

PD-ABR-437

FINAL REPORT

for the

MTM Productivity Study Tour Program

for

Kharkiv, Ukraine

Grant # 121-0005-G-00-7189-00

March 31, 1999



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Table of Contents

1	Executive Summary	1
2	Final Project Evaluation	3
	Overview	3
	Fruit, Vegetable, Sugar Study Tour	5
	Meat, Dairy, Edible Oils Study Tour	5
	Changes Implemented by Participating Companies	6
	Background Information	13
	Update on Economic Conditions at the Plants	16
	Seminars	23
3	Overview Fruit, Vegetable, Sugar Tour	25
4	Overview Meat, Dairy, Edible Oil Study Tour	29
5	Program Preparation	31
6	Pre-Tour Selection Seminar	35
7	Program Logistics	49
8	Program Schedules	51
	Fruit, Vegetable, Sugar Study Tour	51
	Meat, Dairy, Edible Oils Study Tour	55
9	Exit Interviews by Tour Members	59
	Fruit, Vegetable, Sugar Study Tour	59
	Meat, Dairy, Edible Oils Study Tour	66
10	Suggested Program Improvements	79
Appendix		
A	Program Applicants	83
B	IESC Volunteers	87
C	Selected Applicants Fruit, Vegetable, Sugar	89
D	Selected Applicants Meat, Dairy, Edible Oils	91
E	Host Companies Fruit, Vegetable, Sugar	93
F	Host Companies Meat, Dairy, Edible Oils	99
G	Ukrainian Companies Fruit, Vegetable, Sugar Tour	105
H	Ukrainian Companies Meat, Dairy, Edible Oils Tour	111
I	Names and Addresses of CEI Associates	119
J	Letters from Participants	121

MTM Productivity Study Tours for Kharkiv, Ukraine

1 Executive Summary

The Marshall Plan or MTM Productivity Study Tour program for Kharkiv, Ukraine was designed to give rise to a rapid and visible increase in living standards for the Ukrainian population as a whole by introducing Ukrainian managers of large enterprises in key industrial subsectors to modern management, technology and marketing methods in the U S This program was funded by grant # 121-0005-G-00-7189-00 from the U S Agency for International Development (USAID)

This pilot program consisted of two study tours, each targeted at different industry subsectors Tour #1 (August 5 - September 1, 1998) was directed at fruit, vegetable and sugar processing Tour #2 (September 13 - October 10, 1998) was for meat, dairy and edible oil processing

In May/June 1998, CEI representatives visited Kharkiv and, with the help of local Newbiznet and IESC representatives, conducted a selection seminar A total of 79 representatives from 61 organizations applied for the program From these applicants, 32 were finally selected to participate The breakdown by industry for tour #1 (15 participants) was fruit 4, vegetable 5, sugar 5, equipment supplier 1 For tour #2 (17 participants), the breakdown was meat 4, dairy 11, edible oils 2 In addition, both groups also included two interpreters and one technical writer

The major benefits of the program for the Ukrainian companies were

- 1 New and modified products that were added to existing lines without significant investment,
- 2 A greater understanding of the role of advertising, marketing and distribution,
- 3 Productivity changes to increase product shelf life and reduce costs,
- 4 An awareness and appreciation of new management techniques,
- 5 New products and equipment they can purchase from the U S
- 6 A greater awareness of changes they can make in their own firms and industries

The fruit/vegetable/sugar study tour visited 15 food processors, 2 distributors, 2 retailers, 1 exhibition, 2 equipment suppliers, 1 trade association, 1 government agency and 1 university In addition, there were 5 separate lectures The meat/dairy/edible oils study tour visited 25 organization including 6 meat processors, 6 dairy processors, 3 edible oils plants, 2 retailers, 1 government agency and there were 3 separate lectures

The sites visited were carefully selected to meet the diverse needs of each group Since the tour group represented different subsectors, participants visited some plants that were outside their area of interest Nevertheless, there was much to be learned on every visit since marketing management and distribution were common to all

The length of each visit was determined by the host company In almost all cases, the visits were scheduled to last three hours At each site there was a short introduction by management followed by a tour of the facilities A question and answer period followed In almost all cases, this was an extremely lively session that extended far beyond the initial schedule The U S hosts were extremely generous with their time and information, even proprietary information

The length of each tour was 28 days. This time was needed for the new concepts to be fully understood and appreciated by the participants.

When the groups first arrived in the U.S., the participants had various fixed ideas about conducting their business. Although they were looking for new ideas, they were not necessarily open to new ideas. By the end of the tour, this attitude had completely changed. Most were eager to return and try out new ideas and products. The evolution in thinking was remarkable.

At the conclusion of each study tour, each participant was interviewed to record what they had learned and to measure the potential impact of the tour on their individual firms. Each had concrete plans to introduce productivity changes in their firms. Each participant had identified new products they could add with a minimum of investment. Typically, the firms felt that the new products would lead to sales increases of up to 50%. The participants estimated that the technical improvements would result in cost reductions of up to 30%. These and management changes would lead to increased profitability of about 20%.

One of the frequently asked questions was "How do Americans make the products at such a low cost?" Almost every host company discussed the importance of increased volume to drive down costs. This implied a greater need for effective marketing and for specialization. Both were opposites of the business thinking in Ukraine where there is little advertising and each firm struggles to diversify into different product lines and even different industries.

A surprising degree of bonding took place between the tour members. At the conclusion of each tour, most agreed to meet again and possibly to form an association. Several were exploring business arrangements, not only among themselves, but with the U.S. companies they visited.

Some of the participants expressed serious interest in purchasing American products and equipment. CEI will facilitate communications between the Ukrainian and American companies.

Four months after the study tours had returned to Ukraine, CEI representatives visited Kharkiv for a program follow-up. Although there had been limited time to undertake changes and there had been an economic crisis in Ukraine, the results were very promising. In fact, most of the changes anticipated during the exit interviews were being implemented, albeit a little slower than had been originally projected.

This pilot Marshall Plan program was deemed a great success by all the participants and by CEI. Only by seeing for themselves were these industry leaders able to learn new techniques and discover new products they can apply to their firms without the need for large new investments. CEI is confident that the impact on the participating firms can be great - just as it was in Western Europe under the original Marshall Plan.

2. Final Project Evaluation

Overview

From January 22 to February 7, 1999, representatives from the Center for Economic Initiatives (CEI) Leland M. Cole and Bruce L. Vaillancourt visited Kharkiv, Ukraine as a part of the MTM Productivity Study Tour program under USAID grant # 121-0005-G-00-7189-00. The purpose of this trip was to follow up with the tour participants to determine how they had applied the information they had learned on the study tours. The first week was spent visiting companies and their factories in order to see the company in operation and to discuss the changes that have been implemented. The second week was spent conducting three seminars and in meetings with various other organizations. One seminar was held for each of the two tour groups and one joint seminar was held for Kharkiv City and Oblast officials.

The CEI evaluation has been an on-going activity. It started with daily discussions with participants while on the tour members at meals and in the evening discussion periods. On this follow-up trip, discussions were held with participants from 100% of the active factories.

The objective of the MTM Productivity Study Tour program was to have a positive impact on the standard of living on the local population. Despite the short time since the end of the program, CEI believes this was accomplished. High level Ukrainian food processing managers from key companies, with an average employment of 276, visited their counterparts in the US. They learned new techniques of marketing, distribution, productivity and product development. Each evening, the tour group met under the direction of the group Leader to discuss the significance of the day's visit(s). These new ideas were brought back to Ukraine and are now being implemented.

The program participants were selected in Kharkiv by CEI and industry experts. The ability to speak English was not a requirement since that would have eliminated all high level managers. At the selection seminar participants were provided with industry specific technical, accounting and marketing information. The additional information about the companies gained from this seminar helped CEI design the program to meet the specific industry needs of the participants - a clear benefit to Ukraine.

At the end of the program CEI conducted a program evaluation. Again, industry experts visited the companies and this enabled CEI to provide additional follow-up at the request of the participants. This valuable assistance is not provided by lower cost programs.

The MTM program focused on the food processing industry. Many of the companies are located in rural areas where the company is the only source of employment in the area and it is critical to these communities that the plant managers learn how to survive and expand in a market economy. Improved efficiency and expanded markets are the significant outcomes from this program.

It is our collective judgement that

1. The companies were exposed to many new value-added products they could undertake with a minimum of investment. As a result of the study tour, over 58 new products have been developed and will soon be on the market. Several of these products are significant since

they significantly lengthen the plant operating period from 2-3 months to as many as 9 months per year

- 2 Plants are making better use of their raw materials For example, molasses, which would otherwise be discarded, is being used to make brown sugar Other companies plan a number of new storage and processing techniques which will substantially reduce spoilage and increase the shelf life of fruits and vegetables
- 3 At plants where cost savings have been installed long enough to be measured, the savings range from 15 to 30%
- 4 Almost every plant is expanding its marketing operation This is evidenced in a number of different ways Many companies are adding marketing personnel Others have become aware of company image and have designed new company logos and packaging This will enable them to build brand loyalty which will help them compete against local and imported products
- 5 Markets for US products have been opened The most significant are the use of soya based products and an introduction to the use of flavorings
- 6 Plant productivity has increased with a resultant increase in profitability Managers learned how to make more efficient use of their manpower and equipment to ensure the survival prospects of their firms Productivity gains of up to 30% are reported
- 7 New packaging equipment and methods are being introduced at many of the firms One example is the introduction of a small 1 kg bag of sugar This will provide greater convenience to the consumer and the customer can be assured of receiving an accurate weight In another example, new attractive packaging for margarine has been introduced which competes well with imported brands
- 8 If the information learned on the study tour is retained only by the participants, the overall community does not stand to benefit Each participant on the study tour has given talks and presentations to local company and community leaders This ensures that others not on the study tour itself will also benefit from the program The significance of this point was not lost on local Rayon officials who were anxious to meet with CEI and express their support of the program
- 9 Each study tour included one technical writer who was responsible for preparing the team report These Russian language reports were completed and published They are now being distributed by Newbiznet to other companies and oblasts throughout Ukraine CEI believes this is the only program to disseminate information in this form The report distribution to large and medium sized companies in the Kharkiv Oblast alone is planned to be Dairy - 25 companies, Meat - 18 companies, Edible Oils - 10 companies, Sugar - 11 companies, and Fruit & vegetable - 14 companies
- 10 The companies on the study tour have been cooperating and working together They are selling products to each other and lessons learned at one company are used at another

Suggestions were made by the participants to improve future programs

- 1 The number of industrial subsectors on one tour should be reduced Ideally it should be reduced from three to one CEI agrees with this suggestion and actually withstood strong pressure from the Kharkiv City government to increase the number of subsectors to four However, had the number of subsectors been reduced as suggested, several participants would not have gone and the benefits would have been lost to their organizations
- 2 With different subsectors on the same tour, plant tours are often not of interest to participants when they are in a plant outside their subsector This point is acknowledged by CEI On

future programs, the tour group will be divided with one group visiting the manufacturing area and the other visiting the support services such as marketing, purchasing, product design, human resources and accounting

- 3 There were too many plant visits and the individual visits could have been longer In some cases this is true and others it is not Over a four-week (20 work day) period, the first tour visited 24 companies and the second visited 26 - not an excessive number for an intensive program such as this CEI believes it can improve the scheduling based on the experience of this pilot program

Fruit, Vegetable and Sugar Study Tour

Company	Employ	# New Prod	% Cost Reduce	Energy Saving	New Packag	Product ivity	Mktg Change	Comments
1st Sugar Plant Named after Petrovskiy	340	2			1 kg sugar		Yes	Work with Fasma
Barvenkovskiy Food Plant	108	2	15%	Yes		Yes		
Fasma	15	1			Yes		Yes	
Taifun	148	10			Yes	Yes	Yes	Work with Fasma
Kolos Farm	78							On tour only one week
Kongressovskiy Sugar Plant	365	2			1 kg sugar			
Nadiya Agricultural Farm	387	10			Yes	Yes		
Novoivanovskiy Sugar Plant	450	1			1 kg sugar			
Pervkhinskiy Sugar Plant	220	1			1 kg sugar			
Rosinka	72	2			Yes	Yes	Yes	
Savinskiy Sugar Plant	850	1			1 kg sugar			
Zmievskey Milk Plant	106	2	20 30%	Yes	Yes	Yes	Yes	Work with Fasma
Interfruit	120							Participant left company
Totals	3259	33						

Meat, Dairy and Edible Oils Study Tour

Company	Employ	# New Prod	% Cost Reduce	Energy Saving	New Packag	Product ivity	Mktg Change	Comments
Ist Kharkiv Milk Plant	217	3	Yes	Yes			Yes	
Velikoburluskii Cheese Plant	329	4	30%	Yes	Yes	Yes	Yes	
Borovskoy Milk Plant	54	1					Yes	
Kharkiv Edible Oil Plant	821	10		Yes	Yes		Yes	Work with Fasma
Kharkiv Milk Plant	450				Yes			No changes to date
Komarovka Milk Processing Plant	71	1		Yes	Yes	Yes	Yes	

Krasnogradski Butter & Cheese Plant	112	2						
Kupiansk Milk Plant	600	4			Yes			
Rogan Meat Processing Plant	466			Yes		Yes	Yes	
Solbozhanski Agricultural Farm	1250					Yes		
Ukrainian Edible Oil Institute	133						Yes	
Chuguev Milk Plant	55							Participant left company
Kupiansk Meat Plant	174							Company closed
Kharkiv Meat Processing	800							Company in bankruptcy
Barvenkovskiy Milk Plant	51							Plant temporarily closed
Totals	5583	25						

Changes Implemented by Participating Companies

It is our understanding that the following changes are being implemented

1st Sugar Plant Named after Petrovskiy, Yuri Simonenko, Marketing Manager reported that the following took place as a result of the study tour

- 1 With the assistance of Fasma, another tour participant, the company has designed a new company logo which is intended to show that they have produced high quality sugar since 1834
- 2 Currently, sugar is packaged in plain, 50 kg sacks The company has designed new sacks with their company logo
- 3 The company has decided to package sugar in small 1 kg packages A sample package with the new logo was presented to CEI It will be introduced in 1999 when there is sufficient sugar This size package was available in Soviet times, but has not been available in recent years
- 4 The new small package lists the ingredients in the sugar and shows how they compare with the Ukrainian standard
- 5 A new company letterhead and business card have been designed
- 6 The company intends to market brown sugar, a new product for Ukraine Brown sugar is reportedly good for people with diabetes and other ailments The packaging has already been designed CEI has supplied recipes since none are currently available in Ukraine
- 7 The company is working with Kolos Farm, another tour participant, to obtain additional sugar beet

Barvenkovskiy Food Plant, Viktor Pavlov, Director and Head Accountant and Viktor Uvarenko, Director and Head Engineer reported on the following

- 1 Management realized that one person can be assigned multiple jobs This is helping improve productivity and reduce costs

- 2 New energy efficient Ukrainian ovens have been purchased for the bakery and other equipment is on order
- 3 The costs of all their operations were analyzed to reduce costs Unprofitable lines have been discontinued They expect to have a net 15% profit in 1999
- 4 As a result of the study tour, the company is very interested in producing croutons from the stale bread that is returned at the end of the day They feel this is a logical product in a country that eats a large amount of soup
- 5 The company intends to go into the business of making potato chips A building has been built for this purpose, but it is now idle due to the economic crisis

Fasma, Oleksiy Gonskiy, Director has been very active since returning to Kharkiv and reported on his activities

- 1 He wrote a chapter in the Technical Manual on Packaging based on the information seen
- 2 They are planning their own magazine on packaging and wants as much information on food processing as possible
- 3 Worked with the Yuri Simonenko at the 1st Sugar Plant Named after Petrovskiy to develop a new logo and packaging for sugar
- 4 At Taifun worked with Vasyl Zaytsev on packaging salads in cups and on packaging for pancakes These consisted of two major cost studies (30 to 40 pages each) justifying the technology needed
- 5 Worked with Oleksandr Radchenko at Kupiansk Milk to design new packaging for milk and kefir Sales increased 10-15% due to the new package design They are also selling new packaging equipment to Kupiansk
- 6 Worked with Tetyana Volovyk at the Kharkiv Edible Oil Plant to help install new French technology for packaging mayonnaise in cups Fasma designed the packaging and sales increased due to the new design
- 7 Working on a large confidential project with an American-owned farm in Ukraine
- 8 Working on a modernization project with another milk company that participated on a study tour
- 9 Wants to be an agent for Flavor Systems International, one of the US host companies Initial discussions have started on this project
- 10 Published an article on the study tour in a journal of the Kharkiv Institute of Technologies of Packaging (ITP) Copies were mailed to CEI members
- 11 Intends to publish a small report on the packaging technology he learned in the US
- 12 In September 1998 presented a report of the study tour at Newbiznet to representatives of Associations throughout Ukraine
- 13 Together with Mr Kisilyov of Zmievskoy Milk Plant, presented papers at the International Seminar "Prodmarket-98" in Kiev The seminar attendance was 80 people

Kongressovskiy Sugar Plant, Sergiy Pogribnyak, Head of the Financial Department reported

- 1 They plan to package sugar in 1 kg packages The smaller package will have the benefit of greater customer convenience and the customer can be assured of receiving an accurate weight
- 2 They are planning a candy operation in 1999 This will provide the company with a value-added product which they can sell at a higher price than raw sugar More importantly, it will enable the plant to remain open for up to 9 months per year, thus providing employment for the community

Nadiya Agricultural Farm, Anatoliy Shkurko, Head Engineer and his management discussed the benefits to their firm

- 1 Nadiya has introduced 10 new products seen in the U S
- 2 They currently produce more than 60 products and plans to expand their production by four times
- 3 The company will switch to the Euro jar over the next two years Currently they package their products in glass jars with pry top lids
- 4 Anatoliy Shkurko really liked the technology seen in the US He was particularly interested in the enamel and stainless steel tanks used to store tomato juice that he saw at Ray Brothers and Noble Canning Company in Hobbs, Indiana where they only processed tomatoes The tomatoes were half processed before being vacuum packed and sent to another firm for further processing The half-cooked tomatoes could then be cooked when required (1 ton per ½ hour) The use of this technique could lengthen the work year of the plant from 3 to 9 months

Novoivanovskiy Sugar Plant, Kostyantyn Ulko, Financial Manager reported that as a result of the study tour, their firm plans to package sugar in smaller, 1 kg packages This will have the benefit of a lengthened work year and a higher valued product

Pervkhinskiy Sugar Plant, Igor Rud, Head Mechanic was filled with new ideas on his return which were well received by his management

- 1 Mr Rud suggested packaging sugar in smaller packages Management agreed to proceed with the smaller packages since they already had the packaging equipment This they will do next year A sample package from earlier days was presented to CEI The package was simply labeled "Sugar " Although the small package will be more expensive, the company plans to add its own logo and will work with Fasma on this project
- 2 The company wants to introduce new value-added products in order to increase profitability and to lengthen the work period

Rosinka, Rymma Chepyakova Owner is currently implementing the new ideas at her restaurant and new supermarket

- 1 The owner currently has a food operation that prepares and distributes food to 34 retail outlets Products include pastry, smoked chicken legs, vegetable salads and semi-finished products (filled pancakes, meat rolled in cabbage leaves etc) The study tour showed her how to reduce the cost of this operation
- 2 Rymma intends to open a new 1,200 square meter (12,000 sq ft) supermarket similar to what she saw in the United States It will be the first superstore in Kharkiv The size of the store will be more like a 1950-1960's U S supermarket It will carry a full variety of grocery, meat, produce, and bakery items similar to that of an American store The store is projected to open in March 1999 The equipment has already been purchased and the store will be attractively decorated and landscaped (an innovation in Kharkiv) Rosinka has its own financing for this project
- 3 New salads are being offered by her company based on what she learned on the tour In the US the stores sell salads by weight, not by the ingredients and she plans to use this technique Further expansion of the product lines include meat stuffed pouches and meat wrapped with a cabbage leaf

- 4 The store organization will be based on ideas from the study tour
- 5 Rymma is a member of the Kharkiv Organization of Business Women She has already made presentations to that organization on her observations from the MTM Study Tour She also met with the Department of Agriculture to show her video and the laboratory analysis used in the Ohio Department of Agriculture
- 6 Rosinka plans to use American style marketing in promoting the new store They will use special discounts for regular customers and advertise on Kharkiv television Their plan is to establish a brand name associated with quality goods and services Obviously, the new store will carry a full line of Rosinka products
- 7 Rymma has prepared a video of the tour and shown it to the Kharkiv Oblast Agricultural Department and others

Savinskiy Sugar Plant, Viktor Loza, Process Engineer reported that as a result of the study tour, the company plans to package sugar in smaller packages No activities have taken place so far due to the poor economic situation at the plant

Taifun, Vasyl Zaytsev, President and Oleg Sizonenko, Director of this aggressive fast food restaurant chain have implemented many ideas gained from the study tour

- 1 On the first of September 1998, Taifun installed facilities to make salads the same as was observed in the U S
- 2 The company is working with the Kharkiv Institute of Public Catering to work out a line of pastas and salads (with pickles, potatoes, etc) In order to reduce costs, they will introduce an automated line for making, packaging, dosing and labeling salads They saw this operation at Club Chef and were very impressed They will have this facility in operation by September 1999
- 3 The greatest benefit from the study tour was in the area of marketing and management techniques
- 4 Ten new dishes have been introduced as a result of the trip These include watermelon and salad decorations
- 5 They are now grilling poultry and fish in one of their restaurants
- 6 They will use design ideas learned on the study tour in the design of their new cafes
- 7 Became acquainted with IESC and had a volunteer help with their planning
- 8 Taifun took videos of their trip and purchased a cooking course on video which they have shown to their staff They are considering similar videos for Ukraine

Zmievskey Milk Plant, Victor Kisilyov, Chairman of the Advisory Committee was greatly affected by the study tour program

- 1 The tour changed the way Mr Kisilyov works He found it difficult to use all the information he gained For example, the financial systems work in the US and do not work in Ukraine
- 2 A liquid plastic bottling line is of greatest interest The company is working with Fasma on this project
- 3 The company will install French equipment (\$2 million) for packaging yogurt in plastic cups This line will start in February and will operate at high productivity
- 4 The enterprise has been restructured and some people have been let go They are now hiring people with higher qualifications
- 5 They are bringing down their unit costs by 20-30% with the restructuring and lower utility costs

- 6 The tour helped prepared Mr Kısilyov for making the tough decisions that are necessary without being afraid of the consequences

1st Kharkiv Milk Plant, Victoriya Marenych, Department Head reported the following took place as a result of the study tour

- 1 They are working on improving quality and reducing power consumption
- 2 They have changed their method of making cheese to improve quality and reduce power consumption
- 3 The company is now offering chocolate flavored milk
- 4 A new low-fat sour cream product has been added
- 5 A new "Homemade" cheese has been added to the product line
- 6 A new computer system for monitoring their production system has been added
- 7 They have opened their own retail store where they are trying new advertising and marketing methods learned in the U S

Borovskoy Milk Plant, Oleksiy Pavlov, Head Accountant reported on significant changes at their company

- 1 Borovskoy believes the benefits of the tour included finding ways for small independent companies to survive under the noses of larger better financed companies
- 2 Mr Pavlov convinced Borovskoy management to adopt a company logo to distinguish itself in the market Since Borovskoy is in the forest region of the Oblast, it adopted the fox as its logo
- 3 Starting in November 1998, all Borovskoy products display the fox on the face of the package It has helped Borovskoy establish its name and quality reputation in Kharkiv The fox has caught on as a logo with Kharkiv shoppers and Borovskoy would like to leverage that into additional sales throughout the Oblast
- 4 As the economy improves, Mr Pavlov sees Borovskoy moving into condensed milk and possibly expanding its markets into nearby villages

Kharkiv Edible Oil Plant, Tetyana Volovyk, Chief Technologist has had a significant impact on her firm

- 1 Tatyana has held numerous employee meetings within the plant to describe improvements that can be implemented based on her observations as a participant in the MTM Study Tour Due to the slow economy, improvements which require capital have been put on hold
- 2 One of the key benefits of the tour for Kharkiv Edible Oil was the winterization process using ammonia observed at AC Humko in Columbus, Ohio Kharkiv Oil is working on developing a similar process They would appreciate some additional information on the process if it can be obtained from Humko The new winterization process could reduce costs considerably at Kharkiv Oil
- 3 Based on observations from the MTM Tour, Kharkiv Oil believes they need to change their packaging and advertising American products are much more distinctive and consumer friendly than Ukrainian products Building a "brand" image is easier in the U S because of this Kharkiv Oil is currently working with the Kharkiv company Fasma to develop new packaging and advertising to promote its products in more markets New packaging and advertising plans are expected to be completed by the end of May

- 4 Tetyana observed that businesses in Ukraine needed to understand better their political situation They need to participate in legislation to improve their ability to get what they need to be competitive
- 5 The most important part of the tour for Tetyana was the division of labor in the United States and the attitudes of the workers In the U S workers are used to giving instead of taking They require little supervision and thus fewer middle managers are required to oversee each task The employees are flexible and work where needed, not like Ukraine where old stereotypes still exist and the workforce is less flexible

Kharkiv Milk Plant, Anatoly Bazyura, Chief Maintenance reported that

- 1 Kharkiv Milk plans to introduce new products but needs to purchase new equipment to do it This they will do just as soon they pay off some of their existing loans
- 2 They want to introduce new packaging and are studying the impact on prices and retail sales

Komarovka Milk Processing Plant, Viktor Sergiyenko, Director discussed their ambitious plans and activities

- 1 Komarovka has two main initiatives for 1999 which are a direct result of participation in the MTM Study Tour First is the consolidation of its production facilities Komarovka has a small meat processing operation on the opposite side of Kharkiv which is being consolidated with the main plant It currently produces canned meat in tin cans for export to Russia and for filling government orders (Army, etc)
- 2 The second initiative is an expansion of the dairy product lines into the manufacturing of margarines Mr Sergiyenko believes they can procure a stable supply of raw materials to produce their own line of margarine at prices that are competitive with other major suppliers This strategy will require new equipment and some up-front capital to establish contracts for supplies Financing will come from private sources as current bank rates make borrowing nearly impossible
- 3 Komarovka currently markets its own line of soft drinks in plastic bottles Its markets are the Donetsk oblast and Crimea resorts Komarovka will begin to market its soft drinks in the Kharkiv region to see if it can get acceptance
- 4 The meat operation currently purchases tin cans from Kupiansk Milk Plant As part of the agreement, Komarovka is prohibited from producing condensed milk Komarovka is currently seeking another source of tin cans closer to its plant so that it can expand into condensed milk This move will require very little capital investment and would be a natural horizontal extension of the company's product line

Krasnogradski Butter & Cheese Plant, Rayisa Manko, Production Department Head reported on the activities of her plant

- 1 Cheese production is the focus of all the processing at Krasnogradski Since October 1998 (the date of the MTM Tour) the company has shifted its production from its traditional cheese to fat free and low fat products From their American counterparts they had learned they could get higher yields at lower costs by shifting to low fat products
- 2 The aging process for the new cheese is one month compared to two months from its traditional product line Krasnogradski has not had a problem selling its new low fat cheeses It has helped the company meet its debts and remain in operation during these very difficult times

- 3 In addition to the new low fat/no fat cheese, Krasnogradski has been able to introduce, on a limited basis, a line of cottage cheese. Again, acceptance has been good and the outlook is favorable if the supply of raw materials can be sustained or improved.
- 4 In the United States, dairies pay a premium to suppliers in order to maintain a supply of raw materials year round. Krasnogradski is experimenting with something similar. They are currently paying their suppliers a premium to ensure a constant source of supply. Paying above market price has helped stabilize the supply, although it is far less than what is needed to meet demand.

Kupiansk Milk Plant, Svitlana Medvedyeva, Vice President Finance reported that the following took place as a result of the study tour:

- 1 Upon return from the United States MTM Study Tour Kupiansk struck a deal with an ADM soy supplier in Donetsk oblast for a supply of soy. The contact was made as a result of meeting with ADM executives in Illinois. As a result, Kupiansk is now making a soy based condensed milk.
- 2 Additional MTM Study Tour benefits include the introduction of chocolate condensed milk and the implementation of computerized tracking of costs throughout the plant (as observed at SIG Combibloc).
- 3 A new idea brought home from America was to sell whey in one kilogram packages to housewives for baking. This product has been well received and Kupiansk plans to expand it further as capital allows.
- 4 The company has some additional whey products in the approval process with Oblast officials.
- 5 Kupiansk will begin the production of ice cream this summer. It is believed that there will be sufficient supply of raw material at that time to make the venture pay for itself.

Rogan Meat Processing Plant, Svitlana Ulitska, Deputy Head of the Board reported:

- 1 Rogan is changing their cooling system to overhead cooling similar to what was observed in American plants. They have done the work themselves and have three chambers already converted. In February the equipment will be tested and in March or April they will use their own cooling system. The savings of \$97,000 US will come from a reduction of cooling currently purchased from Kharkiv Milk.
- 2 Svitlana has given seminars for 400-500 people about the study tour program.
- 3 Rogan has added a second person in Marketing after Svitlana returned to Kharkiv, and special emphasis has been placed on getting the proper training.
- 4 As part of consumer research (learned in the United States), specialists from the plant go to the Rogan kiosks (Rogan has 24 kiosks) to talk to consumers. They are getting very high praise for their quality, but again, price is a major issue.

Solbozhanski Agricultural Farm, Yuriy Tovstopyat, Head Economist:

After viewing American management to employee ratios, Mr. Tovstopyat improved productivity by transferring two employees to another area of the farm. Neither production nor quality has suffered as a result of the moves.

Ukrainian Edible Oil Institute, Tetyana Avdeyenko discussed the activities at her Institute following her return.

- 1 Tetyana held employee meetings when she returned from the United States to review the advantages American companies have in competitive markets. One of the biggest advantages was their ability to establish their brand name and target their customers with specific marketing plans.
- 2 To assist their member organizations, the Institute purchased American marketing software. The software helps businesses develop annual marketing plans. The staff is working on translations and sample marketing plans for training their member organizations.
- 3 CEI delivered a sample copy of the Bob Evans Farms 1998-1999 Market Plan. This plan is being translated and will be used as an example of a well defined and successful Market Plan.

Velikoburluskii Cheese Plant, Anatoliy Kovalyov, Chairman of the Board has had great and significant benefits from the study tour.

- 1 Velikoburluskii is planning two new hard cheeses and one or two new soft (processed) cheeses in May 1999 depending on the supply of raw materials.
- 2 Velikoburluskii has ordered vacuum packaging equipment through a Kiev distributor for introducing small consumer packages. At present all cheese is packaged in 7 kg wheels.
- 3 The 1999 plan calls for sliced and wrapped products much the same as retail stores in the U.S. market to consumers. Anatoliy Kovalyov observed in the U.S. retail stores that whole cheese sold for approximately \$8.00 per pound but when it was sliced and packaged it sold for \$10.00 to \$15.00 per pound. Velikoburluskii will try to duplicate the American pricing strategy as they introduce the smaller vacuum packaged consumer products. If successful, this could increase revenues by as much as 50% with only a marginal increase in expenses.
- 4 A second use of the new equipment will be to replace the paraffin overwrap on the 7 kg wheels with a vacuum package. This will reduce the drying and aging time by 3-5%. It also helps to reduce the product loss from poor paraffin seals. The net result of the reduced aging and product loss is the potential to increase the throughput by another 50-60 tons of cheese per month. While this will be impacted by the availability of raw materials, Velikoburluskii should certainly see some gain in 1999 revenues as a direct result of the use of vacuum packaging. The savings from eliminating paraffin are approximately \$32,000 annually.
- 5 Anatoliy Kovalyov made labor improvements at Velikoburluskii after he returned from the US. A total of 50 positions were eliminated generating a savings of approximately \$185,000 in 1998. Based on observations of US management practices, Mr. Kovalyov made each department head responsible for their section. This includes productivity improvements and internally generated savings. Elimination of waste was the first area tackled by the department heads, and Velikoburluskii now boasts of very little waste in the production process.
- 6 Due to improved labor organization and increased productivity, the company had been able to increase production, and therefore sales, by 20%. Other changes will help reduce costs by an additional 10%.
- 7 The company is planning to add a new computer systems that will tie together the current systems and thus will allow them to improve efficiency.

Background Information

Terminology

Several terms were used and discussed by most participants.

- 1 Technology This seems to apply to all levels of information, equipment, recipes, formulas, etc It never applied to computers or communications
- 2 Joint Venture This appeared to apply to all forms of cooperation with foreigners including direct investment, production agreements, sales arrangements, outsourcing, etc
- 3 Administration This is the government of the Oblast, located in the City of Kharkiv The Kharkiv City Council reports to the Oblast Administration The Administration appears to have a direct impact on most business activities and is interested in controlling the companies For example, the Oblast approves products a company can produce and market Sometimes this interest is as a result of owning shares in the company Some companies said they could not develop their plans for 1999 since the Oblast had not yet published their plans

All firms appear to pursue plans for vertical integration Businessmen are convinced this is necessary for survival The problem seems to be as much with taxes as anything else As a result, the businessmen do not specialize to drive down their costs For example, small sunflower processing and grain milling operations are common Since taxes are about 130% of profits there is little incentive for increased profits so long as the firm can survive

Newbiznet

Newbiznet reported that relations between the USA and Ukraine are not good as a result of the lost jobs due to the cancellation of the Ukrainian control systems for the nuclear power stations going to Iran Therefore, USAID decided to undertake the Kharkiv Initiative The Ukrainian government delegated the overview of the program activities to the Kharkiv Oblast Administration The Oblast appointed consultant Edward Simpson as advisor who works with Andy Bihun in the US Embassy All projects were stopped by Edward Simpson

Alexander Dudka has met with the Oblast Administration and they will make available, at no charge to CEI, a hall for a seminar It is important that CEI do a good job and make a good impression One friendly reporter from the mass media will be invited The media has generally been negative towards US programs

Mr Kolot remains in charge of the Oblast Department of Economic Development and is doing a good job In the City of Kharkiv, Yevgen Nazarov, Deputy Mayor is now very important and Mr Anatoliy Dulenko, CEI's former contact person on the City Council, handles only investment projects Mr Dulenko was formerly CEI's contact person

In August 1998 there was an economic crisis in Russia and Ukraine In Ukraine, 52% of the companies are closing and the average wage has dropped from \$120/month to \$40/month Inflation is about 5% per month and interest rates about 80% per year Presidential elections are coming up this fall and the government has started printing money Inflation and interest rates can only rise! People are now slightly less optimistic about the future than before the current economic crisis

CEI needed to pay Newbiznet the balance due for conducting the selection seminar and this was done In addition, it was necessary to pay for printing the technical manuals Some of the cash had been hand carried and the balance was obtained at Kharkiv banks through Visa transfers There was a small charge for this service, but it is certainly more satisfactory than carrying large amounts of cash to Ukraine

Newbiznet now has offices in the following Ukrainian cities Lviv, Rivne, Odessa, Mykolaiv, Kerson, Zaporizhia, Donetsk, Kharkiv, Kiev and in Chi sinau, Moldova

Technical Manuals

The two Technical Manuals had been completed by Newbiznet CEI decided to print 10 sets of color manuals and 190 sets of black and white Newbiznet eventually decided to print the manuals in-house Color copies were given to the Oblast (2 sets), Tim Dubel (USAID), Leland Cole, James Silberman A distribution list for manuals was left with Newbiznet and they will send out letters and copies

Energy

Energy is a major concern to all Ukrainian companies since its cost is so high Many companies have invested in more energy efficient equipment or had taken other steps to reduce energy costs One of the energy savings measures was to avoid heating office areas As a result, many meetings and meals were held in rather cold surroundings

Raw Materials

Throughout the following discussion there is much reference to the availability of raw materials

Sugar For all sugar companies, 1998 was a very bad year due mainly to the dry weather The harvest was very low and Ukraine did not even produce enough sugar beet to meet its internal needs Thus the plants could sell all the sugar they could produce Most sugar companies do not pay the farmers directly for the sugar beet Rather, they process the beet and retain a percent, usually 40%, for their service As a result, the sugar plant ends up competing with its suppliers Moreover, sugar prices from the farmers are not regulated, but prices from the plant are This enables the farmers to undersell the plant and makes it important for the plant to differentiate its products

Milk Most dairies are having difficulty getting enough raw milk Part of the problem is that they are often short of cash to purchase milk Moreover, when they do pay the farmer, the cash goes into the farmer's bank account Since most farmers are in debt to the bank or government, the money is withdrawn from the account to pay those debts and the farmer does not see the cash A third reason for the low milk supply is that cows on collective farms produce only 10% of the milk privately owned cows produce This is mainly due to the lack of incentive for the farmer to produce more milk

The Kharkiv Oblast currently gets 800 tons of raw milk per day More than 4,000 tons of raw milk are needed daily to meet the capacity of the oblast dairy plants It is possible that some rationalization is called for If cash were paid for the raw materials, supply would probably increase by 40% or roughly another 320 tons per day

Meat Some companies report a shortage of meat while others do not Part of the problem is due to a shortage of animals since the herds have been depleted to raise cash The major problem appears to be lack of cash to purchase the meat There are more than 140 illegal meat processing plants in Kharkiv alone which reportedly pay cash The legal companies cannot afford to pay cash and thus the illegal ones buy up the meat supply The local authorities are well aware of these illegal firms but are reluctant to close them down There also may be some problem concerning the cost of meat due to VAT CEI was not able to confirm or understand this

Fruits, Vegetables, Other Farmers are short of cash with which to purchase fertilizers Therefore, their yields suffer

Edible Oils - Sunflower seed oil Ukraine currently produces, according to the Edible Oil Institute, 1.5 million tons of sunflower seeds In 1998 they exported one million tons and are processing the remaining amount in Ukrainian plants Weather permitting, Ukraine could produce nearly 2.5 million tons of sunflower seeds in 1999 Production requirements at oil producing plants in Ukraine could use all of that amount

Update on Economic Conditions at the Plants

1st Sugar Plant Named after Petrovskiy Last year the company worked only 40 days but it needs to work 100 days to be profitable In 1995 the company produced 32,000 tons but in 1998 produced only 14,000

The company helped the farmers by supplying two harvesting machines However, the farmers produced less beet due to the hot and dry weather, a lack of fertilizers, and a desire to grow grain rather than sugar beet

Due to the poor harvest, a neighboring sugar company did not work at all in 1998 Ukraine has too many sugar plants and these need to be rationalized Nevertheless, all the sugar companies are preparing for 1999 when they hope the harvest will improve

The company is located in a small town and is the only employer for the local population It also produces molasses, whiting for white washes, and operates a small bakery and sunflower seed processing unit

Barvenkovskiy Food Plant The company has not installed new technology but there were many small things they liked Production is down due to the economic crisis and the firm must reduce employment by 40%

The company has a bakery which produces 2,000 items/day A separate operation is a sunflower seed processing facility that is quite old Macaroni is produced on two slow machines in another facility There is a bottling line for fruit juices which was idle when we visited in January The company bottled some water from a local well Although there is a good profit margin in bottled water, the firm is having trouble finding cash to purchase empty 2 liter plastic bottles They expect to restart this operation in April and market the product in Kharkiv

Two weeks after they returned from the study tour, they held a press conference and seminar for about 30 people in the area, including local Rayon officials They showed their video and other materials collected

A lack of cash and methods of financing is a major problem for the company Interest rates are 80% per year As a result, they are looking for investors Although CEI is not in a position to find investors, it offered to review an English language version of their business plan

Fasma Mr Gonskiy still cannot believe how useful and valuable the study tour was. It opened his eyes to many new possibilities and a new understanding of the workings of a market economy. What they saw in the US proved that he was correct in pushing for volume production.

Interfruit. Interfruit was not interviewed because they are in a difficult financial position as a result of the financial crisis in Russia. Alina Zhylyna is no longer with the company.

Kolos Farm Due to pressing business problems, Oleksandr Strogii, Owner, had to return to Ukraine early and participated in only one week of the study tour. However, there were some things of interest to him although the technology was generally the same.

Kolos Farm is now renting land from the peasants and will soon be farming 3,500 hectares (8,648 acres). He felt that the farmers were probably not producing enough, but the main problem was inefficient processing plants.

As with most companies, they feel they must not specialize in order to spread their risk. The company grows grain and has one bakery. They are now looking for a small mill to grind grain. This will have a two-year payback. They grow sunflower and want to install a small oil processing plant. They have a large number of hogs and are considering a meat processing operation.

Taxes are a major concern and there are 25 different taxes to pay. Since the tax burden is so great, the government has decided not to collect VAT for five years. This will allow the farmers to accumulate cash for expansion. There is also a two-year land tax holiday. Last year the company paid 78,000 Hr (\$22,000) in VAT.

Kolos Farm operates six small retail stores and one cafe. They employ 120.

The bakery employs 16 plus two drivers. They operate 3 shifts/day and make 1,500-2,000 loaves/day in Turkish ovens. They sell to small shops in the area and can adjust to the needs of the local customers.

We toured the farm area where equipment was being repaired. Spare parts can easily be obtained in five days if you have cash. In one of the farm buildings we were surprised to find a very large, new, bright red Massey Ferguson tractor and combine. There was also similar equipment from Germany. This apparently had been obtained from a large government program to help the farmers and Kolos Farm was the only private farm to participate.

Kongressovskiy Sugar Plant This plant is located northwest of Kharkiv near the Russian border. We talked with the plant director and he was very pleased with the study tour program. The plant shares the factory with the local collective farm with whom they work closely and they are the only employers in the village. There is a Russian sugar plant nearby with which they have a good working relationship.

The harvest last year was very poor due to the drought and a lack of fertilizers. Despite the fact that they had orders for 4-5 months of production, the plant operated just 28 days. As a result it

operated at a loss of 351,000 Hr (\$99,000) and produced only 4,533 tons of sugar. In 1998, the Ukrainian sugar industry operated at 1995 levels.

The plant processes sugar for farmers in the area. It does not pay cash for the sugar beet, but returns 60% of the sugar to the farmers and keeps 40%. Therefore, the plant ends up competing with the farmers.

The plant operates at a high processing level and is retrieving 83% of the potentially available sugar in the beets. When the plant is not in the working season, they employ 30-40. In February, the plant closes except for security and management.

Serguei Pogribnyak returned to Ukraine with many new ideas, and presented the ideas to the local management. However, due to the economic crisis, the company has little cash for expansion.

Nadiya Agricultural Farm The company is a large processor of fruits, vegetables and fruit juices. A variety of these were sampled in the laboratory. These included berries of various kinds and juices, including pumpkin. The tastes were generally unfamiliar to an American pallet. In addition, the company has a large vodka production operation.

The company is interested in marketing its products to the US. It realizes that it will have to change the packaging from pry top lids to screw top lids and this it is planning to do. CEI felt that taste tests of the products should be conducted before more marketing activities were carried out. Four samples were brought back to the US for sampling.

The company is interested in grain mills and in the production of hard cheese. There is as much as 50 tons of milk per day available in the area. There is also a largely untapped market for diet foods, including drinks. The firm wants to go into food for children aged 3-15 and asked CEI to help find technologies, videos, and trends. There is also a market for rice with meat and rice with fish. They plan to add new lines for soft drinks and bottled water. CEI was asked if there is a line analogous to Tetrapak. If there is, there is interest in a line for mixed products such as milk, juices, etc. They need to process 3,800 tons/hour.

After meeting with the company, we met with the local Rayon officials where there were many questions about the study tour program. They felt the only products that were profitable in the area were grain, sunflower seeds and bottled water.

Novoivanovskiy Sugar Plant The plant has had a difficult year and new directors will be in place in March. They want to extend the working year by 4-5 months. Therefore more value added products will be added.

Pervkhinskiy Sugar Plant Upon his return to Ukraine, Mr. Rud had trouble adjusting. He had too many new ideas and things to do. In fact, he had difficulties with his management over this point. One of the benefits of the U.S. tour was that Mr. Rud came to realize that U.S. managers were allowed to make decisions for themselves.

The economic crisis in Russia has also affected Ukraine. The energy prices are much higher but unfortunately the price of sugar has held constant - squeezing profits. For example, they have had

to barter sugar for electricity. Last year they worked 33 days and produced 67 tons of sugar. This is one third of their past production levels. The breakeven point for the plant is 62-63 days.

Rosinka CEI offered to provide Rosinka with a U.S. contact at Tyson Foods.

Savinskiy Sugar Plant We visited the facilities and were shown three sugar processing machines, the laboratory, and sections of the processing plant. The operation of the plant, including the receipt and shipment of products by rail, was explained in detail.

Viktor Loza remarked that he liked the American financial systems and the Ohio State Fair.

Taifun The Directors were very impressed with America in general and specifically with the fast food business where they made particular note of Denny's. Although they looked in the US for a better way to produce thin pancakes, they were not able to find one. In fact, CEI believes there may be a market for Ukrainian pancakes in the US. Taifun felt that new technology was difficult to transfer since the business environment is so different.

Suggestions for future programs

- 1 They would like to have an intern program for 5-6 people from one firm (CEI comment: this would be extremely difficult and expensive to implement). Mr. Zaytsev noted that this was done in the Marshall Plan days, but not to the knowledge of James Silberman.
- 2 There should be a follow-up program.

Zmievskoy Milk Plant The supply of raw materials is very low. Farmers' yields get lower and lower every year. Milk is bought for cash but most plants don't have the cash to buy. The collective farms have large debts and only the private companies have cash for purchases.

1st Kharkiv Milk Plant 1st Kharkiv Milk has run into some very difficult problems since Victoria returned to Ukraine. Due to the economic crisis, the plant is now working just 1-2 days per week. The problem is a lack of raw milk since there are fewer cows and the company is short of cash. The plant has a capacity of 300 tons per day and it is receiving only 5 tons per day. As a result, production is only scheduled for one day per week. Most dairies have specific districts committed to them for raw milk, but 1st Kharkiv Milk does not have such a commitment and must therefore compete every week for its supplies.

The second, and equally as troublesome problem is a lack of working capital. With reduced production it is difficult to determine when there will be sufficient working capital to purchase additional supplies.

Barvenkovskiy Milk Plant The dairy is temporarily closed for remodeling. The Director has been able to pay down part of the company debts and is trying to survive. Their milk is being processed by another dairy.

Upon his return from the study tour the Director consolidated his notes and plans to put the ideas into operation as soon as the plant is operational.

The Plant has decided to go into the production of sunflower oil and has built a small processing plant. Next season they will be in competition with their neighbor, Barvenkovskiy Food Plant. In order to obtain seeds, they plan to rent land on which to grow sunflower.

Borovskoy Milk Plant Borovskoy is a small dairy located in a somewhat remote area of the Oblast. There is a large, more modern plant nearby which is completely idle.

Of all the companies visited, Borovskoy probably has the most aggressive plans to expand their local markets. They seem to have a more entrepreneurial spirit towards expansion using techniques learned on the tour. Strategy planning for such a roll-out has already begun assuming the economy will begin to recover before the end of the year. Time will tell if that prediction will hold up.

Chuguev Milk Plant Upon his return to Ukraine, Mr. Dokuchayev found that the company had new ownership and that all Directors were replaced. The new Directors were not interested in learning the information that had been obtained by Mr. Dokuchayev.

Kharkiv Edible Oil Plant The visit began with a meeting with Alexander Vasilenko, Chairman of the Board for Kharkiv Edible Oils. Mr. Vasilenko was very supportive of applying US techniques in management and marketing at Kharkiv Edible Oils. Tetyana was promoted to Chief Technologist upon her return from the United States.

Mr. Vasilenko summarized the desires of Kharkiv Edible Oils to find a joint venture partner with a company in the United States. He is interested in discussing any form of investment with an American company including franchising, distribution, or private label packaging. While Mr. Vasilenko was interested in promoting Kharkiv Oil mayonnaise, it was explained that the short shelf life (Ukraine does not use preservatives) would be a detriment in trying to develop an American market for their products. A better fit might be Kharkiv Oil's dessert margarine which could easily command a premium in US health conscious gourmet markets.

Kharkiv Meat Processing Plant This plant was forced into bankruptcy shortly after Olena returned from the United States. She was unable to make any suggestions to improve operations based on what she observed in the U.S. meat processing plants. She is hopeful that new investors will be found and that the plant will reopen.

According to Ms. Oliynyk, the company finances were insufficient and borrowed funds were not used wisely. There are more than 500 meat cooperatives in Kharkiv so raw material was not a factor in the bankruptcy proceedings.

Kharkiv Milk Plant Kharkiv Milk needs time and financing. As a result of the economy they have lost production and specialists. Since returning to Kharkiv, Mr. Bazyura reports that Kharkiv Milk has laid-off 150 employees and now has 350 to 370.

Komarovka Milk Processing Plant Komarovka currently has 88 employees. The dairy receives 10-17 tons of raw milk per day. Depending upon the daily delivery, anywhere from five to fifteen employees are used to complete the day's processing. Production for the soft drinks and meat plant are separate from the dairy.

In addition to the dairy, Komarovka has 4 retail stores, 1 cafe, and 2 kiosks to sell its products

Mr Sergiyenko observed that manufacturing personnel work 2-3 times harder in U S than in Ukraine During the time spent in the U S some companies went bankrupt Many other companies are on the verge of bankruptcy Dairies should work quickly to fill the void so they can ensure supplies

Krasnogradski Butter & Cheese Plant Krasnogradski has been limited by the same problems which impact the rest of the Oblast - namely a lack of raw materials and a very soft economy The plant currently receives 4 tons of raw material per day or roughly 1/10th of what is needed to meet the demand for its products As a result most of the plant remains idle They have 100 employees

Kupiansk Meat Plant The Kupiansk Meat Processing Plant was closed when Vitaliy Kozyryev returned from the study tour and therefore there is no report for this company

Kupiansk Milk Plant When Mrs Medvedyeva returned to Ukraine, Kupiansk had a lot of debt that it owed its collective farm These debts were paid off allowing Kupiansk to buy raw materials from non-collective farms The quality of the milk supply has improved, and Kupiansk has initiated market-based pricing (similar to that used in the US) to ensure a continuous supply

Kupiansk receives 30 tons of raw milk per day which is roughly ½ of their minimum needs As a result, the milk is stored until they have sufficient quantity to begin production - usually every other day

Late in 1997, Kupiansk purchased Swedish equipment for packaging long shelf-life milk (Tetra Pack) The loan for that equipment must be repaid in 1999 Repayment will mean delaying some of the MTM Study Tour benefits until 2000 - such as the introduction of a full line of yogurt

Rogan Meat Processing Plant Rogan is currently working with the Baron's Group on the USAID-funded program for Enterprise Restructuring in Ukraine Marketing, which will be included in the restructure - it is one of their major weaknesses

Rogan's main competitors are located in the Sumy and Poltava Oblasts Their pricing is similar and Rogan can compete if they establish a brand name

Accounts Receivable is a problem Nonpayment has increased steadily in the 2nd half of 1998 as the economy has gotten worse Rogan needs the cash to buy raw materials and pay its expenses

About 30% of the company's sausage is now smoked They are able to make 5 tons of hot dogs per day, but currently produce only one ton They purchase additives and flavorings from a Czech firm

Rogan is trying to decide how to compete with the 140 small unauthorized meat producers in the Kharkiv area These firms do not pay taxes and keep prices low Recently the Oblast agreed that stricter standards should be enforced on these illegal firms

Demand for meat products is declining, probably due to the economic situation. Raw materials continue to be a problem since the poor farmers have slaughtered much of their cattle. The illegal firms are able to pay cash for the raw materials and thus there is less for the legal firms.

Solbozhanski Agricultural Farm Solbozhanski has made few improvements since returning to Ukraine. The MTM Tour was unable to schedule a tour of an American farm.

The economy is much worse now than when Mr. Tovstopyat left for America. With less cash available to purchase hogs and the number of meat processing company failures, Solbozhanski has had to look in other oblasts for potential customers. Some piglets are being sold to Russia in an effort to expand business. Since Solbozhanski is close to the Russian border, Russian buyers send trucks to the farm twice per month to pick up piglets.

The farm was started in 1929. It opened its main office building in 1932. The village, consisting mostly of farm workers, began in 1973. A large celebration is scheduled this summer to commemorate the 70th anniversary of Solbozhanski Agricultural Farm. At present, the farm has 8,000 hogs at the breeder farm (headquarters location) and more than 100,000 hogs at the main farm. Each hog is kept in an individual stall. Watering, feeding, and cleaning of the hogs is automated (some methods and equipment are outdated but still in very good working condition).

Sanitation at both farm locations is excellent. Employees are required to shower and dress in clean sanitized clothing each day. The farm provides the shower, dressing rooms, and clean uniforms and shoes. The stalls are hosed down automatically throughout the day to wash away excrement and other material which may infect the hogs - a sanitizer used to be applied in the water but was discontinued several years ago to reduce costs. Walkways between and within buildings are cleaned three times a day.

Solbozhanski has three types of hogs, Large White, Landros, and Urock. Each produces different yields, and is sold into a different market.

From infancy, the hogs are fed for approximately 200 days or until they reach 112 kg (246 lbs). To feed all the hogs at Solbozhanski Farm some 150 tons of feed is used per day. An adjoining feed processing plant, owned by another cooperative, supplies the feed. During the off-season, feed arrives by rail and is transported to Solbozhanski by means of elevators and conveyor belts.

Solbozhanski operates a small meat processing plant near the main farm. It produces canned meat, smoked meat, smoked piglets, and its own sausage. Prior to October 1998, nine people worked in the plant.

Ukrainian Edible Oil Institute The Institute is State funded but is expected to earn most of their operating budget themselves by charging their members for services. It has 120 employees serving 25 member companies. The smallest member has the capability of processing 200 tons per day and the largest can process 1,200 tons daily. The 1999 operating budget of the Kharkiv facility is approximately \$300,000. The member companies look to the Institute to develop business plans, feasibility studies, research and other forms of support to keep them competitive with European and Russian producers.

Ukrainian Edible Oil Institute is currently working on restructuring Ukrainian edible oil plant refining processes to meet European standards

The Institute is currently seeking funding (\$25-60 million) to build a new sunflower seed processing plant in Kharkiv. Cargill, a US company is building a new plant in Donetsk capable of producing 300,000 tons of sunflower oil annually. Last year, the Institute helped design a new plant also capable of producing 300,000 tons of oil per year for a partnership between Olena and Citreon (European funding). The proposed Kharkiv plant would employ state-of-the-art technology and be capable of producing 1,000,000 tons of finished product annually, similar to what Tetyana saw when she visited ADM

A discussion of the current economic situation and the potential for a satisfactory return to investors left little hope that funding could be found. According to the estimates of the capacity of the new and proposed Kharkiv plant, the three plants combined could consume all of Ukraine's current supply of sunflower seeds and sixty-five percent of all potential supply. That would leave the 25 member companies of the Institute without sufficient quantities of raw materials and force them into seeking alternative seeds for processing such as soy.

Suggestions for future programs

- 1 Visiting two companies per day is too many
- 2 They would like to work longer with a specialist at each company
- 3 There were too many subsectors on the tour. The tour should be split if there were multiple subsectors
- 4 Time could be saved with a set of standardized questions (employment, sales, etc.) which might be answered ahead of time
- 5 They wanted to see suppliers such as farms
- 6 A loudspeaker system would be helpful in noisy surroundings

Velikoburluskii Cheese Plant Velikoburluskii produces whole milk, lactose, cheese, butter, kefir and sour cream. The company had 322 employees at its peak of production. It now employs only 70-80 depending on the availability of raw materials.

Upon returning to Kharkiv, Mr. Kovalyov concluded an agreement with a Belgian company to supply powdered fat-free cheese to the Belgian processing plant. Velikoburluskii will take their product, process it into a powder, and deliver it to the Belgians who will then reprocess the powder into finished goods from their own plant. The contract is for \$260,000 and the Belgians provide the equipment required by Velikoburluskii to meet the agreed-upon amounts. Because cash is so crucial in Ukraine, the Belgians prepaid 52,000 DM in operating capital. This allowed Velikoburluskii to acquire the supply of raw material to meet its commitment.

Seminars

Tour Seminars

Seminars for tours 1 and 2 were held at the Newbiznet office on Saturday, January 30 and Sunday, January 31. The purpose of these seminars was to have the tour members share their post-tour experiences and to give CEI a chance to hear from the companies they had not been able to visit. The comments by the participants are incorporated in the company discussions.

The participants were given the following questionnaire by the Oblast Administration

QUESTIONNAIRE

To represent the results of the MTM Productivity Study Tour to the USA at the seminar held in the Regional State Administration on February 2, 1999

- 1 What technological processes learned in the United States do you plan to introduce at your plant?
- 2 What are the terms, costs and sources of financing for the planned introduction of the American technologies?
- 3 What will be the advantages of application of the American technologies at your plant?
- 4 How do you estimate the readiness of American companies to participate in creation of a joint venture with your company?
- 5 Are you interested in visiting the USA additionally to establish new contacts and receive additional information? What specific questions are you interested in? What is the necessary duration of the tour?
- 6 Are you ready to visit the USA for getting additional knowledge at the expense of your company?
- 7 What changes can be introduced into the MTM Productivity Study Tour in order to improve its efficiency?
- 8 Name of the company, main activities

Oblast Seminar

On Tuesday, February 2, a seminar was held at the Kharkiv Oblast Administration. The purpose of the seminar was to inform Oblast officials about the MTM Productivity Study Tour Program. Members of the Oblast Administration, Kharkiv City Council and press were invited as well as all the participants (most of whom were in attendance). The meeting lasted more than two hours. Alexander Dudka acted as moderator. Leland Cole gave an introductory talk covering the background of the program and the selection process. Six participants made presentation on the program from the perspective of their industry. There was a short question and answer period after each talk. At the conclusion of the meeting two Oblast officials gave short talks about the importance of the program and the need for the participants to disseminate the information to others in their industries. Technical Manuals were distributed to the Oblast officials and to the participants.

After the meeting, the reporter interviewed Leland Cole and a complimentary appeared in the Thursday edition of the Evening Kharkiv.

3. Overview: Fruit, Vegetable and Sugar Study Tour

(August 5 to September 1, 1998)

The purpose of the MTM productivity study tour program for Kharkiv, Ukraine program was to give rise to a rapid and visible increase in living standards for the Ukrainian population as a whole by introducing key Ukrainian managers in key industrial subsectors to modern management, technology and marketing methods in the U S. Initially the Center for Economic Initiatives (CEI) selected the Fruit and Vegetable processing subsectors for the first tour in order to introduce the benefits of the Marshall Plan approach to these two industries. After consultation with government officials in Kharkiv, Sugar processing was added although it was not included in the budget. All three of these subsectors produce products that are basic to the needs of the Ukrainian population.

The study tour group included 15 participants plus two interpreters and one technical writer. Under the direction of the Tour Consultant, the group of 18 visited 24 organizations over a five-state area. The size of the group was economically most efficient. It would have been difficult to arrange visits for a group of 20 or more, while a smaller group would have increased the cost per participant. Due to budget limitations, the tour area was restricted to Ohio, Michigan, Indiana, Illinois and Kentucky. This was quite adequate for fruit and vegetable processing. However, since most sugar processing is done in Wisconsin and Minnesota, the budget restrictions limited the number of sugar plants that could be visited. Ideally, the sugar group should have had its own mini sub-tour.

The sites visited were carefully selected to meet the diverse needs of the group. Since the tour group represented three different subsectors, each participant visited some plants that were outside their area of interest. Nevertheless, there was much to be learned on every visit since management, marketing and distribution topics were common to all.

The length of each visit was determined by the host company. In almost all cases, the visits were scheduled to last three hours and were planned for the morning or the afternoon. At each site there was a short introduction by management followed by a tour of the facilities. A question and answer period followed. In almost all cases, this was an extremely lively session and extended far beyond the initial schedule. The U S hosts were extremely generous with their time and information. The enthusiasm of the participants rubbed off on the host companies and many offered to host future programs.

During their stay in the U S, the group visited 15 food processors, 2 distributors, 2 retailers, 1 exhibition, 2 equipment suppliers, 1 trade association, 1 government agency, 1 university (3 lectures). In addition, they heard lectures from five experts on varying subjects. A description of the individual host organizations is included in this report. As a result, the participants were able to get a very broad view of their industrial subsectors.

Some of the participants expressed serious interest in purchasing American products and equipment. The Tour Consultant has agreed to facilitate communications between the Ukrainian and American companies.

There was considerable press coverage of the study tour. Both major Cincinnati daily newspapers carried stories. One of the main local TV stations covered the tour three times, once on their main evening news.

At the conclusion of the study tour each participant was interviewed in depth to record what they had learned and to measure the potential impact of the tour on their individual firms. CEI was pleased to learn that all had concrete plans to introduce productivity improvements to reduce their costs of production, add new products to their lines and institute management changes. Typically, the firms felt that the new products would lead to sales increases of up to 50%. The participants estimated that the technical improvements would result in cost reductions of up to 30%. These and management changes would lead to increased profitability of about 20%. These findings are summarized in the following table and recorded in Section 16 entitled "Evaluation by Tour Members." Note a blank entry in the table indicates that the subject did not arise in the interview.

Summary of Projected Program Benefits from the Fruit/Vegetable/Sugar Tour

Company	Revenue Increases	New Products	Cost Savings	Profit Improvement	Equipment Purchases
Fruit Industry					
Interfruit	40-50% with new products	Six new varieties of drinks			Flavorings
Zmievskey Milk Plant	30-50% with better marketing	New fruit juice drinks	20-30% with new packaging		Flavorings Packaging equipment
Vegetable Industry					
Barvenkovskiy Food Plant	15% due to new advertising	Flavored croutons shelled sunflower seeds	30% on operations and reduced personnel	New products to return bakery to profitability	
Nadiya Agricultural Farm			20% from improved product flow		
Rosinka	60% due to new products	Fast food for children			
Taifun	\$1 million on salad products	Potato salad line new pancake varieties	Many due to improved management	Many due to improved management	Flavorings
Sugar Industry					
1 st Sugar Plant Named after Petrovskiy		New packaging		5-10% due to new packaging	
Kongressovskiy Sugar Plant		New sauces syrups icings	Improved output per worker		
Novorvanovskiy Sugar Plant	15-20% with new products	New packaging sizes syrups etc	30% with improved procedures and reduced waste		
Pervkhinskiy Sugar Plant	50% due to new products and packaging	New packaging yeast			
Savinskiy Sugar Plant	50% due to new products	New packages brown sugar icings toppings			
Equipment Supplier					
Fasma	30% with sales to vegetable processors				

On two additional occasions, the tour members were asked to record their comments and observations. The first was at an interview conducted while the group was visiting a large international super market. These interviews were video taped and the text is included in Section D of the appendices entitled "Final Tour Visit Interview." The second was a written questionnaire that was filled out at the end of the tour. These results are recorded in the Appendices Section C entitled "Exit Questionnaire Results."

This first Marshall Plan study tour for fruit, vegetable and sugar was deemed a great success by all the participants and by CEI. Only by seeing for themselves were these industry leaders able to learn new techniques and discover new products they can apply to their firms without the need of large new investments.

4. Overview: Meat, Dairy and Edible Oils Study Tour

(September 13 to October 10, 1998)

This section details the anticipated benefits that the Meat, Dairy, and Edible Oils Industry participants expect to achieve as a result of their tour. This information was gathered from exit interviews with each tour participant, and shows the tremendous opportunities that exist to raise productivity in Ukraine, and with it the overall standard of living.

There is a tremendous upside to the tour and the benefits to Ukrainian companies are impressive. Productivity improvements can be achieved in most cases without additional capital requirements. Average cost reductions are estimated at 10%-15%, with some of the savings going back into the business to create even greater productivity gains. Numerous new products are anticipated, and revised package sizes that make products more appealing to lower income Ukrainian workers. This will stimulate the economy and create new jobs. New products will be launched to compete with European imports. For example, many of the meat companies want to add soy and flavoring to their sausages (heretofore unheard of) in order to compete on a price basis with their European counterparts. Packaging will be improved, and market research will help to align new products with the needs of consumers rather than producing what is most convenient for the manufacturer.

American businesses have many opportunities either to invest or take an active role in the development of Ukrainian business. For example, Archer Daniels Midland, a soy processor in Decatur, Illinois, has offered to assist any of the Ukrainian meat companies in learning to add value and flavor through the use of ADM soy products. ADM will also be working closely with Kupiansk Milk Plant in the direct procurement of soy products for processing (eliminating a Russian distributor). CVP Systems, Inc., a vacuum packaging manufacturer in Downers Grove, Illinois, was of prime interest to the cheese and meat processors since their equipment is affordable, and can justify itself with reduced product losses. Hobart Corporation, Troy, Ohio demonstrated state-of-the-art meat grinders, saws, and self-sharpening slicers which are also affordable. While it is difficult to ascertain the eventual dollar value of these and other potential purchases from US suppliers due to the current Ukrainian economic situation, some subset of purchases will occur over the next year, and American businesses are now better positioned to be the recipient of those orders.

The following table summarizes the expected benefits to Ukrainian firms for increased revenues, new products, cost savings and profit improvements. Also, potential equipment purchases from American suppliers firms are shown.

Summary of Projected Program Benefits from the Meat/Dairy/Edible Oil Tour

Company	Revenue Increase	New Products	Cost Savings	Profit Improve	Equipment Purchases
Dairy Industry					
Barvenskovskiy Milk	30% with add of new stores	Yogurts Ice Cream New Packaging Culture products Cheese Chocolate Milk, Ctage Chees	Avoided Const Cost, Fewer Mgrs	20% Annual	Vacuum Packaging
Borovskoy Milk			20% Energy Savings		None
Chuguev Milk				20 25% Annual	Automated Boilers
1st Kharkiv Milk			Reduced Energy Consumption	10% Annual	Cottage Cheese Line Vacuum Packaging
Kharkiv Milk			30% Energy Savings	3 5% Annual	US Compressors Skid Mounted Generators
Komarovka Milk		Skinless Sausage New Packaging	Mgmt Headcount Reductions	20% Annual	Vacuum Packaging
Kupiansk Milk		Soy Based items Ice Cream	5% Shipping 8% Overall	6% Annual	Computers Packaging Equip
Krasnogradskii Cheese	10% Annual	Low Fat and Fat Free Sour Cream	10%		Auto Slicers Vacuum Packaging
Velikoburluskii Cheese	15 20% Annual	4 Hard Cheese 2 Soft Cheese	Headcount \$30k Losses -\$90k, Paraffin \$45k		Vacuum Packaging Cooling & Sanitizing System
Meat Industry					
Kharkiv Meat		Burgers soy Sausage	\$120K Annual		Chlorine Shower Rails Vacuum packaging
Kupiansk Meat			Personnel Improved buying	10% Annual	Sanitizing Equip Vacuum Packaging
Rogan Meat		Soy Based prod Hamburger line	2% Energy Personnel	5% Annual	Meat Saws Slicers
Solbozhanski Farm		Corn & Soy Crops Sausage	Acquisition of Feed	15% Annual	Coolers & Refrigeration
Edible Oils					
Kharkiv Edible Oil	20% Annual Exports to U S	New Oil from Fractionalization			Filling & Packaging Machinery
Ukrainian Oil Institute	20% for the Industry	Flavored Mayo Smaller Packages			Packaging Machine Re sealable Jars

5. Program Preparation

From September 30 to October 20, 1997, Leland M Cole and Rostislaw Donn visited Kiev and Kharkiv for the purpose of organizing the first stage of the grant, including the pre-tour selection seminar

Department of Economic Development (DED)

The grant specified that CEI work closely with the Department of Economic Development (DED) of the City of Kharkiv. All initial contacts were with representatives of this department and the detailed program in Kharkiv was organized by Mr Igor Matushenko, Deputy Director, External Department of Economic Affairs and his assistant Mr Nikolay Rbin. One of them accompanied us on all company visits within the City.

On the first day in Kharkiv the CEI representatives met with Mr Anatoly Dulenko, Department Principal, to review the program. He expressed his disappointment with the time it had taken to get the grant. A reporter from the local TV station interviewed us and this was aired on the evening news. A press release was prepared by the DED and this appeared in five local newspapers. Two large press conferences were subsequently planned but never took place. A second reporter and TV cameraman later recorded a visit to a local retailer.

Several CEI documents were translated into Russian for discussion with the DED. One of these was an Agreement which laid out the responsibilities of each organization. A second document was entitled "Participant Selection". Early in the visit these documents were discussed with Mr Matushenko who added some points of clarification. Generally there was full agreement with the documents.

After the initial meetings with the DED, it became clear that the CEI strategy of working closely with the DED was unrealistic. Despite later denials, the City had neither the funds, facilities or personnel to carry out an effective program. It was also anticipated that the City would help fund some activities including the pre-tour seminar and the publishing the technical report. When this assumption proved not to be true, the MTM program became short of funds for these activities. A solution to this problem became one of the major goals of the trip.

CEI informed Mr Matushenko that they would hire a program coordinator to run the MTM program and he agreed that the City was unable to supply the necessary services. All references to items requiring cash outlays from the City were removed from the proposed Agreement. A statement was added to clarify that CEI would hire a program coordinator and much of the time in Kharkiv was devoted finding that coordinator.

A second point of major disagreement between CEI and the DED concerned a request by the City that they appoint half the tour participants. This request was rejected since it was in direct violation of the USAID grant. It was never possible to reconcile the differences and agreement was never reached.

After the CEI/Newbiznet agreement was signed, Mr Dudka phoned Mr Dulenko to determine his interest in the program. Mr Dulenko stated that he was no longer interested. Therefore the seminar program proceeded without further discussions with that department. As a courtesy,

Rostislav Donn phoned Mr Dulenko's department before the seminar to inform him about it and to invite him to attend. Messages were left but there was never any actual contact.

Subsector Selection

The original plan was to have one of the study tours for fruit and vegetable and the second tour for meat, dairy and edible oils. This plan was covered early in the visit with Mr Matushenko and there was agreement on the selection of meat and dairy. There was some question about number of firms in the other subsectors. It became clear that the City officials was not considering the needs of Oblast. This topic was later discussed with Newbiznet and IESC who pointed out the large number of food processing firms in the Oblast. They also pointed out the serious problems in the very large sugar processing industry. After all these discussions, CEI concluded that the best resolution would be to have fruit, vegetable and sugar on the first tour and meat, dairy and edible oils on the second. It was also recognized that there were probably too many subsectors involved, but that the subsectors had much in common and the participants would gain from visiting the related companies.

After the subsector decisions had been made, Mr Anatoly Dulenko, Principal of the DED requested that bakery be added. This request was rejected.

Steering Committee

In the original grant proposal, CEI proposed a Steering Committee to help with the selection process in Kharkiv. This committee was to be chaired by Mr Dulenko, Principal of the DED.

CEI proposed industry respected members for the Steering Committee. These were rejected by Mr Dulenko who proposed alternatives who were all in the City government. These were rejected in turn by CEI. In the end, the idea of the Steering Committee was dropped. In hind sight, this committee was not required and the program functioned well without it.

Company Visits

The CEI representatives wanted to visit companies in the selected subsectors. An initial schedule proposed by the DED with 19 companies, many of which were not in the selected subsectors. Eventually 12 firms were visited. All were interesting and a great deal was learned, but four were still outside the interest of the study tour program. The following companies were visited:

- 1 Master Holding, Grigory Spivak, Head of the Board
- 2 Kharkiv Pasta Factory, Vasily I Sas, Gen Mgr
- 3 Rogan Meat Processing Plant, Evgeni Pigarev
- 4 Commercial House #7, Yuri Polovko, President
- 5 Kharkiv Yeast Plant, Chief Engineer for Alexander Vassilanski
- 6 Cryocon, Alexander Osetsky, Director General
- 7 Taifun Ltd, Vasyl Zaytsev President and Yuri Absalyamov, Director
- 8 Kupiansk Milk Processing Company, Alexander Radchenko, General Director
- 9 Kupiansk Meat Processing Company, Leonid Radchenko, President
- 10 Agrofytofarm, Vasily I Sidko, Director
- 11 Prikolotnyanskiy Oil Extraction Plant, Vladimir Shcherban, Chairman
- 12 Express Agro, Viktor A Kuznetsov, President, Viktor G Burtsev, General Director
- 13 Bakery #3, Viktor A Shvachi, Director
- 14 Kharkiv International Business Center (KIBC), Alexander B Schislenok, President

Kharkiv Oblast

In the political structure of Ukraine, the Oblast is higher than the City. The CEI grant was initially written with the City of Kharkiv as an important partner. This was a result of the strong sister city relationship between Cincinnati and Kharkiv. The grant clearly included firms located in the Oblast, but no formal links with that administration had been established.

After several discussions in Kharkiv, it became clear that the needs of the Oblast would need to be considered and its administration more fully involved in the overall program. CEI made contact with the Oblast in one meeting with Mr. Kolot, Head of the Economic Department of the Kharkiv Oblast and an Oblast representative participated in two days of visits to firms in the Oblast.

IESC/Kharkiv

Mr. Nikolay Yakimenko, Regional IESC Country Director in Kharkiv was extremely helpful and provided consultation and support, including e-mail services. He understood the situation with respect to the local governments and offered suggestions and alternatives. The most significant of these was the use of IESC volunteers from IESC and /or VOCA. They would visit the firms selected for participation in the pre-tour seminar and verify their status and application information. The volunteers could also assist with the pre-tour seminar.

A proposal for CEI/IESC cooperation was prepared by Nikolay Yakimenko and faxed to Laura Hoover in Kiev and Greg Brennan in Stamford, Connecticut. This became the basis of discussions on October 20 in Kiev with the Alliance and USAID. The plan was later approved by all parties and the recruitment of volunteers started after CEI and Newbiznet reached their Agreement.

NEWBIZNET - Regional Business Assistance Center (RBAC)

Newbiznet or RBAC is one of three such USAID supported centers in Ukraine. Alexander Dudka is President and approximately 15 people work out of the Newbiznet office. Newbiznet is a for-profit Ukrainian company and is therefore allowed to charge for services. It also had a responsibility to provide business training.

While the CEI representatives were at Newbiznet there were several discussions on the MTM Study Tours Grant. Mr. Dudka prepared separate proposals, the main points of which were:

- 1 Assistance Newbiznet could give applicants on the preparation of business plans,
- 2 The publication of the subsector reports on CD-ROM. This could also incorporate photos and video of company visits in the US.

The Newbiznet Chief of Party in Kiev, Jeff Houghton, was advised of these discussions.

The Alliance (CDC, IESC, MBAC, VOCA)

The Alliance is a grouping of four USAID-sponsored volunteer organizations. CDC works with currently active business volunteers, IESC works with retired US executives, MBAC works with recent US graduate students and VOCA provides volunteer technical assistance to the agricultural industry. All CEI dealings were directly with IESC.

Laura Hoover, the Alliance Executive Director, works out of the IESC office in Kiev and was very supportive of this program. One of the major reasons why IESC and other organizations

were interested in the MTM program was that it provided them with a large number of potential new clients

Pre-Tour Seminar

The purpose of the pre-tour seminar was

- 3 To provide participants with information to understand and interpret US business practices This included accounting practices as requested by USAID
- 4 To provide assistance to the participants in developing their business plans
- 5 To provide a means of evaluating the participants for selection to the study tours

One of CEI's tasks is to locate instructors for the pre-tour seminar At the suggestion of the World Bank, CEI had earlier contacted the Ukrainian Center for Post Privatization Support (UCPPS) They prepared a seminar outline with a budget of \$10,000

On October 4, 1997 CEI met with the UCPPS in Kiev to discuss their proposal The main advantages of using the UCPPS was that they were experienced, World Bank approved, and Russian speaking The major problem was the proposed budget

Several organizations were considered as possible sources of funding for the seminar One possible source was The Eurasia Foundation and another was the International Renaissance Foundation (IRF) which is part of the Soros organization Eventually it was decided to provide the speakers from CEI and Newbiznet

USAID/Kiev

On the return through Kiev on October 20, the CEI representatives met with Laura Hoover of the Alliance and a USAID representative The following topics were discussed

- 1 The request by the City of Kharkiv to add bread making to one of the study tours It was not clear if USAID considered bakeries sufficiently private and CEI requested a ruling Later, USAID confirmed that it would be necessary to consider each firm individually
- 2 CEI needed to contract with a program manager in Kharkiv It was agreed that the contract should be with Newbiznet
- 3 In-country funding for IESC volunteers was requested to help with the selection process USAID agreed to consider this request and eventually agreed that IESC should find suitable volunteers
- 4 Funding for the pre-tour seminar through Newbiznet Again USAID agreed to consider this request It was later agreed proposed by USAID, and agreed by CEI, that it was best to reduce its costs by dropping one participant

Seminar Fees

The initial program envisioned a fee being charged the participants for their attendance at the pre-tour selection seminar A fee of \$150 per applicant, the same amount used on a similar program in Kazakstan, was established although it was recognized that this fee might discourage some people from applying The question of the fee was discussed with almost every Ukrainian organization Suggested fees ranged from \$200 to \$0 In the end, it was decided not to charge a fee CEI believes this eliminated many potential problems and was a wise decision

6. Pre-Tour Selection Seminar

Schedule Summary

Mon	April 13	Agreement signed by CEI and Newbiznet
Mon	May 4	First IESC volunteer arrives Kharkiv
Sun	May 23	CEI representatives L Cole and B Siddique leave Cincinnati
Mon	May 24	CEI reps arrive Kiev Train to Kharkiv
Tues	May 25	CEI reps arrive Kharkiv
Sat	May 30	CEI rep Rostislaw Donn arrives Kharkiv
Mon	June 1	Seminar starts
Tues	June 2	Seminar continues
Wed	June 3	Seminar ends, Final Reception
Thurs	June 4	Interviews begin
Fri	June 5	Interviews continue
Sat	June 6	Interviews end
Wed	June 10	IESC volunteers start to leave Kharkiv
Thurs	June 11	Candidates selected, Press Conference, CEI leaves Kharkiv
Fri	June 12	Meeting with Tim Dubel at USAID, Meeting at Newbiznet
Sat	June 13	L Cole and B Siddique return to Cincinnati
Tues	June 16	Participants announced by US Ambassador Morningstar

Preparation

Prior to the seminar there were two concerns that needed to be addressed. The first area to be was in regard to funding. The City of Kharkiv had informed CEI that they would be unable to provide the assistance that had been expected. As a result, there was a shortfall of approximately \$10,000. This problem was conveyed to the USAID Program Officer in Kiev who suggested the number of program participants be reduced by one. The resultant savings would cover the seminar costs and CEI concurred with this recommendation.

The second area to be addresses concerned the selection of a seminar manager in Kharkiv. After the October 1997 planning trip to Kharkiv, it was determined that either Newbiznet or IESC could carry out that role. Newbiznet was finally selected since this program fit well within their mission as a USAID agency.

From May 23, 1998 to June 13, 1998, CEI representatives Leland M Cole, Belal U Siddique, Rostislaw Donn visited Kharkiv and Kiev, Ukraine. The purpose of the trip was to conduct the pre-tour selection seminar at which the participants were to be selected. Prior to the trip, a great deal of time was spent writing and translating talks and preparing overhead slides.

Newbiznet Agreement

In order to conduct the pre-tour seminar in Kharkiv, CEI and USAID had agreed that CEI should contract with the Newbiznet Regional Business Assistance Center (RBAC) such that Newbiznet would organize and handle the logistics of the seminar program. In January 1998, discussions were started on this agreement based on a quotation already received from Alexander Dudka, President of Newbiznet. Negotiations were aggressively pursued by CEI, but progress was slow. On April 13, 1998, the agreement was signed by both CEI and Newbiznet. All of the seminar materials were to be supplied by CEI. A summary of services provided by Newbiznet is

- 1 Assist CEI with the program management in Kharkiv including the program schedule and task assignments based on discussions with CEI representatives and materials supplied by CEI Mr Alexander Dudka would assume the role of Assistant Program Manager, Kharkiv,
- 2 The RBAC will translate into good Russian, prepare and distribute to the potential seminar participants the documents supplied by CEI,
- 3 Hold meetings with the City and Region administrations with the information packet and develop the plan for joint actions as appropriate,
- 4 Widely publicize the study tour program through the media,
- 5 Mail letters, applications, invitations to participate in the program to approximately 500 potential participants,
- 6 Accumulate replies and the process the application, etc ,
- 7 Hold preliminary meetings with potential participants and provide consultation services and assistance to them in preparing their business plans,
- 8 RBAC, with the approval of CEI, will select instructors,
- 9 RBAC will prepare seminar materials for 64 participants,
- 10 RBAC will assist seminar participants with hotel reservations and other logistics,
- 11 Provide facilities for the seminar,
- 12 An accounting session at RBAC, use of computers and other equipment,
- 13 RBAC will assist CEI in evaluating the candidates and their business plans,

Seminar Organization at Newbiznet

The first step in this program was for Newbiznet to inform industry about the seminar and to attract potential participants They issued a newspaper advertisement, and sent out nearly 500 announcement letters Both were based on samples supplied by CEI A copy of the newspaper announcement is attached to this report There was one response from the newspaper advertisement and none from the announcement letter At that point Newbiznet undertook a direct telephone campaign The response to this was significantly higher

The contact list came from two main sources The first was a list of companies was obtained from the Economic Development Department and the Agricultural Department of the Oblast Second, Newbiznet had accumulated, over the years, a large data base of companies in many different industries throughout Ukraine This information proved to be invaluable

The reason for the lack of response was somewhat surprising Whereas it had been expected that there would be 200 applications, only 79 were actually received Reasons given for the low response level were

- 1 Could not afford the three days for the seminar
- 2 Could not afford to take the four weeks required for the business tour
- 3 Did not believe the notice
- 4 Did not believe the selection process would be fair and open

CEI also believes that the lack of any publicity from the City and Oblast meant that some companies never heard of the program

The entire Newbiznet organization worked on the project at one time or another Alexander Dudka, Newbiznet President, took control and was the driving force behind all of it One person

in the staff was responsible for the internal organization and another concentrated on contacting potential applicants

Seminar Listings

When CEI first arrived at Newbiznet, they were presented with an English language data base listing of the companies that had applied for the program. A list of these companies is included in the Appendix

It quickly became clear that there was confusion over the names of many companies. The IESC volunteers often had one name and the listing had another. In addition, the English language company listing was not in alphabetical sequence. As a result, CEI assigned company numbers and these were used throughout the program. On future programs, much time would be saved if this company number were included in the company data base

The selection process has been refined as a result of the Kharkiv discussions. First, an announcement will be made in the press, possibly issued by the City. An announcement letter and questionnaire will then be sent to companies in the selected industries. The applicants will be rated on a predefined set of criteria and 64 qualifying individuals will be invited to the seminar. Final selection for the study tour will be made by CEI based on their seminar performance, their business plan and other factors

International Executive Service Corps (IESC)

During the October 1997 CEI visit to Kharkiv, Nikolay Yakimenko of IESC suggested the use of their volunteer executives (VE) with the selection process. Although CEI did not have funds to cover their activities, IESC was able to make other funding available and brought four volunteers to Kharkiv. The usual cost of this service was \$2,500 per volunteer

The delayed signing of the Newbiznet agreement had a negative impact on IESC. Despite the fact that IESC had anticipated the contract, they could not finalize the selection of volunteers until after the agreement had been signed. The initial program schedule had anticipated that the IESC would have three months to locate the appropriate volunteers. Due to the delays, this was reduced to a few weeks and specialists were never found for two of the industries. Also, the volunteers all arrived in Kharkiv at different times, thus complicating the program logistics

The volunteers were

Bertil Agell, a generalist

Fred Donnebrink, a generalist

Joseph Kagan, a dairy specialist and formerly President of Dannon Yogurt

John Waight, a food processing specialist and formerly of Beatrice Foods

See the Appendix for a volunteer analysis

Company Surveys

Initially, during the company surveys, five people from Newbiznet and IESC would visit the company. These included the IESC volunteer, interpreter, photographer, Newbiznet salesman and business planner. It quickly became clear that this was overwhelming to the company, especially when Newbiznet demonstrated the computer generated business planning tools. Later,

the number was reduced to three. The minimum number required is two—one volunteer and one interpreter.

The volunteers prepared a short written survey report on each company visited. The report included general information about the company and their own observations. Although CEI provided a survey form, it was not used and each volunteer designed his own form. Therefore, there was uniformity only within the reports from each volunteer. It also would have been helpful if CEI had provided a set of survey instructions and a sample survey report. This material had not been developed since it had been anticipated that a CEI representative would be able to brief the volunteers upon their arrival. The quality of the written volunteer reports left a great deal to be desired.

The company visits were mostly completed before the start of the seminar. Each volunteer then graded the companies using a scoring system from 1 (low) to 10 (high) with 5 as the average. They were asked to take into account the level of production, state of repair of the facilities, quality of management and general prospects for the future. There was some concern that each volunteer would rate the firms on a different scale. Although this was true to some degree, the discrepancies were later adjusted then the volunteers were able to compare notes—especially in cases where two volunteers had visited the same firm.

The four volunteers all participated in the seminar and the details are included later in this report.

On a number of occasions, CEI had requested background information from IESC in Stamford on each of the volunteers. Unfortunately this was never received.

Relations with the Kharkiv Oblast

After the previous experience with the City of Kharkiv, CEI was slightly anxious about dealing with the Oblast. The CEI representatives were pleasantly surprised at their reception by Mr. Kolot and for the support that came from his organization. This was undoubtedly due to the good relations between Alexander Dudka of Newbiznet and the Oblast officials.

Internet Home Page Ukrainebiz.com

The Internet Home Page Ukrainebiz.com featured heavily in discussions while the CEI representatives were in Kharkiv. Since most Kharkiv companies do not have an e-mail address inquiries through the home page were directed to IESC. During the previous week there had been four inquiries from various parts of the world. As a result, IESC was very enthusiastic about this activity. Inquiries had been received from many countries including China, Pakistan, Nepal, Maldives, Sweden and Finland. Companies who have received these inquiries include Kupiansk Milk, Ukrainian fur, Rogan Meat Processing and Commercial House #7. All inquiries are turned over to Newbiznet for follow-up.

Seminar Materials

Prior to the seminar there were 79 registered applicants from 61 companies. Several applicants dropped out of the program before the end.

A seminar workbook was given to each of the applicants containing the following documents, all in Russian.

- 1 Seminar Agenda
- 2 Homework assignment
- 3 Jump-starting Ex-Communist Economies article from *Foreign Affairs* magazine by J M Silberman, et al
- 4 Technical Assistance Program for Kharkiv, Ukraine, by L M Cole
- 5 The Need for Productivity-Based training in Ukraine, a Survey of Three Sectors of Kharkiv Industry by J M Silberman and L M Cole
- 6 Slides for the "Introduction to MTM Productivity Study Tour Program" presentation
- 7 Slides for the "Description of the MTM Productivity Study Tour Program" presentation
- 8 Slides for the "Ukrainebiz.com" presentation
- 9 Selections from the World Bank training program

A TV reporter was present at the opening of the session and the proceedings were aired on the evening news

Seminar Schedule

Day 1, June 1, 11 00 a m , Oblast Administration Building

Alexander Dudka of Newbiznet acted as moderator throughout the entire program. With the exception of Mr. Cole and the IESC volunteers, all talks were given in Russian.

Welcome and introductions - Alexander Dudka, President, Newbiznet

The importance of this program - Igor P. Kolot, Director of the Economic Development Department, Oblast Administration

The Director of the Department of Agriculture - The role of the Oblast

This Marshall Plan program - Leland M. Cole, President, CEI

The Marshall Plan program in France - Rostislav Donn, Retired, French Civil Service

The program operation - Leland M. Cole, President, CEI

Lunch break

Business Differences between the USA and Ukraine - Dr. Belal U. Siddique, CEI

The Internet and the Ukraine home page - Leland M. Cole, President, CEI

Day 2, June 2, 11 00 a m , Oblast Administration Building

The Role of IESC - Nikolay Yakimenko, IESC Regional Director

Observations of Ukrainian businesses surveyed - John Waight, IESC volunteer

Marketing in Ukraine - Bertil Agell, IESC volunteer

Marketing in the US dairy industry - Joseph Kagan, IESC volunteer

Observations - Fred Donnebrink, IESC volunteer

Meat industry in Ukraine - Dale Turnmire, VOCA volunteer

Lunch break

Location - Newbiznet Center

Group discussion on Ukrainian products - IESC volunteers

Business Plans and their role in attracting foreign investment - Newbiznet representative

Specific company marketing plans - Alexander Dudka and the audience

Day 3, June 3, 11 00 a m , Oblast Administration Building

Open discussion on business plans - Alexander Dudka, President, Newbiznet

Accounting in Ukraine - Serguei Perepelitsyn, Newbiznet, Kiev

Accounting differences between the USA and Ukraine - Serguei Perepelitsyn, Newbiznet, Kiev

Lunch break

Location Newbiznet Center
Reception for participants and speakers

Seminar Presentations

Day 1

- 1 The seminar was opened by Igor P. Kolot, Director of the Economic Development Department, Oblast Administration. He spoke for 20 minutes on the importance of the program for the Kharkiv area and on the needs for new thinking. He stressed that 45 was the age limit to participate in the program.
- 2 The Director of the Department of Agriculture then spoke and reminded the audience of the need for them to follow the directions of the Oblast Administration.
- 3 Leland Cole, who talked on the background of the current program. He also explained that they were looking for people willing to accept new ideas. Russian language overhead transparencies were used by Mr. Cole and later by Mr. Siddique.
- 4 Mr. Rostislaw Donn, who ran the original Marshall Plan technical assistance program for France, spoke on the impact of that program on that country. He explained how the French were astonished to learn that a higher standard of living could be the result of improved productivity. Improved productivity was the result of a new way of thinking and of the incorporation of many small production improvements rather than the result of some newly discovered secret production machine or process. He encouraged the Ukrainians to have open minds so they too would benefit from the program.
- 5 Leland Cole then explained the details of the study tour program.
- 6 Belal U. Siddique presented a paper on the business differences between the USA and Ukraine. This talk was extremely well received and several interesting questions were asked. Dr. Siddique, originally from Bangladesh and now a USA citizen, is fluent in Russian and lived in Russia for 12 years. This background gave him great credibility on this subject.
- 7 The Internet and the CEI developed home page Ukrainebiz.com was the next topic. Alexander Dudka gave a brief introduction to the history of the Internet and its importance to international business. Leland Cole then covered the history and operation of the home page itself.
- 8 At this point the attendees were informed that there would be a homework assignment. It was to prepare the information for their company's home page. There was also a question covering the benefits they expected to gain from the program.
- 9 The final talk of the day was planned to be given by Dr. Siddique on investment sources and procedures. Time did not permit this to be given and it was postponed to the following day. Actually the talk was never presented, although it would have been of great interest to the audience.
- 10 Alexander Dudka then asked the audience to bring samples of their products to the second day so they could be evaluated by the American experts.

Day 2

- 1 The product samples were first arranged across the stage of the auditorium.
- 2 The entire morning was devoted to presentations and discussions by the four IESC volunteers and one VOCA volunteer. Throughout these presentations there were a number of questions asked by the audience and suggestions were made by the experts.

The program started with a short presentation by Nikolay Yakimenko, Resident Director for IESC in Kharkiv

- 3 John Waight of IESC then made a presentation in which he made many complimentary comments about the state of the companies he had visited
- 4 Bertil Agell talked about the lack of Marketing in Ukraine and the importance of Marketing for the future of the industry
- 5 Joseph Kagan talked about the dairy industry in the USA and the differences between the USA and Ukraine
- 6 Fred Donnebrink then made a few brief comments on his observations while in Kharkiv
- 7 Dale Turnmire, a VOCA volunteer for the meat processing industry, commented on this observation while in Ukraine. Among other topics, he wondered why most meat processing companies concentrated so much on sausage preparation while the average family actually ate at least 60% unprocessed meat
- 8 The experts then discussed several of the specific products that had been displayed. Much of the discussion was on packaging and on the use of trade marks, logos and other marketing practices. Shelf life was also a topic of considerable interest to the audience, particularly those from the dairy industry. It was unfortunate that this section of the seminar was not longer short since the audience was clearly eager for more information and marketing suggestions
- 9 Two Newbiznet representatives on the nature of business plans and their importance when trying to attract foreign investors
- 10 The initial plan for the seminar was for the companies to present their business plans which would be graded. Due to the lack preparation time, the few plans that were submitted to Newbiznet were never graded. However, some business plans were discussed on the third day

Day 3

- 1 Alexander Dudka lead an open discussion based on the business plans that had been submitted. He read from a few and asked for comments by the company. The company representative was then invited to come forward to discuss their plan. Most plans did not discuss the topic of Marketing
- 2 Two of the sessions of the day were devoted to lectures on the topic of accounting in general and more specifically on the differences between Ukrainian accounting practices and GAAP (Generally Accepted Accounting Practices) commonly used in the West. This topic was a result of the requirement from USAID that the topic be covered. The presentations were somewhat technical and difficult for anyone without a good accounting background. Nevertheless, CEI felt that it was worthwhile to introduce the subject, recognizing that only a full course would provide the information needed by any manager. Although all companies presumably have their own accounting system, none of the Americans had ever seen a computer generated accounting report in Ukraine
- 3 A formal reception then followed at the Newbiznet office with food and drink samples brought by the participants

Days 4, 5, 6, Applicant Interviews

Interview times were assigned by Newbiznet for each prospective participant. These were arranged so that applicants in the same industry would be interviewed by the same team on the same day. In several cases there were several applicants from the same company, but each was

interviewed separately. Two interview teams were set up, each with two IESC volunteers and one CEI representative. Leland Cole divided his time between the two teams so that one person was able to see all the candidates. Each prospective participant was interviewed separately at 30 minute intervals over the 3-day period. After each interview, the team members ranked the applicant on a scale of 1 to 10. Great care was taken to grade the individual and not the company. It was generally felt that the two teams were consistent in their scoring. Fortunately, there was a reasonable degree of consistency between the company grade and the individual grade. Not surprisingly, there were cases where the younger subordinate ranked higher than their older superior.

Homework Assignments

Each applicant was asked to prepare the information for their company's home page. This information was hand written in Russian so had to be read by a native Russian speaker. In order to retain objectivity, the papers were first read and graded by Nikolay Yakimenko of IESC. The point the scale was 1-10. The assignments were then read and graded by Belal Siddique with the assistance of a Newbiznet employee. Since the homework assignments were either good, average or poor, it was decided to assign them grades 1, 2 or 3. Individuals with no homework were given a 0 grade.

Since the homework assignments were difficult to read, they needed to be translated by a native Russian speaker before the information could be added to the Ukrainebiz.com home page.

Final Participant Selection

A final listing of applicants was then prepared by Newbiznet, grouping them by industry. The three grades (company, applicant interview and homework) were then added to the listing and totaled. Those persons with the highest grade points were tentatively selected. This list was then reviewed by IESC and Newbiznet for geographic distribution.

In the meantime and independently, Newbiznet had asked officials at the Oblast to rank the companies. There was some concern that the Americans might have overlooked good candidates. It was comforting to learn that there were no conflicts between the lists although the rankings did not always agree.

After reviewing the selection list, it was found that one company had been entered into the wrong industry group and that this would affect the rankings. Also, one good company had no representation whereas two others had two representatives. It was also decided that there should be only one representative from the trade association although they should have had two selected strictly on the basis of the raw point scores.

The list of successful candidates was finally given to Tim Dubel at USAID in Kiev. US Ambassador Morningstar was to visit Kharkiv the following week and USAID wanted to give the Ambassador the opportunity to announce the names and companies.

In addition to the list of selected individuals, it was decided to select alternates. Then if one of the selected persons was unable to attend the study tour, others could take their place.

In certain situations, two individuals in the same company were applicants and the subordinate placed higher than the superior. In other cases, some of the applicant companies possibly had funds and were willing to pay for one of their employees to attend. In both these cases CEI decided to allow the company to join the tour if they paid the variable costs. Room and board were budgeted at \$2,150 plus airfare which the company could purchase separately.

A full listing of selected individuals and companies is attached to this report.

Press Conference

In order to publicize the overall program, a press conference was held after the seminar. Representatives of six newspapers attended and the meeting lasted 1.5 hours. Short statements were first given by Alexander Dudka, Nikolay Yakimenko, Leland Cole, Belal Siddique and John Waight. The question and answer period was quite lively. Alexander Dudka subsequently reported to CEI that several complimentary articles were written.

Seminar Costs

Prior to the seminar, CEI and Newbiznet had reached an agreement regarding costs of the seminar. This agreement was based on costs estimated by Alexander Dudka. At the end of the seminar period these costs were discussed in detail and found that some were high and others were low. After discussion it was agreed that the total amount was about right. The major discrepancy was the cost of sending Newbiznet employees on the company surveys, an item that was not previously agreed and budgeted.

Notification

During the seminar the applicants were told that they would be notified by Thursday, June 11. It was therefore decided by CEI and Newbiznet that all seminar participants would be notified by mail. Accordingly, four letters were prepared and sent.

- 1 The first letter notified the applicants who had been selected and asked them to sign the enclosed contract and return it with a visa processing fee to Newbiznet.
- 2 The second letter notified the applicants who had not been selected.
- 3 The third letter notified that applicants who had been selected as alternates.
- 4 The fourth letter notified the applicants who could join the study tour if they paid their variable costs which were \$2,150 plus air transportation.

Interpreters for the Study Tour

Two interpreters were required for each study tour and Alexander Dudka agreed to recruit these individuals. Subsequently, CEI was informed by USAID that Ukrainians could not be hired as interpreters despite that fact that this arrangement had been approved in the grant contract. Eventually, the interpreters agreed to provide their services without a charge for interpreting.

Technical Writers for the Study Tours

One technical writer was required for each study tour. This situation was discussed with Alexander Dudka who agreed to locate suitable candidates. Subsequently, he was informed by USAID that all technical writers had to be employed at US funded organizations. This effectively restricted the selection to employees of Newbiznet. Two persons were then selected, Tetyana Dudka from Kharkiv and Serguei Perepelitsyn from Kiev. This situation needs a better resolution for future study tours.

CD-ROM

Newbiznet had decided to produce a CD-ROM of the MTM Study Tour Program entitled "USA-Ukraine Business Development Bridge". A Newbiznet representative had accompanied the IESC volunteers to each company and had photographed the people and the work sites. This information, together with information Newbiznet had previously accumulated, was incorporated into a single CD-ROM. The text for the CD-ROM was Russian. Two copies were given to CEI.

General Observations

- 1 The best companies are not looking for joint ventures, but for credits and technical assistance to help them expand. The weaker companies are looking for joint ventures to provide operating funds.
- 2 Companies are typically short of cash to pay both employees and suppliers. A strong company is one that is behind in its salary payments by only two months.
- 3 Many companies, especially in the dairy industry, complained about a lack of raw materials. This is not a significant problem faced by the stronger companies. Working with suppliers, however, requires imaginative approaches. More often than not, it requires the suppliers get paid.
- 4 Marketing is a concept almost entirely unknown to Ukrainian companies. Almost no companies have a marketing manager. Few companies understood the need to determine how to sell their products. Many managers felt the solution to most of their financial problems was to purchase new production equipment. Little or no thought had been given to market research, to defining the size and nature of the market and to the methods most effective in selling to that market. The depth of this problem is a significant deterrent to progress for the entire economy.
- 5 It has been said that only the young managers could embrace the necessary market reforms. Although that may be true in general, there certainly were exceptions.
- 6 Women generally scored higher than men in the interviews. In addition, several women headed their organizations. A significant percent of the applicants at the seminar were women and twenty-nine percent of the applicants selected for the study tour program were women. Subsequently, USAID informed CEI that 40% of any tour group had to be female. This guideline was waived for the MTM study tour program.
- 7 The number of companies in the meat/dairy/edible oil industries was large, thus providing us with a large number of good candidates. The number of applicants in the fruit/vegetable/ sugar industries was smaller and provided a smaller pool of candidates.
- 8 Newbiznet and IESC suggested that the program be expanded to the adjacent oblasts of Sumy, Poltava and Donetsk. The first two are agricultural and it would be reasonable to have two tours from the combined oblasts. The selection seminar could easily be held in the capital of each. CEI should also consider having two industrial tours, possibly in machine building or building construction, in Kharkiv and Donetsk.
- 9 At the time of the seminar, Fred Hudson, an IESC vice president and Doris Mariani, IESC Director, Europe were in Kharkiv. They commented that this program was an excellent example of three USAID supported organizations working together on one project.
- 10 Several seminar participants mentioned they had benefitted greatly from the seminar and the time they spent was very worthwhile, even if they were not selected to go to the US.
- 11 There was considerable interest in "food for children". This came from both the Oblast and from individual companies. This specifically referred to baby food and food for adolescents.

- 12 Ukrainians talk proudly about the fact that their food does not include additives
However, they are also concerned about the short shelf life of their products
- 13 CEI say little evidence of frozen foods even though this is a very effective method of increasing shelf life

Future Seminar Suggestions

The overall seminar process went quite well. As always, there is always room for improvement. The following suggestions are offered for future programs

- 1 Pre-Seminar activities
 - a The Agreement with Newbiznet needs to be signed at least three months before the seminar
 - b The company survey forms should be used by the people conducting the surveys
 - c There should be written instruction for the people conducting the company surveys and these should describe the overall program
 - d It would be useful to develop a task checklist for CEI, Newbiznet and IESC
 - e The application forms were written in Russian. The completed forms should be typed and translated since they contained information useful for the study tours. Some companies did not fill out a form and others omitted vital information such as address and full telephone number
 - f The format of the reporting forms changed several times to meet changing needs. Revised forms, with company numbers, should be developed. Basically two forms are needed: one with company information and one with applicant information
- 2 The Seminar itself
 - a The two introductory talks by Mr. Cole should be combined. These were an introduction to the program and the details of the program operation
 - b It would be desirable to obtain a written version of the Rostislaw Donn talk. Possibly he can provide an outline that can be expanded in the future
 - c The Business Differences talk given by Belal Siddique should be shortened, softened to make it less critical of Ukraine and translated into Russian
 - d The Investment talk from Mr. Siddique should be given. The Ukrainians have a great deal of interest in the subject of investments and they would benefit from the information
 - e The entire second day should be devoted to the presentations by the IESC volunteers. The discussion about products and marketing in the US would be of great interest. Videos should also be used wherever possible
 - f The Ukrainebiz.com discussion should be expanded to include a history of the Internet
 - g The talk on the business plans was a good idea. However, it should be expanded to include more on marketing
 - h The presentation on accounting was too detailed and needed to have more audience participation to liven it up. Handouts would have been helpful
 - i The World Bank seminar information was not used although a small amount of it was distributed. Greater use should have been made of this material
 - j A talk on Marketing and Market Research would be a useful addition

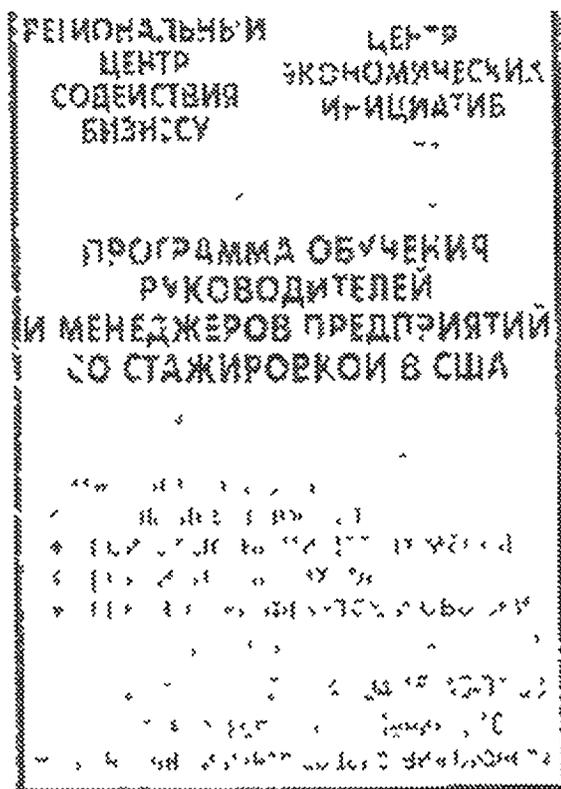
June 12, 1998 Meeting at USAID with Tim Dubel, Program Officer

Several topics were covered in the one hour meeting

- 1 The selection seminar and its results were discussed Mr Dubel was given the selection list which had been finalized late on Thursday This list will be given to Ambassador Morningstar
- 2 A revised end date for the current program was discussed It was agreed that a revised date of March 31, 1999 was reasonable

Newspaper Advertisement

The following newspaper article appeared in the Kharkiv newspapers when the program was announced



TRANSLATION

REGIONAL BUSINESS SUPPORT
CENTER, KHARKIV

CENTER FOR ECONOMIC
INITIATIVES, CINCINNATI

Invite potential listeners to the seminar

PROGRAM OF TRAINING DIRECTORS AND MANAGERS OF INDUSTRIAL
ENTERPRISES WITH SUBSEQUENT EDUCATIONAL TOUR IN THE USA

Enterprises of all types of property ownership engaged in

- ◆ meat processing
 - ◆ milk processing
 - ◆ edible oils production
 - ◆ sugar production
 - ◆ fruit and vegetable processing
- may take part in the program

Applications for participation will be accepted till June 1, 1998

Contact tel (0572) 409-415, 409-133

Regional Business Support Center,
16 Lenin Ave Kharkiv

7. Tour Logistics

Introduction

CEI had responsibility for all logistics for the study tour program. It was then decided to subcontract this task to Turpin Associates who assigned Mrs. Judy Swartzbaugh, a former USAID employee with experience in Russia. This experience proved to be very valuable and she provided valuable direction on this very important phase of the program.

Visas

Visas were provided for all the participants, except the technical writers, through the Academy for Educational Development (AED) in Washington. This procedure worked well for the program. The technical writers, since they would be working in the US, were able to obtain temporary work permits at the American Embassy in Kiev through their employer (Newbiznet). The cost of the visas was assumed by CEI although it had not been budgeted.

Passports

In order to travel to the US, all Ukrainians were required by their government to have new Ukrainian passports since they were no longer permitted to travel on Soviet passports as had been the case before 1998. The new passports presented a new challenge for the program organizers since the spellings of all names had to be in Ukrainian and these were different from the Russian spelling of their names. Not even the individuals knew the spelling of their own names until they received their new passports. The situation became complicated for the program logistics since the names on the passport, visa and tickets all had to agree. At one point it was doubtful that the visas would be issued in time for the program, but as a result of good work by Tanya (Tetyana) Dudka and with the help of Tim Dubel at USAID/Kiev, all the visas were received in time. From the US point of view, there was great concern about the airline tickets, but fortunately Delta Airlines was very helpful.

Travel in Ukraine

The participants were all responsible for their own transportation within Ukraine. This also required them to spend one night in Kiev prior to their early morning departure from the Kiev airport.

Air travel to the USA

Travel to the US was via US flag air carriers except for the flights in and out of Kiev. The tickets were purchased by CEI in the US from Delta Airlines. The tickets themselves were issued and picked up by a Newbiznet representative at the Delta office in Kiev.

Both tour groups had problems with the flight to the US and neither group arrived on schedule. On tour #1, one of the participants, who could not read or speak English, wandered away from the group and became lost in New York. The group missed their flight but fortunately were able to take a later flight that same day.

Tour #2 became confused in Paris and missed their flight to Cincinnati. They were placed on two different flights to Atlanta the next day and then joined up for the final flight to Cincinnati. The luggage arrived in Cincinnati over a three day period.

Travel within the USA

Within the US, all travel was by chartered bus. Several bus companies were asked to quote and the contract was eventually awarded to JetPort Express. They were very accommodating to last minute changes which were unfortunately necessary. The budget amount for each tour was \$10,500 and great care was made to keep under this figure of approximately \$500 per day. This budget figure was two years old and rates had increased. In order to keep within budget, trips to Wisconsin and Minnesota had to be dropped. This impacted negatively on both the dairy and sugar participants.

The overall plan was for the tours to be in the Cincinnati area during the first and last week of the tour. Longer trips were scheduled for the second and third weeks, but always trying to keep the number of overnights to a minimum. The coaches themselves seated 45 and had their own toilet, work tables and VCR. The drivers were quite satisfactory.

From the travel point of view, the greatest problem was with the itinerary which was being arranged by the Tour Consultants. The Tour Consultants in turn had difficulty finalizing the schedules. Companies were slow to commit to the program or even reversed their decision to host a tour based on various considerations, not the least of which was their concern about their FDA inspector.

Accommodations

The tour groups were to be housed in hotels so CEI contacted several organizations in the Cincinnati area. The Vernon Manor was finally selected due to the price, facilities, services, location and the availability of free local transportation. Breakfast was included in the room price. There were also stores and fast food restaurants within walking distance. Two tour members were assigned to a room, with the participants being able to select a roommate of the same sex.

All lectures were given at the hotel which had convenient parking. The only drawback was that the hotel was not in the best area of town. Nevertheless, the tour members came to regard the Vernon Manor as their home away from home.

Meals

The program budget provided \$35.00 per day for meals and incidentals. CEI decided that this amount should be subdivided \$10 for breakfast, \$10 for lunch and \$25 for dinner. The amount for incidentals was included in these meal amounts.

The basic plan was for the participants to be provided with cash for all meals except those that were provided by CEI. For example, each breakfast at the Vernon Manor hotel included in the price of the room. Therefore, no cash was provided for that meal.

At the beginning of the tour, the participants were given an overall schedule of the amounts that would be provided. Then, once a week, each participant was provided with their cash allowance for the upcoming week. They were also asked to sign a receipt for this amount.

8. Program Schedules

Fruit, Vegetable, Sugar Study Tour

Wednesday, August 05

- 19 45 Group arrives Cincinnati - DL1870 (Vernon Manor Hotel provided
Transport from Airport to Hotel)
21 30-22 30 Dinner Vernon Manor Hotel

Thursday, August 06

- 07 00-08 30 Breakfast at Hotel Vernon Manor
08 30-08 45 Welcome and Introduction (Leland Cole)
08 45-09 30 Study tour overview (Belal Siddique)
09 30-10 15 Tour objectives and Post-tour Reports and Responsibilities (Jim Silberman)
10 15-10 30 Break
10 30-11 00 Orientation to City of Cincinnati (Randy Welker- Director of Business
Retention, Greater Cincinnati Chamber of Commerce)
11 00-12 00 Tour Logistics (Leland Cole and Belal Siddique)
12 30-14 00 Open air barbecue lunch at the Vernon Manor Hotel
14 00 - 16 00 Tour of the Downtown, Carew Tower Food Mart and Visitor Observation
Deck (Shuttle Bus)
19 00-20 00 Dinner

Friday, August 07

- 08 30 Bus Departs Hotel Vernon Manor
09 00-11 00 Visit to Husman's
12 00-13 00 Lunch (Fast Food)
14 00 - 17 00 Nash-Finch/IGA
19 00-20 00 Dinner
20 30-22 00 Group Discussion, Group Leader

Saturday, August 08

- 08 45 Bus Departs hotel Vernon Manor
09 00-10 30 Findlay Market
11 00-13 00 Cultural Differences Seminar (Talk by Larissa Chuprina) Vernon Manor
Hotel
13 00-14 00 Lunch (on their own)
14 00-19 00 Mid Afternoon and Evening OPEN
19 00-20 00 Dinner

Sunday, August 09 Free Day

Monday, August 10

- 07 30 Bus Departs Hotel Vernon Manor
08 00-09 00 Visit to Club Chef
09 15-10 15 Tour Castellini Facility
10 45-11 30 Tour Grant County Foods

12 00-13 00 Lunch (Fast Food)
14 00-16 00 Tour Flavor Systems International
19 00-20 00 Dinner
20 30-22 00 Group Discussion, Group Leader

Tuesday, August 11

08 00 Bus Departs Hotel Vernon Manor for Ohio State University (Dept of Agriculture) Columbus, OH
10 30-10 50 Introduction at OSU
10 50-11 30 Overview of development issues and means to overcome obstacles in East Europe (Talk by Prof Luther Tweeten)
11 45-12 30 Overview of input markets in East Europe and means to improve markets (Talk by Prof Richard Meyer and Ms Mehnaz Safavian)
12 30-13 30 Lunch (Fast Food)
14 00-15 00 Tour Anthony-Thomas Candy, Inc
16 00-16 30 Return to Hotel (Stay the night in Columbus)
19 00-20 00 Dinner
20 30-22 00 Group Discussion, Group Leader

Wednesday, August 12

10 00 Bus Departs Travel Inn
10 30-12 00 Tour of the Ohio State Agriculture Fair, Columbus, OH
12 00-13 00 Lunch
13 00-18 00 Tour of the Ohio State Agriculture Fair, Columbus, OH
19 00-20 00 Dinner
20 30-22 00 Group Discussion, Group Leader (Stay the night in Columbus)

Thursday, August 13

09 00 Bus Departs Travel Inn, Columbus for travel to Cincinnati
11 00-13 00 Tour of B & J Machinery Inc
13 00-14 00 Lunch
14 00-19 00 Free Time
19 00-20 00 Dinner
20 30-22 00 Group Discussion, Group Leader

Friday, August 14

08 30 Bus Departs Hotel Vernon Manor in Cincinnati
11 00-12 15 Ms Mary Beth Cowardin, Chief - Division of Markets, Ohio Dept of Agriculture (ODA), Columbus, OH Welcome and Overview of ODA Questions and Answers
12 15-13 30 Lunch
13 30-15 30 Return to Cincinnati
19 00-20 00 Dinner
20 30-22 00 Group Discussion, Group Leader

Saturday, August 15

15 45 Bus Departs Vernon Manor

16 00-21 00 Dinner at McKinney's House

Sunday, August 16 Free Day

Monday, August 17

08 15 Bus Departs Hotel Vernon Manor for tour of KB Specialty Foods, Greensburg, IN
10 00-10 30 Introduction and Plant Overview at KB Specialty Foods, Greensburg, IN
10 30-11 30 Plant Tour KB Specialty Foods
11 30-12 30 Open Discussions and Questions
12 30-13 00 Lunch
13 00-14 00 Drive to RA Jones Inc Covington, KY
14 00-16 00 Plant Tour RA Jones Inc
17 00-21 00 Dinner Water Town Yacht Club Marina, Dayton, KY

Tuesday, August 18

08 15 Bus Departs hotel for tour of Stegner Food Products Co , Cincinnati, OH
09 00-11 30 Tour of Stegner Food Products Co
12 00-13 00 Lunch
14 00-16 00 Tour of Portion Pac, Inc
16 00-19 00 Bus Travel to Toledo
19 00-20 00 Dinner
20 00-21 00 Continue Bus Travel to Toledo/ Holland (Stay the night in Holland, OH)

Wednesday, August 19

08 30 Bus Departs hotel in Holland for tour of Michigan Sugar Co , Saginaw, MI
12 00-13 00 Lunch
14 00-17 00 Plant Tour of Michigan Sugar Co Host Mitch Reno, Manager Communications
19 00-20 00 Dinner (Stay the night in Holland, OH)

Thursday, August 20

07 30 Bus Departs hotel in Holland for tour of Hirzel Canning Co , Toledo, OH
08 30-10 30 Tour of Hirzel Canning Co
10 30-12 00 Travel to Greenline Produce Co , Bowling Green, OH
12 00-13 00 Lunch in Bowling Green, OH
14 00-16 30 Plant Tour of Greenline Produce Co Host Mark Sommerfeld, Director of Operations
17 00 Check in DAYS INN and Stay the night in Bowling Green
19 00-20 00 Dinner
20 30-22 00 Group Discussion, Group Leader

Friday, August 21

09 00 Bus Departs DAYS INN for tour of Fremont Co , Fremont, OH
10 00-12 00 Tour of The Fremont Co
12 00-13 00 Lunch in Fremont, OH
13 00-14 00 Travel to visit Buurma Farms Inc , Willard, OH

14 00-16 00 Tour of Buurma Farms Inc (Canned vegetable and juices) Host Loren
Buurma, President
16 00-19 00 Travel back to Cincinnati
19 00-20 00 Dinner
20 00-21 00 Continue travel back to Cincinnati

Saturday, August 22 Free Day

Sunday, August 23 Free Day

Monday, August 24

07 30 Bus Departs Hotel Vernon Manor for tour of Ray Brothers & Noble
Canning Co , Hobbs, IN
11 00-13 00 Plant Tour Ray Brothers & Noble Canning Co , (Canning of tomatoes and
vegetable beverages) Host Ray Noble (President)
13 00-14 00 Lunch
14 00-16 00 Tour field operations, mechanical harvesting, visit corn and soybean fields
nearby
16 00-19 00 Drive to Chicago
19 00-20 00 Dinner
20 00-21 00 Continue Drive to Chicago (Stay the night in Chicago)

Tuesday, August 25

11 00-13 00 Tour of Institute of Food Technology and meeting with officials
13 00-14 00 Lunch
14 00-20 00 Sight seeing in Chicago
20 00-21 00 Dinner (Stay the night in Chicago)

Wednesday, August 26

08 00 Bus Departs Chicago for travel back to Cincinnati
12 00-13 00 Lunch
13 00-15 00 Continue Drive to Cincinnati
19 00-20 00 Dinner
20 30-22 00 Group Discussion, Group Leader

Thursday, August 27

9 00-12 00 Vernon Manor Marketing Seminar (Ed Watson)
12 00-13 00 Lunch
19 00-20 00 Dinner
20 30-22 00 Group Discussion, Group Leader

Friday, August 28

09 00 Bus Departs Hotel Vernon Manor for travel to Dayton, OH
10 30-12 00 Tour of Annarino Food, Dayton, OH (Salad dressings, tomato based
products, spaghetti sauce) Host Lenny Annarino, President
12 00-13 00 Lunch
19 00-20 00 Dinner

20 30-22 00 Group Discussion, Group Leader

Saturday, August 29

08 30 Bus Departs Hotel Vernon Manor for Jungle Jim Store
09 00-12 00 Tour of Jungle Jim Store
18 00-23 00 Dinner at Siddique's

Sunday, August 30 Free Day

Monday, August 31

09 00-10 30 Vernon Manor Investment Seminar (Mr Joe Parker, Freedom Farm)
10 30-12 00 Vernon Manor Investment Seminar (Mr Don Schmidt, President -
 Windwatch Investments Inc)
12 00-13 00 Lunch
13 00-16 00 Vernon Manor Packaging Seminar (Allan Costantin)
16 00-17 00 Certificate Presentations
19 30-22 00 Dinner (Boat House, Montgomery Inn)

Tuesday, September 01

08 00-15 30 Free Time
12 00-13 00 Lunch
15 30 Leave Vernon Manor Hotel
18 50 Group Departs Cincinnati - DL44 (Vernon Manor provides transport to
 airport)

Meat, Dairy, Edible Oils Study Tour

Sunday, September 13

14 35 Scheduled arrival in Cincinnati (Actual arrival September 14)

Monday, September 14

17 30 - 21 00 Dinner/Reception/Overview

Tuesday, September 15

9 00 - 12 00 New Horizons Tour
13 30 - 16 30 Don Dufek Seminar
17 30 - 18 30 Neighborhood orientation (J Swartzbaugh)

Wednesday, September 16

9 00 - 12 00 Queen City Kroger Tour
14 00 - 17 00 Food Specialties Tour

Thursday, September 17

9 00 - 12 00 Graeter's Ice Cream Tour
14 00 - 16 00 Flavor Systems International Tour
17 30 - 21 00 Yacht ride on the Ohio River

Friday, September 18

8 30 – 11 30 United Dairy Farmer's Tour
13 30 – 16 30 Stegner's Tour

Saturday, September 19 Free Day
Octoberfest in Cincinnati

Sunday, September 20 Free Day

Monday, September 21

13 00 – 16 00 Bob Evans Farm's Presentation

Tuesday, September 22

9 00 – 12 00 Tamarak Farms Dairy Tour
14 00 – 17 00 Ohio Department of Agriculture Tour

Wednesday, September 23

9 00 – 12 00 AC Humko Tour
14 00 – 17 00 SIG CombiBloc Tour

Thursday, September 24

9 00 – 12 00 Smith Dairy Tour
14 00 – 17 00 Guggisburg Cheese Tour

Friday, September 25

11 00 – 13 00 Jungle Jim's Tour

Saturday, September 26

16 00 – 19 30 Dan McKinney Picnic

Sunday, September 27

Free Time

Monday, September 28

9 00 Leave for Chicago

Tuesday, September 29

9 00 – 12 00 APV Crepaco Tour
14 00 – 17 00 CVP Systems Tour

Wednesday, September 30

9 30 – 12 30 Oberweis Dairy Tour
13 00 Travel to Decatur

Thursday, October 1

9 00 – 13 00 ADM Tour
13 30 Return Cincinnati

Friday, October 2

9 00 – 11 00 Avril & Son Tour

Saturday, October 3

18 30 Dinner at Suzanne and Bruce Vaillancourt's

Sunday, October 4 Free Day

Monday, October 5

14 00 – 17 00 B&J Machinery Tour

Tuesday, October 6

9 00 – 12 00 Hoffman Sausage Tour

14 00 – 17 00 JTM Tour

Wednesday, October 7

10 00 – 13 00 PMI-Hobart Manufacturing Tour

19 00 Dinner at the Celestial

Thursday, October 8

9 00 – 12 00 Schad Meats Tour

13 00 – 14 30 Al Costantin Packaging Seminar

14 30 – 17 30 Exit Interviews

Friday, October 9

9 00 – 11 00 Ed Watson Marketing Seminar

11 00 – 17 00 Exit interviews

Saturday, October 10

08 00-15 30 Free Time

12 00-13 00 Lunch

15 30 Leave Vernon Manor Hotel

18 50 Group Departs Cincinnati - DL44 (Vernon Manor provides transport to airport)

9. Exit Interviews by Tour Members

Fruit, Vegetable, Sugar Study Tour

CEI leaders held post-tour individual interviews with each of the participants. Each was asked to comment on their impressions of the tour and on benefits they estimate could result through increased productivity and/or increased Sales from the addition of new products. During the half hour interviews, each participant was able to describe those points they felt were particularly significant for their company. In addition, each of the participants took the opportunity to express their sincere thanks to CEI and USAID for offering this program, which was not only informative but enjoyable as well.

Barvenkovskiy Food Plant - Viktor Pavlov

Their company has many different businesses, a situation that is common in Ukraine but not seen often in America. In each of their businesses they have many specialists, but the volume of sales is low. They will re-look at all their businesses and markets to select those that are most profitable and thereby become more focused.

Mr Pavlov especially liked the visit to the Castellini distribution facility, where the cost of fruits and vegetables are lowered by buying them when they are not yet ripe. The concept of in-house ripening of tomatoes and fruits as they are supplied to the market was a good learning experience. These products have a significantly longer shelf life. They also learned other new procedures, such as how to store onions in bags to permit good air circulation and thus increase shelf life. At a minimum, they should be able to save 30% on their costs by using the information learned from this visit.

One of the many operations of this company is a bakery. A few years ago they produced 20,000 loaves a day, but this is down to 2,000 loaves and generates \$150,000 in sales annually. Unsold loaves are returned after a few days. He believes that with new packaging they will be able to increase shelf life. In addition, they will be able to slice, flavor and package stale bread and sell it as flavored croutons. This can be a lucrative product in a country where soups and salads are common dishes. With these new products Mr Pavlov feels they will be able to get back to the same level of profitability they once enjoyed.

The company currently produces sunflower seed oil. Although sunflower seeds are commonly sold on the street in Ukraine, they are never sold without their shells. Since the company already has de-shelling equipment, it would be relatively easy to package and market sunflower seeds without shells. This is a product they initially saw at Jungle Jim's International Market in Cincinnati.

The company currently has its own line of biscuits. They learned they can add sauces and flavorings to make new variations of this product.

Barvenkovskiy Food Plant - Viktor Uvarenko

Mr Uvarenko made a video of the tour that he is anxious to show to employees of their plant. He noted that US employees handled more tasks than in Ukraine. He also feels that employee

headcount reductions must be considered. He particularly liked the visit to Castellini, where they learned how to improve the shelf life of fruits and vegetables.

He felt there are several new products they could produce in Ukraine. One is sunflower seeds that are de-shelled, roasted and salted. Also, the company makes bottled water they are interested in marketing in the U.S.

He appreciated the opportunity to meet with Larissa Chuprina (one of the study tour lecturers) who may have some possible investors for his firm.

In Ukraine, the company will conduct market research studies to learn what people want and why people buy their competitor's products. They will also start an advertising program that he expects will increase sales by 15%.

Fasma - Oleksiy Gonskiy

Fasma supplies and maintains packaging, filling and labeling equipment for the Ukrainian market. Mr. Gonskiy was most impressed by American organization of production and by the quality of people working in factories. He has worked mainly with dairy producers in the past, and this gave him a chance to learn about the needs of fruit and vegetable processors, although the principles are the same. He felt he would be able to expand his market since he has been able to gain the confidence of the other tour members (this was later confirmed by CEI). He feels he will be able to increase his sales by 30% per year.

Mr. Gonskiy also designs trademarks and he was able to evaluate his work in the US. The American reaction to the designs he displayed was quite favorable. He was encouraged that he is going in the right direction.

Another of his activities is that he represents a Kharkiv packaging association and is on the Board of the Ukrainian and Kharkiv Packaging Association. He is hopeful that half of the tour members will join the association, upon return to Kharkiv. He plans to arrange seminars based on the study tour and other topics of interest to the members. He has a "can do" attitude and hopes to be able to influence not only the industry but the government as well. In this regard, he feels US advisors should focus on influencing the government, since trade associations are unable to do this.

He feels the US government should do more to encourage Ukrainian companies that prepare and produce product brochures. It would also be desirable if the US government could do more to support the packaging industry. This could include exhibitions and information on topics such as refrigeration and plant layout similar to Burma Farms, one of the companies visited on the tour.

Interfruit - Alina Zhylyna

With information gained from the tour, Interfruit plans to create new products enhanced with flavors from companies such as Flavor Systems International based in Cincinnati. They currently produce six juices, which are all 100% natural, of which apple is the largest selling. This program gave her ideas for producing at least six new products. They expect to be able to create several varieties such as apple and apricot, ginger and apple, and apple and ginseng. The Company feels that sports drinks (like fruit punch) and ice tea will also be good additions. A carrot processing

line will also be considered since this is a very large crop in Ukraine and there is a demand for concentrated fruit juices such as V8

The company currently has annual sales of more than \$6 million. Sales are expected to increase 40-50% as a result of these new products, which will double the number of products in their line

The company currently does little advertising. The visit to America has given Alina food for thought, and she is considering advertising in the grocer's weekly newspapers. The company needs to improve its distribution system and will investigate adding a warehouse in Kharkiv (they presently have one facility in Pervomaisk) and will add a truck to make daily deliveries to existing clients

Kongressovskiy Sugar Plant - *Serhiy Pogribnyak*

Mr. Pogribnyak was sorry the tour was unable to see the production facilities of the Michigan Sugar Plant where workers were on strike. However, he believed it is similar to their operation in Ukraine. In their plant in Ukraine they have 500 employees who process 1,500 tons / day. In the Michigan Sugar plant they have 1,000 workers in four plants and that produce 6,000 tons / day. In effect, the US plant is twice as productive as the Ukrainian plant. He believed some productivity savings were possible here.

The main problem in Ukraine is a shortage of raw materials. This is due to a lack of cash with which to purchase the sugar beet. In addition, U.S. beet plants operate four months per year and the Ukrainian plants operate only one month per year. The company could reduce costs by 10-20% if they could operate four months per year. Therefore, they are looking for new products. Mr. Pogribnyak liked the value-added products they had seen, including butterscotch and caramel flavored sauces, syrups and icings. Brown sugar will also be investigated. With new products, they also will be able to increase worker salaries.

This sugar company never purchases sugar beet with cash, but returns 70% of the processed sugar to suppliers and keeps the remaining 30%. As a result, they are in competition with their customers for sales. However, the collective farms do not have price controls and can sell their sugar at any price. Sugar companies can only sell at government controlled prices.

Nadiya Agricultural Farm - *Anatoly Shkurko*

Mr. Shkurko felt the level of technology in his industry is about the same in the two countries. However, the organization of labor in the US is significantly superior. U.S. employees know their responsibilities. He particularly liked the visits to Ohio State University, the Ohio Department of Agriculture and the Institute of Food Technology (IFT) in Chicago, all of which discussed marketing. For the first time, he learned that in the U.S., marketing policies and social issues are discussed publicly. He particularly liked the educational program conducted by IFT.

He got a new idea for vegetable processing, which is to "color sort" tomatoes to reduce labor significantly.

The closed, continuous flow of goods (unloading, processing, packaging and warehouse distribution) which he saw in all U.S. plants is definitely a good idea and one that he will implement in Ukraine. Mr. Shkurko felt that this idea alone would result in a minimum 20%.

savings in his operation. He also liked the idea of using pallets and plastic film to wrap goods onto the pallet.

The company currently produces 60 vegetable products. The level of production is 6,000,000 jars per year, all with pry top lids. They want to export and Mr. Shkurko gave CEI a copy of their price list expressing unit FOB factory prices. He will work on quantity prices based on various Eastern U.S. ports. He was advised that a different type of packaging would be required in the West. The company will be evaluating the possibility of purchasing a packaging machine from B & J Machinery.

Novorivanovski Sugar Plant - Kostyantyn Ulko

Mr. Ulko felt there is a lot of room for improvement in their company. There is a need to replace old equipment and streamline operations. He estimated they could reduce their costs by 30%.

One of the most urgent needs in Ukraine is to increase the length of time that plants are operational. In the U.S., sugar plants receive a 7% processing fee while in Ukraine they receive only a 2% fee. This is clearly insufficient.

The company makes some by-products from molasses, including candies and sugar beet cake. Whatever cake cannot be sold is converted to animal feed, but 15-20% is spoiled and scrapped because of fermentation that sets in during the hot summer months.

The company will evaluate selling their sugar in smaller packages and producing new products using molasses, like yeast, caramel, etc. Mr. Ulko estimates these new products will increase sales by 15-20%.

Pervkhinskiy Sugar Plant - Igor Rud

In the period from 1991 to 1998, they were able to increase production from 2,000 to 3,000 tons of sugar beet per day, resulting in 9,500 tons of granulated sugar per year. Their production cost is \$0.46/kg and their selling price is \$0.58/kg, leaving a very small gross profit of \$0.12/kg. The most important thing for them to do to increase profit is to increase production and the number of days the plant is operating. This would allow them to pay off debts for which they are now being heavily fined.

Mr. Rud is confident they will be able to increase their sales and profitability by providing sugar in small, colorful plastic bags with their own brand for the retail consumer. They will conduct market research to determine the size most useful for the consumer.

The company will also investigate the possibility of packaging sugar in small packets for use by airlines, railroads and restaurants. There is currently only one Ukrainian firm in this business and this offers them a real opportunity. This new product alone could increase sales by 30%.

The Company will re-evaluate the entire cost structure of their operation and determine ways to reduce costs. They will also investigate the use of molasses to produce yeast and other value added products. The addition of yeast will not only increase sales by 10-15%, but more importantly, allow them to employ staff throughout the year.

The Pervkhinskiy Sugar Plant is the only plant in Ukraine that could produce sugar from cane that they must import from India, Brazil and other countries. This too could provide year round employment for their workers.

With all the new products they have seen, they should be able to increase their sales by 50%.

Rosinka - Rymma Chepyakova

The tour has convinced her that she needs to change. Her firm has been producing salads, and has free space from which she now wants to supply fast food to children, including snacks. She hopes that the Kharkiv City Administration will cooperate with her and provide additional funding. This would be a new line for her and she feels that she can increase sales by 60%. This would be done by selling to the entire Kharkiv School district. She also plans to prepare her foods (such as sauces) in smaller packages for sales to airlines and other industries.

Ms. Chepyakova intends to implement a "No Smoking" policy in her plant. She also wants to introduce GMP (Good Manufacturing Practices) by providing hairnets to workers to improve health and hygiene.

Rymma captured the U.S. visits on video (five tapes) and she plans to give copies to the local administration. In addition, she is planning a program with TONUS TV, the Director of which is a friend of hers.

Her concluding comment was "The program was magic."

Savinskiy Sugar Plant - Viktor Loza

Mr. Loza commented that unfortunately, sugar prices are dictated by the State and hence he has little control in this regard. However, he stated that he will work hard to reduce costs and improve productivity at his sugar operation.

This sugar plant currently produces only white granulated sugar packaged in 50 kg (110 lb) bags. After visiting a US supermarket, he found there were many other sugar products his company could provide. He will also investigate packing their sugar in much smaller, customer friendly bags. Currently, Ukrainian retail outlets buy the large 50 kg bags of sugar and then repackage into smaller portions as ordered by the customer. Although packaging costs will increase with smaller bags, the sugar plant will have a differentiated product and increase sales as a result of added convenience. The retail customer can also be more confident of accurately receiving the amount purchased. Mr. Loza estimated that 40% of their sales could be in the smaller bags.

Mr. Loza wants to be able to sell brown sugar, a product not currently sold in Ukraine. Although sales may not be large, it will allow them to use some of the molasses that is a natural by-product of their production. Additional value-added products that can be made from molasses are alcohol, yeast and carbon dioxide. Other new products they will consider are icings and flavored toppings for ice cream. It is estimated that these new products will increase sales by 50%. This will also increase the length of time the factory operates from 90 to 110 days and thus make it more cost effective.

Sugar Plant Named after Petrovskiy - *Yuriy Simonenko*

This firm has been studying how to reduce costs and this program gave Mr Simonenko many new ideas. Since there is no product differentiation in their market, they need to do a better job of marketing and plan to do such things as adding a trademark.

This is a large firm with 1,000 employees, producing 12,000 tons of sugar a year. As with all Ukrainian sugar plants, they have a very short processing period - about 90 days. They are also desperately short of cash as a result of inflation in the early nineties. In fact, they are now forced to barter for utilities (heat, water and electricity). In these barter arrangements, in effect they pay a higher price for services than others who pay in cash, by providing the sugar at reduced prices to their suppliers. The utilities (i.e. their customers) then market the sugar at a profit under the government's controlled price. The result is that the only people making money on the sugar are the utilities. He wants to change this barter system and buy energy at a reduced cost. He felt that the production cost in Ukraine is higher than in the U.S.

As a result of the above situation, the company must find value-added products that allow it to control its own prices. Mr Simonenko feels the new products he discovered on the tour will enable them to do this. Foremost is the idea of selling sugar in smaller packages. This alone will increase their profitability 5-10% and make them profitable. The company produces the highest quality sugar in the area and must learn to market its products through TV and radio advertising.

Taifun - *Vasyl Zaytsev*

Mr Zaytsev felt the information he received would definitely help Taifun increase sales. He did not know how it would help to reduce costs, but he understood that Americans are constantly working to reduce costs. For example, the number of American managers is much less than in a similar Ukrainian firm, and American managers are very professional. Americans also spend money only on projects that are well studied and fully justified. He observed that accurate packaging is very important, where the contents and size of each package are carefully controlled.

Taifun has a salad operation, and the information learned from the tour at Club Chef and Castellini will be very useful for the future. By introducing a new potato salad line (similar to one he saw at K B Foods) he will be able to increase sales by 100%. Annual sales of this part of their business are \$1 million.

Mr Zaytsev was very impressed with American management styles and structures, and particularly with methods of distribution. He had been to Western Europe several times, but had never seen anything similar to American distribution systems. These new ideas will allow Taifun to grow without increased management.

Taifun - *Oleg Sizonenko*

The information gained from the study tour will have a great effect on Taifun as it expands from three to ten cafes. They will be adding greater capacity and need to improve their productivity. This is a big challenge as they expand in Kharkiv and throughout Ukraine. The information on salads that they learned at Castellini (Club Chef) was particularly useful, where they saw a high volume operation being run smoothly and efficiently. They learned a great deal about the general problems of product storage and fast customer deliveries.

Taifun now plans to reorganize their current cafe operation as a result, and in planning new cafes all over Kharkiv and in strategically located places such as the border crossing to Belgorod, Russia. Oleg recorded much of the trip on video and wants to add elements of design picked up at American fast food establishments.

Mr. Sizonenko really liked Flavor Systems International. Taifun currently produces 50 types of stuffed rolled pancakes, one of which is mushroom filled. Mushrooms lose their aroma after the pancakes are prepared, and flavorings will help overcome this problem.

Oleg picked up many other new ideas as a result of the trip. For example, he learned it is more efficient to have a plant laid out on a single floor, and to use lightweight building materials with good insulation properties. Plastic sheeting material used in doorways of American cold storage facilities allows fork lift trucks to pass freely and save energy. Taifun had been planning to build a new three-story production facility, but have decided to scrap that plan in favor of the one-floor design. They also noticed that utilities in U.S. factories are installed in the ceiling. In Ukraine, they come through the floor, making changes difficult and expensive.

Mr. Sizonenko would have liked to spend 2-3 days in a single factory to get a greater in-depth knowledge of that operation.

Zmievskoy Milk Plant - *Victor Kisilyov*

This company produces fruit juices in addition to dairy products. Annual sales are about \$2 million. Since this was not a dairy study tour, Victor could not comment on that side of the business concerning reducing costs. However, he felt the overall marketing knowledge and experience gained in the U.S. would help his company improve their marketing and advertising and he estimated a 30-50% sales increase as a result. He felt to achieve this goal he would need to spend 2-3% more on marketing.

For the fruit juice product line, the addition of new flavors should allow the company to increase its sales and reduce costs. No good estimates were given.

Mr. Kisilyov saw fruit juice packaging equipment at B & J Machinery using plastic bottles and jars which he felt would be an excellent addition to his operation. He will aggressively pursue a plan to secure used equipment (one-third the price of new lines), since this can have a significant impact on costs and sales. He estimates his costs can be reduced 20-30% with new methods and bottling equipment.

In addition, he wants to reorganize his current distribution and warehousing system, which seems high on his agenda. He requested help from CEI on this program.

Mr. Kisilyov took extensive videos of the tour and is anxious to share this information with others in his company, his industry and Oblast administration officials. He also plans to write articles and give talks on the subject matter of the tour.

Meat, Dairy, Edible Oils Study Tour

Barvenskovskiy Milk Plant – *Volodymyr Yarmak Director*

The equipment in the Barvenskovskiy Milk Plant ("BMP") is very old. BMP is now going through a balancing, modernization, and replacement process to restore processing at the plant. The replacement process started one year ago and the plant sat idle for this year. Until the replacement is complete, raw materials are sent to the Kharkiv Milk Plant which does outsourced processing for BMP.

The MTM Tour has helped BMP by providing cost saving ideas that can be implemented with little or no cost. This will help the replacement process by not diverting much needed capital to new ideas. A room for unloading milk trucks will be built. Since renovation is currently underway this can be achieved with no additional cost. It will save labor and improve efficiency once it is complete and the plant starts production. Testing can be done at the receiving area, and if standards are not met, the load can be rejected immediately.

A power washing system will be added. Use of existing steam and water systems makes this economically feasible to add immediately. It will improve the cleanliness of containers and require less manpower than existing methods.

BMP has many managers. As observed in U.S. plants there are many fewer managers to supervise the work force. BMP will reorganize along the lines provided by American companies to reduce the size of its managerial staff.

The preparation of cultures for sour cream production are currently developed in milk within Ukraine. The U.S. companies visited used water for this process. There are fewer bacteria in water and product quality is thereby higher. BMP will implement the U.S. system.

Finally, marketing in the United States is much more advanced than in Ukraine. The importance of dealing with the customer will be stressed as BMP starts to expand its markets into Donetsk.

Once the modernization is complete and debt is paid down to zero, BMP will be generating a 20 percent profit margin. Much of that margin will be a result of technology and marketing procedures learned from the MTM Tour.

Borovskoy Milk Plant – *Oleksiy Pavlov Head Accountant*

The Borovskoy Milk Plant is a small, rural operation producing fluid milk, sour cream, cheese, and butter. Annual revenues are approximately \$750,000.

Borovskoy will expand its range and volume of products. While this will not reduce labor, it will reduce overhead as a percent of the selling price. Reducing overhead as a percent of sales will allow the company to charge less per unit to stay competitive.

Oleksiy intends to expand revenues by 30 percent by developing retail stores the way many U.S. businesses have done. He anticipates 20-25 stores with not only dairy products from Borovskoy, but also perhaps sausage produced by the plant. They currently have excess space that can be easily converted to meat production. There will be capital needed for this, so it will be reviewed for feasibility.

A lack of capital prevents Borovskoy from using state-of-the-art packaging the way many large competitors do. Oleksiy wants to develop inexpensive packaging to keep prices low and increase customer allegiance.

Overhead cooling was observed in all dairy and meat plant operations visited in the United States. It is one feature that has an immediate application and savings for the Borovskoy plant. Oleksiy will have Borovskoy's agitator and cooling equipment installed on the roof to improve efficiency. This is expected to provide a 20 percent energy savings.

Oleksiy saw many examples of where small private businesses have a place in the market, and serve a need large businesses overlook. Oleksiy believes that Borovskoy has found a small niche but now needs to retain its loyal customers while it expands its market thrusts into new areas.

Chuguev Milk Plant - Oleksandr Dokuchayev, Director

Chuguev Milk Plant ("Chuguev") produces approximately eight tons of milk per day, about 13% of plant capacity. This old plant relies heavily on traditional technology with very little modernization. However, Chuguev is now completing a new butter plant with up-to-date technology capable of producing eight tons of butter per day from 180 tons of milk. The old plant produces curd product made with raisins, sugar, and 20% sour cream, as well as kefir and whole milk.

Oleksandr believes that Chuguev can increase profits by 20-25% by implementing what he has picked up from participation in the MTM Tour.

In the U.S., the big companies are highly automated. They compete because they have reduced costs through automation and the reduction of labor.

Small companies can survive and grow even if they are not equipped with modern equipment. Their management is modern and aware of the latest advances in marketing and technology. They think and respond to customer needs as if they had all the latest equipment advantages.

Chuguev uses ammonia compressors, which are difficult to operate. U.S. companies use automated boilers and compressors keeping maintenance staff to a minimum. Chuguev has four gas boiler operators, and if they can buy one or two automated boilers they can eliminate all four employees.

In U.S. dairy plants, separators and normalizers take the fat out of incoming milk. Ukrainian operations are much more primitive. The U.S. method makes it easier to introduce new products simply by reducing the amount of fat put back into the finished product. Excess butterfat can be sold to butter manufacturers or ice cream plants. Chuguev could duplicate the U.S. process if they purchase the same type of equipment Oleksandr observed in U.S. plants. Profit margins could be improved overall with the introduction of new items.

Cultures used by U.S. dairy operations for making sour milk, cottage cheese, hard cheese, etc. are of great interest for Chuguev. It would open up many new product ideas.

Chuguev and most Ukrainian businesses have not addressed the real benefits of marketing. The marketing presentations given to tour members pointed out many new areas that Chuguev will be considering. Most of Ukraine is just now learning to apply marketing techniques. For Chuguev, 100% of the production has been sold so there has been no need for marketing. But now, only 70% of production capacity is being delivered to consumers, leaving 30% unsold and spoiling in Chuguev storage facilities or as unprocessed product.

Chuguev packages milk in 38-liter drums and in smaller polystyrene containers. Kefir, sour cream, soft cheese (with raisins and vanilla), and butter are packaged in 200 gram packages. If Chuguev could get the last 30% of its product packaged, losses would be reduced and profits would increase.

Kharkiv Edible Oil Plant – Tetyana Volovyk Human Relations

Kharkiv Edible Oil Plant ("KEO") produces primarily margarine and mayonnaise. Kharkiv Edible Oils is the market leader in both Ukraine and Russia for its core products. Annual revenues are approximately \$22 million. The majority of oil processing is sunflower seed, approximately 50% of which comes from Russia.

In Ukraine, KEO is fully automated from the receiving process through the finished product (continuous process of hydrogenation). In the United States, the process is segmented making it easier to automate and update sections of the plant rather than having to do the whole plant. This reduces capital requirements and spreads spending over several years.

KEO has four retail stores. Marketing is very weak, lacking research to determine the markets for new products, and the ability to pay for them if they are developed. Tetyana will urge KEO to establish a marketing department, and will work with them on focus group research techniques, product testing, and consumer testing in an effort to expand sales. She believes KEO can increase its retail sales by 20% through the use of the marketing techniques that were outlined by several companies in the MTM Tour.

KEO is very interested in fractionalization, a means of producing artificial oil similar in nature to cocoa, but no information was provided. Archer Daniels Midland and AC Humko have this process in place today but did not share any information. KEO has experimented with the process in the past but has dropped their research due to expense reductions. KEO is looking for not only the process, but also the technology for supporting it.

The winterization process observed at Archer Daniels Midland and AC Humko, and outlined in process flow form at APV Crepaco, is of interest to KEO. This is a cooling process that gets rid of styrene and cholesterol groups by using quick cooling equipment. It would increase productivity at KEO and reduce costs considerably. Tetyana was given the name and phone number of a consultant she can call when she returns to Ukraine.

While capital is not currently available, Tetyana did observe several new filling and packaging machines that could be used to increase productivity and expand product lines. She will share this information with management when she returns to Ukraine.

KEO currently makes a line of products labeled as dessert margarines. These are margarines with fruit or chocolate flavoring, and without preservatives. They have been well received at trade.

shows but have not shown the growth potential KEO had hoped for. The plant can currently produce twenty to thirty tons of these products per month. With the current U.S. market trends for all natural and such specialty foods such as flavored bagels, these products could potentially be well received in the U.S. The expansion to U.S. markets, initially through brokers, will be explored.

Kharkiv Meat Processing Plant – Olena Olhynyk, Head Process Engineer

Kharkiv Meat Processing Plant (“KMP”) currently processes beef, lamb and pork. They produce about 120 tons of sausage annually. They have had problems with the supply of raw material and in finance (no capital for upgrading their plant).

Meatballs are currently the largest production item for the plant. After viewing the U.S. plants ease of processing ground beef, KMP will switch to cutlets (burgers). There will be no added cost and a large potential value added would be achieved. If successful, it could start a modernization process that would allow geographic market expansion.

To help support both the current market and geographic expansion, KMP will use telemarketing to do product research. It will also use sampling techniques similar to those used by United Dairy Farmers, Bob Evans, and Smith Dairy to test products before they go into full production. Since there will be a cost to these marketing strategies, some capital will be required.

KMP will test the use of soy in the marinating process. This will not impair quality but will improve mark-up 300%. The resulting profits will be used to implement a chlorine shower sanitizing system as was observed at New Horizons (one of the meat processing plants on the tour). The savings from a chlorine shower sanitizing system will reduce costs 1,000 Hryvnia/1,000 tons of meat, or roughly 6-10% savings. This equates to \$10,000 per month savings.

KMP is interested in purchasing the same system for slaughtering cattle and hogs seen at New Horizons. This is a cartridge (22 caliber blank) load hammer that is much more efficient than what KMP currently uses. The use of overhead rails as opposed to KMP’s existing conveyor system would reduce bacteria contamination and improve productivity. Olena will try to find a used system reasonably priced to install in KMP.

The labor force at KMP will be reorganized to match more closely that observed in U.S. meat plants. KMP will try using job rotation, re-engineered work areas to keep tools and scrap barrels close to the worker, and improved teamwork methods to achieve higher productivity throughout the plant.

KMP could use the newest state-of-the-art slicer demonstrated by Hobart as well as vacuum packaging equipment demonstrated by many of the meat plants and CVP Systems (an equipment manufacturer visited on the tour). This would allow KMP to expand product sizes, product offerings, and extend shelf life well beyond the company’s current capabilities. The first priority, however, will be the chlorine-sanitizing shower.

Just as the dairy producers felt that investing in private farms was crucial to their existence, Olena believes that KMP must pay attention to its suppliers (farmers) as well. They must find a way to give farmers more incentive to sell directly to Kharkiv Meat.

1st Kharkiv Milk Plant – Viktoriya Maienych, Department Head

The 1st Kharkiv Milk Plant ("1KM") was built in 1929. It employs traditional technology with nowhere near the level of automation observed at any of the plants on the tour. The company is popular with its niche customer base. Despite increased competition from other dairies, 1KM customers are very loyal and make many repeat purchases.

The company is heavily in debt and has had difficulty getting new products authorized through government channels. Viktoriya believes that with new marketing techniques and new products, profits will improve by 10%. Many new ideas were presented that will allow 1KM to differentiate itself from other milk plants, as well as design product packaging distinctive to 1KM. This will create brand recognition and improve overall sales.

The U.S. gets 19 days average shelf life on its dairy products without the use of preservatives. This far surpasses that of anything in Ukraine. It starts with the raw material at the farm. 1KM intends to go to the farms and supply them with cooling systems. Most have automatic milking machines but after the cows are milked the milk is poured into open containers and stored without refrigeration. This has to change in order for Ukrainian dairies to compete with European competitors.

1KM does not have much capital, but Viktoriya believes they can buy a closed system for adding cottage cheese to their product lines. They currently produce many forms of cheese but often are contaminated by workers' hands. The closed system will eliminate this and any other contamination. A new cooling system would also help retard bacterial growth and increase shelf life prior to shipment to stores. As profits improve, a new cooling system will be considered.

Viktoriya wants to introduce a new product called "Home Made Cheese" (a take off from the Homemade Ice Cream™ brand marketed by United Dairy Farmers). Following the introduction of Home Made Cheese, 1KM then plans to begin production of fat free and low fat sour cream. They can use the fat normally devoted to regular sour cream for making more butter, a higher profit margin product. This switch will also decrease energy use and increase the output of the plant.

Viktoriya would like 1KM to introduce chocolate milk. They currently use basic packaging that is available in the region but with the introduction of chocolate milk, they could design their own package. This design would make the package more attractive to children (a marketing strategy demonstrated by several U.S. businesses visited on the tour). With children being the anchor for a "product pull strategy," establishing a brand name and market share would help to ensure long-term success.

Kharkiv Milk Plant - Yuriy Kivshyk, Chief Technologist and Anatoliy Bazyura, Chief Maintenance

The Kharkiv Milk Plant ("Kharkiv Milk") is one of the most modern in Ukraine. They produce ice cream (the only Ukrainian plant on tour to do so), milk, and butter. The plant uses mechanized Tetrapac packaging. The estimates from Yuriy and Anatoliy are that 5-10% savings could be achieved if ideas learned from the visited U.S. plants are implemented. Some of the savings would be put back into the plant to support growth, but profits should improve 3-5% overall.

From the many technical and maintenance processes observed in U.S. plants, several improvements can be made. First, Kharkiv Milk can improve their process for making cheese by using buttermilk. This process is not currently used in Ukraine but is not hard to do. Kharkiv Milk will test the process with its new products.

Second, from Tamarack Farms Dairy, it was observed that there are many levels of automation. Each level of automation is added to reduce manpower. Kharkiv Milk will try to add levels of automation for future technology upgrades. They will also add technical training to improve the skills of employees operating the new machines. This should improve productivity and allow Kharkiv Milk to operate efficiently and with fewer employees.

Third, in the United States, maintenance/service people are multifaceted and know the full lineup of maintenance/electrical equipment/ and processing lines for dairy and cheese. They can pre-control all technological equipment. Kharkiv Milk will try to cross-train employees to make more effective use of universal maintenance personnel. If successful, productivity will increase and Kharkiv Milk can reduce its number of maintenance personnel.

Fourth, if their electrical control process can be automated by the use of computers, Kharkiv Milk will need only two of twelve employees currently assigned to operating the compressors. These compressors are used to cool or heat or add electrical energy as required. U.S. companies have this level of automation and rarely have to send anyone to the compressors for repair. The German compressors in use at Kharkiv Milk are obviously not as reliable as those observed in the U.S. dairies.

Fifth, in Ukraine, at least for Kharkiv Milk, electricity represents 10% of total product cost. In the U.S. it is 7-8% of product cost. Kharkiv Milk will introduce skid mounted steam generators. This will provide electricity that is 30% cheaper than if purchased through the current cooperative boiler.

Sixth, shipping and transportation are much more efficient in the United States. Kharkiv Milk will institute a system to fine drivers who are late with deliveries. Implementing this will not be easy since Kharkiv Milk does not own any of the trucks that transport raw materials or deliver finished product to retailers. It will also require better coordination between the receiving operation at the plant and the suppliers of raw materials. The systems used by Tamarack and Smith dairies will be used as a pattern.

Marketing and Sales improvements will take time. Kharkiv Milk has just started a marketing organization and there is much to learn. Yuriy intends to introduce one or two new milk items.

but needs to work first with marketing to develop marketing strategies and customer profiles (terms learned on the tour) Many labels and formulas for soft and hard cheeses were obtained from U S firms These can be a source of new product ideas for the marketing department Emphasis will be placed on focus group research (Yuriy will teach marketing personnel based on what he was presented at Bob Evans Farms) A separate area for experimentation and testing of new products will be set up

In support of anticipated new products, the laboratory will be modified with new devices and equipment to reduce manpower This will be expensive but will reduce wages in the long run Also, with the new equipment there will no longer be a need to use salt cultures for bacteria testing

Komarovka Milk Processing Plant – Viktor Seigiyenko, Director

The Komarovka Milk Processing Plant (“Komarovka”) is a small dairy with annual sales of approximately \$425 000 per year KMP produces fluid milk packaged in plastic bags, cheese curd, kefir, sour cream, butter, and alcohol free drinks The company also has a sausage shop, a bakery, and processes grain for flour

There were many new technologies innovation new equipment and new operational methods presented on the tour While these were of great interest, Viktor realizes that productivity must be increased and markets must be expanded in order for Komarovka to have the cash flow to afford such improvements

Viktor’s first observation was that Komarovka has too many managers Viktor has already spoken to the Vice President about needed reductions Viktor expects a 20% increase in profits by applying everything he saw in the U S concerning labor management Komarovka will reduce management but some of the savings will be reinvested to increase the salaries of remaining employees This will increase productivity and loyalty

Komarovka used to process milk, meat, bakery, and beverages Now their main area of focus for growth is meat processing – sausage without casing This will attract new customers and build the Komarovka name in the marketplace

To improve quality and shelf life, Komarovka will add vacuum packaging to the meat processing line This will require little investment and make a large reduction in the amount of spoilage

Packaging will play a key role in future marketing Milk, for example, will be put into plastic packaging Current worldwide trends, presented by Al Costantin at the Packaging Seminar, gave Komarovka a strategic view of where it needs to go to be competitive in the coming years

Of special note, Viktor witnessed a space for everyone in the U S market – both large and small To survive, small companies must carve out a niche and satisfy its customer needs better than anyone else He believes that principle can be applied in Ukraine as well

Krasnogradski Butter & Cheese Plant - *Rayisa Manko, Production Department Head*

Krasnogradski Butter & Cheese Plant ("Krasnogradski") is a modern up-to-date dairy producing 20 tons of cheese per day. It has a reputation in Ukraine and Russia for high quality hard cheeses. Plant processing capacity is 500 tons of raw milk per day,

Without any new equipment purchases, Krasnogradski Plant could produce low fat sour cream. This would require a new fermentation method similar to that learned while on the MTM tour. This process keeps the fat in the cheese rather than in the whey. The whey can then be sold as animal feed. Because it is cheaper to produce, the introduction of low fat sour cream could increase overall revenues by 10% since it would sell for less than regular sour cream.

Information learned on the tour regarding time and temperature controls allows Krasnogradski to also make fat free sour cream. The addition of a fat free sour cream product would save 10% in the volume of whey used.

"Krasnogradski" has only one retail store. Rayisa does not believe they can apply many of the marketing and advertising strategies discussed on the tour to promote market expansion. The economy of the market they serve is too poor. However, purchasing a new Hobart slicer (approximately \$2,800) would allow Krasnogradski to offer a new line of sliced cheese products. This would improve sales and margins since smaller packages would be more appealing and affordable to their customers.

The salting process for cheese production in Ukraine requires two days. The plants visited in the U.S. use a one-day salting process. Krasnogradski will implement the 24-hour process as a test to see if taste and quality can be maintained. If successful, this will reduce costs and speed up processing, allowing Krasnogradski to sell more cheese.

Krasnogradski will also test a U.S. type of flexible pricing for perishable products. In addition, a marketing plan calling for the introduction of limited time sales promotions will be introduced. Both of these marketing efforts should improve overall sales and help reduce the losses from unsold merchandise.

Kupiansk Meat Plant – *Vitaliy Kozyryev, Process Engineer*

Kupiansk Meat Plant ("KM") produces about four tons of sausage, fresh meat, and fat per day, and is operating at about 20% of capacity. Sales are through distributors since KM is approximately 140 kilometers from Kharkiv, the nearest population center. The company recently invested \$500,000 in improvements, but is looking for additional opportunities to increase working capital in order to afford new sanitation equipment.

The plant can immediately use many of the technological and work methods observed on the tour. First, the use of vacuum packaging would extend shelf life over existing packaging techniques. By adding a high temperature water bath, the package will further shrink around the product, smoothing out wrinkles and improving its appearance. Both of these processes would add customer appeal to the packaging, a marketing technique currently overlooked in Ukraine.

Second, KM could reduce the time it takes for processing its sausage. KM currently takes 6 days before shipping its sausage (receive and slaughter animals, process into sausage, ship to outlets).

By shortening that time to three days, KM can ensure fresher products with higher quality. This would increase revenues and expand markets through word of mouth advertising.

Third, KM intends to adopt five grades of meat quality. In the U.S., this equates to the five grades of meat available for sale to wholesalers and at retail (e.g. USDA Prime, Choice, Select, Standard, and Utility). The company will also concentrate on processing only one type of meat at a time – e.g. beef, pork, or lamb. For example, they will produce beef sausage or pork sausage for the period of time that item is least expensive. This will help reduce cost of goods used in production and thus allow the company to keep prices low. It will also assist in the elimination of cross contamination of product in work areas. Cross contamination occurs when one type of meat is processed at the same time or just following another allowing the surface of the meat to pick up the bacteria from the preceding process. Cross contamination is a major source of spoilage and loss.

Fourth, KM needs to standardize for canning. They can use auto-unload from autoclaves. Cans currently account for 20% of packaging. They can reduce eight people in this area if what was observed at Stegner's (a meat processor visited on the tour) can be used as a model. There would be no cost to implement this standardization.

KM may be able to install a line for baby food. Government restrictions may make this product line expansion cost prohibitive. Since cans are used so frequently in Ukraine, a restriction that 85% of the product in a can must be meat makes adding vegetables to increase profitability difficult. KM will need to work with local officials to see if any relief can be obtained.

Nearly every U.S. plant that was visited conducted research on turning waste or scrap into a revenue source. Even if it amounted to only pennies per pound, American plants sold nearly everything to some vendor who then processed it into something salable to other companies. KM must also find a way to use its scrap for animal feed processing. This can then be sold or given to farmers who supply KM.

Overall, Kupiansk Meat can improve profits 10% (2-3% in each step) through the automation of the canning process and the introduction of a new animal feed line. A total of 100 people can be eliminated from the payroll with some of the savings going back into the business to support the introduction of the feed line.

Kupiansk Milk Plant - Oleksandr Radchenko General Director and Svitlana Medvedyeva Deputy General Director

The Kupiansk Milk Plant ("KM") currently produces condensed milk. It has been ranked as one of the best dairy plants in Ukraine and Russia. The plant has reduced costs twice by introducing computerized operations. However, there was insufficient funding to integrate production systems reporting into the computerized financial system. Of particular interest to KM was a system from Combibloc, one of the plants visited on the tour, which had a MIS system tying the production and financial systems. KM must find a way to automate the entire system, not just the shipping and receiving areas.

Many opportunities for improvement were observed by KM on the MTM Tour. KM's raw material supply is four times larger in the summer than in the winter. New products such as long shelf life milk produced in the summer to carry into the winter, sour cream, and soy (requires

direct agreements with Archer Daniel Midland to make it work) would increase revenues and stabilize the use of plant capacity more evenly throughout the year

The production and packaging of shelf stable milk, as presented by SIG Combibloc, has a lot of potential in Ukraine. However, the cost to set up a new Tetrapac line is cost prohibitive at this time. As the economy improves and additional investment is made, this would be a viable expansion.

Packaging overall can be improved. Condensed milk is currently packaged in barrels using a paraffin seal over the top. KM will add smaller packages using vacuum packaging for shipping long distances. Barrels will continue to be used for larger volume users. This will save 5% in shipping expense. In addition, as the packaging operation is automated, KM can reduce the number of workers performing this function. The savings will be used to increase the wages of the remaining workers helping to raise the overall standard of living for KM employees. Raises can be given to employees who achieve productivity goals and help make the plant profitable.

Oleksandr and Svitlana both agree there must be some investment with private farms to ensure quality and supplies. There needs to be a strategic plan and program to support dairy farms. KM has its own trucks and could add a good collection and cooling system for milk. As it exists today, farmers fill barrels with milk and then dump them into uncooled containers. These containers are then taken to the dairy. In most cases, the milk is in contact with air and contaminants for 36 hours before it gets to the dairy. KM could coordinate its fleet of trucks with the farmers to pick up milk at the farm and deliver it directly to the plant. This could reduce costs by 8% because of increased efficiency and fewer delays.

Implementing the technology observed in U.S. plants would result in a personnel reduction of 25%. Oleksandr will be reviewing the steps needed to achieve this goal. Savings will be reinvested in increased wages for remaining plant employees and in building a strategic relationship with the farmers. Some of the savings will be passed along to retail customers to increase sales and improve customer loyalty.

Both Oleksandr and Svitlana believe that plant profits will improve by 6% as a result of implementing the technology, workflow procedures, and new products learned from participation in the tour.

Rogan Meat Processing Plant – Svitlana Ulitska Deputy Head of the Board

Rogan Meat Processing Plant (“RMP”) produces sausage (smoked and non-smoked) and hot dogs. The plant has four processing lines but is currently using only one. A market shift from non-smoked to smoked sausage has left the plant with unused investment in equipment and an inability to finance the purchase of new equipment.

Overall, Svitlana believes that RMP can improve profits by 5% by implementing the improvements listed below. While not all of these are immediate, the use of American companies as Archer Daniels Midland can help implement some of the short-term improvements that could then help finance their long-term plans.

Svitlana plans to conduct industry training seminars when she returns to Ukraine. In addition to being the Deputy Head of the Board, she is also Vice President of Finance for RMP. She will report the results of the tour to the Ukrainian meat processing industry. With her contacts throughout the meat processing plants of Kharkiv, she anticipates all of them will send employees for this training.

Svitlana realizes that RMP needs new markets. They are using only 13 percent of plant capacity. She will start with marketing. The plant has only one marketing specialist. The material received from the marketing seminars in the U.S. will be used to jump-start an improved marketing operation.

Svitlana noticed how few people work in a U.S. plant. She will instruct RMP managers on how to analyze all work and technical processes. Improving productivity will be a top priority.

Presently, 75-80% of RMP's product cost is raw material (cost of goods). To reduce this cost, RMP must reduce its prices of raw materials or find an alternative to increase the value of what they receive. Archer Daniels Midland has offered to work with any Ukrainian tour participant interested in learning how to increase margins by using soy applications. RMP will introduce soy for certain items of production. Their aim will be to target those products to customers who shop for price only. RMP will thereby be able to compete with European competitors who already use soy and are underselling Ukrainian meat companies.

RMP will move cooling systems from the floor to the ceiling. This is fairly easy to do and much more efficient. It will help reduce electrical power consumption and eliminate the need for outside purchases of power. Savings in electricity are expected to be about 2%.

RMP will try to introduce hamburgers. In addition to local markets, McDonald's has a few locations in Kharkiv which import their meat from Bulgaria. If RMP can win this account it can finance much of the needed upgrades and expand plant capacity. It can also expand RMP's marketing efforts geographically as McDonald's opens new stores, provided RMP can successfully negotiate such a contract.

RMP would like to try to get into the baby food business as profits improve. Additional market opportunities include microwave products but the market penetration of microwaves needs to expand in Ukraine before any investment in that area is justified.

Solbozhanski Agricultural Farm – Yuriy Tovstopyat, Head Economist

Solbozhanski Agricultural Farm ("SAF") currently has 450 cattle and 100,000 hogs. They want to increase the size of the cattle herd by adding 800 milkers. SAF produces two to three tons of meat products and consumes about 60,000 tons of feed per year.

SAF sells 10,000 hogs each year to meat processors throughout Ukraine.

As a result of the MTM Tour, Yuriy believes it is feasible for SAF to begin its own sausage processing. Many recipes were obtained while on the tour. Space can be easily made available for processing in order to expand into this area. SAF has two slaughtering rooms (not modern),

but will need coolers with overhead refrigeration systems such as observed in the U S plants visited

A strategic fit for SAF would be to start growing corn and soy. If arrangements could be made to sell the crop to a large company like Archer Daniels Midland (one of the MTM plants visited), this could be easily accomplished. In addition, if SAF could receive a large discount in purchasing the feed that would be a by-product of that corn and soy, SAF could significantly reduce the cost of feeding its herds.

Overall, Yuriy believes that SAF can get a 10-15% increase in profits by implementing many of the measures he saw on the tour.

Ukrainian Edible Oil Institute – Tetyana Avdeyenko

The Ukrainian Edible Oil Institute (UEOI) serves edible oil refiners and producers throughout Ukraine by providing technical assistance and consulting. It assists its members with research and development in methods, equipment and in business planning.

Tetyana believes that seminars to teach the principles learned in the U S , and the introduction of new products and product sizes can help increase overall edible oil revenues by 20% in Ukraine. She will conduct 12-15 seminars when she returns to Ukraine. Most seminars will be for institute member organizations that rely on the UEOI to keep them informed about state-of-the-art equipment and procedures. Many non-member edible oil manufacturers will also be invited to participate to help raise their knowledge of competing in larger markets. UEOI will act as a consultant to any of the manufacturers attending a seminar as they try to implement elements learned in the presentations.

Seminars will focus on the following areas:

1. Developing good methods for marketing and promotion
 - a. Use of the Bob Evans information on defining focus group research
 - b. Use of Bob Evans and Smith Dairy information on in-house taste testing followed by consumer testing for new products
 - c. Use of United Dairy Farmer techniques in consumer sampling prior to full production
2. Developing packaging which appeals to customer segments and meets environment needs
3. Changes in shipping and receiving methods and procedures
4. Palletizing and materials handling to expedite moving product from plant to retailer

In addition to the seminars, UEOI will encourage the introduction of new products that were observed selling well in the United States. Products such as flavored mayonnaise and margarine in small packages are just two examples of what would be easy to introduce in Ukraine without additional capital requirements.

Tetyana's first observation was that the work ethic in United States plants is very high. Employees needed little or no supervision to complete their tasks to meet daily and weekly goals. In Ukraine, much more supervision is required to meet production goals. Ukrainian oilseed companies need to learn how to get employees to participate in achieving productivity goals. The

management structure and organizational charts, which were provided on the tour, will be a useful tool in teaching Ukrainian manufacturers how to restructure to achieve this

Velikoburluskii Cheese Plant – Anatoly Kovalyov Chairman of the Board

The Velikoburluskii Cheese Plant produces daily about 100 tons of block cheese, approximately 20% of capacity. Anatoly believes that by implementing techniques observed in American plants, Velikoburluskii can increase revenues 15-20% with only a minimal need for new investment. Improvements can be achieved by working with customers to identify their needs, producing higher quality products in smaller packages, and reducing or eliminating inefficient operations and costs. Cost savings achieved through implementing new technology and American procedures will be used to benefit customers through lower prices, and suppliers by providing much needed equipment for raising sanitation levels of the raw milk in the supply chain.

Anatoly plans to push the Marketing Department into a product line extension of 3-4 hard cheeses and 1-2 new soft cheeses. If they sell, this would add \$200,000 in annual revenues. Some capital investment will be required for a new cooling system, sanitizing equipment, and state-of-the-art quality testing equipment. The technology improvements expected from the new equipment, based on similar American plant achievements, will allow Velikoburluskii to eliminate 50 people in the cooling operation and save \$30,000 annually.

Velikoburluskii currently markets block cheese only. Cheese slicing machines will be purchased to cut the cheese into smaller units to meet consumer needs. The company will start with a test of 300 tons, anticipating an increase of 50% in revenues compared to the sale of block cheese only. If sales materialize as expected, the company can recover its investment in the slicing machinery in less than one year.

Vacuum packaging machines will be purchased to improve quality and extend shelf life. The plant currently makes 2000 tons of cheese and loses 3% (60 tons) as a result of moisture loss. Vacuum packaging will eliminate this loss and save \$90,000 per year. In addition, Velikoburluskii will no longer need to buy paraffin to coat the exterior of its cheese which will save another \$45,000 annually.

Maintaining a supply of raw material (milk) is a current problem for Velikoburluskii. Anatoly believes the plant must find a way to supply farms with feed (perhaps soy by-products). There are 17,000 private farms in Ukraine, and if each can increase output 10 liters per day, he can reach his goal. To encourage farmers to commit their output to Velikoburluskii, Anatoly wants to supply soy milk, milking machines, fodder and refrigerated trucks for use by those who commit.

Future plans call for the purchase of automated lines for filling milk and juice. This would support product line expansion and entry into new markets. Carton machines will be purchased to sell smaller packages to meet consumer needs, something few other Ukrainian dairies provide.

Anatoly observed that Americans typically work very hard and achieve their goals. The marketing presentations and comments from the companies visited provided what he believes was the best learning experience possible.

10. Suggested Program Improvements

Program Preparation and Pre-tour Seminar

- 1 It is important to have a good working relationships with both the Kharkiv City and Kharkiv Oblast. Likewise, it is unrealistic to count on financial assistance from either. Both need to be kept informed and requested to encourage companies to apply for the program. However, participants selection should be solely the responsibility of CEI.
- 2 The use of volunteers to survey the applicants and companies is very important. However, they must be fully briefed on the program before they conduct the surveys, be required to use the CEI forms and to prepare the company survey reports in a consistent, CEI designated format.
- 3 There was confusion on the part of the volunteers and CEI on the names of the applicant companies since both official and unofficial company names were used. Company numbers should be assigned and used on all reports.
- 4 The application forms should be filled out completely for all companies (some were not). This information should then be translated into English by the end of the seminar.
- 5 The Steering Committee as described in the CEI proposal, is not necessary and should be dropped from future programs.
- 6 The selection of group leader should be made while CEI is in Kharkiv so that their responsibilities could be discussed prior to leaving Ukraine.
- 7 Companies were encouraged to prepare business plans prior to the pre-tour seminar and were told these would be used in the selection process. In fact, the plans were not used for this purpose since they were written in Russian and not all firms had written plans. Nevertheless, the preparation of business plans was a useful exercise for the companies.

Study Tour Organization

- 1 The overall program was delayed for several months while a contract was negotiated with Newbiznet. This problem can be overcome in any new program.
- 2 The number of participants on a tour was the subject of much discussion. If the number is 20 or more, it becomes difficult to interest companies in hosting the group. Therefore the maximum number on the tour (participants, interpreters and technical writer) should not exceed 19.
- 3 From a learning point of view the number of participants should be kept small. However, to reduce the cost per participant, the number of participants should be as large as possible.
- 4 One of the difficulties in arranging host company visits was a concern about the Food & Drug Administration (FDA) inspectors and regulations. On future tours it will be necessary to meet with the FDA before contacting potential host companies, to discuss the program and their get advice and assistance.
- 5 Due to budget limitations, the tours were not able to visit some states where there were companies that would have been particularly useful. This applied particularly to the sugar and cheese company participants.
- 6 Both tour groups contained participants from three different, but related, industrial subsectors. This was done to reach these important sectors of industry. For the participants and Tour Consultant, future tours should cover no more than two subsectors.

Logistics

- 1 There was difficulty in getting visas for the first study tour. More time is needed for this activity.
- 2 Both tour groups had difficulty with their flights to the US. Possibly these problems could have avoided with additional directions prior to departure.
- 3 Some company visits could have been more effective with more time for discussion. In general, tours should be limited to one per day, especially for tours to large host companies. Small to mid-sized firms employing much the same technology as their Ukrainian counterparts do not require whole day visits and two visits per day can be accommodated. Three visits per day should never be scheduled.
- 4 During the early plant tours, members were very interested in different aspects of the plant and it was rather difficult to keep the group together. To avoid this problem on subsequent plant visits, the group was divided by interest. In some plants, CEI members helped keep the group together.
- 5 Timeliness and punctuality was a repeated problem. They needed to be reminded every now and then about this issue, to try to maintain appointments and time schedules.
- 6 Some thefts of personal belongings were reported at the hotel on the first tour. These were not totally substantiated. On the second tour the participants were told all losses were their personal responsibility. No thefts were reported.
- 7 Members of tour #1 deposited their air tickets with CEI for safekeeping but were allowed to carry their passports. One tour member lost his small handbag containing his passport and some money. On tour #2, both tickets and passports were kept with CEI.
- 8 Fatigue and some illness was in evidence by the end of the tour. Food, culture, language, time zone changes, frequent exposure to chilled warehouses and sheer travel sickness caught some members off guard. As a result, a few did not attend all sessions and events.
- 9 Some tour representatives wanted to have some separate company visits custom arranged for them. Although beyond the scope of the program, a few such visits were arranged.
- 10 The active participation of the Group Leader is very important in leading the evening group discussions. One Group Leader was significantly more effective than the other.
- 11 Because of exhaustive and hectic travel programs, regular group discussions with the group leader, technical writer and other members could not always be done in motel/hotel settings but rather on the run and on the buses.
- 12 Most participating American host companies felt the tour group was too large. As a result, the group was frequently divided. This practice disrupted the teams and created redundant questions. In most cases it increased the amount of time touring the facilities and thus limited the group question and answer session. Some changes might reduce this problem.
 - a Limit the number of participants in future tours to no more than ten companies.
 - b Inform future tour participants that some plant tours will be limited to only those involved in the industry of the host American company.
 - c Get participation from host companies to provide access to internal administrative and support organizations so technologists can do a facilities tour while other participants meet with the rest of the organization to gather additional financial and personnel information.
 - d Split the tour participants into industry groups but offer each an option of attending a either a plant tour or a discussion group with host management teams.
- 13 The range of backgrounds and the areas of interest of the group made satisfying all their needs difficult. Ukrainian participants suggested breaking the groups down into their

respective areas of interest and pairing them with their counterparts at the host company (e.g. accountants with accountants, technologists with technologists) This would increase the learning impact, but would require additional interpreters

- 14 During the arrival orientation seminar, CEI should include the industry profiles for the participants This would include industry growth, current applied technology, and future trends in markets and technology Trade industry representatives could be used to provide this section of the overview Use of industry representatives would serve two purposes, increase the credibility of the presentation and increase the participation of association companies as a host
- 15 Provide a company overview including markets served, technology, and financial statistics (where available) for planned host companies This could be done at the evening meeting recapping the day's visits or en route to the host company This will necessitate some open discussions between the Tour Coordinator and the host company relative to the amount of information that is being requested and the amount of information the host is willing to share Most American companies are unwilling to share financial or technological information other than what they already have make public
- 16 Obtaining the support of large national trade industry organizations would be very beneficial Getting agreement to host an MTM Tour is easiest when senior executives support the overall goal and objectives The key executives at most U.S. food industry corporations are also members of the Food Marketing Institute Participation by this organization will facilitate a better understanding the goals of an MTM study tour and this in turn will promote participation by more and more large U.S. corporations
- 17 Nearly all participants expressed an interest in visiting the source of raw materials for the U.S. processors Visits to a dairy farm, a cattle farm, or a soybean farmer were not planned as part of the tour When applicable, The Ohio State University Agricultural Farm, Wooster, Ohio, or some other similar farm should be scheduled into the tour This will provide a better understanding of the technological advancements in farming as well as establishing wholesale relationships The contact with the farmer was much more important to the Ukrainian businesses than it was to their American counterparts This is partially due to a heavy reliance on direct contracts between farmer and processor in Ukraine versus the use of brokers and wholesalers in the United States
- 18 Many of the participants stated they received direct benefit from visiting complementary businesses in the mixed tour This cross-industry relationships should be encouraged
- 19 Formation of a national organization similar to Food Marketing Institute would promote economic and political improvements in Ukraine The multiple industry tours help encourage such cooperation
- 20 Tour members benefitted enormously from this visit, as can be seen in the exit interviews Many members were interested in getting follow-up information from the various plants visited, and in exploring technology and financial cooperation with U.S. organizations They would like to have active CEI participation in one form or the other in doing this the creation of a Productivity Center in Kharkiv (in line with original Marshall Plan practices) that could impart follow-up information to participants would be a logical step towards fulfilling this need A proposal seeking approval for funding such a Productivity Center has been put forward to USAID and funding this is now even more necessary to allow Ukrainians to take full advantage of the tour program

Appendix

A. Program Applicants

Summary

Number of companies considered = 87

Number of companies attending the seminar = 61

Number of individual applicants for seminar = 79

Breakdown of applicant companies by industry

Meat = 15

Dairy = 26

Edible Oil = 11

Fruit and Vegetable = 24

Sugar = 11

No	Company	No for Seminar	Visited by (*)	Sector	Accept on tour
1	Okhochee	1	BA	Dairy	No
2	Express-Agro	3	BA	F&V	1
3	Nadiya Agricultural Firm	1	JK	F&V	1
4	Rosinka	1	BA	F&V	1
5	Solbozhanski Agricultural Farm	1	JK	Meat	2
6	Bogoduhov Meat Plant	1	JK	Meat	No
7	Chuguev Meat Processing Plant	1	JK	Meat	No
8	Izumskiy Meat Processing Plant	1	BA	Meat	No
9	Kharkiv Meat Processing Plant	1	BA	Meat	2
10	Krasnogradskiy Meat Processing Plant	1	JK	Meat	No
11	Kupiansk Meat Processing Plant	2	BA	Meat	2
12	Lozovskoy Meat Plant	1	JK	Meat	No
13	Oven (Meat Processing Plant)	0	No	Meat	No
14	Pervomayskiy Food Plant	1	JW	F&V	No
15	Rogan Meat Processing Plant	2	BA	Meat	2
16	Taifun	2	JK	F&V	1
17	Ukrainka Company	0	JK	F&V	No
18	VEGA	1	BA	Meat	No

19	Volchansk Meat Processing Plant	0	JK	Meat	No
20	Zarya	0	JW	Meat	No
21	Not used				
22	"Success" Farm	1	No	Meat	No
23	1 st Kharkiv Milk Plant	2	BA	Dairy	2
24	Balakleya Milk Plant	1	JK	Dairy	No
25	Barvenkovskiy Milk Plant	1	JW	Dairy	2
26	Blisnykovskiy Butter Plant	0	No	Dairy	No
27	Bogoduhov Milk Plant	0	No	Dairy	No
28	Borovskoy Milk Plant	2	JW, FD	Dairy	2
29	Chuguev Milk Plant	1	JK	Dairy	2
30	Interfruit	2	JK	F&V	1
31	Izumskiy Milk Plant	1	BA	Dairy	No
32	Kegichevskiy Milk Plant	0	No	Dairy	No
33	Kharkiv Milk Plant	2	JW	Dairy	2
34	Kharkiv MolProm	1	BA	Dairy	No
35	Komarovka Milk Processing Plant	1	JK	Dairy	2
36	Krasnogradskiy Butter & Cheese Plant	1	JK	Dairy	2
37	Krasnopavlovskiy Milk Plant	1	JK	Dairy	No
38	Kupiansk Milk Plant	2	BA	Dairy	2
39	Kutuzovka Firm	3	BA	Dairy	No
40	Lozovskoy Cheese Plant	1	JK	Dairy	No
41	Novovodolazhskiy Milk Plant	1	BA	Dairy	No
42	Pervomayskiy Milk Plant	1	JW	Dairy	No
43	Sakhnovschinskiy Butter Plant	0	No	Dairy	No
44	Valkovskiy Milk Plant	1	BA	Dairy	No
45	Velikoburluskii Cheese Plant	3	JK	Dairy	2
46	Volchansk Butter Plant	2	JK	Dairy	No
47	Zmievskey Milk Plant	1	BA, JW	F&V	2

48	Kongressovskiy Sugar Plant	1	BA	Sugar	1
49	Kupiansk Sugar Plant	0	No	Sugar	No
50	Murafskiy Sugar Plant	0	No	Sugar	No
51	Zolochevskiy Milk Plant	1	BA	Dairy	No
52	1 st Sugar Plant named after Petrovskiy	1	BA	Sugar	1
53	Anamevskiy Sugar Plant	0	No	Sugar	No
54	Novoivanovskiy Sugar Plant	1	BA	Sugar	1
55	Orelskiy Sugar Plant	0	No	Sugar	No
56	Parkhomovskiy Sugar Plant	0	No	Sugar	No
57	Pervkhinskiy Sugar Plant	1	JK	Sugar	1
58	Savinskiy Sugar Plant	2	JK	Sugar	1
59	Sugar Plant Named after Lenin	0	No	Sugar	No
60	Balakleya Food Plant	1	JK	Oil	No
61	Izumskiy Food Plant	1	BA	Oil	No
62	Kolos Farm	1	BA, JW	F&V	1
63	AgroProgress JV	0	No	F&V	No
64	Agrotechservice	1	JK	F&V	No
65	Barvenkovskiy Food Plant	1	JW	F&V	2
66	Kharkiv Experimental Plant	1	BA	Oil	No
67	Kharkiv Edible Oil Plant	1	FD, JW	Oil	2
68	Krasnograd Food Plant	0	No	Oil	No
69	Krasnokutskiy Oil Plant	0	No	Oil	No
70	Kupiansk Food Plant	1	BA	Oil	No
71	Prikolotnyanskiy Oil Plant	1	JK	Oil	No
72	Ukrainian Institute of Fats & Oils	2	JW	Oil	2
73	Volchansk Oil Plant	2	BA	Oil	No
74	"SellCommunService" Agricultural	1	No	F&V	No
75	Krasnogradskiy Fruit&Vegetable Plant	0	No	F&V	No
76	Novovodolazhskiy Fruit Processing	0	No	F&V	No

77	RayKoopZagPromTorbTrans	1	JK	F&V	No
78	Ukraine Collective Agricultural Enterprise	1	JK	Meat	No
79	Zmievskaia Vegetable Processing Plant	1	JW	F&V	No
80	"Gorkovskaya" Agricultural Firm	0	No	F&V	No
81	Avtonom (Merefianskiy Food Plant)	0	No	F&V	No
82	Borovskoy Food Plant	0	No	F&V	No
83	Dergachi Edible Oil Plant	0	No	Oil	No
84	Dergachi Milk Plant	0	No	Dairy	No
85	Zachepilovskiy Food Plant	0	No	F&V	No
86	FASMA	1	JW	F&V	1
87	TM JSC	0	No	F&V	No
88	Danica	1	No	F&V	No
	Totals	79	61		31

* Visited by IESC Volunteers

BA = Bertil Agell

JK = Joseph Kagan

JW = John Waite

FD = Fred Donnebrink

B. IESC Volunteers

The IESC volunteers were

Bertil Agell, a generalist

Fred Donnebrink, a generalist

Joseph Kagan, a dairy specialist and formerly President of Dannon Yogurt

John Waight, a food processing specialist and formerly of Beatrice Foods

The volunteers all arrived in Kharkiv at different times

Volunteer	Arrival weeks before seminar	Total weeks in Kharkiv	Companies surveyed (3)	Surveys per week (1)
Bertil Agell	4 0	5 0	25	6 25
Fred Donnebrink (2)	1 5	2 5	2	1 33
Joseph Kagan	3 0	4 0	25	8 33
John Waight	2 0	4 0	13	6 5
Total	10 5	15 5	65	6 19

(1) All surveys except 4 were completed before the seminar

(2) Arrived late when there were few surveys remaining to be done

(3) Total exceeds number of companies since 2 volunteers jointly visited 4 companies

C. Selected Applicants: Fruit, Vegetable, Sugar

Participants

Yuriy Simonenko	1st Sugar Plant Named after Petrovskiy
Viktor Pavlov	Barvenkovskiy Food Plant
Viktor Uvarenko	Barvenkovskiy Food Plant
Oleksiy Gonskiy	Fasma
Elena Mirgorodskaya	Express-Agro (Later dropped out Replaced by Victor Uvarenko, Barvenkovskiy Food Plant)
Alina Zhylina	Interfruit
Oleksandr Strogly	Kolos Farm
Sergiy Pogribnyak	Kongressovskiy Sugar Plant
Anatoliy Shkurko	Nadiya Agricultural Farm
Volodymyr Naumenko	Novoivanovskiy Sugar Plant (Later replaced by Kostyantyn Ulko, Novoivanovskiy Sugar Plant at the request of the Kharkiv Sugar Association)
Igor Rud	Pervkhinskiy Sugar Plant
Rymma Chepyakova	Rosinka
Viktor Loza	Savinskiy Sugar Plant
Oleg Sizonenko	Taifun
Vasyl Zaytsev	Taifun (Group Leader)
Victor Kisilyov	Zmievskey Milk Plant

Technical Writer

Tetyana Dudka	Newbiznet
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Interpreters

Victoriya Zayda	Kharkiv State University
Raisa Starunova	Hartron JSC

Alternate candidates

Kostyantyn Ulko	Novoivanovskiy Sugar Plant (Later replaced Volodymyr Naumenko)
Victor Uvarenko	Barvenkovskiy Food Plant (Replaced Elena Mirgorodskaya)

D. Selected Applicants: Meat, Dairy, Edible Oils

Viktoriya Marenych	Ist Kharkiv Milk Plant
Volodymyr Yarmak	Barvenskovskiy Milk Plant
Oleksiy Pavlov	Borovskoy Milk Plant
Oleksandr Dokuchayev	Chuguev Milk Plant
Tetyana Volovyk	Kharkiv Fat Plant
Olena Oliynyk	Kharkov Meat Processing Plant
Yuriy Kivshyk	Kharkov Milk Plant
Viktor Sergiyenko	Komarovka Milk Processing Plant
Rayisa Manko	Krasnogradskı Butter & Cheese Plant
Oleksandr Radchenko	Kupiansk Milk Plant
Svitlana Medvedyeva	Kupiansk Milk Plant
Vitaliy Kozyryev	Kupiansk Meat Plant
Svitlana Ulitska	Rogan Meat Processing Plant
Yuriy Tovstopyat	Solbozhanskı Agricultural Farm
Tetyana Avdeyenko	Ukrainian Fat Institute
Anatoliy Kovalyov	Velikoburluskıı Cheese Plant

Interpreters

Titarenko, Olga	Agroventa
Chuchko, Iryna	KVN Company

Technical Writer

Oleksandr Zabıla, replaced by Serguei Perepelitsyn, Newbiznet, Kiev

Selected to go if they pay \$2,150 plus cost of an air ticket

Ludmilla Valevataya	Kharkiv Edible Oil Plant (Did not participants)
Anatoliy Bazyura	Kharkiv Milk Plant (Accepted the offer and joined Tour #2)
Leonid Radchenko	Kupiansk Meat Processing Plant (Originally planned to join tour #2, but dropped out due to the Ukrainian financial crisis)
Pavel Petik	Ukrainian Fat Institute (Did not participants)
Elena Kupina	Velikoburluskıı Cheese Plant (Did not participants)

Alternate Candidates

Evgeniy Osadchy	Valkovsky Milk Plant (Did not participate)
Georgiy Katkov	Kutuzovka (Did not participants)
Lyudmila Zelenskaya	Lozovskoy Cheese Plant (Did not participants)
Valeriy Zagnoyko	Izumskıı Meat Processing Plant (Did not participants)

E. Host Companies: Fruit, Vegetable, Sugar

Annarino Foods

2826 N Dixie Drive

Dayton, OH 45414

Contact Lenny Annarino, President

Phone (937) 274-3663

Visit date August 28, 1998, 10 30 a m

Type of Plant Salad dressings, and can produce any tomato based product, such as spaghetti sauce, barbecue sauce, etc

What they saw and discussed Usage of tomato products and marketing

Anthony-Thomas Candy, Inc

1777 Arlingate Lane

Columbus, OH 43228-4114

Contact Tom Zanetos, President

Phone (614) 274-8405, Fax (614) 274-0019

Visit date August 11, 1998, 2 00 p m

Type of Plant Sugar Processing - Chocolate caramels, peanut brittle, fudge and nuts

What they saw and discussed Usage of sugar and the candy industry

B & J Machinery, Inc

11560 Rockfield Court

Cincinnati, OH 45241

Contact Sandra M Gugliotta, Sales Engineer

Tel 513-771-7374, Fax 513-771-3820

Visit date August 13, 1998, 2 00 p m

Buurma Farms Inc

3909 Kok Road

Willard, OH 44890

Contact Loren Buurma

Phone (419) 935-6411, Fax (419) 935-1918

Visit date August 21, 1998, 2 00 p m

Type of Plant Fruit Processing, Vegetable Processing Canned vegetable and juices

What they saw and discussed Canning technology, machinery in use and marketing

Castellini Produce Distribution Facility

2 Plum Street

Wilder, KY 41076

Contact Jane J Browe Director Corporate Marketing

Phone (606) 442-4657/442-4654 Fax (606) 442-4656

Visit date August 10, 1998, 9 15 a m

Type of Plant Vegetable Processing - Fresh vegetables, produce and fruit distribution

What they saw and discussed Distribution wholesale marketing, storage and processing

Club Chef, Inc (Castellini Facility)

800 Bank Street

Cincinnati, OH 45214

Contact Tom Browning

Phone (513) 562-4284, Fax (513) 562-4245

Visit date August 10 1998, 8 00 a m

Type of Plant Vegetable Processing - fresh-cut vegetables prepared salads and fresh produce

What they saw and discussed Salad preparation and marketing of fresh produce

Flavor Systems International

9930 Commerce Park Drive

Cincinnati, OH 45246

Contact William W Wasz, President

Phone (513) 870-4900, Fax (513) 870-4909

Visit date August 10, 1998, 2 00 p m

Type of Plant Full Line of natural and artificial flavors

What they saw and discussed Usage of flavors in food industries

Fremont Company

802 North Front Street

Fremont, OH 43420

Contact Don Slessman President Dale Alford (Tour Manager)

Phone (419) 334-8995, Fax (419) 334-8120

Visit date August 21, 1998, 10 00 a m

Type of Plant Vegetable Processing

What they saw and discussed Canned sauerkraut beans and tomato products

Grant County Foods Inc (Castellini Facility)

1125 Dry Ridge Road

Dry Ridge, KY 41035

Contact Jane J Browe, Director Corporate Marketing

Phone (606) 428-1903, Fax (606) 442-4657

Visit date August 10, 1998 10 45 a m

Type of Plant Fruit Processing - Fresh fruits banana ripening, orange packing etc

What they saw and discussed Distribution wholesale marketing, storage and processing

Greenline Produce Company

12700 S Dixie Hwy

Bowling Green OH 43402-9697

Contact Jeff Twyman

Phone (419) 354-1149, Fax (419) 352-2146

Visit date August 20, 1998, 2 00 p m

Type of Plant Vegetable Processing - Fresh Vegetables

What they saw and discussed Processing of fresh vegetables

Hirzel Canning Company

411 Lemoyne Road

Toledo, OH 43619

Contact Karl Hirzel, President

Phone (419) 693-053 Fax (419) 693-4859

Visit date August 20, 1998, 8 30 a m

Type of Plant Processing of fresh-cut vegetables, prepared salads and fresh produce

What they saw and discussed Canning technology and marketing

Husman Snack Foods

1621 Moore Street

Cincinnati, OH 45210

Contact Leroy Pennekamp, Plant Manager

Phone (513) 621-5614 (ext 17), Fax (513) 621-1478

Visit date August 7, 1998, 9 00 a m

Type of Plant Potato chips, popcorn, cheese curls, cheddar cheese, barbecue and chili cheese chips

What they saw and discussed Usage of potatoes and preparation of snack foods

Institute of Food Technology

221 North LaSalle St

Chicago, IL 60601

Contact Angela L Dansby, Media Relations Manager

Phone (312) 782-8424

Visit date August 25, 1998 11 00 a m

Type of Organization Trade Association

What they saw and discussed They were able to see the role that an active trade association plays in the advancement of food technology and products

K B Specialty Foods, Inc

1225 N Broadway

Greensburg, IN 47240

Contact Nick Cortolillo, Operations Manager

Phone (812) 663-8184 / 662-3302, Fax (812) 663-5680

Visit date August 17 1998 10 00 a m

Type of Plant Vegetable Processing - Processor of raw vegetables into wet salads (Potato salad, coleslaw etc)

What they saw and discussed Vegetable processing and marketing

Michigan Sugar Co

P O Box 1348

Saginaw, MI 48605

Contact Mitch Reno Manager Communications James Ruhlman (Director Administration)

Phone (517) 799-7300/ 1-800-826-4784, Fax (517) 799-7313

Visit date August 19 1998, 2 00 p m

Type of Plant Food Processing - Sugar Processing

What they saw and discussed Sugar Processing, packaging, marketing and distribution

Nash-Finch Company

6300 Creek Road

Blue Ash, OH 45242

Contact Dave Meadows General Manager

Phone (513) 793-6300 Fax (513) 792-6499

Visit date August 7, 1998, 2 00 p m

Type of Plant Food Processing - Distributor for IGA

What they saw and discussed Food distribution methodology

Ohio Department of Agriculture

8995 East Main Street

Reynoldsburg, OH 43068-3399

Contact Mary Beth Cowardin, Chief, Division of Markets

Tel (614-752-9815), Fax (614) 644-5017

Visit date August 14, 1998, 11 00 a m

Type of organization State government division

What they saw and discussed The role of government in a free market economy

The Ohio State University

Department of Agricultural, Environmental & Development Economics

Agricultural Administration Bldg # 103

2120 Fyffe Road

Columbus, OH 43210-1067

Contact Prof Luther G Tweeten, Professor

Phone (614) 292-6335 Fax (614) 292-7710

Visit date August 11 1998 10 30 a m

Type of Organization University

What they discussed Agricultural marketing, policy and trade

Portion Pac, Inc

7325 Snider Road

Mason, OH 45040

Contact Karen Manteufel Sales Manager Special Markets

Phone (513) 459-5229 Fax (513) 459-5309

Visit date August 18, 1998 2 00 p m

Type of Plant Vegetable/Fruit/Food Processing - Single serve condiments dressings, ketchup, mustard, salt pepper sugar creamers jams and jellies, hot sauce, cheese sauce, specialty sauces

What they saw and discussed High volume packaging of condiments, etc

R A Jones & Company, Inc

2701 Crescent Springs Road

Covington, KY 41017

Contact Paula Homes, Advertising Manager

Tel (606) 341-0400, Fax (606) 341-0519

Visit date August 17 1998 2 00 p m

Type of Plant Packaging machinery builder

What they saw and discussed Various high-speed packaging machinery

Ray Brothers & Noble Canning Company

PO Box 314

Hobbs, IN 46047-0314

Contact Ray Noble, President

Phone (765) 675-7451 Fax (765) 675-7400

Visit date August 24, 1998, 11 00 a m

Type of Plant Canning of tomatoes and vegetable beverages

What they saw and discussed Canning technology, marketing and product diversification

Stegner Food Products Company

3640 Muddy Creek Road

Cincinnati, OH 45258-0643

Contact Ron Brockman, President

Tel (513) 922-1125, Fax (513) 922-1520

Visit date August 18, 1998, 9 00 a m

Type of Plant Microwaveable plastic bowl and canned meats, soups, sauces and entrees

What they saw and discussed Ready to eat food, packaging and general marketing

F. Host Companies: Meat, Dairy, Edible Oils

AC Humko Corp (Kaklshamns Food Ingredient Inc)

525 W First Avenue

Columbus, OH 43216

Contact Ron Simmons, Plant Manager (Diana Kent)

Tel 614-299-4114, R&D 800-342-4151, Fax 614-297-6245

Visit date September 23, 1998, 9 00 a m

Type of Plant Edible Oils

What they saw and discussed Vegetable oil processing - primarily soya

APV Crepaco

9525 W Bryn Mawr

Rosemont, IL 60018

Contact Rick Tkaczyk, VP Sales & Marketing, Ira Nadel 847-928-3518

Tel 847-678-4300, Fax 847-678-4313

Visit date September 29, 1998, 9 00 a m

Type of Plant Equipment

What they saw and discussed Dairy processing equipment, homogenizing, pasteurization, etc , at Schaumburg Discussions on labor saving when looking at new/used equipment

Archer Daniels Midland (ADM)

1001 Brush College Road

Decatur, IL 62525

Contact Dr Alan Grusby, Director, International Meat Applications

Phone 217-424-5200, Fax 217-424-5839

Visit date October 1, 1998, 9 00 a m

Type of Plant Edible Oils

What they saw and discussed Uses and samples of Soy Based Products

Avril & Sons

33 East Court Street

Cincinnati, OH 45202

Contact Len Bleh, Owner

Tel 513-241-2433, Fax 513-598-6732

Visit date October 2, 1998, 9 00 a m

Type of Plant Sausage processing

What they saw and discussed High quality sausage production, packaging, storage

B & J Machinery

11560 Rockfield Court

Cincinnati, OH 45241

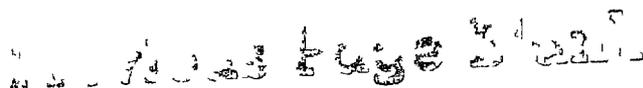
Contact Sandra M Gugliotta, Sales Engineer

Tel 513-771-7374, Fax 513-771-3820

Visit date October 3, 1998, 2 00 p m

Type of Plant Equipment supplier rebuilder

What they saw and discussed Equipment rebuilding for the food processing industry



Bob Evans Farm, Inc

3776 S High Street

Columbus, OH 43207

Contact Roger Williams, Exec VP Food Products (Amy Skidmore, Director of Marketing - Brands will coordinate the presentation)

Tel 614-491-2225, 614-492-4985

Visit date September 21, 1998, 1 00 p m

Type of Plant Meat processing

What they saw and discussed Executive level presentation on marketing, product promotion and distribution

CVP Systems

2518 Wisconsin Ave

Downers Grove, IL 60515

Contact Rich Kelley, VP and General Manager

Tel 630-852-1190, Fax 630-852-1386

Visit date September 29, 1998 2 00 p m

Type of Plant Equipment manufacturing

What they saw and discussed Equipment for packaging meat poultry, cheese

Flavor Systems International

9930 Commerce Park Drive

Fairfield, OH 45246

Phone (513) 870-4900 Fax (513) 870-4909

Contact William Wasz, President

Visit date September 17 1998 2 00 p m

Type of Plant Full line of natural and artificial flavorings

What they saw and discussed Usage of flavor for the meat and dairy industries

Food Specialties Co

12 E Sunnybrook Drive

Cincinnati, OH 45237

contact Stuart Schulman VP & General Manager

Tel 513-761-1242 Fax 513-821-3733

Visit date September 16, 1998 2 00 p m

Type of Plant Edible Oils

What they saw and discussed Mayonnaise, Tarter sauce, Complete Dressings The company specializes in private brands and packaging

Graeter's, Inc

2145 Reading Road

Cincinnati, OH 45202

Contact Richard Graeter II Executive VP

Tel 513-721-3323, Fax 513-721-3385

Visit date September 17, 1998, 9 00 a m

Type of Plant Dairy

What they saw and discussed Hand made ice cream process

Note The tour is limited to Ukrainian only The question and answer session is for dairy executives only

Guggisburg Cheese

5060 State Route 557

Millersburg, OH 44654

Contact Mary Lynn

Tel 330-893-2500, Fax 330-893-3240

Visit date September 24, 1998, 2 00 p m

Type of Plant Cheese production

What they saw and discussed The production and packaging of five pound wheels of cheese of Baby Swiss

Hoffman's Sausage Co

2111 Kindel Ave

Cincinnati, OH 45214

Contact Howard Tallen, Owner

Tel 513-621-4160, 513-621-7205

Visit date October 6 1998 9 00 a m

Type of Plant Meat specialties, Sausage

What they saw and discussed Preparation of meat specialty items, packaging, warehousing

JTM Provisions Co

200 Sales Avenue

Harrison, OH 45030

Contact Joe Maas V P Production

Tel 513-367-4900, Fax 513-367-1132

Visit date October 6 1998, 2 00 p m

Type of Plant Frozen and fresh meats

What they saw and discussed Production and packaging and management Discussions on capital needs for plant operations

Jungle Jim's International Farmers Market

5440 Dixie Highway

Fairfield, OH 45041-4108

Contact Cathy Feldhaus

Tel 513-829-1919

Visit date September 25, 1998, 11 00 a m

Type of Plant Retail operation

What they saw and discussed Extensive retail operations

Kroger Company

477 Kenard Ave

Cincinnati, OH 45232

Contact Steve Woody Store Manager (Carol McCarthy)

Tel 513-681-7650 Fax 513-681-7946

Visit date September 16, 1998 9 00 a m

Type of Plant Kroger Retail Store Visit

What they saw and discussed Retail processing, packaging, variety and presentation at the store level Sanitation will also be included

Note Kroger does business internationally in South America Pacific Rim and Mexico Tamarak Farms Dairy is a division of Kroger

New Horizons (Kleuner's)

2842 Massachusetts Avenue

Cincinnati, OH 45225

Contact Jim Jaeger, President

Tel 513-681-2850, Fax 513-853-6545

Visit date September 15, 1998, 9 00 a m

Type of Plant Meat Processing

What they saw and discussed Beef and pork slaughtering and processing

Note The company has done work in Russia

Ohio Department of Agriculture

8995 East Main Street

Reynoldsburg, OH 43068

Contact Bruce Benedict and Rosalie Beers (tel 614-466-2732)

Tel 614-466-6198

Visit date September 22 1998 2 00 p m

Type of Plant Government agency

What they saw and discussed Laboratories and current business projects supporting agricultural businesses in Ohio

Oberweis Dairy Co , Inc

951 Ice Cream Drive

North Aurora IL 60502

Contact Mark Kloster Plant Manager

Tel 630-801-6100, Fax 630-897-0562

Visit date September 30 1998 9 30 a m

Type of Plant Full line dairy operation

What they saw and discussed Production, material handling sanitation, shipping and receiving

PMI Food Equipment Group (Hobart Manufacturing)

701 Ridge Road

Troy, OH 45374-0001

Contact Lild Meyers International Marketing Manager (Larry Lions - Plant Manager)

Tel 937-332-3000, Fax 937-332-2976

Visit date October 7 1998 10 00 a m

Type of Plant Equipment manufacturing

What they saw and discussed Demonstration of equipment processing, packaging, sanitation equipment - laboratory and demonstration

Schad Meats, Inc

2615 Cummins Street
Cincinnati, OH 45225

Contact Mark Schad, Owner
Tel 513-251-6991, 513-251-0254

Visit date October 8, 1998, 9 00 a m

Type of Plant Meat processing

What they saw and discussed Baking process, packaging, distribution of cured hams and bacon, pork

SIG Combibloc

4800 Roberts Road
Columbus, OH 43228

Contact Jeff Hadley, VP Operations
Tel 614-876-3700, Fax 614-876-3770

Visit date September 23, 1998, 2 00 p m

Type of Plant Dairy equipment

What they saw and discussed Aseptic packing for the dairy industry

Smith Dairy

1381 Dairy Lane
Orrville, OH 44661

Contact Ike Graham, VP International
Tel 800-776-7026, 330-683-1079

Visit date September 24, 1998, 9 00 a m

Type of Plant Dairy

What they saw and discussed Fluid milk, Cottage cheese, sour cream, Ice cream and novelties
They saw the production facilities, packaging equipment, shipping of dairy products and juices

Stegner Food Products Company

3640 Muddy Creek Road
Cincinnati, OH 45258-0643

Contact Ron Brockman, President
Phone (513) 922-1125, Fax (513) 922-1520

Visit date September 18, 1998, 1 30 p m

Type of Plant Meat processing

What they saw and discussed Ready to eat food for children aged 1 and up, packaging and general marketing Microwave able plastic bowl & canned meats, soups, sauces and entrees

Tamarak Farms Dairy

1701 Tamarak Drive
Newark, OH 43055

Tel 740-522-8181

Contact Kevin Vondersaar, General Manager
Note Tamarak is a division of The Kroger Company

Visit date September 22, 1998, 9 00 a m

Type of Plant Dairy

What they saw and discussed Full line dairy products Milk, Yogurt, cottage cheese, sour cream, orange juice

United Dairy Farmers (UDF)

3955 Montgomery Road
Norwood, OH 45212

Contact Todd Kamphaus, Mgr Consumer Relations (Rocky Walz, Plant Manager)

Tel 513-396-8700, Fax 513-396-8736

Visit date September 18, 1998, 8 30 a m

Type of Plant Dairy

What they saw and discussed Fluid milk and ice cream

SEMINARS

Don Dufek

Executive in Residence

Xavier University

3800 Victory Parkway

Cincinnati, OH 45207

Tel 513-398-3191, Fax 513-573-9865

Visit date September 15, 1998, 1 30 p m

Subject Efficient customer response - Improving Product flow and cash flow to enhance customer marketing

Ed Watson

2143 Berry Patch Drive

Cincinnati, OH 45244

Tel 513-474-2316

Subject Marketing

Visit date October 9, 1998, 9 00 a m

Subject Marketing

Allan J Costantin

825 Woodscene Ct

Cincinnati, OH 45230

Tel 513-624-9445

Subject Packaging

Visit date October 8, 1998, 2 00 p m

Subject Packaging

G. Ukrainian Companies: Fruit, Vegetable, Sugar Tour

1st Sugar Plant Named after Peti ovskiy – Viktor Simonenko, Marketing Manager

Bilyi Kolodiaz, Volchansk District, Kharkiv Region, Ukraine

Telephone (380-52-41) 2-23-18 Fax (380-52-41) 5-13-43, E-mail none



This is an old company that has been in business for more than 100 years. However, their equipment is relatively new, installed within the past 10 years. The plant is now closed for the crop year. It processes sugar beet and operates only about 50 days per year. The Director stated that, when operating, the plant operates at 41% of capacity as opposed to 12% for his competition. One of the problems faced by the industry is that farmer's yields are down by 50%, due to a lack of fertilizers and herbicides.

Their product is sold in bulk or packaged in 50 kg (110 lb) bags. Sales are mainly through barter agreements.

Barvenkovskiy Food Plant – Viktor Pavlov and or Uvarenko, Directors

1 Polevaya Street, Barvenkovo, Kharkiv Region

313650, Ukraine

Telephone (057-57) 4-21-64 and (05757)

4-24-20, Fax (05757) 4-23-33, E-mail none



This Joint Stock Company has been in business for 30 years. It currently has 20 employees down from 180. The level of management was reported to be very high with competent production and engineering directors.

The company currently produces a variety of products. They have a soft drink operation and plan to restart their apple juice line. They also have a complete line of confectioneries. There is also a bakery operation that is slightly profitable.

The Directors have ambitious plans for the future but need capital to expand. The firm had previously been a sunflower processing plant producing unrefined sunflower oil. This product is no longer produced since the company cannot obtain sufficient seeds from the farmers. The Director feels that there is no hope for a revival of this operation.

Fasma – Oleksiy Gonskiy, Chairman of the Board

1 Gagarin Prospekt Ap 77 Kharkiv 310001 Ukraine

Telephone 380-572-21-98-60 Fax 380-572-21-98-60 E-mail

fasma@kharkov.com



Fasma is a supplier of packaging equipment to the food industry. They import, install and maintain equipment imported from Lithuania.

Interfruit – Alina Zhylina, Marketing Manager

25a Artema Street Kharkiv 310002 Ukraine

Telephone 380-572-471-300 140-335 Fax 380-572-400-144, 400-545,

E-mail fruit@mailbox.kharkov.ua



Interfruit is a \$6 million a year processor and packaging company (in Tetrapac) of fruit juices (80% of output) and milk (20%). In June 1998, output amounted to 30 to 40 tons of fruit juices and 10-15 tons of milk. Their juices include apple, pineapple (from Thailand), orange (from Florida) and tomato. The company employs more than 100 people and rents processing space from another company. They are seeking to expand their operation and to build their own processing facilities. Fruit juices have a very high profit margin in Ukraine where they compete mainly with imported products. For the milk products to have a longer shelf life, they will need an investment of \$1 500 000.

The company markets their products in Ukraine, Russia and other countries of Eastern Europe. Ms. Zhylina, the Marketing Manager, has studied in Oregon and is fluent in English.

Kolos Farm – Oleksandr F. Strogiv, General Manager/Owner

102 Lenin Street Gineyevka, Zmiyevskoy District Kharkiv Region
313734, Ukraine

Telephone (057) 3-20-93 Fax (057) 3-00-00 E-mail none



This farm grows a number of crops and processes some themselves. The farm is a 10-year-old joint stock company that employs 45 people and has annual sales between \$750 000 and \$1 million. Their products include fruits, vegetables, wheat, sunflower seed and flour. They also operate a bakery and engage in general trading.

The Kolos plant processes and cans fruits and vegetables. The plant is presently operating at 80% of capacity. They also have a restaurant and prepare fresh salads. Their general trading activities are profitable, but farming activities are rather restricted due to a shortage of seeds and fertilizers.

Mr. Strogiv is very progressive with more than 10 years in the business. He is looking to improve his general management practices while on the study tour. He also wants to investigate possibilities for starting a new flour milling operation.

Kongressovskiy Sugar Plant – Serhiv Pogribnyak, Financial Manager

Apt 6, 540-Lyet Pobedy St Aleksandrovka Zolochiv District Kharkiv
Region, 312212 Ukraine

Telephone 380-264-96-7-10 E-mail none



This company has been in operation since 1913 and is 51% owned by the farmers in the region and 10% by the employees. As in all sugar operations, the plant operates only at harvest times. For this plant, this amounted to a 2 ½ month season. Employment during this period was between 180 and 240.

The company refines beet sugar, which it packages in 50 kg (110 lb) bags. In 1997 they operated at 30% of capacity and their production was 7,000 tons. Output was down for a number of reasons including the fact that farmers' yields were at 50% due to a lack of fertilizers. The farmer owners barter the products of the plant for other products in demand. The company plans to benefit from the study tour by being able to see other plants in the same business and to learn more about planning, budgeting and management practices.

Nadiya Agricultural Farm – Anatoliy Shkurko, Head Engineer
4, Geologisheskaya ul. Balakleya, Kharkiv Oblast 313810, Ukraine
Telephone 380-572-49-222-59 Fax 380-572-49-234-31, E-mail none



This is a farm that grows and processes agricultural products for others. They also mill flour on modern equipment purchased from Italy.

Novoivanovski Sugar Plant – Kostyantyn Ulko, Financial Manager
157 Pobedy St. Kolomak District, Kharkiv Region, 312462, Ukraine
Telephone 380-576-65-87-45 Fax 380-576-65-65-34, E-mail none



This firm began operation in 1913. It was destroyed in the Second World War and was rebuilt in 1953. It now operates at 70% of capacity during the processing season. They process 1,500 tons/day during the 70-90 day processing period. The plant has 120 employees and this goes up to 300 during the main processing period.

The plant is in good shape except for the filters, which are required due to the high level of sugar dust.

As with most companies in this industry, there is a problem with the supply of raw materials since farmer's yields are down by as much as 50%. The finished products are mainly distributed in barter arrangements.

Pervkhinsky Sugar Plant – Igor Rud, Head Mechanic
Lenin Street, Gutatv, Bogodukhovskiy District, Kharkiv Region 312-369, Ukraine
Telephone 8-258-2-21-76, Fax none, E-mail none



This is a large old sugar plant that was reconstructed after the Second World War. Their biggest problem is a shortage of sugar beets. In 1997 they produced 1,200 tons of sugar per day while in 1991 they produced 3,000 tons per day.

The plant operates only 70 days per year. This is blamed on bad crops and poor weather. In addition, farmers lack the machinery to make beet farming profitable.

Marketing is a problem for the Company, so most of their output is distributed in barter arrangements. During the season (September, October and November) they employ 220, of which 162 are in production. In the off season they employ 110. The employees are paid partly in cash and partly in bartered goods.

Rosinka – Rymma Ya Chepyakova, President

52 Balakirev Street Kharkiv 310218 Ukraine

Telephone 380-572-33-35-63 32-20-82 and 380-050-243-55-65
(cellular), Fax 380-572-33-21-57 E-mail none



This is a small scale private firm with an aggressive female president The company was a collective until 1 ½ years ago when it was privatized It now employs 72 The products of the firm include meat, pasta, pastry and processed vegetables They sell annually 500 Kilos of processed vegetables

The primary markets for the products are local retailers On this trip, the president wants to study meat-processing techniques

Savinsky Sugar Plant – Viktor Loza, Process Engineer

11 Lenin Street Barvenkovo Kharkov Region 313650, Ukraine

Telephone 380-575-74-25-83 Fax 380-575-74-25-83, E-mail none



This is an old sugar beet processing plant that will start processing beets in August The season will then operate on two shifts for two months

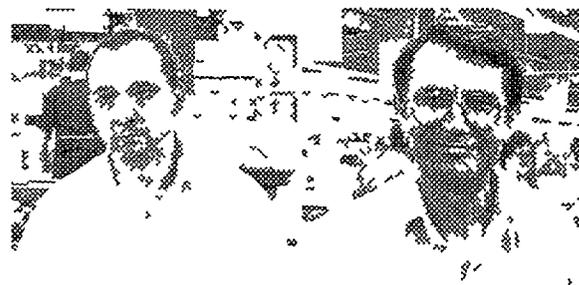
The plant employed 600 in May 1998 and this will increase to 800-1,000 in the peak period

In the Soviet period the plant produced twice as much sugar as presently The plant used to sell all its output to Russia but now sells only to the other former republics of the USSR As with other Ukrainian sugar beet plants sales to Russia were drastically curtailed when Russia began to levy high import duties

Taifun – Vasyl Zaytsev, President, Mr Oleg Sizonenko, Deputy Director

75 Victory Avenue Kharkiv 310-174 Ukraine

Telephone & Fax 380-572-36-74-61 and 380-572-36-72-55 E-mail co@taifun.kharkov.ua



This aggressive energetic market-oriented and cost-conscious firm has attracted a well-qualified team The three key ingredients for the business are to provide 1) high quality products 2) good customer service, and 3) low cost affordable prices for the target market

Every portion of the facility was immaculate Employee pride was obvious in their appearance and the products were excellent - well presented and well priced

The company currently operates three retail or fast food outlets, a meat processing facility and a commissary for making bliny (pancakes) The product line includes up to 50 varieties of bliny with different fillings These are staples in the Ukrainian diet They also sell their own sausage, a variety of desserts and ice cream Taifun is also opening and expanding sales in retail mini markets They have also been asked to supply schools and administration offices There are

aggressive expansion plans for the company and they now are planning up to 10 retail outlets in the Kharkiv area. They feel they will eventually reach out to other cities. McDonald's is their prime competitor in the Kharkiv market.

Raw materials are a constant problem since there are no test standards for food and water. They also need better packaging systems to improve the shelf life of their products.

Zmievskey Milk Plant – Victor Kisilyov, Chairman of the Advisory Committee

5 Taranovskoye Highway Zmiiv Kharkiv Region, 313720 Ukraine
Telephone 380-574-733-253, Fax 380-574-733-578 E-mail none

This firm was formerly a milk packaging plant, but now also produces fruit juices. They currently employ 80 in a small mining community. They suffer from a lack of raw materials due to reduced farm output. They are anxious to study new equipment for ice cream, yogurt and bottled water. They are also looking for high-speed packaging machines, but lack local capital.



Mr. Kisilyov speaks some English and is a very aggressive and forward-looking manager.

H. Ukrainian Companies: Meat, Dairy, Edible Oils Tour

Barvenskovskiy Milk Plant – Volodymyr Yarmak, Director
Barvenskovskiy Milk Plant, 2 Krasnozavodskaya St Barvenkovo,
Kharkiv Oblast, Ukraine
Telephone 380-5257-2-23-93, Fax 380-5257-2-23-93, E-mail none



The Barvenskovskiy Milk Plant has been idle for more than one year. It is under a balancing, modernization, and replacement program in order to get back into production. Replacement started a little over one year ago. Barvenskovskiy Milk Plant is on the border of the Kharkiv oblast and the Donetsk oblast. They get their supply of milk from three adjoining districts in the Donetsk oblast. The region has no other milk producers. The plant is currently waterproofing and has just purchased a line for processing kefir.

Until the plant is operational, Barvenskovskiy is sending its raw material to Kharkiv Milk Plant for processing. Once operational, it will be in a prime position to meet the needs of not only the surrounding areas of the Kharkiv oblast, but the much wealthier areas of the Donetsk oblast.

Borovskoy Milk Plant – Oleksiy Pavlov, Head Accountant
3, Poldesnaya Street, Borovaya Settlement, Kharkiv Oblast, Ukraine
Telephone 380-572-142-960 Fax 380-572-142-960 E-mail none



Borovskoy Milk Plant has been in operation for over 16 years. It was previously a collection station for fluid milk, but also included a small packaging plant for processed milk it sold itself.

The company now produces fluid milk, sour cream, cheese, and butter. Annual sales are estimated at \$750,000 US.

Management at Borovskoy is very entrepreneurial. They have had to be that way as a small dairy trying to compete in larger markets. They have been able to reduce debt by \$150,000 US over the past three years despite problems in obtaining raw materials. The company is currently experiencing difficulties in obtaining external funding or generating internal cash flow with which to conclude more trade opportunities.

Chuguev Milk Plant – Oleksandr Dokuchayev, Executive Director
7, Repin Street, Chuguev, Kharkiv Region 312830, Ukraine
Telephone 380-574-622-233 Fax 380-574-622-046 E-mail none



Chuguev Milk Plant processes eight tons of milk per day, down from 110 tons at the height of its production. It has 55 employees, down from 135 at peak production periods. A new butter plant is being completed which will be capable of producing eight tons of butter per day (from 180 tons of milk). The company primarily produces curd products made with raisins, sugar, and sour cream, and a 1% kefir. Packaging, including whole milk, is in ½ liter plastic bags.

The plant currently operates from March to November, but shuts down from November to March. The winter shut down is apparently due to a lack of raw materials. Employees earn an average of \$56/month. They are paid for leave time.

Chuguev Milk's current main problems are a lack of working capital, insufficient packaging equipment, a severe lack of raw materials (milking herd down from 12,000 to 4,000), and ineffective means to collect and cool milk from private farms.

1st Kharkiv Milk Plant - Viktoriya Marenych, Department Head
17, Goncharovka Kharkiv 310052 Ukraine
Telephone 380-572-123-359 Fax 380-572-122-038 E-mail none

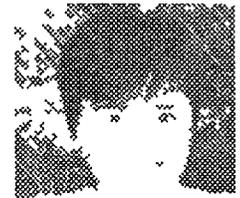


1st Kharkiv Milk Plant was built in 1929 and formed into a company in 1933. It currently has 360 employees. The facilities were completely destroyed in World War II and rebuilt. The plant uses traditional technologies and has not had capital for major upgrades in some time.

The plant's output was 200 tons per day in 1981 and increased to 365 tons per day by 1986. The current level of output was not revealed. The plant is not currently operating at capacity due to a shortage of raw material and increased competition.

1st Kharkiv Milk enjoys a high level of popularity with its niche customer base. Over the past few years it has tried to introduce new products. After a long three-month approval process, a new product was introduced last year: adgeskiy cheese, a soft cheese with nuts. It had a ten-day shelf life (an improvement of seven days over its predecessor) but sufficient raw materials could not be obtained to continue production.

Kharkiv Edible Oils Plant - Tetyana Volovik, Human Relations
120 Ilyich Prospect Kharkiv 310019 Ukraine
Telephone 380-572-76-21-28 Fax 380-572-76-38-29, E-mail none



Kharkiv Edible Oils Plant has current annual revenues of \$22 million US. It started operations in 1932, was destroyed in World War II, and completely rebuilt in 1946. The main products are margarine and mayonnaise. It was formerly a state-owned margarine processing plant. It is well maintained and has 820 employees working four shifts. Approximately 70% of plant equipment was imported from France, Britain, and Hungary. The balance is of Ukrainian and Russian design. The company plans on investing \$5-6 million on equipment to purify raw materials and produce smaller packages.

Kharkiv Edible Oils markets to 15 oblasts in East and Central Ukraine.

Kharkiv Edible Oils relies heavily on sunflower seeds that are harvested in October. Roughly fifty percent of their sunflower oil is imported from Russia. Raw materials are not a problem to meet current sales needs, but substantial growth could create shortages.

The plant operates between October and May, then shuts down when its supply of raw materials runs out. The plant is operating at about 40% capacity. 1998 production of margarine is 30,000 tons compared to a capacity of 55,000 tons and mayonnaise production is at 3,000 tons compared to a capacity of 11,000 tons.

Kharkiv Meat Processing Plant - Olena Olynyk, Head Process Engineer

100, Gagarina Prospekt, Kharkiv 310000 Ukraine

Telephone 380-572-507-201 Fax 380-572-279-538, E-mail none

Kharkiv Meat Processing Plant ("Kharkiv Meat") produces primarily sausage and meatballs. The company has 860 employees. It produces 120 tons of sausage annually, selling 60% through their own store and 40% to wholesalers on 7-day terms.



Kharkiv Meat, like most Ukrainian meat processors, is currently experiencing a crucial shortage of raw material. They expect to reduce employee headcount by 11% if new sources cannot be found. A lack of working capital further limits their ability to secure additional supplies.

Kharkiv Milk Plant - Yuriy Kivshyk, Chief Technologist, and Anatoliy Bazyura, Chief Maintenance

Kharkiv Milk Plant is the largest and most impressive dairy in Kharkiv.



Komarovka Milk Processing Plant - Viktor Seigiyenko, Director

72 Kizov Street Yuzhny Kharkiv Oblast 312118 Ukraine

Telephone 380-572-494-696 486-434 Fax 380-572-494-696

E-mail none

Komarovka Milk Processing Plant was privatized in 1997 with 342 shareholders. Annual revenues are about \$425,000 US and profits are reportedly good. Komarovka has 52 employees earning an average wage of \$75 US/month. The plant processes four to ten tons of milk per day into products such as milk (packaging is in plastic bags), cheese curd, kefir, sour cream, and butter. Alcohol-free drinks are also processed at the plant. In addition to dairy products, the company has its own sausage shop, a bakery, and processes grain for flour.

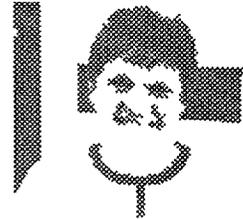


Like other dairies in the Ukraine, Komarovka is restricted due to a lack of raw materials. In many cases, Komarovka competes with its own suppliers who are selling their milk on the streets.

Krasnogradski Butter & Cheese Plant – Rayisa Manko, Production Department Head

48 Krasnograd Street Krasnograd Kharkiv Region 313050 Ukraine

Telephone 7-00-98 Fax 7-00-95 E-mail none



The Krasnogradski Butter & Cheese Plant is a modern up-to-date facility. Management appears to be stable and well qualified. The Director has led Krasnogradski for 33 years. It has the capacity to process 500 tons of milk per day. Currently the plant is producing cheese at the rate of about 20 tons per day. Krasnogradski has 112 employees, down slightly from its peak of 130 employees in 1991.

Employees earn about \$43 US/month. Suppliers are paid a combination of cash and products.

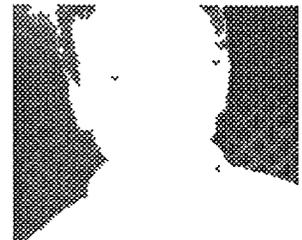
Krasnogradski has a reputation in both Ukraine and throughout the former Soviet Union for producing high quality hard cheeses.

Krasnogradski suffers from a lack of raw materials, collapsing markets, lack of working capital, and declining consumer buying power.

Kupiansk Meat Plant – Vitaliy Kozyrvey, Process Engineer

56, Dzerzhynskyy ul. Kupiansk 312640 Kharkiv Oblast Ukraine

Telephone 5-31-47 Fax 5-14-14 E-mail none



Kupiansk Meat Plant started operations in 1949. The company operates its own slaughter house and produces sausage, fresh meat, fat, hides, and other slaughter house by-products.

At its peak, the company produced 20 tons of meat products per day. It is currently operating at only about 20% of capacity, due largely to a shortage of raw material.

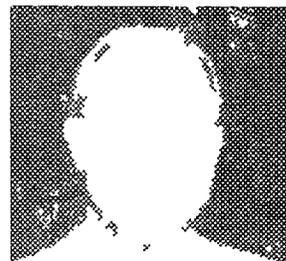
Kupiansk Meat is 140 kilometers from Kharkiv, the major population center of the area. As a result, it markets its products to nearby regions with Kharkiv accounting for only 10-20% of revenues. Because of its location, the company's primary marketing channel is through distributors. Reliance on distributors has created a significant problem with receivables as distributors are reluctant to pay in cash, and a market pricing problem due to the added cost of distributors.

Kupiansk Milk Plant – Oleksandr Radchenko, General Director and Svitlana Medvedyeva, Vice President Finance

26, Lomonosov Street Kupiansk Kharkiv Oblast 312640, Ukraine

51359, E-mail none

Kupiansk Milk Plant was founded in 1972 and is now 98% employee owned. It is jointly owned by employees and the milk cooperative that supplies the majority of its raw material. Kupiansk is one of seven full line dairies in Ukraine. It produces



whole milk, condensed milk, milk with chicory extract or chocolate, cheese, artificial milk from soy, kefir, butter yogurt cream cheese, cottage cheese and fruit juices Annual revenues are about \$21 million US

The company currently processes 20 million cans of condensed milk per year They have their own metal stamping operation to manufacture cans The company has the capability to process 35 tons of condensed milk per shift The metal stamping equipment used in can manufacturing is from East Germany and the vacuum equipment is from West Germany

In 1995 the company purchased a line of Swedish milk processing equipment to begin production of long shelf life milk With the new line, Kupiansk can process 750 tons of milk in a 24 hour period, though current production is only at 320-340 tons per day in the summer and 150 tons per day in the winter due to a shortage of raw milk

Kupiansk has its own fleet of trucks to pick up raw milk daily from supplying farms coupled with an advanced laboratory that tests the quality of milk received This is atypical for a Ukrainian dairy, as most prefer to have the farmers deliver raw milk

Rogan Meat Processing Plant – Svitlana Ulitska Deputy Head of the Board – Vice President of Economics

151, Rohanskaya ul Kharkiv 310172 Ukraine
Telephone (380) 572-99-11-28 Fax (380) 572-99-01-58 E-mail none



Rogan Meat Processing is only using about 13% of its processing capacity at the present time It has four lines, only one of which is generally operating Rogan was set up to produce at capacity, 33 tons of smoked sausage and 83 tons of non-smoked sausage per shift A major market shift from non-smoked to smoked sausage has left the company with idle investment in the non-smoked lines and a shortage of equipment in the smoked line

Rogan has no facilities for slaughtering animals Instead they purchase their needs on the open market in carcass form Even with this arrangement there is a shortage of raw materials leaving the company no other option than to purchase imported meats This process is costly and results in cost-of-goods averaging 75-80% of revenues

Because of the economic situation accounts receivable are a problem for the company It is hindering cash flow which is much needed to purchase new equipment for expansion of the smoked sausage lines

Energy costs are another significant problem for Rogan Energy costs are high, and the supply of electricity is very unreliable

Solbozhanski Agricultural Farm – Yuriy Tovstopyat, Head Economist

5 Chkalova ul pos Chkalovskiy Chuhuiv District
Kharkiv Oblast 312834, Ukraine



Telephone 380-572-515-81 224-50, Fax 380-572-233-83 E-mail none

The Solbozhanski Agricultural Farm is a large Joint Stock Company It has been in business since 1949 Solbozhanski has 1,250 employees It raises 450 farming cows and more than 100,000 hogs The farm consumes approximately 60 000 tons of feed annually, all of which is without bio-stimulants This is a current problem given the scarcity of animal feed in Ukraine

Solbozhanski has two slaughtering rooms neither of which is modern There is no refrigerated area to store the slaughtered animals creating a sanitation problem

Ukrainian Edible Oils Institute – Tetiana Avdevenko

2a Dzyuba Prospect Kharkiv 310019 Ukraine

Tel 380-572-763-852, Fax 380-572-762-942

E-mail regoil@kharkov.ua and petik@regoil.kharkov.ua



The Ukrainian Edible Oils Institute was founded in 1932 Its purpose is to provide the scientific and technical support to the enterprises of the oilseed industry of Ukraine At present 25 processing enterprises are associated with the Institute All of these processing companies are stock companies having more than 80% private capital Their output ranges from vegetable oils to margarine to mayonnaise, to soup

The principal scope of the Institute is to provide consulting and technological assistance in, (1) new and modern technologies for extraction (2) new technologies for production of vegetable proteins and animal feeds (3) new technologies and equipment for margarine, mayonnaise, and soup production (4) sharing of information among Institute associates, (5) compilation of quarterly and annual brochures on the Ukrainian oils seed industry, (6) development of business plans, and (7) market research for oilseed products

Velikoburluskii Cheese Plant – Anatoliy Kovalov, Chairman of the Board

2 Tereshkovo St Veliky Burluk Kharkiv Region 312550 Ukraine

Telephone 5-47-60 5-47-68 Fax 5-29-12 E-mail none

Velikoburluskii Cheese Plant has been in operation since 1978 It is 100% owned by employees The company has 316 employees earning an average wage of \$85 US per month



In 1994 Velikoburluskii produced more than 73 000 tons of cheese (350 tons per day) In 1997, production had fallen to 26 000 tons While its capacity is 450 tons per day it is currently (1998) operating at only 100 tons per day

Velikoburluskii products include hard cheese (50% fat), butter lactose, casein kefir and sour cream Eighty percent of raw materials to produce these products comes from collective farms The company pays for raw milk with a combination of cash and products

The company has two major problems – a lack of working capital and a shortage of raw milk. In Ukraine, most farmers have reduced the number of milking cows in their herds creating a large shortage of raw milk throughout the country.

I. Names and Addresses of CEI Associates

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E-Mail vegoil@kharkov.ua

November 06, 1998

NEWBIZNET

CENTER FOR ECONOMIC INITIATIVES

USAID

I earnestly thank you for giving me a chance to take part in the Marshall Plan Tour Program to USA commencing Sept 13 - Oct 10 1998

I would specially like to note about the friendly and caring attention given to us by the members of Center for Economic Initiatives Cincinnati USA and Newbiznet Kharkiv

Various companies visited in USA gave us possibility to know about technology and machinery used there get information about marketing research how businesses are being conducted by American colleagues and make business contacts for future cooperation and consultations

During the period after returning to my work I have had significant input into my work from lecture materials given by Mr Ed Watson on marketing and also by the Information Director at the Bob Evans

I consider that implementation of such program will bring positive help not only to Kharkiv region but to entire Ukraine and will help cultivate cooperation between our two countries

With due respect and hope for future fruitful cooperation

Tatyana Avdeenko
Sr Scientific Officer
Dept of Economic Research

From Vasyl Zaytsev, Taifun



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E mail co@taifun.kharkov.ua

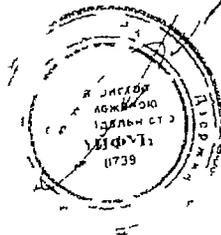
ТАЙФУН

**Региональный центр содействия
бизнесу
Центр экономических инициатив
Агентство США по международно-
му развитию**

№ 346 от 16 ноября 1998 г

ООО «Тайфун» выражает глубокую благодарность за проведение программы стажировки на американских предприятиях в августе 1998 года. Участие в стажировке наших сотрудников Зайцева В В и Сизоненко О А оказало положительное влияние на развитие нашего предприятия. Полученная в ходе стажировки информация оказалась очень полезной для развития сети кафе быстрого питания «Тайфун» в городе Харькове и проектирования фабрики-кухни в Дзержинском районе города Харькова.

Президент ООО «Тайфун»



/Зайцев В В /

TRANSLATION

TAIFUN

Prospekt Pobedy 75A

Kharkov, Ukraine

Tel/Fax +(380 572) 36-74-61 36-72-55

Email co@taifun.kharkov.ua

NEWBIZNET
Center for Economic Initiatives
USAID

Ref 346
Date Nov 16 1998

Limited liability company "TAIFUN" expresses deep gratitude for the study tour program conducted in various American firms in August 1998

Taking part in this study tour by two of our managers Zaytsev V V and Sizonenko O A made positive influence in development of our organization. Information received during this study tour were very useful for developing fast food chains of TAIFUN in the city of Kharkov and designing kitchen factory at Derzhinsky Region of Kharkov City.

PRESIDENT

ZAYTSEV, V V

Thanks to Marshall Plan Program one of our Manager had the opportunity to undergo a study tour in USA and had a chance to get acquainted with modern production technology and marketing methods. This gave us a chance to reevaluate our methods here at the plant and incorporate new ideas.

We consider that continuation of this program is helpful in achieving goals for Ukraine.

CHAIRMAN

SIMONENKO \ A

I have received the following E-Mail message from the Savinskiy Sugar Company Victor Loza from that company participated in the Marshall Plan Program in August 1998 in USA

Belal Siddique

TRANSLATION

Thanks to Center for Economic Initiatives for organizing training tour of technologist Victor Loza of Savinskiy Sugar Factory

This visit has given our production new results in the fields of developing new packaging creating designs, and computerization of production

We wish your organization new success and cooperation with Ukrainian companies and businesses

Director Savinskiy Sugar Factory

L L Likhnyakevich

Personnel Department

A N Buzin

X-Persona <Beltan>

To bsiddiqu@TSO C in IX Net

Organization Rescue

Date Wed, 2 Dec 1998 19 48 23 +0200 (IEE)

Return-Receipt-To tony@rescue donetsk ua

From "Anatoliy Fedosov" <TONY@mail dn ua>

Subject Центр экономических инициатив, Цинцинати, США

Lines 15

Благодарим центр экономических инициатив за стажировку технолога Савинского сахарного завода Позв Виктора Сергеевича

Поездка для нашего производства дала новые результаты в области внедрения упаковки продукции, дизайна упаковки, компьютеризации производства в единой системе

Желаем вашему центру новых успехов в совместной работе с Украинскими фирмами промышленниками бизнесменами

Директор Савинского
сахарного завода

Л Л Лихнякевич

Инспектор по
кадрам

А П Бужин

Barvinkov Food Plant

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БАРВІНКІВСЬКИЙ ЗАВОД ПРОДОВОЛЬЧИХ ТОВАРІВ

№ _____
На № _____

Агентство США по міжнародному розвитку

Регіональний центр соціального бізнесу,
Харків, Україна

Центр економічних ініціатив Цяньшунтан,
США

Барвінківський завод продовольчих товарів запрошує громадян США, студентів, а також працівників підприємств та туристів, які бажають поїхати до України з метою підприємства в США з метою вивчення економіки та виробництва продукції.

Завод цього заводу вимагає від туристів знання англійської мови, виробництва та переробки продукції, а також знання США в галузі малого та середнього бізнесу.

Спектр інтересів включає в себе всі види виробництва та обслуговування підприємств, підприємств та підприємств, які надають послуги та інші підприємства.

Матеріал, який ви отримали, надає вам інформацію про виробництво продукції та про завод Барвінківського заводу. Часом, що ви затратите, дасть вам можливість зрозуміти, як працює завод.

Виражаємо особливу подяку за організацію та вступ до програми та вступ до США з метою вивчення економіки та виробництва продукції та про завод Барвінківського заводу.

Риктор Цяньшун
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USAID
NEWBIZNET
Center for Economic Initiatives

Barvinkov Food Plant expresses its profound thanks to all who organized the seminars and tour of our members to various plants in USA for getting to know the production and processing of agricultural produce

This tour gave us the chance to understand deeply the structure of production and processing of agricultural produce processing industries in USA involving both small and large businesses

Lots of interesting and necessary knowledge was gathered by communicating with industry leaders which can be replicated to improve our industry

Material collected during the tour was of great interest to our industry leaders at the Barvinkov region. We hope that contacts made will give results to future cooperation

We, express our deep thanks for organizing cultural program during the tour of USA and giving us a chance to feel the culture and every day life of American people

Victor Pavlov
General Director
Barvinkov Food Stuff Plant

Kharkiv Molprom



Региональный центр
содействия бизнесу

Центр экономических
инициатив

Агентство США по международному
развитию

В сентябре-октябре этого года сотрудник нашего предприятия Павел Алексеевич пролегал стажировку в США по плану Маршалла. Данная программа дала возможность ознакомиться с передовыми технологиями, которые используются в легкой промышленности США, определить отличия в бизнесе США и Украины, ознакомиться с особенностями торговли и маркетинга в США.

Это позволило определить проблемы, тормозящие процесс улучшения производительности предприятия, определить поддерживаемые бизнес-стратегии, разработать бизнес-план, который предполагает увеличение производительности и прибыльности предприятия.

Мы благодарим Госек, кто принимал участие в подготовке этой поездки и выражаем надежду в дальнейшем плодотворном сотрудничестве.

Д. Г. Губин

И. А. Соловьев

Kharkiv Molprom

NEWBIZNET
CENTER FOR ECONOMIC INITIATIVES
USAID

In Sept-Oct of this year, an executive of our company - Alex Pavlov undertook a training tour of USA under the Marshall Plan Program

This program gave a chance to know advanced technology which is used in milk industries in USA, helped determine the differences business approaches in USA vs Ukraine and know the specifics of production and marketing in USA

This gave us a chance to determine our problems that have stopped the process of improving productivity in our industries and formulate necessary business strategy, workout a business plan that will improve productivity and profitability of our industry

Thanks to all, who have taken part in preparing this tour program and express our hope of future cooperation

V A Solovesky
DIRECTOR

Dear Mr Cole'

Merry Christmas and Happy New Year!

It's with a lot of joy that I recall my stay in the US. Thank you very much again. I'm sending enclosing a magazine with the article about the study tour and my impressions. Vicky, who agreed to help me out, made the translations into English. I'm ready to supply the necessary number of the magazines for CEI members. Besides I want to report on sharing me American experience.

1) A report on my US trip at the "round table" within the NEWBIZNET (USAID) project in September 1998. NEWBIZNET assists enterprise through public businessman associations as well.

The representatives (top figures) of associations from Kiev, Kharkov, Nikolaev, Ternopol, Odessa, Donetsk and Lvov were present as well as Americans - Mark Galaher and Joe Welsh.

The participants were particularly interested in the information on the activities of American association based on membership.

2) Participation with Mr V Kiseliov in the International Seminar "Prodmarket-98" in September, 1998 in Kiev. A report and sharing impressions of the study tour to the US at the plenary meeting and more detailed reports at "round tables".

"The organization and operation of distribution nets in fruit and vegetable trading", "The experience of public associations in supporting enterprise development".

All in all 80 people took part in the seminar.

3) Writing a section in the tour report describing packaging technologies we saw visiting companies in the USA.

4) Discussion of the information received during the study tour at the meeting of Kharkov Packaging Technologies Institute members (Oct 1998) and drafting of the list of American companies, which we had questions as to the technologies and business.

5) Together with Mr Simonenko we set the goal to promote the produce of the Petrovsky First Sugar Processing Plant, Bely Kolodets, Ukraine. When working out the company style and trademark we used the knowledge received during the study tour. We based our work on the history of the plant and the stable image of its produce as the best in Ukraine.

The services were performed by "Fasma" in September - November 1998. The company style we worked out becomes the bases for the consumer packaging and promotion concept. Please find enclosed the draft and description of the trademark.

6) Together with Mr Zavitsev we set the goal to choose the technology for packaging salads, produced by "Taifun". We used the experience and information acquired during the study tour. As a result in November '98 Kharkov Institute of Packaging Technologies drafted the design of the recommended technologies.

I hope my activities will help not only Ukrainians but also the realization of you projects.

Please, pass my best regards to all the CEI members.

Yours sincerely,

Aleksey Gonsky