

FINAL REPORT

(5 Study Tours)

**MTM Productivity Study Tour Program for
Kharkiv, Ukraine**

October 1999 - March 2001

USAID Grant #121-G-00-99-00728-00

Covering industries:

**Bread and Bakery Industry
Meat & Dairy Processing
Food Processing Equipment
Construction
Fruit & Vegetable Processing**

Center for Economic Initiatives (CEI)

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Final Report

MTM Productivity Study tours for Kharkiv, Ukraine

Executive Brief

There has been a dramatic and positive impact of the CEI study tour program on the basic cost of living and on industries in Kharkiv, Ukraine. This report describes the program details. This program was funded by grant 121-G-99-00728-00 from the U.S. Agency for International Development (USAID). This program consisted of five, 21-day study tours, each targeted at a different industry subsector.

Industry	Dates (year 2000)	Organizations visited	# States visited
Bakery	April 2-22	27	4
Meat & Dairy	May 15-June 3	20	5
Food Processing Equipment	July 2-23	25	5
Construction	August 14-September 3	23	5
Fruit & Vegetable	September 4-24	23	3

By the end of this grant and its extension, all major Kharkiv companies in these industries will have participated in the program and will be in a position to compete more effectively in a market economy.

Evidence of the far-reaching impact on the technology, productivity and marketing competitiveness of the basic Kharkiv industries, which CEI has assisted, is almost overwhelming. Two examples are:

Iryna Pesina, Sales Manager of Frunze told us that the tour had a profound impact on their marketing activities. They have almost doubled their product lines and sales are up 250%. The sales materials were completely revised and a new brochure is of very high quality, multi-language, and effective.

Lyubov Volokita, Director of Energoberezhniye reported that in the year 2000 they increased their profits by 300%. As a result of renewed confidence following the tour, they offered their frequency regulators for use on ships. Also outstanding is that they won two NATO tenders and the equipment is now installed on ships in Greece.

Information dissemination is an important aspect of the program. The Food Processing Equipment tour reported that the information has been disseminated to 4870 people. Five articles about the tour were written and published. The Construction information was disseminated to 3840 people, two articles were written, and two videos produced. The Fruit & Vegetable tour disseminated information to 6170 people and several presentations were made to association meetings. One long video was produced and 70,000 people read one of the published articles.

The formation of local trade associations has always been a CEI priority. The Food Processing Equipment, Construction and Bakery groups are all starting associations.

Four Kharkiv Oblast officials joined the tours and were very enthusiastic about the program. Another high level official reported that half the companies on tours increased their efficiency by 60%.

Some of the major benefits of the program for the Ukrainian companies were:

- Many 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%.
- Over 66 new and modified products have been added to existing lines with little new investment;
- The participants came to a greater understanding of the role of advertising, marketing and distribution;
- Productivity changes were made which to increase product shelf life, reduce cost, and eliminate waste.

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. Executive Overview

Evidence of the far-reaching impact on the technology, productivity and marketing competitiveness of the basic Kharkiv industries, which CEI has assisted, is almost overwhelming. A few examples are given below. These examples are typical and the improvements in overall productivity are enabling Kharkiv enterprises and others in key oblasts to catch up with technology of the U.S. and Europe. This economic uplift of these basic consumer goods industries could not have been achieved other than by the CEI program.

Tetyana Afanasyeva, Deputy Director of Korvet commented that while in the US they realized the value of packaging and its future implication for Ukrainian businesses. Since returning their sales are up 100%. They are producing various new products and provide ready-made packages for a computer manufacturing plant in town.

Lyubov Volokita, Director of Energoberezhniye reported that in the year 2000 they were able to increase their profits by 300%. As a result of renewed confidence following the tour, they offered their frequency regulators for use on ships. Also outstanding is that they won two NATO tenders and the equipment is now installed on ships in Greece.

Iryna Pesina, Sales Manager of Frunze told us that the tour had a profound impact on the company, especially in their marketing activities. They have almost doubled their product lines in the past year and their sales are up 250%. Their sales materials have been completely revised and their new brochure is of very high quality, multi-language, and effective.

Mykhaylo Shvartsman, Director of Ukrainian Agro-Service reported that the company has doubled its sales in year 2000. The new sales target is to double again by the end of 2001. They have recognized the importance of marketing by visiting USA and their entire Sales and Marketing Division re-organized with recruitment of new hires.

Sergiy Kotelnyk, Production Manager at Kupiansk Milk told CEI that their President really started into the soya business after visiting ADM on an MTM study tour! The company is expanding, increasing salaries, and adding new products. They are now producing chocolate soya milk and are making chocolate soya milk that contains no whole milk. Soya milk is 50:50 soya and whole milk. They are also using soya milk for feeding calves and as a result have more whole milk available for sale to the public.

Information dissemination is an important aspect of the program. The five study tours reported as follows:

Bakery: The participants spoke to 1690 people in the industry about the program. Five articles were published, one of which was circulated to 500,000.

Meat & Dairy: This group has spoken to 4382 and has produced at least one video which has been shown frequently.

Food Processing Equipment: The information learned on the tour has been disseminated to about 4870 people. Five articles about the tour were written and published.

Construction: The information learned on the tour has been disseminated to about 3840 people. Two articles were written and two videos produced.

Fruit & Vegetable: The information learned on the tour has been disseminated to about 6170 people. In addition, several presentations were made at association meetings. One long video was produced and 70,000 people read one magazine article, which was written by Sergiy Pyechko, Chairman of Krasnogradskoye.

The formation of local trade associations has always been a CEI objective. During the follow-up workshop in February 2001, CEI was advised that the Food Processing Equipment and Construction groups are both in the process of starting associations. These are in addition to the bakery association that was formed earlier. These associations help break down the former isolation between Ukrainian firms.

The participants were selected at seminars designed for that purpose. In January/February 2000, CEI representatives visited Kharkiv and, with the help of the Kharkiv Regional Business Assistance Center (RBAC) and the International Executive Service corps (IESC) representatives, conducted the first of two selection seminars. The purpose of this seminar was to select participants for the Bakery and Meat & Dairy study tours. In May 2000 the second of two selection seminars was held. In it, participants for the Food Processing Equipment, Construction and Fruit & Vegetable study tours were selected. The number of applicants is summarized in the following table. From each group, 15 industry participants were selected.

	Bakery	Meat & Dairy	Equipment	Construction	Fruit & Veg.
# Applicants	33	30	41	43	33
# Companies	21	20	28	28	27

At the time of the first selection seminar, Igor Kolot of the Kharkiv Oblast Administration wrote to the USAID Mission director and requested that government persons be allowed to participate in the program and attend the study tours. After some discussion with the USAID Mission in Kiev, it was decided to accept Oblast representatives on the first two tours on a trial basis. At the end of the second tour a decision was made by CEI, approved by USAID, that Oblast representation was in fact beneficial. By the time of that decision there was insufficient time for a representative to join the food Processing Equipment tour. Representatives did, however, join the Construction and Fruit & Vegetable tours. As a result, there were 16 participants on four of the tours and 15 on the fifth tour.

The major benefits of the program for the Ukrainian companies were:

1. Numerous outstanding productivity improvements were identified that have been documented in technical reports that have been distributed in Ukraine.
2. Over sixty six (66) new and modified products have been added to existing lines without significant investment;
3. The participants came to a greater understanding of the role of advertising, marketing and distribution which will permit their companies to compete more effectively with imported food products and will improve the accessibility of products to low income groups;
4. Productivity changes were made which will increase product shelf life, reduce costs and eliminate waste;
5. Managers gained an awareness and appreciation of new management techniques;
6. New products and equipment were identified which the Ukrainian firms can purchase from the U.S.
7. Ukrainian firms gained a greater awareness of changes they can make in their own firms and industries.

The host company visits, in almost all cases, 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 total length of each tour was 21 days. This time was needed for the new concepts to be fully understood and appreciated by the participants.

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 significant sales increases. Many 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%.

Almost every host company discussed the importance of increased volume to decrease 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.

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

Several 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, the results were very promising. In fact, many of the changes anticipated during the exit interviews were being implemented, albeit a little slower than had been originally projected.

This 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.

Several reports were written in the course of the project. These included:

Report	Written by	Language	Comment
Tour Completion (5)	Tour Manager	English	Tour Details
Technical Report (5)	Participants	Russian	For distribution in Ukraine
Evaluation Report (2)	Project Manager	English	From follow-up meetings
Final Report (1)	Project Manager	English	

3. Overall Project Evaluation

3.1 Benefits

The MTM study tour program is an adapted Marshall Plan technical assistance program for the Kharkiv region of Ukraine, run by the Center for Economic Initiatives (CEI), and is one component of the Kharkiv Initiative. This grant and its predecessor has been a three year program consisting of 7 study tours for 112 high level managers, representing 21,012 workers, which targets key segments of the economy and provides critical information on management, productivity, technology and marketing.

The program has had a positive and significant impact on Kharkiv industry. The following are a few of the noteworthy benefits. In the cases below, the study tour industry subsector is given in parentheses.

- Increased profitability.
Companies that participate in the MTM program are better able to survive and expand with new competitive products and management methods. This in spite of the fact that today in Ukraine, many companies are going out of business and jobs are being lost. Examples among many include the Kupiansk Condensed Milk Company (Meat & Dairy) and the Ukrainian Agro-Service Company (Food Processing Equipment).
- Greater awareness of the functions of management.
This is a topic that has never been formally taught to Ukrainian managers and for which few have had preparation. There was great interest among the study tour members in organizational structures and in job descriptions.
 - C At Taifun (1st Fruit & Vegetable) they found that management styles were significantly different in the two countries. U.S. managers allow subordinates much greater latitude in decision making, thus freeing top managers to make higher-level strategic decisions. Taifun made similar changes.
 - C Many companies have been reorganized as a direct result of the CEI program. This has led to improved operations and competitiveness at organizations such as Molochnaya Sloboda (2nd Meat & Dairy) and Stankinprom (Equipment).
 - C Most companies in the construction industry do not have clearly defined job responsibilities. As a result, Valentyna Kocherova, Production Manager of the firm Construction Group, reported that formerly when things did not go well at the construction site, as is often the case, there were great emotional outbursts. Job responsibilities have now been defined.
 - C Many Ukrainian companies learned that they must specialize in order to survive. They have looked at their costs and have started to close unprofitable operations. This has been done at the Barvenkovskiy Food Plant (1st Fruit & Vegetable) and Stroiservis (Construction).
 - C Several companies have learned that their employees need increased skill levels and have therefore set up employee training programs. Examples are Masalitin (Bakery), Molochnaya Sloboda (2nd Meat & Dairy) and Frunze (Equipment).
- Greater understanding of marketing and distribution
 - C Most participants acknowledged they had little idea of the role of marketing before participating in the CEI tours. This attitude changed significantly during all CEI tours. Again, an example among many is Nataliya Pravilo of Prodtovary Bogoduhov (Bakery) where marketing is now conducted on a more professional basis.
 - C Many participants set up marketing and sales operations upon their return to Ukraine such as Sergiy Koylo at Electromash (Equipment) and Ivan Byelosokhov of Vostok (Equipment).
 - C Most companies were unaware of the need for brand names and logos. As a result of the CEI tours, these companies have created logos and some form of brand recognition. Examples include

most companies on the meat & dairy tours and others.

- C Companies are doing more advertising as they expand their markets. One example is the company Milk (2nd Meat & Dairy) that now spends 20% of their revenue on TV advertising, all with very positive results.

- Reduced government interference.
 - C Kharkiv Government officials on the program have seen how fewer regulations help industry. They saw how the U.S. government impacts industry without so much intrusion. This applies particularly to tax collections and the lack of the “Tax Police”. Examples of reduced regulations by Oblast officials included on the tours are the post tour reform work of Igor Kolot (2nd Meat & Dairy) and Kseniya Khoptar (Construction), both of the Kharkiv Oblast Administration
 - C Officials have seen how industry must stay competitive with costs and prices. Price controls of bread were relaxed as a direct result of the recommendations of the Oblast representative on the CEI tour Victoria Radchenko (Bakery). Competition, not the government, now sets bread prices in Kharkiv.
 - C In Ukraine, the government must approve each new food and bread recipe for standard manufactured recipes. Each license costs about \$1,000 and must be renewed every six months. The Oblast officials have now seen in the U.S. that control of the ingredients and sanitation conditions is all that is needed. This applies particularly to Victoria Radchenko of the Kharkiv Oblast Administration (Bakery) who has reported these observations back to Ukraine.

- Increased savings in production costs.
 - C Companies observed that in the U.S. food processing plants the cooling systems were located in the plant ceilings. In Ukraine, they are located on the floor. Not only does ceiling installation save valuable floor space, but it is energy efficient. The estimated energy savings for this type of cooling are 30%. The first companies to make this observation and change were Rogan Meat and the Kharkiv Milk Plant (1st Meat & Dairy). Many more companies have since made this change.
 - C In the U.S. calves are nursed by their mothers for only three days. In Ukraine calves are nursed for 45 to 90 days. By feeding calves soya milk, about 1,000 gallons of whole milk are saved for each calf born. Since whole milk is in short supply in Ukraine, soya milk is seen to have great potential by Sergiy Kotelnyk of Kupiansk Milk (2nd Meat & Dairy) and Yuriy Kivshyk of the Kharkiv Milk Plant (1st Meat & Dairy), and other participants and farm operators.
 - C Members of the Fruit & Vegetable program discovered that fruit trees are tended differently in the two countries. In Ukraine, all the land between the trees is plowed and the grass and weeds removed. In the U.S., only the area around the base of the tree is cleared. One program member, Iryna Orlova, Chairman of Peremoga estimated that using the U.S. practice would result in savings of \$10,000 per year. In Ukraine there are a great many orchards and the energy savings will be significant.
 - C When a fruit tree is replaced, the land is left idle. In the U.S. this period is one year. In Ukraine it is three years. Sergiy Pyechko of Krasnogradskoye (Fruit & Vegetable) felt that this practice used in Ukraine would result in increased products and revenue. He also discovered that in the U.S. fruit trees are fertilized for the first 1-2 years only. In Ukraine they are fertilized every year. Using the U.S. procedure will lower their production costs.

- Increased management self-confidence.

Participants on the tour gain the confidence to make difficult decisions. This applies particularly to the need to reduce costs. This was one of the largest reasons for the return to profitability at the Barvenkovskiy Food Plant (1st Fruit & Vegetable).

- Defense conversion assistance.
This program is indirectly assisting engineers convert from defense to civilian production. Engineers who formerly worked in the defense industry are starting new private companies and are seeing how to organize and market themselves. Vasyl Sulima of Extruder (Equipment) and Viktor Pavlenko of Stankinprom (Equipment) are but two examples.
- Increased exports.
Kharkiv companies are starting to export as a result of the CEI program. Export means increased opportunities to attract investments. Ukrainian companies are using this program to test the market for their products. This includes companies such as Anatoliy Shkurko of Nadiya Agricultural Farm (1st Fruit & Vegetable) and Lyubov Volokita of Energoberezeniye (Equipment).
- Companies restructured.
During the study tours there was a great deal of interest and discussions about organization structures. Many companies restructured themselves after the tour.
 - C Roma Ltd. (Bakery) reorganized their bakery and flour milling operation and redirected their efforts away from pasta and towards bakery and confectionary.
 - C Molochnaya Sloboda (2nd Meat & Dairy) had recently taken over the 1st Kharkiv Milk Company (1st Meat & Dairy) and completely reorganized the company in two phases. These are now reported to be working well and the company is well poised for additional growth.
- New products.
 - C Soya milk is now being produced at Kupiansk Milk (1st and 2nd Meat & Dairy). Other companies are planning to follow this lead.
 - C New salads and a line of spreads have been introduced by the fast food chain Taifun (2nd Fruit & Vegetable).
 - C New margarine products have been introduced by the Kharkiv Edible Oil Plant (1st Meat & Dairy).
 - C The firm Milk (2nd Meat & Dairy) now produces low fat milk and other new dairy products.
 - C A wide range of pastries and wedding cakes have been introduced by Kupiansk Bakery (Bakery).
- Improved packaging.
 - C many companies on the Fruit & Vegetable programs are making improvements in packaging. The result is evident in the local food shops. The quality of product labels is significantly improved and many processors are switching to jars with screw top lids which increase their export potential and make jars better for home canning.
 - C Milk and other dairy product containers have been significantly improved including those at Kupiansk Milk Plant and Borovskoy Milk Processing Plant (1st Meat & Dairy).
 - C Sugar plants used to supply sugar only in 50 Kg sacks. After the program, sugar plants such as 1st Sugar Plant Named after Petrovskiy and Pervkhinskiy Sugar Plant (1st Fruit & Vegetable) providing sugar in smaller, more convenient 1 Kg packages with greater value added to their revenues.
 - C The equipment company Fasma (1st Fruit & Vegetable) has been instrumental in selling and installing new food processing equipment to program members including the Kharkiv Edible Oil Plant (1st Meat & Dairy). In addition, they provide valuable marketing services to their clients, many of whom are also CEI study tour participants.

- Increased networking.

In the case of all MTM study tours, the applicants and the participants selected had never previously met each other and did not know what others in their industry were doing. The participants saw in the U.S. the benefits of working together.

 - C New trade associations are being formed. Vasyl Masalitin (Bakery) is in the process of starting an association. This will take another two months to finalize legally, but an association office has been purchased and they are determining the founding membership. The association will be able to push for legislation to help their industry and will give members combined purchasing power.
 - C The construction tour members now meet on a regular basis to discuss industry activities.
 - C Vasyl Sulima of Extruder (Equipment) recognizes the need for an association in their industry and will soon be working on starting one.
 - C Participants pass on sales leads. Iryna Pesina of Frunze (Food Processing Equipment) was able to direct potential customers to Viktor Pavlenko of Stankinprom and Mykhaylo Shvartsman of Ukrainian Agro-Service - all on the CEI Equipment tour program.
 - C Companies cooperate on new products. Kupiansk Milk (Meat & Dairy) needs sources of soya. Seeds for soya are been grown by Olga Zhygaylo at Verbovskoe (Meat & Dairy) and sold at retail by Olekandra Voloshchuk of Sortsemovosch (Fruit & Vegetable).

- Increased information dissemination throughout the Kharkiv Oblast and Ukraine.

The information gained on CEI tours has been disseminated to a very wide audience throughout Ukraine.

 - C Many articles have being written to describe the program. Examples include packaging by Alexander Gonsky of Fasma (Fruit & Vegetable) and observations by Mykhaylo Shvartsman of Ukrainian Agro-Service (Equipment).
 - C Presentations on TV are being made by Igor Kolot of the Kharkiv Oblast Administration (Meat & Dairy) and Vasyl Sulima of Extruder (Equipment).
 - C Several program members have given presentations at large trade conferences. These include Olga Grynchenko of Karpidzhani (Meat & Dairy) and Lyubov Volokita of Energoberezheniye (Equipment).
 - C Tour members give lectures to students at their institutes, thus helping to see that the ideas are carried on to wider groups of professionals. Examples include Vasyl Masalitin of Masalitin (Bakery), Volodymyr Tkachenko of Druzhba (Meat & Dairy) and Mykhaylo Shvartsman of Ukrainian Agro-Service (Equipment).
 - C Technical manuals describing study tour findings were written by the first two study tours in 1998 and are in various stages of preparation for the five study tours conducted in the year 2000. These manuals are widely distributed in Ukraine and allow others in the industry to learn about U.S. business practices and companies.
 - C Several of the participants, including Vadim Lakiza of Molprom (Equipment), have taken extensive video tapes of the tour visits and these have been shared with other firms. The videos taken by Zoya Kokhan of Molprom (Meat & Dairy) will be used in her consulting services to Kharkiv dairy enterprises.

- Create a positive image of the U.S.

It is very clear that the Ukrainian participants gained a very positive impression of U.S. business practices and American culture, which is in sharp contrast to the information given them in the Soviet era.

- Increased contact sources in the U.S.

CEI provides valuable follow-up information and services to Ukrainian participants in the study tour program and to other Ukrainian firms.

3.2 Associations/Networking

The formation of local trade associations has always been a CEI objective. CEI has been advised that the Bakery, Food Processing Equipment, and Construction groups are all starting their own associations. There is also considerable support for this activity from the Kharkiv Oblast Administration.

CEI had been asked by several of the study tour participants for some way to meet with others who had been on the tours. Those on the Construction and Food Processing Equipment tours were especially interested to meet those on the Meat & Dairy tours and Fruit & Vegetable tours. Networking is not a common occurrence in Ukraine. Therefore, CEI arranged for a meeting where all participants could meet. There have been a total of 112 participants on the seven study tours to date and a few people had moved out of the area or could not be found. Everyone was overwhelmed when 97 participants attended.

At the networking meeting CEI made a few initial remarks about the current and future programs. Then the leader of each study tour group, or a substitute, introduced the members of their tour, many of whom gave a brief description of their company and its activities. Afterwards the group adjourned and they were able to exchange notes and business cards.

3.3 Dissemination

Information dissemination has always been an important component of the MTM program. The purpose of the overall program is to provide as many people throughout Ukraine with the information as possible. Each participant was strongly encouraged to give seminars, lectures, to and prepare articles for publication. This activity far surpassed CEI's expectation, as most participants were eager to pass on the lessons learned. The results are tabulated below.

- Bakery: The information learned on the tour has been disseminated to about 1980 people. Several articles were written which over 15,000 people have read.
- Meat & Dairy: The information learned on the tour has been disseminated to about 4620 people.
- Food Processing Equipment: The information learned on the tour has been disseminated to about 4870 people. Five articles about the tour were written and published.
- Construction: The information learned on the tour has been disseminated to about 3840 people. Two articles were written and two videos produced.
- Fruit & Vegetable: The information learned on the tour has been disseminated to about 6170 people. In addition, several presentations were made at association meetings. One long video was produced and one magazine article was written which 70,000 people read.

4. Program Benefits by Tour Participants

4.1 Bakery Tour

Alla Chekunova, Edelewiss

- Alla Chekunova is a friend of the Mayor of Kiev and she has explained the benefits of the CEI program to the Mayor.
- She reported that Misik of Kegichovskoye (a fellow tour participant) had set up a bread kiosk right next to her store after she had developed that area and people were accustomed to buying bread there. Misik was able to get permission to do this in a matter of days whereas any other company would require weeks due to normal bureaucratic delays.
- The Edelweiss firm has experimented with doughnuts but has not yet gone into full production.

- She bought a bread slicer and started selling sliced bread. She found that only the night police bought the bread. Since Ukrainians don't like sandwiches there is a limited demand for sliced bread.

Yevgen Chuyko, Prodtovary Bogoduhov Plant

- After the tour Chuyko developed two sugar-free diet drinks packaged in 2-liter plastic bottles. One has a mixed fruit flavor and the other is lemon flavored.
- Also after his return he purchased additional shares in the company and now owns 51%. He has added a sales manager and opened a retail shop. He has also added a bulgar grain processing plant and is planning a vinegar operation. We visited the bakery, the sunflower seed processing operation, the bulgar processing department, and the flour milling operation.
- This is the only company in the Kharkiv Oblast to make apple sauce and apple puree which is used to make jam.
- The automatic bottling line was idle since the peak season was over, but a manual bottling line was in operation bottling water. This product has the advantage of low energy usage. They used to make alcohol but the taxes became too high.
- CEI also visited the steam generating plant, laboratory, and retail shop. In the retail shop 38 different products are sold to neighborhood customers. They have two other shops and plan to expand in this direction since this is where the profit is. However, this takes capital, which is in short supply.
- There once were 15 plants operating in the Bogoduhov area and there are now 4, due mainly to high taxes and the low purchasing power of the population. Each time a plant closes, the situation only gets worse. For survival, the average people depend on raising food on their own plot of land.
- In a company staff meeting CEI was asked about possible investments. We pointed out that they were very difficult to obtain. We encouraged them to export and gain cash in this way.

Mykhaylo Kornilov, Bogoduhov Bread Baking Plant

- "The real benefit in the CEI program is in marketing."
- The competition is now very difficult.
- The economics are now better at the plant as a result of the CEI tour but they still operate at 40% of capacity. There is not a market for confectionary products, but white bread is still selling well. They will shortly add a mill so they can expand the number of products and increase sales.
- The company is located in the center of town and was recently required by the local government to spend money making their plant entrance more attractive. This expenditure diverted valuable funds from needed product and market development.

Larysa Lytvyak and Tetyana Sidorenko, Everest

- The firm has two factories in different parts of the city plus one retail shop that sells piroshki, coffee, cakes, pastries and other products. The shop cost \$65,000 to construct and stock with products. The net income from the shop is \$1,500/month. At the rear they have a piroshki frying operation where they make 6-7,000/day. The headquarters is located in a fourth location.
- Recently the company introduced two new products but sales so far are low. They have also started making doughnuts seen in the U.S. Cakes and pastries have low profit margins due to the high cost of sugar. Bread is their most profitable item. Raw materials are not a problem.
- The largest benefit of the study tour has been as a result of Larysa's work with reducing costs and setting prices.
- Due to the high unemployment, workers who are not productive are released and easily replaced.

Vasyl Masalitin, Masalitin

- Masalitin announced that the CEI study tour group was setting up an association. Papers had been filed and an office location found. They are now selecting the association founders. People from

bakeries and state farms will be eligible to join. The Association is interested in purchasing equipment.

- Masalitin is currently building a 2-story bakery where they will produce 10 tons of bread per day. A lack of gas is a problem. They only sell through their own sales outlets.
- Masalitin took many ideas from the U.S. firm they visited, Hubert Distribution, and is interested in a possible joint venture with them involving promotional materials.
- They have started several training classes in the company as a result of the U.S. tour.
- Vasyl and CEI visited several of his retail shops around the city. The shops, which are permanent structures as opposed to movable kiosks, are very modern and is constructed of materials purchased primarily from Germany. The marketing methods are completely unique in Kharkiv and many are based on the information learned on the CEI study tour, particularly at Hubert Distribution. Information gained at the U.S. firm Busken Bakery is also being used in the operation of the firm. The brand name on each shop is “Kolocok”.
- The main concept is that bread is a staple and can be sold in quantity to the customers who will come to a shop that provides high quality products at a convenient location. This certainly seems to be the case. The shops appeals to all economic levels of the population.
- We visited several of the shops. They all sold mainly bread with only a few other items such as confectionaries being offered. The bread is delivered 4-5 times per day to the shops so is fresh and warm. There are 95 products in total and these represent the complete range of customer bakery needs including varieties of bread, rolls and buns. Vasyl Masalitin acknowledges that this was a risky strategy, but it is working well after 6 months. There is no competition at the moment. Three of the shops are in operation and 4 more are in final construction stages. Several more are planned. Each shop has an area of 40 square meters, takes 3 months to build at a cost of about \$20,000. Every detail appears to have been considered. They also have movable kiosks that can be moved to different locations and the market locations tested.
- CEI believes this plan is working well by virtue of the fact that there was a continuous stream of customers to each site who were being served continuously. Customers come to one of five possible windows and get served, much as they would at a McDonald restaurant. The number of windows open depends on the length of the line and the number of available staff. The busiest shop we saw sells to 5,000 customers a day and another to 3,000.
- The firm has one main production shop that produces 7 tons of bread per day and is constructing a new facility that will produce 35 tons/day.

Nataliya Pravilo, Prodtovary Kupiansk Plant

- “I didn’t understand why I needed marketing until I went to the US.”
- As a result of the CEI tour the firm has introduced new practices and three new products.
- Her firm has introduced some production layout changes.
- The Director, Sergei Bizin, informed us that all the information Nataliya brought back from the U.S. study tour was beneficial to the company. They are a small company without a sales department but with the manager who spends ½ his time selling. He now is aware that “the customer is king”.
- The company operates several businesses including a bakery that produces 60 tons/year of confectionaries, down from a former 400 tons. It now works at about break even.
- The firm also has operations in flour milling, and a sunflower seed-processing unit that produces raw oil. This is their most profitable operation and has grown from 120 tons/year to 600 tons/year.
- The company has no debts and is looking for an investor. They have a partially completed building that they would like to use to refine their sunflower seed oil. For this they are looking for an investor. The company cannot get a loan since they have no collateral. Unfinished buildings cannot be used as collateral.

Viktoriya Radchenko, Kharkiv Oblast Administration

- CEI met Viktoriya at a meeting with Igor Kolot but did not interview her. Her attitude towards the program was very positive and she was very quick to point out the benefits of the program.

Oleg Sverzhyn, Kupiansk Bread Baking Plant

- As a result of the CEI tour, they have introduced wedding cakes and have added it to their list of products. Several pastries with fruit seen in the U.S. also have been added.
- He is looking for cake print materials which he cannot find. He asked CEI to help.
- They have started new operations in two new districts, Velijik Burluk and Bogoduhov. They also have opened a cafe.
- Inflation is eating up their working capital and their daily volume is down 50%. Energy costs are high and they cannot raise prices due to the low prices from the many small illegal bakeries in the area. In the last year however, they have increased their volume from 10-12 tons/day to 17-19 tons by selling into 2 adjacent districts. Nevertheless, they still operate at break even and are heavily in debt.
- The Director claimed that everyone was working on reducing costs, but CEI was shown several rooms of about 600 square feet in which there was one worker making one product.
- There are four ovens in their production area but only two were working and at a reduced rate.
- They now have 100 products in their line, some as a result of the CEI tour.
- Last year they paid \$35 for 1,000 cubic meters of gas. Now the price is \$70.
- In a kiosk for lighting they pay 0.20 Hryvna per KW and for heating 0.30 Hryvna/KW.
- Gasoline at 76 octane costs 4.84 Hryvna / gallon.
- The company operates a store and cafeteria, a saw mill and a furniture operation!
- They have an attractive bakery product brochure and product photographs.

Sergiy Tsymbalov, Roma Ltd.

- Sergiy has completely re-planned his operations as a result of the study tour and is now going for vertical and horizontal integration. First, he has improved his technological process of flour milling. In addition, he is discontinuing his Turkish bread baking operation and is going to install two ovens obtained from Russia. Both are to make traditional Ukrainian rye breads, brick and flat. One is a circular oven and the other a tunnel oven. To house these new pieces of equipment they are constructing a new building, which should be in operation by the end of the year 2000. In addition, they are planning to install a pastry and confectionary operation and his brother is currently in Poland looking for equipment. He had an opportunity to purchase the local bakery operation that had gone bankrupt, but decided it was energy inefficient and not a good business decision. Roma is now the largest bakery in the area.
- The tour was a tremendous benefit to Sergiy. It taught him that he had to expand in a planned way and not to go into macaroni production as he had planned. He decided to produce a better quality flour, to go into confectionaries and to start producing the two types of rye bread.
- Roma also has plans to increase the firm's marketing operations. They currently operate shops in town under the name "Karavay" and want to expand into the surrounding towns. This also means expanding the distribution system.
- There was a tremendous amount of activity at the plant - possibly more than at any other plant visited by CEI.
- Roma also manufactures furniture and Masalitin reported that he is purchasing some items including chairs.

4.2 Meat & Dairy Tour

Artem Bartyshev, President, and Konstantin Lykov, Marketing Director, Molochnaya Sloboda

- The principles of labor management learned in the U.S. were found to be most important. It influenced management to change so that they could concentrate on overall strategic decisions, not every day minutia.
- Bartyshev has now reorganized his company and has united all his products under a single brand.
- He has expanded the planning process and improved the professional training of company staff.
- They have also put in place greater control over expenditures on energy.
- His next step is to look into the products of the company.
- The firm is trying to be a “Success Story” and has reorganized through 2 stages. In February 2000 they were a state organization with 200 employees. There were 35 bankruptcy cases in the court at that time. At that time they decided to concentrate their capital to preserve it and to add production capacity. Now they have control over their costs and the organization is based on examples they saw in the U.S.
- They formerly had 18 products, which have now been reduced to 8 and all have been unified under a single brand image and logo.
- As with all dairies they have problems getting raw milk. They are in competition with the Kupiansk Condensed Milk plant. They get their raw milk from north of the city of Kharkiv (Kupiansk is in the east). Producers of milk set one price and the government sets another. The difference is mainly taxes. The price of raw milk is up 30% and the retail price is up just 10%. However, he can see some stabilization. Prices are based on the fat content and other items. Their capacity is 350 tons/day but they operate at 50 tons/day.
- There are 10 categories of milk based on the fat content including skim, 2%, etc. The next step is to classify the milk by bacteria content (farm cleanliness is critical). The products do not have a long shelf life, but they know how to extend it.
- They are very responsive to the customer and adjust prices every 10 days. At the beginning of the year they sold 80% of their products in bulk and 20% retail. This is now reversed. They produce 4.5 tons of sour cream (smetana) per day and 500 kg of butter. Butter is less profitable due to the costly high fat content.
- The company produces one ton of high quality casein per day, which is bagged and exported to Holland.
- The plastic packaging for their products is designed for middle class customers and has a removable top.
- CEI toured the facilities, which are quite old and energy inefficient. Certainly they are much less impressive than those of Kharkiv Milk and Kupiansk Milk.

Olga Grynchenko, Karpidzhani, Chief Production Specialist

- As a result of the CEI tour she has become more professional and that is the biggest benefit to her.
- They now have a Marketing Manager in her organization although it is too early to see any results.
- They need to compete in some areas so they have re-oriented to add fresh berries to their ice cream.
- They have refined many of their old ideas as a result of the trip. For example, they have realized that they need to have a winter business as well as a summer one. Thus they are considering adding a line of sweets.
- Her company is temporary closed for sterilization but will open in another month.

Zoya Kokhan, Molprom (a consulting firm), Director

- She has visited all the clients of her firm and told them that they are really not too far behind technologically.
- In her view, since they can sell all they can produce there is little need for new products and packaging now. Instead, she recommends working on improved organization and productivity.

- Zoya will be making a video of her trip and will be showing it to her clients.

Lyudmyla Konogina, Plavlenye Syry, Director

- Since her return to Ukraine she has spent a great deal of her time fighting off the tax authorities. Fortunately she was successful. The tour gave her a great deal of confidence, which was needed.
- She has had many requests for cooperation and she has a proposal from Artem Bartyshev.
- The tour has greatly helped her in the management of her company.
- She has introduced two new types of packaging and two new products. The packages have bar coding that is acceptable.

Sergiy Kotelnyk, Kupiansk Milk, Manager Innovation and Equipment

- Their business is good and growing.
- In 1998, their President Alexander Radchenko participated on the first Meat & Dairy tour and returned with many new ideas. These he did not understand at the time. Now he does. As a result, they both find it much easier to implement new ideas.
- They are now using soya milk for cattle breeding and as a result have more whole milk for sale.
- Farmers are seeing the increased efficiency of feeding their hogs and cattle with soya milk.
- There is no soya for sale in Ukraine this year since it has all been exported. They have purchased some soya, which they have given to the farmers but it is too early to see the result. The price of soya in Ukraine is half of the world price.
- By using soya in their condensed milk they have been able to keep their prices constant.
- They are now producing chocolate soya milk.
- The company has now stopped using cheap labels and packaging.
- We saw the soya machine, of Ukrainian manufacture, producing soya milk. It is the only one in Ukraine and the soya milk is sold to farmers for feeding to calves. The milk appears to be going very well since farmers were lined up to purchase it.
- We also saw a large machine producing powdered milk that was packaged into 25 kg sacks.
- Each department has a laboratory that checks both input and output.
- Each day the company produces 60 tons of whole milk and 10 tons of milk that can be either condensed and/or powdered. Powdered milk is shipped to Africa, Netherlands, Turkey and Germany. At the present no products are shipped to the U.S.
- They are now making chocolate soya milk that contains no whole milk. Soya milk is 50:50 soya and whole milk.
- The President, Alexander Radchenko, really started into the soya business after visiting ADM on an MTM study tour! Kupiansk Milk would make an excellent MTM success story. The company is expanding, increasing salaries, and adding new products. They have a very positive attitude.
- Each month the sales and production departments agree on a schedule for the month that is presented to the President and then approved. It is a real team effort.
- Finished products were seen being transported in plastic trays on fork lift trucks, a practice never before seen in Ukraine by CEI.

Tetyana Kovalyova, Daria, Head of Production

- Based on what they had learned on the CEI tour, Daria has added 10 new products seen in the U.S.
- They have developed a new type of ice cream based on whey. It is now being registered with the government.
- They have tried to make a mint flavored ice cream but have not yet found the right flavorings. They do not want to use artificial flavorings since all their products have only natural ingredients.
- They have tried to produce Ricotta cheese but cannot get the right consistency.

- Strawberry sherbet is now in production.
- They have added several new low-fat products as a direct result of the CEI tour.
- The milk company has a capacity of 500 tons/day but they now produce only 130 tons.
- The plant is the most modern of any milk plant we have seen in Ukraine and has equipment from Alfa Laval and others. The ice cream equipment is from Hoyer Dino in Italy and Tetra Pak.
- Yuriy Kivshyk, a member on the first Meat & Dairy tour, would like to return to the U.S. to visit more U.S. companies. CEI offered assistance with specific questions.
- The company now understands the need for a marketing department. They have a new aggressive sales manager who is opening up new markets, particularly in Kiev. They have 43 products, of which 15 are ice cream flavors. This is the largest product range of any Kharkiv milk company. Some lines are not profitable, but they have not been dropped since the company does not want to lose market share.
- Getting whole milk is a real problem. The company purchased cows from Denmark but discovered that Ukrainian cows were just as productive. In both cases, the amount and quality of feed determined the output.

Vira Levshyna, Milk, Commercial Director

- Her company has had 72 government inspection visits since she returned from the study tour 4 months ago. They were related to tax, health, security, and others.
- Her firm continues to operate and has had some successes. They produce the usual variety of dairy products such as whole milk, sour cream, kefir and yogurt.
- They have introduced 2 new milk products, which have low-fat and low cholesterol content.
- They are spending 20-25% of revenue on TV advertising with excellent results. Customers come from as far away as the Donbas, which is 4-500 km away.
- They are working on a soya milk product with another company. They hope to introduce this soon along with 6 to 8 other new products.
- A cooling system was purchased from Finland and is installed in the ceiling. This has freed up floor space and saved 30% on energy costs. This was purchased with a one-year loan from the bank.
- A second cooling system was installed for finished products. All cooling pipes are now located in the ceiling.
- They have purchased 2 computers for the marketing department, which are used for market studies.
- They are working on a trade mark which they will introduce after the current stock of packaging is exhausted.
- She learned a great deal about marketing on the tour but now wishes she had learned much more.

Volodymyr Tkachenko, Druzhba, Chairman of the Board

- He is working in the area of cattle breeding and that is most difficult.
- They are now buying soya milk from Kupiansk Milk Plant and are using it extensively. Unfortunately the calves do not like the taste and are losing weight.
- They are working hard on cleanliness and no longer leave the milk tanks open.
- After the trip he is much more willing to accept new ideas.

Mykhaylo Torosyan, Mercury, Deputy Director

- The company produces a variety of different sausages to which they have added their brand name.
- They have now opened several of their own kiosks based on the information learned in the U.S.
- After returning to Ukraine they have started a new marketing department.
- They have started working with soya and are saving 15% on the meat content of their sausages.
- They are still planning to lower the electricity cost of producing their sausage, but this will change the

flavor of the sausage so they must introduce it slowly and carefully.

- The meeting was held at his dacha, about one hour drive outside Kharkiv. He explained how they obtain their raw materials from local farmers.

Andriy Zaytsev, Taifun, Commercial Director

- The biggest benefit to him was that he was able to see things that he had previously only been able to read about in books. This was particularly significant in his case since he is managing a rather large operation and he is very young and thus has little practical experience.
- His company has changed significantly in the last year.
 - < They have dropped out of the sausage making business due to the high cost of meat.
 - < In their catering business they have closed one cafe (two others still operate) but have received a large contract with Philip Morris to provide three meals per day for their company cafeteria.
 - < They have opened a new company that produces a line of cheese spreads under the brand name "Picnic".
- The Picnic line:
 - < A local research group developed this product line that now has three flavors, one of which is mushroom, and another is spice. Seven more flavors will be added after they are registered. The product is sold as a cheese spread but it is based on vegetable oil and is not a dairy product. The shelf life is 10 days.
 - < The company currently produces one ton/day but will be purchasing equipment to expand to 5 tons/day. The product is packaged in small clear plastic containers with an easy-to-remove lid. Fasma, one of the participants on the August 1998 study tour, has designed all packaging and labels.
 - < They currently have 20 customers who sell into Zaporizhia (28% of output), Dnepropetrovsk, Poltava and Lugansk. The product has no competition. They do not advertise but have developed a small brochure.
 - < A new product line of chocolate spreads is in preparation and will be similar to Nutello (an Italian product). It is targeted at up-market customers. It will be sold in glass jars with screw top lids.
- On the study tour he particularly liked the packaging he saw in the U.S. at the Zanders firm. Since he is primarily concerned with the overall management and planning for new products, he also found the visit to Bob Evans Farms particularly helpful.
- During the visit we met with Vasyl Zaytsev (father), who was group leader on the August 1998 fruit & vegetable tour. He still watches over the Taifun operation, but is a Director of Argo, the largest vodka producer in Kharkiv. They are growing fast and are the tenth largest vodka producer in Ukraine with 40 retail outlets.

Olga Zhygaylo, Verbovskoe, Chairman of the Board

- When we visited, the harvest had all been collected and had been quite successful. Also, they had just completed the construction of a school for 700 children on the collective farm. They were pleased that they were able to install computers.
- This year they had planted 200 hectares of soya with good results. This had been done in conjunction with a local Institute and Alexander Radchenko of Kupiansk Milk Plant, another MTM participant. They were the only firm licensed to sell the soya as seeds. This they are going to make available to other farms that will grow soya for use in milk products. She is also working with Olekandra Voloshchuk of Sortsemovosch, another MTM participant on the retail sale of seeds. Next year they will plant 400 hectares of soya, using half for seed and the rest used for milk products. They plan to purchase a small machine to make soya milk for their own cows on the farm.
- The soya yield had been 1.6 tons/hectare and they expect it to go to 1.8 tons/hectare. Also, they are experimenting with 2 types of seed. She sees great prospects for soya over the next years with a rising

demand. The price of soya is 1,000 hryvna/ton which is twice the price of sunflower seed. Moreover, soya puts nutrients back into the soil while sunflower does not. Land used for sunflower needs to lie fallow for a year after being used. The price of soya used for seeds is 2.5 that of normal soya, making it a very valuable crop.

- She is interested in networking with other MTM participants including dairies and meat processing plants.
- We were told that leukemia in cows is passed from cow to calf. In Ukraine, 30% of the cows have leukemia and control and eradication is now a national priority. Soya is a great help here since the calf nurses only 3 days thus reducing the chance of passing the disease along.
- The farm has purchased two German machines to clean, husk and package the soya.
- There is no fodder industry in Ukraine and this is a great problem for milk production. High quality fodder is required to develop the herds.
- They will disinfect one of their cattle breeding areas and import cows from Denmark and will then use technology seen on the CEI study tour.
- The tour really helped in all the above areas and with networking. They are now doing their financial planning before they invest, another lesson learned from the tour.
- Anatoliy Shkurko, formerly of Nadiya, which is now closed and a participant on the first fruit & vegetable tour in 1998, now works at Verbovskoe. The common tour experience makes exchanging ideas much easier.
- The farm plans to start a meat operation this winter. They also plan to start a fruit & vegetable operation next year.
- Following the meeting we were taken to a retreat in the middle of the forest and served an excellent meal. Also in attendance were Anatoliy Shkurko and Lyubov Ivanusenko from the second fruit & vegetable tour.
- The farm leases equipment from Germany with 35% down and with the option to purchase after 5 years.

4.3 Food Processing Equipment Tour

Tetyana Afanasyeva, Korvet, Deputy Director

- While in the US they realized the value of packaging and its future implication for Ukrainian businesses. Since returning their sales are up 100%. They are producing various new products and provide ready-made packages for a computer manufacturing plant in town.

Ivan Byelosokhov, Vostok, Director

- The trip was very fruitful and it allowed him to realize how his company strategy could develop. It enabled him to see out 3 to 5 years and to see the standards he should reach. He saw that there was no reason to purchase poor quality products.
- They are now planning to offer the same insulation on corrugated boxes that he saw in the U.S. Since there is no market for his new products in Ukraine, his company has started to export to Europe and is negotiating to sell products to other CIS countries.

Sergiy Koylo, Electromash, Deputy Director of the Board

- They really have done a lot since returning from the study tour and the market survey information has really helped.
- They have introduced, as they saw in the US, multi-taking work in the shop where workers handle multiple tasks.
- They are using new production methods and have updated their web site with a virtual workshop. Customers can now order parts and information from their website.

Vadim Lakiza, Molprom, Director

- He has now joined with Fasma, one of the firms on the first Fruit & Vegetable tour. He has received orders from all over the Oblast and they are sold out for the year. They also have a new marketing agreement with a distributor in Moscow.
- Molprom has many clients in the milk industry and they are engaging Fasma to do all label, trade mark designing and other marketing related tasks.

Iryna Pesina, Plant Named after Frunze, Sales Manager

- The tour had a profound impact on the company, especially in their marketing activities. They have almost doubled their number of product lines in the past year and sales are up 250%. Their sales materials have been completely revised and their new brochure is of very high quality, is multi-language, and is very effective. Much of this is due to her work as Sales Manager. They now have two new dealers and have received several orders from them.

Viktor Pavlenko, Stankinprom, Deputy Director

- They have exported \$3 million worth of equipment, involving flourmills, to Russia and Kazakhstan. Currently they export 80% of their products. Their visit to the USA had a profound impact on their outlook and vision for marketing. After their visit they have added Internet access and E-mail capabilities in order to communicate with foreign countries.
- They have made an \$800,000 investment in a computerized plasma metal cutting facility and equipment from Germany. They have also introduced a fully operational CAD/CAM system.

Iryna Samuylik, Nargus, Manager, International Relations

- Her company has grown rapidly recently and is exporting to Russia where they have a sales office. They are now negotiating with companies in Moldova and Kazakstan. They have actively participated in various exhibitions in Moscow and other locations.

Oleksandr Sereda, TFK Engineering Group, Chief Engineer

- They have decided to go in the direction of Information Technology, a new direction for them. They have also replaced the old processor and printed circuit boards they used in their hydraulic drive systems.
- They have also installed a new heating system for their premises as seen in the U.S.

Antonina Shcherbak, Experimental Wiring Plant, Deputy Director of Finance

- After the tour they developed a new attractive brochure. Their firm is doing well and has increased their output by 180%. They have restored their communications with electrical enterprises and are supplying cables to various atomic power plants. They are more confident as a result of the tour and are now exporting 80% of their products.
- They are thinking of forming a marketing division similar to other companies.

Mykhaylo Shvartsman, Ukrainian Agro-Service, Deputy Director General

- The company doubled its sales in year 2000. The new sales target is to double again by the end of 2001.
- They have recognized the importance of marketing after visiting the USA and their entire Sales and Marketing Division was re-organized and new personnel recruited. These two divisions have been furnished with new computers and cubicles as seen in the USA. There is a new Export Manager who is responsible for International Exports.
- A new Design Division with auto CAD/CAM is in operation with the latest equipment and computers.

Vasyl Sulima, Extruder, Director General

- As a result of the marketing lessons learned on the tour, they expect to sell over 100 machines this next year, including some to Brazil. They have now developed a full range of machines to make bottles and are thus looking for more manufacturing space.
- They have developed new sales materials as a result of the tour and these are helping sales.

Lyubov Volokita, Energoberezhniye, Director

- In the year 2000 their profits were up 300%. As a result of renewed confidence following the tour, they offered their frequency regulators for use on ships. Also outstanding is that they won two NATO tenders and the equipment is now installed on ships in Greece.
- They have performed market research and have come to realize the need for special purpose equipment, which will enable them to redirect their activities to a growing market. They have developed an electrical power backup unit, which will be used in the sugar industry.

Mykola Yemets, Stankinprom, Head of Experimental Production

- Mr. Yemets has been promoted and became the new Director of Marketing after his visit to the USA – a post very much needed to expand their export and marketing operation.

4.4 Construction Tour

Valeriy Derun, Archproject, Director

- They will try to introduce the idea of prepayments as they learned in the U.S.
- New homes will be built more like American built structures to reduce costs and simplify construction and contract execution time.
- They have updated and redesigned their computer systems for efficient computer aided design as well as interior design.
- They no longer smoke in the office, which reduces a potential health risk and somehow saves time.

Yuriy Glugovskiy, 4th Block

- They have setup different production areas to suit the skills of individual workers. The different areas of construction groups are communications, marketing systems, and technical building.

Valentyna Kocherova, Construction Group

- She now works from home and is developing a computer data base of construction companies and construction sites. This information is used to help people find partners and customers.

Mykhaylo Kondratenko, Soyuz, Director

- They have created and implemented a construction time line to promote efficiency of construction.

Nataliya Krysa, Faeton, Marketing/Architect Manager

- She has a small design department and is trying to take into account the latest trends. She has done some restorations and customers are asking for the same things that she saw in America. It is difficult to compare the US and Ukraine but she sees some positive trends in Ukraine.
- The tour has introduced some excellent new building materials but they are too expensive for the proposed applications. They have talked with others on the tour about development of windows and doors as a weak point in a building envelope.
- Their company has implemented a new marketing strategy in three major sections: architecture, engineering, and construction.

Oksana Khoptar, Kharkiv Oblast Administration

- One thing she learned was to have a smile on her face even when she was doing a hard job. Another was the need for interaction between the entrepreneurs and the Oblast Administration. After the tour they need to work together. She also met with the Administration and told them not to interfere with the companies. Governor Kushnaryov had trained as a builder and has asked for a report on the tour.
- Things are difficult now in Ukraine. Nevertheless, one change they have now made is in the use of tenders. They are getting help from a computer data base. Computers are a great help.
- They are trying to resolve the crisis in the construction industry and are looking forward to working with CEI.

Andriy Paramonov, Zhilstroy-1, Deputy Chairman

- They have developed a marketing program consisting of posters and advertisements as well as television commercials.
- They have discussed developing an Internet presence to market to new clientele.
- The company currently employs 615 and has begun to develop new ways of making the team more efficient.
- They construct parking lot and concrete parking structures and are learning new methods of testing and quality control.

Igor Shcheka, Ukrinveststroy, Deputy Director of Economics

- When he returned from the tour he realized that he had to change the attitudes of the subcontractors, suppliers, and his company. He has met with dozens of people every week and has stayed in touch with his fellow contractors. It is a slow process to change attitudes and ideas.
- He is interested in prefabricated buildings and he realizes that he must meet the needs of the average family.
- They are beginning to hire younger people. They are also restructuring their marketing department to be more efficient and more targeted.

Zinayida Skoblikova, Stroitel, Director

- Zinayida has set up her own private company based on her U.S. observations and they work in the field of heating and air conditioning. This is a difficult field in Ukraine since most work is in reconstruction. They have decided to sell equipment, which is made in the U.S.
- They have implemented a service program for heating and hot water tank systems to promote uninterrupted service.
- They have started an intense marketing program to spread their name through the construction industry by sending letters and marketing packets to contractors and industry participants.

Oleksandr Sukhodubov, Zemlyane, Director

- They have developed a business plan with an organization chart and are planning future direction changes to make production more efficient. Since implementation of this plan, employment at the company is up 30%.
- They have set up computer programs to give prices of materials as well as to control costs. They have also set up a new division in the company for programming and new project development.

Olena Turchanova, Atet, Deputy Director

- She decided that they must work differently so moved to a new location where the building is being renovated. She has changed the way they do millwork so that in 6 months she expects that half of all the millwork in Kharkiv will be coated by her firm. She also changed her approach to personnel and decided to upgrade those on her staff who were performing well. She changed her approach to her

clients since she was old fashioned in her treatment of them. She has recently brought out new brochures.

- Her company has changed 50% of their personnel, including the President and they have set new goals for the company. They have cleaned the employee workspaces to provide a more pleasant work environment and have revised the rental conditions of their office.
- They have a new marketing plan for 2002 and have implemented a rigorous marketing campaign, which includes newspaper advertisements.
- They are beginning to take on custom work to provide the highest level of service to their clients. They will also have a showroom for doors and windows.

Roman Vynnyk, Stroidental, Marketing Manager

- After the tour, the company decided to make collapsible steelwork. The biggest change, however, was the change in approach and attitudes in the shop. They also hired five experienced workers to improve quality.

Yevgen Zinovyev, Solodkovsky & Co., Marketing/Project Manager

- The main thing to change is the mentality of people while respecting the older ideas and methods of work. His firm is expanding rapidly and they have adopted new ideas of marketing and new management methods.
- He has tried to adopt design ideas learned in the U.S. including air conditioning and sewage.

Vasyl Zubko, Stroiservis, Director

- His company hopes to build houses in the Kharkiv region. They have just finished building gas stations. He now wants more information about skyscrapers and wants to build the first one in Kharkiv.
- He was impressed with the work ethic in the U.S. and has had to make some changes in his company. Overall the employment at his company has increased from 50 to 80.

4.5 Fruit & Vegetable Tour

Igor Buryak, Nove Zhyta, Chairman of the Board

- There is now an attractive brochure featuring the agricultural enterprises of the Kharkiv Oblast, which contains a color advertisement of Nove Zhyta.
- Nova Zhyta will initiate soy cultivation this season on 100 hectares, which will be used as cattle feed only since there is not yet a commercial demand in Ukraine.

Valeriy Bilokudrya, Mayak, Managing Director

- The firm has started bottling milk in plastic bottles as seen in the U.S. They are now one of the few companies in Ukraine to use this packaging method. They have recently purchased a new milk processing equipment from Alfa Laval in Sweden.
- They have started making sauerkraut on a small scale. Sauerkraut in Ukraine is traditionally made only at home. This is an idea that he got in the U.S.
- In the U.S. he saw how operations were integrated to reduce energy costs, particularly transportation costs.

Lyubov Ivanusenko, Balakleya Prodtovary, Director

- Her vision of the world has changed. The American marketing and administration is everywhere. They are now learning how to make a profit. She now plans to switch to smaller packages with Euro (screw type) lids for their juices. The screw top lid costs about \$0.50 more than the standard Ukrainian pry top lid (5 Hryvna vs. 1.5 Hryvna).

- Lyubov is cooperating more with Olga Zhygaylo of Verbovskoe who was on the 2000 Meat & Dairy tour.

Iryna Karpenko, Kharkiv Vegetable Factory, Deputy Head

- The company is interested in growing mushrooms. They have received approval from the government to do so and have started a small operation.
- They also have started making jam and ketchup as a result of what they saw and learned on the tour. The jars will have European (screw top) lids.
- They will produce potato chips as they saw in Cincinnati. They are working on the packaging.

Lyudmyla Kryvoshey, Andreevskiy, Chief Economist

- Their company previously bottled their products, including apple puree, in 3-liter jars. They have now decided to go to smaller packaging.

Oleksandr Nazarenko, Plodoovosch, Chairman of the Board

- Business is now very difficult. He has opened a new sausage shop. He has also purchased a new machine from Poland that he will use to make corn flavored snacks. They are also now producing corn flakes, which are similar to potato chips. These products they plan to distribute in Eastern Ukraine.
- He gained new information in the U.S. about distribution. On the tour he saw new equipment, which he is trying to get in Ukraine. He also saw that they use good quality equipment and technology in agriculture.

Iryna Orlova, Peremoga, Chairman of the Board

- They have over 300 hectares of apple trees and plan to grow smaller trees since they give a higher yield than larger trees. They start yielding in 3 years whereas the larger trees start yielding in 12 years. They now have the copper kettles for making jam as they saw at Coopers Mill.
- They have started into the production of sauerkraut using the cabbage they grow. The sauerkraut is made in special oak barrels and takes about one week to sour. The product is crunchy the way Ukrainians like it and it is now in great demand.

Sergiy Pyechko, Krasnogradskoye, Chairman of the Board

- Sergiy really appreciated the program, which showed the U.S. as the “perfect” state. They are now developing their first business plan. They plan to use mechanical berry pickers. They also plan to expand into cattle breeding. For these they are looking for investors. People are concerned about the profitability of agriculture due to frosts and other “acts of god”.

Yuriy Sadovyy, Izyum Prodtovary, Director

- He has started working with an advertising agency that has developed a booklet and they will promote their products when the growing season arrives.
- There has been insufficient time to implement many changes, but there have been many discussions and all enterprises are trying to get closer to the US levels.
- He has evaluated the growing of mushrooms but concluded it would not be profitable. The laws will also keep them from production because of sanitary conditions (the smell). However, he now knows what to do.

Yuriy Shapovalov, Prodex, Director

- He has introduced two new sizes of bottled beans. No other Ukrainian company offers this product. Another study tour participant, Lyubov Ivanusenko of the Balakleya Prodtovary, does the bottling.

Currently they use pry top lids but plan to switch to screw top lids. They are working on getting more investment and a decision is expected in March 2001.

- They are trying to apply what they learned in the US such as warehousing and storage of products.
- They would also like to start providing frozen beans, but this will require investment.

Tamara Surovova, Komsomolskaya Pravda, Production Manager

- They have had a difficult time since the frost damaged their last harvest and they have no materials for concentrated juices. She went to Kiev to get credits to be able to package their apple juice in 1-liter bottles. Their apple puree line is operational. They have started mushroom production on a pilot basis in the basement of one building.

Olekandra Voloshchuk, Sortsemovosch, Chairman of the Board

- After the tour they have produced a very attractive brochure and colorful seed packages. They all are significantly better than materials seen from competitors.

5. Tour Overview

5.1 Bread and Bakery Industry

During the period of April 03 - 23, 2000 a group of 16 participants (10 men, 6 women) belonging to 15 different organizations related to bread and bakery industries from the Kharkiv region of visited Cincinnati, Ohio and other cities in Ohio, Indiana, Kentucky and Illinois as a part of a 20 day study tour of their related industry. Sergei Guseynov was designated as Leader of the Ukrainian Group. This was the first of five tours financed under this grant.

The tour was under the overall direction and leadership of Leland M. Cole, CEI's President. CEI appointed Dr. Belal U. Siddique as Tour Director who worked out the detailed program with host enterprises, selection arrangements, implementation and accompanying the group to various sites. The program was a success.

The study tour group included 15 high-level industry participants plus one representative of the Kharkiv Oblast Administration. Under the direction of the Tour Director, the group of 16 visited 27 organizations over a four-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, Indiana, Illinois and Kentucky. This was quite adequate for bread and bakery industries.

During their stay in the U.S., the group visited 12 bakeries of various sizes, 4 distributors; 2 franchises, 1 bagel outlet, 1 frozen pizza plant, 1 large national cheese cake plant, 1 international food outlet, 1 bakery supply manufacturing facility, 2 equipment suppliers, 1 food association, 1 professional association, and 1 merchandising supplier. In addition, they heard lectures from experts on various 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 industry.

There was some press coverage of the study tour in the Cincinnati newspapers. The Cincinnati Retail Bakery Association carried stories in their monthly newsletter.

5.2 Meat & Dairy

Participants in the May 2000 study tour were from the meat and dairy industries in the Kharkiv oblast of Ukraine. Each of the fifteen participants went through rigorous selection requirements including visits to their plants, mandatory attendance in the USAID Marketing Assistance Program training at specified centers, and an exhaustive interview process. The selection process was conducted in Kharkiv in February for participation on a May 15 study tour.

One exception to the selection criteria was made for an Oblast official (a sixteenth participant) to accompany the tour. The intent was to help educate governmental employees in how the U.S. free market operates.

Departing slightly from past tour practices, this MTM tour took the participants through the entire supply chain for the US meat and dairy industries. Two US farms were visited providing valuable insight into the sanitation and output of American dairy and cattle farms. Department of Agriculture personnel outlined government's role in helping promote the growth of agribusiness in the US, and demonstrated their state-of-the-art testing labs to help assure producers and consumers the highest quality products. Two dairy cooperatives were visited for the purpose of demonstrating the power of unified marketing and the collective power of an association. Finally, following normal practice, seventeen American businesses were visited to highlight technology and marketing techniques in these highly competitive industries. In total, the tour traveled more than 5,000 miles in less than three weeks.

To augment the on-site training, complementary seminars on marketing research, packaging, and the US tax system were given to provide an understanding of monitoring trends and niche marketing tactics to improve overall results.

The Meat and Dairy MTM Tour met all its objectives. The Ukrainian participants identified many benefits from participating in the tour but four specific benefits were repeated by nearly everyone. First, packaging with a corporate logo is imperative to expanding market share and gaining market awareness. Every one of the participants expressed an interest in designing a package and logo to build a brand image for their company and products when they returned to Kharkiv. Second, US businesses depend on new products and penetration into new markets to sustain profitability. All the participating Ukrainian companies will try to develop a new product strategy similar to that observed in US companies. While access to capital may thwart some efforts, most participants felt there was room in existing budgets to develop at least one new product. Third, US businesses specialize in areas where they have core competencies rather than trying to control the entire supply chain. Upon return to Kharkiv, several of the business leaders planned to review their business plan to determine when and if they can trim some of the non-profitable areas and refocus their resources on their strength. Finally, US businesses provide much more authority and decision making power to line managers. Nearly all the participants plan to try to implement US style management practices including cross-functional teaming upon returning to Kharkiv.

There were two disappointments in the tour. First was a scheduling problem at one of the companies. Velvet Ice Cream was scheduled as part of the tour because they were supposed to be producing ice cream novelties on the day of the visit. When the tour arrived, Velvet was producing three-gallon cartons of ice cream to meet anticipated demand increases for Memorial Day weekend. Since the tour had two members who produced ice cream novelties in Kharkiv, there was no subsequent way to show them actual equipment in operation during the tour.

Second, attempts to schedule a large distribution operation were unsuccessful. Two large Cincinnati warehouse and distribution systems could not accommodate a tour prior to Memorial Day, and attempts to schedule a large regional warehouse and distribution center north of Cincinnati were ignored. As a result, the Ukrainian companies were not able to observe how American food stores get vast amounts of product to stores in a very efficient manner. A large warehouse/distribution center similar to those in operation in the United States could help many Kharkiv businesses to distribute their products over a much larger geographic area.

All the tour participants considered three visits exceptionally valuable. Archer Daniel's Midland which could potentially increase supplies of raw materials throughout all Ukraine, Bob Evans Farm which provided an actual American company marketing plan, and Lakeview Farms which demonstrated numerous new products capable of being produced by all the dairy companies on tour.

5.3 Food Processing Equipment

The study tour group included 15 high-level industry participants. Under the direction of the Tour Manager, the group of 15 visited 25 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, Indiana, Illinois, Michigan and Kentucky. This was quite adequate for food processing equipment industries.

During their stay in the U.S., the group visited 6 food packaging equipment manufacturing plant of various sizes, 3 food processing equipment manufacturers; 2 facilities for canning technology, 1 large vegetable processing operation, 1 frozen pizza plant, 1 large national condiment plant, 1 international food outlet, 1 large flour and wheat milling operation, 1 used bakery equipment supplier, 1 animal feed plant, 1 candy manufacturing plant, 1 food research and development facility, 1 edible oil processing plant, 1 corn syrup manufacturing operation 1 potato chips manufacturing facility, 1 large national bakery and 1 merchandising solution provider. In addition, they heard lectures from experts on various 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 industry.

A surprising degree of bonding took place between the tour members. At the conclusion of the 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 American products and reproducing similar equipment back home. The Tour Manager has agreed to facilitate communications between Ukraine and the American companies.

5.4 Construction

The Construction study tour under the Management, Technology and Marketing (MTM) Productivity Study Tour grant for Kharkiv, Ukraine was under the direction of the Tour Managers James Titus and Thomas Dunn. Sergiy Svidersky, an IESC trainer and Oksana Khoptar of the Kharkiv Oblast also accompanied the tour.

The purpose of the program is 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 subsectors to modern management, materials, technology and marketing methods in the U.S.

The major achievements of the program for the Ukrainian companies were:

1. New products were identified that can easily be added to existing projects;
2. An awareness and appreciation of new construction techniques;
3. Many production changes were learned that will increase safety and reduce costs;
4. A greater appreciation of the construction systems, marketing, production and distribution;
5. New products and equipment they can purchase from the U.S.
6. A greater openness and awareness of changes they can make in their own firms and industries.

The study tour group included 15 high-level architectural and construction participants and one government official. Under the direction of the Tour Managers, the group of 16 visited 23 organizations over a five-state area. The size of the group was economically most efficient. The tour areas were Ohio, Indiana, Illinois, Minnesota and Kentucky. This was quite adequate for the architecture and construction industries.

The sites visited were carefully selected to meet the diverse needs of the group. Since the tour group represented different sizes of businesses and profile, each participant visited some sites that were within their area of interest. Moreover, there was much to be learned on every visit since design, management, marketing, and distribution were common to all.

During their stay in the U.S. and Cincinnati, the group visited a window manufacturing plant, elevator manufacturing plant, concrete processing plant, testing laboratory, concrete fabrication plant, wood lamination plant, construction equipment plant, house manufacturing plant, architects' offices, construction projects, construction company offices, college of construction applied science, sales representative office for construction material and equipment, construction material supply warehouses, construction seminar and home décor suppliers.

5.5 Fruit & Vegetable

During the period of September 04 - 24, a group of 16 participants (9 men, 7 women) belonging to 16 different organizations related to fruit and vegetable processing industries from the Kharkiv region visited Cincinnati, Ohio and other cities in Ohio, Kentucky and New York as a part of a 20 day study tour of their related industry. Oleksandra Voloshchuk was designated as leader of the tour group.

The study tour group included 15 high-level industry participants and one government official. Under the direction of the Tour Director, the group of 16 visited 23 organizations over a three-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. The tour area

was restricted to Ohio, Kentucky and New York, which was quite adequate for fruit and vegetable processing industry subsector.

During their stay in the U.S., the group visited 3 food processing equipment manufacturers; 2 sauerkraut and tomato canning plant, 1 large vegetable processing farm, 1 salad processing and packaging facility, 1 large national condiment plant, 1 international food outlet, 1 giant produce distribution facility, 2 orchards, 1 animal farm, 3 fruits and vegetable processing plant, 1 mushroom manufacturing and packaging operation, 1 jam and jelly manufacturing operation, 1 wine producing and bottling facility, 1 fruit juice packaging operation, 1 potato chips manufacturing facility, and 1 merchandising solution provider. In addition, they heard lectures from experts on various 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 industry.

6. Participant Selection Process

The following steps were followed.

1. CEI selected a business support organization to coordinate activities. In Kharkiv that was the Regional Business Assistance Center (RBAC)
2. As per the standard procedure, announced the program by placing notices in newspapers and trade journals. However, since this program was under the umbrella of USAID's Marketing Assistance Project (MAP), only firms who had attended that program were eligible for the study tours. Therefore, RBAC contacted firms in the industry who had attended that program. It was discovered that the people who wanted to apply for the study tour program were not the ones who had attended the MAP program since the two programs were targeted at different levels of management. Therefore, in order to meet the conditions of the CEI grant, RBAC had to conduct special additional MAP classes which were then charged to CEI.
3. RBAC answered questions about the program and collected applications from interested firms. It was later reported that RBAC told some applicants that a business plan was required and for \$100 RBAC would use their computer systems to develop one. Business plans were not a CEI or grant requirement.
4. The applications were then turned over to the International Executive Service Corps (IESC).
5. American volunteers from IESC then contacted the applicant firms and visited as many of them as possible based on time required and resources available. Company profiles and personal resumes were then written for use by CEI.
6. CEI representatives then went to Kharkiv for the selection process. They visited a number of the applicant companies to meet the people and to learn about conditions in the industry.
7. The information gathered about the applicants and companies was then entered into a computer spreadsheet.
8. Each of the applicant companies are then graded on a scale of 1-10, 10 being the highest. A number of categories are used including growth potential and ability to impact the economy. This is one of the main selection criteria and the figure is entered in the spreadsheet.
9. The selection seminar is then conducted. In the first part, CEI representatives present information about the program and about business in the U.S. In the second part, the applicants make a short presentation about their company.
10. Interview teams made up of Americans from CEI and IESC then interview the individual applicants. Each interview lasts about 25 minutes. Each applicant is then given a grade from 1-10 by each of the interviewers.
11. The interview grades are then entered into the spreadsheet. The interview grades are averaged. The average interview grade is then added to the company grade to give a final grade. Other factors such as size of farm or number of employees could be used in the selection ranking, but there has never

been a need to include additional factors. Quality of business plans has never been a factor despite pressure from RBAC to make it one.

12. The database was then sorted by score and the sequence reviewed. When there were two people from the same organization with a score high enough to be selected, the one with the lower score was dropped unless that person was a female. The list was also reviewed for geographic diversity with respect to rural and urban areas. Again, adjustments were made as required.
13. The applicants were then informed of the selection by the support organization (RBAC). There appeared to be little objections to the selection although certainly there was disappointment. One company objected to their omission and phoned the Tour Manager in Cincinnati. There were no repercussions from this selection.
14. CEI was very surprised with some of the applicants when it came to the time for their interview. Although two days earlier they had signed up for an interview time, they failed to appear. It was always possible that they had been advised not to show up – but that could not be verified.
15. After the applicants were notified of their selection, RBAC assisted with Ukrainian passport and U.S. visa applications

7. Program Schedules

7.1 Bakery, April 2000

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
						1
2 Leave Kiev Overnight in Frankfurt, Germany	3 Arrival: 11:48 pm United 1540	4 Welcome Orientation Deli Lunch Downtown visit Cincinnati	5 AM: 9:00 Cincinnati Health Dept. PM: 4:00 pm Bakery Association meeting and dinner	6 AM: Le Cesanne PM Atlanta Bread Cincinnati	7 AM: Dawn Food Products (Bakery), Louisville PM: Dawn Food (Distribution)	8 AM: Servatii Pastries PM: Jungle Jim Cincinnati
9 Free Day	10 AM: Wonder Bread & Hostess Cake PM: Butternut Bread Cincinnati	11 AM: Graeters Bakery PM: A-1 Equipment Cincinnati	12 AM: Kroger Bakery, Columbus PM: Russel Bundy, Urbana OH	13 AM: Institute of Food Technology, Chicago PM: Open	14 AM Deerfields Bakery PM: Eli Cheese Cake Chicago	15 AM: Baltic Bakery PM: Free afternoon
16 Return to Cincinnati	17 AM: Keebler PM: Visit Mayas, Bread Smith, Marx's Bagel Cincinnati	18 AM: Grote Bakery PM: 7:00 pm Busken Bakery Cincinnati	19 AM: Shur-Good Biscuit Co. PM: Klosterman Bakery Cincinnati	20 AM: LaRosa Frozen Pizza PM: Bake Mark East Cincinnati	21 AM: Hubert Distribution PM: Open 6:30: Final Dinner, University Club	22 Exit interviews
23 Depart Hotel 11:00 Flight 1:34 p.m. United 1751	24	25	26	27	28	29

7.2 Meat & Dairy, May 2000

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
14	15 Leave Kiev Arrival: 2:35 pm Delta 49	16 AM: Welcome American Business Practices Seminar PM: Depart for Decatur, IL	17 AM: 9:00 Archer Daniels Midland PM: Depart for Madison, WI	18 AM: 7:30 Zanders Creamery PM 1:30 Prima Kase Monroe, WI	19 AM: 9:00 Chalet Cheese Co-op PM: 1:30 Oberweis Dairy Return Cincinnati	20 AM: Orientation PM: Free time Cincinnati
21 Free Day	22 AM: 9:00 Packaging Seminar PM: 12:00 Avril Meats Cincinnati	23 AM: 9:00 Hoffman Meats PM: 2:00 Greater's Ice Cream Cincinnati	24 AM: 9:15 New Horizon Meat PM: Travel Columbus	25 AM: 10:00 Velvet Ice Cream PM: 2:00 Bob Evans Farm Columbus	26 AM: 8:30 Ohio Dept. Agriculture PM: 2:00 Tamarak Dairy Cincinnati	27 AM: 10:00 Mohrfield Enterprise PM: 2:30 Fred Zaenkert Farm Cincinnati
28 Free Day	29 Memorial Day Free Day	30 AM: 8:00 drive to Michigan PM: 1:00 Smith Dairy Three Rivers, MI	31 AM: 9:30 MMPA Plant PM: 3:30 MMPA Office Farmington, MI	1 AM: 9:00 Lakeview Farms PM: 2:30 Buchy Food Products Cincinnati	2 Exit Interviews Final Dinner: 6:30 pm, University Club Cincinnati	3 Depart Hotel 4:30 Flight 6:50 pm Delta 44

7.3 Food Processing Equipment, July 2000

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
2	3 Arrival: 7:10 pm Delta 87 N: Cincinnati	4 Welcome Orientation Deli Lunch Downtown visit N: Cincinnati	5 AM: B&J Machinery PM: LaRosa Frozen Pizza N: Cincinnati	6 AM: PPG Industries, Milford PM Portion Pac Mason, OH N: Chicago	7 AM: Tetra Rex, Buffalo Grove, IL PM: APV Crepaco, Chicago N: Chicago	8 Free day in Chicago N: Chicago
9 Leave Chicago N: LaPorte, IN	10 AM: Electronic Liquid Filters, LaPorte, IN PM: Dunkley Intl. Kalamazoo, MI N: Willard, OH	11 AM: Burma Farms, Willard OH PM: Amber Milling, Huron, OH N: Cleveland	12 AM: FEMD, Cleveland, OH PM: Gerber & Sons, Baltic, OH N: Columbus	13 AM: Liqui-Box, Worthington, OH PM: Anthony Thomas Candy, Columbus, OH N: Columbus	14 AM Borden Co., Columbus, OH PM: AC Humko, Columbus, OH N: Cincinnati	15 AM: Open PM: Jungle Jim Picnic: 5:00 Dan McKinney N: Cincinnati
16 Free Day N: Cincinnati	17 AM: Dupps Co. Germantown, OH PM: Cargill, Dayton, OH N: Dayton	18 AM: Air Force Museum, Dayton PM: Russel Bundy, Urbana, OH N: Columbus	19 AM: CombiBloc, Columbus, OH PM: Ball Container, Columbus, OH N: Cincinnati	20 AM: 9:00 Husman Snack, Cincinnati PM: 1:00 RA Jones, Covington, KY N: Cincinnati	21 AM: 9:00 Keebler, Cincinnati PM 2:00 Hubert D. 6:30: Final Dinner, University Club	22 Exit interviews N: Cincinnati
23 Depart Hotel 4:30 Flight DL 48 (6:55 pm via Frankfurt) and DL 122 (6:55 pm via Zurich)	24	25	26	27	28	29

7.4 Construction, August 2000

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
13	14 Leave Kiev Arrive Cincinnati 7:10 pm DL 87 9:00 Dinner Vernon Manor	15 9: AM Orientation 12:00 Deli Lunch Visit downtown Cincinnati Vernon Manor	16 9 AM "A" Team Factory Light Center, Furniture Fair Luncheon Presentation Vernon Manor	17 9 AM Flexicore and CTI, Dayton 11:30: WPAFB Vernon Manor	18 9 AM Turnbull Concrete 1 PM: Kolbe & Kolbe Windows Vernon Manor	19 Free Day, Activities to be arranged Vernon Manor
20 Free Day Vernon Manor	21 AM: Leave for Chicago PM: American Homes, Decatur, IN Midway (Chicago) Travelodge	22 6:00 AM: Leave for Warroad, Minn. PM: Marvin Windows Warroad, Minn.	23 Marvin Windows Tour Midway (Chicago) Travelodge	24 AM: Wacker Drive for Tour 2:00 Chicago tour by boat PM: Return Cincy. Vernon Manor	25 9 AM: Hixon Co. 11:00 KZF Inc. 1 PM: Fujitec Elevator 3 PM Contractors Warehouse Vernon Manor	26 Free Day, Activities to be arranged Vernon Manor
27 Free Day 7 -10 PM, Victory Boat Vernon Manor	28 9 AM Southern Ohio Fabricators 1 PM Construction at North Bend Crossing plus homes Home Depot Vernon Manor	29 9 AM: Contractors Materials, Inc. 1 PM: Formica Corp. Vernon Manor	30 9 AM: H.C. Nutting Labs 1 PM Finished Dimensions Vernon Manor	31 9 AM Celotex 11 AM COATS Seminar 2 PM Construction site, Children's Hospital (Messer) Vernon Manor	1 9 AM Constr. site, Dugan & Meyers 10 AM Constr. Roundtable 2 PM Exit interviews 5 PM Picnic McKinney Vernon Manor	2 9 AM Exit Interviews Depart Hotel 4:00 pm, Flight 6:55 pm Delta 48

7.5 Fruit & Vegetable, September, 2000

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
3	4 Arrival: Delta Flt: 87 (7:10 pm) <u>Night:</u> Cincinnati	5 Welcome Orientation Deli Lunch Downtown Visit Cincinnati <u>Night:</u>	6 AM: Stegner Foods, Cincinnati PM: Seminar/Talks <u>Night:</u> Cincinnati	7 AM: Club Chef, Cincinnati PM: Castellini Facility, Wilder, KY <u>Night:</u>	8 AM: Grant County Foods, Dry Ridge, KY PM: RA Jones, Covington, KY <u>Night:</u> Cincinnati	9 AM:Newport Aquarium Cincy Art Museum Botanical Garden PM: Jungle Jim
10 <i>Kings Island Visit Cincinnati Zoo</i>	11 AM: Cambell's Fresh, Jackson, OH PM: DNO, Columbus <u>Night:</u> Marion	12 AM: Cooper's Mill, Bucyrus, OH PM: Buurma Farms, Willard, OH	13 AM: Fremont Co.,Fremont, OH PM: Free <u>Night:</u> Toledo	14 AM: Chariott Foods, Toledo, OH PM: Hirzel Canning, Toledo, OH	15 AM: Stein Assoc., Sandusky PM: Fireland Wine, Sandusky	16 AM: Burnham Orchards, Berlin Heights, OH PM: <i>Cedar Point Amusement</i>
17 Travel to Buffalo, NY <u>Night:</u> Buffalo	18 Niagara Foods, Middleport, NY Visit Niagra Falls <u>Night:</u> Cleveland	19 AM: Free PM: Great Western Juice, Cleveland <u>Night:</u> Akron	20 AM: Country Pure Foods, Akron, OH PM: Arrowhead Orchard, Paris, OH <u>Night:</u> Cincinnati	21 AM: Portion Pac, Mason, OH PM: B&J Machinery, Cincy	22 AM: Husman's Snacks, Cincy PM: Hubert Distribution 6:30: Final Dinner <u>Night:</u>	23 Exit Interviews 5 PM: Picnic- McKinney's <u>Night:</u> Cincinnati
24 Depart Hotel: 04:30 pm Delta Flight 48 (6:55 pm)	25	26	27	28	29	30

8. Participants

8.1 Bakery

Name	Organization	Position
Mykola Biletskyy	Molinya	Director General
Alla Chekunova	Edelweiss	Director
Yevgen Chuyko	Prodtovary Bogoduhov Plant	President
Sergiy Guseynov	Izyum Bakery (Group Leader)	Commercial Director
Borys Ivakin	Karavay	Deputy Chairman of the Board
Mykhaylo Kornilov	Bogoduhov Bread Baking Plant	Deputy Chairman
Larysa Lytvyak	Everest	Head of Production Department
Vasyl Masalitin	Masalitin	Director
Yuriy Misik	Kegichovskoye	Deputy Director
Volodymyr Panarin	Alexeevsky Bakery Plant	Director
Nataliya Pravilo	Prodtovary Kupiansk Plant	Economist
Viktoriya Radchenko	Kharkiv Oblast Administration	
Tetyana Sidorenko	Everest	Commercial Director
Oleg Sverzhyn	Kupiansk Bread Baking Plant	Head of Trade Department
Sergiy Tsymbalov	Roma Ltd.	Director
Yevgeniya Zhydkova	Zhidkova Farm	Head of the firm

 Mykola Biletskyy Molinya	 Alla Chekunova Edelweiss	 Yevgen Chuyko Prodtovary Bogoduhov Plant	 Sergiy Guseynov (Group Leader) Izyum Bakery
 Borys Ivakin Karavay	 Mykhaylo Kornilov Bogoduhov Bread Baking Plant	 Larysa Lytvyak Everest	 Vasyl Masalitin Masalitin
 Yuriy Misik Kegichovskoye	 Volodymyr Panarin Alexeevsky Bakery	 Nataliya Pravilo Prodtovary Bogoduhov Plant	 Viktoriya Radchenko Kharkiv Oblast Administration



8.2 Meat & Dairy

<u>Name</u>	<u>Organization</u>	<u>Position</u>
Artem Bartyshev	Molochnaya Sloboda	President
Nina Berenko	Permovaisky Milk Processing Plant	Deputy Director of Finance
Olga Grynchenko	Karpidzhani Ltd	Chief Production Specialist
Grygoriy Gubskyy	Mayak - Dropped for health reasons	Director General
Valentyna Kabanenko	Milk	Director
Zoya Kokhan	Molprom	Director
Igor Kolot	Kharkiv Oblast Administration	Director, Economic Develop.
Lyudmyla Konogina	Plavlenye Syry	Director
Sergiy Kotelnik	Kupiansk Milk	Mgr., Innovation and Equip.
Tetyana Kovalyova	Daria	Head of Production
Vira Levshyna	Milk	Commercial Director
Konstantin Lykov	Molochnaya Sloboda	Marketing Director
Volodymyr Tkachenko	Druzhba	Chairman of the Board
Mykhaylo Torosyan	Mercury	Deputy Director
Andriy Zaytsev	Taifun	Commercial Director
Olga Zhygaylo	Verbovscoe	Chairman of the Board
Oleg Kaulko	IESC	Interpreter



 Valentyna Kabanenko Milk	 Zoya Kokhan Molprom	 Igor Kolot Kharkiv Oblast Administration	 Lyudmyla Konogina Plavlenye Sry
 Sergiy Kotelnyk Kupiansk Milk	 Tetyana Kovalyova Daria	 Vira Levshyna Milk	 Konstantin Lykov Molochnaya Sloboda
 Volodymyr Tkachenko Druzhba	 Mykhaylo Torosyan Mercury	 Andriy Zaytsev Taifun	 Olga Zhygaylo Verbovskoe

8.3 Food Processing Equipment

<u>Name</u>	<u>Organization</u>	<u>Position</u>
Tetyana Afanasyeva	Korvet	Deputy Director
Ivan Byelosokhov	Vostok	Director
Anatoliy Kogan	Ukrainian Scientific Research	Chief Specialist on Commerce
Sergiy Koylo	Electromash	Deputy Director of the Board
Vadim Lakiza	Molprom	Director
Iryna Pesina	Plant Named after Frunze	Head of Sales Department
Viktor Pavlenko	Stankinprom	Deputy Director
Iryna Samuylik	Nargus	Mgr., International Relations
Oleksandr Sereda	TFK Engineering Group	Chief Engineer
Antonina Shcherbak	Experimental Wiring Plant	Deputy Director of Finance
Mykhaylo Shvartsman	Ukrainian Agro-Service	Deputy Director General
Vasyl Sulima	Extruder	Director General

Svitlana Vasytsova
Lyubov Volokita
Mykola Yemets

Research & Design-Hydraulic Drives
Energoberezhniye
Stankinprom

Marketing Manager
Director
Head, Experimental Production

			
Tetyana Afanasyeva Korvet	Ivan Byelosokhov Vostok	Anatoliy Kogan Ukr. Scientific Res.	Sergiy Koylo Electromash
			
Vadim Lakiza Molprom	Viktor Pavlenko Stankinprom	Iryna Pesina Frunze	Iryna Samuylik Nargus
			
Oleksandr Sereda TFK Engineering	Antonina Shcherbak Experimental Wiring	Mykhaylo Shvartsman Ukr. Agro-Service	Vasyl Sulima Extruder
			
Svitlana Vasytsova Res & Design	Lyubov Volokita Energoberezhniye	Mykola Yemets Stankinprom	

8.4 Construction

<u>Name</u>	<u>Organization</u>	<u>Position</u>
Valeriy Derun	Archproject	Director
Yuriy Glugovskiy	4 th Block	Marketing Director

Valentyna Kocherova	Construction Group	Production Manager
Mykhaylo Kondratenko	Soyuz	Director
Nataliya Krysa	Faeton	Marketing/Architect Manager
Kseniya Khoptar (Oksana)	Kharkiv Oblast Administration	First Deputy Head, Economy Dept.
Valeriy Lyubota	Garant	Director
Yevgen Nikonenko	Termik	Chief Architect (Dropped out)
Andriy Paramonov	Zhilstroy-1	Deputy Chairman
Igor Shcheka	Ukrinveststroy	Deputy Director of Economics
Zinayida Skoblikova	Stroitel	Director
Oleksandr Sukhodubov	Zemlyane	Director
Olena Turchanova	Atet	Deputy Director
Roman Vynnyk	Stroidetal	Marketing Manager
Yevgen Zinovyev	Solodkovsky & Co.	Marketing/Project Manager
Vasyl Zubko	Stroiservis (Group Leader)	Director
Sergei Svidersky	IESC	Interpreter
Sasha Etlin		Interpreter





8.5 Fruit & Vegetable

<u>Name</u>	<u>Organization</u>	<u>Position</u>
Inna Berezhko	Skhidny Lan	Marketing & Sales Manager
Valentyn Borokh	Dovzhik Ltd.	Head, Vegetable processing
Igor Buryak	Nove Zhyta	Chairman of the Board
Valeriy Bilokudrya	Mayak	Managing Director
Lyubov Ivanusenko	Balakleya Prodtovary	Director
Volodymyr Kalashnikov	Kharkiv Oblast Administration	Head, Dept. Dev. Food Process
Iryna Karpenko	Kharkiv Vegetable Factory	Deputy Head
Lyudmyla Kryvoshey	Andreevskiy	Chief Economist (Comptroller)
Oleksandr Nazarenko	Plodoovosch	Chairman of the Board
Iryna Orlova	Peremoga	Chairman of the Board
Sergiy Pyechko	Krasnogradskoye	Chairman of the Board
Mykhaylo Ruban	Krasnograd Vegetable Factory	Director
Yuriy Sadovyy	Izyum Prodtovary	Director
Yuriy Shapovalov	Prodex	Director
Tamara Surovova	Komsomolskaya Pravda	Production Manager
Olekandra Voloshchuk	Sortsemovosch	Chairman of the Board





Lyubov Ivanusenko
Balakleya Prodtovary



Volodymyr Kalashnikov
Oblast Administration



Iryna Karpenko
Kharkiv Vegetable



Lyudmyla Kryvoshey
Andreevskiy



Oleksandr Nazarenko
Plodoovosch



Iryna Orlova
Peremoga



Sergiy Pyechko
Krasnogradskoye



Mykhaylo Ruban
Krasnograd Veg.



Yuriy Sadovyy
Izyum Prodtovary



Yuriy Shapovalov
Prodex



Tamara Surovova
Komsomolskaya
Pravda



Olekandra Voloshchuk
Sortsemovosch

9. Tour Logistics

Introduction

CEI had responsibility for all logistics for the study tour program and the Tour Managers and Project Manager handled this.

Visas

Visas were provided for all the participants, except the interpreters, through the Academy for Educational Development (AED) in Washington.

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.

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. At least one group went by coach directly to the airport in Kiev.

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 and sent to Ukraine by courier.

The first group had to spend the night in the Frankfurt airport since there was no time to obtain transit visas. Although this was uncomfortable, it did help with the group bonding. Subsequent tours we were able to obtain tickets without a Frankfurt layover.

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 J & J Stage Lines. They were very accommodating to last minute changes, which were unfortunately necessary.

The overall plan was for the tours to be in the Cincinnati area during the first and last weeks of the tour. Longer trips were for the middle of the tour, but always trying to keep the number of overnights to a minimum. The coaches themselves seated 45 and had their own toilet, worktables 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 Managers. The Tour Managers 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 housed in hotels in the Cincinnati area. The Vernon Manor was 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 food 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 \$15 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 was 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 his or her cash allowance for the upcoming week. They were also asked to sign a receipt for this amount.

Interpreters

Interpreters were provided by CEI, were hired in Cincinnati, or were hired from IESC.

Technical Report

The Regional Business Assistance Center (RBAC) in Kharkiv compiled the technical report, in Russian, from notes written by the participants and compiled by the Oblast representative on the tour.

10. Exit interviews of Tour Participants

10.1 Bakery

Mykola Biletskyy – Molinya-1

Molinya-1 employs 360 people (150 extra seasonal). He had expressed his strong gratitude to CEI for giving him a chance to see for himself the workings of the bakery industry in America. A visit to American families would have been a good idea.

He would start a pastry, cake line with good packaging and merchandising solution. He felt that with an automatic production line he could reduce his costs by 30%. He felt that introducing overhead ceiling cable connection would help them reorganize their production line and make them more flexible. Overhead refrigeration for his product would also save 15%. He will introduce packaging and a local company FASMA will be contacted for this. A marketing division will be organized.

Alla Chekunova - Edelweiss

“I liked everything - honestly. This especially included Dawn Food Products which was very impressive with so many mixes.” She thinks food ingredient production could be profitable.

The pastries at Servati’s were impressive, as well as the global nature of their business. It was impressive to see the owners at work in the company. They also used the attic for storage - a good idea. The idea of selling coffee and tea with the pastries in a cafe atmosphere is a good idea and will add value. She liked the idea of selling cheesecake and will introduce this in Kharkiv. At Keebler she saw very good chocolate chip cookies and great technology. (Separately the interns were given a recipe for chocolate chip cookies.)

Grote Bakery was very open. The computerization was amazing. At La Rosa Pizza it was amazing that they can make frozen pizza ahead of time and add the toppings later. She will install a donut fryer like the ones she saw at Busken Bakery. She will consider using baking powder for making her products. She liked the non-stick pans she saw at Russell Bundy. She will also set up a museum like the one she saw there.

She will be able to reduce her costs by 20% by using baking powder since they will increase the volume of a loaf of bread by 20% while keeping the other ingredients the same. She plans to add a second rotating deck oven since the baking cycle will be less. She will switch to electricity driven ovens that will result in a 10% energy saving. At present, her bakery does not use any packaging, but now she plans to introduce it. Her firm already has four people in marketing.

Yevgen Chuyko - Prodtovary Bogoduhov Plant

They have 65 employees, down from 120. “What I saw has amazed me - the social side, the technology and equipment, the marketing and the economics. I really liked the friendliness and the attitudes. People say “hello.” There is a sense of freedom - and there is no internal passport.”

The technology and equipment were very high quality, reliable and modular. In Ukraine the equipment is fixed and cannot be reconfigured easily. Computers are in use everywhere. For example, they print the labels such as they saw at Grote Bakery.

There is a great assortment of products and packaging. They currently ship products to retail shops owned by others but need to start a network of their own retail outlets. These need to be in Kharkiv and adjacent oblasts. He also feels that business will expand into wholesale and retail.

His firm already makes cookies. These can be expanded to many new varieties. Yevgen has bought samples of cookies and marmalade since they also currently make marmalade. They want to make greater use of computers. They will help smooth the switch over to new products.

Customers cannot now receive frozen dough since they do not have the equipment to handle it. However, frozen dough still has some potential. Present cost saving strategy: price shopping and source cheaper ingredients. There is a great need to replace energy inefficient equipment and to look for new cost-effective ingredients. They will also look for new packaging equipment. Their plant needs to work at night since the power is turned off four times during the day.

Sergiy Guseynov - Izyum Bakery (Group Leader)

This company handles all aspects of the bakery business: manufacturing, retail and distribution. The retail stores are small supermarkets and carry many items.

At Atlanta Bread he liked the interior design where the oven was placed clearly visible for the customer, which creates a strong marketing impression for product freshness. In remote villages they can deliver dough for local baking. The ovens seen here are similar to those used in Ukraine. However, he really liked the conveyor systems that moved the goods to the trucks. This is very important. He also noted that the conveyors are often located high up near the ceiling. Also, the overhead cables were hanging from the ceiling allowing quick remodeling of the production facility.

He noted that all bread in the U.S. is packaged and most is sliced. Some of it is shrink-wrapped. Shrink-wrap in Ukraine is expensive, costing about 10 kopecks per package. He believes they can sell sliced bread at the train station and other such locations since people on the move only want a slice or two.

Lower energy costs are the key to reducing overall costs. Two years ago he bought a Danish oven for \$58,000 and this reduced energy costs 4 to 5 times. Brick ovens can run 12-13 hours per day. Gas ovens have to work all day. Their Danish oven works 24 hours per day. They will also be adding a boiler soon to send steam to the brick ovens. The Danish oven comes with a built-in steam-generating unit. The boiler used for the brick-oven will be removed. Cost reduction will apply to transportation with more accurate routing as learned in Grote bakery.

He learned a lot about sales, distribution, marketing and advertising. They have one marketing person in their company and Sergiy will work with him. Sergiy liked the idea of a family firm and possibly he will set up his own firm at some time in the future.

Borys Ivakin - Karavay

They have 850 employees, down from 1,100. Note: Karavay is a holding company with several large bakeries in the Kharkiv area.

Borys really liked the tour and took a vast number of notes. In fact, he completely filled up his notebook that was supplied by CEI. Borys was interested mainly in the sales and distribution system and is now moving in this direction. In the past his organization only produced bread and other bakery products while the government took care of distribution. It turned out that the government was slow to pay for the goods and a new distribution mechanism was required. The distribution system they are looking at will be multi-level, some of which will be their own and some of which will be independents. They will need to set up one center and provide "one day delivery."

Packaging is very interesting since he never saw a product in the U.S. without packaging. In Ukraine packaging signifies that the bread is not fresh. Packaging materials are unfortunately expensive in Ukraine. Sliced bread is of interest to Karavay given the low purchasing power of the population. They want to develop ½ loaves, 1/4 loaves, etc.

They want to develop a network of smaller production lines. They need a greater variety of products such as rolls and buns. One of their bakers (Lyudmyla at Bakery #3) had interned at Busken Bakery a few years ago. She now works in the laboratory and he will talk with her about several of the new products.

Karavay needs a powerful retail network and at the moment they have no brand identity. They are known strictly as Bakery #3, etc. What he saw at Hubert Distribution really appealed to him. This included excellent display cabinets that had a psychological impact on the customer. Colors merged with

lights. In Kharkiv they have already started to expand their retail stores. He liked the franchising concept that he saw, especially in the remote areas. This could also be used in the rest areas along the major highways.

They now need to purchase equipment and this requires going to other countries. He noted that the mixing equipment in Ukraine breaks apart the glutens in the bread. The equipment seen in the U.S. had no sharp blades and was much gentler in kneading the dough and this leads to a higher quality product.

Borys is skeptical about the concept of frozen dough in Ukraine since most families are without microwave ovens. When Borys returns to Kharkiv, he will talk with people inside and outside his organization about the high technology that is needed at their work. He definitely got what he wanted from the trip and it confirmed some of his previous ideas. He will also disseminate the information when he returns. Borys noted the high use of computer technology in the U.S. since there is almost none in Ukraine.

He saw a number of different ways to reduce costs. The government sets the price of bread products with the result that there are very low profit margins of about 15%. The high cost of grain is one of the main problems. They hope to purchase cooperatively and reduce these costs. He also found that he could reduce the number of managers and make better use of computers. Finally he would like to install low-pressure gas ovens, which are very compact and come equipped with automatic controls.

Mykhaylo Kornilov -Bogoduhov Bread Baking Plant

They currently have 90 employees at the bakery. There should be fewer, but there are no other jobs in the village.

There are several ideas that can be implemented quickly.

1. He liked the accounting and tracking systems (shipment, order and client services) such as the one they saw at Grote Bakery.
2. He wants to use computers to optimize products and minimize costs. They need to track the profitability of different items. At his plant they will review the present variety of products and will discontinue unproductive products.
3. He liked the sales map at Grote that showed the location of retail stores, competition and potential sales sites.
4. He liked the incentives for sales personnel and drivers in America.
5. He would like to replace the hearth ovens that do not make good bread. Pan bread is easiest to make with poor quality ingredients. Only one bakery in Kharkiv (Bakery #3, a part of the Karavay group) makes good rye bread. He will use decoration and merchandising knowledge.
6. They will transfer some of their products from Bogoduhov to Kharkiv.

He also represents a consulting company and here he found everything interesting. He was amazed at the large scale of the firms and that they worked three shifts. He noted the new trends and new products such as frozen dough.

He liked the baked goods, doughnuts and pastries. He found that the U.S. firms could produce dozens of items each night - a difficult task in Ukraine. He liked Page Busken's talk on marketing and target marketing. The huge infrastructure for distribution centers and dealers shocked him. He could see this was one of the reasons for the high U.S. productivity. In Ukraine, they need to optimize their shipping procedures. He also saw the way people worked, played, shopped, etc. Their firm tried wrapping bread by hand, but it did not sell. He will reduce costs by employee reduction, optimization of product output and improving shipping procedures.

Larysa Lytvyak - Everest

Larysa was mainly interested in the production operations. They must set up an association in Ukraine. She sees this as a way to get greater power access for lobbying against government price control. The price of grain is free to float, but the price of bread is fixed at about 1 Hryvna. The penalties for charging high prices are very high. She will introduce a product trademark.

They need to add more value-added products such as cheesecake and confectioneries. She liked the idea of frozen dough and will use this immediately. Her company needs to diversify. Currently they operate two bakeries

They sell to 80 retailers and have no company recognition. Therefore, they will have to develop brand recognition. They currently do not package their products but need to start packaging 100% of their products. She would like to switch to low pressure gas heaters in order to save on energy.

Vasyl Masalitin - Masalitin

Vasyl Masalitin's main conclusion was that there is a different mentality in the two countries, with psychological differences. It is difficult to make changes in Ukraine and hence, he needs to set his goals with the present personnel. He personally built his plant in three years without any bank credit and has had very good results. He feels that others in Ukraine need to do the same. In the U.S. he saw people with a real need to work and he was amazed by this culture. Half of his employees in Ukraine work just until they receive their first paycheck. In Ukraine, the most important thing is that the people need to have a desire to work. Their society is in a survival mode and thus people cannot use many of the ideas seen in the U.S.

He has five possible new products. However, people are traditional and do not change their ideas and purchases quickly. Moreover, the economic questions are very important so people will not purchase new products. Recently bread prices went up from 0.70 to 1.10 and 1.20 Hryvna per loaf. They sell about 75 different products, including three main ones. There is a great lack of grain in Ukraine. The bakery plants are willing to pay good prices, but cannot get it.

The value of this program is in communications about how to make things happen. Vasyl recently graduated from a business school. This study tour program has given him a great chance to see for himself the ideas in practice. Some bakeries make three shipments of bread per day since people want their bread warm and fresh. There needs to be a complete overhaul of government. This will only happen when entrepreneurs rise to a high level in the government.

Yuriy Misik - Kegichovskoye

The production lines he saw were "perfect" and very modern. They had few breakdowns and the accident rate was very low.

Frozen dough was very interesting. Back in Kharkiv they will discuss the advantage of this product. He also saw new breads such as onion bread and dried tomato bread, which could be introduced in Ukraine. The trucks were interesting. They backed into the plants, a practice not used in Ukraine. He liked the fact that the mixers do not "cut" the dough. He liked the plastic trays that are used to move and store bread. They use wooden ones in Ukraine and they always need to be fixed. Plastic is stronger and lighter. They have a major bottleneck with packaging. The package twistlers (ties) are interesting. He liked sliced bread. "It is the way of the future." He wanted to know how to increase shelf life. They do not have any logo or promotional materials.

They are looking to expand the confectionery area. They now make cakes, gingerbread, twists and jam (apple) filled crescent rolls. There is a shortage of jams for other fruit filled pastries. The problem is a lack of processing plants. They don't have the technology to process apricots. They are considering making bagels.

Volodymyr Panarin - Alexeevsky Bakery Plant

Mr. Panarin did not feel that the food technology he saw in the U.S. would be useable in Ukraine, but he will need to keep thinking about this. However, he did feel that they needed a bakery association based on the size of the firm.

The equipment technology he saw was interesting and he will have to introduce more automation. Within the next three years his firm will have to downsize by 100 people. One of his first steps will be to install inexpensive new packaging equipment and this is required urgently. They now employ 30 people just to wrap bread.

He intends to introduce several new products including frozen dough, confectioneries, pastries and cheesecake. The photo cake they saw at Busken was also of possible interest. The diet and health breads were also very interesting.

Production costs must be lowered and we discussed the use of cooling from the ceiling. The company will need to establish more retail stores, especially for the larger bakeries. Marketing is very important and they have much to learn. They have already doubled their sales with their first marketing efforts. Now they will need to increase again by 50% over the next three years. This will require a greater use of packaging and advertising. They will also need to analyze their sales so they can target their markets.

Nataliya Pravilo - Prodtovary Bogoduhov Plant, Economist

When she returns to Ukraine, she will set up a Cafe/Confectionery shop like the one she saw at Le Cézanne. At it she will serve pastry, coffee, tea, etc.

They will start to develop a company logo and a merchandising plan. She very much liked the idea of holiday related products such as those described by Page Buskin. This March they set up a local trade association. They will encourage it to support competitions between industry employees, much as she saw at the Bakers Association meeting in Cincinnati.

She will encourage her local government to assist by setting up a distribution center where the small bakeries will be able to join together and have greater buying power. Of course there will be the question of how to finance this operation. She was also impressed with the market research available to the U.S. firm and wants to have the local Rayon provide this information. Instead of having a Pricing Department at the local Ispolkom, (which she feels should be closed immediately) she will propose to have a Marketing Department.

She liked the concept of the frozen pizza dough. This could solve some of their hygiene problems in Ukraine.

The pricing discussion on distribution given at Shur-Good Biscuit Company was very interesting. Likewise, she liked the idea of franchising. She discussed ways to lower costs and Belal Siddique mentioned one way to lower cooling costs was to locate the air-conditioning units in the ceiling that can reduce energy cost up to 30 %. She suggested that she contract with industrial engineers to analyze her expenses.

Viktoriya Radchenko - Kharkiv Oblast Administration

One of the first things she wants to set up is a bakers' association. It can help them purchase in bulk quantity and thus reduce the cost of purchasing raw materials. The association can also help do market research.

She pointed out that only four basic types of bread have fixed prices. All the other products can have floating prices.

She was interested in the relationship between the government, companies and labor unions. In government relations, public opinion has an impact. People see their rights and see that they are enforced and individual is defended. She tells the Kharkiv enterprises to learn the laws to protect themselves in dealing with tax and health regulators. The American businessperson knows the laws very well. Ukrainians in the 30 to 35 age range are learning the law and are willing to stand up to the government. "The government is there to serve the public, not the other way around." She was interested in the

structures in the U.S. distribution system. These are not present in Ukraine. Brokers in Ukraine are only interested in making “fast money.” In the U.S., the ability to sell is more important than the manufacturers. She feels that eventually Ukrainians will understand the importance of marketing.

She felt this experience was very good for the Oblast Administration. It will help them better understand the relationships between government and industry and this will help the entrepreneurs.

She met people in the Health Department, and felt that it would have been interesting to meet people in the tax departments.

Tetyana Sidorenko - Everest

One of the first things her firm must do is to create its own brand names, logo and packaging. They currently do not have any of these. To add the packaging for a brand adds an additional 3-4 kopecks to the cost to the product. However, this is necessary to entice people to enter the store and to purchase their products.

There is a great need in Ukraine for more market research to find out what the people really need and want.

Cheesecake is possibly a good idea. To start with, they will offer small quantities and see how the product does. Currently there is no cheesecake in Ukraine although there is something similar. Adding confectionery products is not too important now in Kharkiv with the low purchasing power of the population.

They are using subcontract trucking for their distribution in order to lower their costs. It was suggested that they paint their company identification on the trucks. Her firm is working at full capacity but at very low profit margins. Therefore they need to add higher margin products that do not have controlled prices. They plan to add new retail outlets that include a small on-site bakery.

Oleg Sverzhyn - Kupiansk Bread Baking Plant

Oleg wants to introduce colorful packaging, including see through packages for cake. He also liked the idea of the photo cake.

He also wants to introduce automatic machines for sheeting, cutting, dividing, etc. He liked the holiday product idea he picked up at Busken Bakery.

The only way to reduce costs in Ukraine is to reduce the cost of raw materials and energy. He must not purchase Swedish or Turkish ovens to reduce the amount of gas used. They have a thermal packaging machine (like Izyum Bakery), but the cost is high relative to the cost of the finished product.

Their firm has a logo, etc. They will now make greater use of it on their trucks, 11 shops and seven kiosks. These shops provide 80% of their cash. They also have a wholesale shop. They will expand the number of products offered in order to avoid government control. The price of a 600-gram loaf is 1.10 Hryvna. They already make seven different varieties of pasta and have confectionery shops with more than 100 products.

They will be thinking about sliced bread. In the US, everyone has a toaster and they eat sandwiches. There is a possible market for cheesecake. There is currently a similar product on their market. Oleg would like to make greater use of computers in their operation.

Sergiy Tsymbalov - Roma Ltd.

He employs 300 people for his entire company - which includes a flourmill and bakery, furniture manufacture, trading, construction material, and photo laboratory. His main concern is how to use his flour and make more value-added products. He feels that money is in trading vs. baking production. Therefore, he feels he could introduce chocolate chip cookies, rye bread expansion, flour mix sale, and trade bread-making ingredients.

He feels that cost reduction is not that easy now. They already have overhead coolers. With their new steam generator there will be a 20% saving. Packaging will be introduced. They already have a target of

increasing overall productivity of 30% by better customer order and services. They will form a marketing department and will contact Fasma for any help.

Yevgeniya Zhydkova - Zhidkova Farm

This is a small rural bakery and their financial situation does not allow them to do much. Whereas a few years ago they had good farms and equipment, these have been allowed to deteriorate and they now have few resources. These will be difficult to build up again. The laws in Ukraine change all the time whereas in the U.S. they are stable. Costs in Ukraine are very high, particularly for fuel and grain.

On the tour they learned how to interact with people, particularly with employees, and that was very positive. She also was impressed with the equipment she saw, particularly the fact that none of it was rusty.

Unfortunately they will not be able to copy everything they saw. However, when she returns to Ukraine she will write a report of her visit and will disseminate the information and try to influence the government in policy issues.

10.2 Meat & Dairy Tour

Igor Kolot – Kharkiv Administration

Mr. Kolot was pleased that the tour covered a selection of both large (Archer Daniels Midland) and small companies. He believes that this is important to Kharkiv. He believes that the tour provided a good frame of reference for all participants. The MTM Tour was the interesting project started by government and USAID.

Points which Mr. Kolot will promote on his return to Kharkiv will be organizational structure, determining market penetration (almost all the tour hosts knew their market share), marketing practices, and of particular interest was niche marketing. Niche marketing would allow small businesses in Kharkiv to develop a pricing strategy and customer following. This would promote business development in nearly every industry in Ukraine. The U.S. companies are much more advanced in these areas than any company in Kharkiv.

Mr. Kolot's recommendations for future tours include:

1. Include fewer technologists.
2. Questions need to be more technical rather than economic.
3. Focus the group on questions they should be looking for answers to.
4. Optimal term of the trip could be sixteen days.
5. Need a general overview of business and industry as an introduction.
6. Focus more on manufacturing and sales. Look at a chain from the point of view of retailing.
7. Other industry suggestions – machinery (market is gone and could convert to consumer goods), food processing (this group is most responsive to change), agriculture (American farms have a lot to teach Ukraine), hotels, service industries (dry cleaners, etc.), and road/interstate development (gas stations, convenience stores, etc.)

Volodymyr Tkachenko – Druzhba

The most beneficial part of the tour were the visits to Archer Daniels Midland where they were taught to make money from water (ADM showed how the use of soy can increase the absorption of water into meat), and Buchy Foods where they were taught how to make money from air (air is referring to warehouse space used to accumulate vast amounts of product for sales to numerous small food operations). The small meat companies which were visited on the tour added significantly to the effectiveness of the tour. Most were of a size similar to Druzhba.

The general areas, which Mr. Tkachenko will promote through meetings and presentations immediately upon return to Kharkiv, are as follows:

1. Small areas that are out of use can be privatized and given to private individuals to develop.
2. Ukraine companies need to establish a brand name and make it well known. American companies have a long history and have found a niche market that allows them to charge reasonable prices for their product while making a decent profit.
3. Production of raw materials was much further advanced in the United States. The Zaenkert Farm was most important because it showed a single farmer doing his own grain processing and feed production – sufficient to get his herd through the winter. Collective farms do not know how to develop markets.

Druzhba specific improvements, which will be made throughout the year, will include:

1. Investigate becoming an ADM distributor. Druzhba can exchange technology, with Druzhba learning more about year round production using hydroponics.
2. Gather all employees immediately upon return to educate them on how to keep equipment in working order and looking new.
3. Improve sanitation methods and procedures immediately.
4. Organize production for quality. Implement quality procedures to protect Druzhba's trademark.
5. Divide processing into small parts. Need some investment to fund privatization of these units so that each unit can concentrate on producing only enough quantity to meet demand. Mr. Tkachenko understood that mass production was not the key to creating value in an enterprise.

Lyudmyla Konogina – Plavlenye Syry

Ms. Konogina's favorite tour stops were Chalet Cheese which is a cooperative, Michigan Milk Producers Association because of the discussions involving economics and finance, ADM because of how technology can help meet raw material shortages, and finally Oberweis Dairy which is a family run business that has kept their tradition and recipes for generations. In all, the tour provided a great deal of very informative detail about how successful businesses in the United States build and maintain their reputation using quality as a foundation.

General observations of the businesses, which the tour visited include:

1. U.S. employees are very quiet and very attentive. There is a smoothness management style, and organization of manufacturing is very high.
2. The taxation seminar was very helpful in providing an understanding of why American businesses reinvest their capital in modern equipment.

The specific areas where improvements will be made upon return to Kharkiv are:

1. Will increase flavors of cheese from the current 10 varieties to 30 varieties within the year.
2. Will increase production and reduce costs. Ms. Konogina saw many ways to reduce costs in cheese production at the small plants visited in Wisconsin.
3. Plavlenye Syry will drop unprofitable product lines. Ms. Konogina will develop a financial model that will help identify the cost and revenues of each line of business (she was able to see this type of data at Lakeview Farms).
4. Work diligently to reintroduce a dairy association in Kharkiv. The MMPA benefits to its members was extremely interesting and had much application to the Kharkiv dairy industry. It would help promote cooperation between suppliers and producers.
5. Control milk quality at the farm not at the manufacturing level. Finished product in Ukraine has the sanitation and quality requirement. In the U.S. the quality starts on the farm and is maintained throughout the manufacturing process. It improves shelf life and reduces bacteria before it is a problem.

The one area where Ms. Konogina was disappointed was with the MMPA visit. She would have liked more time to discuss finance with them.

Andriy Zaytsev – Taifun

The most important part of the tour was Bob Evans Farm, which not only did a formal presentation of their marketing plan but also gave them a copy of this year's marketing plan. Mr. Zaytsev felt that Bob Evans was a very serious large company involved in fast food like Taifun. They had clear-cut plans for marketing and new product development. The discussions of transportation were fascinating especially getting a clear understanding of "back-haul" opportunities and how it is used to reduce cost.

Following closely behind Bob Evans was Oberweis Dairy. Oberweis had a very distinct market strategy and everyone knew how the company was going to achieve its strategy. The company had found a niche with home delivery including other companies' products. They provided a model for Taifun to look at their own network not only the retail chains. Mr. Zaytsev was impressed with the cooperation between real estate (holding company level) and the dairy. The holding company is basically located above the dairy occupying office space that would be dead air/rafters in Ukraine.

Least favorite parts of the tour included Prima Kase Cheese, which had no real marketing plan, and Zanders Creamery, which was an old facility with old equipment and technology.

Specific plans Taifun will implement when Mr. Zaytsev returns to Ukraine are:

1. Install production line capable of changing packaging to meet customer needs. Packaging in numerous sizes is very popular in the U.S. and promotes sale of product to a much larger base of customers.
2. Develop clear-cut marketing and financial plans.
3. Employ a very narrow area of specialization delegating responsibility to attain daily production quotas to shift supervisors.
4. Develop a formal marketing plan similar to Bob Evans.

Recommendations for improvement are first; develop a company profile of each company to be visited ahead of time including management, financial, and technical characteristics. Second, two to three hours per visit is not enough. He recommends at least a week or two (intern program).

Zoya Kokhan – Molprom

Ms. Kokhan was very impressed by the tour. It added significantly to her understanding of operating a business for a profit, and how associations can assist companies grow and prosper. Having been in charge of a dairy association in Kharkiv during Soviet times, she was particularly impressed with Michigan Milk Producers long history (70 years) and interested in how membership benefited farmers.

Upon her return to Kharkiv Ms. Kokhan will:

1. Conduct a seminar for 19 Kharkiv businesses in the dairy sector on American methods and procedures. It will include the benefits of membership in an association and seek to re-institute such an organization in Kharkiv.
2. Become a distributor of equipment (new and used) in Krasnograd, Bliznyuki, and Sakhnovsfichina in the dairy industry. This will require some capital and some contacts with American manufacturing – preferably Toledo Scales.
3. Develop and cleaning and sanitation method using a pulsating spray upon receipt at meat plants.
4. Work with Kharkiv businesses to develop a bacterial treatment similar to what was observed in the U.S.

After the tour Ms. Kokhan is convinced that Ukraine is not 100 years behind the United States. For the dairy industry there is a great need for an association similar to those that exist in the United States. There are political improvements, which can be gained as well as economic gain for members of an association. In addition, associations can help in implementing new methods, training businesses in modern techniques, and farmers receive help control the supply of raw material within an area to ensure a

fair price. She suggests that there be an information exchange between what she can organize in Kharkiv and MMPA.

Sergiy Kotelnyk – Kupiansk Milk

Sergiy probably gained more from the tour than any other. He was most observant and asked very pointed questions seeking specific information. He summarized his impression of the host companies with this quote, “American businesses identify a need – then they satisfy it.” Kupiansk will benefit from Mr. Kotelnyk’s participation in the following manner:

1. Kupiansk has already started working with soy and soy products. It requires some investment to expand but Mr. Kotelnyk will try to work with the Odessa Soy Institute to improve the use within Kupiansk. There is now only a limited number of consumers and agricultural processors who use it for feed. Sergiy will suggest that they provide soy to farmers in exchange for an increase in raw milk. They will also use soy to make milk and cottage cheese as well as use the oil for sausage making. It is an ideal opportunity to purchase soy technology from Russia.
2. Kupiansk will increase the variety of products they produce.
 - They will add fruit to Tvorog cheese to create a new product.
 - They will do more “pull” marketing and research and test their own products. At present Kupiansk simply copies many of its major competitors.
 - Kupiansk will add fruit flavored gelatin molds as a new product. Samples at Lakeview Farms were excellent and Mr. Kotelnyk thought there would be a large market potential in Ukraine as well.
 - Review the market for chocolate milk. Change positions of who will buy and start citywide promotions to people who can afford the product instead of mass advertising.
3. The company will increase packaging options for consumers. Sergiy will investigate the use of self-opening lids on that which Kupiansk uses to pack their products in.
4. Manufacturing is tied to producers in the United States that provides a great deal of feedback on market needs. Mr. Kotelnyk will get sales personnel into the field for follow-up.
5. Add a higher quality of raw material into supply chain. Sergiy observed that U.S. companies were willing to pay a premium for top quality raw materials. They simply built it into the retail price, which customers paid because they were sure of consistent quality.
6. Kupiansk will investigate sampling in large supermarkets and with certain distributors. Kharkiv is not as receptive to this tactic as is the U.S. market and it may prove to be too expensive.

Mr. Kotelnyk suggests the program can be improved by homogenizing the groups – more like interests in each tour. For example, all marketing then all finance and then possibly all transportation.

Olga Zhygaylo – Verbovskoe

Ms. Zhygaylo enjoyed the visits to all the companies on the tour. She believes there is a great benefit in the exchange of management techniques between companies that have a long history of success in competing against large companies and small relatively new start-up companies.

Ms. Zhygaylo plans for employing the information she gathered on the tour include:

1. ADM showed how to use soy to improve production, increase output, and reduce costs. Verbovskoe can purchase soy from Kupiansk, and then use it for sausage production to increase profits.
2. Soy from Kupiansk will also be used to feed the farm animals – both beef and pigs. Soy is cheaper than buying whole milk for feed mixtures.
3. Sausage production can be improved significantly.
 - Vacuum packaging prolongs life and allows branding
 - Can up charge for custom packaging increasing revenues without a significant increase in cost.

4. The visit to Mohrfield Farm provided very good insights into how to repopulate herds. Lycosis is a problem in Ukraine and farmers are reluctant to acquire additional cattle to replace infected cattle for fear of adding to their problem.

The visits to Michigan Milk Producers Association and Chalet Cheese Cooperative convinced Ms. Zhygaylo that there is a large need to set up an association for agricultural enterprises in Ukraine. She will work within the rayon to establish such a cooperative, and will recommend a national initiative to Kiev on her next visit. Ms. Zhygaylo is chairperson for a Ukrainian woman's management organization.

Tetyana Kovalyova – Daria

Ms. Kovalyova was impressed that she was able to observe the whole cycle of meat and dairy processing as well as visit testing labs. She particularly enjoyed the trips to Mohrfield Farm and Zaenkert Farm, which demonstrated how the quality process in the United States starts on the farm. Daria is primarily an ice cream producer and Tetyana gained very valuable information on the visits to the numerous ice cream manufacturers on the tour. The ability to observe production using old-fashioned methods and equipment as well as modern equipment was invaluable in helping plan the growth strategy for Daria.

Specific plans to be implemented at Daria include:

1. From Graeter's Ice Cream in Cincinnati, the sorbets were outstanding and Tetyana will try to duplicate and add to Daria's product line in Ukraine.
2. Velvet Ice Cream published their mission statement for all to see, including their employees. Tetyana will develop a mission statement for approval of Daria Board of Directors and then post that statement in all Daria locations.
3. Tetyana will introduce new flavors of ice cream on a regular basis. Almost all U.S. companies have flavors of the month or seasonal flavors. The first attempt will be peppermint.
4. Daria will develop an ice cream and gelatin product similar to that which was sampled at Lakeview Farms. There is nothing like that in Ukraine and Tetyana believed, based on the comments of all the tour members who sampled the product, that it would be well accepted. This new product could potentially move Daria into the number one market share ice cream company in Kharkiv and if they act quickly enough, in all of Ukraine. Daria currently only has 4% market share with Khalaprom holding the areas largest share of market at 20%.

Artem Bartyshev – Molochnaya Sloboda

Mr. Bartyshev was somewhat disappointed by the tour. He believes that there should be some macro environment overview ahead of time. This would allow the participants to trace the connection between the macro and microenvironment and explain why the U.S. is structured the way it is. He also felt it would have been advisable to split the group into managers and administrators on a first tour and technologists on a follow-up tour.

The benefits Mr. Bartyshev received and the observations he was able to make include:

1. A better understanding of general business philosophy.
2. There is a high degree of effectiveness of human resources utilization
3. Few employees for high volume of output
4. Floor space in all U.S. facilities is well utilized – much more so than in Kharkiv.
5. Most U.S. businesses concentrate on the highest quality of products at affordable prices.

Specific plans to be implemented on return to Kharkiv include:

1. Restructure for improved performance
 - Functional changes to improve throughput

- Quality Assurance as a separate function reporting to the President
2. Implement a new product development process similar to that of Bob Evans Farm and Lakeview Farms.
 3. Isolate a market segment for deep penetration – generally believe that is the middle-class market who currently purchase most of Molochnaya Sloboda products today.
 4. Develop and begin using a trademark for all Molochnaya Sloboda products
 5. Review product lines for profitability and delete products which do not add to company profitability (milk and cheese) – concentrate on core business
 6. Package into smaller containers to increase sales to the low end of the market
 7. Improve floor space utilization.

As sales increase and profits improve, Molochnaya Sloboda will change its packaging. It will also purchase a couple of farms to provide vertical integration.

Based on information attained on the tour, Molochnaya Sloboda will not purchase retail stores. They will concentrate on developing relationships with retail outlets, which allows them to expand their markets. They will investigate a better use of distributors to reach outlying markets.

Konstantin Lykov – Molochnaya Sloboda

Mr. Lykov is the marketing manager for Molochnaya Sloboda. He found the tour to be most rewarding in the areas of marketing, finance, and the utilization of human resources. His suggestion for improvement was to break the group into two segments one for technologists and one for managers. In addition, he recommended the development of an intern program so that those companies which needed skills development such as in marketing could spend four to six weeks at a company such as Bob Evans.

Konstantin will implement the following on his return to Kharkiv:

1. Emphasize one main product for promotion. Currently try to promote all their products at the same time. In the U.S. most companies promote each of their products at different times placing emphasis on when they sell the best.
2. Reorganize to increase efficiency. This will take time since internal competition for capital will make any restructuring difficult.
3. Increase trust in employees by eliminating guards at the front gate. In the U.S. employees are free to come and go as they please. U.S. companies use security to keep track of visitors and to ensure employee safety.
4. Develop a “work ethic” similar to that observed in U.S. companies. Low wages in Ukraine does not promote personal dedication to improving performance. In the U.S. many companies used “piece rate” incentives to attain higher levels of production.

Long-range improvements will include the purchase of new, more modern equipment capable of producing more than ten times the volume in use at Molochnaya today. Konstantin hopes that financing could be arranged similar to that of American businesses such that the loan would be for 25 years at low interest rates.

Mykhaylo Torosyan – Mercury

Mr. Torosyan was nearly overwhelmed by the tour. American firms were willing to share not only their management philosophy but also recipes and manufacturing processes with the group to help them when they returned to Ukraine.

Mr. Torosyan observed that the markets in the U.S. look so stable. In Ukraine, meat processing companies have to drive around to pick up hogs and cows for production. In the U.S. there are stock markets where farmers bring their herds to sell.

Mykhaylo will make the following changes upon return to Kharkiv:

1. As he learned from ADM, soy can be used to increase supply. Soy derivatives are mixed with raw meat and water added to increase the weight of the product by as much as 40%. A 40% increase in material for production would significantly impact Mercury sales in Kharkiv and give them a larger market share.
2. Work with other Kharkiv meat companies and establish the buying power to become an ADM distributor.
3. Change sausage-making methods. In the U.S. there is no frying of raw materials, the product is ground and then smoked or cooked. Mercury fries its meat for two hours before using it in production. By eliminating the frying process, Mercury can reduce electrical consumption, reduce loss from frying, and cut the production cycle considerably.

Mercury has a regular following in Donetsk and four open market locations in Kharkiv. There are roughly 120 competitors making sausage in Kharkiv. Unlike U.S. companies, Ukraine businesses sell their products without packaging. It is not an immediate priority, however, Mercury will investigate the cost of adding packaging and a brand logo to its products sometime in the future.

Olga Grynchenko – Karpidzhani

Ms. Grynchenko is the chief technologist at Karpidzhani and is working on a doctoral degree. The tour provided two benefits to Olga, one that benefited Karpidzhani and the other as detail research for her doctoral dissertation. She had many excellent impressions.

Olga was glad that the group included a wide spectrum of participation from Ukraine. There were managers, board of directors, specialists, and even someone from the oblast administration to observe how Americans succeed in business.

Her observations include:

1. After visiting the Zaenkert Farm and Mohrfeld Farm she is convinced that Ukraine farms will not achieve such a level in the near future. She recommended that a farm tour be organized to demonstrate how to improve farming techniques and increase production.
2. U.S. companies pay more attention to raw materials. Testing is done at many levels to ensure quality. In Ukraine it is the producers responsibility to test the final product to assure compliance with governmental standards. There are no standards for farmers or brokers who deliver the raw material to the processing plants.
3. U.S. technology deployment and equipment can be duplicated in Ukraine. Oberweis Dairy, Graeter's Ice Cream, Bob Evan's Farm, and Lakeview Farms all made good use of old and new equipment to deliver products which satisfy today's consumers. Ukraine businesses believe they need all new equipment to compete in European markets.
4. Olga was greatly impressed with the ADM presentation. It was, "a brain attack" in marketing.

Specific improvements to be implemented at Karpidzhani include:

1. Develop Karpidzhani's own features. This means Karpidzhani will distinguish itself in the market place. We will have our own flavors and distribution outlets.
2. By the summer of 2001, launch a new high quality ice cream aimed specifically at the wealthy. Only the highest quality ingredients will go into the product similar to that used by Graeter's and Oberweis. Karpidzhani will try to capture the lion's share of the upper income segment with its new product.
3. Establish a marketing division. This will require some additional money to hire a marketing manager with the type of experience to rapidly grow Karpidzhani's business beyond Kharkiv.
4. Create new products that are not seasonal. Some production lines convert easily such as those at Velvet Ice Cream, others will require more space and time.

- New products will be introduced that have gelatin in them such as those from Lakeview Farms. No such product exists in Kharkiv today so speed to market will be Karpidzhani's challenge. Other members of the tour also want to introduce similar products.
- Some production lines convert easily to the manufacture of other products such as those observed at Velvet Ice Cream. Karpidzhani will study the feasibility of minor modifications in equipment and layout to produce such products as dressing with sour cream (now an empty niche in Kharkiv).

Nina Berenko – Permovaisky Milk

Ms. Berenko liked the visit to all the companies. She was impressed with American sanitary conditions throughout the plants that were visited as well as the excellent condition equipment was kept in. Routine maintenance made all equipment appear to be fairly new even though it was quite old in many cases.

Ms. Berenko's favorite visits were to Chalet Cheese Cooperative where all the farms contribute to the success of the cheese operation, Zander's Creamery where the family run business has developed and maintained the highest quality products for nearly one-hundred years, and Prima Kase, a cheese producer who has won international awards for their old world recipes (who also generate more than \$ 1 million in revenue with only five employees).

Nina's pertinent observations of American businesses were:

1. Americans specialize in certain types of products. They do not try to produce numerous products in the same plant. For example, Tamarak Farms dairy used the raw milk to produce their products. However, cream is removed prior to processing so that multiple varieties of milk and milk by-products can be produced (change fat content). The excess cream is sold to a creamery miles away (similar to Zanders) for butter production. In Ukraine, every bit of the raw material is used up within the plant that receives it.
2. American farms are well cared for. They are the beginning of the excellent quality of product produced in the United States. There should be a tour for Ukraine farmers to show them how to increase quality and improve output of their herds.
3. In the U.S., managers have more to say about production. They are given the latitude to do their job the way they believe is the most efficient. They report to the plant manager on a daily or weekly basis with actual results.

Nina will work with Permovaisky to implement the following:

1. Increase the varieties of milk produced. Two products will be introduced within a year; one with butterfat added (closer to whole milk in the U.S.) and the other will be chocolate milk.
2. Manufacture butter and ship to Kharkiv for packaging. Will form a joint venture with a Kharkiv company if one can be found (Zander's packages butter for two of its major competitors).
3. Investigate the possibility of making feta cheese. This product will be sampled at local stores as a means of introducing it to the Kharkiv region.
4. Work to develop a trademark to establish the Permovaisky name throughout the region.

Valentyna Kabanenko – Milk Ltd.

Ms. Kabanenko liked the tour very much. She felt like it was weighted toward dairy. She especially liked the flexibility American companies have in not only achieving their daily production requirements, but also in obtaining alternative sources for raw material.

Ms. Kabanenko obtained a lot of worthwhile information while visiting the Ohio Department of Agriculture and in discussions with FDA inspectors. She noted that in the U.S. regulatory bodies work to

help companies succeed. In Ukraine, Milk Ltd. is inspected at least once per week and the laws are designed to punish rather than help.

Nina will work to implement the following on her return to Kharkiv:

1. Go to the farms and change contracts. Pay more for better quality of raw material delivered. Increased quality of raw materials will increase the quality of the finished products.
2. Expand product offers to include soy products. Samples of milk with soy additives in the U.S. compare favorably to the milk sold in Kharkiv today.
3. Will experiment to see if cold separation for pasteurization can be implemented. Michigan Milk Producers Association used this process successfully in their Constantine plant, and if Milk Ltd. can duplicate that process it would save considerable gas cost.
4. Change technology – upgrade to more modern equipment.

Vira Levshyna – Milk Ltd.

Vira was impressed with the tour. She found it incredible that you can actually buy an ongoing business in the United States. No one can buy a whole business in Ukraine. She was especially pleased with the presentation of the use of soy by ADM, and the marketing process from Bob Evan's Farm.

Ms. Levshyna's recommendations for improving the next tour include a trip to several retail outlets. While she learned a lot about marketing from the manufacturers end, she still has no idea how to help retailers market Milk Ltd. products. She also wanted more of a focus on marketing. A lot of the tours focused on the production process which for the most part is similar to that used in Ukraine. Marketing is a Ukraine weakness and the tour did not focus enough on that piece of training.

As a final recommendation Vira suggests a class on basic English for all participants. Leisure time allows all the participants the ability to go where they choose. If they knew basic English they would not have to stay in a group. It would also allow the interpreter time off.

Ms. Levshyna will implement the following on her return to Kharkiv:

1. Develop a buffet style restaurant similar to Old Country Buffet (one of the lunch stops on the tour). All the Ukraine participants thought this was the best restaurant they ate in while on tour. Vira would like to develop the business in Kharkiv and expand as sales warrant.
2. Lease more floor space from the Milk College to expand operations
3. Get a loan to purchase more equipment and work with Kiev to develop ring molds.
4. Introduce new products
 - Create gelatin based products similar to those sampled at Lakeview Farms

Vira plans to put on several public presentations on her observations from the tour. Her plans include TV coverage and public presentations to nearly 900 business people throughout the Kharkiv oblast (100 in each rayon). Coverage in rural Kharkiv will be accomplished through a Red Cross funded project to provide milk, sour cream, and butter to the needy families in rural areas.

10.3 Food Processing Equipment

Tetyana Afanasyeva - Korvet

Tetyana was very impressed with the size of the U.S. economy. It has a very highly organized management system. For example, the office areas are open, clean and organized. Due to the good transportation system, manufacturing plants can be located outside the cities. In Ukraine, they must be located near the population centers.

Her company is young. It had a goal and has always worked toward that end. She liked the management she saw and the technical and marketing standards.

She was also impressed with the safety standards. For example, at PPG where there is a risk of

chemical contamination, there are basins and showers where anyone can get rinsed quickly and easily. In another example, many metal cutting and forming machines have safety locks, which help to reduce the possibility of injury. In Ukraine, the operator has to read and remember the instruction manuals before operating the equipment. This is time consuming and not very effective.

She was very interested in the ways the companies are organized, especially in the area of Quality Control. There is peer control of quality control and departments are ranked on quality, cleanliness and on-time performance.

Currently her company uses staples to seal cartons, but these are expensive and time consuming. She saw a new way to perform this operation by using a new glue tape sealer.

Dissemination: There are 30 in her company with whom she will talk to plus over 100 at client companies.

Ivan Byelosokhov - Vostok

He saw fantastic things and has many new ideas. Eight or 10 companies made a big impression on him.

He found that the U.S. was closer to Ukraine than Western Europe when it comes to ideas of culture and democracy. He was most interested in business ideas and marketing. He wants to develop a marketing program based on U.S. examples.

1. B&J Machinery showed that “serving the customer” is a good market niche.
2. Portion Pac is similar to his carton operation now and he will be able to demonstrate this to its clients.
3. Electronic Liquid Filters, Inc. at La Porte, Indiana was very impressive as were many others.
4. He was impressed with the hot air heating systems in the plants.
5. At SIG Combibloc he saw coatings on cartons that he will try to introduce.
6. He thinks it is a good idea to have one government official on each study tour. He thinks that CEI should do all they can to increase the number of study tours.

Dissemination: He will be talking with about 140 people in his company. He also plans to write an article and to take part in seminars at the Regional Business Assistance Center (RBAC).

Anatoliy Kogan - Ukrainian Scientific Research

He was impressed with the organization of American companies, especially with marketing. He had wanted to see how it was done, especially the formation of “work groups.” He learned that the groups have to be fully interested and committed. The attitude of the worker is most important. He will review his company with the suggestions he has picked up. He will reorganize his company into separate teams to evaluate ideas.

He has identified five U.S. companies who could be clients or joint venture partners. He will possibly be able to make spare parts for some others. He is interested in having CEI or others look for money or investors.

Ukrainian companies are not capable of making product lines like the ones he saw in the U.S. They are too expensive.

He is thinking of providing service for imported equipment.

Dissemination: He plans to write two articles and give a number of seminars and lectures. He will do some of this through the Internet.

Sergiy Koylo - Electromash

Sergiy has great impressions of the tour. In fact, he completely filled up his notebook with notes, diagrams and charts.

He was surprised to learn that 40% of the U.S. food products use Soya.

In Ukraine they have lower production volumes and higher unit costs. Price is most important and quality suffers. For example, they always look at using cheaper raw materials and not at the product specifications.

In the U.S. they have “Focus Groups” to decrease problems. In Ukraine the decisions are often not the best since they are made from a command structure. In the U.S., responsibility is clearly defined and there is a sense of worker team ownership. He has learned a great deal about reporting systems.

New products: There were many possible new products for his company. One is the clear plastic strips that are used as room dividers when going between different temperature environments. Another is new packaging insulating materials and a third is a cardboard carton insulation layer. He will also install a new hot air heating systems using gas burners.

Dissemination: He will be talking with over 50 people about the tour.

Vadim Lakiza - Molprom

He really liked Tetra Rex and the production culture. He also liked Electronic Liquid Filters, Inc. (ELF) at LaPorte and their excellent packaging and Food Equipment Manufacturing Corp. (FEMC) and excellent equipment. He also liked the visit to Anthony Thomas. Cleanliness was evident everywhere. He also liked Russell Bundy.

Any money supplied by the U.S. government must go directly to the companies and not through the government.

Most of the collective farms no longer exist and have been replaced with new private farms that do not have the money they will need.

His company may merge with Fasma, a company on the first MTM Study Tour.

His company has a great deal of metal and he will use this to diversify. He plans to make small milk pumps of 500 Kg capacity. He will also make small pasteurization machines and separators. He is certain that he will work with Soya milk.

Dissemination: His wife is the Ukrainian Department of Standardization and this will help him to disseminate the information to about 2000 factories. He has taken 10 video tapes and he will be able to make one good tape.

Iryna Pesina - Plant Named after Frunze

This program will be extremely important for her company. It had many practical aspects. She liked Russell Bundy and its stamping machines. Her company will be able to make the baking forms with non-stick coatings. In the past they made forms for the bakery industry but they were not successful. They will contact a Russian company that has the non-stick technology.

She also liked the way Russell Bundy refurbished machines and saved money. Her company could also rebuild machines rather than just make new machines.

Her company is currently doing market research on forms for the baking industry. This was the first time she really saw a marketing system at work.

She was very interested in the automatic parts replacement (kanban) system used at Electronic Liquid Filters, Inc. (ELF) at La Porte, Indiana. She also liked that way they had a mission statement and had clearly set out their company goals.

You can go many places to see production equipment, but rarely do you get a chance to see how a company is managed. Many U.S. companies provide continuous education for their workers. The system related directly to the production of the workers. All workers work as a team. The main thing is the management of the marketing and production operations. Most companies concentrate on quality and customers.

She will recommend that her company increase the number of sales representatives and start marketing in adjacent oblasts. They should be able to manage the spare parts inventories in order to keep these costs down. She also wants to computerize their inventory records. The tour also gave her a chance to see the negative side of her company operations including transport, repair and machine building.

At Borden, she did not understand why they discontinued some brands. One product alone generated 85% of their revenue. She will recommend that her company drop non-profitable lines.

She also liked the use of focus groups, which helped them see how the customers used the products.

Dissemination: She will be talking to 30 people in her company plus 20 others in sales. She also plans to show the video that was taken by Vadim Lakiza and others. In addition, she will contact her friends in at a local Kharkiv radio station and expects to make her report in September when people have returned from their holidays. She will also make contact with her University.

Viktor Pavlenko - Stankinprom

In the U.S. he saw that advertising was very practical. People are working instinctively based on their past training and experience. They develop what the customer needs. He has filled his notebook with notes and designs. He really liked RA Jones the best where they made sophisticated packaging machines.

New products: He was looking at improving their macaroni machines, biscuit baking equipment and silos, which they already build.

Dissemination: He will talk to 100 people in his company and over 100 people in their sister companies.

Iryna Samuylik, International Marketing Manager - Nargus

The entire trip was tremendously impressive. The U.S. host companies were very well chosen. In Ukraine they don't have anything like this. She saw many new types of packaging including multi-layer materials and coatings. This will provide many new prospects for growth in Ukraine. Many Ukrainian companies are looking for new ways to increase shelf life and packaging is part of the solution.

She especially liked what she saw at SIG Combibloc, which was very impressive.

She liked the presentation on marketing. She also found that production is very well organized and she liked the fact that it worked closely with marketing. In the U.S., the companies really care for quality and the customer. This is the only way to survive - both in Ukraine and the U.S. A brand name is also very important.

There are many new product possibilities including the small packages she saw at Portion Pack.

Dissemination: She will talk to 150 people in her company plus her client companies.

Oleksandr Sereda - TFK Engineering Group

He felt it was a great tour with many new ideas. In fact, he had expected it to be a more relaxed business trip, but found it was quite different and intense.

He felt that the most important thing he learned was the relationship between the company and the employees. The person's qualifications and value to the organization are most important. In addition, automation and quality control are also very important. He was able to see dynamic quality control and statistical analysis. For example, at Ball Metal Food Container Group, quality control is continuous as the welding of the seams on cans is continuously inspected. If they could install such a system in their factory, they could improve the market for their macaroni filters.

He is very interested in high-speed inspection machines that check parts using a photo image process. He was also very impressed by the automation system at Keebler and he is interested in making such a system for the Kharkiv Biscuit Company.

He loved the production planning system he saw at R.A. Jones.

Dissemination: He will be talking about the tour to over 100 people in his company and with many client companies.

Antonina Shcherbak - Experimental Wiring Plant

The U.S. companies shocked her. She saw so much! The companies had a "sense of belonging." At each company they knew the company history and know who built it. There is respect for the employee. They are open to employees of all backgrounds. They don't have this in Ukraine.

The companies had tremendous technology. She especially liked RA Jones. She noted that people took very good care of the equipment.

Each U.S. employee had a defined task. She liked how the manufacturing employees worked

together and interacted with marketing and design. She also noted that the production machines could be reorganized for new products. This was possible since utilities are located in the ceiling. She found that the volume of output was more a function of the organization than the equipment. The company organization and marketing are most important, not the technology. She will reorganize her plant when she returns. This will include both the direct and indirect functions.

As for new products, her company is capable of building silos and they will seriously work on this. Galvanizing is expensive but they will investigate the use of special paint as an alternate.

Dissemination: There are 250 in her factory with whom she will talk. She will also talk with people at the local business center in her Rayon. She also plans to write an article.

Mykhaylo Shvartsman - Ukrainian Agro-Service

He has a great many impressions - both cultural and technical. He has gained a great deal of confidence. He has also learned that the greatest key to success is marketing. In his company he does everything. He was impressed with the energy of America.

He saw total harmony in production. In high production areas, his customers could use his high technology equipment to get high quality products. Everything in the U.S. is done for a specific business reason. It is very important to get these concepts in practice at home.

Regarding technology, everyone has his or her own specific area of expertise. In Ukraine they don't have their own specialties yet. In Ukraine, they need to have something that distinguishes them from their competitors, such as a product, features or service.

His company is looking at plastic machines and products.

He never knew about progress payments and will introduce them. These will increase sales by 5-10%.

He wants to expand his own operations and have a division that uses his equipment. Although this may mean competing with his own customers, he feels this will not hurt sales outside the Kharkiv area.

He must develop his own R&D department. In the Soviet era, product design was done at institutes. Now, most companies do not have their design departments.

Dissemination: He will write 1 or 2 articles for journals with about 7,000 circulation. He will talk to the regional administration about what he learned. He will conduct 3 or 4 company seminars for about 120 people.

Vasyl Sulima - Extruder

Agriculture in Ukraine is in very bad shape and there are no credits. In addition, farm equipment is rusting. There is a great need to give them high productive technology to feed the people and the animals. This sector could grow rape, high protein animal feeds and vegetable oils.

In the U.S., he feels the people have a high technology system. Moreover, they can start with the highest priority areas. Ukraine needs help from the U.S. government. He will talk with officials in the Oblast and others. Unfortunately, they are from the old system.

The industry can develop any products because they have high capability workers.

Vasyl wants to start an association.

He learned a lot about the organization of a company. For example, he learned that the number of employees is not important - revenue is.

He found that it is important to have a grand name. The company must be honest with its customers in order to create a positive image and to be able to expand. Value works!

The world is a very big market and is not constrained as it is in Ukraine.

Dissemination: In December he plans to speak at the industry congress and will send a copy of the article to CEI. He will also write an article for Kharkiv journals that will reach about 25,000. He will also talk to about 150 people at the local Institutes.

Svitlana Vasytsova, Marketing Manager - Research and Design - Hydraulic Drives

She will need time to assimilate all the information she has gained. She saw different company profiles, which she will be able to use in her company. She also saw different techniques of marketing. She saw volume discounts that she liked very much. She was fascinated by the American culture and the way people lived and worked. In the U.S. 1/3 of the workers are in marketing. Only 1 or 2 in her firm are in marketing. She learned that companies have to discover what the customer wants.

There were many new products that her company may be able to evaluate.

Dissemination: She will discuss what she learned on the tour to the 107 other members in her company and with at least 40 others. She also wants to give a lecture at her institute.

Lyubov Volokita - Energoberezhniye

She has too many impressions. The U.S. is a good model for the future. It puts a great stress on quality and service. There is also a great stress on protecting the environment and many people recycle their waste. "The trip gave me confidence to make decisions."

She was interested in automation and on how the companies were organized. This was especially true for the marketing function, which is very weak at her company. She saw companies used Focus Groups to deal with the indirect attributes such as price and after sales support. Every company must have a way to distinguish their company and its products. The benefits and the price are very clearly and independently defined. It is most important that the company make the employees feel a part of the team.

Dissemination: She will discuss the program with about 50 people and expects to speak at 3 or 4 conferences in September and October. There should be about 500 people at each conference.

Mykola Yemets - Stankinprom

It was a super tour. He was amazed at the cleanliness and the well-organized companies. People were very friendly and all the companies were very interesting. He was impressed with the high quality of organization and the well-organized production. He will use this information in their operation. The amount of computerization was also impressive. His company needs a line of credit in order to make their larger machines.

He liked RA Jones best where 2 people do the amount of work that 30 do at his company on larger machines. CAD/CAM systems send information directly to the CNC machines. Everything the worker needs is close at hand. In his company they need high quality equipment but must work with what they have.

New products: They will investigate the manufacture of air operated hand tools. They can save labor and energy.

Dissemination: He will talk to about 300 employees at their company.

10.4 Construction

Valeriy Derun, Archproject, Director

As a result of this trip he has had a "Complete change in mind". In the U.S., the architect is a main contractor. In Ukraine, the role of the architect is much less important. The young and skilled architects in Ukraine are unfortunately leaving the country. Universities do not teach the new technologies.

One of the first things he has decided is to require his workers to smoke only outside the office. He also noted that Americans take good care of their land.

"We will improve the quality of our design work," he stated. He was impressed with the high quality of the design work, better manufacturing methods, new materials and project management. After privatization, he felt they would be able to make much faster progress in Ukraine.

He was very impressed at Marvin Windows. One thing was the use of glue. Another was the fact that the supervisors knew the employees and experienced workers taught the younger employees.

Joint ventures are more realistic in the design area since they are mainly an exchange of ideas.

As a result of the visit to American Homes, he will be able to design homes in this style. They will be of wood, will be better for the environment, and will be cheaper.

As a direct result of the study tour he will be networking and will be subcontracting with

Valeriy really liked the tour. He already knew a lot of what he was told, but the tour confirmed this information. The U.S. companies were very open and provided financial other tour members. [CEI note: Tour members asked for a list of other MTM study tour participants so they could network with them as well. This is now being organized.]

Yuriy Glugovskiy, 4th Block, Marketing Director

It was very good to see the different areas of the industry and the construction sites. He liked Marvin Windows and Formica best. He learned that his company is being progressive and is going in the right and direction. However, they need to modernize their production equipment.

There were many good ideas in management and it was good to see them in practice.

He learned that the U.S. market is homogeneous and the companies are in communication with each other. In Ukraine, the industry is very fragmented. It really helps American companies to be able to use the same information if they subscribe to the industry database that is maintained by Dodge, Inc.

They need to form an association in Kharkiv. The companies need to work together to share ideas on marketing and to have a common political front. The association can improve the quality of the industry. That is the phenomenon of synergy.

His company only does commercial construction. As a result of the tour, there is a chance for his company to apply new materials, maintenance procedures, etc.

The banking system in Ukraine is now a major problem and it is very difficult to get bank loans. As a result, each company needs to have its own internal financial resources.

Valentyna Kocherova, Construction Group, Production Manager

She was impressed with the organization of labor from the start to the completion of a project. She was also impressed with the relationship between people, the new technology in the production process, and the relationships between the people at the construction site. In Ukraine, if anything goes wrong, there is a great deal of emotion.

She learned many new things. She was impressed with the number of computers in use, the production equipment, and the new technology. In the concrete plant they were shown precast concrete plates that were custom designed. Using this technology all buildings can be different.

At American Home she saw typically designed houses. She did not feel this would be useful in Ukraine due to their cold weather. [CEI pointed out that wooden homes are used in Scandinavia.]

She wants to implement many new things. One is on-site concrete. Their equipment in Ukraine is now obsolete, but they learned that there is an American equipment distributor in Ukraine who may be helpful. She wants to propose a joint venture to them. In another example, they have plastics, but not the technology for insulation.

She liked Porter Paints. Long durability is very important in Ukraine.

Gypsum boards are now used in large volume. They will try to use gypsum boards in apartments they build.

Mykhaylo Kondratenko, Soyuz, Director

He liked the smiling people in the U.S. who would say "Hi".

Regarding engineering, he was amazed by the technology, quality and computerization. In the past 10 years the quality has really improved in Ukraine. He is interested in on-site concrete pouring in high-rise buildings.

He wants to make wooden homes and will look at 2 different approaches.

In the U.S. they make very high quality flooring and they cannot do this in Ukraine.

Nataliya Krysa, Faeton, Marketing/Architect Manager

Nataliya has many impressions of the tour. He has learned how to expand her horizons. Even in Ukraine, she has had few chances to visit plants such as a cement plant. This has been a new experience for her. She was interested to see how materials were made. Now she has a much better understanding of the products and processes.

She will now talk to the Municipal Academy and will give lectures where she is currently working on her doctorate degree. She will also make a movie based on the seven rolls of video film she took. It is also important to get the information to students - especially the graduate and post-graduate students.

She will try to change the ways people in the industry conduct their time studies, do time keeping and process their data. Computer software is still emerging - especially in Cyrillic.

There are lots of new materials in America such as acoustic windows, decorative finishes on walls, carpeting, wallpaper, spherical fluorescent lighting, double glazed windows, and prefabricated concrete slabs with multiple colors. In the U.S. there are many more design and construction options available. Possibly someone will set up a new pre-stressed concrete plant and she will be their first customer. There needs to be a trend to more custom construction. It makes a lot of sense to use prefabricated frames and double-glazing in construction. She liked what she saw at American Homes.

Kseniya (Oksana) Khoptar, Kharkiv Oblast Administration

Oksana attended this study tour as a representative of the Kharkiv Oblast Administration. Previously she had worked in the construction industry.

The thing that she liked most was the high level of management. Everything was planned with flow charts, job descriptions, etc. There is also a high level of computerization.

U.S. companies are planning for the future and are using new materials and equipment. This is all tied in to the taxation policy. Companies pay fewer taxes when they modernize due to the depreciation allowances.

She liked the marketing methods she saw and the use of distributors. She felt the power of the market infrastructure. She found it very difficult to compare the two systems.

She liked the system of independent laboratories. She liked the way the information was gathered and then disseminated. She also liked the bidding process and the tenders.

She noted that the role of the trade associations is very influential and useful. She loved the idea of training managers at the institute.

She was very impressed with CEI and the organization of the study tour program. They saw a lot of the whole industry and it was very professionally done.

The design companies are excellent and have a concern for the customers.

The Ukraine government realizes that they must stay out of the way of business. It is important that they work out the rules for this.

Kharkiv needs to have their good large companies benefit from this program, not just the small ones. She wants CEI to become involved in helping the entire construction industry. An information system would be useful and would include an open system for tenders and bids.

She liked the U.S. designs and practices in residential construction. New international building standards are now being developed and hopefully they will be adopted in Ukraine as well.

Valeriy Lyubota, Garant (Kupiansk), Director

Valeriy has his own construction company with equipment and its own privatized land. He also has empty buildings that can be used for expansion. They concentrate on meeting the needs of the people in the mid to low-income levels. In the last 10 years they have done a great deal of reconstruction work. He will now try to extract those ideas that can be applied.

He especially liked the residential construction and the furniture carpentry. As a result of the tour he will work in new ways. "Many things have changed and my world has turned up side down in the last 3

weeks.” This includes the production methods, employee relations, new technology he never dreamed about. He saw easier ways to do finishing work and to do it beautifully. In house construction they will try to use thinner walls with insulation and not just thicker brick walls.

In Ukraine they need to start making heating calculations, not just using the old practices.

Andriy Paramonov, Zhilstroy-1, Deputy Chairman

Andriy learned about scientific organization of manufacturing and production. His company builds apartment and government buildings and refurbishes other buildings.

In Ukraine, no consideration is given to marketing. He is now convinced that 5-10% of the expenses should go to marketing. In the future he will pay more attention to marketing and advertising. In the past they did not pay much attention to the customer. Andriy felt that the atmosphere and hospitality at the U.S. host companies had a positive impact on the customers.

He felt that his company should be looking to purchase equipment and materials from others and not try to develop them themselves.

He will try to make changes to their concrete plant. Their methods are morally and technically obsolete. They will switch to pouring cement on-site.

Igor Shcheka, Ukrinveststroy, Deputy Director of Economics

Igor felt that the tour went too quickly and that he needed more time to absorb what he saw. He also believes that Ukraine needs to develop its skills in marketing and management.

He was very interested in the prefabricated homes he saw at American Homes. This was the company he liked best. Marvin Windows was the next most interesting.

He also really liked the family businesses. He would really like to know how they compete and bid on similar projects. His large company survives on government orders.

Zinayida Skoblikova, Stroitel, Director

She has lots of impressions that she has organized into 3 groups: personal, technical and cultural. She felt that the technical and the management organization can be used in Ukraine.

She was impressed with the technical analysis used in the U.S. She also had a good opportunity to see the entrepreneurial approach to business that she liked very much. Everything appeared to work at a very high level. In Ukraine they need to promote the idea of new family businesses. There are several ideas that they will be able to use in Ukraine. These are:

1. Personnel training - the way to organize their labor. There should be specialized training based on U.S. instructors. There needs to be more Ukrainian instructors and she expects to do more training in Ukraine.
11. The use of software.
12. Development of production. She was very impressed with the organization of labor and production. The organization chart and job descriptions clearly defined the work to be done.
13. She liked that fact that each U.S. company kept a history of their organization and its background. “Our Ukrainians companies need to learn how to respect themselves.”
5. Zinayida feels that Ukrainian companies are not ready for joint ventures. The Ukrainian companies first need to undertake serious changes in their organization structures and methods before they will be ready for a joint venture.

Oleksandr Sukhodubov, Zemlyane, Director

He has many impressions of the study tour. Everything was a museum. In Ukraine they do not keep the old things. Also, he really liked the U.S. work ethic.

He plans to implement many things when he returns to Ukraine. Some of which can be done immediately and at low cost. Eight or ten of these are concerned with planning and the organization of

labor. For example, he will introduce incentives (bonuses) that will raise the quality of their work. He will also change the production portion. In the U.S., people specialize. In Ukraine, people do everything.

There are other changes that he plans to implement which will require some investment. For example, the production of windows and doors needs to be totally changed.

Finally, he has some long-term plans that will require the help of CEI. He wants to provide 5 to 6 skilled workers to Marvin Windows who has a shortage of labor. The Ukrainians would study the laws, labor practices, etc. and then return to Ukraine. Later, he would consider a joint venture with Marvin after negotiation.

He liked what he saw at the US company Finished Dimensions.

He is offering to purchase land in Ukraine for foreigners. The cost of the land will be very low. At present he is looking for 1 hectare of land for a hotel for an American firm.

Finally, he is looking to start a student exchange program for his university.

Dissemination: He will be speaking directly to 100 to 150 people. He plans to talk at the University and talk to the regional Department for Land where he will offer to give a seminar to 65 students and industry leaders.

Olena Turchanova, Atet, Deputy Director

She now has many impressions that she will need to organize, but she now knows what direction she has to go. Her company is a private company and she found that they are not hopelessly far behind. She has hope for her company. The problem is that they do everything manually.

One of the things she wants to do is to start using slogans to create competition between departments, even though slogans were discredited during the Communist era. Also, she noted that in the U.S. there is more worker specialization.

She wants to make greater use of software in manufacturing. She also wants to purchase some of the equipment she has seen.

She was quite impressed at what she saw at Marvin Windows. She was amazed that women were employed as carpenters and other skilled positions. Marvin Windows gave a 30-year warranty. There are no warranties given in Ukraine. Things ran smoothly in this production operation. Worker safety is also very good. She liked the fans used in the shop. In the U.S. they use good quality wood. In Ukraine they make decisions more on price than on quality and use veneer to cover up poor quality wood.

She liked double-glazing. Her company has looked at using argon between the panes but found it was too expensive. They apparently have not looked at using other materials between the glass panes. [CEI comment: It was reported that there is little use of double glazing in Kharkiv but that it is used commonly used in Dnepropetrovsk.]

She commented that it is very difficult to get industry related information in Kharkiv. The evening discussions here have been quite helpful. The tour members found that they could be quite helpful to each other. They will certainly set up an association when they return to Kharkiv.

Roman Vynnyk, Stroidetal, Marketing Manager

Roman's company makes re-enforced concrete panels. He really liked the visit to Flexicore that is in a similar business. There were several things that he liked here:

He found the use of re-enforced steel is different since the steel cables at Flexicore are in tension. In Ukraine they use rods that are 4, 6 and 12 meters in length. The U.S. concrete panels are about twice as strong as those in Ukraine. Thus the U.S. method saves material since the concrete slabs can be of greater length.

He liked the fact that the wall panels can be in different colors. The lack of color in Ukrainian panels is a question of education, not pigments.

He liked the equipment and the computer systems he saw.

He also saw how the concrete was vibrated to get out the gas bubbles. In Ukraine they do not vibrate the concrete, but vibrate the forms in which the concrete sets.

In the U.S. they used manual vibrators to get different patterns in sections of the panels. This is not done in Ukraine.

He was able to get a list of the compounds and chemicals that are added to the concrete to give it strength. The Americans are very open, friendly and willing to train others. For example, he was able to get the drawing of a tool that is used to pre-stress the concrete.

Yevgen Zinovyev, Solodkovsky & Co., Marketing/Project Manager

He really liked the program. He has organized his thought by management, technology and other. In technology he has really seen new technology used by U.S. companies and new applications of old technology. He was very interested to see energy saving insulation. It was also interesting to see buildings, supermarkets and shops constructed without windows in order to save energy.

He liked the organization of labor. For example, he liked the use of bar codes to track the flow of goods. It is relatively inexpensive and very helpful in the production process.

He was also interested in visiting stores to see their construction and the use of bar codes. In Kharkiv there is only one supermarket, but it is becoming more popular. He also liked the “kanban” or just in time inventory system. Senco Products has promised him a copy of their manual that discusses the organization of the production process.

Soundproofing and gypsum board were very interesting and he found that in the U.S. they were used on both interiors and exteriors.

One thing he liked about the skyscrapers was that every one had a different design and expressed the character of the builder and the company.

As for management, he liked the planning of the work. For example, at Messer Construction they use Pert charts with the critical path identified. There were also pie charts to show how much work was done and how much work remained. This stimulated competition between departments. He also liked the moral and financial work incentives. He also liked the “Worker of the Month” program.

In marketing, all companies have items or souvenirs to give away. In Ukraine they use obsolete methods for marketing. Equipment manufacturers don’t have any marketing activities.

The strength of the industry in the U.S. is due to hard work, which has developed over generations. In Ukraine, they are just in their first generation.

Vasyl Zubko, Stroiservis, Director

As a director of construction, I wanted to gain knowledge in the U.S. systems of construction management with small work groups for many on-going projects and to learn about the system of marketing for future business customers.

This was a very good program tour. It was well planned to show the different areas of material and construction technology. At first I thought it would be a lot of reading and in-house class work as others thought, but things changed when we met with Jim Titus and Tom Dunn, the whole program was directed to our interest.

We did not have a lot of time to prepare for this visit. We did not know the U.S. and this was our first time in this country. On our long trip to the U.S., we divided ourselves into groups of architects and builders and outlined areas of the U.S influence, which could help us. This included production, material, employment, taxes and marketing. We needed this tour to update our way of thinking and modernize our old practices.

There was a lot to see and do and we were always learning. We had to stay up late and share notes so everyone had a chance to report everything they saw. We need to learn more and work harder in our new country to keep up with new systems and technology and we hope C.E.I. will help us along with Jim and Tom.

10.5 Fruit & Vegetable Tour

Inna Berezhko - Skhidny Lan, Marketing and Sales Manager

She found it very interesting to see how business was done in the U.S. She has training in U.S. business principles. She follows the same marketing principles in Ukraine. It has confirmed her decisions and recommendations. It takes time to overcome stereotypes. Hubert Distribution was impressive with its telemarketing, direct mail and Internet marketing.

She was impressed with the automation, the high productivity and the low labor costs. She thinks one of the great problems in Ukraine is the lack of professionalism and people get promotion without the necessary capabilities.

The company organization structure is very important. In Ukraine, nothing is very well defined. People are not hired by their skill level.

Husman has a very good relationship with their distributors. This trust is missing in Ukraine.

Valeriy Bilokudrya - Mayak, Managing Director

Before the tour he had thought they really did not need packaging. However, 60-70% of his product rots. If he had a packaging line this problem would be minimized and would pay off the line in four years. At Castellini they cool to just 34 degrees F with a minimum of cost. In Ukraine they deep process at a much higher energy cost.

They are planning to expand their market into Kharkiv.

There was a full "Revolution" in my mind regarding packaging. He was impressed with the sauerkraut production at Fremont but the fermentation process in Ukraine does not need to be as long. Next year they will plant enough cabbage to make sauerkraut and will purchase a low cost slicer.

He also plans to package his products into smaller packages where there is a higher value added and a higher margin.

They can make use of a blow molding line that was formerly used for bottled water, but the line is now inactive. They can use this line for packaged milk for schoolchildren.

Valentyn Borokh - Dovzhik Ltd., Head, Vegetable processing

It is very hard to give his impressions. He has a technical background so was much more interested in that side. His plant does no marketing. In Ukraine they just produce the food and then sell all they produce. In the U.S. they determine the market and then make the product. In Ukraine, the products may take a year to sell. Thus the major problem in Ukraine is marketing and he will start to work on this. They don't have time of money to advertise in Ukraine. At Husman's snack Foods, 10% of sales go to advertising.

In Ukraine there is a great deal of manual labor so human error is always possible. Thus managers have it easier in the U.S.

Every plant he saw was very clean. If the floor is wavy you get puddles and this can create a health problem.

He wants to get 2-3 people in a sales department. This is less expensive than new equipment.

Packaging equipment like what he saw in the U.S. would really be great - but it is not realistic. However, he will work on one line at a time and improve it. Then, after the working season he will make larger changes.

Igor Buryak - Nove Zhyta, Chairman of the Board

There were many positive impressions and he found these to be good people. He was really impressed with the roads and the transportation system. The distribution chain is shorter and less expensive in the U.S.

He plans to work cooperatively with four of the others on the tour.

He found the food and clothing relatively inexpensive in the U.S.

People know how to relax and have fun. This shows a lack of social tension. People are very friendly.

He was impressed with the packaging and packaging equipment. He was also impressed with the tenacity of the smaller producers who carry on against the large firms. They also form cooperatives and associations. He received confirmation that in Ukraine they need to integrate the smaller farms. To survive they need excellent marketing, good packaging, etc.

There is no reason why they cannot make potato chips. It might be interesting for a small investment in Ukraine to produce products such as potato flour. He also thought the participants would benefit from time spent working on a production line.

Lyubov Ivanusenko - Balakleya Prodtovary, Director

She was very impressed with the mushroom production and small packaging. She really liked Husman potato chips. She has nine departments in her company and almost everything was of interest. This ranges from meat products, sunflower seed oil, vegetables, fruit, etc. They sell in some of their produce larger bags and fruits and vegetables in 3 liter jars since they ran out of smaller jars. She will try to package her products in smaller packages She is also interested in recipes for brown sugar and gingerbread.

In Ukraine they need to get a permit to sell their products in another Oblast, especially if the product is scarce.

The demand for canned fruits and vegetables is low due to low incomes and the fact that many people grow their own products. The best market for these products is in the north, including Russia. To sell in these areas she will need to switch to the twist top lids or "Euro package". These jars are made at three different plants in Ukraine. The lids cost 10 kopeks more than the traditional Ukrainian pry top lid.

The main idea she is taking back is the importance of smaller packaging. These offer a higher profit margin as they reflect a higher value added. Examples are ½ kg, 1 kg, etc. packages.

They are members of the Kharkiv Prodtovary Association, which has 17 members. There are also National and Rayon Associations.

Volodymyr Kalashnikov - Kharkiv Oblast Administration, Head, Dept. Dev. of Food Processing

He has been involved in business for the last 10 years. He was also on the Kharkiv City Council. He has been involved in foreign economic activities, expanding contacts with other countries. In 1997 he was responsible for the catalog and CD-ROM. He has worked for the airport restructuring, sugar plants, trash incinerators, food processing companies, etc. He is now Director of Oblast Department responsible for the food processing industry, including meat and dairy, liquor, bakery, fruit and vegetable and other agricultural products. He also has responsibility for food services and for other services including tailors, hair dressers, saunas, electrical appliances service, etc. He gained an impression in all these areas while in the U.S. The food processing industry is growing faster than the machinery building. In the year 2000 it has had a 30% growth. He wants to see the tour members implement the ideas they have learned.

Ukraine needs investments. Phillip Morris has a great growth rate despite their high priced products. He is sure the participants will start pre-packaged sauerkraut. There is a market for smaller juice packages for children. There is another trend towards smaller packages such as the ones they saw at Portion Pac. Another examples is caramel apples.

The equipment at Stein Associates (FMC) was amazing. They were deep-frying bread products, poultry, etc. In May they had a representative from FMC visit Kharkiv for 3 days. They signed an agreement to make tomatoes for school breakfasts and other inexpensive equipment and \$1 million for pasta equipment. They also discussed the Kharkiv economic zone.

Mayor Pilipchuk and Governor Durman are looking for large investments and would like CEI to expand into food processing equipment in Kharkiv with a joint venture or a 100% foreign ownership. He also wants to see smaller packaging and potato ships.

Volodymyr suggests that on future tours there be discussions on the tax differences between the U.S. and Ukraine. He would also liked to have seen an equipment review at the beginning of the tour. He was assured that CEI was most willing to help where it could.

He felt that the tour members were well selected and the tour was a great success. CEI personnel were very generous of their time.

Iryna Karpenko - Kharkiv Vegetable Factory, Deputy Head

“I could not sleep for 2 days after visiting some companies since they visited me so much. I was a zombie.” The great level of culture was most impressive. Shock!! Marketing: 97% of her customers are too poor.

Salad dressings are starting to be accepted and used in Ukraine. She will make ketchup and recommend twist top caps. She wants to be the first company in Kharkiv to make sauces and ketchup (tomato based).

Three plants make the glass jars for twist top lids: Kiev and two others. The lids come from Odessa, Czech Republic and Sweden. This will be expensive but it is possible. She will need one used packaging machine but fortunately they can start manually.

It takes 1 year to get a formula such as ketchup approved and the cost is \$1,000.

She will need to make smaller packages for jams and jellies since she now uses 40 kg packages. A machine for sealing may cost \$40,000. For this she will talk with one of her larger wealthy customers. She may also advertise on TV. Her company currently does not have a price list.

She was most impressed by Stein Associates in Sandusky.

Lyudmyla Kryvoshey - Andreevskiy, Chief Economist (Comptroller)

It was a very impressive trip and she saw a lot. Most impressive were the orchards. Her farm is not planting trees and she will recommend to her management that they use the “no-till” method since it does not disturb the roots. In Ukraine they plow between the trees.

She was impressed with the chain. Some companies grew, processed and distributed the product as for example Arrowhead. They also sell to farmers markets. She also gained new ideas. Her company makes dried fruit and she thought the potato drying methods at

Husman’s would apply to dried fruits as well. Another new idea was “Caramelized Apples” that use apples that are too small to be sold.

She also liked Stein Associates (FMC) in Sandusky, Ohio and their multi-facility production lines. She also liked Portion Pac and the small packages that are currently used by school children. She liked the way they recycled the waste (packaging and materials). It was impressive the way labor is used efficiently and kept to a minimum.

Chariot Foods in Toledo are a small plant selling to Chinese restaurants and they have diversified by selling other products to these restaurants. She was also impressed with the private labeling and discount pricing. She was impressed with the advertising strategy depending on the financial resources available to them. For example, large companies advertise on TV and smaller companies in local newspapers. Hubert Distribution was also very impressive. Training is offered to employees at larger companies.

She took extensive videos so as to record the details of the program.

There was a general feeling of friendliness everywhere - at companies and elsewhere.

Oleksandr Nazarenko - Plodoovosch, Chairman of the Board

He has divided his impressions into cultural and business. He was interested in the distribution network since that is his business. This was pretty much the same in the U.S. and Ukraine. However, he learned useful aspects of shipping and transportation. In Kharkiv, only the large distributors survive. The smaller ones unite to survive. In Ukraine, they need to install a computer network.

In Ukraine he makes sauerkraut, but it needs a different look or approach than in the U.S. In Ukraine, sauerkraut is sold from wooden barrels.

Potatoes are grown in Kharkiv and to the west in Poltava, Chernivitsi, Sumy, etc. He has been thinking of how to process the potatoes. There is an opportunity to clean and package them. There were three potato flour plants in Ukraine, but they all are now closed and Ukraine has to import flour. It is possible to use the flour in soups.

Iryna Orlova - Peremoga, Chairman of the Board

She felt the tour was absolutely superb and professionally done. She saw many new ideas that confirmed her previous ideas about management and marketing that were not to be seen in Ukraine.

She was most impressed at Hirzel. The owner adapted equipment to his own needs. Now that can be done at her company. She believes she can achieve this in her company.

There was one very important thing she learned about apple orchards that will apply back in Ukraine. There are 27 cooperative farms in her association. In the U.S. they do not plant or plow between the trees. This is a very expensive operation - especially in tractor fuel. She believes she can save \$10,000 per year on this operation.

She was very impressed with Castellini and their storage facilities. She was also impressed with the marketing and advertising she saw. It was very professional. This is really essential and she will work on this.

Sergiy Pyechko - Krasnogradskoye, Chairman of the Board

"I was absolutely shocked by the tomato lines at Hirzel and the deep frying and the use of high water pressure to cut meat without waste at Stein Associates". The juice lines at Country Pure Foods were also impressive and it was easy to see when the line was not operating and to point out problem areas.

Coopers Mill impressed me. People were doing their job and were not distracted by the tour. At his firm he will be able to make jams and jellies like those at Coopers Mill. He will also be able to make apple butter and other products. He loved Arrowhead Orchard where the manager knew all the workers. He would have liked to have seen a dried fruit operation.

His firm needs to diversify. For example, they make dried apples so they should consider other fruits.

Products and marketing should target the customers and make sure he is happy. Door to door transportation is very important. In Ukraine they reload the truck many times. For example, when apples go without reloading it saves loss and damage.

He was impressed that people knew so much about business in general. This he realized at Burma Farms. People are very polite and friendly. People appear to be low key but professional.

In the U.S., every cent is counted. For example, calves nurse from the mother only 3 days before going on artificial milk (Soya).

He noted that warehouses were of light construction. That meant they were fast to build and low cost.

As a result of the tour he plans to make jams. He will also package fruit juices into small packages.

He observed that in the U.S., replacement apple trees are planted after one year. In Ukraine they wait three years. Also, in the U.S. they only fertilize a tree the first year or two after it is planted. In Ukraine they unnecessarily fertilize every year.

Mykhaylo Ruban - Krasnograd Vegetable Factory, Director

He has a tremendous impression of the progress of science, engineering, etc. In the U.S. the engineering thought is unrestrained. People can come out with innovation without restraint. Every visit gave him some new ideas. He enjoyed the visit to the orchard at Coopers Mill where they used copper vessels. He liked the retail store that was very high quality.

He liked the refrigerated transport. The loading is very quick. He doesn't use shrink-wrap.

Americans are very friendly and polite. People were very open and professional. Stainless steel is used just about everywhere.

There are several things he will do when he returns to Ukraine. First he will move the cooling units to the ceiling. He will go to smaller packages for jams and jellies and will shrink wrap for larger loads. He

currently packages in 250 g jars with traditional lids. Jars are now a problem since the manufacturers have debt problems and the supply is low.

His products are: wheat, barley, cereals, sunflower seeds, fruits and vegetables from greenhouses. His major focus will be to grow and process the year round.

Yuriy Sadovyy - Izyum Prodtovary, Director

Impressive. "I was pleasantly amazed with this program. I would have missed quite a lot if I had not come." This was thanks to Belal and Sasha. I have many impressions. "My head now swells." I was impressed with the manufacturing, production and labor culture. It is in such sharp contrast to what we were taught. It is unrealistic to think of getting the equipment we saw here. Now he has seen a role model for his operation - Hirzel Canning. There were many useful ideas in production, layout, etc. The attitude towards work in Ukraine is not really the same as in the U.S. This trip turns our attitude towards business and work in side out. People really need to see it in practice, not just on TV.

He saw a lot of bureaucracy in the U.S.

He was shocked by what he saw at Hubert Distribution. He could not believe that operation which was so successful and profitable.

He was impressed with the distribution company. In the U.S. the system is stable, but in Ukraine firms come and go. Much of what they saw in the U.S. is not applicable in Ukraine - but the attitudes are the most important differences.

Yuriy Shapovalov - Prodex, Director

His impression of the trip has been very positive. He liked Hirzel where they had special lines for different ethnic groups. At Fremont they saw sauerkraut, which is sold to the Germans. At Coopers Mill they use traditional European technology. Portion Pac also targets their market.

Private labeling is a good idea for subcontracting. Co-labeling (selling someone else's brand is also a good idea. Chariott Foods is very small but very efficient. They are open 24 hours per day and fill orders in hours. They provide Mung bean sprouts for Chinese restaurants. They emphasized the "trust factor" between the suppliers and the company.

He learned about advertising to target markets by using different music. He also liked Castellini and Club Chef where he was impressed with the slogans on the wall which described the relationship between management and workers and which put a stress on quality.

He liked the cleanliness and orderliness at many companies including the company uniform. He will implement these ideas and will introduce products for special holidays.

Tamara Surovova - Komsomolskaya Pravda, Production Manager

The trip was tremendous and very impressive. She got something from each company they visited. At Stein Associates (FMC) in Sandusky, Ohio she was really impressed with the equipment. She liked the way they made jam in copper kettles at Coopers Mill since it was done with a minimum energy cost.

One of the most unexpected results was the realization that their situation in Ukraine was not hopeless. They should also be looking for alternative solutions. For example, one US company was in the cabbage business and found that it had to go into the sauerkraut business. She remarked: "Always look for an opportunity. There is no hopeless situation." When one crop fails, they should try something else.

She found it very interesting that the U.S. companies treasure their history and traditions. This is not done in Ukrainian companies. She also found that the life of a woman is easier in the U.S. She can work and then get food at the supermarket.

She learned that companies and managers should not spread themselves too thin and try to do everything. They should specialize.

Her company processes apples and makes apple pure. She really liked the farmers market. She would like CEI to provide a list of companies who can adjust their packaging lines. Possibly they can convert her existing lines to meet new needs.

She also liked the visit to Castellini where she saw the washing, grading and packaging of fruit and vegetables.

She liked the idea of growing mushrooms. They have the space and this can be a year-round business.

Olekandra Voloshchuk - Sortsemovosch, Chairman of the Board

This is the best tour she could have thought of. She really liked most of the firms. The best were Castellini in Cincinnati and Country Pure Foods in Akron. She loved Hubert Distribution and there is nothing like it in Ukraine. She benefited most from the companies that grew mushrooms since she is interested in starting a mushroom business. Many mushrooms are picked in Ukrainian forests but many people die every year. There are few grown commercially in Ukraine and most are imported from Poland. She will consider two varieties and they require compost materials such as sunflower seed husks.

Portion Pac was very impressive in that they produced 26 million food packets per day. She would like to make packages such as these, but in smaller quantities. In this regard she would like to talk with Fasma from the first Fruit and Vegetable tour.

Her company is in the seed business. She found that many US farms grow their own seeds but they did not see a seed farm. In Ukraine, most seeds are imported.

Appendix

A. U.S. Host Organizations

A.1 Bakery Study Tour

Greater Cincinnati Retail Baker's Association

3401 Phelps Court
Erlanger, KY 41018

Reason for visit: To see an association in action.

Le Cézanne

1 Wyoming Avenue
Cincinnati, OH 45215

Reason for visit: To see retail marketing, production and sales at a small family owned pastry shop.

Atlanta Bread Company

100 East 4th Street
Cincinnati, OH 45202

Reason for visit: To learn how a bakery franchising operation works.

Dawn Food Products Inc.

6303 Kenjoy Drive
Louisville, KY 40214

Reason for visit: To see a large bakery production operation

Dawn Food Products Inc.

625 Park East Boulevard
New Albany, IN 47150

Reason for visit: To learn about retail marketing, distribution and sales

Servati Pastry Shop & Deli

3888 Virginia Avenue
Cincinnati, OH 45227

Reason for visit: Bakery Pastry goods, deli, related items and food catering

Jungle Jim's Marketing Inc.

5440 Dixie Hwy
Fairfield, OH 45014

Reason for visit: To see an immense international food distribution facility which is an American produce marketing success story.

Wonder Bread & Hostess Cake

800 Glendale-Milford Road
Cincinnati, OH 45215

Reason for visit: To see a bakery trucking and distribution center

Butternut Bread Co.

747 West 5th Street
Cincinnati, OH 45203

Reason for visit: They will see large scale processing and distribution.

Graeter's Inc.

2145 Reading Road
Cincinnati, OH 45202

Reason for visit: Small scale bakery production

A-1 Equipment

10580 Evendale Drive
Cincinnati, OH 45241

Reason for visit: To see used and refurbished bakery equipment and supplies

Kroger Bakery

457 Cleveland Avenue
Columbus, OH 43215

Reason for visit: To see large scale bakery production

Russell Bundy Associates

417 East Water Street
Urbana, OH 43078

Reason for visit: To see used and refurbished bakery equipment and supplies

Institute of Food Technology (IFT)

221 North LaSalle St.
Chicago, IL 60601

Reason for visit: Latest on food technology

Deerfields Bakery, Inc.

201 North Buffalo Grove Rd
Buffalo Grove, IL 60089

Reason for visit: Food processing and marketing

Eli Cheese Cake Factory, Inc.

6701 West Forest Preserve Dr
Chicago, IL 60634

Reason for visit: Food processing and marketing from this famous American cheese cake plant.

Baltic Bakery, Inc.

4627 S. Hermitage Avenue
Chicago, IL 60509

Reason for visit: Food processing and marketing at this Eastern European bakery

Keebler Company (Bakers)

1 Trade Street (Fairfax)
Cincinnati, OH 45227

Reason for visit: Bakery production and operations at this automated factory.

Maya's European Pastry Shop & Restaurant

9749 Kenwood Road
Cincinnati, OH 45242

Reason for visit: European Pastry.

Breadsmith

9708 Kenwood Road
Cincinnati, OH 45242

Reason for visit: Franchise Bakery

Grote Bakery Inc.

9285 Princeton Pike
Hamilton, OH 45011

Reason for visit: Distribution, wholesale marketing, storage and processing

Busken Bakery Inc.

2675 Madison Road
Cincinnati, OH 45208

Reason for visit: Retail bakery marketing

The Shur-Good Biscuit Co. Inc.

2950 Robertson Avenue
Cincinnati, OH 45209

Reason for visit: Distribution of crackers, cookies, pretzels, chips, snack foods

Klosterman Baking Co.

4760 Paddock Road
Cincinnati, OH 45229

Reason for visit: Bread, buns, hearth breads and hard rolls.

LaRosa Pizza

5008 Gray Road
Cincinnati, OH 45232

Reason for visit: Frozen pizza production

Bake Mark East (Distributors)

9401 Le Saint Drive
Fairfield, OH 45014

Reason for visit: Bakery distributors

Hubert Distribution

9555 Dry Fork Road
Harrison, OH 45030

Reason for visit: Merchandising solutions to the food industry

A.2 Meat & Dairy Study Tour**Archer Daniels Midland**

1001 Brush College Road
Decatur, IL 62525

Reason for selection: World's largest soybean processor

Zander's Creamery

1300 Main Street
Cross Plains, WI 53528

Reason for selection: Butter production and exclusive partnership with Oberweis Dairy for growth into Chicago markets

Prima Kase

W 6117 Highway C
Monticello, WI 53570

Reason for selection: 7 varieties of cheese – only US manufacturer of 180 pound Wheel Swiss and Sweet Swiss

Chalet Cheese Coop

N 4858 Highway N
Monroe, WI 53566

Reason for selection: 6 varieties of cheese – known for experimental vat techniques

Oberweis Dairy

951 Ice Cream Drive Sweet #1
North Aurora, IL 60502

Reason for selection: Specializes in home delivery and premium ice cream

Avril Meats

33 East Court Street
Cincinnati, OH 45202

Reason for selection: Premium grade sausage and meats, niche marketing

Hoffman's Sausage

2111 Kindell Ave.
Cincinnati, OH 45214

Reason for selection: Hams and sausage production, regional distribution

Graeter's Ice Cream

2145 Reading Rd.
Cincinnati, OH 45202

Reason for selection: Premium Ice Cream, national distribution

New Horizon's

2842 Massachusetts Ave.
Cincinnati, OH 45225

Reason for selection: Slaughterhouse – primal cuts

Velvet Ice Cream

11324 Mt. Vernon Rd.
Utica, OH 43080

Reason for selection: Ice cream and ice cream novelties production

Bob Evan's Farms

3776 High Street
Columbus, OH 43207

Reason for selection: Marketing, vertical expansion into new markets

Ohio Department of Agriculture, Columbus, OH

8995 E. Main St.
Reynoldsburg, OH 43068

Reason for selection: The role of the State in the growth of Agribusiness

Kroger Tamarak Farms Dairy

1701 Tamarak Drive
Newark, OH 43055

Reason for selection: Large-scale production to support a regional presence, vendor relationships

Mohrfield Enterprises

10279 State Route 132
Pleasant Plain, OH

Reason for selection: Dairy farm – US farming techniques

Zaenkert Farm

7461 Cincinnati-Brookville Rd.
Okeana, OH 45053

Reason for selection: Dairy farm – milking operations

Smith Dairy

1590 NW 11th Street
Richmond, IN 47374

Reason for selection: Long shelf life milk production

Michigan Milk Producers Association

125 Depot Street
Constantine, MI 49042

Reason for selection: Print butter and condensed milk production

Michigan Milk Producers Association

41310 Bridge Street
Novi, MI 48376

Reason for selection: The role of an association in the promotion of farmer's interest and new markets.

Lakeview Farms

1700 Gressel Drive
Delphos, OH 45833

Reason for selection: Diversification,
distribution, new products introduction

Buchy Food Products

195 N. Broadway
Greenville, OH 45331

Reason for selection: Brokers and distribution
centers role in the growth of American
businesses

A.3 Food Processing Equipment Study Tour**B & J Machinery Inc.**

11560 Rockfield Court
Cincinnati, OH 45241

Reason for the visit: Liquid Filling Equipment
Manufacturers

Electronic Liquid Fillers, Inc.

1535 South Highway 39
LaPorte, IN 46350

Reason for the visit: Electronic liquid fillers/
filling machines

LaRosa Pizza

5008 Gray Road
Cincinnati, OH 45232

Reason for the visit: To see frozen pizza
production

Dunkley International, Inc.

1910 Lake Street, PO Box 3037
Kalamazoo, MI 49003-3037

Reason for the visit: Manufacturer of food
processing equipment

PPG Industries, Inc.

500 Technecenter Center Drive
Milford, OH 45150

Reason for the visit: Coatings for can and paper
packaging

Buurma Farms Inc.

3909 Kok Road
Willard, OH 44890

Reason for the visit: Fresh and canned Fruit,
fresh vegetable processing

Portion Pac, Inc.

7325 Snider Road
Mason, OH 45040

Reason for the visit: Single serve condiments:
dressings, ketchup, mustard, salt, pepper, sugar,
creamers, jams and jellies, hot sauce, cheese
sauce, specialty sauces.

Amber Milling Co.

41E Cleveland Road
Huron, OH 44839

Reason for the visit: Flour and wheat milling
operation

Tetra Rex Inc.

909 Esbury Drive
Buffalo Grove, IL 60089

Reason for the visit: Food packaging, processing
and distribution

**Food Equipment Manufacturing Corporation
(FEMC)**

22201 Aurora Road
Cleveland, OH 44146-1273

Reason for the visit: Packaging Systems (cereal,
dry soup packaging)

APV Crepaco

9525 West Bryn Mawr
Rosemont, IL 60018

Reason for the visit: Flow process and milk
equipment

Gerber & Sons Inc.

PO Box 248, 100 South Ray St.
Baltic, OH 43804

Reason for the visit: Flour, grain milling and
animal feed.

Anthony-Thomas Candy, Inc.

1777 Arlingate Lane

Columbus, OH 43228-4114

Reason for the visit: Chocolate, caramels, peanut brittle, fudge and nuts

Borden Company Inc.

180 East Broad Street

Columbus, OH 45215

Reason for the visit: R&D facility (ice cream, frozen novelty, grocery items and snack foods.)

AC Humko

525 West First Avenue

Columbus, OH 43216

Reason for the visit: Edible oil processing plant

Jungle Jim's Marketing Inc.

5440 Dixie Hwy

Fairfield, OH 45014

Reason for the visit: Diversified international / multi cultural giant food store

The Dupps Company

P.O. Box 189

548 North Cherry Street

Germantown, OH 45327-1108

Reason for the visit: Evaporation systems/process industry equipment

Cargill Inc. (Milling Division)

PO Box 1400A

3201 Needmore Road

Dayton, OH 45413

Reason for the visit: Wet corn milling, corn syrup and starch

Russell Bundy Associates

417 East Water Street

Urbana, OH 43078

Reason for the visit: Used and refurbished bakery equipment suppliers

A.4 Construction Study Tour**Messer Construction**

4612 Paddock Road

Cincinnati, OH 45229

Reason for the visit: The Company has experience with diverse types of construction.

SIG Combibloc Inc.

4800 Roberts Road

Columbus, OH 43228

Reason for the visit: Aseptic carton filling and packaging system

Ball Metal Food Container Group

2690 Charter Street

Columbus, OH 43228

Reason for the visit: Can manufacturing for food industry

Husman's Snack Foods Company

1621 Moore Street

Cincinnati, OH 45210

Reason for the visit: Potato chips, popcorn, cheese curls, cheddar cheese, barbecue and chili cheese chips

RA Jones, Inc.

2701 Crescent Spring Road

Covington, KY 41017

Reason for the visit: Sophisticated food packaging machinery manufacturer/supplier

Keebler Company (Bakers)

1 Trade Street

Cincinnati, OH 45227

Reason for the visit: State-of-the-art fully automated bakery production and operations

Hubert Distribution

9555 Dry Fork Road

Harrison, OH 45030

Reason for the visit: Merchandising solutions to the food industry

H.C. Nutting Labs

611 Lunken Park Drive
Cincinnati, OH 45226

Reason for the visit: This multidisciplinary engineering firm has services in geotechnical, environmental, geologic, hydrogeologic and material testing in the Ohio region.

Finished Dimensions

5445 St. Rt. 128
Cleveland, OH 452002

Reason for the visit: This company's product is custom-designed and custom-built cabinetry of wood and Formica.

Celotex Plant

320 South Wayne Avenue
Lockland, OH 45215

Reason for the visit: The company is one of the largest producers of mineral fiber acoustical ceilings, rigid foam insulation and gypsum wallboard for residential and commercial markets.

Senco

8485 Broadwell Road
Cincinnati, OH 45211

Reason for the visit: Manufacturing nail guns and similar products.

Fugitec Elevators

401 Fugitec Drive
Lebanon, OH 45036

Reason for the visit: The company manufactures different size elevators from residential to large commercial and industrial units.

"A" Team Interiors

4344 West Bancroft
Toledo, OH 43615

Reason for the visit: This is an independent manufacturer's sales representatives company with product lines in lighting fixtures and residential and commercial furniture.

Kolbe & Kolbe Windows

455 Dalton
Cincinnati, OH 45214

Reason for the visit: Manufacturer representatives of custom designed windows.

Marvin Windows

P.O. Box 100
Warroad, MN 56763

Reason for the visit: This is a large window manufacturing plant.

American Homes

418 South 13th Street
Decatur, IN 46733

Reason for the visit: A prefabricated home manufacturing plant.

Flexicore

7941 New Carlisle Pike
Hubert Heights, OH 45424

Reason for the visit: This company is the producer of concrete flooring and roofing systems similar to the post and beam concrete structures used in Ukraine.

Concrete Technology, Inc.

95 Mound Park Drive
Springboro, OH 45066

Reason for the visit: C.T.I. manufactures concrete wall panels.

Southern Ohio Fabricators

2565 Old State Route
Batavia, OH 45103

Reason for the visit: This is a moderate sized general line fabricator.

Turnbull Concrete

50 Illinois Street
Cincinnati, OH 45241

Reason for the visit: This was a concrete mixing plant, which supplied construction sites with ready mix concrete.

Contractors Materials, Inc.

10320 South Medallion Drive
Cincinnati, OH 45141

Reason for the visit: CMC is a fabricator of rebar and a distributor of products for commercial, industrial and highway concrete construction.

Formica Corporation

10155 Reading Road
Cincinnati, OH 45241

Reason for the visit: Manufactures laminate surfacing materials

KZF Design

655 Eden Park Drive
Cincinnati, OH 45206

Reason for the visit: This is a multidisciplinary design group.

Hixon, Incorporated

659 Van Meter
Cincinnati, OH 45206

Reason for the visit: This is one of the oldest architectural firms in Cincinnati with services in architecture, interior design and planning with support personnel of nearly fifty professionals.

A.5 Fruit & Vegetable Study Tour**Zaenkert Farm**

PO Box 58643
7461 Cincinnati Brookville Road
Okeana, OH 45258-0643

Reason for the visit: Usage of soy milk and other agricultural animal food for the cows.

Club Chef, Inc. (Castellini Facility)

800 Bank Street
Cincinnati, OH 45214

Reason for the visit: Fresh cut vegetables, prepared salads and fresh produce.

Castellini Produce Distribution Facility

2 Plum Street
Wilder, KY 41076

Reason for the visit: Fresh vegetables, produce and Fruit Distribution

Grant County Foods Inc. (Castellini Facility)

1125 Dry Ridge Road
Dry Ridge, KY 41035

Reason for the visit: Distribution, wholesale marketing, storage and processing.

Dugan & Meyers

11110 Kenwood Road
Cincinnati, OH 45242

Reason for the visit: The tour group was able to see the manpower and equipment used in concrete construction on a very large scale.

C.O.A.T.S.

4100 Executive Drive
Cincinnati, OH 45242

Reason for the visit: Construction Owners Association of the Tri-State, Incorporated represents industrial, commercial and governmental users of construction.

RA Jones, Inc.

2701 Crescent Spring Road
Covington, KY 41017

Reason for the visit: Food packaging machinery manufacturer/supplier

Jungle Jim's Marketing Inc.

5440 Dixie Hwy
Fairfield, OH 45014

Reason for the visit: International / multi cultural giant food store.

Cambell's Fresh Inc

16064 Beaver Pike
Jackson, OH 45640

Reason for the visit: Mushroom production and processing.

DNO Inc.

4561 East Fifth Avenue
Columbus, OH 43219-1818

Reason for the visit: Caramel Apples, Peeled and Processed Vegetables (Potatoes, Carrots, Celery, Onions, broccoli, cauliflower

Cooper's Mill

1414 N Sandusky Avenue
Bucyrus, OH 44820

Reason for the visit: Gourmet fruit jams, jellies and preserves

Buurma Farms Inc.

3909 Kok Road
Willard, OH 44890

Reason for the visit: Canned fruit, fresh vegetable processing

Fremont Company

802 North Front Street
Fremont, OH 43420

Reason for the visit: Canned sauerkraut, beans, and tomato products

Chariott Foods, Inc.

130 South Superior
Toledo, OH 43602

Reason for the visit: Fresh produce, fruit and vegetables

Hirzel Canning Company

411 Lemoyne Road
Toledo, OH 43619

Reason for the visit: Fresh cut vegetables, prepared salads and fresh produce

Stein Associates (FMC Affiliate)

1622 First Street
Sandusky, OH 44870

Reason for the visit: Onion ring and breaded mushroom machines

Firelands Wine Co.

917 Bardshar Road
Sandusky, OH 44870

Reason for the visit: Grapes and wine production

Burnham Orchards

8019 State Route 113
Berlin Heights, OH 44814

Reason for the visit: Variety of apples, peach production and marketing

Niagara Foods

10 Kelly Avenue
Middleport, NY 14105

Reason for the visit: Frozen fruit processing technology

Country Pure Foods Inc.

681 W. Waterloo Road
Akron, OH 44314-1587

Reason for the visit: Fruit juice and juice drink packaging

Arrowhead Orchard

11724 Lisbon Street
Paris, OH 44669

Reason for the visit: Fruit production (apple and peach), packaging and marketing

Portion Pac, Inc.

7325 Snider Road
Mason, OH 45040

Reason for the visit: Single serve condiments: dressings, ketchup, mustard, salt, pepper, sugar, creamers, jams and jellies, hot sauce, cheese sauce, specialty sauces.

B. Names and Addresses of CEI Associates

Leland M. Cole (Carol)
629 Myrtle Avenue
Terrace Park, OH 45174
Activity: Project Manager

Stanley L. Bahler (Bobbie)
6965 Crystal Springs Road
Cincinnati, OH 45227
Activity: Coordination

Thomas R. Dunn (Marilyn)
4191 Timberpoint Drive
Cincinnati, OH 45247
Activity: Tour Manager, Construction

Samuel M. Harrell
EDI International
9495 Whitegate Lane
Activity: Coordination

John H. Kuhn (Terri)
5340 Aspenknoll Court
Cincinnati, OH 45230
Activity: Selection

Jerry S. Lafferty (Ann)
150 Lafayette Circle
Cincinnati, OH 45220
Activity: Coordination

Daniel H. McKinney (Judy)
2500 Bedford Avenue
Cincinnati, OH 45208
Activity: Interpretation, dinners

Philip J. Murphy (Sandy)
738 Hand Avenue
Cincinnati, OH 45232
Activity: Photography

Ronn D. Rucker, EdD.
9595 Mt. Nebo Road
North Bend, OH 45052
Activity: Coordination

Dr. Belal U. Siddique
608 Arrowhead Trail
Loveland, OH 45140
Activity: Tour Manager, Bakery, Food
Processing Equipment, Fruit & Veg.

James M. Silberman
2110 Popkins Lane
Alexandria, VA 22307
Activity: Project Co-manager

Julia C. Stephen (David)
8626 Coran Road
Cincinnati, OH 45255
Activity: Coordination

James L. Titus (Bobbie)
333 Kuhr Lane
Covington, KY 41015
Activity: Tour Manager, Construction

Bruce L. Vaillancourt (Suzanne)
4561 English Creek
Cincinnati, OH 45245
Activity: Tour Manager, Meat & Dairy

Edward M. Watson (Enid)
2143 Berrypatch Drive
Cincinnati, OH 45244
Activity: Publicity

C. Ukrainian Articles

The Ukrainian participants on the study tours were encouraged by CEI to write articles, give interviews and generally pass the information learned on to others in Ukraine. This activity succeeded far better than CEI had expected. The following articles have been translated into English.

C.1 20 Days in America

An interview with Mykhaylo Ruban and Sergiy Pyechko (Fruit & Vegetable tour), published by Visti Krasnogradshchiny [Krasnograd District News], October 28, 2000

Mykhaylo Oleksandrovykh Ruban, the vegetable processing plant general manager, and Sergiy Volodymyrovych Pyechko, the Krasnograd state farm general manager, are back from a business trip to the U.S.

Mikhailo Oleksandrovykh was willing to share his impressions and answer our reporter's questions. He brought with him brochures, write-ups, label samples, and a picture album. Unfortunately, we were only able to select a few photos because of shortage of space on this newspaper page.

Every picture is more eloquent than words. Here it is - high culture, civilization and living standards - something we at some point were going "to catch up with and get ahead of."

We failed. Now, on the brink of market expanses, we are looking up to the West again, trying to borrow their best experience. We are learning how to do business, which is a science in itself.

Rep.: Mykhaylo Oleksandrovykh, how come you visited America?

M.O. - The Center for Economic Initiatives, based in Cincinnati, U.S., invited for a study tour several managers and specialists from fruit and vegetable processing companies in Kharkiv and Kharkiv Oblast. We were included in this group.

I will say at once that it was more than just a study tour. They are counting on us, training us to think and work in a new way, "grooming" us as equal partners to maintain business relations and to do business with in a civilized way. A gradual approach should be taken here - our strategies, regulations, laws changed, the material base strengthened. I should admit honestly that in this area we are lagging behind.

The days spent in America were rather intense. We visited 25 companies, in Ohio, Pennsylvania and New York. In addition, we attended high-quality lectures on marketing, advertising, pricing and tax legislation. Especially memorable was the lecture by James M. Silberman, who has been working with the Marshall Plan over 50 years. Tens of thousands of experts from Europe have been trained in the U.S. over this period.

We had a chance to get to know new types of equipment and manufacturing controls, corporate organizational structure, to find out the details of interfacing among companies, farms and consumers, to see corporate management systems at work, as well as many other things.

For example, they do not have government standards for products. The main indicator is quality. The farm managers are not obligated, like we are, to get canned goods formulations approved by a higher regulatory agency. Quite the opposite - they create their own recipes and keep them secret, to make profit.

Agricultural produce processing companies are checked by the [Health] Department once a year, unannounced. By the way, they pay a certain amount for testing.

I cannot compare their processing industry with ours. Everything there is advanced and thought out. There are things to learn and apply here. I think that everybody noticed one thing or another. I

personally made a note of tanks for fermenting cabbage, made from concrete and coated with liquid glass. We'll make such [tanks] at our place.

We are also going to make jam. I watched a farmer at work, making jam. His kettles are made from copper, which prevents the product from burning. Our host willingly explained to us his technology of jam making.

I must say that there is nothing new about farmers showing their products. It is a tradition there to have fairs, where everybody can demonstrate their produce and even show off the equipment used for processing. It is a sort of advertising, to boost sales and demonstrate quality.

We should do that, too. We do have fairs in our district called "Gifts of Nature." Why not make a show of our local manufacturers' products?

Also, I realized how important it is to own a retail network. Not only large processing companies, but even an average-sized farm in America owns retail stores. They represent the farm's "face" [to the community]. It is time for our team to open a store of our own.

We discussed this subject with Sergiy Volodymyrovych, as well as a number of other topics. We have reached an agreement on cooperation between our two companies. For example, by using their produce we could make new beverages and expand the variety of our confections.

A lot of what we saw is impressive! For example, a processing shop. Every square meter of floor space there is utilized rationally and smartly. We have not mastered these niceties yet. Only now we are starting to understand the cost of everything around us for real. Over there, overseas, that is the norm of life. Everything, absolutely everything is thought out. For example, a conveyor belt with empty bottles is moving along the wall overhead, the conveyor with filled bottles - down below. Even walls are used with a certain goal in mind. The employees stick to their specialization. This is the way to achieve perfection. Nobody discourages them from suggesting improvements. This is the norm. This is the way it should be, for every improvement is advantageous to the company and increases profit.

Everybody wins - the owner and the employees (whose wages reflect any improvements made.)

Their mechanization level is beyond words! For instance, milk delivered by farmers practically does not enter into contact with air. Their milk preserves all its qualities for a whole month. Here is a chain: milking machine - milk plant - cooling tank. The temperature there is exactly the same as in the milk truck it gets pumped into.

The very same principle is used for preserving vegetables. Identical temperatures are maintained in the cooler and in the refrigeration truck. When an employee enters a cooler, a protection device goes off to prevent warm air penetration.

Among other things, while studying their cooling systems, I noticed that all their registers and fans for mixing cool air are located under the ceiling, which provides for identical temperatures above and below. We are planning to introduce this [strategy] at our plant.

Fruit and vegetable processing is developed to state of the art in America. Everything, absolutely everything is packaged into packages of different sizes, depending on the purpose of the product and customers, be they passengers in a plane or a family having an al fresco picnic. Aren't our women worthy of being able to come into a store, buy a package of pre-made sauerkraut or washed and cleaned radishes, and go home, thus saving time on fixing a salad, without having to scrape their hands off on a grate or smearing them with soil?

I believe that we will have all this too, for that is our objective. The only thing - everybody should realize that we have to keep working and train our young people for market-driven relations.

We had the opportunity to visit a farmer. They hosted us graciously and treated us to their milk. The head of the family shared with us how his family and several hired hands manage their large farm.

"My son," he said, "decided to strike out on his own and started his own business. When he was still in high school, he made a machine for supplies used in road construction. And that's what he is

involved in.” That’s how they raise their children. They start thinking about earning their bread at a young age.

Another thing instilled in childhood is high culture. Nobody there chucks butts on the ground or smokes in a woman’s face. Here I am, in a picture (below right) by a tree. Take a closer look. On the ground there is a small object. This is a speaker broadcasting beautiful music. I can imagine what would happen to this thing, in our country, say in one hour. Yes, you are right, it wouldn’t be there. Somebody would sell it for scrap metal.

Some words about the cultural program. We visited a zoo, different historic sights and memorials and Niagara Falls. There we had a picture taken with a policeman (below left.)

I am still under a spell from this trip. I spoke about it in detail to our team, and also had meetings with my colleagues, farm managers.

It was an informative trip. It made me re-evaluate my work, our attitude to work, plans for the future, market-driven relations.

We should work - in a real way.

Interviewed by N. Ilchenko, staff reporter.

Pictures: Memories of the trip: above left - by a replica of Columbus’s schooner, center - packaged sauerkraut, above right - by a farmer’s store.

C.2 Products for You

An interview with Mykhaylo Ruban (Fruit & Vegetable tour) by Nina Ilchenko

The cannery assortment at our vegetable-processing factory exceeds 20 brands. Recently it was expanded by two new brands.

What are these novelties? Pumpkin paste and pumpkin drink. Pretty in color, extraordinarily healthy and wholesome, taste like banana. The only difference is that they are made not from some exotic raw ingredient but from our own homegrown. Nobody here thinks it’s a delicacy. You really should! If you don’t believe me, try it! Soon this drink will become available at our stores. Two thousand equivalent cans have come off the conveyor. There will be 14,000 cans [of pumpkin drink] manufactured by year end and twice as much of pumpkin paste. That will replace squash paste, which disappeared from the retail trade a long time ago.

Earlier, pumpkins were used as fodder for cattle. Now a new application has been found. That is a good example of new thinking. Not in vain **Mykhailo Ruban**, the factory director, traveled to America.

By the way, they will start making pumpkin preserves one of these days, like they promised to our newspaper in an earlier interview.

With interest we were watching the manufacturing process, starting at the moment when huge round pink vegetables are delivered to the shop. It is labor-intensive, because most processes require manual work. For the new production they had to upgrade the conveyor, the steamer, and the packaging machine. Everything was done by their own efforts.

The new products are available in one-liter and half-liter glass jars. They are attractive and appetizing.

The above-mentioned products are not all novelties. At the finished goods warehouse they started again handling pickles and apple juice.

Over past years the factory has not received any complaints from its customers. It makes sense because quality control here is pretty tough. Zoya Gordisenko, the lab manager, and foreperson Seriat Kukhmazova are always in the shop. Victor Kuga, the shop superintendent, provides all the necessary

supplies to the employees. Yuri Prikhodko, a mechanical engineer, provides equipment maintenance on a regular basis. The employees do not let them down. Galina Shevchenko, Lyudmila Avetisova, Lyudmila Glushakova, Valentina Plakhotnya work well.

C3. American Roller Coasters, Part I

By Mykhaylo Shvartsman, published by (Novy Khozyain - New Owner, #7(9), July 2000, pp.24-25)

The first visits of Kharkiv delegations to the U.S. started back in perestroika times, when in 1989, Cincinnati, Ohio, became Kharkiv's American sister city. At that time those were mostly familiarization tours to demonstrate the good will of both parties concerned and their mutual desire to cooperate. Today, when friendly relations and cultural connections between the two cities have been established, business contacts come to the fore.

In late 1999, the U.S.-based Center for Economic Initiatives in conjunction with the International Executive Service Corps held a competition among Kharkiv businesses for a chance to go to the U.S. to participate in study tours. Applications to take part in these competitions were accepted from companies that are directly involved in manufacturing packaging for the processing and food industry and whose leaders had attended a marketing course at the Kharkiv Regional Business Assistance Center. 2,500 individuals from more than 800 Kharkiv companies attended the training classes.

The Center for Economic Initiatives, based in Cincinnati, was very demanding when selecting applicants. Associates of the Center, including our tour leader Dr. Belal Siddique and Mr. Leland Cole, President of the Center, carefully studied the materials provided by the applicants, explored the applying companies twice and learned about their structure, operations, marketing strategy and products. For this study tour they selected 13 companies involved in manufacturing, maintenance and repair of processing and food industry equipment, energy-saving technologies for the food industry, as well as packaging manufacturing.

These included the following companies well known in Kharkiv: Ukragroservice, Stankinprom, Frunze Plant, Elektromash, Extruder, Molprom, TFK, Korvet, Vostok and Nargus. As a result, a group of 15 was formed to go to the U.S.

New Marshall Plan

I met one of participants in this tour, Mikhail Yefimovich SHVARTSMAN, Ukragroservice deputy general manager, and asked him to share his impressions about the study tour.

- Mikhail Yefimovich, how did the idea for this project originate?

- The Center for Economic Initiatives, which organized our tour, is a non-profit organization. Most Center associates work there part time. They are for the most part Americans of the older generation, well educated, with tremendous business experience. Each of them is a high-class professional in his area. When they had a chance to retire, just to take it easy and travel, they realized that they could not, and would not, be passive. Having formed a small group, they started thinking about planning their life in the future to put to best advantage their knowledge, to share the experience they had accumulated and also to learn about other countries and cultures. At that time the idea of another post-World War II Marshall Plan was conceived to fit the present-day post-Soviet countries.

While studying archive materials on the subject, the Center associates discovered the interesting piece of information that one of developers and ideologues of the original Marshall Plan, Mr. James Silberman, was alive and well. The 300-year history of James's family has been tightly connected with Ukraine. That is why the veteran of American economics became so fond of the idea created by the group of initiators. He not only shared with them the methodology of developing an economic assistance plan, but also supported this project in the U.S. government.

As a result, the Center for Economic Initiatives obtained a grant from the U.S. government which has been used over several years to educate Ukrainian, Kazakh and Moldovan entrepreneurs about American business and to strengthen connections with these countries.

- How was your study tour organized?

- We spent 21 days in America and managed to visit 24 companies during this time. The program for our study tour was very intense, I would even say, physically challenging. We rode more than 5,000 km on American roads, visiting, on the average, two companies per day in different cities.

We had a small cultural program during weekends. The [CEI] organizers gave us a chance to visit an elite club for Cincinnati businesspeople. There we received our certificates of program completion. We also visited the home of one of the Center associates - Mr. Daniel McKinney, an attorney.

The program was so intense and full of impressions that we felt as if riding roller coasters. By the way, in the West, this famous attraction, which we also had a chance to experience, is known as "Russian hills."

- Was the whole tour financed by the Americans?

- Yes, it was. The money involved is significant even by American standards. One day of our hotel stay - and we stayed at very good hotels - cost the organizers not less than \$200 per person. Our group was the third this year, and two more are being planned.

- It is known that Americans are a pretty calculating nation and they do not throw their money to the wind. What, in your opinion, guided the U.S. government when allocating funds for this program?

- The grant was awarded by the United States Agency for International Development. From that fact we can derive the conclusion that its main objective is establishing friendly relations with the country, which as a part of the USSR in the not so distant past, was America's strategic opponent. That recalls Germany right after the war. Besides, every American understands that any business, including international business, is based on personal relations. They are interested in helping Ukraine develop its economy and become an emerging market. Encouraging development of market relations in our country, the Americans are in fact preparing the soil for their investments and expanding the sphere of their political influence.

Business Starts with a Smile

- Every adult Ukrainian has a good understanding of what the Soviet influence is. What shall we expect from the American influence? How did the American way of life impress you?

- I did not make a special study of the American lifestyle. I simply did not have time for that. But I can say that we covered a large distance, stayed at hotels in different states, met a number of different people of various levels - from clerks in supermarkets to top managers of companies with several billions of

dollars in sales. Tons of impressions, but the main one is that Americans are very open and unusually friendly people. You meet someone's eyes, and this person immediately smiles and says "Hi!" When that happens at a hotel or in a restaurant, one might think that that is a part of their job. But when you see it all the time, everywhere - on the streets, in the park, on a boat, at the office, you come to realize that cheerfulness and friendliness are national features of Americans, and not just social conventions. Even the police are friendly and gracious.

- Did you feel any difference in attitude to "their own people" and foreigners?

- No, Americans do not have any explicit disdain or prejudiced attitude to foreigners. It is very hard to figure out there who is their own and who is foreign, because America is a multi-ethnic country.

At any rate, I did not feel any negative attitude. What I did feel was a patronizing attitude, from the position of somebody older. They are proud of achieving much, and they have really achieved a lot. That was what they showed to us. They have a great desire to share their experience and knowledge, but nobody talked down to us.

- Did you see any unemployed people at the labor exchange - something our socialists are frightening us with?

- Just the other way around. America doesn't have enough labor force. Unemployment is only 3 percent. Unemployed are the people who do not want to work; most of them are homeless bums. But there are homeless bums in any country. Americans do not hide this problem. "Yes, we have that, too," they say. Their homeless bums, just like in our country, rummage in the trash and feed on leftovers. The difference is that those leftovers are nicely packaged and are available not on a dump, but in elegant containers. Americans who wish to help the underprivileged donate money to organizations that are directly involved with this population group, which as a rule will use the donations to buy alcohol and drugs.

Manual Laborers Are All Different

- What can you say about the imperialist sweatshop system, exploitation of man by man and about all other propaganda-filled arguments of the communists?

- Indeed, there is plenty of manual labor in America. For example, we visited a large family-owned farm growing vegetables and greens.

This company with six million dollars in sales was amazingly similar, if we disregard their conveyers and modern packaging equipment, to our wholesale vegetable distributors under "developed socialism." The same women and teenage employees, only there they were from Latin America, in high rubber boots, manually sorting vegetables, the same dirty, unskilled and monotonous work. The only difference is that the seasonal employees of that company earn 12 dollars an hour. For that money they can rent decent housing and buy food and clothing beyond the wildest dreams of our manual laborers. The seasonal workers live in a paid dormitory with TV and showers.

The owner does not have enough funds to hire managers; that is why the farm is run by family members, five or six in all. As the owner was very busy and was not able to spend more than 15-20 minutes with us, our guides were his daughter and niece. These girls had professional knowledge of the process they were introducing us to. It was evident that they were ready to join the work at any stage of the technological process - from harvesting and sorting vegetables to managing the hired labor. In spite of the fact that this farm is a prosperous company by American standards, their profit is only two per cent of their revenue. Agriculture in America is low margin; it is not competitive in the world market. The

government subsidizes it - firstly, to make sure that the land is taken care of; and secondly, to guarantee that their country is provided with domestically-grown food products.

This way or another, hourly work is considered not prestigious in America, and Americans, with the exception of children and students, try not to do this kind of work. Those jobs are mainly filled by Latin Americans.

- Is child labor legal in America?

- I cannot say exactly starting from what age, but ten-or-so-year-olds deliver newspapers and pizza, vacuum carpeting at hotels and so on. Older kids work - especially in summer - on farms, at cafes and restaurants. It is explained not so much by economic reasons but by the fact that Americans are trying to prepare their children since childhood for an independent adult life. Even children from pretty wealthy families have part-time jobs. Parents provide all the necessities for the children, but the children have to earn their own money for recreation and entertainment.

Join Middle Class - For the First Time

- Our politicians, mass media and businesspeople keep complaining about the lack of the so-called middle class in our country. How does the U.S. fare in this respect?

- Almost all hourly wage earners are considered low-income people in the U.S. There is a lot of such low-paying work. The average American income level is \$40,000-\$60,000 a year. Every American family keeps saving funds for their children's education since their birth, because it is pretty hard to achieve anything in life without decent education.

The dream of any immigrant is to become a representative of the American middle class, that is to own a house with automated household appliances, to buy a car for each family member, to provide expensive prestigious education for the children... Representatives of this class, as a rule, perform intellectual or managerial work.

- How hard do these people work?

- Not at a single company we visited did we observe "vertical races," scandals, fuss and people "covered with foam." Everything runs quietly, smoothly and, I would even say, lazily.

To all appearances that can be explained by the fact that the American market is extremely well structured. This, in combination with effective economic legislation, ensures reliability and good measure for entrepreneurial activities. The plans and orders are fulfilled unhurriedly; the deadlines for these orders are established with some leeway.

In spite of the fact that America is known to the whole world by its gigantic corporations, such as IBM, General Motors, Procter & Gamble, Philip Morris and many others, 85% of American business is made up of small companies with less than 20 employees. All the companies with sales from several million to hundreds of billions of dollars are united into a well-adjusted and well-interacting infrastructure, where competition does not create chaos, but enhances the established strict order at the market.

- Going back to marketing issues, I would like to clarify what allows small companies to survive and where they get all their orders.

- This is a very broad and important subject. Briefly, I can answer that all American companies practice division of work and cooperation.

Food processing companies publish image-enhancing information in industry magazines and on the Internet and take part in trade shows. Farmers in winter collect orders, drive around and call around restaurants and stores. Most companies that hosted us during this study tour have multi-year histories, established images and sales markets. That is why they practically do not experience any problems with getting orders.

- You are perhaps right: this is really a very interesting and extensive subject, worth a separate discussion. But we will do that in our next issue...

Prepared by Vladimir Malinovsky

Picture captions - Cleveland Rock-n-Roll Museum, Columbus city skyline, Cincinnati's city symbol on main square.

C.4 American Roller Coaster by Mykhaylo Shvartsman, Part II

By Mykhaylo Shvartsman, published by (Novy Khozyain - New Owner, No 8 (10), August 2000)

(Continuation of our conversation with MIKHAIL YEFIMOVICH SHVARTSMAN, deputy general manager, Ukragroservice Ltd. For beginning see Issue # 7(9), 2000)

In the early 1990s, in our Motherland, there appeared a great number of new, hard-to-understand foreign words. "Sociology," "management," "marketing" sounded almost like an incantation. It appeared that as soon as we mastered them, our life would change for the better. There were crowds and crowds of students willing to study in schools and all kinds of courses offering the above-mentioned subjects. Naive but enthusiastic entrepreneurs paid from \$30 to \$100 for a month-long course in the named subjects. The results of this unanimous learning drive, however, turned out not so impressive. Life taught us once again that miracles do not happen! Crowds of market analysts with diplomas of various kinds ended up in approximately the same situation as, previously, crowds of engineers – that is, without jobs in their area. The foreign concepts are still not quite fitting within our Soviet heads, breeding pessimism and excuses of the type that "all that stuff is incompatible with our enigmatic Slavonic souls."

- The organizers of the marketing seminar and MTM Productivity study tours in the U.S. were complaining that it was pretty tough for them to select the participants for this project among Kharkiv companies. Even considering that all the training and the study tour were underwritten by the U.S. government.

- I must say that initially our attitude to this proposal was pretty skeptical and somewhat mistrusting. Here in Ukraine, we got used to the practice that when something is being offered to you free of charge, it means, as a rule, that you will be cheated. But the Americans treated this project seriously, at a pretty high level. The study tour was extremely intense and useful.

- As far as I know, even before this trip you treated marketing very seriously and professionally. As far as the lack of trust in marketing many other Ukrainian entrepreneurs feel, that is caused, in my opinion, by their unwillingness to change. Marketing is the science of compliance with market laws.

The mentality of a Soviet industrialist assumes, however, that it is the market that has to be compatible with his products and adjust accordingly.

For example, I happened to hear pretty often from various entrepreneurs that all their problems were caused by the drop in purchasing power of our community, and that the only way to change this economic situation is to pass “normal” laws. It did not occur to either of them that there exists at least one different alternative – lower the costs and, consequently, the prices.

- I think that our marketing plan played not an insignificant role in getting invited by the Americans to participate in this project. We, as practice shows, have developed a sufficiently effective marketing strategy, which allows us to mass produce our products, without worrying who will buy them. Our processing equipment sells well. We achieved that by intricate simplicity and reliability, as well as by affordable and even low prices.

- Every nation has concepts which are an organic part of its culture and mentality, that individuals literally absorb with their mother’s milk. Later on these concepts do not need any additional deciphering or detailed explanation. These concepts are very hard to assimilate for individuals from a different culture, which lacks adequate similar concepts. In my opinion, the concept of marketing belongs to this category – there is no exact translation of this word into Russian and certainly none into Ukrainian. The situation with the word “market” is even more interesting. In our city “Barabashka” [the largest open-air clothes market] proudly calls itself “the market,” and individual behavior at the market recalls a gypsy selling a stolen horse. Of course, everywhere and always the seller has been trying to sell high and the customer to buy low. To solve this contradiction, humankind invented both bazaars [farmers’ markets] and markets in general. Although the main slogans at the bazaar are “Keep your eyes open” and “Not caught, not a thief.” The civilized market has very different laws; there “the customer is always right!”

- Market is the most important concept, rooted in the fundamental human function – providing for ourselves. As is known, over all human history only four main ways of supporting oneself were developed – self-sufficiency; theft or robbery; begging, asking for donations or alms; and, finally, exchange.

Market is the structure where the process of exchange takes place. Depending on economic conditions, these or those participants in exchanges get to the top. In the modern capitalist society, the customers are at the top. That is why they dictate the conditions for exchange. This tendency is so stable that it constitutes an economic law that can be defined as “Customer needs are above everything.”

Huge institutions provide studies of customers’ needs in the U.S. For example, at Borden Foods Corporation we visited a marketing research center that deals with both product development and customer research. We were introduced to the method of holding so-called focus groups. Using certain methodology, taking into account gender, age, ethnicity, social status of individuals and many other factors, they select a group of individuals, each of whom represents a certain class of consumers. For participating in research focus group participants get paid \$40-50 an hour. The focus group gathers in a comfortable room, specially designed, equipped with a round table and a variety of office equipment, to discuss the qualities of would-be products. One of the walls in this room includes a one-way mirror, behind which sit experts from the [research] company. They most carefully follow the discussion and record all the details, comments, suggestions, responses and emotions of the participants. Simultaneously, the discussion is being audio-recorded and videotaped. The recordings are later analyzed by the Borden specialists. When a product is in the development stage (this company makes pasta and quick-to-fix sauces), more testing is conducted, this time to taste and finally check out the product. Each “expert” from the consumer group that has been invited is placed at a separate booth and is served products being tested

through a special window. As in the previous case, the company employees are sitting on the other side of the mirror wall, watching what is going on, while dictaphones and videocameras are running. At the next stage the quality of product packaging is tested. A different laboratory provides a room surrounded by kitchens, equipped with all kinds of household appliances: gas and electric stoves, microwave ovens, etc. For testing, housewives are invited. They are invited to cook a certain product, using the company brand in a new packaging. Here a most detailed analysis is made of how these individuals would open the packages, how they would get out the product, how the packaging would be disposed of or where it would be placed... Only after dozens and hundreds of such tests and improvements the product would be launched. There are more than 10 different laboratories at this center, studying product storage and product performance in different situations... The budget of this center is about \$11 million a year. One product's development takes from one year to 18 months. Borden is a very large company with annual revenues of \$7 billion, which makes it possible for them to spend a lot of money on product marketing. These expenses pay back.

- I am far from thinking that unscrupulous sellers are only found in our country. It appears, there are plenty everywhere. But in the West the pervasive inclination to sell everything is seriously opposed by consumer rights' groups and the unconditional presumption of consumer's innocence, even when the latter is doubtful from the moral, ethical or religious point of view. As an example, in spite of fierce religious opposition, the market is striving to satisfy customers by offering condoms or cloned organs. On the other hand, consumer rights' groups oppose sales of low-quality and unhealthy products. Because of these factors a strong balance is created, which is very difficult to break. Satisfaction of even the smallest customers' needs is the first and most important commandment of any market-driven society.

- The U.S. has a well-adjusted mechanism of protecting consumers' rights. Firstly, the customers can protect themselves in a court. For example, I was shocked by a story of a woman who had bought a regular fast food meal and a cup of coffee at a McDonald's. In the U.S. all fast food restaurants have drive-through windows, which allow drivers to make purchases without leaving their cars. She drove up, picked up her order, placed it in her lap and drove on, snacking on the way. In several minutes she had to brake suddenly. The coffee spilled onto her lap, and she got slightly burned. According to our stereotypes, she was to blame herself. Quite a different approach rules in America. This woman sued McDonald's for their coffee's being too hot and won her lawsuit, getting several million dollars as a compensation.

Secondly, there is a system in place for product certification. American manufacturers are very interested in being not only checked by the regulatory agencies, but also by companies well known in the market. They would use the results of these inspections as a promotion vehicle. The certificates, nicely framed and under glass, are displayed not in the general manager's office, but in the plant hall, next to samples of their products.

Thirdly, product quality is guaranteed by its price. The more expensive the product is, the more value it has for the consumer. If a certain product costs a lot in the U.S., that happens not because of steep overhead, but because of the product's high quality or attached warranty.

- Let's go back to the main subject of our conversation, that is, to marketing. Your trip was specifically dedicated to the study of marketing technologies?

- Initially, I thought so too, because we studied marketing here, and, in general, that is one of my major spheres of interest. But the study tour turned out to be significantly more diverse and interesting. It was during the original Marshall Plan implementation in the '50s, when American experts realized that lecturing European industrialists on transfer of progressive American business technologies did not yield

the desired result. The practice of implanting consultants, market research specialists and economists into companies being reformed did not quite justify itself either, because very often their tips and recommendations ignored the national and political specifics and were rejected by the leaders of local companies. As it turned out, only trips and study tours at American companies allowed the European entrepreneurs to immerse themselves into the unusual – for them – reality of the overseas market with its marketing, product design and high productivity.

- Can we say that, during the Marshall Plan, Americans used the popular immersion method of instruction?

- They do not use this term, but probably that's right. When an individual is taught how to swim, he is first instructed about the theoretical foundations of this process. Then he is shown how the others do it. But only after the individual himself gets immersed in water, swimming proper begins. I can say that something similar happened to us. Before this study tour all our group members had some idea of marketing. After we visited companies doing real work in the market environment, this abstract concept acquired flesh and blood and became so tangible that after coming home any of us can use the skills obtained there at our companies. Each study tour participant learned the skills he or she was missing. Some paid more attention to organization of sales, some were impressed with overall management, for some it was useful to take a closer look at planning and accounting. For me it was very important to confirm that the quality of our marketing strategy meets even high American standards. Moreover, I did not see some of the methods we use (such as telemarketing) at the American companies.

- It is known that in 1995 a group of American specialists at the request of the Cincinnati-Kharkiv Sister City Project conducted an in-depth study of Kharkiv industries that, in their opinion, play a key role in developing our market economy. These specialists concluded that the economy of the Kharkiv region is beset by the following problems: difficulties with adaptation to new demanding conditions, the closed nature and isolation of our companies from the world market, a dangerously high level of industrial integration, lack of outside resources and an ineffective approach to improving productivity. Besides, weak points of marketing at domestic companies were pointed out: incompatibility of our packaging and labels to Western standards, insufficient knowledge of world practices of purchasing and sales. What do you think – what has changed since? How close have we gotten to the American market model during the five years of Marshall Plan implementation in Ukraine?

- The Marshall Plan, within the framework of which our study tour was conducted, does not cover the whole of Ukraine. It is difficult to expect that it will produce quick results for all the Ukrainian economy.

For those who have already participated in this program or are going to take part in the future, unique start possibilities are created. It looks like a trip in a time machine. Seeing how what you are doing now should look like in the future, studying the means of achieving this, means more for a smart person than money, buildings and facilities, i.e. all kinds of resources.

Today it is useless to talk about our closeness to the American market model, because in Ukraine the market is only emerging and by and large is primarily the manufacturers' market. At the same time, in the U.S., and in the West in general, the market is exclusively customer-oriented. Any manufacturer there has to think how the products it makes will be used. The example with McDonald's and spilled coffee I have cited earlier demonstrates what kind of damage a company may incur when ignoring the specific features and characteristics of the consumers of their product. Most domestic manufacturers are trying to sell their products using the principle, "Out of sight, out of mind." I cannot judge other Ukrainian companies, but our Ukragroservice, just like Americans, takes into account the specifics of our product

usage by our customers, i.e. sources and quality of our raw materials, methods of selling our finished products, etc. In addition, we help our customers get their products certified. Probably, there are companies similar to ours in Ukraine, but there are certainly not enough. When this approach becomes dominant with most Ukrainian companies, we'll be able to talk about emergence of a consumers' market. The more such companies appear, the more structured the economic infrastructure of Ukraine becomes, which will inevitably result in rapid development of market relations.

On the other hand, we have unique advantages which are non-existent in principle in the United States now. In the overwhelming majority of branches of the Ukrainian economy, the leading groups of companies have not been formed yet. The brands that will bring power and glory to Ukraine are only emerging. In America, all that is already in place, and nothing unexpected can happen. It is practically impossible to oust the leaders from the market.

Here is the main conclusion: The main objective for those Ukrainian companies that want to survive and develop is to achieve a decent place in the leading group of companies in their specific market, be a part of the best 10, at minimum. If that does not happen over the next five or seven years, they would have to satisfy themselves with pitiful crumbs of no interest to the leaders. We are good students, and I am sure that Ukrainian products in the not-so-distant future will become known far beyond the boundaries of our country.

It is mandatory to push forward into the leading group; that is one of main conclusions I made thanks to my study tour in the United States. It became both my personal objective and Ukragroproservice's objective. We are not going to waste our time because we do not want to remain a small regional company. Our aim for the next several years is to win the 35 percent of the Ukrainian market as allowed by our law.

C.5 Interns Can Only Afford One Mistake - American Roller Coaster, Part III

By Mykhaylo Shvartsman, published by (*Novy Khozyain - New Owner*, #9(11), September 2000)

One acquaintance of mine, after visiting the U.S. said, "I have made two mistakes. The first: I should not have gone there. The second: Once I did go, I should not have come back." Really, there are grounds to be upset after all I saw in America.

But another thing is also true. Along with a feeling of hurt because of our reality [life in Ukraine], I feel new optimism and confidence that we will be able to reach America's development level. Everything we have seen causes us amazement and admiration. There was not a single incident, though, that confirmed that only Americans are capable of such achievements.

That is why, for all our internship, we tried to learn and understand as much as possible, as deeply as possible. Myself, I have singled out several most significant aspects of life in American society. Socially, that is the level of Americans' needs. Economically, their pragmatism and inventiveness.

It is common knowledge that needs (requirements, wants, aspirations) are at the foundation of the motives compelling an individual to act. The more developed and healthy a society is, the higher the level of needs of its citizens.

Americans have a high level of needs. That is different from our country. Not a single American is worried about his daily bread and has doubts whether his wages will be sufficient to buy food, to pay for his rent and utilities. The average income is such that it is impossible to spend it all for food only. At most companies we have visited, employees get from \$12 to \$25 an hour.

Most Americans live in comfortable homes, located far from industrial zones and large cities. Nobody encroaches upon their property. Homes with armored doors and window grates, so common to

our eyes, are a rare sight in the U.S. This fact is convincing evidence that citizens feel safe in their own country.

The fundamental (basic) and at the same time most important needs of Americans – such as food, housing and safety – are completely met. If for a lot of us meeting these needs is the essence of our existence and greatest happiness, for them that is a matter of the past. Most U.S. residents take all that for granted.

If Americans are well fed (by the way, in America there are a tremendous number of overweight people) and do not worry about their life and their property, what motivates them today? For them, different needs come to the fore – status, respect, understanding by others, self assertion, etc.

At the Borden Company, we met an employee who comes from the former U.S.S.R. He has been living in the U.S. for more than seven years. He is a good specialist. His company is paying him a good salary – about \$40,000 a year. He owns a house and two cars. His children go to a decent college. Any of us would consider this man happy, but I did not see happiness in his eyes. He was happy three years ago about what he had, but now he realizes that he has practically reached his ceiling and he does not have any growth potential in America. He will not be able to change his status, and he is destined to remain a good specialist with the salary of \$40,000 a year.

It is easy to find a job in the U.S., but to find a prestigious and highly paid job one needs to be U.S.-born and educated in an elite American university, graduates of which are willingly hired by all companies.

Like Ukrainians, Americans are scared of losing their jobs (and these feelings are the same in intensity), but the reasons for this fear are different. Job loss for our citizen is a threat to his existence, but for an American it presents a threat to his status. He will find a new job without any problem, but hardly of the same or higher level. That is why Americans are working hard and intensely, but without fuss or overexerting themselves. I have never seen, in any of the companies, people either running or even walking fast. Everything there was so quiet and measured.

Now I would like to speak about the pragmatism of the American economy and the inventiveness of people who create it. In general, there is a shortage of labor in the U.S. They do not have enough hands to manufacture everything in their own country. That is why Americans have to leave on their territory only manufacturers with the so-called high technologies, and displace the low-technology facilities to developing countries. This is the first example of American practicality. It is true that they have to pay for their high technologies: Their stores are flooded with goods made in China, Taiwan, Korea, Hong Kong, Malaysia, Argentina, Mexico, etc. These are clothes, footwear, radio appliances and many other consumer goods. For us finding souvenirs made in the U.S. presented a big challenge.

We visited 24 companies, related in one way or another to the food industry. They are all different as to their capacity, annual sales and automation level. But in all of them I saw something typical for all American companies – pragmatic conduct of business. By this pragmatism I mean effective use of resources available, while maximizing the results. This is the criterion that defines what a particular company will look like. Let me illustrate this statement by using as examples several companies based in Cincinnati, Ohio.

The BSJ Machinery Company manufactures extensions for Italian machines making plastic bottles and closures for them. Usually this company sells about 15 machines a year. At their facility we did not see any supermodern equipment. Twenty-year-old milling machines, universal turning lathes, several CNC machining centers. We asked, “Why is your company equipped so modestly?” They answered, “For the products we make in a given number, that is the most efficient set of equipment.”

The Jones Company develops and manufactures packaging machines of different types. Here the equipment is of quite a different class. At the tooling department there is a laser metal-cutting machine. The pieces there are machined only by CNC machines. Even on the fitting benches, computers are installed. There are no paper drawings; all the design is automated. We asked, “What is this caused by?”

Their answer was, “Our company has to develop and manufacture machines according to individual orders. That requires very smooth production organization and high-precision equipment.”

The Keebler Company makes cookies of seven types. For us it was like our biscuit factory. We saw a completely different approach to manufacturing, compared to the companies I described earlier. Seven completely automated lines with ovens more than eight meters long produce two million cookies a day. Given this volume, the automation is completely justified, in spite of its complexity and cost. It excludes the interference of the human factor and ensures high productivity. Twelve robotized loaders are used by the company. Without any human participation, they serve the seven production lines, pick up the packed pallets with finished products and haul them to an automated warehouse, which defies imagination. The cost of such a warehouse is three million. The payback period is two years. Twelve drivers/loaders earning \$15 an hour have been let go. In this case too, the economic necessity defined the organization of manufacturing.

The Hubert Company provides merchandising solutions for stores, offices, schools, etc. There wouldn't be anything special about that if the company – in addition to interior design – didn't provide acquisition and delivery of all the required materials. Twenty-three thousand diverse items from all over the world are in stock in the company warehouse, from baskets to store counters. The company receives up to 3,000 phone calls a day. That allows them to ship 1,500-2,000 orders daily. There is nothing like this company in the world. That testifies to the inventiveness and resourcefulness of American businesspeople.

Another example of their inventiveness: Jungle Jim food store's offering food from all over the world. Its design is incomparable. There are lots of beautiful and well-designed stores in the U.S, but Jungle Jim is the only store where you virtually visit different parts of the world and purchase food from all countries, including Ukraine. The size of the store and the amount of food available are amazing. A great number of Americans visit the store and are pleased to spend their money there because a trip to Jungle Jim turns into a miniature round-the-world trip.

A characteristic feature of any American business is that they always have a certain “zest,” a technological know-how which imparts individuality, recognizability and quality to their products.

The combination of satisfying various needs with inventiveness and pragmatism is especially vividly demonstrated by the American food service industry. A tremendous amount of food is consumed in the U.S. In cities, there is a plethora of cafes and restaurants, representing, as a rule, different ethnic cuisines. Especially popular are Italian and Chinese restaurants; but you can also have lunch at Mexican, Greek, Australian, Indian, etc. eateries. Each of these restaurants has a design of its own, its own approach to customers and marketing strategy, which ensures their one-of-a-kindness and popularity.

In addition to McDonald's restaurants, known all over the world, there is another very popular food service solution in America – the so-called buffets. One pays \$6-8 at the entrance to a restaurant and then can design one's own menu. On tables there are special containers with different foods – salads, meat, vegetables, fruit, desserts, and beverages. In most cases, each product group is represented by six or seven dishes or varieties. Everything is cooked very nicely and looks appetizing. Spices and dressings packaged in mini-packages or containers are available for all dishes. Customers help themselves and put onto their plates whatever appeals to them, as much as they can eat. They can make any number of trips. The variety is so extensive that it is impossible even to taste everything, let alone eating everything. Getting to such a buffet one can see a major difference between Soviet and American mentality. Americans never take more food than they can eat, and they always know what they want. We tried to get as much food as possible, as if to hoard it, although our groups members were far from poor.

In many cities, such as La Porte [Ind.], there are round-the-clock family restaurants. Judging by everything, most residents there eat and socialize in restaurants of that kind. In such restaurants one can order a good and inexpensive (by American standards) dinner for \$15-20. Taking into account the level of Americans' salaries, it is more advantageous for them to eat out in restaurants and cafes, as opposed to

spending time and effort on cooking at home. Besides, it would never occur to most Americans to store potatoes for the winter or can their own vegetables and fruit. All that, at any time of day and in incredible variety, is available inexpensively in the nearest supermarket. To the question, “When do fresh strawberries show up at your markets?”, in our country you will hear the answer, “In late May or June.” Any American will sincerely tell you “At five a.m.”

Americans like to spend their time participating in all kinds of tours and picnics. That has become one of the typical features of their nation’s lifestyle. In America there are a tremendous number of parks, museums, attractions and different shows. It is practically impossible to visit all of them, but most Americans try to. Because their everyday life is automated and mechanized to the max, and consumer services are highly developed, people have enough free time to devote to their hobbies, entertainment and learning about the world. Gigantic and superbly designed museums allow them to learn about practically the whole world, without leaving their own state.

During our study tour we visited two such museums in Chicago. The Field Museum exhibitions display flora and fauna, archeological findings, gems and minerals, as well as cultural achievements of the world. Even a cursory run through the museum took more than three hours. At the Museum of [Science and] Industry we visited an impressive exhibit of spaceships, including the Atlantis. This museum has a wonderful auditorium for showing IMAX movies. This auditorium has a dome, which is the screen, and the patrons are placed in the middle of it. The projection envelopes the patron all around, which creates the impression that everything going on the screen is real. Especially impressive are the scenes shot from moving objects, for example, a plane or a cutter.

Now that the first overwhelming impressions from this study tour have subsided, I come to understand the real reason for the “American miracle.” Their people, who are well fed and protected from all eventualities and have jobs according to their status, are open and friendly. They are capable of treating with respect not only themselves, but also others. They can perceive the problems of others as their own. We have people like that in Ukraine, too, but in America that is the rule, while in our country, the exception. And there is nothing surprising about that. We live at a much lower level of needs. We cannot afford to love our neighbor; we have to survive ourselves. That is why we have to develop our economy. That is why we have to create well-paid jobs. When that happens, when Ukrainian citizens are not concerned exclusively about food and safety, then there will be smiles on our faces and we will be treating each other with respect. There is a law that the needs of a higher level can appear and get satisfied only when the fundamental needs are completely met. The main idea of the Marshall Plan for Ukraine is to give people who are capable of making managerial decisions, a chance to experience and internalize this truth, supported by the whole American lifestyle. That allows me to perceive my trip to America as not a mistake but a revelation that changed my approach to doing business and to life in general.