

Multisectoral Market Study on Central Ukraine

Balanced analysis and Executive summary

This study presents the business and investment potential in the Central Regions of Ukraine. It is a follow-up project of a similar research on Western Ukrainian Regions (2018): <https://cutt.ly/IfO9L2n>. The focus was done on the TOP sectors specified the Netherlands Government, which meet the highest potential in Ukraine.

The outcome of the study is based on the current business situation in the regions, on present investors' opinions (Ukrainian and foreign) as well as the setup and vision of the local authorities.



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In general, all researched regions offer opportunities for Dutch companies in the sectors that were analyzed. The following promising directions for cooperation were determined (Table 1).

Table 1. Promising fields for cooperation per sector

Sector	Directions
Milk production and processing	Development of dairy farms equipped according to the European standards for small producers
Fruits and berries production and processing	Supply of certified planting material for SME; Sharing growing technologies and agronomic support; Development of infrastructure for storage and processing of products; Marketing and export support
Industrial sectors	Assistance in integrating into existing value-added chains through certification of production, technological upgrading and search for foreign partners
Bioenergy	Use of existing potential of forest and agrarian biomass Modern energy efficiency solutions

Analyzing the location of certain agro sectors and enterprises by region, we can see that in the Vinnytsia region most enterprises are engaged in the production of fruits and berries, milk processing, fruit and vegetables processing and preserving. Chernihiv and Kyiv regions rank second in terms of enterprises in the production of vegetables, mushrooms and milk. Cherkasy is on the third place in the production of fruits and berries and processing and the preserving of fruit and vegetables. At the same time there are many enterprises in the production of vegetables and mushrooms and production of milk.

In conclusion, this analysis demonstrates the presence of competitors in these areas, but also favorable conditions for doing business in aforementioned directions and a sufficient number of potential partners. It should be noted that during the meetings with fruits and vegetables production sector representatives in Cherkasy, it was found that the lack of high-quality warehouse complexes with refrigeration equipment for storage remained a serious challenge for the sector (they use the complex in 150 km from production place).

Opportunities for the development of the agro-food sectors according to the SWOT-analysis:

- opening of the land market (will reduce the risk of unexpected land lease termination);

- export of dairy products to the growing Asian markets (as a result an increased demand and prices for raw milk);
- export experience and availability of own transport and well-established logistics;
- availability of processing facilities for growing vegetables and berries;
- more than 20 Ukrainian producers have been approved for export of dairy products to the European Union. This gives Ukrainian producers both access to the EU market and third-country markets (the Middle East and Africa).

Industrial sectors of the economy are most represented in Khmelnytskyi, Vinnytsia and Kyiv regions. This is due to the favorable location, a large number of solvent population and quality logistics. In the Kyiv region, most enterprises are functioning in such sectors as metalworking, furniture production and production of machinery, equipment, materials for agro-food and horticulture sectors. In the Khmelnytskyi region - textile, clothing and footwear industry and metalworking, in the Vinnytsia region - all these types of production are presented.

Opportunities for the development of the industrial sectors according to the SWOT-analysis:

1. Textile, clothing and footwear industry
 - small-scale, experimental and design orders placed at small and medium enterprises of textile industry;
 - mobility, shortening contract execution times due to proximity to European markets (saving at least two months compared to China);
2. Metalworking:
 - ability to execute complex orders, including small-scale, experimental, design know-how;
 - proximity to the EU reduces the cost of delivery of such orders compared with China;
3. Furniture production:
 - small scale and design production;
 - production of high-quality luxury furniture from quality raw materials;
 - growing demand in the global furniture market;
 - logistic advantage of deliveries compared to orders from China;
4. Production of machinery, equipment, materials for agro-food and horticulture sectors:
 - opening of the land market;
 - preferential access to European markets within the framework of the DCFTA.

The Central Ukraine regions under study are affluent when it comes to bioenergy companies. Electricity production using bioenergy methods in these regions accounts for about 54% of the total in Ukraine. The largest electric capacity of biomass energy producers is in the Kyiv region.

Opportunities for bioenergy sector development:

- there is a significant market space for new players. The existing raw material potential is not sufficiently used by the present market participants;
- the presence of a large area of degraded land unsuitable for agriculture in the region under study creates the preconditions for faster development of the biofuel segment of energy plants;
- foreign investors, in particular European ones, can make a significant impetus for the development of the Ukrainian biofuels market through the transfer of managerial know-how and technological solutions;
- decentralization processes, community funds' growth and the need for energy savings will stimulate demand for bioenergy solutions at the local level;
- the interest of communities in public-private partnerships with energy service companies will grow. Utility companies will become more influential players in the market, so demand for biofuels from them will grow;

- private companies with a transparent mechanism of public-private partnership will have market benefits.

The selection of the “joker sector” for each of the studied regions of Central Ukraine was made based on regional specialization indicators. All manufacturing industry sectors that are not represented in the surveyed agro-food and industrial sectors (in chapters 2-3) were taken into account.

As a “joker sector” for each region the industry with the highest value of the specialization coefficient was selected :

- Zhytomyr and Vinnytsia - manufacture of wood and wood products;
- Cherkasy region - manufacture of essential pharmaceutical products;
- Chernihiv and Kyiv - manufacture of paper and paper products;
- Kirovograd - manufacture of other machinery and equipment;
- Khmelnytskyi - manufacture of electrical equipment.

At the same time, it should be noted that so far, “joker sectors” demonstrate insignificant volumes of production and their products are dependent on imported raw materials (parts for its production are mostly purchased abroad).

With the purpose to evaluate the local authorities' support according to the Dutch and other foreign companies, an interview survey was conducted through phonecalls to the companies that are based in Central regions of Ukraine. Within a marking of 1 (poor) to 5 (excellent), the regions scored accordingly: Khmelnytskyi 3.2, Kyiv 3.07, Zhytomyr 3, Vinnytsia 2.78, Cherkasy 2.56, Chernihiv 2.44 and Kirovograd 2.29.

According to the results of the survey, the Khmelnytsky region received the highest score; the lowest score was given to the Kirovograd region.

The Dutch and international businesses interested in doing business in Ukraine are recommended to read the full version of this study which provides the detailed information about specifics of doing business in different regions of Ukraine and indicates the level of the local support available. Additionally, here are the links to suggested materials on legal aspects of doing business which is common to all regions of Ukraine:

- Brief papers on corporate law in Ukraine: <https://cutt.ly/OfO9TAx>;
- Know your Ukrainian partner: <https://cutt.ly/hfO9Ubv>;
- Agency relations in Ukraine: <https://cutt.ly/afO9IMP>;
- Doing agribusiness in Ukraine: <https://cutt.ly/1fO9PDT>;
- Other reports: <https://cutt.ly/RfO9SFY>;

Personal meetings and visits are highly important in the Ukrainian business environment (more information about Ukrainian business culture: <https://cutt.ly/ifO9GFI>). For this reason, the full version of the study provides an overview of regional events and activities which can be used as an occasion to plan your business travels to Ukraine. The Embassy of the Netherlands in Kyiv remains at your service when it comes to your business interests in Ukraine.