countries”*. Corruption in Ukraine was wide-spread in the 1990s. However, business life has actually undergone tremendous changes. Many international companies operating in the Ukraine have successful stories. One of the true success stories of Norwegian companies doing business in Ukraine is the example of Telenor. Thor Halvorsen, president of Telenor says: *“At the beginning of our work in Ukraine we faced a lot of problems that did not exist in Norway. Corruption is among them. But using the opportunities and overcoming these challenges become our key success factors for operating in the Ukrainian market”*. He also adds that *“in spite of some problems, you can always use the Ukrainian media that has a big power and impact in the society. You should, of course, estimate all threats. In Ukraine you may find the ambitious young specialists with excellent high education and willingness to work that can fulfil all these tasks”*.

##### **4.1.6.1.1 Legal Advice**

Nowadays many consulting companies offer legal advice to the companies that want to establish sales on the Ukrainian market, for example PricewaterhouseCoopers, Frishberg&Partners, Itera Consulting Group etc. Such companies are uniquely equipped to operate within the existing system. The Business Anti-Corruption Portal ([www.business-anti-corruption.com](http://www.business-anti-corruption.com)) organized by family of Scandinavian professional services. The Norwegian ministry of foreign affairs is one of them.

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This organisation is working actively against corruption in Ukraine and is a comprehensive and practical tool tailored to meet the corruption risk management needs. Norsvin can contact this organization for more information about how to manage corruption in Ukraine. Itera Consulting Group is a Norwegian organisation that is successfully operating in Ukraine by providing business consulting ([www.iteraconsulting.com](http://www.iteraconsulting.com)). Everyone, who has working experience from Ukraine advises to say “NO” to bribes and corrupt practice, including Helge Ranvik: *“We always say: avoid corruption totally. If you say “yes” once, you will be caught, and there will always be somebody in the system who knows about that”*.

## **4.2 Partnership**

It's reasonable to find strong partners who are well positioned in the Ukrainian market, and who can work within the Ukrainian system helping to avoid and reduce all corruption questions. Information about possible business partners is available in Appendix 6.

## **4.3 SWOT Analysis**

In Ukraine, business is optimized in places where “everything” is. I have therefore chosen to do a SWOT analysis of Ukrainian cities, in order to understand the future market position there. I have evaluated the scenarios in three separate regions, namely the top tier region, including the Kyiv region, the second tier cities of Odessa, Lviv, Kharkiv and Donetsk and some third tier cities including Dnepropetrovsk, Chernigov, Lugans and Lutsk. This classification is based on parameters such as population size, infrastructure and general support for international businesses. In Table 7 is the SWOT analysis where Strengths/Opportunities are compared to Weaknesses/Threats for each tier of Ukrainian cities.

	Opportunities/Strength	Weaknesses/Threats
<b>First tier</b>	<ul style="list-style-type: none"> <li>• Good support for international business; Networking potential</li> <li>• Major transport hub</li> <li>• Educational and research organisations</li> <li>• Trained work force</li> <li>• High access to service</li> <li>• Reasonable infrastructure</li> <li>• Less exposure to corruption</li> </ul>	<ul style="list-style-type: none"> <li>• High cost for doing business</li> <li>• More bureaucracy</li> <li>• More competition on market</li> </ul>
<b>Second tier</b>	<ul style="list-style-type: none"> <li>• Average support for international Business</li> <li>• Reasonable cost of living with high access to services</li> <li>• Major transport hub</li> <li>• Moderately trained work force</li> <li>• Potential for local incentives</li> </ul>	<ul style="list-style-type: none"> <li>• Insufficient existing facilities</li> <li>• High cost for doing business but with exceptions</li> <li>• Not- centralised networking</li> <li>• More training requirements</li> </ul>
<b>Third tier</b>	<ul style="list-style-type: none"> <li>• Lower cost of doing business</li> <li>• Good access to transport hub</li> <li>• Reasonable infrastructure</li> <li>• Access to unused facilities</li> <li>• Potential for local incentives</li> <li>• Lower cost of living</li> </ul>	<ul style="list-style-type: none"> <li>• Lower support for international business</li> <li>• Lack of suitable existing facilities</li> <li>• Lower access to services</li> <li>• Greater exposure to corruption</li> <li>• Not- centralised networking</li> <li>• Greater time cost</li> </ul>

**Table 7 SWOT analysis of Ukrainian cities [www.ukrbdg.com](http://www.ukrbdg.com)**

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#### **4.4 Choice of Regions**

For all realistic purposes Kyiv and the Kyiv region is the single top tier city in Ukraine. In my opinion, the best chance for Norsvin to succeed is in the top tier Kyiv region. One has to mention that Kyiv region is a leading region in pig breeding in Ukraine, having occupied 10.3 % of the market. In my opinion, this is the first reason for Norsvin to pay attention to this region. Particularly, the Kyiv region can offer:

- ✚ Good support for international business
- ✚ Networking potential (many international companies that work in agricultural have their offices in Kyiv)
- ✚ Trained work force (Kyiv offers labour availability that plays an important role in profitability of pig sector)
- ✚ Access to necessary service

#### **4.5 IPR recognition in Ukraine**

I have to mention few words about IPR system in Ukraine. Ukraine is an active member of the World Intellectual Property Organization and a signatory to a number of international agreements and conventions.

#### **4.6 Summing up the Ukrainian factors**

Many factors are important to consider for Norsvin managers in making a market decision. Positive factors include: a big market with 47 million people, potential for future economic developments, well-educated workers, and closeness to Western Europe and low wage levels. The main challenges of doing business in Ukraine are: the level of corruption, political and economical instability.



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## 4.7 Pig breeding and pork production in Ukraine

Markets operators predict that Ukrainian pork production will continue to grow, meat markets promise high volumes and strong potential (<http://pigua.info/indexeng.php>). The pork chain in Ukraine consist of pig breeding farmers marketing pigs from farms to the processors and then to retail. Currently, Ukraine produces only around 44% of local consumer demand. The current consumption stays well below average in the other western countries. To be highly competitive the pig industry in Ukraine must be cyclical due to “pork chain”, imports to country must be reduce and efficient domestic pork production must satisfy consumer demand. This situation is a positive opportunity for Norsvin, based on the observation that, pig breeding farmers understand that high quality breeding stock is a core of efficient pig breeding.

### 4.7.1 Pig breeding

It is difficult to make a direct comparison between Norwegian and Ukrainian pig breeding. Ukrainian domestic pig breeding, pork production and distribution are not efficient as in Norway. I have to mention that Ukraine probably will never be able to reach the same level of pig production that Norway has already today, for at least next few years due to political and economical instability which I have mentioned before in compare with Norwegian stability. But Western leaders of pork production also have problems, among them declining market price, lack of workers, increasing wages and overhead costs. This unfortunate combination put pressure to many pig producers in Western Europe. Investing in Eastern Europe sounds like an ideal solution to escape from the difficulties pig producers face in Western Europe and many Western European producers nowadays think of starting up their business in Eastern Europe ([http://www.mafcon.com/downloads/Ukraine News-Autumn 2007 edition.pdf](http://www.mafcon.com/downloads/Ukraine%20News-Autumn%202007%20edition.pdf)). Maybe Ukraine can offer its advantages and become a new player in the global pork industry.

Generally speaking I have to highlight several specific elements that characterise pig breeding market in Ukraine in positive:

- 🚧 agriculture plays a major role
- 🚧 the demand for pork is on the rise

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- ✚ consumption pork growth
  - ✚ big domestic market
  - ✚ market has a potential to grow
  - ✚ state support for producers
  - ✚ availability of feed resources
  - ✚ access to markets and processing plants
  - ✚ relatively high profitability
  - ✚ fast livestock growth, esp. in large-scale farms

In conclusion, I believe that the Ukrainian swine industry has the necessary resources and factors for a successful performance for Norsvin on the territory of Ukraine.

#### **4.7.2 Pork production**

According to estimates, pork market is developing and is one of the prospective of the Ukrainian animal husbandry because government has planned to develop this branch of agriculture due to national programme for pig breeding. The large-scale industry already established will scale up further and sell more to the developing retail sector. According to market specialist the major driver of the future significant expansion of Ukraine's pork sector is domestic demand. But for today, the pork production is far away from demand satisfaction.

Currently, Norsvin will have a limited number of strong competitors. High quality pork and pork products is important to Ukrainians consumers. Ukraine has introduced a ramified system of veterinarian medical control and food safety control. The State Committee for Veterinary Medicine of Ukraine has banned import in the swine industry (pork and live pigs from United States and Mexico). This event was highly significant to Ukrainian producers, giving them an excellent possibility to be competitive on the domestic market.

However, as stated above, pork production suffers from inefficiency. The low levels of domestic meat production provide significant opportunities for pork exporters. From March 2010, the Norwegian agricultural cooperative Nortura plans to supply more pork to Ukraine according to Ukrainian media reports ([www.meatinternational.com](http://www.meatinternational.com)). Import of Norwegian pork to Ukrainian market can be a very positive event for Norsvin since

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Norsvin is the developer of the high quality pork that Ukrainians will buy. The presence of Norwegian pork on the Ukrainian market can help Norsvin to target specific sector of the market and found success in it. This means a large potential for Norsvin export of their swine genetics within the pig farming in Ukraine. This trend is especially relevant for production in large industrial farms. However, market presence and building a brand in Ukraine industry is a lengthy process. As stated above, Norsvin therefore need to identify trading partners they can trust. I think Nortura as Norwegian company with experience and visible presence on Ukrainian pork market is an excellent example of partner for Norsvin. Nortura has cost advantage because they have learnt how to do things in Ukraine.

It is well known that feed grain is an important cost driver for pork production. Ukraine is self-sufficient for crop production. Climate condition and fertile lands are the positive factors for getting of good harvest of feed crops and enable to keep significant livestock of pigs alongside with production of grain.

The rapid development of pig breeding industry depends on parent stock imports, as reflected in the presence of many foreign hybrid pig companies in Ukraine. However, some of them are seem to fail to meet costumer's needs, experiences that Norsvin could learn from.

## 4.8 SWOT analysis of the Ukrainian pig breeding sector

The SWOT analysis is carried out in order to provide information for making decision and strategies for penetrating the Ukraine market with Norsvin's genetics (Table 8).

<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>✚ pork is a national diet in Ukraine, it will be always high pork demand on the Ukrainian market</li> <li>✚ pig breeding sector depend on fodder production, which is on good quality in Ukraine</li> <li>✚ state support policy of improving of the animal industries</li> <li>✚ the number of large enterprises are interesting in long term activity by using extensive pork production system and producing high quality meat</li> <li>✚ large number of educated professionals with work experience on pig farms from countries where pig breeding are developed Norway, Denmark</li> </ul>	<p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>✚ the size of the pig sector reduced more than twice last 20 years</li> <li>✚ during crisis in Ukraine national pigs gene pool was reduced as well as pig breeding farms - pig breeding sector has lack of good genetics (positive for Norsvin)</li> <li>✚ pork consumption is insufficient per capita just 13 kg</li> <li>✚ underdeveloped market with not much strong competitors on it</li> <li>✚ 60% of all pig stock is on the home yard farms, such farms can't compete with large scale farms</li> <li>✚ imports of pork to the Ukrainian market</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>✚ pig breeding in is one of promising sector for Ukraine's economy</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>✚ destabilisation of agribusiness in Ukraine</li> <li>✚ unstable economic situation in</li> </ul>

<ul style="list-style-type: none"> <li>✚ Ukraine offers big market</li> <li>✚ the enormous grain production growth potential attracts the attention of pig breeding farmers</li> <li>✚ Ukraine is looking for knowhow in pig breeding sector</li> <li>✚ the significant better conditions for pig breeding then in EU borders due to geographic position of country, black soil, workforce</li> <li>✚ the demand of quality breeding pigs is increasing</li> <li>✚ slaughter pig producer enterprises become customers of the breeding pig market</li> </ul>	<ul style="list-style-type: none"> <li>country</li> <li>✚ lack of efficient management system</li> <li>✚ destabilisation of domestic market by pork imports</li> </ul>
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**Table 8 SWOT analysis of the pork chain in Ukraine**

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## **4.9 Summary of relevant factors for Norsvin**

### **4.9.1 Summary of perceived limitations for Norsvin**

- 1) The largest obstacles for doing business in Ukraine are corruption, bureaucracy, inadequate regulation, the unpredictability of government economic
- 2) The constant growth of price for grain forage, electric recourse, imports of meat and meat products
- 3) Pig breeding farmers cannot have enough money for building farms due to high loan rates

### **4.9.2 Summary of perceived opportunities for Norsvin**

- 1) Uncovered pig breeding market
- 2) Pork demand
- 3) Resent economic growth in the country lead to developments in meat production, increase of purchasing power and consumption growth

## **5. Conclusion**

### **5.1 Business climate in Ukraine**

The Ukrainian pig breeding sector offers opportunities for Norsvin international due to existing market for swine genetics and expanding consumer market. The pork market growth makes Ukraine attractive market. Large scale low-cost manufacturing should be considered if Norsvin would like to locate manufacturing and service sites for business customers in Ukraine.

It must be considered not only the positive factors but also general problems that Ukraine offers before making the right decision. The main rule that managers of foreign companies have to know *is that foreigners are not allowed to own agricultural land in Ukraine* ([www.frishberg.com](http://www.frishberg.com)). Importantly, foreign companies can own buildings if they will decide to build it on industrial land to which foreigners can obtain ownership rights.

Ukraine remains a challenging place to do business because the legal and institutional frameworks are changing from time to time ([www.pwc.com](http://www.pwc.com)).

Ukrainian economic is growing and purchasing power is developing in a positive direction. There is a great deal of demand for good-quality slaughter pigs and pork demand is planned to increase greatly. Corruption level in Ukraine must be considered as a risky factor.

The negative and positive facts of doing business in Ukraine for Norsvin International are set up in Table 9.

Why “yes”	Why “no”
Existing market for Norsvin’s genetics and increasing pork demand	Inflation of Ukrainian currency
Huge domestic market and beneficial geographical location, close to Norway, EU and Russia	Weak legal system and frequent changes in the laws: Ukrainian laws and regulations are vague and open to considerable leeway in interpretation, providing ample opportunities for bureaucratic corruption at every level
Advantage of economic growth that lead to rapidly growing incomes and consumption volumes	Market development and entry costs are generally high
High-skilled workforce	Communications in Ukraine are below Western standards for example: availability of web-pages, fax lines are rare. Ukrainians do not like to leave messages on answering machines
Lower cost of doing business-70% lower than in Norway (Arne Mjøs, Itera Consulting)	Corruption

**Table 9 “Pro” and “con” in Ukrainian business environment**

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## 5.2 Recommendation to Norsvin

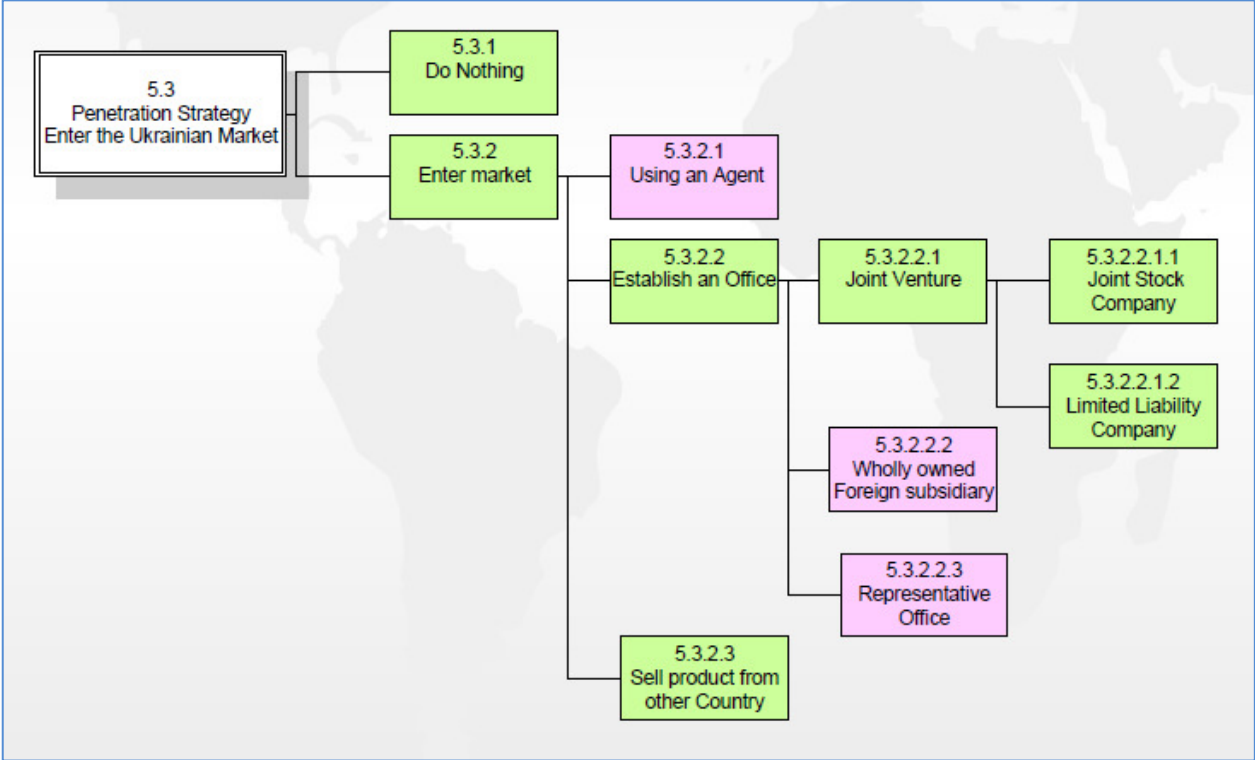
Doing business in Ukraine requires a long-term vision of the market potential. To make this process successful the following realities should be considered:

- ✚ Market must be studied carefully before making a decision. Good business plan and long-term strategy is needed. A knowledgeable English speaking consultant with expertise in domestic pig breeding must be hired.
- ✚ All opportunities in Ukraine must be evaluated. Norsvin must determine where, when and how in Ukraine they will operate.
- ✚ Norsvin's product can be quickly introduced into the Ukrainian market but price for products must be competitive. Competitors of Norsvin operate already in Ukraine – Norsvin's genetics has to be either unique or very affordable or offer addition technical support to the costumers.
- ✚ Business in Ukraine is often based on relationships. Selecting a qualified local partner and/or establishing a local office are crucial to long-term success. Identifying a reliable business partner is a crucial for success.
- ✚ I encourage to Norsvin to contact the Royal Norwegian embassy in Ukraine for basic orientation to the market. Commercial Section of the Royal Norwegian embassy in Kyiv is able to provide basic information on a possible entry strategy and to signpost companies towards specialist advice available in the market.
- ✚ Join Norwegian-Ukrainian Chamber of Commerce for obtaining the support and build necessary network.



### 5.3 Penetration strategy

In conclusion, I would like to point out alternatives for future actions for Norsvin. The type of business organization suitable for Norsvin depends on how fast company want to achieve success on the Ukrainian market. A decision tree is used in the following analysis for helping to choose between different alternatives of action (Picture 6).



Picture 6 Decision tree for action consequence analysis

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### **5.3.1 Alternative 1: Do nothing**

Do not enter Ukrainian market due to existing risks (Tab. 9).

The "pro" - no risk of losing money

The "con" - loss of possible opportunity

Recommendation: I recommend to do further comparative analysis of Ukraine and alternative Western European markets before choosing this alternative

### **5.3.2 Alternative 2: Enter Ukrainian market**

I believe that Ukrainian market is expanding.

The "pro" – after my investigations is that it seems to be a good market for Norsvin genetics in Ukraine

The "con" – depending of the choice of organization entering the Ukrainian market is that market penetration may be time consuming

Recommendation: when considering the pro and con I believe that it will be an advantage for Norsvin to enter the Ukrainian market

*Ukrainian legislative framework allows a variety of business structures:*

#### **5.3.2.1 Using a agent**

Hiring by Norsvin of a Ukrainian agent to develop and maintain contacts with pig breeders and the state committees and government institutions are invaluable. An agent in this case only works part time on behalf of Norsvin, and may be paid by a sales commission and/or a fixed salary.

The "pro" – low investment and cost

The "con" – slow expansion, not high enough impact on the market

Recommendation: an agent is not recommended but can be essential in addition to the further alternatives below 5.3.2.2

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### **5.3.2.2 Establishing an office**

Establishment of an office can be done with a local partner or not. Going alone means lower speed of market entry but eventually higher profit.

The “pro” – the good control of marketing efforts and cost level

The “con” – significant investment

Recommendation: Go in with an experienced and qualified partner

#### **5.3.2.2.1 Joint Ventures in Ukraine**

The Joint Venture means going to Ukraine with a local partner. Joint Ventures in Ukraine are generally created in the form of a JSC or LLC.

The “pro” – with a guide to local business the difficulties can overcome quickly, combination of complementary resources and know-how

The “con” – difficulty of identifying appropriate partner and agreeing appropriate contractual terms can be faced, giving up some control and profit; the risk is getting an unproductive partner

Recommendation: Establish in Ukraine and plan for learning period on the Ukrainian market

##### **5.3.2.2.1.1 Joint Stock Company**

Joint Stock Company it is a type of corporation or partnership involving two or more legal persons (companies) ([www.wikipedia.org](http://www.wikipedia.org)).

Joint Stock Company between Ukrainian and Western partners became more popular in Ukraine lately. Ukrainian joint-stock companies in some aspects are closer more to the western joint-stock companies. For example Norwegian company Telenor and Ukrainian subsidiary Kyivstar, the largest mobile operator in Ukraine is one of the successful Joint Stock Companies in Ukraine ([Iermolenko, & Kurtmollaiev, 2010](#)).

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The “pro” – higher credibility in market, investment risk share with partner

The “con” – higher investments, managing the relationship with the foreign partner, loss of competitive advantage through imitation

Recommendation: recommended

#### **5.3.2.2.1.2 Limited Liability Company**

The main difference between a limited liability company and a joint stock company lies in the degree of structural complexity. Limited liability companies are relatively simplistic and accommodate the interests of minority owners. In such kind of companies, the founders own equity in the company, expressed by a percentage of ownership (i.e., such a company does not issue shares of stock). However, a limited liability company may only have a maximum of 10 participants. If the amount of participants exceeds 10, then the company must be reorganised into a joint stock company (Iermolenko & Kurtmollaiev, 2010).

The “pro” – higher flexibility in organisation

The “con” – less goodwill prestige in market

Recommendation: “yes” for limiting the risks

#### **5.3.2.2.2 Wholly-owned foreign subsidiary**

The establishment of a wholly owned company in Ukraine is recommended if the company intends to carry- out manufacturing or other significant local commercial activities. Norsvin can find professional personnel for their Ukrainian operations through a number of experienced recruitment agencies working in Ukraine, local (for example [www.arka.com.ua](http://www.arka.com.ua), [www.alter.com.ua](http://www.alter.com.ua) , [www.acumen.com.ua](http://www.acumen.com.ua)) as well as international.

The “pro” – acquisitions allow rapid market entry, better control in extensive local operations, full control of resources and capability

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The “con” – substantial investment, acquisition may lead to problems of integration and coordination

Recommendation: recommended after introductory period/possibly in cooperation with local wholly integrated pig breeding complex.

### **5.3.2.2.3 Representative office**

Foreign legal entities are permitted to establish representative offices in Ukraine. A representative office is not a legal entity under the Ukrainian legislation and therefore it acts for and on behalf of the foreign founder. The representative office can carry out marketing, promotional and other auxiliary functions. This kind of establishing business on the territory of Ukraine is not incorporated under Ukrainian law. The representative office can simply represent the Norsvin’s interests on the territory of Ukraine. The key function of such non-resident representative offices is to service existing contracts between the non-resident company and a local (Ukrainian) customer, but not to engage in commercial activities on its own behalf ([www.mfa.gov.ua/usa/en/.../16887.htm](http://www.mfa.gov.ua/usa/en/.../16887.htm)).

In practice representative offices of foreign companies may be of two types: 1) a representative office through which a non-resident entity carries out its business activity in Ukraine (which is rather a branch from the legal view) and 2) a representative office whose functions are generally limited to representing the interests of a foreign company, performing marketing activities, and performing other support functions to promote the business of its foreign founder. Representative offices are subject to registration with state authorities as provided by Ukrainian legislation ([http://www.ukrchicago.com/tem/Business/Business\\_presence.html](http://www.ukrchicago.com/tem/Business/Business_presence.html)). More information about formalities is given in Appendix 17.

The “pro” – a very low cost alternative

The “con” - not high enough marketing impact that results in slow company growth

Recommendation: not recommended

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### **5.3.2.3 Sell the products from other county**

Selling from other country is mean that Norsvin's product can be sell from already existing Norsvin company in Poland.

The "pro" - no need build costly operation on territory of Ukraine

The "con" - may limit the ability to respond quickly to customer demand- time of semen make necessary high speed of transportation, which is prohibitively costly, limited territory because of transport delay, limits opportunities to gain knowledge of local market and competitors

Recommendation: not recommended

The detailed information about terms and prices of foreign company registration in Ukraine is given in the Appendix 16.

### **5.4 Strategic decisions on partnership questions**

Due to bureaucratic difficulties in entering the Ukrainian market it is very important to consider a question about using a local partner. A local partner can be utilizing in JSC, LLC and the agent alternatives. There is also the possibility of entering Ukrainian market with a Norwegian partner, having experience with the Ukrainian business climate. The partners for future Norsvin's actions can be found by Norwegian-Ukrainian Chamber of Comers or by self.

#### **5.4.1 Alternative entering market alone**

When entering marker alone with people not equated with Ukrainian business conditions there is a necessary learning period. According to my impressions of all people interviewed I would estimate the learning time around 3 years.

The "pro" - complete control over efforts and cost level

The "con" - 3 years delay with full expanses

Recommendation: not advisable due to long time delay and large investment before income

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#### **5.4.2 Alternative entering market with experienced partner (local or Norwegian)**

With an experienced partner Norsvin can avoid the bureaucratic and business pitfalls. On the other hand Norsvin has to share profits and business experience with Ukrainian partner. Ukrainian government likes to promote Joint Ventures.

The “pro” - shorter learning period for Norwegian persons, less investments before the first sell of the product, more goodwill from the Ukrainian government

The “con” - profit sharing with a partner, need for good relationship with a partner

Recommendation: find partner and enter the long-term time limited agreement

#### **5.5. Product strategy**

Product strategy perhaps is the most important function of a company. My investigations have revealed a need for extended product strategy. To introduce Norsvin’s genetic to the Ukrainian market is not enough to satisfy long term customers need in the market segment of medium- and large-scale pig breeding farms.

I strongly recommend that Norsvin additionally extends the product to include the technical support and advice on “best practice” in the pig farming. This advice can be taken from Norwegian farming practice and exported to Ukraine. The providing high level of technical support might assist maximum genetic potential.

#### **5.6 Final conclusion**

Based on the data presented in this thesis, I recommend that Norsvin approach the Ukrainian market following the recommendations outlined in section 5.2.

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[www.acumen.com.ua](http://www.acumen.com.ua)  
[www.mfa.gov.ua/usa/en/.../16887.htm](http://www.mfa.gov.ua/usa/en/.../16887.htm)  
[http://www.ukrchicago.com/tem/Business/Business\\_presence.htm](http://www.ukrchicago.com/tem/Business/Business_presence.htm)

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## **Appendix 1 Information from Norwegian Royal Embassy in Ukraine (in Norwegian)**

[www.norway.com.ua/Embassy/info/Innovation\\_Norway/](http://www.norway.com.ua/Embassy/info/Innovation_Norway/)

Bevisstheten om bedriftenes samfunnsansvar er liten i Ukraina. Tanken om at den paternalistiske staten først og fremst står ansvarlig for folks ve og vel synes ennå å råde. "Corporate Social Responsibility" er et nytt, importert begrep som på langt nær er internalisert i den ukrainske forretningsverden eller opinionen. Næringslivet er preget av liberal omgang med lovverket. Maktbruk og ren kriminalitet forekommer. Korrupsjon berører alle, også rettsvesenet. Mange ledende politikere har svært tette bånd til næringslivet; interesser og ulike lojalitetsbånd er vanskelig å holde fra hverandre. Ukraina befinner seg på 134. plass blant 180 stater på Transparency Internationals korrupsjonsbarometer. Utviklingen har forverret seg de siste årene. Ideen om samfunnsansvar er likefullt i ferd med å spre seg. Myndighetene, med president Viktor Justsenko i spissen, har tatt til orde for økt engasjement fra næringslivets side. FNs Global Compact ble lansert i Ukraina i 2006 og mange store nasjonale og internasjonale selskaper har sluttet seg til initiativet. Rike forretningsfolk/oligarker bidrar med veldedighet/donasjoner eller etablerer fond med langtidsperspektiv på helse, utdanning, kultur, menneskerettigheter og utvikling av lokalsamfunn. Forståelsen av at det internasjonale kapitalmarkedet og de store børsene også vektlegger selskapenes sosiale profil, vil forhåpentligvis bare øke ettersom finanskrisen går over. Forbrukernes bevissthet om bedriftenes omdømme skjerpes blant annet gjennom frie medier.

### **Ukrainsk lovgivning**

Ukrainsk lovverk er tilfredsstillende med hensyn til arbeidsmiljø, standarder, organisasjonsfrihet, korrupsjon og lignende. Landet har ratifisert de fleste av ILOs kjernekonvensjoner. Likevel forekommer mange og grove brudd på lovverk for helse, sikkerhet og miljø, samt på retten til å organisere seg. Korrupsjonen gjør det lettere å dekke disse til. Oppsigelsesvernet er i teorien nesten like sterkt som i Norge, men overholdelsen av rettigheter er ofte mangelfull og frykten for å miste jobben dersom man stiller spørsmål, stor.

Korrupsjon er et grunnleggende problem. Ukrainas anti-korrupsjonslover ble betydelig styrket sommeren 2009 gjennom en såkalt Rammelov for forhindring og bekjempelse av korrupsjon og Lov om juridiske enheters ansvar for korrupsjonsforbrytelser.



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De nye lovene er harmonisert med relevante bestemmelser i straffeloven og forvaltningsloven. Lovene definerer også mer nøyaktig hvem som omfattes av bestemmelsene og hva som menes med korrupsjon. Det er etablert et sentralt register over personer som har gjort seg skyldig i korrupsjon, og regler for inndragning av utbytte fra korrupsjon er på plass.

Det foreligger utfyllende retningslinjer for mottak av gaver i tjenesten. Gaver til offentlige tjenestepersoner må være rimelige og verdien må (i 2009) ikke overstige UAH 302 eller NOK ca. 210-215. Gaver som er mottatt i forbindelse med offisielle seremonier skal innen tre dager overlates til vedkommende statlige/offentlige myndighet eller internasjonale organisasjon.

### **Hva er det viktig å ha oppmerksomhet på i Ukraina?**

Norske bedrifter som ønsker å etablere seg i Ukraina bør være oppmerksomme på situasjonen og søke å etablere så klare rammer og strenge kontrollrutiner, som mulig med lokale samarbeidspartnere og leverandører. Særlig bør man være på vakt vedrørende forhold omkring arbeidslivsreglement, korrupsjon og miljøvern. Det er viktig ikke å fire på de strenge standardene man selv forholder seg til i Norge når man åpner butikk i utlandet. Åpenhet og engasjement overfor forbrukere/kunder og samfunn øker oppmerksomheten rundt bedriften og bidrar til å skape tillit.

### **Hva kan ambassaden tilby?**

Ambassaden i Kiev er oppmerksom på spørsmål vedrørende både norske og ukrainske næringslivsaktørers samfunnsansvar og benytter blant annet midler fra vårt "Småpottfond" til å fremme bevisstheten om dette temaet.

Vi har støttet flere prosjekter for å styrke utviklingen av CSR i Ukraina. Blant annet finner det nå sted en årlig internasjonal CSR-konferanse i Kiev som har mottatt støtte fra norske midler. Konferansen organiseres av tidsskriftet Expert, som også jobber aktivt med å utvikle dialogen mellom bedrifter og lokale organisasjoner for å styrke det sivile samfunn i Ukraina. Ambassaden har i tillegg støttet flere prosjekter som arbeider med å bevisstgjøre journalister på problemstillinger knyttet til CSR generelt, og til definering av CSR i forhold til PR spesielt. Vi støtter Norsk-Ukrainsk handelskammer med midler til deres engasjement for fremme av medlemsbedriftenes samfunnsansvar, inkl. samarbeid om CSR med ukrainske næringslivsorganisasjoner.

Ambassaden tar gjerne imot norske bedrifter som ønsker å se på mulighetene for å investere i Ukraina og som er opptatt av spørsmål om samfunnsansvar. Ambassaden

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har et bredt kontaktnettverk av personer fra myndighetene, nærings-, og organisasjonslivet, vi kan gi råd og formidle relevante kontakter, blant annet til juridisk ekspertise i Ukraina.

### **Relevante organisasjoner, rådgivere, nettverk**

#### **Norsk ambassade, Kiev, Ukraina**

Adresse: Striletska 15, Telefon: +380 44 590 04 70, Faks +380 44 234 06 55, e-post: emb.kiev@mfa.no

#### **Norsk-Ukrainsk handelskammer (NUCC)**

Bistår norske bedrifter som ønsker å investere i Ukraina.

Kontakt: Sigmund Ekhougen, Telefon: + 47 90911950, E-post: ekhougen@nucc.no

#### **European Business Assosiation (EBA)**

Bistår bedrifter i Ukraina.

Kontakt: Trond Mo, Telefon +380 67 2206034, E-post: trond.moe@telenor.com

#### **Det ukrainske handels- og industrikammeret**

Uavhengig organisasjon til støtte og fremme av næringslivet i Ukraina.

Internett: <http://www.ucci.org.ua/en/about.html>

**Norwatch** undersøker norsk investeringspolitikk i utlandet. Kompetanse på arbeidsverns-, og miljøforhold ved ukrainske skipsverft.

Kontakt: Telefon: +47 22 03 31 62/82, E-post: redaksjonen@norwatch.no

#### **FN i Ukraina**

Pådriver og kompetansebygger overfor ukrainske myndigheter vedrørende samfunnsansvar

Kontakt: Yulia Shcherbinina, E-post [yuliya.shcherbinina@un.org.ua](mailto:yuliya.shcherbinina@un.org.ua), Telefon: +38 (044) 2539363, ext. 201

#### **Confederation of Employers of Ukraine**

Kontakt: Rodion Kolyshko, E-post: rkolyshko@c-ig.com

#### **East Europe Foundation**

Kontakt: Victor Liakh, E-post: vliakh@eef.org.ua, Telefon: +380 44 200 38 24

#### **Centre for CSR Development**

Kontakt: Maryna Saprykina, E-post: ms@csr-ukraine.org, Telefon:+38 050 685 04 31,

Internett: [www.csr-ukraine.org](http://www.csr-ukraine.org), NHO [www.nho.no](http://www.nho.no), LO [www.lo.no](http://www.lo.no) Innovasjon Norge [www.innovasjon Norge](http://www.innovasjon Norge)

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## Appendix 2 Officials bodies of state power in Ukraine

<b><a href="http://www.president.gov.ua">www.president.gov.ua</a></b>	Official website of President of Ukraine
<b><a href="http://www.kmu.gov.ua">www.kmu.gov.ua</a></b>	Government portal
<b><a href="http://www.rada.gov.ua">www.rada.gov.ua</a></b>	Verkhovna Rada of Ukraine
<b><a href="http://www.mfa.gov.ua">www.mfa.gov.ua</a></b>	Ministry of Foreign Affairs of Ukraine
<b><a href="http://www.pvu.gov.ua">www.pvu.gov.ua</a></b>	State Frontier Service of Ukraine
<b><a href="http://www.customs.gov.ua">www.customs.gov.ua</a></b>	State Customs Service of Ukraine
<b><a href="http://www.ukraine-tipp.gov.ua">www.ukraine-tipp.gov.ua</a></b>	Ukrainian Trade and Investment Promotion Portal
<b><a href="http://www.nceai.gov.ua">www.nceai.gov.ua</a></b>	National Centre of Euro-Atlantic Integration of Ukraine
<b><a href="http://www.guam.org.ua">www.guam.org.ua</a></b>	Organization for Democracy and Economic Development

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## Appendix 3 Important contact information

### **1) AUPO "Agrarian Chamber of Ukraine"**

Address: 8 O. Teligy St. Kyiv Ukraine 01133

Telephone: 8 (044) 456-95-01

Fax: 8 (044) 456-95-01

E-mail: [office@grichamber.org.ua](mailto:office@grichamber.org.ua)

### **2) "Tvarynprom"**

01011, Kyiv- 11, Panas Myrnogo st. 28

Tlf. +38044 2801129

E-mail: [ruryk@bigmir.net](mailto:ruryk@bigmir.net)

### **3) "UKRMIASO" National Meat Association**

Hrynchenka St.1

Kyiv 01001

Ukraine

Tlf. +380 44 2796413; +380 44 2262962

### **4) "ProAgro"**

[www.proagro.com.ua](http://www.proagro.com.ua)

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## Appendix 4 Guides for doing business in Ukraine, different editions

1) "Guide to doing business in Ukraine" - the guide made by high north center for business, Norway <http://www.nucc.no/market-information/doing-business-in-ukraine.aspx>

2) Doing Business and investing in Ukraine, 2010 Edition

[http://www.pwc.com/en\\_UA/ua/solutions/assets/Doing\\_business\\_and\\_investing\\_in\\_Ukraine\\_2010.pdf](http://www.pwc.com/en_UA/ua/solutions/assets/Doing_business_and_investing_in_Ukraine_2010.pdf)

The information in this book is based on taxation law, legislative proposals and current practice, up to and including measures passed into law as of 1 May 2007. It is intended to provide a general guide only on the subject matter and is necessarily in a condensed form. It should not be regarded as a basis for ascertaining the tax or any other regulatory liability in specific circumstances. Professional advice should always be taken before acting on any information in the guide.

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## Appendix 5 Main players of the pig breeding and pork market

- 1) [www.ff-bacon.com](http://www.ff-bacon.com)
- 2) [www.agro-firma.com.ua](http://www.agro-firma.com.ua)
- 3) [www.svynarstvo.in.ua](http://www.svynarstvo.in.ua)
- 4) [www.pig.com.ua](http://www.pig.com.ua)
- 5) [www.sigma.dp.ua](http://www.sigma.dp.ua)
- 6) [www.elita2u.com](http://www.elita2u.com)
- 7) [www.minagro.gov.ua](http://www.minagro.gov.ua) - Ministry of Agrarian policy of Ukraine 24, Kreshchatik str.,  
Kyiv 1001
- 8) [www.economy-ukraine.com.ua](http://www.economy-ukraine.com.ua)
- 9) [www.ukrstat.gov.ua](http://www.ukrstat.gov.ua) – largest statistic economics business database showing safety information. The main language used for the site’s text textual content is Ukrainian.

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## Appendix 6 Business partner search

- 1) Database of commercial offers from Ukraine

[http://ukrexport.gov.ua/eng/partner\\_offers/?country=ukr](http://ukrexport.gov.ua/eng/partner_offers/?country=ukr)

- 2) International Business Events in Ukraine

[http://ukrexport.gov.ua/eng/partner\\_events/?country=ukr](http://ukrexport.gov.ua/eng/partner_events/?country=ukr)

- 3) The 2nd International Specialized Exhibition of Agriculture "InterAgroBusiness"

<http://www.inter-expo.org/index.htm>

- 4) Association «Ukrainian Agribusiness Club»

[www.agribusiness.kiev.ua](http://www.agribusiness.kiev.ua)

- 5) AgriEvent – an event management company of agribusiness

[www.agrievent.com.ua](http://www.agrievent.com.ua)

- 6) Information portal for investors

[www.ukrainebizinfo.com](http://www.ukrainebizinfo.com)

- 7) Norwegian- Ukrainian Chamber of Commerce

[www.nucc.no](http://www.nucc.no)

- 8) Organization of agricultural investment

[www.dykun.com.ua](http://www.dykun.com.ua)

- 9) [www.vlasnasprava.info](http://www.vlasnasprava.info)

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## **Appendix 7 Legislation**

Source: [Law of Ukraine About foreign economic activity](http://ukrexport.gov.ua/eng/legislation/?country=ukr)  
<http://ukrexport.gov.ua/eng/legislation/?country=ukr>

### **Section I**

#### **GENERALS**

[Article 1 Determination of terms](#)

[Article 2 Principles of foreign economic activity](#)

[Article 3 Subjects of foreign economic activity](#)

[Article 4 Types of foreign economic activity](#)

[Article 5 A right is on realization of foreign economic activity](#)

[Article 6 Agreements \(contracts\) of subjects of foreign economic activity and right which is used to them](#)

### **Section II**

#### **ADJUSTING OF FOREIGN ECONOMIC ACTIVITY**

[Article 7 Bases of adjusting of foreign economic activity](#)

[Article 8 Government control of foreign economic activity](#)

[Article 9 Organs of government control of foreign economic activity](#)

[Article 10 Organs of local government foreign economic activity](#)

[Article 11 Principles of taxation are during realization of foreign economic activity](#)

[Article 12 The obligatory distributing of profit yield is from foreign economic activity in foreign currency](#)

[Article 13 Principles of the custom adjusting are during realization of foreign economic activity](#)

[Article 14 Conduct of calculations and crediting of subjects of foreign economic activity](#)

[Article 15 Insurance of external economic operations](#)

[Article 16 Licensing of external economic operations](#)

[Article 17 Prohibition of separate types of export and import](#)

[Article 18 Order of application technical regulations, pharmacological, sanitary, phytosanitary, veterinary and ecological measures, standards and requirements](#)

[Article 19 Special imported procedures](#)

[Article 20 Measures are on defence of economic competition in industry of foreign economic activity](#)



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[Article 21 Government order](#)

[Article 22 Account of external economic operations, accounting and audit of subjects of foreign economic activity](#)

[Article 23 Informative providing of foreign economic activity](#)

**Section III**

**DEDICATED LEGAL MODES OF FOREIGN ECONOMIC ACTIVITY**

[Article 24 Special economic areas](#)

[Article 25 Other dedicated legal modes of foreign economic activity](#)

**Section IV**

**ECONOMIC RELATIONS UKRAINE WITH OTHER STATES AND INTERNATIONAL INTERGOVERNMENTAL ORGANIZATIONS**

[Article 26 Economic relations Ukraine with other states](#)

[Article 27 Relations Ukraine with international intergovernmental economic organizations](#)

**Section V**

**DEFENCE of RIGHTS and LEGAL INTERESTS of the STATE AND OTHER SUBJECTS of FOREIGN economic And ECONOMIC ACTIVITY UKRAINE**

[Article 28 Defence of rights and legal interests of subjects of foreign economic activity Ukraine outside Ukraine](#)

[Article 29 Wests of Ukraine in reply to discriminatory and/or unfriendly actions of other states, customs unions or economic groupments](#)

[Article 30 Limitation of re-export](#)

[Article 31 Measures are against a unfair competition and growing import during realization of foreign economic activity](#)

**Section VI**

**RESPONSIBILITY IS IN FOREIGN ECONOMIC ACTIVITY**

[Article 32 General principles of responsibility of subjects of foreign economic activity](#)

[Article 33 Kinds and forms of responsibility are in foreign economic activity](#)

[Article 34 Responsibility Ukraine as the states](#)

[Article 35 Responsibility of subjects of foreign economic activity](#)

[Article 36 Order of realization of responsibility](#)

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## Appendix 8 Useful links

**1) Government institutions of Ukraine**

<http://ukrexporth.gov.ua/eng/gov/?country=ukr>

**2) Foreign diplomatic representation in Ukraine**

<http://ukrexporth.gov.ua/eng/dip/?country=ukr>

**3) Trade and economic mission of Ukraine abroad**

<http://ukrexporth.gov.ua/eng/missions/?country=ukr>

**4) Professional unions and associations in Ukraine**

<http://ukrexporth.gov.ua/eng/assn/?country=ukr>

**5) Regional innovation centres network**

<http://ukrexporth.gov.ua/eng/innovation/?country=ukr>

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## Appendix 9 Regional state administration of Ukraine

### Vinnitsa Regional State Administration

70, Sobornaya Ul., Vinnitsa, Ukraine, 21100

(0432) 59-21-10, 32-25-35, 32-35-35

[oda@vin.gov.ua](mailto:oda@vin.gov.ua)

[www.vin.gov.ua](http://www.vin.gov.ua)

### Volyn Regional State Administration

9, Kievskaya Pl., Lutsk, Volyn Region, Ukraine, 43027

(0332) 77-81-53

(0332) 77-81-00

[post@obladmin.lutsk.ua](mailto:post@obladmin.lutsk.ua)

### Dnepropetrovsk Regional State Administration

1, Kirova Pr-t, Dnepropetrovsk, Ukraine, 49004

(056) 742-85-32, 742-82-92, 742-80-58, 742-89-80

[info@adm.dp.ua](mailto:info@adm.dp.ua)

[www.adm.dp.ua](http://www.adm.dp.ua)

### Donetsk Regional State Administration

34, Pushkina Bul., Donetsk, Ukraine, 83105

(062) 335-35-90, 334-30-56, 304-01-83, 335-13-66

[web@donoda.gov.ua](mailto:web@donoda.gov.ua) , [info@donoda.gov.ua](mailto:info@donoda.gov.ua)

[www.donoda.gov.ua](http://www.donoda.gov.ua)

### Zhitomir Regional State Administration

1, Koroleva

Zhitomir, Ukraine, 10014

(0412) 47-50-08, 47-50-70, 47-47-16, 47-50-10

[ztobladmin@zt.ukrpak.net](mailto:ztobladmin@zt.ukrpak.net)

[www.zhitomir-region.gov.ua](http://www.zhitomir-region.gov.ua)

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### **Zakarpattje Regional State Administration**

4, Narodnaya Pl., Uzhgorod, Zakarpattje Region, Ukraine, 88008

(03122) 61-30-93, 61-34-16, 61-34-13, 61-34-19, 61-33-56

[admin@carpathia.gov.ua](mailto:admin@carpathia.gov.ua)

[www.carpathia.gov.ua](http://www.carpathia.gov.ua)

### **Zaporozhye Regional State Administration**

164, Lenina Pr-t, Zaporozhye, Ukraine, 69107

(061) 233-11-91, 239-03-53

(061) 224-61-23, 33-03-94, 234-83-81

[adm@zoda.gov.ua](mailto:adm@zoda.gov.ua)

[www.zoda.gov.ua](http://www.zoda.gov.ua)

### **Ivano-Frankovsk Regional State Administration**

21, M. Grushevskogo Ul., Ivano-Frankovsk, Ukraine, 76004

(0342) 55-20-07, 55-21-86

[oda@if.gov.ua](mailto:oda@if.gov.ua)

[www.if.gov.ua](http://www.if.gov.ua)

### **Kiev Regional State Administration**

1, Lesi Ukrainki Pl., Kiev, Ukraine, 01196

(044) 296-82-30, 296-15-10

[ver@kra.kiev.ua](mailto:ver@kra.kiev.ua)

[www.kyiv-obl.gov.ua](http://www.kyiv-obl.gov.ua)

### **Kirovograd Regional State Administration**

1, Kirova, Kirovograd, Ukraine, 25022

(0522) 24-16-52, 24-12-39

[public@kr-admin.kirovograd.ua](mailto:public@kr-admin.kirovograd.ua)

[www.kr-admin.gov.ua](http://www.kr-admin.gov.ua)

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**Lugansk Regional State Administration**

3, Geroev VOV Pl., Lugansk, Ukraine, 91016

(0642) 58-58-88, 55-14-54, 53-84-51

[info@loda.lg.ua](mailto:info@loda.lg.ua)

[www.loga.gov.ua](http://www.loga.gov.ua)

**Lviv Regional State Administration**

18, Vinnichenko Ul, Lvov, Ukraine, 79008

(032) 261-20-93

(032) 261-28-70, 261-23-99

[admin@loda.gov.ua](mailto:admin@loda.gov.ua)

[www.loda.gov.ua](http://www.loda.gov.ua)

**Nikolaev Regional State Administration**

22, Admiralskaya Ul., Nikolaev, Ukraine, 54009

(0512)35-40-51, 37-02-57

[cancelar@mykolayiv-oda.gov.ua](mailto:cancelar@mykolayiv-oda.gov.ua)

[www.oga.mk.ua](http://www.oga.mk.ua)

**Odessa Regional State Administration**

4, Shevchenko Pr., Odessa, Ukraine, 65032

(0482) 718-95-27, 718-95-33, 725-15-47

(0482) 34-28-23

[eko@odessa.gov.ua](mailto:eko@odessa.gov.ua)

[www.oda.odessa.gov.ua](http://www.oda.odessa.gov.ua)

**Poltava Regional State Administration**

45, Oktyabrskaya Ul., Poltava, Ukraine, 36004

(0532) 56-06-97, 27-21-63, 56-02-90, 56-53-14

[oda@adm-pl.gov.ua](mailto:oda@adm-pl.gov.ua)

[www.obladmin.poltava.ua](http://www.obladmin.poltava.ua)

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### **Rivne Regional State Administration**

1, Prosvescheniya Pl., Rivne, Ukraine, 33000

(0362) 69-51-65, 26-08-35

[roda1@obladmin.rv.ua](mailto:roda1@obladmin.rv.ua)

[www.obladmin.rv.ua](http://www.obladmin.rv.ua)

### **Sumy Regional State Administration**

2, Nezavisimosti Pl., Sumy, Ukraine, 40030

(0542) 60-77-55, 63-27-04

[info@state-gov.sumy.ua](mailto:info@state-gov.sumy.ua) , [media@state-gov.sumy.ua](mailto:media@state-gov.sumy.ua)

[www.state-gov.sumy.ua](http://www.state-gov.sumy.ua)

### **Ternopil Regional State Administration**

8, Grushevskogo Ul., Ternopol, Ukraine, 46021

(0352) 52-07-88, 23-50-75

[oda@te.gov.ua](mailto:oda@te.gov.ua)

[www.oda.te.gov.ua](http://www.oda.te.gov.ua)

### **Kharkov Regional State Administration**

64, Sums kaya Ul., Kharkov, Ukraine, 61200

(0572) 700-04-12, 700-12-68, 700-03-31

[obladm@kharkivoda.gov.ua](mailto:obladm@kharkivoda.gov.ua) , [site@kharkivoda.gov.ua](mailto:site@kharkivoda.gov.ua)

[www.kharkivoda.gov.ua](http://www.kharkivoda.gov.ua)

### **Kherson Regional State Administration**

1, Svobody Ul., Kherson, Ukraine, 73000

(0552) 49-51-89, 26-20-55, 22-33-80

[vd-comp@oda.kherson.ua](mailto:vd-comp@oda.kherson.ua)

[www.oda.kherson.ua](http://www.oda.kherson.ua)

### **Khmelnitskiy Regional State Administration**

2, Nezavisimosti Pl., Khmel'nitskiy, Ukraine, 29005

(0382) 76-50-24, 76-50-25, 76-51-72, 26-11-65

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[regadm@adm.km.ua](mailto:regadm@adm.km.ua)

[www.adm.km.ua](http://www.adm.km.ua)

**Cherkassy Regional State Administration**

185, Shevchenko Ul., Cherkassy, Ukraine, 18000

(0472) 37-73-72, 37-75-09, 37-60-01

[cancelar@oda.ck.ua](mailto:cancelar@oda.ck.ua)

[www.oda.ck.ua](http://www.oda.ck.ua)

**Chernovtsy Regional State Administration**

1, Grushevskogo Ul., Chernovtsy, Ukraine, 58010

(0372) 55-15-89, 51-30-10, 55-28-44, 55-37-76

[mail@oda.cv.ua](mailto:mail@oda.cv.ua)

[www.oda.cv.ua](http://www.oda.cv.ua)

**Chernigov Regional State Administration**

7, Shevchenko Ul., Chernigov, Ukraine, 14000

(0462) 65-12-80, 67-50-70, 65-14-11

8-800-501-74-00

[golova@regadm.cn.ua](mailto:golova@regadm.cn.ua), [analit@regadm.cn.ua](mailto:analit@regadm.cn.ua)

[www.cg.gov.ua](http://www.cg.gov.ua)

**Sevastopol Municipal State Administration**

2, Lenina Ul., Sevastopol, Ukraine, 99011

(0692) 54-47-73, 54-20-53

[sgga@stel.sebastopol.ua](mailto:sgga@stel.sebastopol.ua)

[www.sevastopol-adm.gov.ua](http://www.sevastopol-adm.gov.ua)

**Kiev Minicipal State Administration**

36, Kreschatik Ul., Kiev, Ukraine, 01044

(044) 226-22-30, 279-93-42

[portal@kmu.gov.ua](mailto:portal@kmu.gov.ua), [admin@kma.gov.ua](mailto:admin@kma.gov.ua)

[www.kmv.gov.ua](http://www.kmv.gov.ua)

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## **Appendix 10 Political system**

Shortly after becoming independent, Ukraine named a parliamentary commission to prepare a new constitution, adopted a multi-party system, and adopted legislative guarantees of civil and political rights for national minorities. A new, democratic Ukrainian constitution was adopted in June 1996, providing for a democratic, pluralistic political system with the protection of basic human rights and liberties, including guarantees for freedoms such as religion and speech. These rights have been largely respected. The constitution was amended in 2006, shifting powers from the President to the Prime Minister and Parliament.

The powers of government are divided into three branches: legislative, executive and judicial. Laws adopted by Parliament are forwarded to the President for a signature. The Head of State is the President. He is elected by vote for a five year term. The current president of Ukraine is Viktor Yanukovich, who was sworn in February of 2010.

Legislative power is exercised by a single chamber parliament, the Verkhovna Rada, which comprises 450 deputies and is elected every four years. The last parliamentary elections were held in 2007. The highest Executive body is the Cabinet of Ministers. The Cabinet of Ministers is nominated by the parliamentary majority and approved by the President (<http://www.agribusiness.kiev.ua/en/analytics/1253542679/>).



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## **Appendix 11 Details on banking system and currency; Transfer of foreign currency from Ukraine abroad**

### **The National Bank of Ukraine**

According to the Law of Ukraine "On the National Bank of Ukraine", the National Bank is the central bank of Ukraine (NBU), a specific central body of the state administration, its issuing centre which pursue common state policy in money circulation, credit, strengthening of monetary unit; it coordinates functioning of the banking system in general; determines exchange rate of the monetary unit against foreign currencies. The National Bank determines a kind of bank notes, their denomination, distinctive features and their protection system. The NBU ensures the accumulation and custody of the gold and currency reserves and the conduction of transactions with them and the banking metals. The National Bank of Ukraine sets up the order of determining a discount rate and other interest rates; it gives permission for commercial banks' registration and licenses banking business; determines the standard of emergency funds for commercial banks and other financial and credit institutions. The webpage for NBU is [www.bank.gov.ua](http://www.bank.gov.ua). According to the Constitution of Ukraine, the main function of the National Bank is to ensure the stability of Ukraine's monetary unit. To carry out its major function, the National Bank shall foster the stability of the banking system and within its competence, the price stability. The NBU is empowered to develop and conduct Ukraine's monetary policy; to carry out the emission and to organize the circulation of the Hryvnia; to banking reserves. The NBU also registers commercial banks and issues banking licenses (<http://www.bank.gov.ua/ENGL/NBU/index.htm>).

### **Status of National Currency**

The Ukrainian national currency is hryvnia (UAH), introduced in September 1996. The Currency Decree provides that UAH is the only lawful means of payment on the territory of Ukraine, and that it is acceptable without any limitations in the settlement of any obligations. Over the last few years, Ukrainian hryvnia kept quite stable against the USD at an exchange rate of 8,3 UAN to 1 US.

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## **Use of Foreign Currency within Ukraine**

The Currency Decree sets forth the general rule that any use of foreign currency on the territory of Ukraine, as a means of payment or as an object of a pledge, may legally be carried out only pursuant to an individual license of the NBU. The foregoing rule does not apply to foreign currency transfers performed within Ukraine by a Ukrainian commercial bank or financial institution possessing a general license of the NBU for the carrying out of currency transactions.

## **Transfer of foreign currency from Ukraine abroad**

The Currency Decree sets forth the general rule that any transfer abroad of foreign currency from Ukraine requires an individual license of the NBU, subject to an exhaustive list of exemptions provided in the Currency Decree.

Such exemptions include:

- ✚ transfer of foreign currency abroad by a Ukrainian resident individual within the limit determined by the NBU;
- ✚ transfer of foreign currency abroad by a Ukrainian resident or non-resident individual, within the limit of the amount previously imported into Ukraine by such resident or non-resident on a legal basis;
- ✚ payment in foreign currency abroad by a Ukrainian resident (legal entity or individual) in discharge of a contractual obligation in such foreign currency to a non-resident in settlement for goods, services, works, intellectual property rights, or other property rights acquired or received by such resident from such non-resident (N.B.: an acquisition of securities or other “currency valuables” does not fall within this exemption);
- ✚ payment of interest under a loan or income earned (e.g., dividends) from a foreign investment in foreign currency abroad;
- ✚ payment in foreign currency abroad to the European Organization for the Safety of Air Navigation as a fee for the services on aircraft navigation

([www.bakernet.com/NR/rdonlyres/2406C6C7-DD18-4C6B-BF4B-3E0D7E87324C/0/dbi\\_ukraine\\_09.pdf](http://www.bakernet.com/NR/rdonlyres/2406C6C7-DD18-4C6B-BF4B-3E0D7E87324C/0/dbi_ukraine_09.pdf)).

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## Purchase of Foreign Currency

A resident Ukrainian legal entity or individual entrepreneur may acquire non-cash foreign currency in Ukraine only through a duly licensed Ukrainian commercial bank or non-bank financial institution which received a general license from the NBU, and only in a limited number of cases and subject to its submission to such bank or non-bank financial institution of various documents confirming the legitimacy of the purchase. Instances in which such a purchase will be permitted include, inter alia, the need for such resident to discharge its payment obligation to a non-resident in connection with:

- ✚ purchase of goods or services from such non-resident;
- ✚ repayment of a loan extended by such non-resident and/or the payment of interest thereon;
- ✚ payment of dividends or other income earned as a result of such non-resident's investment; and
- ✚ any currency transaction, for which the NBU has issued an individual license

([www.bakernet.com/NR/rdonlyres/2406C6C7-DD18-4C6B-BF4B-3E0D7E87324C/0/dbi\\_ukraine\\_09.pdf](http://www.bakernet.com/NR/rdonlyres/2406C6C7-DD18-4C6B-BF4B-3E0D7E87324C/0/dbi_ukraine_09.pdf)).

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## Appendix 12 Customs system in Ukraine

Ukrainian Customs is oriented towards the efficient fulfillment of the following basic tasks:

- ✚ implement and control over compliance with the legislation of Ukraine on customs;
- ✚ protect Ukraine's economic interests;
- ✚ secure implementation of obligations prescribed by international agreements on customs practice to which Ukraine is a party;
- ✚ assist the defense of intellectual property rights of people involved in foreign economic activity, and other legal entities and natural persons;
- ✚ apply, in accordance with the law, tariff and non-tariff regulatory measures upon movement of goods through the customs border of Ukraine;
- ✚ implement customs control and customs clearance of goods and vehicles crossing the customs border of Ukraine, and improve the means and forms of such implementation;
- ✚ control compliance with the rules of movement of currency values through the customs border of Ukraine;

*Contact information: Chairman Mr. Anatoliy Makarenk (appointed on 28 January 2009)*

*Official address: 11-g, Deghtyrivska str., Kyiv 04119.*

*Telephone number is (044) 247-26 -06; e-mail is [dmsu@customs.gov.ua](mailto:dmsu@customs.gov.ua); webpage is [www.customs.gov.ua](http://www.customs.gov.ua)*

The general principles of customs procedures in Ukraine are defined, and the movement of goods across the customs border of Ukraine as well as the procedures for customs clearance, control and other related issues are regulated by, the Customs Code of Ukraine (the Customs Code), dated 11 July 2002. In addition to the Customs Code, the applicable Ukrainian legislation on customs also includes the Law of Ukraine “On Customs Tariffs of Ukraine”, dated 5 April 2001, the Law of Ukraine “On the Unified Customs Tariff”, dated 5 February 1992 ([www.bakernet.com/NR/rdonlyres/2406C6C7-DD18-4C6B-BF4B-3E0D7E87324C/0/dbi\\_ukraine\\_09.pdf](http://www.bakernet.com/NR/rdonlyres/2406C6C7-DD18-4C6B-BF4B-3E0D7E87324C/0/dbi_ukraine_09.pdf)).

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## **Appendix 13 IPR**

There are two basic types of intellectual property rights protected in Ukraine – industrial property and copyright. Under Ukraine laws the following types of industrial property are protected: inventions; utility models; industrial designs; trademarks. Currently legislation related to know-how and trade secrets protection is being under adoption in the Parliament. However these types of intellectual property are not yet legally protected in Ukraine

([www.olcilaw.com/pdf/%5B428b1001e30db%5DDoing%20Business%20in%20Ukraine%20E.pdf](http://www.olcilaw.com/pdf/%5B428b1001e30db%5DDoing%20Business%20in%20Ukraine%20E.pdf)).

### **Industrial Commercial Property**

Preconditions, established by Ukrainian legislation, for registration of a patent in Ukraine for any type of industrial intellectual property are similar to those in other European countries. In particular, Ukrainian legislation establishes the priority right of the applicant who was the first to apply for a patent or trademark in any member state to the Paris Convention on Protection of Industrial Property. This right is valid only for six months of the date of the original registration, and it is therefore essential that a patent to be registered in Ukraine as well. Applications for registration of a patent should be submitted to the State Intellectual Property Department. Applicants are advised to enlist the help of professional patent agent. The period of validity of a patent depends on the type of an object patented. A patent on an invention is valid for a period of 20 years of the date of submission respective application the State Intellectual Property Department. Patents on utility models (models that offer technical improvements to an existing invention) are valid for a period of five years. Patents on industrial designs are valid for a period of ten years, and may be extended for a period not exceeding five years.

Trademark ownership in Ukraine is evidenced by a certificate, issued by the State Intellectual Property Department and is effective for ten years of the date of submission respective application. It is possible to extend the effective duration of a certificate at the end of each ten-year period.

The holder of a patent or certificate may transfer the right of ownership or use of respective industrial intellectual property to any other person by execution of a license agreement, which should be registered at the State Intellectual Property Department.

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In any case, the owner or legitimate user of industrial intellectual property rights is entitled to protect its infringed interests in the court. Violations of intellectual property rights can be punished by the courts with both civil and criminal liability. Sanctions usually include forced withdrawal from the market of products which infringe respective rights, as well as cessation of unlawful business activity by the offending party and payment of damages and legal fees

([www.olcilaw.com/pdf/%5B428b1001e30db%5DDoing%20Business%20in%20Ukraine%20E.pdf](http://www.olcilaw.com/pdf/%5B428b1001e30db%5DDoing%20Business%20in%20Ukraine%20E.pdf)).

### **Copyrights**

In addition to industrial property, Ukrainian legislation protects copyrights including published and unpublished works dealing with science, literature and arts, irrespective of their designation, genre, volume, purpose (whether for education, information, advertising etc) and method of reproduction, and whether rendered in oral, written or any other form. As a member state of the Bern Convention on Copyright, Ukraine ensures protection of copyright through the Convention's legal and institutional framework. An infringement of copyright resulted from any reproduction or distribution of copies of works, sound recordings, radio or TV program without permission of a person holding a copyright, leads to civil or criminal liability. In the event of a copyright infringement the author or owner of copyright can apply to the State Agency on Copyright as well as to the courts for recovery

([www.olcilaw.com/pdf/%5B428b1001e30db%5DDoing%20Business%20in%20Ukraine%20E.pdf](http://www.olcilaw.com/pdf/%5B428b1001e30db%5DDoing%20Business%20in%20Ukraine%20E.pdf)).

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## **Appendix 14 Land ownership rights**

The Land Code provides for the following types of rights to land in Ukraine: ownership, perpetual/indefinite use, short-term lease; long-term lease, servitudes (easements), superficies. The Land Code expressly states that there are three types of land ownership in Ukraine: private, municipal, and state. Subject to certain limitations, Ukrainian individuals and legal entities are no longer restricted in the ownership, use, or disposition of land. According to the Land Code, state or municipal land must be sold to individuals and legal entities exclusively on a competitive basis (auction), except when the purchaser of the land plot is the owner of the construction located on this land plot and some other cases. Foreign individuals, legal entities and foreign states are allowed to own, use and dispose of certain non-agricultural land in Ukraine, but are explicitly prohibited from owning agricultural land. Foreign legal entities may own only non-agricultural land: within the city limits, if they purchase buildings or structures or land plots for construction purposes; and beyond the city limits, if they purchase buildings or structures. State or municipal land may, however, be sold to a foreign legal entity if it establishes and registers its permanent establishment in the form of a commercial representative office in Ukraine. The sale of state owned non-agricultural land to a foreign legal entity may be made by the Cabinet of Ministers of Ukraine, subject to the prior approval of such sale by the Verkhovna Rada of Ukraine (Supreme Council of Ukraine). And municipal non-agricultural land may be sold to a foreign legal entity by the relevant municipal authorities, subject to the prior approval of such sale by the Cabinet of Ministers of Ukraine.

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## **Appendix 15 Review of the most important pork producers worldwide**

China is one of the major livestock producers in the world. At 48.5 million tonnes of pork produced per year, the country is by far largest volume the largest producer of pork in the world. Annual pork consumption per capita is 39.6 kg. By 2012, Chinese pork production is expected to increase 20 percent over 2004 levels. In spite of disadvantages such as lack of water availability and the presence of animal diseases such as Foot and Mouth Disease, China has quadrupled its pork exports from 2000 to 2005. A marked shift towards a better quality carcass and larger production units may also drive production increases and export growth. Meanwhile, value chain limitations and a clear consumer preference for fresh pork continue to present challenges to China's potential as a viable export market. The majority of the pork produced and sold in China today originates from very small farm operations — 55 percent of the pigs sold every year are raised on operations that sell one to nine hogs per year, with most of those hogs fed scraps or excess crop residues. Meanwhile, only 2.5 percent of pigs sold per year are from operations that sell more than 10,000 hogs per year

(<http://www.albertapork.com/Uploads/Objects/IndRptFeb2006.pdf>).

USA- like other developed countries the United States has the economic and technological base for competitive pork production. Annual pork consumption per capita is 29- 32 kg. Also like other developed countries, it faces challenges such as high labour costs, slaughter capacity, a strong animal welfare lobby and environmental regulations. Export activity has increased more than 100 percent over the past five years and this trend is expected to continue. However, one of the biggest challenges the U.S. pork industry faces is a stagnant internal consumption- domestic consumption, which has remained stable since 1955. A trend that point to the future of pork production in the USA is, an increasing number of large integrated production units and the expanding participation of financial institutions in production decisions

(<http://www.albertapork.com/Uploads/Objects/IndRptFeb2006.pdf>).

Competitive pressures have completely transformed the U.S. pork industry and this structural change is not yet completed. Since the early 1980s the industry has been restructured from a highly fragmented sector with thousands of independent hog producers and dozens of small and medium packers to an industry dominated by six multi-plant packers (along with five large single plant packers), a handful of powerful



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integrators and a core group of hog producers, the majority of whom are involved in contract hog production. Integration in the North American pork industry has also been a characteristic of this transformation. By 2004, national borders between hog production in the U.S. and Canada had largely dissolved. Industries in both countries have restructured to allow for specialization in particular stages of hog production. Exports will be an increasingly important revenue stream for the U.S. industry. On the downside, the U.S. industry continues to face criticism associated with its intensive production practices (<http://www.banffpork.ca/proc/2006pdf/049%20-%20Boal.pdf>). The **Canadian** pork industry has an international reputation for its quality product and elite health standards. It's also home to the second-lowest production costs in the world and has produced some exceptional marketing campaigns. According to the USDA foreign agricultural service the annual pork consumption per capita in Canada is 22, 9 kg ([www.thepigsite.com/.../canada-livestock-and-products-semiannual-report-2010](http://www.thepigsite.com/.../canada-livestock-and-products-semiannual-report-2010)). Its disadvantages include a dependence on the U.S. market (49 percent of Canada's total production is exported to the U.S.) and an overdependence on exports in general, a problem not made any easier by a stagnant domestic consumption. Overall, the future of Canada's pork industry appears to be bright, with a nearly 24 percent increase in production over 1994 levels expected by 2012. Country's access to new technology, its mature export infrastructure and an adequate supply of domestic grain are also advantages that will help drive Canada's pork industry in the future (<http://www.albertapork.com/Uploads/Objects/IndRptFeb2006.pdf>).

### **The European Union**

The addition of 10 new countries to the European Union (EU) in 2004 has brightened the outlook for consumption among the EU countries. According to a 2004 study by the EU Agricultural Commission, per capita consumption of pork is expected to rise 10 to 20 percent among the 10 new countries over the medium term, although consumption among all 25 EU countries is only expected to rise four percent. Current the annual pork consumption per capita is 43, 9 kg (<http://en.wikipedia.org/wiki/Pork>). The pork exports from the EU to non-EU countries dropped six percent over the past six years but are expected to increase. Although the addition of the new countries initially sparked a substantial increase in pork production, this trend is not expected to continue over the long term. EU pork producers continue to face challenges such as high production costs,

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a strong campaign against animal protein consumption and increased problems relating to animal welfare and environmental concerns

(<http://www.albertapork.com/Uploads/Objects/IndRptFeb2006.pdf>).

**Brazil** is a fourth largest pork producer in the world. The low cost of feed, land, buildings and labour all contribute to Brazil's distinction as home to the lowest pork production costs in the world. The country also has a climate favourable to the pork production and a large mass of available agricultural land. As a result, exports have climbed significantly over the past decade. Annual pork consumption of the pork in Brazil is 13.4 kg per year

(<http://www.albertapork.com/Uploads/Objects/IndRptFeb2006.pdf>). Brazil has strong competitive advantages in meat production and will continue to grow above the global average. The Brazil pork industry's export growth can be at least partially credited to a high number of large production units. 43 percent of the hogs produced in the country are raised by companies with 30,000 or more sows. The disadvantages of the country's pork industry include poor availability of credit, high interest rates and taxes, economic instability, animal disease, a carcass quality in need of improvement and a dependence on Russia as an export market

(<http://www.albertapork.com/Uploads/Objects/IndRptFeb2006.pdf>).

**Denmark** has a strong tradition for producing pigs and the swine industry in Denmark is an important part of the national economy. In terms of value of annual turnover, Danish Crown Cooperative is the third largest company in the country. About 60,000 people are employed in the pork industry and pork exports represent nearly six percent of the country's total export value. As a country, Denmark ranks ninth in the world in the amount of pork produced. Most of the country's pork production, harvesting and processing is done through a cooperative system that's been in place since the 1880s. As with most industries, change continues to occur. In 1970, there were 50 harvest cooperatives; now there are two: Danish Crown and Tican. Farmers own part of the cooperative and sell their pigs there as well. A national price is set on a weekly basis, which is based on prior week pork sales. Patronage refunds are received at year end. The number of pork producers in Denmark has declined over the past 30 years, falling from about 80,000 in 1975 to about 10,000 in 2004. But the number of pigs produced

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during that same time has more than doubled: from 11.3 million in 1970 to 25.2 million in 2004. In addition, herd size has increased. The current sow herd averages about 375 sows and current finishing farms average about 4,400 pigs. There are no corporate farms in Denmark; the majority of the operations are owner operators. However, it is a much integrated system with all parts of the industry focused on specific goals, markets and quality throughout (<http://www.thepigsite.com/articles/1/health-and-welfare/1733/danish-pork-industry-lessons-to-be-learned-part-1>).

The Danish pork industry is highly export oriented, as 85% of the production enters the world market. Denmark is one of the largest exporters of pork in the World. Denmark accounts for 17% of world exports of pork, and 22% of world exports of bacon and ham. The core competences of the Danish pork industry are found within the first levels of the production chain: slaughtering and cutting. The Danish pork industry has built its reputation on the capabilities of supplying requested volumes and quality of pork to processors all over the world. Therefore, much emphasis has been put into strengthening the competitiveness of this part of the value chain. The brand “Danish” is used for Danish pork in export markets. The brand has originally been marketed towards industry customers, but it is now also used in consumer marketing. This is certainly the case in Japan and the United Kingdom, where consumers consider “Danish” as the preferred pork. The brand is displayed on retail packs and in Japan also on menus in restaurants (<http://www.banffpork.ca/proc/2006pdf/093%20-%20Hamann.pdf>).

Although **Spain** has some competitive advantage against other EU member states, animal diseases have caused producers to curb their production targets. Hog cholera is a continuing problem for the Spanish producers. With each incidence, bans are placed on regional movement and destruction of the animal herd may result. In 2001, about 180,000 hogs were culled due to hog cholera. In addition, Spain’s hog sector still has Classical Swine Fever. An estimated 37,000 hogs were culled in 2001 in an effort to eradicate the disease. As Spain begins to assert itself as a leader in EU swine production, producers will need to control and contain diseases to take full advantage of market opportunities (<http://www.fas.usda.gov/dlp/IATRs/2002/spain0202.pdf>). Most of Spanish pork produce is kept within Spain and the EU. About 85 percent of domestic pork production is consumed in Spain. Spain is second to Germany in pork consumption and per capita pork consumption in Spain is growing each year. Although consumption

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in Spain is increasing, its exports to countries outside the EU are relatively stable and not significant. In 2000, the EU exported about 1.5 million tons of pork to countries outside the EU, and Spain accounted for only 20,000 tons of third country exports. However, intra EU exports are an important outlet for Spanish pork. In 2000, the intra EU pork trade amounted to about 3.5 million tons. Spain exported about 345,000 tons or 10 percent of the total EU intra pork trade. The Netherlands is the leading member state in intra EU pork exports, shipping about 1 million tons of pork per year. As Spain increases its swine production, more pork product will be shipped to other member states. Spain will likely continue to concentrate on the internal EU market, including its own domestic consumption. Spain is expected to increase its EU internal pork market share in 2002 and will rely on the major EU exporting countries such as Denmark, France, and Germany to develop the third country pork exports for the EU (<http://www.fas.usda.gov/dlp/IATRs/2002/spain0202.pdf>).

**Poland** was the first of the Eastern European countries to catch the attention of the global pork industry. There are more than one million farmers living in Poland. The Polish breeding herd is 1.7 million sows and more than 85% of these are on 800,000 farms. Only 20% of Polish hog producers sell more than 2,000 hogs a year. Most large scale hog production in Poland takes place in the west of the country, while processing plants tend to be in the east closer to Russia; this allowed them to better service the Russian market when Poland was under Russian influence. A large number of feeder hogs are imported into Poland for finishing, taking advantage of Poland's lower feed costs and slaughter capacity. Investments by companies such as Smithfield Foods are making vertical integration and contract pork production more common; however, vertically integrated and larger-scale production units continue to face significant backlash from independent producers, environmental groups and in some cases the government. Poland has a highly fragmented meat processing base with more than 7,000 slaughtering plants, 3,000 for hogs but less than 10 currently approved for EU export. The largest foreign market for Polish pork is Russia, which currently accounts for more than 60% of pork exports. From a cost competitiveness standpoint, hog production in Poland will become increasingly comparable to Western Europe as land and labour costs rise. This alone will not discourage an expansion in production but over the long term may make Poland a less attractive supply base. Just as with Western

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Europe, success in Poland will depend on the production and processing efficiency of individual players and the extent to which they can perfect an industrial pork production model (<http://www.banffpork.ca/proc/2006pdf/049%20-%20Boal.pdf>).

**Hungary** is another country that is commonly touted as a pork producer of the future with annual pork consumption per capita 27 kg. There is little doubt that production in Hungary will increase, but it will have a higher cost base than Romania. Annual pork consumption per capita is 27 kg. To date it has been difficult for international companies to make direct investments in Hungary and most investments in the animal protein sector have been concentrated in the poultry segment. There are some indications that Hungary could become a valuable source of feed grain for the hog industry in Romania (<http://www.banffpork.ca/proc/2006pdf/049%20-%20Boal.pdf>).

Hungary is not often infected by many pig diseases, it has a long pork production tradition and it is located centrally in Eastern Europe. Moreover, being a member of the EU, the country has access to that open market. Still, the researchers expect there will not be many investments in new piggeries, since there has recently been a wave of subsidies aimed at that. It is relatively easy to start individual production sites as it is not necessary to invest in integrations. However, foreign investors are only allowed to rent the area needed for building a piggery. In addition, (veterinary) consulting is scarce and payments usually take a long time

([http://www.agriworld.nl/public/file/pdf/20080514-06-09\\_ppr24\\_04.pdf](http://www.agriworld.nl/public/file/pdf/20080514-06-09_ppr24_04.pdf)).

**Russia** now caters for about 75% of its own pork, equalling about 1,950,000 tonnes of pork. Annual pork consumption per capita is 18.1 kg, expected to rise to 20 kg in the near future (<http://en.wikipedia.org/wiki/Pork>). Russia has an independent stance in negotiations and aims to uphold import barriers. Since corruption is widespread and laws are not transparent, investing requires patience and time. The country counts 16 million pigs, half of them being produced at commercial farms and half at smaller sites. Russia has about 30 large pig producing companies with over 50,000 animals, but with poor housing, outdated breeding materials and low production results. Imports of modern breeding materials will not be charged with VAT in the next couple of years to encourage modernisation of the pig breeding branch in the country

(<http://www.pigprogress.net/article-database/pig-production-in-eastern-europe-to-go-or-not-to-go%253F-id832.html>).

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## **Appendix 16 Terms of foreign company registration in Ukraine**

Officially, the registration of a legal entity in Ukraine should take up to three months, but it usually takes longer, according to UK Trade and Investment ([www.uktradeinvest.gov.uk](http://www.uktradeinvest.gov.uk)).

The Ukrainian Civil Code (No. 435-IV, dated January 16, 2003, effective January 1, 2004) and Economic Code (No. 436-IV, dated January 16, 2003, effective January 1, 2004) in combination provide for virtually any type of companies (<http://www.businessinukraine.org/howtoopenabusiness.htm>)

### Procedure 1 Notarize company charter and execute premises (if needed)

Time to complete: 1 day

Cost to complete: UAH 350

### Procedure 2 Open a temporary bank account for initial capital

Time to complete: 1 day

Cost to complete: no charge or up to UAH 100

### Procedure 3 Transfer registration fee to the Registry's account

Time to complete: 1 day

Cost to complete: UAH 1-7 (bank's charge)

### Procedure 4 Register at the Registration Office

Time to complete: 11 days

Cost to complete: UAH 170

### Procedure 5 Register at the State Statistics Committee

Time to complete: 1 day

Cost to complete: UAH 27

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Procedure 6 Register for Profit Tax and VAT at the State Tax Authority, get a VAT number

Time to complete: 10 days (2 days for Profit Tax, 10 days for VAT)

Cost to complete: UAH 17

Procedure 7 Approval of Ministry of Internal Affairs to prepare a company seal

Time to complete: 5 business days officially, 3 days for expedite service

Cost to complete: UAH 98 for regular procedure, UAH 148 for expedite procedure

Procedure 8 Prepare a seal

Time to complete: 2 days

Cost to complete: UAH 60-180, depending on the complexity of a seal

Procedure 9 Open a permanent bank account

Time to complete: 1 day

Cost to complete: bank's charge or no charge

Procedure 10 Notify the District Tax Inspectorate of the opening of the permanent bank account

Time to complete: 2 days

Cost to complete: no charge

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## **Appendix 17 Registration of a representation office**

*Article 5 Law of Ukraine on Foreign Economic Activities (Kyiv, April 16, 1991)*

*Right to foreign economic activities*

"... Foreign business entities, which carry out foreign economic activities in Ukraine, have the right to open their representative offices in Ukraine. Registration of these offices shall be carried out by the Ministry of Economy of Ukraine within 60 days since the date the documents are submitted for registration. For the registration of a representative office of a foreign business entity on the territory of Ukraine there shall be submitted:

- 1) application for registration of a representative office in free form;  
extract from the trade (banking) register of the country, where the foreign business entity is officially registered;
- 2) reference from the banking institution, where an applicant's account is officially kept;
- 3) power of attorney to carry out representative functions issued in accordance with the law of the country where the office of the foreign business entity is officially registered;

The above documents shall be certified by a notary at the place of issue and duly legalized in consular institutions of Ukraine, if international agreements of Ukraine do not provide to the contrary. Foreign business entities shall pay for the registration of a representative office in the amount, fixed by the Cabinet of Ministers of Ukraine, which shall not exceed real expenses of the country, connected with this registration.

Should The Ministry of Economy of Ukraine refuse in registration of a representative office of foreign business entity or take no decision on its registration within the established 60-day term, the foreign business entity may appeal such refusal in judicial bodies of Ukraine.

Application for registration on a letterhead of a company signed by Head of a company and with seal affixed. Form is free. Application has to contain:

- 1) name of a company;
- 2) address of a company;
- 3) telephone and fax numbers;



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- 4) name of a city, in which a representation is established, and future address of a representation;
  - 5) if subsidiaries are envisaged, please name cities of their location;
  - 6) number of foreign employees in a representation;
  - 7) date of establishment of a company;
  - 8) name of a bank and number of account;
  - 9) field of activities of a company;
  - 10) purpose of establishment and field of activities of a representation (representation activities only), information on business relations with Ukrainian partners and prospects of cooperation development.

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## **Appendix 18 Governmental Bodies in the animal identification and registration system**

- ✚ Ministry of Agricultural Policy of Ukraine (central governmental body, accomplishing state policy in the field of agriculture) - defines general principles of state policy in the field of animal identification and registration, and is the holder of single state database – Animal Register.
- ✚ State Department of Veterinary Medicine- controls veterinary and sanitary condition of farms, animal health, movements of animals
- ✚ State Enterprise “Agency for animal identification and registration- organizes and realizes operations on identification and registration of animals in Ukraine; - establishes and maintains a unique national database – Animal Register