An Evaluation of the Agricultural Marketing Project

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Prepared for USAID/Ukraine by

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The views expressed in this Evaluation Report are those of the authors alone and do not necessarily reflect the official views of the United States Agency for International Development

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Preface

The Evaluation Team carried out this mid-term Evaluation of the USAID Agricultural Marketing Project (AMP) in Ukraine, October 30-November 15, 2005, using the Scope of Work prepared by the USAID/Ukraine Agriculture Office. The Team traveled extensively (Annex 3) and interviewed scores of fruit and vegetable growers, processors, wholesalers and retailers, as well as AMP and sub-contractor staff, USAID staff and other donors (Annex 4). The Team consulted numerous documents (some of which are cited in Annex 5) as well as the AMP website (www.lol.org.ua). The Team debriefed USAID/Ukraine management on its preliminary findings and recommendations on November 14.

During the report writing period, the Team consulted with the primary designer of the AMP (Marcus Winter) on December 7. The Team also consulted with AMP managers and USAID/Ukraine by e-mail for various details and points of clarification. The Team submitted a mostly completed draft to the Mission on December 29. This final draft responds to Mission comments received on January 5, 2006.

The usual disclaimers apply. The Evaluation Team is responsible for any errors of fact or interpretation. The authors welcome feedback from readers at RBloom@usaid.gov or PSteffen@usaid.gov.

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Abbreviations

ACFSP	Agricultural Competitiveness and Food Safety Project (World Bank)
AID	Agency for International Development (also known as USAID)
AMP	Agricultural Marketing Project
DCA	Development Credit Authority (USAID)
DFID	Department of Foreign International Development (United Kingdom)
E&E	Europe and Eurasia Bureau (USAID)
EGAT	Economic Growth, Agriculture and Trade Bureau (USAID)
EU	European Union
FBM	Farm Business Model
GOU	Government of Ukraine
LOL	Land o' Lakes (Prime Contractor)
MAP	Ministry of Agrarian Policy (GOU)
MIS	Market Information System
PHH	Post Harvest Handling
WTO	World Trade Organization
MT	Metric Ton
NGO	Non Governmental Organization
PY	Project Year
UAH	Ukrainian Currency (Hryvnii)
VAT	Value Added Tax

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Executive Summary

Rising incomes in Ukraine have stimulated a significant increase in demand for fresh fruits and vegetables among consumers and food processors. The USAID-funded Agricultural Marketing Project (AMP) has helped small-scale private farmers and other market participants respond to this increasing demand by providing an array of technology transfers, market information and legal advice. As a result of AMP technical assistance over the past two and one-half years, more and more growers are integrated into the formal fresh fruit and vegetable markets. Ukrainian farmers eagerly seek to take advantage of the assistance that AMP provides, benefiting from the availability of new technologies and training and from new partnerships with buyers of their produce facilitated by the Project.

Project Results

Through AMP support, markets are being created where they did not exist before. AMP has changed the outlook of many small farmers in Ukraine who now regard their farming operations as profit-oriented businesses and respond more and more to market signals. Farmers are willing to meet the rigors and demands of the fresh produce market, but often lack knowledge of market demand, production techniques, and customer contacts. AMP is effectively filling this gap. This new dynamic has had a very positive impact on rural incomes and employment in the six *oblasts* where the Project operates.

AMP implementation is focused on four highly integrated components: 1) Commercial Farming, 2) Market Development, 3) Market Information System, and 4) Producer Organizations and Grants.

1) Commercial Farming

The Commercial Farming component has assisted farmers to plan fruit and vegetable production to respond to market demand through a variety of technical assistance and training activities. AMP assists farmers access new technologies, obtain necessary production inputs, get credit, and develop partnerships and other linkages with processors and buyers of fresh produce. Farmers also benefit from AMP market information services and other market research that help them plan production and negotiate sales prices. The Commercial Farming component has also piloted an effective technology transfer approach based on field demonstration days to compare side by side field tests on farmers' fields, extension manuals, and seminars and roundtable discussions on topics of interest.

Under the Commercial Farming component, AMP has facilitated growing collaboration between producers, processors and other buyers through the use of production and marketing contracts. These contracts better match supply with demand and assure farmers that they have buyers for their produce, increasing marketing efficiencies and improving farm management planning. While contract compliance and enforcement remains a problem in some cases, there is growing collaboration and partnership between producers and buyers based on mutual commercial interests, with the potential further expand market development.

A critical key issue related to the Commercial Farming component is how to sustain the flow of new technologies to farmers, after the Project ends, to meet the rigors of ever-increasing market demand in the absence of public sector-supported research and extension capacity. One recommendation is to build the private sector capacity for providing the consulting services currently provided by AMP and to explore ways to collaborate with the public sector agricultural research system in Ukraine.

2) Market Development

The Market Development component of AMP is closely linked to the Commercial Farming component. With AMP assistance, producers have learned how to extend the marketing season using new varieties and cold storage and other post-harvest handling (PHH) techniques, meet the special demand for niche products, and venture into new or alternative crops. AMP training events have integrated PHH with better marketing practices, supply chain logistics and management, fresh produce handling and storage. AMP has actively facilitated direct grower-supplier relationships with wholesalers and retailers and advised retailers on advertising and branding. The Project has helped many firms and cooperatives to develop their firm identities and logos.

AMP has implemented activities which seek to understand markets and marketing chains better through formal surveys and discussions with market participants. The surveys have identified bottlenecks in the value chain and changes in consumer trends as a way to improve marketing efficiency and coordination between buyers and sellers. The Project has successfully raised the visibility of the fruits and vegetables sub-sector in Ukraine by helping organize two International Fruit and Vegetable Conferences that drew attention to business opportunities and issues in the horticultural sector. Additionally, the Conferences highlighted the importance of the growing fruits and vegetables sub-sector to Ukraine's small farmers, its potential for further growth and the need for more public sector engagement.

3) Market Information System (MIS)

The Market Information System (MIS) component of AMP collects, analyzes, disseminates and helps diffuse market information using a variety of products, approaches and frequencies of dissemination. In a short period of time, AMP market reporting has proven credible, authoritative and respected. It has become the prime source of independent expert information on issues of fruit and vegetable marketing in Ukraine. The MIS component is implemented through the very capable sub-contractor APK-Inform, which publishes two AMP market information periodicals, *Agro-review* and *Agro-review+*, seminar materials and technical handbooks. Market prices are collected every day at the three major wholesale markets in Ukraine, and every week at 'wholesale' markets in the major *oblasts* and at the most important retail markets (bazaars) in the major *oblasts*.

A key feature of *Agro-review+* is the highly successful "bids and offers," a free service that puts buyers in contact with sellers. Some 500 buyers issue about 1,500 bids every week and some 6,000 market participants use the bids and offers service every month. This service extends the Project reach beyond the six *oblasts.* About 60 percent of producers have been able to sell their produce using the system. The AMP website is also an impressive success as it gets about 200,000 hits every month. The site offers a menu of agribusiness news, market overviews, technical information, and analytical studies. It is the foremost website in the former Soviet Union for fruits and vegetables information. Up to 300 business offers to buy and sell are placed on the website every day, valued at about $200 million. AMP, via the MIS, distributes its information to other printed media, websites, and television and radio stations, and Project information reaches several million people monthly.

A pressing issue for AMP and for the further development of fruits and vegetables marketing is the need for a more developed network of wholesale markets throughout the country. Currently, the European Union and the World Bank are undertaking efforts to promote the development of wholesale markets. Clearly, there is scope for AMP to work closely with these other donors. However, at this point, it is less clear the extent to which AMP should get directly involved in pre-feasibility studies and other wholesale market planning, given other pressing activities, including the planned expansion of the MIS to new oblasts as part of the MIS cost recovery plan. Nonetheless, AMP can lend its good offices and carefully

targeted support for the phased development of wholesale fruit and vegetable markets when opportunities emerge.

4) Producer Organizations and Grants

The Producer Organizations and Grants component of AMP organizes farmers into effective business groups. AMP has worked with the full range of producer organizations – cooperatives, associations, and other farmer groups – to provide assistance such as preparation of business plans, training in marketing, technology transfer, and membership development as well as legal advice. The total amount of produce sales facilitated by the Project through assisted organizations since the Project's inception totaled $800,000 as of October 2005. AMP's assistance to cooperatives and associations, however, has been hampered by current fiscal laws that impose negative tax incentives on business (for profit) cooperatives and by the overall difficulties in organizing small and limited resource farmers into viable organizations.

As part of this component, the Project awards small grants (up to $25,000) to qualifying organizations to help them expand operations and compete effectively in the marketplace. However, the Project has encountered difficulties identifying qualifying organizations capable of managing grant funds effectively. Even after having expanded eligibility to any small producer group or firm, AMP had awarded only 8 grants through October 2005. Nonetheless, the Grants program has been successful in leveraging a 2:1 match in funding from recipient organizations or firms, stimulating net additional investments in value-added equipment and facilities. The grants approved, thus far, have funded produce processing and PHH equipment such as cold storage facilities, drying equipment, and sorting machinery.

Project Impact

For the most part, AMP's progress has been achieved without much financial, policy or institutional support from the Government of Ukraine (GOU). The GOU has been too preoccupied with the dominant grains sub-sector and slow to recognize and make investments in the much smaller, but rapidly expanding, fruits and vegetables sub-sector. Responsibility for the expansion of the fruit and vegetable market has fallen by default to the private sector. In spite of considerable constraints, a few private entrepreneurs with initial capital and productive assets have been willing to take risks and exploit new opportunities. AMP has successfully demonstrated that with Project support, smaller and medium growers can become viable entrepreneurs just as well and participate effectively in this rapidly expanding market.

The Project has led to several overall improvements in fruit and vegetable marketing in the six Project *oblasts*. Chief among these improvements are:

- increasing supplies to meet increasing demand as a result of lower production costs and/or better yields through better enterprise planning, early-season and late-season marketing strategies, and improved post-harvest handling;
- greater understanding of marketing channels and bottlenecks through diagnostic surveys, showing where targeted corrections are required; and
- better awareness of consumer tastes and preferences to reduce mismatches between supply and demand.

By and large, *all* Project activities that facilitate value-chain coordination to increase marketing efficiencies and competition to lower costs contribute to overall improvements in produce marketing.

In the view of the Evaluation Team, the Project has made its most significant marketing impact in *reducing transaction costs*, of which search costs are a major part.

First, AMP has greatly helped reduce search costs by *facilitating contacts* between buyer and seller through several Project mechanisms:

- The Bids and Offers feature in *Agro-Review* and on the Project website links buyers (about 2,000 bids every month) with sellers (about 4,000 offers every month).
- The on-line Project database of market participants (*Business Cards*) provides contacts for more than 2,400 farms and firms.
- Mass participation events (such as field demonstration days, seminars, conferences and roundtables) facilitate face-to-face networking between buyers and sellers, helping them to strike their own deals.

Each of these mechanisms draws buyers and sellers from beyond the original six Project *oblasts*. The Project website, moreover, is becoming truly national in scope.

Second, AMP has helped reduce search costs by *promoting use of forward sales contracts* to reduce procurement costs. These contracts specify product quality, quantity, timing and other characteristics that meet buyer specifications *before the fruits and vegetables are grown* without costly searching by either party. Forward sales contracts are a relatively new innovation in Ukraine, making contract compliance a problem in some cases. As the fruit and vegetables market matures, the advantages of forward contracts will become more obvious and contract compliance is expected to improve.

Sustainability Issues

This Evaluation identifies three key issues that AMP implementers need to address for the remainder of the Project. First, how can AMP continue to help farmers, processors and traders innovate technically to stay abreast of changing market demand? Second, how can AMP entice the public sector to get on board in terms of market policy and fiscal reforms, rural financial services, research and extension support, grades and standards regulation and other market-facilitating services? Lastly, how – and to whom – can AMP turn over its technical assistance, training, networking, and market information services in a way that will sustain progress during the post-Project period? In this regard, it is critical that the Project help pave the way for the emergence and growth of private, professional business development services for fruits and vegetables in Ukraine.

Key Recommendations

The Evaluation Team has made recommendations for each Project component which are contained in the main body of the report. The major overall recommendations are:

- USAID should extend the Project by at least ten months to allow AMP to consolidate its progress to date and work with producers, processors, wholesalers and retailers for four full growing and marketing seasons.
- AMP should design a comprehensive phase-out/hand-over plan during the remaining period of the Project, working with the public and private sectors, to chart and schedule actions required to transition AMP support to other entities. In so doing, AMP should consider how to make the transition from free consultation services and other technical assistance to fee-based services and assistance.
- As part of the above, AMP management should plan ways to build public and private sector capacity for providing fruit and vegetable production and marketing extension support and other technical assistance to sustain Project activities, including exploring the potential for creating private consulting capacity with the skills currently found on the AMP staff.

- The AMP technical assistance team and USAID should use every opportunity to disseminate AMP results to GOU counterparts and underline the importance of the high-value fruits and vegetables sub-sector to small farm incomes as well as GDP and the trade balance.
- USAID and AMP should seek ways whereby the new Agriculture, Legal Policy and Regulatory Reform Project can address the institutional and policy issues constraining the further development of the fruits and vegetables sub-sector.
- USAID/Ukraine and AMP should carefully weigh the tradeoffs for AMP to get more deeply involved in the planning, financing, and construction phases of wholesale markets.

Part One: Introduction and Project Context

1.1. Introduction

The mid-term evaluation of the Agricultural Marketing Project (AMP) was conducted in November 2005 by two AID/W staff members, one from the E&E Bureau's Office of Economic Growth and one from the EGAT Bureau's Office of Agriculture. The purpose of the evaluation was to assess the impact of AMP on the development of the fruits and vegetables markets in six *oblasts* in Ukraine and recommend steps to improve future activities in order to maximize resources and impact for the remainder of the Project. The evaluation methodology consisted of: a review of Project literature and other relevant background documents on Ukraine's agricultural sector, including a review and analysis of the Project's performance information and other indicators; visits to five of the six *oblasts* in Ukraine where the Project is being implemented; and interviews with USAID/Ukraine, Land o' Lakes (LOL) personnel, Project clients, and donor representatives from the World Bank and the U.K. Department of Foreign International Development (DFID).

The AMP is implemented through a Cooperative Agreement (121-A-00-03-00002-00) with Land o' Lakes which began on March 26, 2003 with a grant completion date of March 25, 2007. The overall funding for the grant is $7,500,000. Sub-grantees to LOL are Informa Economics, Development Alternatives, Inc., and APK-Inform, Ltd. The goals of AMP are:[1]

1. To provide farmer customers with professional training, technical assistance and high-quality market information services so that they can increase their profits by producing and supplying what the market demands.
2. To help wholesale, retail, processing and food service companies improve their business with farmers so that they can increase their supply of high-quality raw material and fresh produce and reduce their purchasing costs by establishing mutually profitable long-term partnerships with producers.
3. To assist farmer clients in developing profitable joint-marketing opportunities through associations, marketing cooperatives and other farmer business groups/alliances.
4. To develop affordable market information services that help market participants identify market demand and need for their current and potential products, and discover prices, new markets and marketing channels so that they can plan and make better-informed business decisions.

In conducting the evaluation, the Team relied on data provided by the Project's monitoring and evaluation plan and indicator data as contained in LOL's quarterly reports. The Evaluation Team did not necessarily attempt to verify the accurateness or quality of the data. AMP has a very comprehensive monitoring and evaluation plan and provides substantial, quantitative data on all Project activities. The Evaluation Team has no reason to doubt the validity of Project results.

The Evaluation Team's schedule for field visits was agreed upon between LOL and the USAID/Ukraine prior to the Evaluation Team's arrival, and all arrangements for visits were made by the LOL implementing team. As such, the Evaluation Team, while visiting with a range of LOL clients, did not have the opportunity to select and meet with Project clients (growers, processors,

[1] AMP. "Quarterly Report. Year 3, Quarter 2. July – September 2005." (October 2005).

wholesalers, retailers and supermarkets) on a random basis from a list of Project clients. Nonetheless, the Evaluation Team feels confident that the visits and interviews provided candid responses and opinions on the quality of Project implementation.

1.2. Project Context

AMP was designed to target small, private farmers to help them integrate into the formal market economy by developing opportunities and skills to meet market needs. The focus of AMP has been to create more effective links between these small commercial farmers with processors, wholesalers, and retailers in order to help farmers compete successfully in both fresh and processed produce markets. While the Ukrainian agricultural sector is dominated by large, state-supported farms producing mostly grains and other industrial crops, markets still rely on small farms for the most significant share of production of fresh fruits and vegetables and other horticultural crops. Encouraging growth of the small farm sector through high-value crop production was, thus, seen as one way to address rising levels of rural poverty and unemployment in Ukraine.

In many ways, AMP was the right Project at the right time, given several converging factors. With rising incomes among Ukrainian consumers, there has been a significant increase in demand for fresh fruits and vegetables as well as processed juices, sauces, pickles, and fruit flavored yoghurt throughout the country. This increasing demand has led to the emergence of a strong and ever growing processing sector and an increase in the number of supermarkets operating throughout the country. This demand has also been accompanied by a growing preference among consumers for higher quality fresh produce and processed products. Ukrainian farmers, in turn, have been quick to respond to this demand and have been eager AMP participants, benefiting from the availability of new technologies and training in production techniques and through partnerships developed with buyers of their produce facilitated by AMP technical assistance.

Since Project inception in 2003, AMP has implemented a range of activities in support of Ukraine's small farmers which have enabled them to effectively participate in a growing, more competitive and organized market for fruits and vegetables. Through AMP support, markets are being created where they did not exist before. This growth and evolving market structure has been driven by an ever increasing demand among Ukrainian processors for processing grade fruits and vegetables and consumers for higher-valued fresh produce. AMP has also changed the outlook of many small, private farmers in Ukraine as they now regard their farms as viable businesses and are responding more and more to market signals. Farmers are willing to meet the rigors and demands of the fresh produce market but often lack knowledge of market demand, production techniques and customer contacts. The AMP is filling that gap. This new dynamic has had a very positive impact on rural incomes and employment in the *oblast* where AMP is working.

The progress achieved by AMP has essentially taken place without much financial, policy or institutional support from the Government of Ukraine (GOU). For example, while the formation of a cooperative facilitates members' ability to buy bulk inputs and provide services to members (such as cold storage), current taxation policy serves as a disincentive to cooperative formation and growth. There has been slow progress in land reform and farm restructuring. Public expenditure in agriculture does not promote productivity as 67 percent of expenditure is spent on subsidies in

support of the large state-supported farms, while only 33 percent of expenditure goes to research, education, market development and infrastructure.[2]

With this expenditure pattern, investments in rural infrastructure have been neglected, imposing high transaction costs on producers. Investments in food processing facilities are constrained by lack of access to reliable electricity, water, and transport. Most small farmers do not have access to rural financial services because of laws relating to the use of land as collateral. Agricultural land on former collective farms will not be available for purchase until January 2007.[3] In the face of AMP achievements, the GOU would appear to be indifferent to the high-value agricultural sector in spite of the sector's potential for impacting positively on rural incomes.

Thus, AMP has demonstrated that small farmers can become viable entrepreneurs and participate effectively in a growing market for fresh fruits and vegetables. As the Project has only been implemented in six *oblasts* in the country, its national impact is hard to gauge. While certain activities like the Market Information System (MIS), publications, website, seminars and international conferences currently reach beyond the six *oblasts,* unless other Project components can be further replicated throughout the country, AMP's national level impact at Project completion, most likely, will be negligible. Over its short implementation period to date, AMP has been enormously effective in showcasing the untapped potential of the fruit and vegetable sub-sector in Ukraine, as well as drawing attention to the constraints it faces.

Before the Project concludes over the next two years, USAID and the LOL implementation team need to engage private processors, traders, supermarkets and the GOU in discussions as to how to address the issue of replicability as well as various sustainability issues related to how support for small farmer participation in high-value agricultural markets can continue after Project termination.

AMP implementation is organized into four components: 1) Commercial Farming, 2) Market Development, 3) Market Information System, and 4) Producer Organizations and Grants. This Evaluation Report is organized according to each component. These components are tightly integrated with each other and not easily treated separately. Some overlap in the treatment of each component is unavoidable.

Recommendations are inserted throughout this Report as they arise. The same recommendations appear in Annex 1, grouped according to priority.

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[2] World Bank. "Rural Development Note for Ukraine." June 2005.
[3] Demyanenko, Serhiy I. "Activating the Land Market." Chapter 3 in Meyers, William H., Serhiy I. Demyanenko, Thomas G. Johnson and Sergiy I. Zorya. *Refocusing Agricultural and Rural Development Policies in Ukraine: Action Plan for the Road Ahead.* (Washington, D.C.: USAID), 2005.

Part Two: Commercial Farming

2.1. Introduction

AMP has set several goals to develop the Commercial Farming component (Box 2.1.). The Commercial Farming component helps small farmers plan fruit and vegetable production to respond to market demand through a variety of technical assistance and training activities. Farmers are assisted in accessing new technologies, obtaining the necessary production inputs, accessing credit, and developing partnerships and other linkages with processors and buyers of fresh produce. AMP has also developed and introduced a Market Information System (MIS) which allows farmers to have more timely knowledge of market prices and other market conditions to help them plan production and negotiate sales prices with buyers. AMP has effectively used market surveys to gather information on price setting trends, marketing constraints, and to follow changes in demand trends.[4]

Box 2.1. AMP Goals for Commercial Farming

- Provide client producers with new and marketable production technologies, farm management technical assistance, and related legal advice;
- Train small and medium-size producers in better production and marketing practices;
- Increase producer incomes from better production and marketing techniques, post-harvest handling, and market plans and crop budgets; and
- Create new seasonal, part-time and full-time jobs.

AMP Year Three Annual Work Plan for March 26, 2005 – March 25, 2006, page 7

In all five *oblasts* that the Evaluation Team visited, it was clear that there is essentially an unlimited demand for raw product from processors and retailers. Under the Commercial Farming component, AMP has piloted an effective technology transfer approach and promoted contract farming based on commercial partnerships between producers, processors, and other buyers. The latest (October 2005) Project monitoring data indicate that the total value of sales of fruits and vegetables facilitated by AMP is $7,700,000.[5]

2.2. Provide Client Producers with New and Marketable Production Technologies and Training in Production Practices

AMP has effectively facilitated technology transfer, and client farmers have been quick to respond to new production and market opportunities. This process usually starts with the adoption of new production technologies introduced through the use of field demonstrations, seminars, and roundtable discussions organized and facilitated by AMP (Box 2.3.). AMP, essentially, is filling a huge void for providing extension services for the fruits and vegetable sub-sector in the absence of any GOU extension capability. AMP works with input suppliers, processors, wholesalers, and retailers to identify appropriate seed varieties and other production and post-harvest handling technologies such as drip irrigation, green house production, trellising, and cold storage available to respond to a

[4] See Part Four, Development of Market Information System.
[5] AMP. "Quarterly Report. Year 3, Quarter 2 for July–September 2005."

particular product demand or investment opportunity. In short, the Project is helping instill the notion of *producing what sells*, or *producing for the market* (Box 2.2.).

The technologies introduced, thus far, are usually identified by another market player such as input suppliers, a processor, wholesaler or retailer in response to their supply requirements or by technical assistance provided by AMP which brings a state-of-the-art knowledge of fruits and vegetables

Box 2.2. Producing for the Market

The Agricultural Marketing Project hinges on producing for the market, a relatively new concept in rural Ukraine by which the producer decides to provide a good or service on the basis of market demand in terms of quality, quantity and timing, as influenced by consumer tastes and preferences. Thus, *producer* refers to any one who adds value to an existing product or service and *consumer* refers to any higher user on the value chain. In this case, *producers* include all those growing fruits and vegetables.

By considering market demand conditions, producers evaluate their options for supplying a good or service for the market, given their current opportunities and constraints. Market-oriented producers take steps to overcome their constraints and expand their opportunities. Moreover, market incentives play a critical role in inducing producers and traders to invest and innovate.

Producing for the market thus differs from producing for subsistence or speculative, hit-or-miss sales. Producing for the market indicates that Ukrainian producers are continuing the transition from a command economy to a commercial, market-driven economy based on specialization and trade that requires 1) increasing rural productivity and 2) reducing the costs and risks of engaging in trade.

This USAID activity directly supports SO-2 in the USAID/Ukraine Country Strategy for 2003-07, *Accelerated Growth of SMEs and Agriculture*, that addresses economic growth issues at the micro-economic level by promoting growth of small and medium-size enterprises and commercial farms.

production to the Project. As many international agribusiness companies are present in Ukraine, many improved seed varieties are already registered and other technologies such as machinery and processing techniques are readily available.

The use of field days where farmers, processors, other buyers, and input suppliers are brought together to review the results of field tests on farmers' fields has been very popular with farmers participating in the Project. Organizing field days entail a fair amount of planning and preparation for identifying crops and seed varieties and working with input suppliers and farmers to coordinate the timing of planting and other production requirements. The field days are well attended, and since AMP inception, there have been a total of 36 field days attended by approximately 8,651 AMP clients.[6]

Based on the field days, AMP has also produced extension manuals, which are used extensively by farmers, for the production and marketing of important crops. These manuals have covered such topics as proper production techniques, packing, post harvest handling and storage, and some market studies. Additionally, AMP conducts seminars, roundtables and conferences on topics of interest which have also been very effective in further introducing new production technologies. At virtually every visit made by the Evaluation Team, farmers and processors underlined the importance of the field days and seminars in helping them better understand new production technologies and market

[6] AMP. "Quarterly Report. Year 3, Quarter 2. for July-September 2005." (October 2005), p. 10.

requirements. The field days, seminars and other forums have also facilitated contacts between farmers and buyers, and have proven to be effective venues for consummating producer-buyer contracts. (Refer to section 3.2.1. for a more detailed discussion of field days.)

Box 2.3. AMP Approaches to Commercial Farming and Market Development

Drawing on the capabilities of Land o' Lakes and Project subcontractors, AMP has used various approaches at all levels of the value chain to meet its commercial farming and market development goals:

- training and consultations;
- short-term technical assistance;
- diagnostic studies of demand trends and marketing practices;
- demonstration field days;
- conferences, seminars and roundtable discussions;
- study tours inside and outside Ukraine;
- printed technical manuals; and
- on-line information resources.

2.3. Increase Producer Incomes from Better Production and Marketing Techniques, Post-harvest Handling, and Market Plans and Crop Budgets

2.3.1. Farm Business Model

AMP has also introduced the Farm Business Model (FBM) to help farmers make more informed production decisions and track costs (Box 2.4.). The Excel-based Model can generate different analyses and determine the competitiveness of various crops. In the course of interviews, farmers indicated that the FBM was highly useful. However, very few farmers have computers and were not capable of using the model on their own and required AMP technical assistance to fully understand its use. The use of the model also requires a significant investment of AMP staff time to run the necessary analyses. In some cases, as much as five hours are required. As of this date, the AMP staff indicates that approximately 100 farmers have used the model. This number is up from 65 in 2004.

While the FBM would appear to be a useful tool, its sophistication and the computer skill required for its use would call into question whether or not it will be adopted on a large scale either during or after the Project. Nonetheless, the FBM has served to get farmers thinking more about baseline production costs and other farm management concerns as they become increasingly market oriented.

2.3.2. Production and Marketing Contracts

The use of production and marketing contracts has proven to be a major feature of AMP. The strong demand for produce drives this growing collaboration between producers, processors, and retailers. In several cases, the buyer has been willing to provide production credit or pre-payment to the farmers for as high as 25-50 percent of the final sales value of their produce for the purchase of seeds, equipment and other production needs.[7] In the course of the Evaluation Team's visits, many producers interviewed had a forward growing contract or some other collaborative relationship with

[7] Interviews with AMP officers. November 2005.

prospective buyers. Project monitoring data indicate that 337 farmers made sales through production contracts with buyers over the first two years of the Project for a total value of $1,765,462.[8]

Box 2.4. The Farm Business Model (FBM)

The Project's computer-based FBM serves many functions:

- Develops farm business plans for analyzing farm enterprise options and decisions under different price and yield scenarios;
- Helps determine the internal competitiveness of individual fruits and vegetables within and between farms;
- Covers 20 fruit and vegetable crops;
- Has helped 65 producers adjust their farm enterprise mix, a number expected to reach 150 by the end of the Project;
- Shows how profitable fruits and vegetables can be, allowing some producers to increase their horticultural crops while decreasing their grain crops.

Adapted from AMP Presentation, November 1, 2005

The production and marketing contracts better match supply with demand and give assurances to farmers that they have prospective buyers of their produce and better enables the farmers to better plan production activities and, with assistance provided through the FBM, formulate crop budgets based on expected prices. The contracts also eliminate unnecessary production costs and reduce waste. AMP has provided technical assistance for developing sample contracts that provide an array of specifications for products and legal conditions for their delivery.

An additional tool that assists farmers in their planning is the MIS. The MIS has been a highly effective tool in facilitating these relationships, particularly through its offers and bids system further discussed under the Market Development component (Part Four). In most cases, the price information provided via the MIS serves as a basis for negotiating production and marketing contracts between buyer and seller.

While production and marketing contracts provide marketing efficiencies through reduced transaction costs and assist in farm management planning, some buyers indicate that contract compliance and enforcement remains a problem. In many instances, producers sign several contracts and negotiate one buyer off the other to get the best price. Nonetheless, many other production and marketing contracts use a flexible pricing formula to allow give and take in final price negotiation. (Refer to section 3.2.2. for a more detailed discussion of production and marketing contracts.)

2.4. Constraints

The success to date of the Commercial Farming component has been achieved in the face of some rather severe policy and credit constraints. The GOU has not provided the necessary policy support to assist the sector, and there does not appear to be any strong farmers' union or other advocacy group capable of getting the needed reforms on the GOU's agenda. The Law on Agricultural Cooperation remains inconsistent with other fiscal legislation which causes a higher tax burden for members of cooperatives. Farmers view this as a doubling of taxes that thus discourages cooperative formation. The privatization of agricultural land is not yet complete in Ukraine, and this effectively constrains farmers' ability to borrow and willingness to invest and thereby expand production in the face of unlimited demand.

[8] AMP. "Quarterly Report." (October 2005), p. 10.

Credit available for producers and processors through the formal banking sector remains a problem due to high interest rates (23-25 percent), inability of farmers to use land as collateral, lack of knowledge among bankers as to how to evaluate agricultural loans, and little competition between banks. In spite of these credit problems, the AMP, nonetheless, has facilitated twelve loans using USAID's Development Credit Authority (DCA) program in Odessa *Oblast*. The AMP has also worked with credit unions in Cherkasy *Oblast* to seek credit for client farmers. The total amount of credit to clients facilitated by AMP is $82,000.[9]

AMP has demonstrated that small farmers can be effective market participants. AMP has provided much needed assistance in helping farmers become more commercially oriented through a private extension mechanism which provides an array of farmer training opportunities and exposure to new production and post-harvest handling (PHH) technologies. More and more small farmers have been drawn into fresh produce markets and strong and genuine relationships have been established between farmers and buyers based on commercial interests.

The key issue that AMP implementers need to address in the remaining period of the Project is how to sustain continued farmer innovation in response to market demand and sustain the producer-buyer relationships. Also, as AMP was only implemented in six *oblasts*, USAID and LOL need to consider how the AMP model and experience can be replicated throughout the country as the model has proven to be a highly effective approach for assisting small farmers in responding to market and income earning opportunities. For example, plans are already underway to expand the MIS to twelve *oblasts* during the coming years.

There will, no doubt, be a major reduction in farmer and buyer support once AMP technical assistance is no longer available to provide the technical assistance and facilitation services between all players in the market. Nonetheless, the strong relationships that have been built between farmers and buyers, in many cases, will continue, and it is safe to assume that the technology transfer will also continue, but at a much reduced pace. It is also highly unlikely that the GOU will pick up the slack in the short run to provide the necessary support required to sustain current progress let alone extend the model into other *oblasts* of the country.

An internal review conducted by AMP in the spring of 2005[10] identified the need for other partner institutions capable of providing similar technical assistance and other support to assure that the technology demonstrations continue. The sub-grantee, APK-Inform, plans to publish technical advice as part of the *Agro-Review* (Part Four). The assessment recommends that universities and regional extension services be used to assume a greater role in organizing and providing technology demonstrations for fruit and vegetable production in the future. This option would need to be explored further to better determine if this is a feasible alternative.

Also, at present, the type of technical assistance that AMP has been providing does not appear to present in the Ukrainian private consulting sector. Whether AMP's presence is deterring the emergence of private consulting services is unknown. The current AMP staff appears to be highly qualified and effective in implementing the Project, and presumably, could themselves form the core of a consulting firm to continue to provide the technical assistance needed to sustain and expand Project activities. In discussions with AMP staff, it was unclear whether or not this could be

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[9] Interview with AMP officers, November 2005.
[10] David Wilcock and Timothy Woods. "An Internal Review of the Ukraine Agricultural Marketing Project (AMP)." (Submitted to AMP: Kyiv), Spring 2005.

realistically expected, given other potential opportunities for them at the end of the Project. Thus, the sustainability of technical assistance services after AMP is a key issue that needs to be addressed over the remaining period of the Project.

Recommendation 1.
The Evaluation Team recommends that:

- During the remaining period of AMP, both AMP Management and USAID discuss and plan ways to build both private and public sector capacity for providing fruit and vegetable production and marketing extension support and other technical assistance needs to sustain Project activities.
- AMP explore the potential for creating a private consulting firm with the technical skills currently found on the AMP staff.

Recommendation 2.
The Evaluation Team recommends that:

- AMP implementers and USAID develop a sustainability plan (as with the MIS component, Part Six), to chart and schedule the actions required to transition AMP support to other entities. A first step in this effort would be for AMP to actively network with input suppliers, processors, and other Project participants to share client lists and other relevant information.

The fresh fruits and vegetable sector in Ukraine is becoming increasingly competitive and operates generally without financial, institutional, or policy support from GOU public sector institutions. There would appear to be a need for stronger public sector institutional and policy support for the further development of the fruits and vegetables sub-sector in Ukraine and for the replication of the AMP model country-wide. Public sector support is important to further technological research and to provide extension services for the sub-sector. Promoting the growth of the sub-sector is also a way for the GOU to further diversify of the rural economy and create income earning and employment opportunities, particularly for the small farmers.

The policy "White Paper"[11] prepared by AMP indicated that the fruits and vegetables sub-sector is "technology starved" because of the lack of GOU investment in research. The Evaluation Team did not necessarily see the availability of appropriate production technologies as an immediate problem. It is, nonetheless, a highly unusual situation where a steady stream of agricultural technologies can be generated without a good public sector-supported research system. While it could be argued that the flow of technologies will continue through the private sector relationships that have developed, the extent to which AMP can be replicated will be severely constrained without stronger GOU institutional and policy support.

In addition to what appears to be the GOU's indifference towards the fruits and vegetables sub-sector, there are also some severe policy constraints inhibiting the sub-sector's expansion. In particular, there is a strong need to reform tax policies as they relate to cooperatives and farmer associations, accelerate the land titling and privatization process, and consider new approaches for providing agricultural credit.

[11] William C. Motes. "Evaluation of the Agricultural Policy Framework for Fruit and Vegetable Production and Marketing in Ukraine." (Submitted by Informa Economics to AMP: Kyiv), July 2005.

A related factor on the horizon should the GOU take seriously the commitments it needs to address in light of World Trade Organization (WTO) membership and eventual accession to the European Union is the need for much expanded support in food quality and safety standards enforcement. Other important public sector functions required for the further development of the fruits and vegetables sub-sector are: extension and research, seed certification, animal and plant health inspection and safety, establishment of food grades and standards, and facilitative trade policies. Also, the public sector is usually the arbiter of dispute resolution and contract enforcement, and the GOU has not yet become effective in providing these types of services.

Recommendation 3.
The Evaluation Team recommends that:

- The AMP technical assistance team and USAID use every opportunity to disseminate AMP results to GOU counterparts to underline the importance of the high-value fruit and vegetable sub-sector to small farm incomes.

Recommendation 4.
The Evaluation Team recommends that:

- USAID and AMP seek ways whereby the new Agriculture, Legal Policy and Regulatory Reform Project can address the institutional and policy issues constraining the further development of the fruits and vegetables sub-sector.

AMP pursues a demand-driven approach for the provision of the assistance it offers to small, private farmers, farmer organizations, processors and other market participants. This approach usually elicits the emergence of more progressive and informed farmers eager to expand their production and marketing enterprises. The more progressive AMP clients also have an initial advantage by having greater access to larger land holdings and other resources to invest in expanded farming operations. The Evaluation Team does not in any way disagree with this approach for delivering assistance as much of the success of AMP comes through attracting successful farmers and entrepreneurs passing on information and providing training to other farmers.

However, a recent World Bank report[12] noted that the non-land asset distribution process was uneven with many assets being concentrated in the hands of small groups of former collective farm "insiders" who have the potential for distorting wealth in rural areas. During visits and interviews, it was clear that there is a range of clients assisted by AMP, with greater and lesser access to land and other assets. Nonetheless, the Evaluation Team feels the potential exists where smaller and more resource poor farmers may be unintentionally excluded from benefiting from AMP interventions and from income earning possibilities.

Recommendation 5.
The Evaluation Team recommends that:

- AMP implementers ensure that all potential clients can access AMP assistance and should continue and expand AMP's reach beyond those helped individually. The AMP should use the mass media, publications, and events to reach out to all farmers.

[12] World Bank. "Rural Development Note for Ukraine." June 2005.

2.5. AMP Impact on Commercial Farming Development

AMP has provided an array of technical assistance and other support to farmers, processors and retailers. All groups of clients see the value in the support AMP offers for helping them become more active and effective market participants. Table 2.1. provides the indicator data for the Commercial Farming component.

The number of farms assisted by AMP in the first two quarters of 2005 has already surpassed those assisted in Project Year (PY) 2003 and 2004 (1). This steady increase attests to the effectiveness AMP assistance programs for helping all clients enter the fresh fruits and vegetables market.

The number of training and technical assistance events is on track to surpass the number of events AMP conducted in 2003 and 2004 (2). AMP also has made substantial efforts to include women farmers in its training programs, and indicator data show that in 2005 the number of women benefiting from AMP training has already surpassed the 2004 totals (3).

Table 2.1. Indicators of AMP Output and Impact for Commercial Farming Development

	Indicators	PY 2003	PY 2004	PY 2005 Q1 + Q2
1.	Number of farms assisted by AMP activities	419	746	1,593
	(of which private farms)	*310*	*503*	*1,504*
	(of which household producers)	*64*	*176*	*388*
	(of which entrepreneurs)	*45*	*67*	*151*
2.	Number of training and technical assistance events (seminars, roundtables, working groups, presentations, conferences)	213	581	323
3.	Number of producers trained	1,830	3,368	2,243
	(of which women)	*139*	*428*	*435*
4.	Number of consultations provided to Project clients (farms and farm groups only)	1,066	4,692	2,741
	(of which farms)	*981*	*4,217*	*2,519*
	(of which farm groups)	*85*	*475*	*222*
5.	Number of clients who concluded contracts or made sales with Project assistance	107	667	1,203
	(of which producers)	*75*	*367*	*700*

Note: Project Year (PY) goes from April – March.
Source: AMP. "Quarterly Report. Year 3, Quarter 2. For July-September 2005." (October 2005), pp. 10-11.

Farmer demand for AMP services to help them expand their knowledge and assist them in becoming more active market participants is best reflected by the number of consultations provided by AMP. Again, for both individual farmers and farm groups, the number of consultations provided by AMP shows a steady upward trend (4).

The best measure of the value of AMP assistance is the number of clients who concluded contracts or made sales with Project assistance (5). During the first two quarters of 2005, data indicate clients making sales facilitated by AMP is almost at the same level for all of 2004. For producers, almost twice as many have already made sales as compared to 2004.

Also, AMP has had an appreciable impact on job creation at the farm level. Thus far, the number of new seasonal jobs created on clients farms is 2,158. The number of new full-time jobs created on client farms is 166 for an overall total of 2,324. AMP estimates that the economic value (gross wages) of these new jobs at nearly $1 million per year.[13]

[13] AMP. "Agricultural Marketing in Ukraine." PowerPoint Presentation. No date [November 1, 2005], slide 14.

Part Three: Development of Producer, Processor and Wholesale/Retail Markets

3.1. Introduction

Fruit and vegetable markets in Ukraine are still weak, fragmented and underdeveloped. The roles of the public and private sectors are in flux (Box 3.2.). Yet despite the unfinished privatization of the agricultural economy and poorly functioning land, labor and credit markets,[14] produce markets can be made more reliable. One way is through the provision and expansion of market facilitating services.

By leading to greater competition, coordination and transparency, expansion of market facilitating services will help to lower marketing costs, especially storage and transfer costs. In turn, lower marketing costs and margins improve market efficiency. By reducing uncertainty and transaction costs, markets "behave" more rationally, moderating prices and supplies between seasons and locations.

3.2. AMP's Activities

AMP has set several related goals for the development and expansion of the fruit and vegetable market (Box 3.1.). These goals are not sequential but iterative. Each depends on the presence of, and interaction with, the other in a mutually supportive way.

Market development is closely linked with commercial farming development (Part Two). AMP envisions market development as the cumulative transformation from a production orientation (producing what grows) to a market orientation (producing what sells).

With AMP assistance, for example, growers and marketers learn how to:

- extend the marketing season through sales of early planted/early maturing varieties and produce held in cold storage while quality lasts;
- meet the special demand for niche products, including value added processing and packaging; and
- venture into new or alternative crops.

Box 3.1. AMP Goals for Market Development

AMP's market facilitating services help wholesalers, retailers, processors and food service companies to:

- Increase supplies of higher quality raw material and fresh produce;
- Reduce procurement costs and increase capacity utilization and sales;
- Enhance post-harvest handling and marketing practices; and
- Create new seasonal, part-time and full-time jobs.

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In addition, AMP seeks to:

- Carry out marketing surveys and studies; and
- Expand the fruits and vegetables sub-sector in Ukraine.

[14] World Bank Mission of July 21-30, 2005. "Ukraine Cereal Marketing Institutions: Review and Mid-Term Agenda." (Kiev: World Bank Mission), p. 2.

To do these, commercial farming and market development require knowledge of what buyers want. In short, the decision what to produce, when, and how much derives from knowledge of consumer demand.[15]

Box 3.2. Evolving Public Sector – Private Sector Roles and Responsibilities in Ukraine's Horticultural Development

The policy environment in which the Agricultural Marketing Project finds itself is in flux, reflecting the ongoing transition from a command economy to a market led economy – and still evolving roles and responsibilities of the public and private sectors.

Long focused on the dominant grains sub-sector, the Government has been slow to recognize the much smaller but rapidly expanding fruits and vegetables sub-sector. The institutional indifference of the public sector in recent years is gradually but unevenly giving way to growing attention to the need for horticultural research and extension services (Part Two) and development of wholesale markets, as well as updated grades and standards, phyto-sanitary certification, and streamlined business court procedures to settle contract disputes rapidly and fairly.

Meanwhile, responsibility for produce production and market expansion has fallen by default to the private sector. In spite of considerable constraints, some far-sighted private entrepreneurs with initial capital and productive assets have been willing to take risks and exploit new opportunities. Growing demand for fruits and vegetables is attracting new entrants at all levels. Increasingly, these new entrants see the horticultural sub-sector as a source of business opportunity. Any profitable business requires well functioning markets.

3.2.1. Increase Supplies of Higher Quality Raw Material and Fresh Produce

Demand for fruit and vegetables continues unabated by consumers and processors, but sometimes there is not enough supply. Processors complain of having to import supplies to maintain production capacity or having to shut down operations when supplies run out, at the cost of lost production and idle equipment and labor.[16]

One approach for increasing supplies is to improve the productivity of traditional commodities and introduce growers to new ones. AMP has found that demonstration field days are a particularly effective approach, but they require extensive *and simultaneous* planning.

- Long before the main growing season, AMP staff in each *oblast* identify the target commodities for market development. Some of these may be the traditional commodities, grown under normal rainfed conditions, and others may be alternative or specialty commodities that can be *profitably*

[15] In agricultural economics, demand for fruits and vegetables at the farm gate level is considered "derived demand" because it is derived from consumer "primary demand" for fresh produce, juices, sauces, conserves and concentrates and other edible products with fruits or vegetables as ingredients. The farm gate supply of raw fruits and vegetables is considered "primary supply" while supply available to consumers is "derived supply."

[16] Univer, a pickle-processing firm, couldn't procure enough cucumbers from Zakarpattya *Oblast* following the unusually wet 2005 growing season. Univer imported the balance of its cucumber requirements (about 3,000 MT) from Hungary *and India* in order to meet its processing capacity of 20 million jars per year (interview with Andrey Stepanovich Boldog, Director of Supplies, Vinograd, Zakarpattya, November 4, 2005). Sandora, a fruit juice processor in Gherson *Oblast*, operates an apple purée plant in Rodnikovoe, Crimea AR, with the capacity of producing 600 MT of apple purée every week. The week before our interview, Sandora was able to produce only 200 MT and had to shut down (interview with Nikolai Bezrukov, Rodnikovoe, Crimea, November 8, 2005).

grown and sold using innovative production, storage and handling techniques.[17] These demonstration days also show environmentally acceptable and affordable pest control methods and post-harvest handling techniques.

- At the same time, AMP staff ask likely buyers – processors, wholesalers, retailers and supermarkets as well as resorts and public institutions – what commodities they need.
- AMP staff also identify willing growers to plant and cultivate various target commodities for the demonstration field and willing input suppliers to put their seeds, varieties and other inputs on display.

For 2005, AMP planned and carried out 18 demonstration field days (no fewer than two per Project *oblast*) with an expected participation of 1,250, of which roughly two-thirds were growers themselves. Most demonstration fields were one or two hectares in size. Participants get a handbook from AMP on agronomic advice for each crop, input requirements, length of storage under recommended storage temperatures, production data by agro-climatic zone and other data as well as contacts for major buyers.

Field days prove extremely popular and the number of participants often exceeds the number of places. These field days show growers and others the production possibilities – and market-oriented opportunities – under local agronomic conditions. More significantly, these field days and related seminars and workshops (section 3.2.3.) put sub-sector participants in touch with each other, some for the first time. This invaluable networking, especially the business contacts, will likely continue beyond the life of the Project. AMP plans to prepare a special manual on the results of its demonstration field days (including crop budgets and marketing information).

Recommendation 6.
The Evaluation Team recommends that:

- AMP continue to use demonstration field days as an effective and highly visible venue to demonstrate the production possibilities for new crops and new techniques to enhance the productivity of traditional crops.

3.2.2. Reduce Procurement Costs

How to reduce procurement costs depends first on whether the commodities are already grown or not yet grown. The surest way to reduce the cost of procuring *already grown crops* is to make market information, particularly prices, widely accessible to all so that market participants can make rational and better informed decisions: whether to buy or sell, now or later, how much and where.[18]

Another way to reduce procurement costs is to reduce search costs, an element of transaction costs, by putting willing buyers and sellers in contact with each other. This is the principle behind the popular weekly "bids and offers" section in AMP market information publications (section 4.3.3.). AMP urges responsible growers to serve as collection agents on behalf of other growers where supply volumes are small and dispersed, also reducing search costs for the buyer. AMP also urges growers with their own

[17] For example, the AMP office in Poltava *Oblast* has identified cucumbers, cabbage, squash, potatoes and carrots as the usual "strategic" commodities. The specialty or "alternative" commodities are strawberries, currants and non-traditional varieties of cabbage and celery. (Source: Presentation prepared by the Poltava Office for the AMP Evaluation Team, November 2005.) Other *oblasts*, with more favorable agro-climatic conditions, show greater diversity of target commodities.

[18] The market information system component is so vital to AMP that it's discussed in its own section, Part Four.

trucks to deliver supplies themselves to the processors as a way to capture some of the value added in handling.[19]

The ideal way to reduce procurement costs *for crops not yet grown* is use of direct production and marketing contracts between growers and buyers. By meeting buyer specifications, production and marketing contracts have the potential to dramatically reduce the mismatch between supply and demand, quality and variety of produce, thereby eliminating unnecessary production costs and reducing product waste. In many instances, produce buyers team up with AMP to provide technical assistance (for example, greenhouse growing techniques) and supplies (netting and drip irrigation equipment). In some cases, buyers extend production credits to growers as a way to overcome credit constraints as few banks lend to small and medium growers.

Effective production contracts require clearly specified terms and agreements. The AMP legal team has drawn up sample contracts[20] that specify:

- commodity type (variety, hybrid name, size(s), color and so on);
- volumes (quantities);
- quality (including standards, acceptable levels of input residues and phyto-sanitary conditions, and conditions under which the buyer can reject delivery);
- commodity price and payment procedures (including a reference source of prices for determining payment by formula);
- responsibility for delivery, date of delivery, and transfer of ownership (as well incidence of risk)
- container and packing requirements;
- penalties (delay of delivery, under-supply of delivery, failure to meet commodity specifications, failure to return containers, and unreasonable refusal of the buyer); and
- release of both parties from contractual obligations due to specified conditions of *force-majeur*.

Unresolved disputes are to be taken to the court with the relevant jurisdiction.[21]

Buyers say that contract compliance, not to mention contract enforcement, is still a problem. In areas where nearby processing plants compete for raw produce supplies (such as APK-Vynogradiv, Green Ray, Mikaland and Univer in Vynogradiv *raion* in Zakarpattya *oblast*) producers often sign contracts with several processors and play one processor off the other to get the best price, thereby breaking the contracts with the losing processors.[22] This often compels processing firms to grow a portion of their own fruits and vegetables, an example of vertical integration (Box 3.3.)

Some of this contractual "shopping around" is due to the noticeable reluctance of either party to specify prices in contracts, largely due to market uncertainties and price fluctuations. This reluctance does not support the establishment of long term economic relations, according to USAID/Ukraine.[23] Flexible pricing formulas with clear references to specific benchmarks (market, date and source of information)

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[19] To avoid bruising and other damage in transit, in the case of grade I and II produce (better grades not for processing) this may require the buyer to instruct growers in desired packing procedures or to provide growers with packing crates and other material.

[20] Source below:
http://www.lol.org.ua/eng/showart.php?id=24871&sid=47743&markup=0&?&search=contract%20agreement&mode=2&d1=09.07.2001&d2=21.12.2005&start=1

[21] Using a different sample contract USAID/Ukraine suggests that all contract disagreements should be resolved through negotiation. Outstanding disagreements are to be resolved by arbitration of the "Economic Court." USAID/Ukraine. *Farm Reference Book for Ukraine*. (Kyiv: USAID/Ukraine), 2005, pp. 73-75.

[22] Interview with Ms. Lyubov Kupar, assistant director of Mikaland, Perekhrestya, Vynogradiv, Zakarpattya, November 4, 2005.

[23] USAID/Ukraine. *op cit*., p. 76.

Box 3.3. Why Integrate Vertically?

Why do some firms, such as fruits and vegetable processors, contract with growers for their supplies while other firms grow their own supplies?

Part of the answer has to do with the costs of transacting business. Transaction costs are high when business partners are unreliable, when contracts cannot be enforced easily and when gathering information to verify contract compliance is difficult.

To avoid risks associated with outsiders, firms will integrate vertically – that is, they carry out two or more successive stages in the value chain themselves. For example, to avoid shortages or poor quality supplies, they grow most or all of the produce that they need to process.

In contrast, when transaction costs are low and contract enforcement is easier, firms externalize certain operations, such as contracting with growers for raw supplies of fruits and vegetables. These firms have reasonable assurance that growers will meet their contract specifications in terms of quality, volume and timing.

As produce markets mature, competition strengthens and transaction costs decline, firms will rely more and more on outside contractors for specialized products and services. Thus, a pickle processor will rely on different out-growers for cucumbers and an orchard on outsider pruning and tree services, all according to the client's specifications.

offer a workable solution. Failure to specify these benchmarks in the contract, however, weakens legal recourse in case of dispute.

Recommendation 7.
The Evaluation Team recommends that:

- AMP continue to actively promote grower-buyer contracts, despite setbacks from growers, as a means to reduce procurement costs, raise capacity utilization as well as stimulate commercial activity and business-led market growth.

3.2.3. Enhance Post-harvest Handling and Marketing Practices

Demonstration field days take place during the summer growing months, but the Project is active all year long through various training events for post-harvest handling and effective marketing practices. Training events include theme-based seminars (acquainting growers and buyers with new production, handling or marketing channels), smaller workshops (discussing with growers and buyers new production, harvesting, handling or storage practices), roundtables (acquainting growers with input suppliers, processor needs and retailer needs) and study tours (mainly to other growers within the *oblast* and occasionally to neighboring countries, such as Poland and Moldova).

3.2.3.1. Post-harvest Handling

AMP actively promotes better post-harvest handling practices as a way to meet health and phyto-sanitary standards, buyer specifications and consumer preferences. Proper post-harvest handling extends produce shelf life, retarding spoilage and reducing income losses. Post-harvest handling also raises commodity standards, allowing a grower to earn more by selling table-quality tomatoes or carrots and instead of processing quality tomatoes or carrots.

Many of AMP's training events integrate post-harvest handling with better marketing practices. These events generally target growers. AMP sponsored three series of post-harvest handling demonstrations over the course of the growing-harvesting season in 2005, for example, that addressed modern harvesting techniques; sorting, grading and washing; and wholesale packing (use of nets and plastic bags). AMP expects, in turn, that growers will train other growers.

Demonstration topics differ between the less perishable and the more perishable fruits and vegetables. The benefits of cold storage for certain vegetables (particularly, roots and tubers as well as cabbages) attract many growers, making cold storage facilities the most sought-after technology for AMP grant applications. Perishable orchard crops (such as peaches and pears) require special cartons and packing trays with plastic inserts. AMP short-term technical assistance helped design various commodity-specific cartons and containers to replace the ubiquitous used banana box. AMP then contracted for the manufacture of cardboard, plastic and wooden containers for demonstration testing. The equipment cost for all three integrated post-harvest handling demonstrations, stretching from May to October, was less than $50,000, a relatively minor investment with potentially large returns.

One such carton, the *midi coli*, is a versatile carton that can hold about 2.5 kg of fresh produce. Designed in collaboration with *Metro*, a supermarket chain, the carton is expected to boost sales. *Metro* plans to start buying fresh greenhouse produce using the *midi coli.*[24] When growers properly sort, clean and pack their produce, they can capture more of the value-added income for themselves.

3.2.3.2. Effective Marketing Practices

Project workshops, roundtables and demonstrations train produce purchasing managers, processors, retailer/wholesalers and supermarkets in effective marketing practices, a "syllabus" that includes supply-chain logistics and management, fresh produce handling and marketing, storage and handling for supermarkets, merchandizing and promotion, branding and brand management. Another topic is produce market expansion through development of new products emphasizing variety and convenience.

AMP actively facilitates direct grower-supplier relationships with wholesalers and retailers and plans to expand links with fast-food restaurants. Among many successful examples from Crimea:

- Leonid Suprin grows onions, parsley, dill, tomatoes, cucumbers and cabbage. Wholesalers buy directly from his farm for delivery to outdoor *bazaars* in Simferopol, Crimea.
- Nikolai Chumak grows cucumbers, celery, bell peppers, tomatoes, cauliflower, broccoli, leek and Peking cabbage, in addition to grain. Chumak is one of four main suppliers to *Furshet*, a supermarket chain with several stores in Simferopol. Chumak makes a daily delivery to *Furshet* at 3:00 pm when he gets his orders for the following day. Such a *just in time* delivery arrangement is ideal for Chumak or any supplier; he harvests and delivers only what the customer needs, with guaranteed payment. For its part, *Furshet* is better able to regulate its produce supplies on the basis of two days of demand. Chumak does not have a formal contract with *Furshet,* given the possible variability in these daily deliveries. However, he has a formal supply contract with *Furshet* for late-season (October-November) cucumbers.
- Leonid Suprin (above) supplies greenhouse iceberg lettuce to buyers from Kyiv on behalf of McDonalds. The Veliev brothers, greenhouse growers in Chervonoye, Crimea, supply an enterprise that sells lettuce to McDonalds in Moscow and other locations in Russia.

AMP advises retailers on advertising and branding, as well as merchandising advice and product promotion. Project market development specialists and others providing short-term technical assistance advise retailers on product presentation using plastic wrap for visibility and inspection as well as

[24] AMP. "Quarterly Report. Year 3, Quarter 2. For July-September 2005." (October 2005), p. 31.

Box 3.4. AMP Assistance in Retail Display and Produce Promotion

As part of market development, AMP offers retailers a range of merchandising advice to turn produce departments into one of the store's "most exciting spots." AMP recommends planning a produce department with chilled display cases (and a back holding room with washing and packaging facilities) that is clean, bright and attractive, and distinct from the rest of the store. To promote fruit and vegetables, the Project recommends attention-grabbers such as free samples, pre-holiday sales, and consumer quizzes with prizes.

One successful technique that AMP has carried out in Project *oblasts* is sponsoring a contest between supermarkets and other retail stores for the best fruits and vegetables display. Most recently, in August 2005, 14 produce managers in 7 major supermarkets in Cherkasy participated in such a contest, won by the *Furshet* chain, with *Spar* and *Absolut* tying for second place. Two positive spin-offs were that all participating stores improved their fresh produce displays and all stores boosted fruit and vegetable sales by 5-10 percent.

Source: Quarterly Report. Year 3, Quarter 2. July-September 2004 and http://www.lol.org.ua/eng

stackable cartons that reduce bruising (Box 3.4). AMP helps retailers with produce labeling, especially source of origin, information that consumers want (section 3.2.4.2.).

The Project has helped numerous firms, including grower cooperatives and organizations, develop their firm identities and logos as a way to generate customer loyalty. For many new grower-suppliers for whom marketing techniques represent unfamiliar territory, such as *Agro-Yukos* grape-growers in Crimea, this technical assistance is a real boon.

Interestingly, the AMP logo has taken on a certain *cachet* of its own. Several grower groups have expressed interest in taking over the logo after the Project ends. The Evaluation Team advises against this. Despite the Project's fine reputation, the AMP logo does not certify that fruits and vegetables have passed clinical food safety inspections and therefore, the AMP logo does not represent a "seal of quality" as it does in other countries where Land o' Lakes manages agricultural and dairy projects.

Recommendation 8.
The Evaluation Team recommends that:

- AMP implementers and USAID/Ukraine publicly "retire" the AMP logo after the end of the Project as a way to control the Project's name and protect its reputation from potential abuse.

This Evaluation Report has remarked several times about the impact of the near-absence of true wholesale markets in Ukraine. The Project's role with wholesale market development is discussed in Part Six.

3.2.4. Marketing Surveys and Diagnostic Studies

AMP actively seeks to understand markets and marketing chains better through round-table discussions, telephone contacts and formal surveys. AMP has carried out several baseline surveys of wholesalers and retailers in the fruit and vegetables sub-sector. In terms of market development, these surveys aimed to identify bottlenecks in the value chain and changes in consumer trends as a way to improve marketing efficiency and coordination between buyers and sellers. The Evaluation Team reviewed the English version of two of these surveys.

3.2.4.1. Survey of Wholesaler and Intermediary Operations

The Project carried out a survey of produce wholesaler and intermediary operations, May 10-15, 2005, intended to sketch a profile of wholesaler firm characteristics and business practices.[25] The survey interviewed buyers and sellers in 25 firms from 10 locations, though the sampling technique is not clear.

The survey report is largely a compendium of graphs with little analytical narrative, reducing its potential usefulness. Survey results could have been reported in a more informative manner and disaggregated (cross-tabulated) – for instance, by firm characteristics (such as number of employees or seasonality of operations) or by produce marketed (traditional vegetables or non-traditional vegetables).

Moreover, the survey report seldom draws implications. For example, most firms reported that they sorted and graded their produce (68 percent) and packaged it (56 percent), value-added operations that incurred extra costs. When describing the gross mark-up above the produce purchase price, 10 firms (40 percent) marked up their produce by 20 percent or more and 7 firms (28 percent) marked up their produce by 15-20 percent. Presumably, the firms that sorted, graded and packaged their produce (section 2.7.) are the same firms that marked up their produce prices the most (section 3.5.), but the survey report does not investigate this connection. Without knowing the cost structure underlying the high mark-ups, one might conclude – perhaps incorrectly – that some firms are price gouging their customers when, in fact, they are recouping the cost of adding value. Again, use of cross tabulations would help shed light on this.

Recommendation 9.
The Evaluation Team recommends that

- AMP mine the Wholesaler and Intermediary Operations survey data, if viable, to establish more correlations between firm characteristics and firm marketing behaviors as a way to inform AMP activities;
- AMP carry out a follow-up survey before the end of the Project, funds permitting, of the same wholesalers as a means to evaluate changes in wholesaler perceptions, pricing practices and basic characteristics;
- AMP carry out, analyze and report the follow-up survey, with appropriate comparisons with the present baseline survey, in a more rigorous manner to be useful to the Project and its successors.

3.2.4.2. Survey of Retail Chains

The second survey,[26] looking at the fresh produce trade through retail chains, is considerably more rigorous and informative. Conducted in seven *oblasts* in March-April 2005, this survey interviewed 25 key informants in 24 retail stores (mainly supermarkets), representing 20 retail chains. Unlike the first survey report, this report includes the survey questionnaire as an annex, allowing an appreciation of the data collected and how it was used. Data are often cross-tabulated for better insights.

The survey sought to identify produce sales and distribution bottlenecks, learn more about pricing and value-added mechanisms, identify demand trends, recommend improvements in retailing efficiency, and suggest measures for coordinating buyer-supplier relations. Based on the survey report, the survey achieved these objectives (Box 3.5.).

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[25] InMind Company and AMP. "Analytical Report: The Survey of the Market Wholesalers/Intermediaries' Operations in the Fruit and Vegetable Trade." (AMP: Kyiv), June 2005.
[26] Andryushko, Andriy, Inna Ponomarenko and Yury Sologub. "Analytical Report: A Study of the Specifics of Fresh Produce Trade through Retail Chains in Ukraine." (AMP: Kyiv), 2005.

The retail survey report also looked at desirable produce characteristics, comparing those that store produce managers perceive that consumers want and those that consumers themselves want.[27] For instance, store managers emphasize "appearance" foremost, when responding to consumer preferences, whereas consumers prefer "flavor" first of all. Factors that appeal to a store manager, such as "convenient packaging" and "extended shelf life," do not even appear among the list of consumer preferences. Store managers might want to obtain the lowest cost, reasonable price items, regardless of origin, but consumers believe that "Ukrainian origin" is more important than "reasonable price." This last point is another indication of the high growth potential for Ukrainian fruits and vegetables.
Some of these characteristic are similar and overlapping, but in their drive to be more consumer oriented, store produce managers need to know what consumers look for when shopping – and then meet those needs. AMP is helping retailers understand those needs.

Box 3.5. Current Conditions and Trends in Produce Retail Chains

The survey report paints a comprehensive picture of current conditions and trends. Some trends reveal signs of progress and others show areas that need improvement.

- Sales of fresh produce now account for nearly 10 percent of retail turnover (fresh fruit 5.1 percent and fresh vegetables 4.8 percent). Many retail stores plan to expand their chilled produce displays.
- Most retail produce managers (80 percent) expect their sales volume of fresh produce to expand, particularly fresh vegetables (91.7 percent), in comparison with canned vegetables (45.6 percent) and frozen vegetables (33.3 percent). Retail chains are expanding into their own house brands (private labels) for canned and jarred produce, another marketing opportunity.
- With few exceptions (like sweet corn and cherry tomatoes), well over half the vegetables sold in retail stores originate within the home *oblast*, suggesting relatively short supply chains. Among fruits, more varieties come from outside the home *oblast*, suggesting opportunities for supply growth and better packaging for long-distance transport.
- Nearly half (46 percent) of produce managers mark up their produce by 10-20 percent above purchase price and nearly one-third (29 percent) mark up more than 20 percent. To compete with retail municipal markets (*bazaars*), retail stores lower their mark-ups in the summer (to about 20-30 percent) but raise them in the winter (to 45-50 percent) when *bazaar* volumes decline.
- Retail produce managers usually ("often") set their prices on the basis of producer information (46 percent), *bazaar* prices (42 percent) and AMP information (38 percent).
- Less than half (46 percent) of the supermarkets use formal supply contracts with producers. Two-thirds of these contracts specify quality characteristics in writing, but almost never specify the procurement price in advance due to the possibility of fluctuating market conditions.
- Retail produce managers "always" or "often" pay price premiums for produce that is top quality, washed, graded and sorted, though packing is less important as many stores like to package produce their own way for presentation. Conversely, produce managers reduce prices for poor quality and unsorted produce.

AMP. "Analytical Report: A Study of the Specifics of Fresh Produce Trade through Retail Chains in Ukraine."

The survey report concludes with useful recommendations for the fruits and vegetable sector at large, for produce sections in retail shops, and for better coordination between retailers and suppliers in terms of contract specifications, timely payments to suppliers and opportunities for supply aggregation at the supplier or producer level.

[27] The consumer preferences come from AMP. "2004 AMP Consumer Survey Report." (Kyiv: AMP), 2004. This survey interviewed 700 retail store consumers.

Recommendation 10.
The Evaluation Team recommends that

- AMP carry out a follow-up survey of Retail Chains before the end of the Project, funds permitting, of the same (and additional) retailers as a means to evaluate changes in retailer perceptions, pricing practices and basic characteristics.

3.2.5. Expanding the Fruits and Vegetables Sub-sector in Ukraine

Lastly, AMP seeks to strengthen the growth, viability and visibility of the fruits and vegetables sub-sector as an economic force in Ukraine as well as the technical expertise, professionalism and integrity of all sub-sector participants. Such an expansion would be a fine legacy for the Project.

The Project has already helped immensely to raise the visibility of the fruits and vegetables sub-sector in Ukraine by holding two international fruits and vegetables conferences.

3.2.5.1. International Fruit and Vegetable Conferences

The Project, through APK-Inform, organized the First International Conference, "Fruits and Vegetables of Ukraine, the Market of New Opportunities," November 2-3, 2004. Attracting more than 160 people from Ukraine, Eastern Europe and elsewhere, the Conference created broad national and international exposure to business opportunities and issues in the horticultural sector. Of equal importance, the Conference helped prod the public sector to take notice of the dynamic and growing fruits and vegetables sector.

Building on the success of the first Conference, APK-Inform organized the Second International Conference: "Fruits and Vegetables of Ukraine 2005," with AMP assistance, December 5-7, in Kyiv, in conjunction with the International Fruit and Vegetable Industry Exposition. The Conference attracted a host of financial supporters and agribusiness firms providing information. A cross-section of more than 250 people from across the sub-sector participated, including representatives from 11 countries. The comprehensive agenda addressed the near and long-term outlook for the sector, post-harvest handling techniques, perspectives for fresh produce marketing, investment opportunities, and modern technologies for profitable horticultural production and packing options for suppliers.

Beside the opportunity to learn from and engage with sub-sector specialists first-hand, Conference participants received a packet of handout materials, including the Conference catalogue with contact information for all participants, an up-to-date reference book written by AMP staff, several technical handbooks and manuals, a video of AMP activities, the Farm Business Model software (section 2.4.), and copies of Project research reports (section 3.2.4.).

3.2.5.2. Creation of a National Fruits and Vegetables Promotion Council

Through its reports and the International Conferences, AMP has called for the creation of a council, campaign or association to promote the health benefits of fruit and vegetable consumption and the economic interests of the sub-sector at large. Such an association would be national in scope, modeled on sub-sector promotion campaigns in the European Union, United States and Canada. As the professional association for all stakeholders in the sub-sector, the fruits and vegetables promotion council would draw membership from those in production, processing and marketing as well as those in research, input supply, credit and finance, transportation, packaging, imports and exports, and advertising.

The promotion campaign/council or professional association could carry out any number of functions as designated by its members:

- Promote fruit and vegetable consumption as part of daily dietary recommendations;
- Sponsor research on the health benefits of fruit and vegetable consumption;
- Support sub-sector related research and development in storage, packaging and processing;
- Supervise the physical design and construction of regional wholesale market facilities;
- Provide professional advice for merchandizing and retail store layout;
- Underwrite the costs of product development and promotion;
- Meet the internal and external communication needs of members through distribution of sub-sector news, analysis, prices, best practices and development of an association website;
- Lobby for equitable public sector support in the areas of research and extension;
- Advocate policy and legal changes within the Government to aid Ukraine's application to EU membership and WTO accession.

Annual conferences and special events of the association would help to energize the sub-sector and accelerate its expansion.

3.3. AMP Impact on Market Development

AMP has demonstrated its ability to relate equally well with producers and processors, wholesalers and retailers. It is seen as an honest broker. Sometimes, the Project has to go out of its way to convince firms that it is not betraying any privileged information to competitors. Project staff wisely treat the Project-client relationship in the same confidence as the doctor-patient relationship.

Table 3.1. Indicators of AMP Output and Impact for Market Development

	Indicators	PY 2003	PY 2004	PY 2005 Q1 + Q2
1.	Number of firms assisted by AMP activities (processors, wholesalers, retailers, and food services)	77	138	322
2.	Number of training and technical assistance events (seminars, roundtables, working groups, presentations, conferences)	213	581	323
3.	Number of individuals trained (processors, wholesalers, retailers, and food services)	119	432	389
	(of which women)	*29*	*90*	*132*
4.	Number of clients who concluded contracts or made sales with Project assistance	107	667	1,203
	(of which producers)	*75*	*367*	*700*
	(of which processors, wholesalers, retailers, and food services)	*32*	*300*	*501*
5.	Value (UAH) of sales facilitated	627,174	18,463,550	19,546,838
6.	Value (UAH) of forward contacts facilitated	4,431,190	2,317,525	8,827,310*
7.	Number of consultations provided to Project clients (firms only)	233	1,153	821

Note: Project Year (PY) goes from April – March. *Q1 only.
Source: AMP. "Quarterly Report. Year 3, Quarter 2. For July-September 2005." (October 2005), pp. 10-11.

As evidence of AMP's reputation, Table 3.1. shows that the Project has steadily increased the number of *individual* wholesaler, retailer, processor and food service clients since the Project started in March 2003 (1). Indeed, the number of those helped in the first two quarters of the third Project Year exceeds those helped in the first two years.

The number of AMP training and technical assistance events, including demonstration field days, has increased as well (2). Of the number of trained processors, wholesalers, retailers and food service personnel, a respectable one-third in PY3 (to date) are women (3). These events not only impart training and marketing knowledge. By bringing people together, these events help build indispensable social capital – relations based on trust – on which all business depends.

AMP measures the business impact of its activities in terms of produce sales and forward contracts facilitated by the Project (4). The number of AMP clients concluding contracts or making sales with Project help is on a steep upward trajectory. About 42 percent of those helped to date have been processors and marketing firms. Project consultations with processors and marketing firms have inched up to about 22 percent.

The face value of AMP-facilitated sales jumped nearly 30 times in value between PY1 and PY2 and continues to rise (5). Similarly, the value of AMP-facilitated forward sales contracts has doubled between PY1 and the first half of PY3 alone (6). The number of forward sales contracts is not on hand, though presumably available (the basis for calculating contract value). It is just as critical to track the number of formal sales contracts as their value because this number reflects the increasing maturity of the market.

Recommendation 11.
The Evaluation Team recommends that:

- AMP implementers routinely communicate the number of Project-assisted forward sales contracts (in addition to their value) concluded in each time period. Tracking the number of contracts over time will provide useful feedback for the AMP Legal Advisors.

Finally, the Project estimates that its activities have generated 674 seasonal and 394 permanent new jobs with its participating client firms, valued at over $715,000 (gross wages) per year.[28] In addition, Project activities have helped sustain existing jobs in the sub-sector.

[28] AMP. "Agricultural Marketing Project in Ukraine." PowerPoint Presentation. No date [November 1, 2005], slide 15.

Part Four: Development of Market Information System

4.1. Introduction

Market performance depends, in part, on how efficiently markets generate and transmit price signals. One way to improve market efficiency is through the provision and expansion of market facilitating services (Part Three), of which the fruit and vegetables market information system is a vital component.

Box 4.1. AMP Goals for the Market Information System

- Provide a system of affordable and timely market information services that help clients:
- Identify market needs and evaluate demand for their products
- Discover prices, new markets and marketing channels
- Make better-informed business decisions

AMP Presentation, November 1, 2005

Before the start of the Agricultural Marketing Project, market information in the fruits and vegetables sub-sector was often limited and access asymmetric. Larger participants often had access to private sources of information and business connections, giving them an advantage over smaller participants lacking market power, credit and contacts. Generally, traders, processors and large wholesale/retail outlets were better informed than producers and, in turn, larger producers were better informed than smaller producers.

Limited and asymmetric information is costly. It distorts bargaining power and thus, competition. It reduces coordination between buyers and sellers, thereby raising the costs of transacting business. Uncertainty due to limited and asymmetric information increases risks, reduces efficiencies and results in mismatched supply and demand, including input and product waste. Asymmetric information increases the chances that markets become thin and seasonal. Worse, it hampers the development of trust relations, opening the door to swindling and other deceptive practices.

The AMP market information system (MIS) collects, analyzes, disseminates and helps diffuse market information. By improving access to reliable information, the MIS reduces asymmetry, mitigates opportunism and improves marketing efficiency. In a short space of time, AMP market reporting has proved credible, authoritative and respected.

4.2. Process of Market Information Collection and Analysis: Methods and Constraints

The AMP Market Information System is largely managed by the sub-contractor, APK-Inform, with AMP senior management helping with guidance and implementation.[29] APK-Inform, based in Dnipropetrovs'k, is a consulting firm providing independent analytical services to clients in Ukraine, as well as Russia and Serbia. The firm is an acknowledged leader in the field. APK-Inform publishes 10 information products (hardcopy and web-based), all of which are profitable. APK-Inform publishes the two AMP market information periodicals (*Agro-Review* and *Agro-Review+*), seminar materials and

[29] Apart from APK-Inform, the AMP market information system design and implementation team comprises two specialists in the Kyiv office (including the AMP Deputy Chief of Party), six MIS specialists in the oblast offices and 3 wholesale marketing specialists in Kyiv, L'viv and Kherson.

technical handbooks on behalf of AMP. APK-Inform is capable of handling the special requirements for monitoring fruit and vegetable markets (Box 4.2.)

Box 4.2. Special Considerations for Monitoring Fruit and Vegetable Markets

Unlike grains and legumes, fruits and vegetables have greater diversity by variety, size, appearance, quality and taste. Fruits and vegetables are relatively perishable, making conservation, storage and packaging more critical. With the expansion of greenhouse production and chilled storage, the supply of fresh and/or unprocessed produce has an extended marketing season. Lastly, retail marketing occurs at different levels of value added, from simple roadside stands to upscale supermarkets.

All these considerations complicate market monitoring. The AMP trains Project enumerators twice per year or more often – as much to ensure that enumerators are able to correctly distinguish varieties and grades to accurately observe and report market transactions.

4.2.1. Market Information Methodology

The Evaluation Team was not able to verify the quality of market price and other information through comparison of random spot checks of market conditions and prices with published prices and information reported through AMP periodicals and website. However, the Team is satisfied that the information collection methodology and quality control system by and large ensures accurate, reliable and timely market information. In several instances, however, the method behind AMP prices needs to be made more transparent.

AMP collects market prices at three levels:

- Daily wholesale prices at the three major wholesale markets in Ukraine;
- Weekly 'wholesale' prices in the major *oblasts* of Ukraine; and
- Weekly retail prices on the most important retail *bazaars* (green markets) in the major *oblasts.*

The Project uses different approaches and methods for all three types of markets and prices.

4.2.1.1. Daily Wholesale Prices

This service started in April 2005. Trained enumerators observe transactions and collect prices and other information at the three major wholesale markets (Kyiv, L'viv and Kherson) during peak trading hours early in the morning. The enumerators fill out a uniform list for about 30 fruits and vegetables by grade, characteristics and packaging. Enumerators log onto the AMP database and enter prices themselves. AMP market information specialists check these prices for entry errors and conformity with recent trends. If a given price is out of line, it is checked before it goes live on the website.

Most produce[30] has multiple grades decided by buyers and sellers according to quality and variety (and other characteristics, such as size, appearance, freshness and quality of packaging). Thus, enumerators report prices according to market-designated grades, seldom deciding the grade themselves. However, enumerators report a given product as grade I if its price exceeds the price of standard quality produce by 50 percent or more.

For each item (quality, variety and grade), enumerators report the minimum price, average price, maximum price, supply and demand conditions and other market information (including new products and developments). The average price is the mode price, the price at which most observed transactions occur. Getting the right average (modal) price is critical, as this price is used for most reporting and

[30] These include potatoes, cabbage, onions, carrots, peppers, tomatoes, cucumbers, beets, squash, melons, grapes, apples and peaches.

analyses. AMP acknowledges that this price is the most difficult to monitor and report, but believes that training and experience help enumerators find the approximate modal price.

While the Evaluation Team prefers use of an arithmetic average price weighted by volume based on a formula (that is transparent and replicable) rather than expert judgment (that is not), the Team defers to the methodology of AMP and APK-Inform. However, the Team would like users to be aware of this modal price method.

Recommendation 12.
The Evaluation Team recommends that

- AMP and APK-Inform insert in *Agro-Review: Fruits and Vegetables* and other publications a brief, standard description of price collection methods for all three levels of price reporting, including the definition of average (modal) wholesale market price and other key terms.

At some point, perhaps in the near future, it will be possible for each wholesale market management to tabulate all volumes transacted (by product), as well as by price, as a way to monitor supply and demand conditions. Such data would allow calculation of average price, weighted by volume.

Lastly, on-site market monitoring helps the Project establish new contacts with buyers and sellers while maintaining old ones, stay abreast of new market developments, and report with authority.

4.2.1.2. Weekly 'Wholesale' Prices in the Major *Oblasts*

Weekly 'wholesale' prices on major markets and related information are collected differently – through phone calls with key informants and other market participants and through recourse to "bids and offers," the Project's free advertising service (section 4.3.3.) available on-line and in AMP publications. In this manner, AMP and APK-Inform draw upon information and insights from about 600-850 market participants every week to cover 12-13 major locations. These prices are labeled 'wholesale prices' because they are based on price reports and tenders and offers at the wholesale level – between producer-sellers and processor-buyers. AMP analysts, drawing upon all available information, determine weekly minimum, maximum and average prices for the major commodities.

As these prices are neither directly observed nor collected at any market location by AMP personnel, they are 'synthetic' prices – synthesized from a diversity of sources using expert judgment and perhaps some formulas. Thus, they are the most interpretive of the three levels of the Project market information system. Users of these prices need to know this.

Recommendation 13.
The Evaluation Team recommends that

- AMP and APK-Inform briefly describe in *Agro-Review: Fruits and Vegetables* and other publications the method used to synthesize weekly 'wholesale' level prices.

The many sources of information to determine synthetic prices, nonetheless, enrich the review of market conditions and trends for the past week. More than the other two levels of market information, these weekly 'wholesale' prices help the Project keep its finger on the pulse of market conditions, demand preferences and supply sources.

4.2.1.3. Weekly Retail *(Bazaar)* Prices

AMP collects retail produce prices every Friday morning at designated outdoor fruit and vegetable markets, called *bazaars*, one per major city.[31] Presumably, physical conditions are fairly similar between *bazaars* in different cities so that price comparisons capture differences in supply and demand conditions, not differences in type of market cover, packaging or display. Produce is not differentiated by grade. Prices are entered into the database by noon the same day.

Agro-Review+ and the AMP website report prices in ranges (minimum and maximum) for each market and for all markets. *Agro-Review+* and the website also publish a single price average.

The Evaluation Team questions the utility (and conceptual basis) for publishing a national average price. First, it is not clear on what this average is based because only ranges are reported. Second, it is not advised to average prices between markets that do not trade a given item, usually markets that are far apart. Markets do not trade if the difference in price per unit is less than the difference in transfer costs per unit.[32] The Evaluation team recommends that the "average" price be dropped because it is misleading.

Recommendation 14.
The Evaluation Team recommends that

- AMP and APK-Inform drop the "average" price from its weekly retail (*bazaar*) price reports.
- AMP and APK-Inform describe the method used to calculate the range of prices used for all weekly retail (*bazaar*) markets combined.

Instead, as Ukraine's wholesale markets (section 4.2.1.1.) develop, the Evaluation Team recommends that AMP and APK-Inform promote the concept of *reference markets*, where market participants refer routinely to prices in the leading market (Box 4.3.). In this manner, reference market prices are more transparent and informative than average prices.

Box 4.3. Reference Markets and Reference Crops

When markets are reasonably integrated – that is, when a price change for a particular vegetable in one market causes a similar price change in other markets – one market usually functions as a *"reference market"* due to its importance as a supply center, demand center, or both. Growers, traders and processors *refer to* prices in this market to estimate their own prices, either adding or subtracting the appropriate price margin, depending on their geographic location or location on the value chain.

Likewise, the price of one fruit may serve as a *"reference crop"* for the price of a close substitute, with similar production techniques, costs and risks. For example, knowing the usual price relationship between peaches and pears as well as the present price of peaches would allow someone to estimate the price of pears.

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[31] *Agro-Review+* of October 24, 2005 lists *bazaars* in 15 cities: Vinnytsya, Dnipropetrovs'k, Donetsk, Zaporizhzhya, Kyiv, L'viv, Odesa, Poltava, Simferperol', Uzhgorod, Kharkiv, Kherson, Khmel'nytskyy, Cherkasy and Ternopil'.

[32] For example, if the price difference for a given item is 10 UAH per unit between Market A and Market B and if the transfer cost is 15 UAH per unit between Market A and Market B, the two markets will not buy (sell) to each other because the transfer cost (15 UAH) exceeds the price difference (10 UAH). These price relations help define "marketsheds," or price boundaries, between markets. These boundaries shift as relative prices change.

Recommendation 15.
The Evaluation Team recommends that
- AMP and APK-Inform promote the concept of *reference markets,* as appropriate, by produce.

Box 4.4. Usefulness of AMP Prices

Respondents unanimously laud the usefulness of AMP market prices and weekly review of market conditions and trends. However, AMP prices are not necessarily useful to everyone *as the first source*.

A fruit processor in Crimea, noted that weekly retail (*bazaar*) prices are too generic for his purposes. For example, AMP reports retail "apple" prices without distinction to variety or quality. Apples in Simferopol' (the nearest major market) for the week ending October 24, as published in *Agro-Review+*, ranged between UAH 3 and UAH 5 per kilogram. What the processor really needed, he said, was prices according to quality standards, particularly grade III apples for processing.

AMP daily wholesale market prices are more helpful as a guide for purchasing decisions. Grade II apples in Kherson (an adjacent *oblast*) fetched UAH 1.50-2.50 the week of October 16-23. Grade III apples for processing were unavailable for Kherson that week.

A drawback of weekly wholesale market prices and weekly retail market prices is that the methodology does not distinguish between grades and standards. Only cabbages are distinguished by color, cucumbers by length and mushrooms by variety.

Many large processors have their own private sources of information to which they turn when public information is not precise enough (Box 4.4). As the fruit and vegetables market in Ukraine matures and buyers become more sophisticated and demanding, AMP and its successors will need to report by variety, grades and standards.

Recommendation 16.
The Evaluation Team recommends that
- AMP and APK-Inform start reporting weekly retail (*bazaar*) prices by grades and standards, to the extent feasible, to enhance the utility of market prices.

4.2.2. Constraints to Market Information Collection

Two problems constrain the ability of the AMP market information system to gather reliable information, possibly reducing its quality and overall usefulness. These are structural problems, outside Project control.

First, the lack of national, uniform grades and standards hampers market efficiency by requiring visual inspection of individual lots. It is noteworthy that the various grades are set by convention between market buyers and sellers, rather than any public agency.[33] These grades may not be strictly similar between markets, making comparisons imperfect.

Second, another constraint is the absence of a network of true wholesale markets – and thus, wholesale market prices – to guide the MIS.[34] Wholesale markets have two distinct advantages:

[33] A special unit in the national Government deals with produce standards. According to AMP (November 29, 2005), market participant standards are typically higher than those set by the Government, many of which are outdated.
[34] Except for those in Kyiv, L'viv and Kherson.

- Wholesale markets provide the best prices. Unlike farm-gate and retail prices, wholesale market prices are based on repetitive, large-volume transactions. The problem of thin markets rarely arises. Moreover, these wholesale prices are usually observable and hence transparent.[35] On balance, wholesale prices are a more accurate barometer of current and expected market conditions. Market analysts prefer to monitor wholesale prices rather than farm-gate or retail prices.
- Wholesale market prices attract the greatest interest. Given the advantages of wholesale markets, including the role of some wholesale markets as reference markets (Box 4.3.), wholesale prices (holding constant for time, place, form, quality and quantity) become the key variable of interest to producers and production associations, processors, supermarkets, restaurants, exporters – as well as agencies that monitor wholesale prices, among other economic and financial indicators.

The Project is well aware of these constraints. It is reviewing its options how it can help develop the wholesale market network in Ukraine and, by so doing, further the movement to standard grades in produce (section 6.2.3.3.).

4.3. Diversity of Market Information Products and Dissemination Approaches

AMP uses a variety of products, approaches and frequencies to disseminate horticultural market information.

4.3.1. *Agro-Review*

Agro-Review (Агро-огляд), an attractive monthly magazine with full-color cover and professional layout, is one of the few trade journals of its kind in the former Soviet Union.

A typical 80-page issue covers news of interest to the fruits and vegetables sub-sector concerning firms, technologies and laws; notes from AMP's programs in the field, including technical advice for growing, post-harvest handling and storage; market news and marketing practices; analysis of production and trade statistics by product; market outlook; and upcoming industry events. Even the occasional advertisements, though still rare, are more evidence of the continued commercial expansion of the fruits and vegetables sub-sector. Through free subscriptions and extended (non-subscriber) readership, *Agro-Review* reached about 3,750 readers at its peak.[36]

After a run of 26 issues since first appearing in September 2003, the last issue of *Agro-Review* was published in November 2005. It was merged with *Agro-Review+* in December.

[35] In contrast, farm-gate prices are less informative because locations vary widely (making farm-gate prices only relevant to other nearby farmers) and transactions are often small, infrequent and hard to observe. Retail prices are less informative because value-added services vary widely. There are sizeable differences, for example, between the retail price of unsorted carrots in a *bazaar* (street market) and the retail price of sorted, peeled and packaged carrots in a supermarket.
[36] AMP. "Quarterly Report. Year 3, Quarter 2. For July-September 2005." (October 2005), p. 38.

4.3.2. *Agro-Review Plus*

The weekly *Agro-Review+* (Агро-огляд+) is a scaled back, black and white version of its monthly counterpart.[37] The three levels of market price and other data collection (section 4.2.1.) appear in *Agro-Review+*. Its best feature is its timeliness. Friday morning prices are available on line by Friday evening, printed in *Agro-Review+* on Saturday and received by mail on Tuesday. Some 2,000 copies are printed every week for which the Project estimates there are 3,000 readers.[38]

Starting in December 2005, AMP will combine the monthly *Agro-Review* and the weekly *Agro-Review+* into a single weekly, full-color publication called *Agro-Review: Fruits and Vegetables* (Агро-огляд: Овочі та фрукти). The combined issue will cover market news and information, weekly market review of key fruit and vegetable groups,[39] price lists and forecasts, information on production techniques, post-harvest handling, and packing and marketing of fruits and vegetables. The popular "bids and offers" service (section 4.3.3.) will continue.

Starting in January 2006, this new publication will no longer be free. AMP will charge one-year subscription costs of UAH 100 (about $0.38 per issue) for Project clients and UAH 300 for non-clients (about $1.14).[40]

4.3.3. Bids and Offers

The "bids and offers" (попит та пропозиція) section of *Agro-Review+* is a free service from AMP that puts buyers (usually processors) in contact with sellers (usually grower associations and cooperatives).[41] This growing service is highly successful. It is the closest thing to a national advertisement bulletin board for produce in Ukraine.[42]

Bids (tenders) to buy (by demanders) and offers to sell (by suppliers) are closed by noon each Friday and are valid for one week. Bids and offers are available on-line by Friday evening, giving a head-start to those with internet access; others must wait until the following Tuesday when *Agro-Review+* reaches most subscribers. A typical bid (tender) for a given produce indicates size and other specifications, total quantity desired, approximate price, place of delivery and period of delivery. A typical offer indicates desired selling price and other conditions or specifications. Some 500 buyers issue about 1,500 bids (tenders) every week and some 6,000 market participants use the bids and offers service every month.[43] The summer growing/harvesting season is the busiest period; over 13,500 bids and offers were listed during July-September 2005, about half from growers and half from other agribusinesses.[44]

Two points bear mention. First, this service extends beyond the six *oblasts* in which AMP has regional offices. The issue of *Agro-Review+* for October 24, for example, has horticulture bids from 16 *oblasts*.[45]

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[37] In addition to fruits and vegetables, *Agro-Review+* covers dairy and meat products.
[38] AMP. "Quarterly Report." (October 2005), p. 38.
[39] Cucumbers and tomatoes, cabbages, roots and tubers, onions, fruits and berries, citrus and bananas.
[40] Section 5.4.2. discusses the sustainability of the MIS.
[41] In addition to fruits and vegetables, the bids and offers section includes meat and dairy products as well as production inputs and equipment.
[42] "Bids and offers" is a service, not as a market because deals are negotiated and transacted outside the "bids and offers" framework. The price of purchase/sale is unknown unless the buyer and seller choose to report it.
[43] Interview with AMP and APK-Inform, November 1, 2005.
[44] AMP. "Quarterly Report. (October 2005), p. 39.
[45] Counting the Autonomous Republic of Crimea as an *oblast*. *Agro-Review+* lists acronyms for 25 *oblasts*, suggesting that "bids and offers" is even more widely used.

Second, about 60 percent of all producers are able to sell their produce, using the "bids and offers" system. This is rather amazing for a marketing system that, without a third-party system of grading produce, requires visual inspection. The bids and offers system works on the honor system. There is no recourse for cheating (for example, wasted delivery on a filled bid or delivery of substandard produce). A reading of market conditions in the front of *Agro-Review+* helps buyers and sellers set realistic prices that are likely to result in a transaction and/or disregard prices are too high or too low. Those with internet access can also check the wholesale price graphs on the AMP website for the top four produce traded on "bids and offers," usually cucumbers, tomatoes, cabbages and potatoes from the K'yiv wholesale market.

4.3.4. Project Website

The AMP website (www.lol.org.ua) is smartly designed and easy to navigate in three languages. The site offers a menu of agribusiness news, market overviews, technical information, analytical articles, interviews, statistics and conferences. Some items, such as Project news and announcements, weather forecasts and legislation, are available in Ukrainian and Russian only. The Evaluation Team agrees that translating legislation into English for relatively few users would not be a good use of Project resources; instead, private investors and others can avail themselves of private translation services.

The AMP website is an impressive success. According to AMP and APK-Inform, the AMP website gets up to 200,000 hits every month, or 830,000 since it started in December 2003. Some 14,000 unique visitors visit the website every month.[46] It is the foremost website in the former Soviet Union for fruits and vegetable information, according to the number of visitors, and the most widely cited website. Among agribusiness websites generally, the AMP website is ranked second or third in popularity (of more than 470 websites rated) for agriculture and food products.[47]

Up to 300 business offers to buy and sell (bids and offers) are placed on the website every day, valued at about $2 million.[48]

One of the website's best features is a database (called *Business Cards* in English) of more than 2,400 firms registered with AMP.[49] Visitors can search by company name, country and type of company (such as private family farm, cooperative, processor, food and restaurant chain, and agricultural input and equipment supplier). These contacts are invaluable, another aspect of linking producers to markets.

The web-facilitated database allows Project clients to place their offers and bids on the website in real time. The database also helps AMP personnel to analyze prices and other statistical information more easily.

Visitors to the AMP website have the choice of Ukrainian, Russian or English. Interestingly, the default language is Russian. This is a logical choice, as a) most Ukrainian speakers also know and speak Russian, and b) many of the non-Ukrainian speakers from Eastern Europe and the former Soviet Union know Russian but not Ukrainian. English speakers can always choose English.

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[46] A unique visitor uses a "unique" (single) computer to log on. Thus, 14,000 unique visitors visit the website almost 15 times per month, or nearly every other day.
[47] AMP. "Quarterly Report." (October 2005), p. 38.
[48] See site below:
http://www.lol.org.ua/eng/showart.php?id=29292&sid=44075&markup=0&?&search=bids%20and%20offers&mode=2&d1=09.07.2001&d2=28.11.2005&start=1
[49] AMP. "Quarterly Report." (October 2005), p. 39. About 1,066 of these are farmers or private household growers.

The English version is not as polished as it might be to outsider (non-Russian, non-Ukrainian speaking) buyers and investors. Of more than 6,000 average daily hits, the English version gets about 40-60. In its business plan for putting the MIS on post-Project full cost recovery, AMP proposes to expand MIS coverage to an additional 11-12 *oblasts* (section 6.4.2.1.), enough to attract an additional 200 daily visitors to the English version website. AMP proposes to hire a native English-speaking editor, with good knowledge of Russian, to improve and expand the English language content of the website as a way to promote trade and investment opportunities and spread information through republication of website articles and hot links to the AMP website.

Recommendation 17.
The Evaluation Team recommends that

- AMP and APK-Inform hire a native English-speaking editor to spruce up and expand the contents of the English version of the AMP website.

4.3.5. Technical Handbooks, Manuals and Training Materials

The Project has taken full advantage of APK-Inform's own publishing facilities to print a diversity of technical handbooks and manuals for its field demonstration days, seminars and roundtables. These contain practical information, including advertisements and business contacts. Some recent titles for field demonstration days include:

- *AMP Market Information: Marketing, agro-technologies and prospects for the development of fruit and vegetable markets in Transcarpathia* (Uzhgorod, February 9, 2005);
- *Modern technologies of production and marketing of vegetables* (Cherkasy, July 7, 2005); and
- *Marketing and modern technologies of fruit and vegetables production* (Odesa, July 8, 2005).

Recent titles for seminar discussions include:

- *Sweet corn: specific features of marketing, modern varieties and hybrids of sweet corn for production in Transcarpathia* (Gudya, Vinogradiv, August 19, 2004);
- *Modern marketing of fruit and vegetables* (L'viv, January 29, 2004); and
- *Marketing of agro-technology. Information and prospects of development of fruit and vegetables market in the Southern region of Ukraine* (Ismail, Odesa, February 2, 2005).

According to Team interviews, Project clients eagerly read these handbooks and brochures cover to cover as rare sources of practical information in the absence of information from public sources. Indeed, public extension service and research staff often solicit Project advice and updated technical material.

4.3.6. Use of AMP Market Information by Other Media

The Project distributes its information to other printed media, websites, and television and radio stations where, according to AMP, Project information reaches more than several million people monthly.[50] Project information is widely cited within other media and on other websites. In its short lifetime, the Agricultural Marketing Project has become "the prime source of independent expert information on the issue of F&V markets in Ukraine."[51]

In its first two and one-half years, the Project has granted numerous interviews with the press and electronic media. All *oblast* offices regularly send information to local newspapers and journals. Yet,

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[50] During the most recent reporting period, July-September 2005, AMP estimated that Project news and analysis picked up by other media, interviews and links reached more than 11 million people. "Quarterly Report." (October 2005), p. 40.
[51] AMP. "Market Information System." PowerPoint presentation, no date. [November 1, 2005]

sometimes, the press gets it wrong. Following an interview in Simferopol' (Crimea), the press once exaggerated an interview concerning potato price projections, mistakenly claiming that AMP expected prices to reach UAH 5/kg, rather than UAH 3/kg as discussed. For this reason, it would be in the Project's interest to ask the printed media to publish the entire AMP price table(s) as a public service, without change.

Recommendation 18.
The Evaluation Team recommends that

- AMP and APK-Inform forward weekly wholesale and retail prices to local printed media for publication as a public service as a way to generate additional publicity for the Project, diffuse Project information more broadly, and "control" information as a way to avoid mistakes.

4.4. Impact of AMP in Disseminating Market Information

Some buyers and sellers are still catching on to AMP market information. For others, AMP is already filling a major gap. AMP provides information that, for all practical purposes, was not available in the Project *oblasts* (and beyond) before the project started. [52] Access to printed practical information has motivated new growers to enter fruit and vegetable production and try new techniques and products. Access to prices, business contacts and other market information has moved the market, within present structural constraints, to greater efficiency for buyers and sellers alike. Availability of current on-line information helps guide countless marketing decisions daily.

Much of the credit for the day-to-day operations of the MIS goes to APK-Inform as subcontractor. Joining forces with APK-Inform as a Project subcontractor was a brilliant strategic move – and mutually beneficial arrangement – that has given a major boost to the Project's profile in Ukraine and abroad. The partnership with APK-Inform has helped AMP to become the "dominant voice of the fruits and vegetables sub-sector in Ukraine."[53]

Starting from a baseline near zero makes it easier to assess Project impact in the area of market information. Nearly "everything" that has happened since Project inception in March 2003 can be attributed to AMP, at least in AMP *oblasts*.

As a result of the market information system taken as a package, but especially recourse to AMP prices, "bids and offers," and individual consultations, AMP estimates that the total economic impact of its market information system in terms of a) additional sales and b) more favorable prices obtained by growers for their produce and input requirements was about UAH 33-35 million in FY 2005, between $6.535 million and $6.930 million. AMP expects this figure to rise to $7-8 million in FY 06 and FY 07.[54]

Project costs attributable to the market information component (relevant personnel salaries and wages; publication, website, video and other production costs; and pro-rated office, supplies and equipment and travel expenses) reached $586,378 in FY 2005.[55] Thus, a rough benefit/cost calculation for the Market

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[52] The International Finance Corporation had funded the Ukraine Agribusiness Development Project, a horticultural sector improvement project in Kherson *Oblast* (north of Crimea), that ended in 2004. The European Union is funding the Improvement of Logistics Services and Marketing channels for SMEs in Agriculture project in L'viv and Kharkiv *Oblasts*. This project, that got underway in March 2005, is directed to grain, livestock and horticultural producers (section 6.2.3.3.).
[53] Interviews with AMP and APK-Inform officers, November 1, 2005.
[54] Both figures from the AMP report of Project Indicators for FY 2005, p. 4.
[55] USAID correspondence (Muliar-Steffen), December 21, 2005.

Information System in FY 2005 shows a positive return between 11.1 and 11.8. In other words, every dollar spent on collecting, analyzing and diffusing market information generated between $11.14 and $11.82 in return.

The question of interest to AMP clients, USAID and other donors is *whether this return can be sustained after the end of the Agricultural Marketing Project.* This is possible if AMP and APK-Inform follow the broad outlines of their proposed sustainability plan (section 6.4.). Indeed, the Evaluation Team believes that the Market Information System has the brightest prospects for sustainability of all Project components.

4.5. Expanding Mass Outreach to Clients

As they have for the development of commercial farming, AMP personnel have provided many hours of consultations to its clients in the area of production, processing and marketing advice.[56] One client grower even calls his *oblast* office for the weather report. Table 4.1. shows the increasing number of individual requests for information that, unless managed well, threatens to swamp AMP staff.

Table 4.1. Growing Number of Individual Requests for AMP Market Information

	Indicators	PY 2003	PY 2004	PY 2005 Q1 + Q2
	Number of market information requests answered	865	6,117	4,065
	(of which farms)	*678*	*4,889*	*3,206*
	(of which firms)	*125*	*797*	*588*
	(of which farm groups)	*36*	*271*	*210*
	(of which other)	*26*	*160*	*61*

Note: Project Year (PY) goes from April – March.
Source: AMP. "Quarterly Report. Year 3, Quarter 2. For July-September 2005." (October 2005), p. 11.

Until now, AMP's staff are able to keep up with the individual requests for help and information. No one is turned away, according to AMP staff – although it may be necessary to reschedule an appointment. As AMP's client base continues to grow (especially when AMP expands coverage to additional *oblasts*, section 6.4.), its limited staff will not be able to keep up with the ever-increasing individual requests for help by personal visits or phone calls. To avoid becoming a victim of its own success, possibly disappointing its clients who have become used to personalized attention, the Project will need to expand its mass outreach and direct questions to institutions that will extend beyond the life of the Project.

- Rely more and more on its mass media (website and *Agro-Review*) to reach its clients
- Channel certain queries directly to the source of help or information (input suppliers, wholesale market managers processors, supermarkets, government offices)
- Help develop government research and extension and other support services.

[56] Client consultations with Project staff often cover market information as well as technical advice and thus, are not disaggregated by topic. AMP reports that in FY 2005, that Project staff provided technical assistance and market to 815 farmers and household plot producers and to 168 agribusinesses ("market firms"). Consultation data from the AMP report of Project indicators for FY 2005, p. 4. (No title, no date; received November 14, 2005).

Recommendation 19.
The Evaluation Team recommends that

- AMP and APK-Inform continue to expand its successful mass outreach through periodicals, e-mails and web-based queries as well as other media as a way to meeting the needs of its growing clientele, saving limited staff time and resources for customized consultations.
- AMP and APK-Inform consider charging a nominal fee for each consultation on a gradually on a gradually increasing basis as a way to a) steer queries to the free website and other public sources of market information and b) help clients accustom themselves to paying for private, professional consultations in the post-project period.

Part Five: Producer Organizations and Grants

5.1. Producer Organizations

The goal of the Producer Organizations component of AMP is to organize farmers into effective business groups to take advantage of economies of scale for the joint purchasing of inputs, marketing and processing of produce, providing services such as ownership and maintenance of equipment, sharing information, discussing common problems, and receiving training and information (Box 5.1.). It was also felt that working with farmer organizations would lead to improved marketing efficiencies as buyers would be able to negotiate and deal with blocs of farmers as opposed to dealing with a multitude of individual farmers.

Box 5.1. AMP Goals for Producer Organizations

AMP assists farmer clients in developing profitable joint-marketing opportunities through:

- Farmer associations;
- Marketing cooperatives and
- Other farmer business groups and alliances.

AMP Presentation, November 1, 2005

The Grant Agreement indicates that AMP would work to strengthen the ability of self-sustaining producer associations to provide training and other support to farmers to strengthen ties among association members. The result was to be new business relationships and provision of new and more extensive services to broad groups of members. An element of this component is a grants program available to qualifying organizations to assist them to buy processing equipment or finance physical infrastructure improvements as a way of improving food quality standards, sorting, packaging, storage, and transportation of high-value agricultural produce. A grant could be up to $25,000 and requires at least a one-to-one match from the receiving organization.

5.1.1. Working with Producer Cooperatives

Thus far, AMP has worked with the full range of farmer organizations including 48 cooperatives, 38 associations, and 44 other farmer and trade groups.[57] A formally registered cooperative is defined by the Law on Agricultural Cooperation. Associations are also registered as legal entities in Ukraine. Usually, associations are founded for the purpose of lobbying for the business interests of members. These associations can also carry out business activities such as facilitating the sale of members' produce. A farmers' group is a non-registered association and is not a legal entity. Most farmers form a group to share experiences related to the use of a production technology and to help each other in produce marketing.[58] AMP collaborates with farmer groups because at a certain stage they may decide to join an existing cooperative or association.

AMP directly assisted 12 cooperatives and associations to get formal registration. The total membership of these groups totals 1,051 people with 247 women. The total volume of sales through AMP-assisted producer organizations totaled $800,000 as of October 2005. The types of assistance provided includes: preparation of business plans, training in marketing, technology, finance, membership development and accounting. AMP also provides legal assistance to support

[57] AMP. "Quarterly Report. Year 3, Quarter 2. For July-September 2005." (October 2005), p. 10.
[58] Interview with AMP, November 2005.

cooperative or association development, usually for training and assistance for charter development required for registration and assistance for grant applications and equipment purchases. AMP will sponsor a Cooperative Conference in 2006 to facilitate the exchange of lessons learned and discuss issues related to cooperative development particularly as they relate to cooperative law and the GOU's current taxation policies applied to cooperatives.

5.1.2. Tax Disincentives to Producer Cooperatives

Legally registered cooperatives and associations, in particular, are negatively affected by several factors. Most prominent among these factors are the negative tax incentives. While all farmers are required to pay a tax, cooperatives and associations also are required to pay other taxes according to fiscal legislation including a value added tax (VAT), income tax, and social funds assessments. Many farmers view this as a doubling of taxes by virtue of being a member of a cooperative or association. For example, farmers who are members of a cooperative are required to pay a value added tax (VAT) on the value of their production sold to the cooperative and, in turn, the cooperative is required to pay a VAT on the value of sale to the eventual buyers.

This problem is attributable to differences in the interpretation by some *oblast* authorities who insist that cooperatives and associations be registered as "for-profit" entities in accordance with corporation law, whereas the intent of the cooperative law was for cooperatives to be registered as non-profit organizations. As farmers do not want to pay this double tax, many groups do not seek to formally organize as cooperatives or associations.[59]

Some cooperatives have found innovative ways to get around this double taxation problem. For example, the AGRODVIR Cooperative members in L'viv *Oblast* jointly store their produce in the cooperative cold storage facility, but members sell the produce as individuals, thus circumventing the requirement for the cooperative to pay a value-added tax on the sales. Nonetheless, the double taxation issue was mentioned as the foremost reason for the difficulties in cooperative formation and growth. There also remains a negative connotation associated with cooperatives in Ukraine from the Soviet era as they continue to be perceived as tools for central planning. Whether or not there are similar policy issues or constraints relating to the other forms of organizations that AMP works with, is not clear.

Apart from the policy issues pertaining to cooperatives and associations, the development of viable farmer organizations with a focus on small and limited resource farmers is challenging work that requires long-term support. While in theory, producer organizations can achieve economies of size, the AMP experience has been that most organizations, in whatever form, remain too small to realize most of these benefits. During the Evaluation Team's visit to the nine-member AGRODVIR Cooperative, the cooperative president indicated that cooperatives are small because of the difficulties in finding like-minded, trustworthy farmers interested in and with the means to scale up production and investments in their farming operation to produce comparative quantity and quality. Group formation may also depend more on the social relations among members, rather than shared business interests indicating that some farmers do not yet consider farming as foremost a business venture. The president further indicated that the incentive to qualify and receive an AMP grant was one of the reasons AGRODVIR was formed and registered.

[59] Interview with AMP officers, November 2005.

5.1.3. Adjusting to Reality

The agricultural policy "White Paper"[60] commissioned by LOL in July 2005 indicated that a modest change in the cooperative law and operating regulations would have a reasonable chance of correcting the tax disincentive. However, given the weakness of the cooperative structure in Ukraine, there appears to be no effective lobbying bloc for cooperative development to promote reforms. The Evaluation Team was also told that, in the absence of a strong lobby, the GOU through the Cabinet of Ministers was not likely to correct the flaws in the cooperative law in the near future, given their other priorities. This fact also reflects the GOU's curious indifference towards the high-value fruits and vegetables sub-sector as a growth leader for increasing rural incomes.

The Evaluation Team was also told that there are few donors or non-governmental organizations in Ukraine working on cooperative development, thus, the impetus for reform does not appear to be present. AMP is planning a Cooperative Conference in early 2006 to discuss issues and constraints to cooperative development. This conference has every potential to highlight the importance of reforms as they affect cooperatives in Ukraine.

Given these constraints to cooperative development, the LOL Team made a decision early in the Project to: a) work with established cooperatives, and b) to assist other producer organizations as the opportunities presented themselves. This would seem to be a sound approach as the legal and policy issues relating to cooperative development go well beyond the manageable interests of AMP. The Evaluation Team would agree that expending significant AMP resources to promote reforms to catalyze cooperative growth is not warranted.

Recommendation 20.
The Evaluation Team recommends that:

- AMP implementers as well as USAID use the Cooperative Conference to sensitize all stakeholders, including GOU representatives, to the problems facing cooperative development and to develop a strategy to build a consensus on reforming cooperative law.

Recommendation 21.
The Evaluation Team recommends that:

- AMP coordinate closely with the new Agriculture, Legal Policy and Regulatory Reform Project, and
- USAID consider including cooperative development policy as part of the Project's agenda in order to remove constraints and disincentives to cooperative development.

Recommendation 22.
The Evaluation Team recommends that:

- AMP implementers actively pursue partnerships with other donors or NGOs, to the extent they exist, working with cooperatives to build a stronger lobbying body to promote cooperative reform. *(Note: This was similarly recommended by the AMP internal assessment, Wilcock and Woods.)*

[60] Motes, *op. cit.*

5.2. Grants

The original intent of the grant program was for the grants to be only given to qualifying producer organizations. However, difficulties have arisen in terms of identifying qualifying organizations as they are required to have business and investment plans in place and have a minimum level of management capacity. This problem is also attributable to the overall difficulties in working in cooperative development, given the capacities of small farmers and the constraints to cooperative development explained above. Given the difficulties of finding viable farmer organization counterparts, the AMP Grant Agreement was amended to allow the LOL implementing team to also consider giving grants to other entities such as individual processors or other marketing intermediaries that work directly with farmers to market produce.

Box 5.2. AMP Goals for Small Grants

AMP assists qualified farmer organizations and marketing firms through grants of up to $25,000 on a 1:1 matching basis to leverage viable marketing, post-harvest handling and value-added opportunities.

Adapted from AMP Presentation, November 1, 2005

Table 5.1. Indicators of AMP Grants Disbursed and Matching Funds

	Indicators	PY 2003	PY 2004	PY 2005 Q1 + Q2
1.	Total number of grants disbursed by the Project to client associations and cooperatives ($US)	**0**	**4**	**8**
	(of which associations)	*0*	*0*	*0*
	(of which cooperatives)	*0*	*4*	*4*
	(of which other groups)	*0*	*0*	*4*
2.	Total value of grants disbursed by the Project to client associations and cooperatives ($US)	**0**	**32,300.73**	**122,493.27**
	(of which associations)	*0*	*0*	*0*
	(of which cooperatives)	*0*	*32,300.73*	*65,924.12*
	(of which other groups)	*0*	*0*	*56,569.15*
3.	Total value of grant matching funds invested by client associations and cooperatives ($US)	**0**	**145,161.16**	**158,750.84**
	(of which associations)	*0*	*0*	*0*
	(of which cooperatives)	*0*	*118,206.16*	*41,763.84*
	(of which other groups)	*0*	*26,955.00*	*116,987.00*

Note: Project Year (PY) goes from April – March.
Source: AMP. "Quarterly Report. Year 3, Quarter 2. For July-September 2005." (October 2005), p. 11.

A grant can be made up to $25,000 and requires at least a one-to-one match from the receiving organization. Thus far during Project implementation, a total of 10 grants have been approved for a total of $155,000 of the $400,000 available for this purpose of direct AMP funding with $304,000 in matching funding.[61] The counterpart funding can be in-kind as well as direct funding. At the time of

[61] AMP. "Quarterly Report: Year Three, Quarter Two." (October 2005).

the evaluation, 2 other grants are being considered by the LOL Team. The grants approved thus far have been used for cold storage equipment, drying equipment for fruits and vegetables, sorting machinery, and equipment for cheese production. The grants program has not had a significant impact on catalyzing the growth of producer organizations, nor has the small value and number of grants hindered Project achievements to date. Nonetheless, the grants that have been awarded have served to stimulate net additional investments in value-added equipment and facilities.

The indicator data contained in Table 5.1. show that, thus far, only 12 grants have been disbursed (1). As mentioned above, the small number of grants disbursed reflects the difficulties the Project has encountered in finding viable producer organizations capable of effectively using grant funding. Nonetheless, in 2005, there has been a marked increase in the amount of grant funding disbursed over the first two quarters (2). This increase is, most likely, due to the opening up of the grant program to other groups or businesses interested in fruits and vegetables enterprise investments, such as processors. This fact is further demonstrated by indicator 3, "Total value of grant matching funds", which shows a very large increase over the previous year's total from other groups. While the opening of the grant program to other investors in the fruits and vegetables sub-sector was not the original intent of the program, it has, nonetheless, promoted investments in sub-sector value-added enterprises.

The AMP Internal Assessment[62] conducted in spring 2005 recommended that AMP redirect the grant resources to make larger grants and to use the grants to do more feasibility work and for other non-capital expenses, i.e. study tours, preparation of loan applications; or be reallocated to other Project components. The Evaluation Team does not, necessarily, agree with this recommendation. The use of the grants fund remains viable with matching funds to grant ratio of 2:1 and has served the original purpose to stimulate additional investments in value-added equipment and facilities. Additionally, the value of the program's experimental nature should not be underestimated as it enables cooperatives and other producer organizations learn how to evaluate and use capital investments.

Recommendation 23.
The Evaluation Team recommends that:

- AMP implementers maintain the Grants Program focused on its original intent to stimulate investments in value-added agriculture and continue to seek viable applications for granting additional funds.

[62] Wilcock and Woods, *op. cit.*

Part 6: Overall Evaluation Conclusions

For convenience, the Evaluation Team has decided to use the overall evaluation topics and questions, taken directly from the Evaluation Scope of Work (Annex 2), to frame and organize this final section. Many of the questions in this section have been answered in other parts of the evaluation. This section will attempt to summarize the salient points pertaining to each question.

6.1. General Findings

The Project works. It is well organized and well managed. AMP has built a diversified and growing client base. AMP has proved to be an effective middleman-facilitator that has earned the respect, praise and trust of all groups. AMP has a competent, enthusiastic and dedicated professional staff under the solid leadership of the prime contractor and support contractors. The Project has proved an invaluable catalyst for market-oriented development of the fruits and vegetables sub-sector in Ukraine.

Most significantly, nearly all Project achievements have occurred in the context of incomplete policy and legal reforms and belated, if lukewarm, public sector interest. The public sector has been slow to grasp the opportunities for – and implications of – high potential of horticultural production and marketing. Public institutions are only now adjusting, gradually, to changing realities in the agricultural sector.

Aside from a few dynamic leaders, the private sector is weak. It still needs encouragement and technical advice as well as the continued presence of AMP for moral support. It is clear that the Project is filling a critically needed role at a critical time in Ukraine's transition to a fully-market led economy.

The Evaluation Team is concerned that, given the starting and ending dates of the Cooperative Agreement, the 2006 growing and marketing season could be the last for the Project. The Project's services need to continue on a temporary basis.

Accordingly, the Evaluation Team makes an **overall recommendation** that:

- USAID/Ukraine extend the Agricultural Marketing Project by at least 10 months, subject to availability of funds, from March 25, 2007, to January 1, 2008 (and to January 31, 2008 for key senior staff for final reporting purposes). This extension will allow AMP, a four-year project, to consolidate its progress to date and work with producers, processors, wholesalers and retailers for four full growing and marketing seasons.

The Project's very success in providing *free* business development services and publications until now, however, raises questions about its sustainability after January 2008, and whether its free services hinder the emergence and growth of professional, private business development services.

During this extension period, the Evaluation Team recommends that:

- AMP design a comprehensive phase-out/hand-over plan, working closely with the public and private sectors, that will ensure continuity of its activities promoting fruit and vegetables in Ukraine.
- AMP consider how it can shift its business development services from free to fee by the end of the Project.

6.1.1. Accomplishment of Stated Objectives

The Project has successfully accomplished all of its stated objectives. AMP has been successful in providing farmers with an array of professional training, technical assistance, and high-quality market information services which has enabled them to increase farm incomes by producing and supplying fresh fruits and vegetables in response to market demand. Thus far, AMP has facilitated sales of fruits and vegetables in the amount of $7,700,000.

The Project has assisted all market participants, retailers, wholesalers and food service companies, to increase their supply of produce through the establishment of viable partnerships with farmers through production contracts and other types of assistance. In many cases, buyers have provided production credit or pre-payment to the farmers to assist them in purchasing inputs and for meeting other production costs. These partnerships based on commercial interests have been mutually beneficial to both farmers and buyers, and will be a key element for sustaining the progress achieved.

AMP has strengthened all forms of farmer organizations with direct assistance provided to 48 cooperatives, 38 associations, and 44 other farmer and trade groups. The total value of sales facilitated through AMP-assisted organizations totals $800,000.

AMP is clearly filling a major gap by collecting, analyzing, and disseminating market information. AMP provides information that, for all practical purposes, was not available before. Access to printed practical information has motivated new growers to enter fruit and vegetable production and try new techniques and products. Access to prices, business contacts and other market information has moved the market to greater efficiency for buyers and sellers alike. Availability of current on-line information helps guide countless decisions daily.

6.1.2. Monitoring and Reporting

The Project has developed a reliable and very comprehensive system of monitoring and reporting on its overall operations. AMP has set up one of the most extensive monitoring systems seen by the Evaluation Team. Indicator data are within quick reach of Project managers. Thus, the prime contractor has little problem in reporting quarterly indicators – production technologies transferred, new jobs created, marketing transactions facilitated, website hits and so on – or scaling up by fiscal year. AMP is to be commended for its thoroughness.

The Evaluation Team is not aware of many instances where the monitoring system is used for internal Project management decisions. One such instance, based on the slow disbursement of Project grants, was the Project decision (with USAID concurrence) to expand grant eligibility requirements to include processors as well as producers (section 5.2.). For the most part, when all indicators show a near-consistent upward trend in the desired direction, Project management has not needed to make major changes.

The prime contractor commissioned an internal evaluation of the Project in January-February 2005, [63] leading to some 32 recommendations, many of which have been carried out. This internal evaluation may have been as influential as the internal monitoring system in adjusting Project decisions.

[63] Wilcock and Woods, *op cit.*

6.1.3. Identification of Major Constraints to Fruit and Vegetable Marketing

At least three external consultations reviewed the major constraints in Ukraine over the past year.

- A World Bank Mission, looking at the agricultural sector generally, identified the major constraints as low productivity, low competitiveness, poorly functioning commodity markets and deteriorating rural infrastructure.[64]
- The internal AMP evaluation by Wilcock and Wood identified credit as the foremost constraint to growth in the fruits and vegetables sub-sector, followed by lack of farm insurance and other risk management mechanisms, slow land tenure reform and difficulties attracting foreign investment and technology.[65]
- The policy 'White Paper' by Motes looked in particular at the need for "an efficient credit system" and an "equitable, 'neutral' tax system" that avoids misallocation of resources.[66] He also looked at the question of budget transfers to agriculture.

AMP is certainly aware of all these constraints. Given the Project's focus on the transfer of production technology and marketing know-how, AMP has not found it within its competence or manageable interests to take on each of these constraints. The questions for AMP management are: *On which constraint(s)to fruit and vegetable marketing should AMP focus its energies? Addressing which constraints lies within AMP's manageable interests?*

Working within existing constraints, the Project has been most successful in mitigating the impact of credit constraints through direct and indirect actions:

- Many commercial banks are still reluctant to deal with agricultural producers. AMP has worked closely with Nadra Bank in Odesa *oblast* to extend loans to fruit and vegetable producers (section 6.2.5.).
- Even in Odesa, only personal referrals and connections appear to make banks interested in lending to farmers. AMP's credit specialist actively advises grower loan applicants in their dealings with Nadra Bank, promotes commercial banking opportunities, monitors the repayments of outstanding loans to build good reputations for Project-sponsored loans, promotes commercial banking opportunities at field demonstration days with growers and pro-actively informs all Nadra Bank branch offices of Project activities and profitable opportunities in the expanding fruit and vegetables sector.[67]
- Financial assistance for production credits is often limited to growers with clearly identified markets for their output. AMP has helped growers find and document their markets by linking growers with buyers through formal and informal contracts. The estimated value of forward sales contracts becomes collateral in the absence of land as collateral.
- Faced with production credit constraints, many growers are unable to take advantage of processor demand for raw supplies. AMP links growers with processors who supply production equipment and seeds on extended repayment terms as another way to help mitigate the banking sector credit constraint.

Nonetheless, all policy constraints have a direct negative impact on Project effectiveness. Accordingly, AMP should offer its insights, advice and services, as appropriate, to other USAID projects (section 6.5.2.) to help them tackle each constraint.

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[64] World Bank. "Rural Development Note for Ukraine." June 2005, pp. 1-2.
[65] Wilcock and Woods, pp. 37-40.
[66] Motes, p. 13. See pages 13-26. The Motes paper, giving a thorough review of the agricultural policy framework in Ukraine, was itself the result of an evaluation recommendation by Wilcock and Wood.
[67] AMP. "Quarterly Report: Year Three, Quarter Two," p. 41.

Recommendation 24.
The Evaluation Team recommends that

- AMP implementers collaborate closely with the array of USAID projects, particularly the Access to Credit Project and the Agricultural, Legal Policy and Regulatory Reform Project, to tackle policy issues of mutual concern.
- AMP implementers share Project experiences with the other USAID policy projects as way to communicate, in a first-hand way, the consequences of policy constraints in the fruit and vegetables sub-sector.

6.2. Evaluation by Project Components

6.2.1. Successful Contribution of all Project Components

The impact of the Agricultural Marketing Project is greater than the sum of its components. The Project is truly a highly integrated activity in which the success of each component hinges on the success of the others. That is, AMP could not provide market information in the absence of produce to market. In turn, AMP could not facilitate produce marketing in the absence of production extension and other technical assistance. Even the small and underused grants component has played its role as a source of matching funds to motivate investment, innovation and entrepreneurship.

All components successfully contribute to improving marketing of fruits and vegetables. No part could be removed without endangering the others, or indeed, the entire Project. The Project can improve the value of its components by expanding the reach of its Market Information System into other *oblasts* (section 6.2.4.1.) to help build an integrated national network of fruit and vegetable markets.

6.2.2. Additional Project Interventions on Behalf of the Fruit and Vegetable Market

The Evaluation Team has carefully considered what additional Project interventions might be beneficial for the fruit and vegetable markets in Ukraine. In the course of the evaluation, several constraints to the further growth of the sector were identified. Addressing these constraints is required to both consolidate achievements to date, and to also scale-up and to scale-out the AMP model. Based on the evaluation findings, several additional interventions would be useful to further the support the expansion of the sector. These would include: 1) work on agricultural policy; 2) strengthening research capabilities to continue to support the technological needs of the sector; 3) formation of a National Fruit and Vegetable Council to promote the sector through the private sector; and 4) expanding assistance for agricultural credit.

6.2.2.1. Agricultural Policy

The GOU would appear to be indifferent to the high-value agricultural sector in spite of the sector's potential for rural income growth and diversification. GOU financial, policy, and institutional support will be required to further the sector's growth and replicability. Assistance in the area of agricultural policy in several areas can lead to greater support of the sector. Current taxation policy serves as a disincentive to cooperative formation and growth. A modest change in the Cooperative Law and operating regulations would have a reasonable chance of correcting this disincentive. Other potential areas of policy that would support AMP would be public expenditures for the agricultural sector as only 33% of expenditure is allocated to research, education, market development, and infrastructure. The Evaluation Team has suggested that AMP work closely with the new Agriculture, Legal Policy and Regulatory Reform project to address some of these issues.

6.2.2.2. Strengthening Research Capabilities

Before AMP draws to a close, measures need to be taken to ensure that technologies required to support the sector continue to be generated. Presently, most new seed varieties and other technologies have come from private sector sources (input suppliers) or acquired through the AMP technical assistance team. The Evaluation Team feels that there may be an opportunity to use local research capabilities residing in Ukraine's agricultural research system to assist the fruit and vegetable sector. One idea was to use some of the grant funding to be awarded to researchers to address a problem or opportunity specific area. As with the partnerships established between producers and buyers, a partnership model could also be established between producers/buyers and a research institution or individual agricultural scientist to continue to work on technology issues.

6.2.2.3. National Fruit and Vegetable Council

Through its reports and International conferences, AMP has called for the creation of a council, campaign or association to promote the health benefits of fruit and vegetable consumption and economic interests of the sector at large (section 3.2.5.2.). Such a council would be national in scope, modeled on industry promotion campaigns in the European Union or United states. As the professional association for all stakeholders in the sector, the fruits and vegetable council would draw membership from those in production, processing and marketing, as well as input supply, credit and finance transportation, packaging, imports and exports, and advertising.

6.2.2.4. Agricultural Credit

Agricultural credit would appear to be vital for helping farmers to expand their production capabilities. Credit available to producers and processors through the formal banking sector is a problem due to high interest rates, the inability of many farmers to use land as collateral, banks' perception of the high risks of agricultural lending, little competition between banks, and the inability of banks to evaluate agricultural loan proposals. In spite of these constraints, AMP has been able to facilitate 12 loans using the Mission's Development Credit Authority in Odesa through the Nadra Bank. While this is a modest start, AMP should explore the possibilities of expanding this portfolio and working with other lending organizations, both formal and informal, to help clients access production credit. AMP should seek collaboration with the USAID Access to Credit Project and explore the possibilities or working more with credit unions in some of the *oblasts*. Additionally, AMP should consider organizing a seminar on bank lending for production credit. This seminar would provide a forum for all parties to come together and discuss issues and potential.

6.2.3. The Question of AMP Assistance to Wholesale Market Development

There is a pressing need for wholesale produce markets. The absence of wholesale markets distorts price signals and brakes the expansion of the fruits and vegetable sub-sector in Ukraine.[68] There are several arguments why Ukraine – and by extension, the Agricultural Marketing Project – needs more wholesale markets.[69]

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[68] Wilcock and Wood, *op cit*.

[69] AMP monitors "retail markets" in 16 cities. These retail markets are actually outdoor "bazaars" with a similar basic level of infrastructure and value added that makes prices generally comparable across markets (section 4.2.1.3.). In the absence of true wholesale markets, these bazaar prices are better than no urban prices at all.

6.2.3.1. Characteristics of Wholesale Markets

- Wholesale markets provide a central location for conducting business on a large scale. Wholesale markets aggregate crops into large-scale volumes for sorting and grading, cleaning and packing. Wholesale markets are an assembly hub for producer-suppliers and importers. Wholesale markets are a distribution center for processing plants, bazaars and supermarkets, hotels and restaurants, and exporters.

- The central location and limited number of wholesale markets make wholesale market prices most suitable for a market information system. Due their characteristics as central, large-volume, high-turnover reference markets, fewer wholesale markets are required to monitor market conditions than many retail markets.

- Market signals from well-functioning wholesale markets reduce the risk of mismatched supply and demand. This reduces the portion of crops sold on speculation (without a pre-arranged or known buyer) as well as erratic price spikes, revenue losses and product waste.

- Wholesale market prices help coordinate the sub-sector by setting equilibrium prices. Through their price signals, wholesale markets perform vital functions for organizing planning, producing, harvesting, storing and marketing fruits and vegetables. This coordination to achieve production and marketing efficiencies extends both vertically up the value-added chain ("from seed to shelf") and horizontally (for example, among producers or among processors).

- Dissemination of market prices and other information is easier at the wholesale level. With fewer markets to monitor at the wholesale rather than retail level, enumerators can pay closer and longer attention. During the course of each trading day, the wholesale market (or market information service) can report price highs, lows and most frequently traded price, as well as volumes transacted. If an automated reporting system is used, each transaction can be recorded electronically for daily dissemination and periodic analysis by radio, other mass media and internet.

- Forward sales contracts are based, by formula, on wholesale market prices. As the fruits and vegetables sub-sector develops and matures, producers will enter into more and more forward sales contracts with processors, retailers (supermarkets) and other institutional buyers (such as resorts) for delivery and purchase at a specified date. Terms of payment will be linked by formula to wholesale market prices, yet another factor that argues for the development and expansion of a network of wholesale markets in Ukraine.

This brings us back to the question of how to accelerate the development of missing wholesale markets. *Which markets to choose?*

6.2.3.2. Choice of Wholesale Market(s)

For a given fruit and vegetable, which wholesale market to monitor depends on its function as a major production center or a major consumption center (or terminal market). Some wholesale markets also function as transit markets (or hub markets), dispatching produce to other wholesale markets. Some markets function as reference markets (Box 4.3.).

Ideally, the best wholesale markets to monitor are those that trade the greatest number and volume of fruits and vegetables. These will usually be in the largest cities as consumption center markets. Selection

of all cities with an urban area population of at least 1 million people means monitoring wholesale prices in Kyiv, Kharkiv, Dnipropetrovs'k, Donetsk and Odesa.

Cities with more than 500,000 people include Zaporizhzhya, L'viv, Kryvyy Rih, and Mykolayiv that could be part of the wholesale market network. Other cities may need to be added on a selective basis. For example, Kherson (population 375,000) is the major market in Kherson *Oblast*, the *oblast* with the best agro-climatic potential for fruits and vegetable production. Kherson should also be considered, especially as it already has one of the three "true" wholesale markets in the country.

If produce is traded regularly between any two wholesale markets, it may not be necessary to monitor both markets as the price difference mostly reflects transport and handling costs rather than product characteristics. For example, much of the fruits and vegetables produced in Crimea Oblast are sold in the Privoz wholesale market in Simferopol'. From there, they may transit Kherson for processing in Mykolayiv. For purposes of a monitoring system, it would not be necessary to monitor wholesale prices in all three locations – Simferopol', Kherson and Mykoalyiv. However, the Simferopol' wholesale market would be of great interest to vacation resorts and camps along the Crimean coast, justifying the inclusion of Simferopol' in the wholesale market information system.

In short, it's not necessary to monitor *and report* all wholesale markets and all products for a wholesale market information system. Yet, choosing markets for a wholesale market network to monitor is as much an art as a science. Invariably, political and other considerations will play a part. The Evaluation Team believes that Ukraine would be well served with a network of 10-12 wholesale markets. At least some of these markets would be located in AMP oblasts (L'viv, Odesa and Simferopol'). Certainly, there is not need for more than one wholesale market in the same *oblast.*

6.2.3.3. The Role of AMP

Sooner or later, the absence of large-scale urban wholesale markets will undermine AMP's achievements. USAID/Ukraine has been particularly interested in developing a wholesale market in Odesa. Two questions are,

- *What is AMP's role in all of this?*
- *How can AMP contribute in the next two years?*

The answers are linked in part to two donor activities, one by the European Union, already underway, and the other the World Bank, in the final planning stages.

The European Union funds the Improvement of Logistics Services and Marketing Channels for SMEs in Agriculture, an 18-month project ending in December 2006 whose objective is to "improve marketing channels for fruits and vegetables, livestock and grain products in Ukraine." The components of this Agri-logistics project (as it is commonly known) are similar to those of AMP. The focal point is "supply chain development," emphasizing "efficiency of storage and distribution through efficient logistics" to help producers reach end users.[70] The Agri-logistics project works in two *oblasts*, Kharkiv and L'viv, thus overlapping with AMP in L'viv. Relations between Agri-logistics and AMP are very good.

[70] "Improvement of Logistics Services and Marketing Channels for SMEs in Agriculture." Undated project description by Scanagri (primary project implementing firm) and the European Union (project funder). The five components of this project are 1) support to farmer procurement and marketing groups; 2) supply chain development; 3) management support through better information and decision making; 4) evaluation of the costs and benefits of enacting legislative and administrative reforms; and 5) improving the availability and efficiency of credits and grants to producers and agricultural SMEs).

Working with the public and private sectors, Agri-logistics is carrying "pre-feasibility" studies for developing the physical infrastructure for wholesale markets in Kharkiv and L'viv. These pre-feasibility studies are intended to generate awareness of need and opportunities – stimulating private sector interest, soliciting public sector support and attracting international financing.[71]

Among the many candidate locations for the development of an urban wholesale market network, Odesa is attractive for several factors: its importance to large-scale fruit and vegetable production throughout southern Ukraine, its location on a major north-south highway, and its function as a major port for trade with Black Sea countries and beyond.

At the request of AMP, Agri-logistics carried out a wholesale market pre-feasibility study in Odesa (October 12-14, 2005), using a Polish consultant (building on the Polish experience in the 1990s) who looked into a possible site, spatial planning, construction requirements and financial projections. The consultant recommended the following steps:

- Further planning for the tentative site (spatial layout of the facilities, construction phases, public utility and other infrastructure requirements, road access, and on-site operations of local and *oblast* regulatory and inspection services);
- Preparation of financial feasibility projections (operating expenses, rental and service fee income, annual budgets and projected rates of return for investors);
- Promotion and presentation of concepts to *oblast* and local authorities, financial institutions, likely users and the media;
- Finding funding for a full-scale feasibility study.[72]

The Agri-logistics project estimates that such a full-scale feasibility study would take 4-5 months and cost $100-300,000, depending on the number and composition of the feasibility team.

The World Bank is preparing a 5-year Agricultural Competitiveness and Food Safety Project (ACFSP) that could begin in late 2006, or even earlier if the Government of Ukraine takes a loan advance to set up a Project Preparatory Facility (PPF), a unit in the government to address pre-implementation issues. One of the Project's three components seeks to increase the efficiency of the food supply chain[73] by improving price formation and reducing transaction and transportation costs. Within this component, the Bank project is considering financing the construction of 5-10 fresh produce wholesale market facilities, contingent on a demonstrable level of commitment by local authorities and clear partnership arrangements between state authorities, local authorities and, possibly, private investors.[74]

By the end of June 2006, the Bank and Ministry of Agrarian Policy (MAP) plan to carry out a fruit and vegetable sector review to determine investment priorities. The Bank also expects the MAP to develop a national plan for marketing infrastructure as well as engineering, business and investment plans for fresh

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[71] The pre-feasibility study in Kharkiv is well underway. Agri-logistics is working with Shuvar market in L'viv to carry out the pre-feasibility study there.

[72] Jacek Austen. "The program of constructing wholesale markets in Ukraine," November 2005 (a report to the Improvement of Logistic Services and Marketing Channels for SMEs in Agriculture project). See also "The Program of Constructing Wholesale Markets in Ukraine," October 2005 (PowerPoint presentation by Jacek Austen to public officials, producers, processors, supermarkets and others), and interim report by Jacek Austen and Natalia Damańska, no title, no date.

[73] The other components are 1) strengthening the national food safety system and 3) establishing a quality culture in the food supply chain. "Ukraine Agricultural Competitiveness and Food Safety Project. World Bank Mission Aide Memoire," June 9-15, 2005.

[74] Aide Memoire, p. 2.

produce wholesale markets; it has not been determined who will be responsible for developing an investment plan for a sustainable integrated marketing information system.[75]

Clearly, there is scope for AMP to work closely with Agri-logistics and the World Bank in wholesale market development. Similarly, Agri-logistics and the Bank can greatly benefit from the pioneering experiences of AMP to date. For instance, as the ACFSP takes shape, the Bank sees the possibility of working with the AMP sub-contractor, APK-Inform for its market information component, on a competitively selected basis.

Yet, it is not clear that AMP has a direct role in this "pre-feasibility" stage of the development of wholesale markets – in Odesa or elsewhere.

- Much of the wholesale market discussion at present concerns agreement on sites and services, physical infrastructure and financial arrangements. These are not the usual activities and interests of AMP.
- To make a meaningful contribution, AMP would probably have to reach outside its current (already busy) staff for engineering, transportation, construction or financial expertise. With little more than two years remaining in AMP (including the proposed extension through 2007), gearing up would take valuable time and budget.[76]
- Significant involvement in wholesale market development at this point would entail non-negligible trade-offs for AMP, *particularly the plan to expand AMP coverage to another 11 or 12 oblasts* in a bid to make the market information component financially independent and sustainable (see section 6.4.2.).

Recommendation 25.
The Evaluation Team recommends that

- USAID/Ukraine and AMP carefully weigh the trade-offs for AMP to get more deeply involved in the planning, financing and construction phases of wholesale markets;
- AMP continue to consolidate its achievements to date, focusing on its original major Project components during the remaining two growing seasons; and
- AMP continue to lend its good offices to the phased development of wholesale fruit and vegetable markets in Ukraine through the EU Agri-logistics project and the World Bank Agricultural Competitiveness and Food Safety Project.

Put more positively, AMP could readily and immediately contribute in the area of market information services, *without which any new wholesale market structures for fruits and vegetables would have limited impact.* Unless physical market structures are accompanied by a dynamic market information system, wholesale market development will not meet their intended goals of improving price formation and reducing transaction and transportation costs to increase the efficiency of the fruits and vegetable supply chain.

6.2.4. Reprioritizing Project Activities in Different Oblasts

The Evaluation Team takes this question two ways: whether the Project should change its activities and priorities among the present Project *oblasts* and whether the Project should add new Project *oblasts*.

[75] Aide Memoire, p. 10.
[76] According to USAID/Ukraine, the rate of AMP budget expenditures is about on target. There is little slack in the budget to accommodate new activities without dedicated additional funding.

Turning to the present *oblasts*, the Project is fully staffed in each of the six Project *oblasts* and able to provide balanced support to each client group.[77] Extensive reprioritizing of Project staff and priorities could upset that balance. The Evaluation Team did not detect any harmful imbalance in Project components or priorities in the five *oblasts* visited that require correction. However, Project management needs to continually ensure that no component suffers from neglect.

That said, Project *oblast* offices should continue to orient their programs to promote *oblast*-specific target crops and exploit *oblast*-specific marketing opportunities.[78]

Credit has been identified as one of the critical constraints to the fruit and vegetable sub-sector (section 6.1.3.). Extending Project participation in commercial lending (section 6.2.5.) to additional *oblast* offices needs to be carefully considered in view of staffing, funding and life of Project limitations as well as the size of funding available through the DCA. If the capacity of the Project credit specialist is underutilized, the Project can consider extending his coverage to an additional *oblast*, based on pre-set criteria.

As for adding another *oblast*, the Project might be able cover Kyiv *oblast* at little marginal cost, mainly by virtue of location.[79] The Project is headquartered in Kyiv, and close to Government offices, marketing and trade associations, mass media and information sources. One of the country's three wholesale markets operates in Kyiv. Some of the headquarters staff with Project-wide responsibilities might have time to work with *oblast* growers, traders and processors. Project staff routinely follow events in Kyiv in any event. As with any possible trade off, the opportunity cost of expanding activities in one area needs to be carefully evaluated against the cost of foregoing activities in another. The possible addition of Kyiv *oblast* also needs to be evaluated in light of the additional workload of the proposed expansion of the MIS to another 11-12 *oblasts* (section 6.4.2.1.).

6.2.5. Continued Involvement in Commercial Lending

AMP has achieved modest success in its efforts to work in commercial lending. This has primarily been done through collaboration with the DCA program operating in Odesa *Oblast.* AMP implementation Team has provided a credit specialist to work with the Nadra Bank and potential clients to develop viable loan proposals. As agricultural lending remains a constraint to the expansion of the fruits and vegetables sector, the Evaluation Team feels additional efforts need to be devoted to exploring the potentials for all types of lending in support of farmer and processor involvement in the fruits and vegetables sector.

6.2.6. Collaboration of AMP with the Access to Credit Project

While the Evaluation Team is not very familiar with the Access to Credit Project, the Team does suggest that AMP seek modes of collaboration where opportunities seem to be most promising with any activity promoting lending to farmers. Some other countries in the region have experience with agricultural leasing, and the AMP implementation Team should review these programs to determine whether leasing is a viable approach for increasing agricultural credit in Ukraine.

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[77] Wilcock and Wood point out that it took the Project a year to hire, train and orient its full staff (p. 11). Project staff is now hitting their stride.
[78] Wilcock and Wood argue against any large-scale change in the allocation of funding among the *oblasts* for the remainder of the Project "since there are unmet opportunities in every Project *oblast*" (p. 35).
[79] Kyiv was one of seven finalist *oblasts* for Project coverage, according to Attachment 2. Program Description, section 1.6.1. of the AMP Cooperative Agreement (March 26, 2003).

6.3. Project Impact

Not too many years ago, Ukraine's fruits and vegetables economy was driven by its *existing* resources and levels of production technology – hard-working and low-cost labor, diverse agro-ecological conditions and abundant natural resources, and geographic proximity to major markets at home and abroad. Markets and marketing know-how were still underdeveloped.

- Producers competed on the basis of price-cutting and product imitation, rather than quality and product differentiation, because they lacked direct access to consumers and/or knowledge of what consumers wanted and were willing to pay.
- Many entrepreneurs lacked necessary business contacts and management skills to expand existing operations or exploit new opportunities.
- Wholesale markets were often inefficient or absent, preventing prices from signaling costs and returns at the national level. Lack of critical market information and information asymmetries raised transaction costs and associated risks, or halted trade altogether.
- Local demand was unsophisticated due to limited information and limited selection.

Thanks in part to the AMP, investments and innovations that improve productivity ─ improving the value of fruit and vegetable products and services as well as the efficiency by which they are produced ─ are starting to take hold. Many more improvements are in the planning stages at all levels.

6.3.1. Overall Improvements in Fruit and Vegetable Marketing

The Project has led to several overall improvements in fruit and vegetable marketing in the six Project *oblasts*. Chief among these improvements are: expanding supplies to meet expanding demand; greater understanding of marketing channels and bottlenecks; and better awareness of consumer tastes and preferences to reduce mismatches between supply and demand. By and large, *all* Project activities that facilitate vertical coordination to increase marketing efficiencies and competition to lower costs contribute to overall improvements in produce marketing.

In the view of the Evaluation Team, the Project has made its most significant marketing impact in *reducing transaction costs*, of which search costs are a major part.[80]

First, AMP has greatly helped reduce search costs by *facilitating contacts* between buyer and seller through several Project mechanisms:

- The Bids and Offers feature in *Agro-Review* and on the Project website (section 4.3.3.4.) links buyers (about 2,000 bids every month) with sellers (about 4,000 offers every month).
- The on-line Project database of market participants (*Business Cards*) provides contacts for more than 2,400 farms and firms (section 4.3.3.4.).
- Mass participation events (such as field demonstration days, seminars, conferences and roundtables; section 3.2.1.) facilitate face-to-face networking between buyers and sellers, helping them to strike their own deals.

Each of these mechanisms draws buyers and sellers from beyond the original six Project *oblasts*. The Project website, moreover, is becoming truly national in scope.

Second, AMP has helped reduce search costs by *promoting use of forward sales contracts* to reduce procurement costs (section 3.2.2.). These contracts specify product quality, quantity, timing and other

[80] At one of our first meetings, AMP showed us a slide of a successful cucumber grower who in the early days of the Project had to destroy his entire crop, worth 300,000 UAH, for want of a buyer. Thanks to the Project, fewer and fewer growers rely on such hit-or-miss marketing strategies.

characteristics that meet buyer specifications *before the fruits and vegetables are grown* without costly searching by either party. Forward sales contracts are a relatively new innovation in Ukraine, making contract compliance a problem in some cases. As the fruit and vegetables market matures, the advantages of forward contracts will become more obvious and contract compliance is expected to improve.

6.3.2. Cost-effectiveness of Project Activities and Implementation

According the AMP figures, the value of additional sales facilitated and/or better prices gained thanks to the Project reached UAH 40,400,880 ($7,769,400) as of October 2005.[81] Total Project expenditures as of September 30, 2005, reached $4,585,336.58.[82] These figures thus show a rough (undiscounted) positive benefit/cost ratio of 1.69 and a rough return of 69.4 percent return on USAID funding.

Assuming steady rates of return, 69.4 percent over 2.5 years of Project implementation is approximately equivalent to 27.8 percent per year, about 17 percent in real terms.[83] By comparison, Nadra Bank charges 24.5 percent interest on its short-term loans facilitated by AMP[84] and commercial banks charge 19-21 percent for two-year loans.[85] In sum, Project activities are designed and implemented at an acceptable cost.

6.3.3. Room for Improvement

The Project is reasonably balanced in terms of staff competence and attention to each component. Project clients often do make suggestions for minor improvements in this or that component. For example, producers would like future field days to demonstrate new machinery and equipment. Given the current economic policy environment, however, the Evaluation Team believes that no single Project activity is so out of line that its improvement would have a significant impact on marketing of fruits and vegetables in Ukraine. The Project simply needs to continue on its successful course.

6.3.4. Reaching the Main Fruit and Vegetable Growers in the AMP Oblasts

Project data taken from LOL's "Year Three Annual Work Plan"[86] and LOL's most recent Quarterly Report[87] provides the number of registered farms[88] by *oblasts* and the number of AMP client producers by *oblast* who benefit from direct AMP assistance. The number now stands at 762 producers. These data would indicate that AMP has fairly substantial coverage of the main fruit and vegetable producers in each *oblast.* For example, AMP clients as a percentage of all registered, private farms where data was provided by *oblast* are as follows: Poltava 43 percent; Zakarpattya 87 percent; Odesa 10 percent; and L'viv 57 percent. The overall percentage for these four *oblasts* is 40 percent. These results are impressive considering that AMP is only completing its second full growing season of implementation.

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[81] AMP PowerPoint Presentation. "Agricultural Marketing Project in Ukraine." [November 1, 2005], slide 15.
[82] These include direct and indirect costs but exclude non-USG matching funds. AMP. "Quarterly Report: Year 3, Quarter 2 for July-September 2005," p. 17.
[83] The annual inflation rate fell from 12.3 percent in 2004 to 10.3 percent in 2005. State Statistics Committee, January 4, 2006. http://www.nrcu.gov.ua/index.php?id=148&listid=23417
[84] USAID/Ukraine. *Farm Reference Handbook for Ukraine*, p. 33.
[85] These are "indicative" rates based on data from 17 commercial banks as of November 24, 2005. http://firstnews.com.ua/en/rating/market.html
[86] LOL. "Agricultural Marketing Project: Year Three Annual Work Plan for March 2005 – March 2006." January 2005.
[87] LOL. "Agricultural Marketing Project in Ukraine: Quarterly Report for Year 3, Quarter 2 for July – September 2005." October 2005.
[88] A registered farm is defined as rural families farming their privatized land share combined with their household land plots and operating in accordance with the Law of Ukraine on Private Rural Households.

Also, there are also considerable multiplier effects as a result of farmer participation in AMP training programs, clients who benefit from the many AMP extension and marketing publications, farmers and others who access information via the MIS, and processors and other buyers who provide training and other services to farmers as a result of initial exposure to AMP. These multiplier effects also go well beyond the AMP six target *oblasts.* LOL estimates that the overall number of AMP producers reached by various relationships with farmers, input suppliers, wholesalers, retailers, processors and food service companies and market information services to be 85,000. In addition, via various media sources, AMP's information reaches up to 75 percent of the remaining agricultural producers including 28,500 private farmers, 9,000 large farms, 315,000 commercial rural household producers and 2,250,000 small household owners in Ukraine; or over 2.6 million producers.[89]

6.4. Sustainability

6.4.1. Making Market Linkages Sustainable by the End of AMP

The key issue for the continued sustainability of the market linkages established by AMP will be the strengthening of the commercial relationships developed between the producers and buyers of fresh fruits and vegetables and the capacity of farmers to continue to access new production techniques and practices to meet market demand. The strong demand for fresh fruits and vegetables in Ukraine will drive and reinforce the partnerships developed between the producers and buyers, and there appears to be a strong dynamic for sustaining the market linkages established by AMP.

Another element of sustainability will be the farmers' capacity to access new technologies and technical and business skills to be able to respond to market requirements, particularly improved quality. Thus far, most of the technical innovation has been facilitated through AMP working with input suppliers and buyers. Once AMP concludes, however, the technology flow may not be as strong as during the Project, but it is expected to continue nonetheless. The MIS, via *Agro-Review: Fruits and Vegetables,* will continue to publish technical information. This should also help sustain farmer abilities to adopt new technologies.

The MIS will also be fundamental for sustaining market linkages (section 6.4.2.). The publication of market information has enabled producers to better source demand for their products and has strengthened their position for negotiating prices with buyers. The bids and offers system housed in the MIS has greatly facilitated market transactions both in the AMP targeted *oblasts* and beyond. To the extent that the MIS can be sustained on a commercial basis, there is every reason to believe it will serve as a venue for market transactions.

6.4.1.1. Customized Consultations versus Mass Media

At some point, continued demand for Project services will stretch the capacity of current Project staff. The Project may no longer be able to offer customized individual consultations. Rather, the Project will need to rely more and more on impersonal mass media (publications, interviews, videos and website) and mass participation events (demonstration days, roundtables and seminars) to respond to its growing client base. This question is related to the issue of a gradually increasing fee schedule for technical consultations (section 6.4.1.2.).

[89] LOL, *op cit.* January 2005.

6.4.1.2. Additional Efforts and Replicability

Beyond the issues related to the sustainability of market linkages within the targeted *oblasts* is the issue, *How to replicate the very positive experience and lessons learned of AMP country-wide?* As mentioned throughout the Evaluation, the success of AMP has been, essentially, achieved with very little public sector involvement. In order for the AMP experience to be scaled up and out, stronger GOU support is required, particularly in the area of policy support.[90] Additional needs will include the reorientation of public sector research and extension institutions to address the needs of the fruits and vegetables sector. To date, most new technologies have come through private sector channels.

Another area that needs to be developed during the final years of the Project is private sector consulting services within Ukraine to assist farmers, processors and other market participants to fill the technical assistance void once AMP assistance is completed. One way to orient the fruits and vegetables sub-sector to fee-based consulting services would be to charge a payment for each individual consultation on a gradually increasing scale. It is critical that providing free consultations does not slow the emergence or stifle the growth of professional, private-sector consulting or business development services. Paid consultations should be seen as an element of the AMP phase-out/sustainability plan (section 6.1.) for hand-over to a mix of post-Project private and public sector partners.

6.4.2. Sustainability of the AMP Market Information System

The market information system component has the best prospects of becoming a self-sustaining activity at the end of AMP through subscriptions for hardcopy publications and advertisements.

6.4.2.1. Expansion of the Market Information System

At the request of USAID/Ukraine, AMP and its subcontractor, APK-Inform, developed a "sustainability business plan" to put the market information system component on the road to full cost recovery.

The AMP strategy underlying this plan aims to capitalize on AMP's achievements and growing name recognition by expanding AMP coverage from 6 to up to 18 *oblasts.* An expanded Project presence will help attract more paid subscribers to *Agro-Review+* and, in turn, attract more advertisers to take advantage of the magazine's wider geographic coverage. Higher circulation will thereby meet (most of) the variable costs of publishing *Agro-Review+* and maintaining the AMP website.

By expanding AMP's presence and coverage to another 11-12 oblasts, AMP aims to reach the following indicators:

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[90] See Reardon, Tom, "Designing Programs to Develop 'Customized Competitiveness' of Small Farmers to Make the Grade in the Supermarket-market in Developing Countries." (Presentation at the Post-International Agribusiness Management Association Conference, Chicago, Illinois, June 30, 2005.) Research on supermarket development in Latin America indicates sustainability will depend on moving from donor "points of light" projects to government programs which can help spread the lessons learned, address policy issues, and to scale up to have a broad impact.

Table 6.1. Current and Expanded Indicators for the AMP MIS

	Current MIS	Expanded MIS
Oblasts in which AMP works	6	17-18
Farmer-clients (fruits and vegetables)	650	3,150-3,650
Agro-Review+ (Агро-огляд+) minimum weekly readership	3,500	6,500
Market firm outlets for F&V growers	400	500-550
Market firms providing offers and bids	350	500-550
Ukrainian firms visiting website per month	14,000	15,500
Foreign firms visiting website per month	2,500	3,000

Source: Lee-Muliar memo, "Further Support of AMP MIS," November 11, 2005; other AMP documents and Muliar-Yarmak correspondence.

To implement this expansion strategy, AMP proposes to:

- Hire and train more market information specialists to cover the additional *oblasts*;
- Develop Kyiv *oblast* as a target client for AMP, given Kyiv's importance as a commercial center, home base for many market participants, and role as a major terminal market for fruits and vegetables;
- Monitor more regional 'wholesale' markets;
- Hire an advertising-marketing staff to expand advertising revenues that will help defray subscription costs for Agro-Review and ensure its sustainability; and
- Hire a native English speaker/editor to improve the English version of the AMP website to accommodate the needs of foreign visitors and investors.[91]

The Evaluation Team offers three observations on this expansion strategy. First, broadening the client base to expand the marketing appeal of AMP publications and services, thereby reducing unit costs, is a sound strategy. Furthermore, by producing information products that are national in scope, the Project increases the likelihood of full cost recovery and sustainability – at least for the market information component.

Second, AMP justifies this expansion, in part, on the high returns per unit investment. For example, AMP claims a return of $25-30 per $1 invested on market information (printing and delivery costs of AMP market publications of $36 per person per year in 2004 *vs* net additional sales and better prices of not less than $1,000 per person per year). This calculation considerably overstates the returns considerably by assuming staff time, travel and other expenses as sunk costs. The correct measure would include these fixed costs. Nonetheless, the Evaluation Team accepts the argument that returns are likely positive and high.[92]

Third, the Evaluation Team seriously questions the desirability and need for APK-Inform staff to contact 500-550 fruit and vegetable farmers in the new *oblasts* "on a regular basis to collect market information."

- Contacting farmers for price information represents a clear potential conflict of interest. Farmers – or traders, processors and supermarkets, for that matter – have an economic incentive to report

[91] Lee-Muliar memo, "Further Support of AMP MIS," November 11, 2005.
[92] According to AMP indicators for FY 2005, the estimated benefit of the Market Information System was $6.8 million. Project expenditures *for the MIS alone* during FY 2005 reached $586,378 (Muliar-Steffen e-mail of December 21, 2005). This yields a rough benefit-cost ratio of 11.6/1.

prices higher or lower (or conditions better or worse), depending on their market position and interests at the moment. The best way to collect price and other information is by sending a 'neutral' third party to observe, record, and disseminate.

- Contacting *a mix* of market participants would have value for understanding local market conditions, events and trends, at least in the short term as the Ukrainian fruit and vegetables sub-sector takes root. However, as the fruit and vegetable markets perform better over time, collecting market prices and other information from a network of 6-10 wholesale markets will provide more insights than from numerous small-town (or *raion*-level) markets (section 5.2.3.1.).

6.4.2.2. The APK-Inform Business Sustainability Plan

In December 2005, AMP combined the monthly *Agro-Review* and the weekly *Agro-Review+* into a single weekly, full-color publication, *Agro-Review: Fruits and Vegetables* (Агро-огляд: Овочі та фрукти). For the first time, starting in January 2006, this publication will no longer be free. AMP will charge one-year subscription costs of UAH 100 for Project clients (about $0.38 per issue) and UAH 300 for non-clients (about $1.14).

With a subscription fee, APK-Inform expects that overall readership will drop off initially as only the larger growers, processors, traders and input suppliers will be able to afford the new fees. AMP will not have its desired impact on small and medium growers who need market information. The challenge, according to APK-Inform, is to expand the AMP client base as quickly as possible during the remaining life of AMP while Project funding can help underwrite the costs of producing and publishing *Agro-Review: Fruits and Vegetables* as subscriptions gradually recover.

The APK-Inform plan[93] aims to

- expand its database of growers, processors, traders, supermarkets and others participants in the fruits and vegetables sub-sector so they can become subscribers, advertisers and sub-sector consultants; and
- develop strong brand recognition and a logo for *Agro-Review: Fruits and Vegetables* that will attract growing readership, assure its continued role as lead publication and consolidate a segmented fruits and vegetables sub-sector.

Through *Agro-Review*, APK-Inform expects to transfer new technologies, increase sub-sector production and marketing efficiencies, facilitate sales, bring sub-sector stakeholders together, and continue development of the popular AMP website.

APK-Inform intends to make the new *Agro-Review* a top-class, professionally-appearing publication with a full-color cover. The firm has already identified its editor-in-chief, executive editor, advertising representative, market information staff to handle the present and expanded number of *oblasts*, technical consultants, journalists and wire services news sources, as well as lay-out and design expertise. It is seeking a product developer with agronomy and business skills. APK's quality-control system has four levels of clearance to avert mistakes, especially technical mistakes that matter most to growers.

About two-thirds of the planned subscribers to *Agro-Review: Fruit and Vegetables* are growers with at least 3 hectares devoted to fruit and vegetable production. Greenhouse growers would be 3-5 percent, processors 7-10 percent and traders about 10 percent, with input and equipment suppliers making up the remainder.

APK-Inform has developed a projected budget of revenues (primarily subscriptions and advertisements), variable costs (printing, distribution, seminars and other promotional events and the annual International

[93] APK-Inform. "Business plan of '*Ahroohliad: ovochi ta frukty'*." October 2005.

Fruits and Vegetables Conference[94]) and fixed costs (salaries, communications and overhead). With the current level of financial support from AMP, APK-Inform could start making a profit on *Agro-Review* by March 2008 (26 months after the start of paid subscriptions) and recover its accumulated losses by January 2009.[95] APK-Inform warns that it might need to accelerate its profit-making timetable by raising subscription and advertising rates – at the risk of losing subscribers.

It costs money to save money. Full cost-recovery for *Agro-Review: Fruits and Vegetables* comes with a price tag of additional funding of $250-300,000, of which APK-Inform would receive $100,000 directly.[96] With additional funding from USAID, APK-Inform would realize a nominal profit of UAH 10,373 at the end of Year 4 (March 2007) and a profit of UAH 55,591 at the end of Year 5 (March 2008).[97]

Recommendation 26.
The Evaluation Team recommends that

- After reviewing the budget projections carefully, USAID/Ukraine should favorably consider the AMP/APK-Inform request for additional funding to accelerate cost recovery for the AMP flagship publication, *Agro-Review: Fruits and Vegetables*;
- AMP continue to focus on the consolidation of its market information activities in its expanded network of *oblasts*, through *Agro-Review: Fruits and Vegetables,* rather than close involvement in wholesale market development.

6.4.3. Replication of Market Linkages by Others after AMP

The AMP provides an excellent model for the market development of the fruits and vegetables sector that needs to be replicated throughout Ukraine to have a broad impact. As mentioned throughout the evaluation, the fundamental dynamic that will sustain the market linkages will be the producer – buyer partnerships based on commercial interests. Additional factors that need to be considered for the replication of the AMP model are: stronger GOU policy, financial, and institutional support for the sector, and creating/sourcing the capacity within the Ukrainian private sector to provide the technical assistance and business development services required to assist all market participants.

6.4.4. Additional Efforts to Replicate Market Linkages

During the remaining period of AMP, both AMP management and USAID discuss and plan ways to build both public and private sector capacity for providing fruit and vegetable production and marketing extension support and other technical assistance needs to sustain and replicate market linkages. One option would be to explore the possibility of creating a private consulting firm with the technical skills currently found on the AMP staff. AMP management and USAID should also use every opportunity to disseminate AMP results and successes to GOU counterparts to underline the importance of the high-value fruit and vegetable sector to small farm incomes.

6.5. Concluding Recommendations

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[94] APK-Inform has budgeted $200,000 towards the Second International Conference on Fruits and Vegetables, held in Kyiv, December 5-7, 2005. Various agribusiness firms (Agrimatko Ukraine, Rusbana Engineering, Franko Terminal, Olvita and Shuvar, the wholesale market in L'viv) contributed $17,000 to co-sponsor the Conference. This contribution will ease APK-Inform's expected losses significantly.
[95] APK-Inform. "Business plan."
[96] Lee-Muliar memo, November 11, 2005.
[97] APK-Inform. "Business plan."

To conclude, the Evaluation Team offers two final recommendations on issues not found in the evaluation Scope of Work.

6.5.1. AMP: Be Aware of Potential Equity Issues

By design, the Agricultural Marketing Project aims to support and reward the initiative of risk-taking producers and entrepreneurs. By virtue of whom it helps, the Project is in a position to "pick winners," the early adapters and early investors that will have a head start over others.

Some would-be early adapters have greater motivation than others due to their access to choice land and capital investments. "Of particular concern," according to a recent World Bank mission, "is non-land asset distribution which has concentrated the primary means of production in the hands of small groups of former collective farm insiders"… that "creates the risk of distorted wealth and power structures in rural areas…with negative social and economic consequences."[98] Thus it is that some 'insiders' received warehouses, greenhouses, farm equipment and other assets that put them in good position to benefit from Project assistance. Writing of 'insider' access to credit, Motes also notes that relations linger between bank personnel and those in the former collective farm system who get farm loans, whereas most farm operations do not.[99]

The issue of rural inequities preceded the Project. Moreover, this issue is greater than the Project. Nonetheless, the Project should be aware of the possible impact of its activities and services on rural equity. Certainly, anyone who is aware of the Project, especially in the six *oblasts*, is free to seek Project help. For its part, the Project seeks to make clients of all comers. The Project reaches out to all, and some reach out to the Project.

Recommendation 27.
The Evaluation Team recommends that:

- The Project deal with the potential issue of rural inequities and by continuing down the good path it has started on: help everyone, deny no one, and make Project services and advice widely available to all through mass distributions and website access.

6.5.2. USAID: Maintain Close Engagement with AMP

The USAID/Ukraine Economic Growth Office has crafted a well-integrated program aimed at Ukraine's needs at this exciting point in its transition. This program stresses financial sector reform, integration of Ukraine within the global economy, commercial legal reform, business skills development and reforms, municipal budget reform, pension reform and agriculture.[100]

Within agriculture, USAID has no less than six projects and six implementing partners *besides* AMP: the Agribusiness Volunteer Project in West NISs (Farmer-to-Farmer program); Ukraine Land Titling Initiative; Partnership for Food Industry Development (second phase); Rural Credit Project with Nadra Bank in Odesa *Oblast* (through AID's Development Credit Authority); Access to Credit in Ukraine (primarily business and home loans); and Agricultural, Legal Policy and Regulatory Reform Project. Until recently, USAID/Ukraine funded an Agricultural Extension Project, a Grain Warehouse Receipts

[98] World Bank Mission, June 9-19, 2005. "Rural Development Note for Ukraine." (no date), p. 2.
[99] Motes, p. 21.
[100] USAID/Ukraine. "FACT SHEET. USAID Assistance to Ukraine." (Kyiv: USAID/Ukraine), September 2005, pp. 1-3.

Project, and a Small Farmer Training Project. The Agriculture Office also implemented an Agricultural Policy for Human Development Project jointly with UNDP and an Agricultural and Rural Development Policy Project, both publishing pertinent analytical papers and action plans. The Agriculture Office helped establish the International Institute for Food Safety and Quality. Lastly, the Agriculture Office published a *Farm Reference Handbook for Ukraine* in early 2005. In brief, the four-person Agriculture Office has a very full plate.

It is therefore tempting, if not pragmatic, for a busy office to let an apparently successful project continue on its own, relying only on Project periodic reporting. But busy as it is, the Agriculture Office should attend some of the AMP events, particularly the mass-appeal field demonstration days, as an opportunity to demonstrate support for the Project as well as Ukraine's larger market transition.[101] The Evaluation Team would argue that AMP, having demonstrated capably what it can do,[102] needs hands-on guidance in preparing for its phase-out over the next two years in a way that ensures its sustainable impact and longer-term legacy.

Recommendation 28.
The Evaluation Team recommends that:

- The USAID Agriculture Office remain closely engaged with AMP over the next two years as it develops a comprehensive plan to phase out some activities and hand over others to an appropriate mix of public and private sector functions and interests.

[101] According to AMP, USAID personnel did not attend any of the 18 field demonstration days in 2005.
[102] Woodcock and Wilson state this as "OK, you've demonstrated a good model: Now what happens?" Woodcock and Wilson, pp. 40-45.

Annex 1. List of Evaluation Recommendations

Recommendations are grouped according to priority, using the original numbers as appear in the main Report. The number in parentheses after each recommendation refers to the page number.

A1.1. Overall Recommendations

These recommendations are critical to the sustained success of the Agricultural Marketing Project.

The Evaluation Team **recommends** that: (p. 42)

- USAID/Ukraine extend the Agricultural Marketing Project by at least 10 months, subject to availability of funds, from March 25, 2007, to January 1, 2008 (and to January 31, 2008 for key senior staff for final reporting purposes). *This extension will allow AMP, a four-year project, to consolidate its progress to date and work with producers, processors, wholesalers and retailers for four full growing and marketing seasons.*

During this extension period, the Evaluation Team **recommends** that:

- AMP design a comprehensive phase-out/hand-over plan, working closely with the public and private sectors, that will ensure continuity of its activities promoting fruit and vegetables in Ukraine.
- AMP consider how it can shift its business development services from free to fee by the end of the Project.

A1.2. High Priority Recommendations

These high priority recommendations concern Project direction, focus and level of attention.

Recommendation 3. (p. 10)
The Evaluation Team recommends that:

- The AMP technical assistance team and USAID use every opportunity to disseminate AMP results to GOU counterparts to underline the importance of the high-value fruit and vegetable sub-sector to small farm incomes.

Recommendation 4. (p. 10)
The Evaluation Team recommends that:

- USAID and AMP seek ways whereby the new Agriculture, Legal Policy and Regulatory Reform Project can address the institutional and policy issues constraining the further development of the fruits and vegetables sub-sector.

Recommendation 24. (p. 45)
The Evaluation Team recommends that

- AMP implementers collaborate closely with the array of USAID projects, particularly the Access to Credit Project and the Agricultural, Legal Policy and Regulatory Reform Project, to tackle policy issues of mutual interest and concern.

- AMP implementers share Project experiences with the other USAID policy projects as way to communicate, in a first-hand way, the consequences of policy constraints in the fruit and vegetables sub-sector.

Recommendation 25. (p. 50)
The Evaluation Team recommends that

- USAID/Ukraine and AMP carefully weigh the trade-offs for AMP to get more deeply involved in the planning, financing and construction phases of wholesale markets;
- AMP continue to consolidate its achievements to date, focusing on its original major Project components during the remaining two growing seasons; and
- AMP continue to lend its good offices to the phased development of wholesale fruit and vegetable markets in Ukraine through the EU Agri-logistics project and the World Bank Agricultural Competitiveness and Food Safety Project.

A1.3. Sustainability Recommendations

These recommendations concern planning for sustainable development of the fruit and vegetable sub-sector in Ukraine during the post-AMP period.

Recommendation 1. (p. 9)
The Evaluation Team recommends that:

- During the remaining period of AMP, both AMP Management and USAID discuss and plan ways to build both private and public sector capacity for providing fruit and vegetable production and marketing extension support and other technical assistance needs to sustain Project activities.
- AMP explore the potential for creating a private consulting firm with the technical skills currently found on the AMP staff.

Recommendation 2. (p. 9)
The Evaluation Team recommends that:

- AMP implementers and USAID develop a sustainability plan (as with the MIS component, Part Six), to chart and schedule the actions required to transition AMP support to other entities. A first step in this effort would be for AMP to actively network with input suppliers, processors, and other Project participants to share client lists and other relevant information.

Recommendation 21. (p. 39)
The Evaluation Team recommends that:

- AMP coordinate closely with the new Agriculture, Legal Policy and Regulatory Reform Project, and
- USAID consider including cooperative development policy as part of the Project's agenda in order to remove constraints and disincentives to cooperative development.

Recommendation 22. (p. 39)
The Evaluation Team recommends that:

- AMP implementers actively pursue partnerships with other donors or NGOs, to the extent they exist, working with cooperatives to build a stronger lobbying body to promote cooperative reform. *(Note: This was similarly recommended by the AMP internal assessment, Wilcock and Woods.)*

Recommendation 26. (p. 58)
The Evaluation Team recommends that

- After reviewing the budget projections carefully, USAID/Ukraine should favorably consider the AMP/APK-Inform request for additional funding to accelerate cost recovery for the AMP flagship publication, *Agro-review: Fruits and Vegetables*;
- AMP continue to focus on the consolidation of its market information activities in its expanded network of *oblasts*, through *Agro-review: Fruits and Vegetables,* rather than close involvement in wholesale market development.

Recommendation 28. (p. 60)
The Evaluation Team recommends that:

- The USAID Agriculture Office remain closely engaged with AMP over the next two years as it develops a comprehensive plan to phase out some activities and hand over others to an appropriate mix of public and private sector functions and interests.

A1.4. Technical Adjustment and Modification Recommendations

These recommendations concern adjustments and modifications at the technical level and do not entail any fundamental shift in Project goals, objectives or activities.

Recommendation 8. (p. 19)
The Evaluation Team recommends that:

- AMP implementers and USAID/Ukraine publicly "retire" the AMP logo after the end of the Project as a way to control the Project's name and protect its reputation from potential abuse.

Recommendation 9. (p. 20)
The Evaluation Team recommends that

- AMP mine the Wholesaler and Intermediary Operations survey data, if viable, to establish more correlations between firm characteristics and firm marketing behaviors as a way to inform AMP activities;
- AMP carry out a follow-up survey before the end of the Project, funds permitting, of the same wholesalers as a means to evaluate changes in wholesaler perceptions, pricing practices and basic characteristics;
- AMP carry out, analyze and report the follow-up survey, with appropriate comparisons with the present baseline survey, in a more rigorous manner to be useful to the Project and its successors.

Recommendation 10. (p. 22)
The Evaluation Team recommends that

- AMP carry out a follow-up survey of Retail Chains before the end of the Project, funds permitting, of the same (and additional) retailers as a means to evaluate changes in retailer perceptions, pricing practices and basic characteristics.

Recommendation 11. (p. 24)
The Evaluation Team recommends that:

- AMP implementers routinely communicate the number of Project-assisted forward sales contracts (in addition to their value) concluded in each time period. Tracking the number of contracts over time will provide useful feedback for the AMP Legal Advisors.

Recommendation 12. (p. 27)
The Evaluation Team recommends that

- AMP and APK-Inform insert in *Agro-review: Fruits and Vegetables* and other publications a brief, standard description of price collection methods for all three levels of price reporting, including the definition of average (modal) wholesale market price and other key terms.

Recommendation 13. (p. 27)
The Evaluation Team recommends that

- AMP and APK-Inform briefly describe in *Agro-review: Fruits and Vegetables* and other publications the method used to synthesize weekly 'wholesale' level prices.

Recommendation 14. (p. 28)
The Evaluation Team recommends that

- AMP and APK-Inform drop the "average" price from its weekly retail (*bazaar*) price reports.
- AMP and APK-Inform describe the method used to calculate the range of prices used for all weekly retail (*bazaar*) markets combined.

Recommendation 15. (p. 29)
The Evaluation Team recommends that

- AMP and APK-Inform promote the concept of *reference markets,* as appropriate, by produce.

Recommendation 16. (p. 29)
The Evaluation Team recommends that

- AMP and APK-Inform start reporting weekly retail (*bazaar*) prices by grades and standards, to the extent feasible, to enhance the utility of market prices.

Recommendation 17. (p. 33)
The Evaluation Team recommends that

- AMP and APK-Inform hire a native English-speaking editor to spruce up and expand the contents of the English version of the AMP website.

Recommendation 18. (p. 34)
The Evaluation Team recommends that

- AMP and APK-Inform forward weekly wholesale and retail prices to local printed media for publication as a public service as a way to generate additional publicity for the Project, diffuse Project information more broadly, and "control" information as a way to avoid mistakes.

Recommendation 19. (p. 36)
The Evaluation Team recommends that

- AMP and APK-Inform continue to expand its successful mass outreach through periodicals, e-mails and web-based queries as well as other media as a way to meeting the needs of its growing clientele, saving limited staff time and resources for customized consultations.
- AMP and APK-Inform consider charging a nominal fee for each consultation on a gradually increasing basis as a way to a) steer queries to the free website and other public sources of market information and b) help clients accustom themselves to paying for private, professional consultations in the post-Project period.

A1.5. Stay the Course Recommendations

The recommendations are intended to encourage the Project to continue doing what it is presently doing well.

Recommendation 5. (p. 10)
The Evaluation Team recommends that:

- AMP implementers ensure that all potential clients can access AMP assistance and should continue and expand AMP's reach beyond those helped individually. The AMP should use the mass media, publications, and events to reach out to all farmers. (p. 10)

Recommendation 6. (p. 15)
The Evaluation Team recommends that:

- AMP continue to use demonstration field days as an effective and highly visible venue to demonstrate the production possibilities for new crops and new techniques to enhance the productivity of traditional crops.

Recommendation 7. (p. 17)
The Evaluation Team recommends that:

- AMP continue to actively promote grower-buyer contracts, despite setbacks from growers, as a means to reduce procurement costs, raise capacity utilization as well as stimulate commercial activity and business-led market growth.

Recommendation 20. (p. 39)
The Evaluation Team recommends that:

- AMP implementers as well as USAID use the Cooperative Conference to sensitize all stakeholders, including GOU representatives, to the problems facing cooperative development and to develop a strategy to build a consensus on reforming cooperative law.

Recommendation 23. (p. 41)
The Evaluation Team recommends that:

- AMP implementers maintain the Grants Program focused on its original intent to stimulate investments in value-added agriculture and continue to seek viable applications for granting additional funds.

Recommendation 27. (p. 59)
The Evaluation Team recommends that:

- The Project deal with the potential issue of rural inequities and by continuing down the good path it has started on: help everyone, deny no one, and make Project services and advice widely available to all through mass distributions and website access.

Annex 2. Evaluation Scope of Work

The USAID/Ukraine Economic Growth Office sent the following scope of work to E&E/Economic Growth Office on July 18, 2005.

Scope of Work
for an Evaluation of the Agricultural Marketing Project in Ukraine

I. Program to be Evaluated

USAID/Kyiv has implemented the Agricultural Marketing Project (AMP) with Land O' Lakes Inc. in partnership with project subcontractors - Sparks Companies, Inc., Development Alternatives, Inc., and the Ukrainian agricultural market information agency APK-Inform, Ltd.

The Agricultural Marketing Project contributes to the achievement of Strategic Objective 2, "Accelerated Growth of SMEs and Agriculture," which includes S.O.2.4, "Organized Markets Stimulate Growth."

II. Background

In March, 2003, USAID awarded Land O'Lakes a cooperative agreement to implement a four-year $7.5 million agricultural marketing program in six selected oblasts (regions).

The emphasis of the program is to integrate small and medium sized commercial family farms into the formal market economy through the development of opportunities, skills and abilities of these farmers to meet market needs.

The project components include the following:

1. Commercial Farming
2. Market Development
3. Producer Organizations and Grants
4. Market Information Services

1) Under the commercial farming component, AMP provides small and medium size farmers (up to 50 hectares) with farm management and marketing training, technical assistance in implementing new/improved production practices; and market information services so that they can increase their net income by producing and supplying what the markets demand. 2) Under the market development component, AMP helps wholesalers, retailers, processors and food service companies to increase their supply of higher quality raw material and fresh produce, reduce their raw material procurement costs, and enhance their handling and marketing practices. 3) Farmer associations, marketing cooperatives and other farmer business groups/alliances assist farmers in developing profitable joint-marketing opportunities. AMP also provides small grants of up to $25,000 to producer organizations on a 1:1 match basis to accelerate the development of high potential marketing and value-added business opportunities. 4) Market information services that are affordable, effective and timely help market participants identify

and evaluate market demand and needs, and discover prices, new markets and marketing channels so that they can plan and make better-informed farm business decisions.

By the end of 2004, the project achieved the following main results:

- The approximate cost/benefit ratio for the first year of operation was 1: 3.0. The total value of increased trade and additional full and part-time employment attributed to AMP technical assistance for the 2004 agricultural season in six Ukrainian pilot oblasts was approximately $5.607 million. The USAID cost of all technical assistance directly related to the 2004 season was approximately $1.871 million (Oct.03-Sept.04 AMP costs).
- AMP facilitated farmer produce sales of $2,053,078 and additional marketing agreements totaling $301,419 (data as of September 30, 2004). For the 2004 agricultural season the total value of all additional trade attributed to AMP for 2004 is approximately $2.35 million.
- Approximately 1,000 total new permanent and seasonal jobs were created with an economic value of $357,000.
- The total economic impact of AMP's Market Information system during the first six months of its operation is estimated to have been $2.9 million in additional sales and better prices obtained by producers for their produce and farm production inputs.
- Training and technical assistance: 1,345 farmers and 234 participant firms and organizations trained in commercial farming; 548 farmers and 101 market firms provided regular technical assistance and market information services; 289 consultations to client marketing firms on supplier base development, produce packaging, storage, fresh produce handling and marketing.

III. Existing Performance Information Sources

The following documents on the program are on file at USAID/Kiev:

- project proposal
- three annual work plans
- nine quarterly reports
- other reports prepared by the project, including those written under project short term assignments.

IV. Purpose of the Evaluation

The purpose of this midterm evaluation is to assess the impact of AMP on the development of fruit and vegetables markets in six project oblasts and make recommendations on how to improve future activities in order to maximize resources and impact for the remainder of the project. Based on the evaluation findings, USAID will decide how to improve utilizing its resources when implementing the program.

V. Evaluation Questions

<u>General</u>

1. Is the project successfully accomplishing its stated program objectives?
2. Has the program developed a reliable system of monitoring and reporting its overall operations?
3. What are the major constraints facing the marketing of fruits and vegetables in Ukraine? Has the program identified and addressed these constraints?

Project Components

1. Do all components successfully contribute to improving marketing of fruits and vegetables? How can the project improve value of the components?
2. What, if any, additional project interventions would be beneficial for the fruit and vegetable market in Ukraine?
3. The project has provided certain assistance to developing wholesale operations. What were results of this assistance? Is it reasonable to continue or increase project efforts to do these interventions?
4. Should the project re-prioritize activities in different oblasts? If so, please provide your suggestions.
5. Is it reasonable for the project to continue being involved in agricultural lending issues? FYI. The project oblast team in Odessa includes a credit specialist.
6. Should the project pursue further collaboration with the Access to Credit Project in the sphere of agricultural leasing?

Project impact

1. Has the project improved marketing of fruit and vegetables in the six oblasts?
2. Are project activities designed and implemented at an acceptable cost?
3. Which project activities, if any, need improvement in terms of having a significant impact on marketing of fruits and vegetables in Ukraine?
4. Does the project have solid coverage in the project oblasts in terms of reaching main fruit and vegetables producers?

Sustainability

1. Will the marketing linkages established by the project be sustainable when the project ends? What additional efforts will be needed to make sure the linkages are sustainable?
2. Is the project's market information component sustainable?
3. Can market linkages developed by the project be replicated by others?
4. What additional efforts can the project make to replicate these linkages to as many market players as possible?

VI. Statement of Work

The evaluation methodology will be finalized by the evaluators in collaboration with USAID/Kiev activity managers and the USAID/Kiev Office of Program Coordination and Strategy. However, USAID expects that at a minimum the evaluators will:

a) review and analyze the existing performance information and other appropriate indicators;
b) interview USAID field staff, the project implementing organizations;
c) interview program beneficiaries;
d) conduct site visits including all six project oblasts.

Twelve workdays are envisaged for USAID/EGAT members of the team. USAID/Kiev has prepared an initial schedule for the evaluation team.

VII. Reporting and Dissemination

The final report will include an overall assessment of the issues listed in section IV., "Purpose of Evaluation", and will address the questions listed in the section V., "Evaluation Questions". Other information to be included in the report will be determined in consultation with USAID staff over the course of the evaluation. The draft and final report should be organized as follows: executive summary including the main findings of the evaluation and recommendations; main body of the report 30-35 pp.; and appendices.

The final report should be provided to USAID/Kiev in electronic form as an MS Word Document. The evaluation report will primarily be for internal use by USAID/ Kiev, but may, at USAID determination, be disseminated to outsiders, including partner organizations, implementers, and Ukrainian government officials. The CTO is responsible to ensure that a copy of the final evaluation report is provided to USAID's Center for Development Information and Experience (CDIE).

VIII. Team Composition

The evaluation will be carried out by a two-person team of experts from USAID/EGAT Bureau. One team member will act as team leader. The members of the team and requirements are as follows:

- Team Leader: Responsible for coordinating and directing the reporting effort, developing the research methodology and preparing and submitting the draft and final report. The expert should have extensive overseas program evaluation experience, including USAID experience, preferably in the E&E region. He/she must be thoroughly familiar with organizational and team-building skills.

- Agricultural expert: Must possess E&E experience and be familiar with implementing agricultural programs. This consultant should have experience that includes development of a private-oriented agricultural sector and be familiar with agricultural marketing assistance to private agricultural producers. Also, knowledge of wholesale market development, establishment of market information system and agricultural credit implications will be preferable.

IX. Schedule

A work schedule is indicated below.

- Upon mobilization, the two-person USAID/Washington based team will review Activity related information provided by USAID/Kiev.
- After arrival in Kiev, the team will spend one day in Kiev working in USAID and the AMP main office.
- Then the team will make a field visit to Lviv and Zakarpattya for three days to meet with project implementation staff and program beneficiaries;
- Another field site visit is planned for Odessa and Crimea for three days.
- The last trip will be conducted to Cherkassy and Poltava for three days.
- The team will have additional two days working in Kiev (total three days in Kiev).
- The team will report to USAID/Kiev and be provided with additional reports and information, and a schedule of visits and field trips to implementation sites will be discussed and agreed upon. USAID/Kiev will ensure that its personnel will accompany the team to key interviews and site visits.

- The team will deliver evaluation results and recommendations, and the draft report at a briefing at USAID/Kiev at the end of the evaluation.
- USAID/Kiev will send its comments to the team within 5 days of the submission of the draft evaluation report.
- The evaluation team will then have 10 days to complete final report and submit it to USAID/Kiev.

X. Logistics

USAID/Kyiv will provide the consultants with all in-country transportation outside of Kyiv, including transportation from Kyiv to other locations. Additionally, the Mission will assist with hotel reservations in all places to be visited. Interpreter services will be provided as needed.

Annex 3. Evaluation Itinerary: October 31 - November 11, 2005

Date	Time	Event/Activity	Location
31-Oct-2005 Monday	9:00 AM 6:00 PM	Work with the project related documents in USAID. Meeting with the Agricultural Division staff.	USAID office
1-Nov-2005 Tuesday	10:00-10:30	Meet AMP's Head Office team. View the project video.	AMP Kyiv office, 6 Gogolivska St., Office #15, Kyiv.
	10:30-11:00	Presentation of AMP's activities by component and a summary of the project impacts.	AMP Kyiv office
	11:00-12:30	Meet with each of the project component teams to review their main activities, performance and work plans.	AMP Kyiv office
	12:30-13:00	Demonstration of AMP's computerized Farm Business Model Package.	AMP Kyiv office
	13:00-14:00	Lunch.	To be determined (TBD)
	14:00-14:30	Demonstration of AMP's Market Information System (MIS) and web site features.	AMP Kyiv office
	14:30-15:00	Demonstration of the training materials library and a quick review of AMP's success stories.	AMP Kyiv office
	15:00-17:00	Q&A session with AMP's senior specialists. Review the Itinerary, discuss travel logistics and make any necessary adjustments.	AMP Kyiv office
	22:30	Overnight train to Lviv.	Kyiv Central Train Station.
2-Nov-2005 Wednesday	9:00-10:00	**Lviv Trip** Presentation of the AMP office in Lviv. Meet the Lviv office team.	AMP Lviv Office, 2 Vodogina St., Office # 222, Lviv.
	10:00-10:30	Drive to *Zibolky* village.	
	10:30-12:00	Meet with managers and members of *Agrodvir* and *Anastasia* Farmer Cooperatives. Discuss the results of AMP's organizational development and marketing support to local farmer cooperatives.	Zibolky village, Zhovkivskiy raion, 35 km from Lviv.

Date	Time	Event/Activity	Location
	12:00-12:45	Drive back to *Lviv.*	
	12:45-13:30	Lunch.	TBD
	14:00-15:30	Meet with Mr. Roman Fedyshin, Director of the wholesale market *Shuvar*. Discuss AMP's role in developing this fresh produce wholesale market. Tour the market.	36 Chervona Kalina Ave, Lviv.
	15:30-16:00	Drive to *Sholomiya* village.	
3-Nov-2005 Thursday	16:00-17:00	Meet with AMP client farmer Mr. Mayovtsev, *Pervotsvit* Farm. Discuss impacts from technical assistance and marketing training provided to local private farmers (impacts from adopting new technologies and marketing practices).	Sholomiya village, Pustomitivskiy raion, 20 km from Lviv.
	09:00-10:30	Drive to *Komarne* village.	
	10:30-11:30	Interview AMP client farmer Mr. *Shakalo*, *Povernennya* Farm (on the way to Zakarpattya). Summarize observations and recommendations for the Lviv office staff.	Komarne village, Striyskiy raion, 75 km from Lviv.
	11:30-18:30	Drive to *Zakarpattya.* Lunch (TBD). Check into Hotel (TBD). Dinner (Detsa u Notarya Restaurant).	
4-Nov-2005 Friday	09:00-9:30	Presentation of the AMP office in Zakarpattya region.	AMP Zakarpattya Office, 43, Shvabska St., Uzhgorod.
	09.30-11.00	Interview the AMP Zakarpattya office team.	AMP Zakarpattya Office
	11.00-11.45	Meet with AMP client farmers from the Uzhgorod raion - *Selezen* Farm (Mr. Ivan Shandor), *Avokado* Farm (Mr. Myhailo Divynets), *Carpathian Bee* Farm (Mr. Mykola Shpini), *Flora* Farm (Mr. Mykola Gusynka), *Kvitka* Farm (Mr. Emerikh Krytskiy), Mr. Vasiliy Voloshin, the owner of *Voloshin* Farm. Discuss the results of AMP's field demonstration program and technical assistance with adoption of new varieties and hybrids, and new/improved production methods and marketing practices.	AMP Zakarpattya Office
	11.45-14.00	Drive to Beregovo. Lunch at *Zolota Pava* restaurant.	Beregovo, 60 km from Uzhgorod.
	14.00-14.30	Drive to *Vary* village.	

Date	Time	Event/Activity	Location
	14.30-15.00	Meet with *Polyak* Farm and managers of *Univer* Processing Plant. Discuss AMP's role in facilitating marketing linkages between local processors and producers.	Vary village, Beregivskiy rayon, 85 km from Uzhgorod.
	15.00-15.30	Drive to *Perekhrestya* village.	
	15.30-16.30	Meet with Director and managers of the *Mykaland* Processing Plant and farmers from *Vynogradivskiy* raion. Discuss AMP's role in developing vegetable producers into reliable raw material suppliers.	Perekhrestya village, Vynogradivskiy rayon, 110 km from Uzhgorod.
	16.30-18.00	Drive to Uzhgorod.	
	18.00-19.00	Dinner. Summarize observations and recommendations for the Zakarpattya office staff.	TBD, Uzhgorod.
5-Nov-2005 Saturday	05:40	Check out of the hotel. Drive to the Uzhgorod airport and depart for Kyiv at 07:00 or 07:30 (depending on the flight).	Uzhgorod.
6-Nov-2005 Sunday	TBD	The team will be divided. One evaluator will leave Kiev for Simferopol (Crimea) by plane (flights available at 11:00, 13:15, and 14:30). Another evaluator will go to Cherkasy by car (3 hour ride).	Kyiv.
7-Nov-2005 Monday	09.00-10.00	**CHERKASY TRIP** Presentation of the AMP office in Cherkasy. Meet with the AMP Cherkasy office team.	AMP Cherkasy office, 131, Smelyanskaya St., office 411, Cherkasy.
	10:00-11:00	Meet with management of the *Favorite Cannery.* Discuss AMP's role in establishing effective cooperation between local processors and vegetable producers.	Cherkasy.
	11:00-12:00	Meet with Ms. Natalie Holoborodka, *Svitlana* Farm (a private farmer and a small-scale wholesaler collecting produce from other private producers), and Mr. Taras Sozanovich, Deputy Director of the Tropic Wholesale Company. Meet with Mr. Alexander Kravchenko, *AKRA* Farm. Discuss the results of AMP's field demonstration programs and adoption of new marketing practices.	AMP Cherkasy Office
	12:20-13:00	Lunch at *Taras Bulba* Restaurant.	Cherkasy.
	13:00-13:30	Drive to *Hudyaky* village.	
	13:30-14:30	Meet with members of the *Ludmila* Agricultural Services Cooperative. Discuss AMP's cooperative development and grant program activities.	Hudyaky village, Cherkasy rayon, 30 km from Cherkasy.

Date	Time	Event/Activity	Location
	14:30-16:00	Drive to back to *Cherkasy.*	
	16:00-17:00	Meet with produce managers of *Spar* and *Grand Market* supermarkets. Discuss relationships with farmer suppliers, and AMP's fresh produce merchandizing assistance.	Cherkasy.
	18:00-19:00	Dinner. Summarize observations and recommendations for the Cherkasy office staff.	TBD, Cherkasy.
8-Nov-2005 Tuesday	08:00-09:30	Check out of the hotel. Drive to Shevchenkove village.	Cherkasy.
	09:30-10:30	Meet with Mr. Mykola Oleinyk, a leading apple producer in the region to discuss results of AMP's assistance with direct marketing to wholesalers and supermarkets. Depart for Odesa via Uman (6 hour ride).	Shevchenkove village, Zvenigorodskiy raion.
6-Nov-2005 Sunday	TBD	**CRIMEA TRIP** Arrive to Simferopol. Check into the *Tavria* Hotel.	Simferopol.
	TBD	Dinner at the *Knyazha Vtiha* Restaurant.	Simferopol.
7-Nov-2005 Monday	09:00-11:00	Presentation of the AMP office in Crimea. Meet with the AMP Crimea office team. Meet with owner of the private farm *Leonida*, Mr. Suprun. Discuss AMP's assistance with marketing early (greenhouse) vegetables.	81, Kievskay St., Office#124, Simferopol.
	11:00-12:00	Meet with managers of the *Furshet* supermarket chain and Mr. Chumak, farmer - supplier of fresh produce to the supermarket stores. Discuss direct marketing opportunities and issues.	Furshet Supermarket, Simferopol.
	12:00-13:00	Lunch, *Illyuzion* Restaurant.	Simferopol
	13:30-14:30	Visit the wholesale market *Privoz.* Meet with private farmer Mr. Dubina. Tour AMP farmer clients' stands at the *Privoz* market and meet with managers of the *Fruits of Crimea* Farmer Cooperative, Private Enterprises *Agrotekhnologii* and *Boris-Agro.*	Simferopol.
	14:30-15:30	Drive to *Roszhino* village.	
	15:30-16:30	Meet with Mr. Choropita, Manager of *Agro-YUKoS Ltd.,* table grapes producers group. Discuss AMP's marketing assistance (including packing and labeling).	Roszhino village, Dzhankoyskiy raion, 80 km from Simferopol.
	16:30-17:30	Drive back to Simferopol.	

Date	Time	Event/Activity	Location
	19:00-20:30	Dinner at the *Knyazha Vtiha* Restaurant.	Simferopol.
8-Nov-2005 Tuesday	09:00-09:30	Drive to *Rodnikovoe* village.	
	09:30-10:30	Meet with Mr. Bezrukov, Manager of the Crimean primary processing plant of *Sandora* (the largest juice producer in Ukraine). Discuss AMP's approach to developing *Sandora's* supplier base.	*Rodnikovoe* village, Simferopol raion, 20 km from Simferopol.
	10:30-11:00	Drive to *Chervonoye* village.	
	11:00-12:30	Visit Agricultural Service Cooperative *Fruits of Crimea*. Presentation of the cold storage facilities co-funded through AMP's Grant Program. Meet with Mr. Dzhorkashvili, private farmer and Chairman of the cooperative. Meet with Veliev brothers (Crimean Tatar producers of fresh salads, early vegetables and herbs).	Chervonoye village, Saksikiy raion, 56 km from Simferopol.
	12:30-13:00	Drive to *Saky* town.	
	13:00-14:00	Lunch.	TBD, Saky town, 60 km from Simferopol.
	14:00-14:30	Drive to *Kolosky* village.	
	14:30-15:30	Visit *Sakhalin* Farm. Tour the farm's young vineyards. Discuss the farm's development strategy (vegetable and fruits production and viticulture) and AMP's assistance.	Kolosky village, Saky raion, 85 km from Simferopol.
	15:30-17:00	Drive back to *Simferopol.*	
	17:00-18:00	Rest in the *Ukraina* Hotel.	Simferopol.
	18:00-20:00	Dinner at *Lucky* Restaurant. Summarize observations and recommendations for the Crimea office staff.	Simferopol.
9-Nov-2005 Wednesday	06:00	Check out of the hotel. Drive to the Simferopol airport and depart for Kyiv. Two flights available at 07:20 (to Borispol airport) and 08:00 (to Zhulyany airport).	Simferopol.
9-Nov-2005 Wednesday	08:30-09:30	**ODESA TRIP** Presentation of the AMP Odesa office. Meet AMP's Odesa office team.	AMP Odesa office, 11, Tyraspolskaya St., apt.#1, Odesa.

Date	Time	Event/Activity	Location
	09:30-12:30	Drive to *Izmail*.	
	12:30-13:30	Lunch with Mr. Pavlo Melish, Director of fresh produce wholesale company *Stemel* and Chairman of the *Pridunavie* Farmers Association. Discuss implementation of AMP's grant project (cold-storage facilities).	Green Hall Restaurant, Izmail.
	13:30-14:15	Tour the *Stemel* facilities. Drive to *Starokozache* village on the way back to Odesa.	Izmail-Odesa.
	15:45-16:30	Meet with Mr. Pukhkan, private farmer and chairman of the agricultural service cooperative *Favorite,* AMP's grantee. Discuss implementation of AMP's grant project and post-harvest handling demonstration program (packing and cold-storage).	Starokozache village, Bilgorod-Drestrovskiy raion.
	16:30-18:00	Drive back to Odesa.	
	18:00-19:00	Dinner at Steak House Restaurant.	Odesa.
10-Nov-2005 Thursday	09:00-10:30	Drive to *Yosipovka* village.	
	10:30-11:30	Meet with woman farmer Ms. Gaydemskaya – owner of the *Goritsvit* farm, participant of AMP's study tour to the US.	Yosipovka village, Ovidopolskiy raion.
	11:30-12:00	Drive to *Myrne* village.	
	12:00-13:00	Meet with AMP client farmer Mr. Bilan. Discuss AMP's assistance with direct marketing to supermarkets, branding and packing practices.	Mykne village, Bilyavskiy raion.
	13:00-14:10	Drive back to Odesa. Lunch.	TBD
	14:10-15:10	Meet with Mr. Volkov, Procurement Manager of the Odesa Cannery ("*Gospodarochka"* brand).	Odesa Cannery Office, Odesa
	15:30-17:00	Summarize observations and recommendations for the Odesa office team.	AMP Odesa Office.

Date	Time	Event/Activity	Location
11-Nov-2005 Friday	08:30	Check out of the hotel.	
	09:00-10:00	Meet with Mr. Mochulyak, Procurement Manager of Supermarket Chain *Natalka-Market*. Discuss AMP's fresh produce supply management and merchandizing assistance.	Natalka-Market office, Odesa
	10:00	Drive back to Kyiv (6 hour ride).	Odesa-Kyiv
		POLTAVA TRIP Although the AMP Office in Poltava prepared an extensive itinerary, similar to the itineraries in other*oblasts*, USAID/Ukraine canceled the Poltava trip so that the Evaluation Team could use its remaining time to meet with donors, discuss findings and prepare its debriefing before departure.	

Annex 4. List of Contacts

Andreytsov, Fedir, Marketing Specialist, LOL, Cherkasy
Andryushko, Andriy, Senior Agribusiness and Marketing Specialist, LOL, Kyiv

Bezrukov, Sergei Alexandrovich, Manager of Sandora primary processing plant, Rodnikovoe, Crimea
Bilan, Vitaliy, Produce Farmer, Odesa
Bodnar, Iryna, Junior Marketing Specialist, LOL, L'viv
Boldog, Andrei, Supply Director, Univer, Vinogradov, Zakarpattya

Chakaol, Yaroslav, AMP client farmer, Stri, L'viv
Chebotaryeva, Viktoriya, Junior Marketing Specialist, LOL, Odesa
Chernyak, Dmytro, Economist/Administrator, LOL, Odesa
Chomiak, Bohdan, Chief of Agricultural Division, Office of Economic Growth, USAID/Ukraine, Kyiv
Choropita, Nykolay Rodislavovich, Manager of Agro-Yukos, Ltd., Roszhino, Crimea
Chumak, Nikolay Nikolayevich, Owner of Lykon Farm, Crimea

Demchenko, Volodymyr, Executive Director, Zlatodar Plant, Odesa
Demchuk, Valentina, laboratory technician, Sandora primary processing plant, Rodnikovoe, Crimea
Denysov, Alexandr, Senior Monitoring and Evaluation Officer, LOL, Kyiv
Divinets, Mikhail, Owner of Avocado Farm, Zakarpattya
Dubina, Alexander Alexandrovich, Manager of Dubina Private Enterprise, Simferopol', Crimea
Dzhorkashvili, Mikhail, Founder of Fruits of Crimea Agricultural Service Cooperative, Crimea
Dzjamko, Lyudmila, Marketing Information Specialist, LOL, Zakarpattya

Fedyshyin, Roman, Shuvar Wholesale Market, General Director
Feydyna, Petro, AGRODVIR Cooperative, Head of Cooperative Board, L'viv

Gast, Earl, Director, USAID/Ukraine, Kyiv
Gaydemskaya, Natalya, Woman Farmer, Odesa
Goloborodko, Natalia, Owner of Svitlana Farm, Cherkasy
Gozov, Andrey Yuriovich, Manager of Agrotekhnologii firm, Crimea
Gusynka, Mykola, Owner of Flora Farm, Zakarpattya

Havrishev, Serhiy, Economist/Administrator, LOL, L'viv
Havrylyuk, Mykola, Coordinator/Association Development Specialist, LOL, Crimea
Hordienko, Klavdia Maksimovna, Deputy General Director of Shuvar Wholesale Market, L'viv

Kaliberda, Aleksandr, Agricultural Competitiveness and Food Safety Project, World Bank, Kyiv
Károly, Sarkadi, Gold Bridges Kft., Zakarpattya
Kim, Lev Konstantinovich, Manager of Boris-Agro firm, Simferopol', Crimea
Koval, Alexander, Regional Junior Marketing Specialist, Zakarpattya
Kravchenko, Alexander, Owner of AKRA Farm, Cherkasy
Kravchenko, Igor, EU Project, Logistics and Marketing Services for SMEs in Agriculture, Kyiv
Krytskiy, Emerikh, Owner of Agro Firm Kvitka, Zakarpattya
Kulakovska, Oksana, Marketing Specialist, LOL, L'viv
Kupar, Lyubov, Manager of Mikaland Processing Company, Vinogradiv, Zakarpattya
Kuzina, Lydia, Vitamark-Ukraine, Head of Purchasing Department, Odesa

Lasinski, Oleksandr, Coordinator/Marketing Specialists, LOL, Odesa
Lazarenko, Mykola, Executive Director, Favorite Cannery, Odesa
Lee, Robert E., Chief of Party, LOL, Kyiv
Lekhno, Aleksandr, Market Information Specialist, LOL, Simferopol', Crimea
Lendel, Aleksandra, Director, Univer Processing Plant, Zakarpattya
Lesiv, Tetiana, Coordinator/Agronomist, LOL, L'viv
Linden, Gary, Director, Economic Growth Office, USAID/Ukraine, Kyiv
Lyudmila, N., Head of Lyudmila Agricultural Services Cooperative, Cherkasy

Manager of Furshet Supermarket, Simferopol', Crimea
Matviyets, Oleksandr, Agronomist, LOL, Zakarpattya
Mayovets, Yaroslav, Owner of Pervotsvit Farm, L'viv
Melish, Pavlo, Director, Stemel Wholesale Company and Head of Farmers Association, Odesa
Muliar, Oleksandr, Project Management Specialist (Agriculture), USAID/Ukraine, Kyiv
Mochulyak, A., Procurement Manager, Natalka-Market, Odesa
Myhailo, Kubara, ANASTASIA Cooperative, Head of Cooperative Board, L'viv

Nykonenko, Andriy, Legal and Tax Advisor, LOL, Kyiv

Oliynyk, Mykola, Owner of Apple Orchard Farm, Cherkasy

Peleshkey, Julia, Owner of Horizon Farm, Gudya, Zakarpattya
Petei, Yudita, Managing Director, Mikaland Processing Plant, Zakarpattya
Ponomarenko, Inna, Agribusiness and Marketing Specialist, LOL, Kyiv
Polyak, Valentina, Owner of Polyak Farm, Zakarpattya

Rozwadowski, Richard, Director of EU Project, Logistics and Marketing Services for SMEs in Agriculture, Kyiv
Rybczinski, Rodion, Editor-in-Chief, APK-Inform, Dnipropetrovs'k, interviewed in Kyiv

Salo, Roman, Coordinator/Agronomist, LOL, Zakarpattya
Schumacher, Judith, USAID/Ukraine, Kyiv
Shadrin, Boris, Marketing Specialist, LOL, Crimea
Shakalo, Yaroslav, Owner of Povernennia Farm, Yarushychi, L'viv
Shandor, Ivan, Owner of Selzen Farm, Zakarpattya
Sharp, Kevin, Deputy Director, Office of Economic Growth, USAID/Ukraine, Kyiv
Shpin, Nikolay, Owner Carpathian Bee Farm, Zakarpattya
Sologub, Yurily, Senior Agribusiness and Agritechnology Specialist, LOL, Kyiv
Sozanovich, Taras, Deputy Director, Tropic Wholesale Company, Cherkasy
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