

## Main conclusions and potential Follow up

This report presents the results of the project "Business development Bake-4-Ukraine," initiated by the Netherlands Enterprise Agency of the Dutch Ministry of Economic Affairs, referred to as NEA (RVO), with its headquarters in The Hague, The Netherlands, dated 19 October 2022.

During a war, food safety and supply can be greatly impacted, and the bakery industry is no exception. In the event of large bread production sites closing due to the war, the demand for bread could increase, creating an opportunity for mini-bakeries to fill the gap in the market. However, operating a mini-bakery during a war can be challenging, as the availability of ingredients and equipment may be limited, and the cost of production may increase.

The project aimed to support the design of a business model and a pilot for the development of the small-scale baking industry in Ukraine. It leverages in the short term, the further production of bread, the creation of jobs and the generation of income at community level in areas that are strongly affected by the ongoing war. In the medium and long term, it is expected that the results of this project lay the foundation for the development of the small-scale baking industry that is modern and competitive to match the local demand and to find a position in the European market.

Based on deep market analysis of the existent situation, the project was focused on the development of the mini-bakery industry in the priority regions (oblast) of Ukraine. Selected priority regions are mainly Eastern and partly Northern and Southern regions of Ukraine (mostly suffered from the war), including Chernihiv, Kharkiv, Sumy, Poltava, Dnipro, Zaporizhzhia, Luhansk, Donetsk, Mykolayiv, Kherson, and Odesa regions.

The market analysis demonstrated strong demand for these types of bakeries, and there is an estimated potential market demand requiring 278 micro-bakeries and 289 mini-bakeries in the selected regions with an estimated investment size of 40,000,000 EUR.

However, a realistic possibility for such project implementation on a gradual step-by-step approach with a reasonable scale of potential investment from the startup operations and guarantee for a long run sustainable project live is seen.

The market analysis also demonstrates a positive situation with raw materials practically in all regions of Ukraine. A similar stable situation is with the availability of professional and high-quality staff in the area of food processing due to the availability of a wide network of technology and food processing educational institutions all over Ukraine.

Special attention is focused on critical situations with power supply in some regions of Ukraine, especially those affected by war and due to massive missile attacks by the Russian Federation on Ukrainian infrastructure energy objects.

There are also a large number of companies supplying bakery equipment in the Ukrainian market. Even more, there is a large number of companies who may provide service and maintenance of such equipment both from international equipment suppliers and local Ukrainian ones. The same is valid for educational institutions.

One of the results of the investigation is the development of two business models for such mini- and micro-bakeries, with different parameters of production capacity. Designed business models for such micro- and mini-bakeries demonstrate reasonable profitability of operations and sustainability in the long run.

Thus, it may be concluded that there is a possibility for a **follow-up on the recent project** focused on the analysis of the bakery industry in Ukraine.

Based on these findings, we propose to launch a tender for the implementation of the ideas outlined in our project report. This tender aims to create 10-15 bakeries, develop all logistics mechanisms for launching projects, refine the business model, and form a prototype association of mini-bakeries. The association can then provide the functions outlined in our main project report, such as fundraising, marketing support, consulting, and services to its members. In order to participate in the tender, RVO (or other organization) could invite to the tender consortiums consisting of the leading international companies and existing players in the industry in Ukraine. The tender amount is expected to be around 1.5-2 million euros. Each consortium should offer its own vision for industry development, including the possibility of partial implementation of tasks with their own resources. The following are the possible steps for the tender and project implementation:

1. Tender announcement: A tender will be announced to implement the ideas reflected in the report of our project. The purpose of the tender is to create 10-15 bakeries, perfect the logistics of launching projects, improve the business model, and form a prototype of the association of mini-bakeries. The consortiums, consisting of existing players in the industry in Ukraine, will be invited to participate in the tender. The amount of the tender can be approximately 1.5-2 million euros. As part of the tender, each consortium can offer its vision for the development of the industry, including the possibility of partial execution of tasks with its own resources.
2. Contractor selection in the form of a consortium: The consortium with the best proposal will be selected based on the results of the tender. Part of the funds from the tender can be provided to cover the labor costs of the consortium members, while the other part can be used to purchase equipment for the new bakeries.
3. Implementation of the project: Based on the selected consortium's proposal, the project to open 10-15 bakeries should be implemented over the course of 2023-2024. During this period, all mechanisms for launching projects will be tested and refined, and the business model will be optimized to ensure the sustainability of operations in the long run.
4. Creation of the association: Upon successful completion of the project, the prototype of the association of mini-bakeries will be created. It will take charge of funding and further scaling activities. The association will leverage its network to secure additional funding from investors

and other sources to finance the establishment of more bakeries across Ukraine. The association will also facilitate the sharing of best practices among members, encourage innovation, and support the implementation of new technologies to improve operations and enhance profitability. To achieve its objectives, the association will work with various stakeholders, including government agencies, financial institutions, industry associations, and international organizations. The association will engage in advocacy and lobbying efforts to promote policies that support the development of the bakery industry in Ukraine. The association will also organize events, workshops, and conferences to provide a platform for members to network, learn, and exchange ideas. Through its various activities, the mini- and micro-bakeries association will play a critical role in the sustainable growth and development of the bakery industry in Ukraine. It will create jobs, boost economic activity, and contribute to the overall well-being of the country.

In conclusion, it is believed that the main step towards the development of the project is to launch the tender and start working with the selected consortium. The follow-up plan will enable the project to move forward in the creation of a sustainable and profitable mini- and micro-bakery industry in Ukraine.

We look forward to working with potential consortiums to bring this plan to fruition.