



Business Environment

An important consideration is that all construction materials and equipment manufactured in Ukraine, or imported, need to be certified by the Government organization called Ukr. Sepro. The certificate is issued after tests are carried out by laboratories located in various regions of Ukraine. The same regulations apply to any activity related to the construction sector. To receive a licence, the foreign company has to apply to the State Committee for Town Planning and Architecture. The standard practice for foreign business entering the Ukrainian construction market is



Some of the numerous cranes visible around Kyiv.

to open a representative office or to establish a joint venture with a Ukrainian company. Ukrainian officials favour joint ventures, as most enterprises badly need modern technologies and equipment to start manufacturing competitive products.

A foreign company wanting to conduct business in Ukraine may do so through an agent or distributor. As in western countries, the mechanisms for product distribution are:

- ▶ Producer → agent → retail shops → end user;
- ▶ Producer → distributor (warehouse) → retail shops → end user;
- ▶ Producer → middlemen → end user.

There are no restrictions as to local representation, tariffs, quotas, etc. in this sector. One of the most efficient ways to establish primary contacts is to participate in a Canadian construction and building materials mission to Ukraine. Another effective form of marketing is to take part in Ukrainian trade fairs and shows.

The following is a list of the larger trade shows on construction materials and home equipment in this sector: COTTAGE; HOME TREND; DREAM HOUSE; and MODERN HOUSE.

Agriculture, Agri-Food and Related Products

Opportunities

The potential of Ukraine's agri-food sector is massive. Canadian business possesses valuable technology and know-how which would fit in very well with Ukraine's requirement. The slowness of reforms in this sector, though a serious obstacle for Canadian businesses, should not prevent them from exploring the market and from positioning themselves to follow-up on opportunities.

Once the bread basket of the Soviet Union, Ukraine has fallen into the ranks of food importers, despite one of the most experienced farming populations and some of the most fertile land in the world. Climatic conditions in Ukraine are quite favourable to agriculture, with the Southern and Eastern regions being dry and often drought-stricken, while frequent

rains and water-soaked land are characteristic of Western Ukraine, especially in the regions close to the Carpathian Mountains. Total agricultural land amounts to 40.4 million hectares, of which about 32.7 million hectares are arable.

The agricultural sector has been underdeveloped largely as a consequence of the shortcomings of collectivized agriculture. The overall deterioration in the economy has exacerbated this, and has impeded new investment. Difficulties in this industry stem from a number of factors, the key ones being:

- ◆ productivity;
- ◆ variable and inadequate supply of animal feed, fertilizers, and pesticides;
- ◆ outdated machinery and equipment; and
- ◆ deficient technology and inadequate training.

Ukraine has substantial requirements for new investments to bring its agricultural industries up to world standard. This investment, however, will have to come from outside the country as there are no large untapped pools of investment capital. Moreover, slow progress on agricultural reform and privatization of land have frustrated attempts to build a modern agricultural base.

The food processing industry has both the greatest potential for growth, and the greatest need for new investment. Ukraine exports canned vegetables, fruits, vegetable oil, sugar and other processed products to Russia, its major customer, and other FSU countries. The industry is characterized by numerous small processing and raw material enterprises. Investment in such enterprises comes with few risks, thanks to short pay-back loan terms, the small volume of capital outlay, and immense demand from the FSU.

Constraints

Ownership of the land is still largely in the hands of collectives that have been very slow in implementing serious market-oriented reforms. Hence, opportunities in crop production are almost non-existent, while the storage and distribution networks are antiquated. The availability of agricultural credits is likely to determine opportunities for Canadians.

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The Government's role in agriculture still reflects the traditional command economy. On the national level, the leading role is played by the Ministry for Agriculture and Food. There are also several ministry-level state committees that operate independently (e.g., State Committee for Cereals, for Forestry, for Water Resources, for Land Resources). The Ministry of Agriculture and Food oversees the production of crops and livestock, directs the state and collective farm system and other enterprises, and manages input supply, procurement, technical services, research and higher education. At the national level, the Ministry determines policy. In addition, the Ministry has under its authority a number of branch administrations (e.g., agricultural industry construction, meat and dairy industries).

Producer prices for most agricultural production are still fixed by the state, and three quarters of the output is sold at these prices. Before 1994, prices for crop and livestock production were not related to the world market prices and were undervalued, which was one of the reasons for the inadequate production of livestock.

The following agricultural equipment fairs, food and food-related exhibitions are held annually:

- ◆ AGROPROM (machines and agriculture equipment);
- ◆ MIASOMOLAGROPRODASH (agriculture machines and equipment for a/c goods processing);
- ◆ PRODUKTY KHARCHUVANNYA (food products);
- ◆ PRODKHARCHOMASH (technology lines and food equipment);
- ◆ PRODMASH (a/c products processing equipment); and
- ◆ FERMER (FARMER) (equipment and transport for farms and farmers).