

**Value Chain Analysis Report**

* **Fresh Fruit and Vegetables**
* **Processed Fruits and Vegetables**
* **Apparel**
* **Footwear**
* **Air or vacuum pumps, compressors and ventilation systems**

**Kyiv, Ukraine 2015**



**Preface**

The call for research to identify value chains, where Ukraine could contribute into integral value chains of European economy, which was announced by the CBI upon the request of the Government of the Netherlands in September 2015, was very timely and important. So far in Ukraine there have been no other comprehensive studies on value chains undertaken apart from some projects that were executed by the experts of the Ukrainian Industry Expertise.

The study below represents the joint work of the consortium of Ukrainian experts from the Ukrainian Industry Expertise and the Investments and Trade Facilitation Center, who have been awarded the contract by the CBI in an open competition. The team of experts was led by the Director of the Ukrainian Industry Expertise Volodymyr Vlasiuk.

This research becomes even more valuable given the fact that since January 2016 UA-EU DC FTA provisions will be entering into force, thus changing radically market rules for Ukrainian producers both on domestic and international level. That required proper account of this changing regulatory environment, which was reflected in the study below.

The study concentrated mostly on small and medium enterprice sector (SMEs), because one of the biggest problems of modern export activity of Ukraine is significant underrepresentation of SMEs in general structure of companies who export.

The study also gave particular attention to opportunities for Ukrainian business/producers to enter into European value chains, which have been released with sudden cut-offs of Ukraine’s export activity eastwards.

Distinctive feature of modern Ukrainian business climate is that business operates in imperfect competition environment and is over-regulated. This particular element received substantial attention in the research especially with regard to stakeholders’ activities, underrepresented role of BSOs and rigid policy of governmental regulatory bodies.

The main objective of the research was to identify the most promising export products

and value chains understanding on implementation).

with significant export potential and

to

provide with a better (following the DCFTA

Ukraine's top export products to Europe

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**1.** **FRESH FRUIT AND VEGETABLES VALUE CHAIN ANALYSIS**

**1.1** **Introduction**

After the decline in 90-s the harvest of vegetables in 2003 has reached the level of 1990 and during the following years it always exceeded this level. In the period from 2003 to 2012 the production of vegetables increased annually by 6% in average. In 2012-2014 annual vegetables production was about 10 million tons (9.6 million tons in 2014). Annually the domestic market consumes 2.2 million tons of vegetables.

A different situation is observed in the production of potato. The production drop was not so significant, has exceeded the 1990 year level already in 2000, during the last years was characterized by stable increase and is now on the level of 19 up to 20 million tons per year (23.7 million tons in 2014). At the demand of 6.5-7 million tons the production of commercial potatoes is only about 2.7 million tons per year which means significant potential of the market. About a half of production volume is grown by specialized

agricultural increasing.

enterprises.

The number

of professional potato producers is constantly

**thou. tons**

**vegetables**

**fruits and berries**

**12.000**

**10.017**

**9.833**

**9.873**

**9.638**

**10.000**

**8.122**

**8.000**

**6.000**

**4.000**

**2.295**

**2.009**

**1.999**

**1.896**

**1.747**

**2.000**

**0**

**2010**

**2011**

**2012**

**2013**

**2014**

**Figure 1.1 – Ukraine’s production of fresh fruits and vegetables in 2010-2014**

*Source: State Statistic Service of Ukraine*

Many vegetables produced in Ukraine are used as fodder, 10% of the vegetables are lost because of lack of storage capacities.

Fruit and berries crops fell down from around 3 million tons in 1990 to 766 thousand tons in 1999 and since then could rich only 2.3 million tons in 2013, with risings and falls in between. In 2014 there was a sufficient decrease of production (-13%) because of Crimea occupation. In the period from 2006 to 2014 the production of fruits and berries increased annually by 7.7% in average.

The main vegetables producing in Ukraine are tomatoes (2 148 thous. tons or 20.8% of vegetables production volune in 2014), cabbages (1 877 thous. tons or 18.2%) and

7



onions (1 109 thous. tons or 10.7%) which together accounted for almost 50% of total vegetables production.

**green peas 27**

**0,3%**

**other vegetables 1.558**

**15,1%**

**garlic 191**

**onions 1,9%**

**1.109**

**10,7%**

**food melons 685**

**6,6%**

**carrot 891**

**8,6%**

**cabbage 1.877**

**18,2%**

**beetroot 897**

**8,7%**

**cucumbers 941**

**9,1%**

**tomatoes 2.148**

**20,8%**

**Figure 1.2 – Ukraine’s fresh vegetables production by product groups in 2014, thous. tons**

*Source: State Statistic Service of Ukraine*

The main fruits producing in Ukraine are apples and pears, accounting for more than 95% of total fruit production. About 5% of production accounted for stone fruits and berries.

Among other fruits, the most producing are cherries (18.3 thous. tons or 28.4% of stone fruits and berries production volune in 2014), plums (16.3 thous. tons or 25.3%) and merries and strawberries (both 6.7 thous. tons or 10.4%) which together accounted for almost 75% of total stone fruits and berries production.

**merry 6,7**

**10,4%**

**pears and quinces 165,2**

**12,6%**

**apricot 6,5**

**10,0%**

**peach 2,3**

**3,5%**

**strawber ries 6,7**

**10,4%**

**cherry 18,3**

**28,4%**

**others 64,5**

**4,9%**

**raspberr y**

**3,1**

**c4u,8rr%ant 2,6**

**apples 1.085,4**

**82,5%**

**4,0%**

**other stone fruits 1,2**

**1,8%**

**gooseber**

**other**

**ry 0,7**

**1,1%**

**plum 16,3**

**25,3%**

**berries 0,3**

**0,4%**

**Figure 1.3 – Ukrainian fresh fruits production by product groups in 2014, thous. tons**

*Source: State Statistic Service of Ukraine*

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For the sector analysis, data is only available at the aggregate level of “Non-perennial crops”, mostly (more than 90%) comprised by fruit producers. Detailed data on vegetable sector is not available.

In the fruit-producing sector there are 1 064 registered companies in Ukraine, and most of them are small or medium-sized (Table ).

Over the last 5 years in terms of national currency, Ukrainian fruit sector has been constantly recording turnover growth to 4 276 million UAH (1 999 thous. tons of which 62% are apples and other pome fruits) in 2014, (the total increase was +136%). However, if in Euro terms the turnover decreased by 37% (272 million EUR) due to the devaluation of the hryvnia.

The sector contribution to the GDP during 2012 – 2014 was about 0.2% (value added of the sector was 227 mln. EUR in 2014).

**mln. Euro**

**Turnover, mln. EUR**

***Turnover, mln. UAH***

***mln. UAH***

**mln. Euro 500**

**Value added of the sector, mln EUR**

**Sectors share in GDP, %**

**400**

***5.000***

**1,0%**

***4.276***

**400**

**0,8%**

***4.000***

***3***

***5***

**300**

**291**

***2***

***6***

**300**

**0,6%**

**255**

***3.000***

**227**

**200**

***2.072***

**200**

**0,4%**

***1***

***8***

**4**

***2.000***

**1**

**2**

**100**

**0,2%**

**100**

**7**

***0***

***%***

**2**

***1.000***

***0***

***%***

***0***

***%***

**0**

**0,0%**

**2012**

**2013**

**2014**

**0**

***0***

**2010**

**2011**

**2012**

**2013**

**2014**

**Figure 1.4- Turnover and value added of Ukraine’s fresh fruits sector in**

**2010-2014**

**Table 1.1 – Basic indicators of activity of business entities of fresh fruits sector**

**in 2010-2014\***

9

***.80***

**17**

**18**

**27**

***.98***

**29**

***.54***

**33**

**Indicator 2010 2011 2012 2013 2014**

**Number of enterprises, 518 870 1070 1192 1064**

**Number of employees, thous. 31,5 32,7 28,9 26,3 17,1 person**

**Turnover, mln. UAH 1807,9 2071,7 2986,3 3545,4 4275,6**

**Production value, mln. UAH n.a. n.a. 3408,8 4237,7 5729,2**

**Value added, mln. UAH n.a. n.a. 2616,0 3086,4 3562,6**

**Financial results of enterprises before taxation, mln. UAH**

**Financial result (balance)** 247 411,6 1272,5 1827 2305,1

**in % to the total** 67 68,6 68,7 70 69

**Businesses earned a profit** 482,2 601,6 1498,7 1967,4 2560,7

***,20***

***,19***

***,24***



*\* - according to the type of activity “Production of perennial crops”. Data on vegetables sector is not available Source: State Statistic Service of Ukraine*

The assortment of grown fruit and vegetable products is very wide: grape, cherries, apples, plumps, apricots, peaches, strawberry, raspberry, blueberry, black currant, gherkins, cabbage, marrow, eggplants, pepper, tomatoes, bean, green peas etc., and last times, sweet corn and mushrooms.

Vegetable production is spread throughout Ukraine. The highest concentration of vegetable crops is typical for farms located around large cities. In horticulture sector different parts of Ukraine specializing in the cultivation of various fruits. Apples and pears are produced in forest-steppe zone (mainly Vinnytsia and Chernivtsi regions), while cherries, plums, apricots, cherries, peaches, nuts - in the central and southern regions.

One should distinguish organic market development, as in EU consumers are more aware of environmental issues, i.e. they require organic, pesticide free, or ecologically responsible products. More and more companies are looking for organic suppliers.

Certified organic agricultural production with a focus on sales to other countries began in Ukraine in 1990 because of demand for organic products in the international market.

Unfortunately, there is no official government statistics on organic agricultural production. At present it is impossible to have a complete picture of the organic sector based on information from organizations that carry out certification of organic production. According to the one of the key NGOs in the organic sector, the Organic Federation of Ukraine, the agricultural land area occupied by organic production (December 2013) amounted to 393.400 hectares, the number of certified organic agricultural producers – 175.

Due to the fact that domestic organic market is still underdeveloped, most Ukrainian companies are focused on organic exports. Main export-oriented organic agricultural products in Ukraine - are crops (cereals, oil, beans) and wild plants (berries, mushrooms, nuts, herbs), which are mainly for further processing and / or re-export. There is a high potential for increasing exports of organic products, as demand for Ukrainian organic products from international buyers from EU countries, Switzerland, USA and other countries is high and growing.

Ukrainian domestic market for organic produce is relatively young (counting begins with the development of the 2008). The main sales channel for organic products in Ukraine - a supermarket chain (e.g., Good Wine, Silpo, Auchan, Megamarket etc.). In addition, there are small specialized health food stores and online retailers. Today consumers have access to certified organic products produced in Ukraine: different kinds of vegetables,

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**in % to the total** 33 31,4 31,3 30 31

**Companies made a losses** 235,2 190 226,2 140,4 255,6

**Net profit (loss) of enterprises, mln. UAH**

**Financial result (balance)** 241,3 399,8 1268,4 1825,7 2303,1

**in % to the total** 67 68,3 68,5 70 68,8

**Businesses earned a profit** 476,6 589,9 1494,1 1966,2 2558,9

**in % to the total** 33 31,7 31,5 30 31,2

**Companies made a losses** 235,3 190,1 225,7 140,5 255,8

**Profitability of operational 21,3 19 52,3 70,8 68,9 activity, %**

**Profitability of all activity, % 8,6 12,1 34 64,9 62,5**



seasonal fruits and berries, pumpkins, melons, watermelons, eggs, mushrooms, herbs, nuts, honey, cereals, flour, cereals, jams, syrups, juices, beverages, vegetable oils, spices, bakery, dairy and meat products.

Most organic operators (producers, processors, traders) in Ukraine are certified organic according to the requirements of EU legislation. In fact, the EU organic standard is used both for export and for the domestic market in Ukraine. At the beginning of December 2015, in Ukraine there is no organic operator, certified according to the requirements of the organic law of Ukraine, because it is not yet implemented. Depending on the target market, Ukrainian producers are certified according to some other standards, including: NOP, (USA), Bio Suisse (Switzerland), Bioland (Germany), Soil Association (UK), Naturland (Germany). There are 19 private international accredited certification bodies included in the official list of certification bodies for Ukraine, approved by the European Commission (Regulation (EC) 1235/2008). From this list only certification authority "Organic Standard" is a Ukrainian company, founded by Ukrainian organizations - the key participants of the organic sector in Ukraine; all other certification bodies are foreign, three of which have their offices in Ukraine (LLC "ETKO Ukraine" LLC "Control Union Ukraine" Foreign Enterprise "SGS Ukraine").

**Main problems**



Lack of political will, adequate resources (including human), a systematic approach and state support in organic production and marketing organizations, state policy in organic agriculture and positive image of Ukraine;

Unfavourable investment climate and the lack of access of SMEs to financial resources and adapted technologies that would develop organic agribusiness;

Limited supply of organic products for domestic and foreign markets; Low awareness about organic products;









Ukrainian non-harmonized legislation framework on organic production.

on

organic

products

from

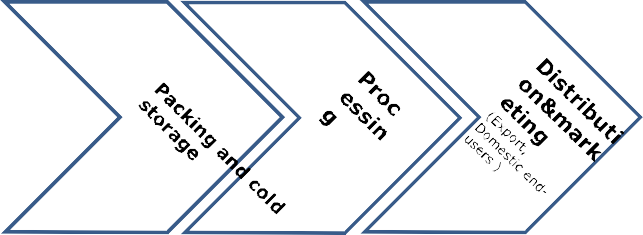
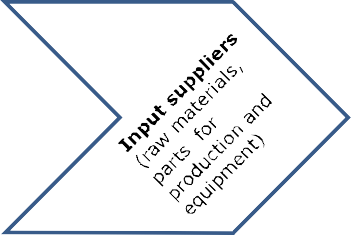
the

EU

legal

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**1.2**

**Management summary**

***Objective***

The principal objective of this value chain analysis (VCA) is to assess whether or not a CBI intervention in a fruit and vegetable sector in Ukraine will contribute significantly to export growth and, if so, identify and define the opportunities for these interventions.

***Methodology***

The VCA was conducted by a team of Ukrainian experts. About 20 interviews have been held with corporate representatives as well as industry experts.

***Mapping the value chain***

EU Consumers, Lobbysts

EU Delegation

ISO organizations

**Chain influencers**

State Veterinary and Phytosanitary Service of Ukraine

State Sanitary Service

Local athorities

Ministry of Ecology and Natural

National Bank of Ukraine

Ministry of Finance

State Fiscal Service

Ministry of Economic Development and Trade

Ministry of Agrarian Policy

Industry associations

Universities and research institutes

**Chain supporters**

BSOs (EBA, CCI,

etc.)

International donors (WNISEF, GUF, EIB)

Commercial banks (Eximbank, Oschadbank, Privatbank, Raiffeisen Bank Aval etc)

**Chain actors**

**Producers of fresh fruits and vagatables** (for fresh consumption and processing)

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***Bottlenecks along the value chain***

Below is an overview of growth to the EU/EFTA.

the

main

identified

bottlenecks

that

currently

hamper

export

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**Observed constraints in value chain and how they prohibit export**

Lack of knowledge on EU/EFTA market segments and market access requirements

Lack of (export) marketing skills

The lack of direct contacts between Ukrainian producers and European companies

Lack of necessary certifications to enter the EU market (Global GAP, ISO)

Lack of internal financial resources and limited access to long-term loans

Lack of storage facilities, especially with new equipment and technology level

Lack of refrigeration facilities in horticultural and vegetable farms

Fragmentation of producers and lack of cooperation between sector producers

Lack of state export promotion and low level of government support of producers in fresh fruit and vegetables sectors

Lack of a strong positive image and branding for Ukrainian fruit and vegetables sector

Weak branch associations which could take a lead in resolving the issues of sector and lobby the interests of manufacturers

Lack of awareness among stakeholders on CSR issues on the EU market (labour, safety, environmental and other social responsibilities)

Lack of bilateral cooperation agreement between Ukrainian phytosanitary authorities and relevant bodies of other states

Regulatory constraints resulting in more narrow range of allowed pesticides and high product costs

Deficit of quality planting material

No domestic competitive varieties of fruit and berry crops those are not inferior to foreign analogues (with flavouring properties, keeping quality etc.)

Inconsistency of fruits products to European quality standards

Climate and natural risks

The great level of labour inputs and the short after harvest period berry and stone fruit compared with apples are obstacles to berries production

Low level of production culture and pricing policy for organic products are the main obstacles to the organic production development

Unstable supply of fresh fruit and vegetable processing enterprises through lower prices (compared with the fresh fruits and berries for fresh consumption)

Lack of industrial capacities and raw materials base development for dried and frozen fruit and berries production



***EU/EFTA market opportunities***

In the segment of vegetable production in Ukraine almost hasn’t a competitive advantage over European producers because the level of mechanization processes in Ukraine is much lower (with the exception of mushrooms, garlic, onion).

Ukraine has competitive advantages in the most labour-intensive sector products, as stone fruits, berries, and melons. Production and export of berries is promising due to current trends on the EU fruit market. Consumers are more aware of environmental issues, i.e. they require organic, pesticide free, or ecologically responsible products. These products demonstrated high rates of external import growth: berries (CAGR in 2010-2014 - 26,2%), raspberries (20,9%), strawberries (6,9%).

Promising markets for Ukraine are also watermelons (11,3%) and other melons (7,2%).

**Recommendations for intervention**



exposure and linkage to European opportunities and sourcing needs, e.g. through partnering with associations such as FRUCOM, European Fruit and Vegetables Trade Association (EUCOFEL) and similar ones in Europe.



development, information;

regularly update and provision of EU/EFTA

market

intelligence





capacity building in areas of export marketing and CSR. assistance in certification procedures for Ukrainain producers.

14



**1.3** **Export Market Analysis**

**1.3.1** **Segmentation of EU/EFTA markets and product groups**

In the EU-28, the fruit and vegetables sector accounts for 17% of the total agricultural output value, of which 10% corresponds to vegetables and the remaining 7% to fruits. The importance of the sector is higher in most of the southern Member States, representing between one third and one quarter of their total agricultural output (on average for the period 2011-2013, more than 30% in Greece, Cyprus, Malta and Portugal, and between 25% and 30% in Spain, Italy and Romania).

**Table 1.2 – Share of the fruit and vegetables sector in total agricultural output –**

**EU-28, average 2011-2013**

15

**Country Agricultural output - average 2011-2013**

**Total, mln. Fruit and vegetables Fruits Vegetables**

**EUR mln. EUR % of mln. EUR % of mln. EUR % of**

**total total total**

**EU-28** 370 407.1 62 634.6 16.9 24 373.0 6.6 38 261.6 10.3

**Belgium** 8 148.4 1 635.3 20.1 432.5 5.3 1 202.9 14.8

**Bulgaria** 3 601.6 269.0 7.5 138.4 3.8 130.6 3.6

**Czech Republic** 4 615.8 193.9 4.2 49.6 1.1 144.4 3.1

**Denmark** 10 767.7 360.8 3.4 46.8 0.4 314.0 2.9

**Germany** 51 187.8 3 241.2 6.3 514.2 1.0 2 727.0 5.3

**Estonia** 773.2 73.1 9.5 5.0 0.6 68.1 8.8

**Ireland** 6 707.0 340.5 5.1 44.1 0.7 296.5 4.4

**Greece** 9 366.6 3 595.8 38.4 1 882.7 20.1 1 713.1 18.3

**Spain** 40 294.5 12 004.3 29.8 6 568.6 16.3 5 435.7 13.5

**France** 67 988.3 7 925.2 11.7 3 057.0 4.5 4 868.2 7.2

**Croatia** 2 314.8 219.4 9.5 113.6 4.9 105.7 4.6

**Italy** 42 098.0 12 089.9 28.7 5 660.3 13.4 6 429.6 15.3

**Cyprus** 688.2 251.5 36.6 131.0 19.0 120.5 17.5

**Latvia** 763.5 77.6 10.2 4.3 0.6 73.3 9.6

**Lithuania** 2 444.3 154.2 6.3 8.9 0.4 145.3 5.9

**Luxembourg** 376.3 10.3 2.7 2.8 0.7 7.6 2.0

**Hungary** 6 991.5 934.3 13.4 358.7 5.1 575.6 8.2

**Malta** 120.2 42.6 35.5 6.7 5.6 35.9 29.9

**Netherlands** 22 970.5 3 898.8 17.0 628.8 2.7 3 270.0 14.2

**Austria** 6 451.8 540.4 8.4 202.8 3.1 337.7 5.2

**Poland** 21 582.3 4 060.8 18.8 1 276.3 5.9 2 784.4 12.9

**Portugal** 5 960.7 1 870.3 31.4 1 123.4 18.8 746.9 12.5

**Romania** 15 398.9 4 219.8 27.4 1 101.6 7.2 3 118.2 20.2

**Slovenia** 1 160.5 171.5 14.8 99.4 8.6 72.1 6.2

**Slovakia** 2 067.6 197.4 9.5 44.6 2.2 152.8 7.4

**Finland** 4 047.6 678.3 16.8 99.3 2.5 579.0 14.3

**Sweden** 5 527.7 517.1 9.4 90.4 1.6 426.7 7.7



*Source: Eurostat - Agricultural production, Economic Accounts for Agriculture (table aact\_eaa01). Total is the sum of 10000 - Crop output and 13000 - Animal output. Fruits correspond to 06000 - Fresh fruit. Vegetables is the sum of 04100 - Fresh vegetables and 05000 - Potatoes (including seeds), i.e. excluding plants and flowers.*

Most of the EU's production of fresh fruit and vegetables is consumed internally: overall, only 15% of the total fruit production and 7% of the vegetables production is exported outside the EU (in value). In terms of quantities of fresh fruit produced, the EU exports around 32% of the production of kiwis, 15.5% of pears, 12-13% of apples and nectarines, 6-8% of peaches, lemons and table grapes, and 5.5% or less of the production of apricots, cherries, strawberries, oranges, melons and watermelons. In the case of vegetables, EU exports represent around 12.5% of the production of onions, 5- 6% of sweet peppers and mushrooms, and less than 5% of the production of tomatoes, potatoes, cucumbers, carrots, cauliflowers and broccoli, cabbages and eggplants.

**Table 1.3 –EU-28 production and exports of fresh fruit and vegetables, by main**

**product, average 2011-2013, thous tons**

16

**Product Production Exports % of extra-EU production**

**Fresh fruit**

**Apples** 11 429,2 1 428,2 12,5

**Pears** 2 480,3 383,6 15,5

**Peaches** 2 522,6 164,4 6,5

**Nectarines** 1 251,8 163,3 13,0

**Apricots** 654,2 21,3 3,3

**Cherries** 799,3 24,1 3,0

**Strawberries** 1 070,2 59,0 5,5

**Oranges** 6 176,5 290,6 4,7

**Lemons** 1 223,0 77,4 6,3

**Table grapes** 1 753,2 134,5 7,7

**Melons** 1 938,4 41,0 2,1

**Watermelons** 2 681,7 47,8 1,8

**Kiwis** 687,5 222,1 32,3

**Fresh vegetables**

**Tomatoes** 15 337,9 276,7 1,8

**Potatoes** 59 875,0 681,9 1,1

**Mushrooms** 1 324,5 70,6 5,3

**Cucumbers** 2 151,9 60,3 2,8

**Carrots** 5 216,0 98,8 1,9

**Sweet peppers** 2 259,2 132,0 5,8

**Cauliflowers and broccoli** 2 211,7 55,2 2,5

**Cabbages** 3 567,2 58,1 1,6

**Eggplants** 723,5 25,9 3,6

**Onions** 5 948,7 745,0 12,5

**United** 25 992.1 3 061.2 11.8 681.4 2.6 2 379.8 9.2

**Kingdom**



**1.3.2** **Trade flows and competitor analysis**

Freshness and perishability of fresh fruit and vegetables produce, as well as the fairly wide variety of products offered by EU countries, make intra-EU trade a very significant share of the sector’s total trade (Table 1.4). Intra-EU import covered about 80% of the value of EU’s fruit and vegetables imports in 2014, against a higher rate in 2010 (81.2%).

Over the last 5 years the EU/EFTA countries has been constantly recording a negative trade balance in fresh fruit and vegetables foreign trade, totalling 3.6 billion EUR in 2014 (Table 1.4). However, if in value terms the import was higher than export by 15% on average in volume terms – around 4%, indicating that the products, imported to the EU/EFTA was characterized by the higher level of prices than export prices (see Table ). In terms of value, EU/EFTA **exports** of fresh fruits and vegetables grew from 20.5 bln. EUR in 2010 to 22.2 bln. EUR in 2014 (up by 2.0% on average). In terms of quantity, growth also was observed: from 26,314 tonnes in 2010 to 28,444 tonnes in 2014 (up by 2.0% on average).

EU/EFTA **imports** of fresh fruits and vegetables in terms of value grew from 23.6 bln. EUR in 2010 to 25.7 bln. EUR in 2014 (up by 2.2% on average). In terms of quantity, growth was also less pronounced: from 27,198 tonnes in 2010 to 28,962 tonnes in 2014 (up by 1.6% on average). The fact that values grew faster than volumes may be because of price increases due to inflation, international price increases or fluctuations in exchange rates.

**Table 1.4 –EU/EFTA foreign trade of fresh fruits and vegetables in 2010-2014,**

**mln. EUR\***

*Source: Eurostat*

*\* - excluding apples, pears and tropical fruits*

17

**Indicator 2010 2011 2012 2013 2014 CAGR**

**, %**

**Value, mln. Euro**

**Export** 20 504 20 21 778 23 577 22 216 2,0%

052

**Import** 23 601 23 24 856 27 061 25 787 2,2%

408

**incl. external** 4 448 4 657 4 647 4 881 5 094 3,4%

**incl. Ukraine** 9 6 8 7 6 -7,7%

**Ukraine's share** 0,20 0,13 0,17 0,15 0,13

**Weight, thous.tons**

**Export** 26 314 26 27 261 28 197 28 444 2,0%

856

**Import** 27 198 27 28 813 29 861 28 962 1,6%

591

**incl. external** 3 877 3 828 3 689 3 857 3 776 -0,7%

**incl. Ukraine** 28 17 14 21 11 -

21,5

%

**Ukraine's share** 0,71 0,43 0,37 0,55 0,28



**mln. EUR**

**bln. Euro**

**30**

**Expo rt**

**Import from Ukraine**

**27**

**Ukraine's share in external import, %**

**26**

**10**

**1,5%**

**25**

**24**

**24**

**8,9**

**25**

**23**

**22**

**22**

**7,8**

**21**

**20**

**8**

**1,2%**

**7,3**

**20**

**6,5**

**6,0**

**6**

**0,9%**

**15**

**4**

**0,6%**

**10**

**2**

**0,3%**

**0,**

**%**

**0,**

**5**

**% 0,**

**% 0,**

**% 0, %**

**0**

**0,0%**

**0**

**2010 2011 2012 2013 2014**

**2010 2011 2012 2013 2014**

**Figure 1.5- EU/EFTA foreign trade of fresh fruits and vegetables in 2010-2014 in value terms**

**thous. tons**

**Import from Ukraine**

**Ukraine's share in external import, %**

**mln. tons**

**40**

**Expor t**

**30**

**1,5%**

**28**

**25**

**9**

**1,2%**

**30**

**21**

**20**

**17**

**0,9%**

**14**

**20**

**15**

**11**

**0,6%**

**0,**

**%**

**10**

**0,**

**%**

**10**

**0,3%**

**0,**

**% 0,**

**5**

**%**

**0, %**

**0**

**0,0%**

**0**

**2010 2011 2012 2013 2014**

**2010 2011 2012**

**2013 2014**

**Figure 1.6 - EU/EFTA foreign trade of fresh fruits and vegetables in 2010-2014 in volume terms**

18

**29 30 282**

**2627 2728 27 28**

**28**

**37**

**43**

**55**

**71**

**13**

**13**

**15**

**17**

**20**



Extra-EU export is around 10% of all EU/EFTA fruits and vegetables export in 2014. Hence, Europe mainly exports to other European countries (own production and re- exports). The highest shares of extra-EU export are in shipments of potatoes (26%), stone fruits (19%), root, bulb or tuberous vegetables (17%) and bush fruits (16%).

Extra-EU exported fresh fruits and vegetables consist mainly of fruit-bearing vegetables (529 mln. EUR or 24% in 2014), potatoes (488 mln. EUR or 22%), stone fruits (370 mln. EUR or 17%) and root, bulb or tuberous vegetables (290 mln. EUR or 13%). Together, these product account for more than three fourth of all extra-EU exports of fresh fruits and vegetables.

In 2010-2014 export increase was observed in trade of all products (the largest in the segment of green leguminous vegetables, bush fruits and bush fruits - CAGR 30.4%%, 16.3%%, 14.2%% respectively).

**Table 1.5 – EU/EFTA fresh fruits and vegetables export by main product groups**

**in 2010-2014\***

19

**Subgroup ALL EXPORT EU/EFTA UA import from UA**

**EU/EFTA external export EU/EFTA share in**

**mln. EUR CAGR in mln. EUR CAGR in mln. EUR CAGR in external**

**2010- 2010- 2010- export**

**2014 2014 2014**

Value, mln. Euro

**Other fruit-bearing** 7 699,4 1,6% 528,6 4,6% 16,2 1,8% 3,1%

**vegetables**

**Leafy or stem vegetables** 2 488,8 1,7% 132,7 9,5% 5,4 3,5% 4,0%

**Potatoes and other edible** 1 880,3 -0,7% 488,2 0,3% 5,8 19,1% 1,2%

**roots and tubers with high starch or inulin content**

**Stone fruits** 2 001,4 0,9% 369,9 6,7% 24,1 -1,1% 6,5%

**Root, bulb or tuberous** 1 696,9 -1,9% 290,2 -1,3% 7,5 -5,9% 2,6%

**vegetables**

**Grapes** 1 736,3 2,7% 80,5 -5,4% 4,7 -15,6% 5,9%

**Berries and the fruits of** 1 920,5 11,0% 107,5 14,2% 1,0 6,9% 0,9%

**the genus vaccinium**

**Melons** 955,9 2,8% 14,7 7,9% 0,1 -4,7% 0,6%

**Mushrooms and truffles** 904,6 1,8% 79,2 5,3% 0,0 -58,5% 0,0%

**Other tree and bush fruits** 538,5 7,1% 85,6 16,3% 9,5 26,1% 11,1%

**n.e.c.**

**Green leguminous** 304,3 6,2% 9,3 30,4% 0,0 11,4% 0,4%

**vegetables**

**Vegetables, fresh, n.e.c.** 89,1 4,4% 5,8 4,2% 0,5 6,3% 7,9%

**Total** 22 216,0 2,0% 2 192,1 3,6% 74,8 0,9% 3,4%

Weight, thous. tons

**Other fruit-bearing** 7 096,4 5,3% 433,3 12,7% 16,7 -3,3% 3,9%

**vegetables**

**Leafy or stem vegetables** 2 831,1 3,6% 241,7 11,0% 12,0 -3,6% 5,0%

**Potatoes and other edible** 7 686,3 -1,3% 1 359,8 -0,4% 19,0 21,3% 1,4%

**roots and tubers with high starch or inulin content**

**Stone fruits** 2 106,9 4,6% 447,5 9,7% 42,5 2,5% 9,5%



*Source: Eurostat*

*\* - excluding apples, pears and tropical fruits*

**Root, bulb or tuberous vegetables 290**

**13,2%**

**Leafy or stem vegetables 133**

**6,1%**

**Berries and the fruits of the genus vaccinium**

**108**

**4,9%**

**Stone fruits 370**

**16,9%**

**Other tree and bush fruits n.e.c.**

**86**

**3,9%**

**Potatoes and other edible roots and tubers with high starch or inulin content**

**488**

**22,3%**

**Others 190**

**8,6%**

**Other fruit-bearing vegetables**

**529**

**24,1%**

**fresh fruits and vegetables by main**

**Figure 1.7- EU/EFTA**

**external**

**export of**

**product groups in 2014, mln. EUR**

EU/EFTA fresh fruits and vegetables export by main product groups and subgroups in 2010-2014 is shown in Table 1.6.

20

**Root, bulb or tuberous** 3 863,5 0,0% 943,5 1,9% 25,4 -13,9% 2,7%

**vegetables**

**Grapes** 1 084,3 -0,3% 62,9 -6,3% 4,9 -22,3% 7,8%

**Berries and the fruits of** 667,2 8,5% 50,8 21,5% 0,6 11,8% 1,2%

**the genus vaccinium**

**Melons** 1 769,0 1,6% 27,6 6,9% 0,1 -12,1% 0,3%

**Mushrooms and truffles** 429,1 0,3% 66,5 7,1% 0,0 -80,2% 0,0%

**Other tree and bush fruits** 413,7 8,7% 88,6 21,6% 10,3 20,1% 11,6%

**n.e.c.**

**Green leguminous** 358,3 6,6% 13,4 36,3% 0,0 25,3% 0,2%

**vegetables**

**Vegetables, fresh, n.e.c.** 138,1 6,5% 9,6 13,0% 0,5 1,8% 5,3%

**Total** 28 444,0 2,0% 3 745,2 3,9% 132,0 -2,6% 3,5%



**Table 1.6 –EU/EFTA fresh fruits and vegetables export by main product groups in 2010-2014\***

21

**Group Subgroup ALL EXPORT EU/EFTA EU/EFTA external UA import from UA export EU/EFTA share in**

**mln. EUR CAGR in 2010- mln. CAGR in 2010- mln. CAGR in 2010- externa**

**2014 EUR 2014 EUR 2014 l export**

Value, mln. Euro

**Other fruit-** Tomatoes 3 440,1 2,5% 252,1 18,6% 7,8 -0,6% 3,1%

**bearing vegetables**

Chillies and peppers, green (only capsicum) 1 937,7 1,4% 150,1 -1,6% 6,2 1,9% 4,1%

Other fruit-bearing vegetables n.e.c. 1 114,4 -1,6% 69,2 -12,8% 1,0 13,8% 1,4%

Cucumbers and gherkins 977,5 2,2% 32,4 22,8% 0,4 47,1% 1,1%

Eggplants (aubergines) 229,7 3,0% 24,8 3,9% 1,0 4,8% 3,9%

**Leafy or stem** Lettuce 994,4 -0,6% 46,9 14,4% 2,7 12,8% 5,8%

**vegetables**

Cauliflowers and broccoli 567,0 1,7% 25,8 14,8% 1,1 11,8% 4,4%

Cabbages 378,4 1,9% 45,4 3,6% 1,2 -13,0% 2,7%

Asparagus 225,1 6,8% 5,0 8,4% 0,1 -4,2% 2,0%

Chicory 197,9 -0,5% 7,6 4,5% 0,1 14,0% 1,2%

Spinach 86,1 15,8% 1,6 24,8% 0,1 150,9% 7,2%

Artichokes 39,9 - 0,4 - 0,0 - 1,7%

**Potatoes and** Potatoes 1 794,9 -1,3% 486,6 0,3% 5,8 19,1% 1,2%

**other edible roots and tubers with high starch or inulin content**

Sweet potatoes 57,4 25,1% 0,3 23,1% 0,0 32,8% 3,3%

Cassava 10,8 -5,6% 0,0 -32,5% 0,0 - 0,1%

Other edible roots and tubers with high starch or inulin 15,4 10,0% 1,1 38,2% 0,0 -100,0% 0,0% content

Taro 1,9 - 0,0 - 0,0 - 0,0%



22

**Stone fruits** Nectarines 1 201,1 -0,6% 240,5 4,0% 21,2 -1,7% 8,8%

Cherries 297,1 3,8% 45,9 19,1% 0,3 17,2% 0,6%

Sloes 241,6 0,1% 63,5 8,5% 1,6 7,6% 2,4%

Apricots 261,6 6,7% 20,0 15,9% 1,1 -1,9% 5,3%

**Root, bulb or** Onions 724,0 -2,9% 212,8 -2,8% 7,0 3,9% 3,3%

**tuberous vegetables**

Carrots and turnips 311,9 0,4% 22,0 -6,1% 0,1 -53,1% 0,6%

Garlic 296,3 -1,4% 33,7 11,9% 0,1 56,3% 0,3%

Other root, bulb or tuberous vegetables 231,4 3,0% 14,9 4,3% 0,2 -33,4% 1,0%

Leeks and other alliaceous vegetables 133,3 -8,8% 7,0 8,6% 0,1 -0,6% 1,5%

**Grapes** Other grapes, fresh 1 736,3 2,7% 80,5 -5,4% 4,7 -15,6% 5,9%

**Berries and** Strawberries 1 084,7 5,0% 70,4 12,8% 0,6 7,1% 0,9%

**the fruits of the genus vaccinium**

Raspberries 422,3 21,3% 18,4 14,3% 0,1 -8,0% 0,6%

Other berries, the fruits of the genus vaccinium n.e.c. 413,5 24,1% 18,7 20,6% 0,2 21,6% 1,2%

**Melons** Other melons 509,8 4,1% 8,5 7,7% 0,1 -1,7% 0,7%

Watermelons 446,2 1,4% 6,2 8,0% 0,0 -10,0% 0,4%

**Mushrooms** Mushrooms and truffles 904,6 1,8% 79,2 5,3% 0,0 -58,5% 0,0%

**and truffles**

**Other tree and** Other tree and bush fruits n.e.c. 538,5 7,1% 85,6 16,3% 9,5 26,1% 11,1%

**bush fruits n.e.c.**

**Green** Beans, green 192,4 4,4% 2,2 2,2% 0,0 16,1% 1,4%

**leguminous vegetables**

Peas, green 85,8 9,9% 2,0 31,3% 0,0 -0,1% 0,4%

Other green leguminous vegetables 26,1 9,5% 5,1 73,8% 0,0 - 0,0%

**Vegetables,** Vegetables, fresh, n.e.c. 89,1 4,4% 5,8 4,2% 0,5 6,3% 7,9%

**fresh, n.e.c.**

**TOTAL** 22 2,0% 2 3,6% 74,8 0,9% 3,4%



23

216,0 192,1

Weight, thous. tons

**Other fruit-** Tomatoes 3 020,4 4,6% 249,4 22,0% 8,3 -6,7% 3,3%

**bearing vegetables**

Chillies and peppers, green (only capsicum) 1 599,3 8,6% 90,9 3,3% 6,3 -0,3% 6,9%

Other fruit-bearing vegetables n.e.c. 952,8 2,8% 36,5 -4,4% 0,8 -4,6% 2,1%

Cucumbers and gherkins 1 284,2 5,3% 33,2 20,6% 0,5 35,4% 1,4%

Eggplants (aubergines) 239,7 5,8% 23,3 9,0% 1,0 3,2% 4,2%

**Leafy or stem** Lettuce 1 046,6 3,7% 44,1 21,5% 3,1 25,3% 7,1%

**vegetables**

Cauliflowers and broccoli 696,9 4,0% 34,4 17,4% 1,5 10,2% 4,4%

Cabbages 700,1 1,2% 157,1 7,7% 7,1 -11,5% 4,5%

Asparagus 70,1 5,4% 1,1 10,7% 0,1 2,2% 4,8%

Chicory 201,9 2,8% 4,3 9,6% 0,1 40,4% 2,4%

Spinach 84,7 13,5% 0,5 5,9% 0,1 225,3% 22,8%

Artichokes 30,8 - 0,2 - 0,0 - 1,5%

**Potatoes and** Potatoes 7 580,3 -1,5% 1 -0,4% 19,0 21,3% 1,4%

**other edible** 358,9

**roots and tubers with high starch or inulin content**

Sweet potatoes 58,8 30,2% 0,2 9,5% 0,0 32,0% 3,9%

Cassava 9,0 -10,1% 0,0 -56,1% 0,0 - 0,0%

Other edible roots and tubers with high starch or inulin 36,7 9,6% 0,7 31,3% 0,0 -100,0% 0,0% content

Taro 1,5 - 0,0 - 0,0 - 0,0%

**Stone fruits** Nectarines 1 493,6 4,6% 317,7 7,9% 37,8 1,8% 11,9%

Cherries 149,0 5,5% 34,9 20,2% 0,6 47,6% 1,9%



*Source: Eurostat*

*\* - excluding apples, pears and tropical fruits*

24

Sloes 273,5 2,4% 77,9 12,5% 2,4 10,9% 3,0%

Apricots 190,8 7,7% 17,1 16,2% 1,6 0,8% 9,4%

**Root, bulb or** Onions 2 184,3 -0,9% 796,1 2,3% 24,2 -0,9% 3,0%

**tuberous vegetables**

Carrots and turnips 911,3 -1,8% 84,0 -7,2% 0,7 -54,2% 0,9%

Garlic 186,7 11,1% 32,9 29,3% 0,0 64,2% 0,2%

Other root, bulb or tuberous vegetables 395,0 6,1% 21,7 3,0% 0,3 -49,7% 1,2%

Leeks and other alliaceous vegetables 186,2 -0,5% 8,9 16,5% 0,2 8,2% 2,0%

**Berries and** Strawberries 513,6 6,3% 45,3 22,7% 0,4 7,3% 0,9%

**the fruits of the genus vaccinium**

Raspberries 75,2 14,8% 2,1 20,2% 0,1 12,3% 2,4%

Other berries, the fruits of the genus vaccinium n.e.c. 78,3 21,7% 3,4 10,4% 0,1 52,2% 3,1%

**Grapes** Other grapes, fresh 1 084,3 -0,3% 62,9 -6,3% 4,9 -22,3% 7,8%

**Melons** Other melons 651,4 3,2% 8,8 4,7% 0,1 -7,9% 0,6%

Watermelons 1 117,6 0,7% 18,7 8,1% 0,0 -18,2% 0,2%

**Mushrooms** Mushrooms and truffles 429,1 0,3% 66,5 7,1% 0,0 -80,2% 0,0%

**and truffles**

**Other tree and** Other tree and bush fruits n.e.c. 413,7 8,7% 88,6 21,6% 10,3 20,1% 11,6%

**bush fruits n.e.c.**

**Green** Beans, green 206,9 3,5% 1,3 -12,8% 0,0 26,9% 1,8%

**leguminous vegetables**

Peas, green 106,2 9,0% 2,4 34,5% 0,0 13,2% 0,1%

Other green leguminous vegetables 45,2 20,4% 9,8 81,8% 0,0 - 0,0%

**Vegetables,** Vegetables, fresh, n.e.c. 138,1 6,5% 9,6 13,0% 0,5 1,8% 5,3%

**fresh, n.e.c.**

**TOTAL** 28 2,0% 3 3,9% 132, -2,6% 3,5%

444,0 745,2 0



The major destinations of extra-EU exports are Russia (763 mln. EUR or 35% in 2014), Belarus (216 mln. EUR or 10%), Algeria (103 mln. EUR or 13%) and Egypt (452 mln. EUR or 9%), which in 2014 accounted for 53% of exports.

**Table 1.7 –EU/EFTA export of fresh fruits and vegetables by countries in 2010- 2014, mln. Euro\***

*Source: Eurostat*

*\* - excluding apples, pears and tropical fruits*

25

**Country ALL EXPORT EU/EFTA EU/EFTA external export UA import from EU/EFTA UA share**

**in external**

**mln. EUR CAGR in mln. EUR CAGR in mln. EUR CAGR in export 2010-2014 2010-2014 2010-2014**

**Spain** 7 168,1 5,4% 345,1 17,1% 4,5 19,3% 1,3%

**Netherlands** 6 095,7 0,7% 717,2 -3,5% 10,5 -7,4% 1,5%

**Italy** 2 104,7 -2,1% 68,6 -2,4% 0,5 -26,6% 0,7%

**France** 1 718,2 -0,6% 77,7 5,3% 0,7 467,8% 0,9%

**Belgium** 1 129,9 1,5% 81,7 -7,0% 0,0 -52,2% 0,0%

**Germany** 796,4 0,5% 35,0 0,4% 0,9 6,1% 2,4%

**Poland** 758,7 6,7% 217,0 9,3% 46,8 5,6% 21,6%

**Greece** 477,8 3,2% 121,1 10,9% 9,8 -9,0% 8,1%

**Lithuania** 445,1 11,0% 390,9 11,5% 0,4 58,9% 0,1%

**Austria** 221,0 -6,5% 2,0 21,8% 0,0 - 0,0%

**United** 223,4 -2,9% 57,5 13,6% 0,0 -100,0% 0,0%

**Kingdom**

**Portugal** 238,0 11,3% 7,1 6,4% 0,0 -100,0% 0,0%

**Hungary** 142,6 -1,8% 8,8 -2,5% 0,3 -4,8% 3,1%

**Denmark** 126,8 5,5% 22,7 -2,0% 0,0 - 0,0%

**Ireland** 120,8 0,6% 0,1 -51,8% 0,0 - 0,0%

**Slovenia** 78,0 -7,9% 16,3 11,9% 0,2 -12,8% 1,2%

**Czech Republic** 91,2 -1,6% 0,2 -14,6% 0,0 - 24,3%

**Sweden** 41,6 -4,3% 0,0 -69,3% 0,0 - 0,0%

**Cyprus** 49,8 3,5% 2,7 68,2% 0,0 - 0,3%

**Romania** 53,9 4,9% 3,0 -5,9% 0,0 - 1,5%

**Bulgaria** 31,7 -5,0% 6,0 -0,8% 0,2 -7,7% 2,8%

**Latvia** 34,5 7,7% 5,2 -6,1% 0,0 - 0,1%

**Slovakia** 23,8 -13,3% 0,1 -7,3% 0,0 -28,6% 34,1%

**Finland** 9,1 -12,2% 2,4 -31,1% 0,0 - 1,3%

**Luxembourg** 11,7 5,9% 0,4 3,8% 0,0 - 0,0%

**Croatia** 11,9 28,2% 2,0 8,5% 0,0 - 0,0%

**Estonia** 3,9 -6,3% 0,3 -31,3% 0,0 - 0,0%

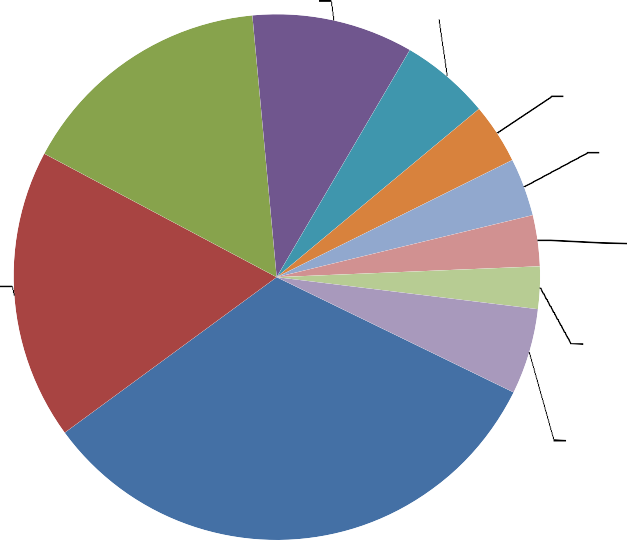
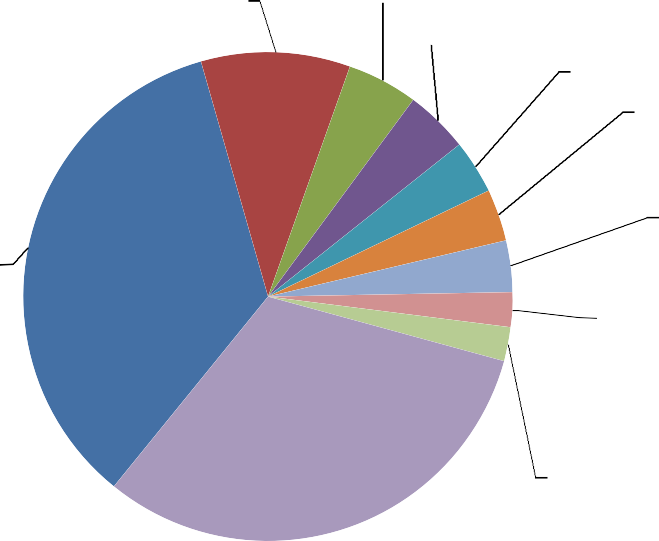
**Switzerland** 4,1 10,2% 0,8 74,7% 0,0 - 0,0%

**Norway** 1,9 0,5% 0,0 -31,3% 0,0 - 0,0%

**Malta** 1,5 27,5% 0,1 -16,8% 0,0 - 0,0%

**Iceland** 0,2 40,6% 0,2 40,6% 0,0 - 0,0%

**TOTAL** 22 216,0 2,0% 2 192,1 3,6% 74,8 0,9% 3,4%



**Algeria 103**

**4,7%**

**Belarus 216**

**9,9%**

**Egypt 92**

**4,2%**

**United Arab Emirates 78**

**3,6%**

**United States 75**

**3,4%**

**Russia 763**

**34,8%**

**Ukraine 75**

**3,4%**

**Brazil 51**

**2,3%**

**Senegal 49**

**2,2%**

**Other 693**

**31,6%**

**Figure 1.8- EU/EFTA**

**external export**

**of fresh fruits and vegetables by main**

**importing countries in 2014, mln. EUR**

The major exporters of extra-EU exports

are Netherlands (717 mln. EUR or 33% in

2014), Lithuania (391 mln. EUR or 18%), Spain (345 mln. EUR or 16%) and Poland (217 mln. EUR or 10%), which in 2014 accounted for 77% of exports.

**Poland 217**

**9,9%**

**Greece 121**

**5,5%**

**Spain 345**

**15,7%**

**Belgium 82**

**3,7%**

**France 78**

**3,5%**

**Italy 69**

**3,1%**

**United Kingdom 58**

**2,6%**

**Other 115**

**5,3%**

**Lithuania 391**

**17,8%**

**Netherlands 717**

**32,7%**

**Figure 1.9- EU/EFTA**

**external export**

**of fresh fruits and vegetables**

**by main**

**exporting countries in 2014, mln. EUR**

26



Around 80% of EU/EFTA imports in 2014 are intra-EU imports and 20% - extra-EU import. Hence, a major share of European imports consists of products that are re- exported. The highest levels of extra-EU import are in shipments of green leguminous vegetables (63%), grapes (44%), bush fruits (37%), melons (32%) and berries (20%).

In 2010-2014 the largest external import increase was observed in import of Berries and the fruits of the genus vaccinium, melons and bush fruits (CAGR in value terms 19.6%, 8.1% and 6.9% respectively).

**Table 1.8 –EU/EFTA fresh fruits and vegetables import by main product groups in 2010-2014\***

27

**Subgroup ALL IMPORT EU/EFTA external UA export to UA**

**EU/EFTA import EU/EFTA share in**

**mln. EUR CAGR in mln. EUR CAGR in mln. EUR CAGR in external**

**2010- 2010- 2010- import**

**2014 2014 2014**

Value, mln. Euro

**Other fruit-bearing** 8 404,9 0,8% 979,1 -2,2% 0,2 -3,6% 0,0%

**vegetables**

**Grapes** 2 910,4 3,8% 1 292,1 5,1% 0,0 - 0,0%

**Leafy or stem vegetables** 2 694,3 1,4% 216,6 4,1% 0,0 -49,8% 0,0%

**Stone fruits** 2 077,0 1,2% 311,5 -0,3% 0,0 30,9% 0,0%

**Potatoes and other edible** 1 819,4 1,3% 276,6 1,7% 0,0 - 0,0%

**roots and tubers with high starch or inulin content**

**Root, bulb or tuberous** 1 785,0 -2,3% 288,7 -4,8% 0,2 6,1% 0,1%

**vegetables**

**Berries and the fruits of the** 2 155,9 10,5% 427,3 19,6% 0,5 -23,1% 0,1%

**genus vaccinium**

**Melons** 1 412,1 4,6% 450,9 8,1% 1,4 -20,2% 0,3%

**Mushrooms and truffles** 924,1 1,5% 68,6 2,1% 4,2 2,9% 6,1%

**Green leguminous** 829,6 7,9% 525,1 6,6% 0,0 - 0,0%

**vegetables**

**Other tree and bush fruits** 696,4 6,9% 256,8 6,9% 0,0 - 0,0%

**n.e.c.**

**Vegetables, fresh, n.e.c.** 78,2 0,1% 0,4 -35,5% 0,0 - 0,0%

**Total** 25 787,1 2,2% 5 093,7 3,4% 6,5 -7,7% 0,1%

Weight, thous. tons

**Other fruit-bearing** 7 190,4 2,0% 970,4 -0,8% 0,3 -11,6% 0,0%

**vegetables**

**Grapes** 1 641,1 -0,1% 624,1 1,0% 0,0 - 0,0%

**Leafy or stem vegetables** 2 651,2 2,7% 107,9 -1,9% 0,0 -29,1% 0,0%

**Stone fruits** 1 864,7 3,3% 141,3 -1,2% 0,0 15,2% 0,0%

**Potatoes and other edible** 7 586,5 0,8% 495,0 -3,9% 0,0 - 0,0%

**roots and tubers with high starch or inulin content**

**Root, bulb or tuberous** 3 411,6 -0,6% 404,6 -5,5% 0,8 30,3% 0,2%

**vegetables**

**Berries and the fruits of the** 688,5 5,2% 92,4 8,9% 0,3 -19,0% 0,3%

**genus vaccinium**

**Melons** 2 244,5 1,9% 574,0 1,3% 8,1 -24,6% 1,4%

**Mushrooms and truffles** 418,5 -0,5% 13,6 2,5% 0,9 2,1% 6,5%



*Source: Eurostat*

*\* - excluding apples, pears and tropical fruits*

Extra-EU imported fresh fruits consist mainly of grapes (1 292 mln. EUR or 47% in 2014), melons (451 mln. EUR or 17%), berries (427 mln. EUR or 16%) and stone fruits (312 mln. EUR or 11%) Together, these product account for more than 90% of all extra-

EU imports 1.10).

of

fresh

fruits. Import fron Ukraine and

its share is negligible (see Figure

**mln. UR**

**Stone fruits 312**

**11,4%**

**Import from Ukraine**

**Ukraine's share in external import, %**

**Other tree and bush fruits 257**

**9,4%**

**Berries 427**

**15,6%**

**0,10%**

**0,09%**

**0,08%**

**0,06%**

**0,05%**

**0,06%**

**Melons 451**

**16,5%**

**0,04%**

**0,04%**

**0,03%**

**0,02%**

**Grapes 1.292**

**47,2%**

**0,00%**

**2010**

**2011**

**2012**

**2013**

**2014**

**Figure 1.10- EU/EFTA external import of fresh fruits by product groups in 2014, mln. EUR**

Extra-EU imported fresh vegetables consist mainly of fruit-bearing vegetables (979 mln. EUR or 42% in 2014), green leguminous vegetables (525 mln. EUR or 22%) and root, bulb or tuberous vegetables (288 mln. EUR or 12%). Together, these product account for more than 76% of all extra-EU imports of fresh vegetables.

28

**1,9**

**2,9**

**3,4**

**3,6**

**4,8**

**Green leguminous** 666,2 7,4% 230,2 1,8% 0,0 - 0,0%

**vegetables**

**Other tree and bush fruits** 447,1 8,2% 122,7 10,2% 0,0 - 0,0%

**n.e.c.**

**Vegetables, fresh, n.e.c.** 151,6 2,9% 0,3 -39,3% 0,0 - 0,0%

**Total** 28 961,9 1,6% 3 776,4 -0,7% 10,5 -21,5% 0,3%



**Other fruit- bearing vegetable s**

**979**

**41,6%**

**Others 69**

**2,9%**

**mln. EUR**

**Import from Ukraine**

**Ukraine's share in external import, %**

**Leafy or stem vegetable s**

**217**

**9,2%**

**6**

**0,10%**

**5**

**4,6**

**4,3**

**4,4**

**0,08%**

**4,1**

**4**

**Potatoes 277**

**11,7%**

**0,06%**

**3**

**2,4**

**0,**

**%**

**0,04%**

**0,**

**%**

**0,**

**%**

**0,**

**%**

**2**

**Root, bulb or tuberous vegetable s**

**289**

**12,3%**

**Green legumino us vegetable s**

**525**

**22,3%**

**0, %**

**0,02%**

**1**

**0**

**0,00%**

**2010**

**2011**

**2012**

**2013**

**2014**

**Figure 1.11 - EU/EFTA external import of fresh vegetables by product groups in 2014, mln. EUR**

29

**02**

**03**

**03**

**03**

**03**



**Table 1.9 – EU/EFTA import of fresh fruits and vegetables by main product groups in 2010-2014\***

30

**Group Subgroup ALL IMPORT EU/EFTA EU/EFTA external UA export to UA import EU/EFTA share**

**mln. EUR CAGR in 2010- mln. CAGR in 2010- mln CAGR in 2010- in 2014 EUR 2014 . 2014 extern**

**EUR al**

**import**

**Value, mln. Euro**

**Other fruit-** Tomatoes 3 659,9 0,9% 426,8 -1,5% 0,1 136,6% 0,0%

**bearing vegetables**

Chillies and peppers, green (only capsicum) 2 144,9 1,7% 283,1 -3,9% 0,0 -63,5% 0,0%

Other fruit-bearing vegetables n.e.c. 1 350,1 -0,4% 223,3 -2,0% 0,0 - 0,0%

Cucumbers and gherkins 1 027,1 -0,2% 30,7 0,7% 0,1 30,3% 0,3%

Eggplants (aubergines) 222,9 2,2% 15,3 1,2% 0,0 -48,3% 0,0%

**Grapes** Other grapes, fresh 2 910,4 3,8% 1 5,1% 0,0 - 0,0%

292,1

**Leafy or stem** Lettuce 1 066,6 -0,4% 5,0 -23,1% 0,0 - 0,0%

**vegetables**

Cauliflowers and broccoli 488,5 2,7% 13,4 59,0% 0,0 -100,0% 0,0%

Cabbages 412,6 -1,5% 17,3 -1,6% 0,0 -31,7% 0,0%

Asparagus 407,4 5,1% 170,6 4,4% 0,0 - 0,0%

Chicory 168,2 -3,5% 1,9 -13,0% 0,0 - 0,0%

Spinach 87,9 9,6% 1,6 -12,4% 0,0 - 0,0%

Artichokes 63,0 - 6,6 - 0,0 - 0,0%

**Stone fruits** Nectarines 1 114,7 0,1% 60,9 3,3% 0,0 34,1% 0,0%

Cherries 386,9 2,7% 137,8 -0,3% 0,0 -100,0% 0,0%

Sloes 292,3 -0,3% 95,4 0,2% 0,0 - 0,0%

Apricots 283,0 6,2% 17,4 -10,9% 0,0 - 0,0%

**Potatoes and** Potatoes 1 581,7 -0,1% 122,7 -7,8% 0,0 - 0,0%

**other edible roots and**



31

**tubers with high starch or inulin content**

Sweet potatoes 155,2 23,8% 97,7 23,4% 0,0 - 0,0%

Other edible roots and tubers with high starch or 51,1 1,2% 33,3 1,6% 0,0 - 0,0% inulin content

Cassava 26,6 3,7% 18,6 4,1% 0,0 - 0,0%

Taro 4,7 - 4,3 - 0,0 - 0,0%

**Root, bulb or** Onions 736,5 -1,1% 166,1 1,6% 0,1 69,5% 0,1%

**tuberous vegetables**

Garlic 313,2 -7,8% 60,0 -18,0% 0,0 76,0% 0,0%

Carrots and turnips 336,8 0,0% 29,0 -3,1% 0,0 68,3% 0,0%

Other root, bulb or tuberous vegetables (without 248,4 3,4% 6,8 9,1% 0,0 -53,9% 0,1% high starch or inulin content)

Leeks and other alliaceous vegetables 150,1 -7,3% 26,8 2,2% 0,0 - 0,0%

**Berries and** Strawberries 1 063,2 3,5% 90,7 6,9% 0,0 - 0,0%

**the fruits of the genus vaccinium**

Other berries, the fruits of the genus vaccinium 602,7 24,2% 248,2 26,2% 0,5 -23,1% 0,2% n.e.c.

Raspberries 489,9 16,5% 88,4 20,9% 0,0 - 0,0%

**Melons** Other melons 861,5 4,8% 343,2 7,2% 0,2 103,1% 0,0%

Watermelons 550,6 4,4% 107,6 11,3% 1,2 -22,5% 1,1%

**Mushrooms** Mushrooms and truffles 924,1 1,5% 68,6 2,1% 4,2 2,9% 6,1%

**and truffles**

**Green** Beans, green 594,2 6,8% 424,3 6,7% 0,0 - 0,0%

**leguminous vegetables**

Peas, green 198,2 12,5% 98,8 8,2% 0,0 - 0,0%

Other green leguminous vegetables 37,2 3,9% 2,0 -24,9% 0,0 - 0,0%



32

**Other tree** Other tree and bush fruits n.e.c. 696,4 6,9% 256,8 6,9% 0,0 - 0,0%

**and bush fruits n.e.c.**

**Vegetables,** Vegetables, fresh, n.e.c. 78,2 0,1% 0,4 -35,5% 0,0 - 0,0%

**fresh, n.e.c.**

**TOTAL** 25 2,2% 5 3,4% 6,5 -7,7% 0,1%

787,1 093,7

**Weight, thous. tons**

**Other fruit-** Tomatoes 3 127,8 1,6% 496,7 -0,9% 0,2 126,4% 0,0%

**bearing vegetables**

Chillies and peppers, green (only capsicum) 1 483,2 3,4% 242,6 -1,7% 0,0 -61,7% 0,0%

Other fruit-bearing vegetables n.e.c. 1 086,2 1,5% 177,5 0,6% 0,0 - 0,0%

Cucumbers and gherkins 1 274,5 1,2% 41,9 -0,2% 0,2 8,1% 0,4%

Eggplants (aubergines) 218,8 4,2% 11,7 3,7% 0,0 -54,7% 0,0%

**Leafy or stem** Lettuce 1 008,1 2,0% 5,9 -20,5% 0,0 - 0,0%

**vegetables**

Cauliflowers and broccoli 560,0 5,4% 3,8 34,6% 0,0 -100,0% 0,0%

Cabbages 664,4 0,2% 46,0 -3,1% 0,0 -9,2% 0,0%

Asparagus 112,1 1,4% 42,5 -0,1% 0,0 - 0,0%

Chicory 161,6 -2,2% 2,3 -12,2% 0,0 - 0,0%

Spinach 93,6 11,1% 0,9 -17,2% 0,0 - 0,0%

Artichokes 51,4 - 6,4 - 0,0 - 0,0%

**Stone fruits** Nectarines 1 232,1 3,5% 26,7 -1,7% 0,0 16,7% 0,1%

Cherries 170,3 2,8% 44,1 0,4% 0,0 -100,0% 0,0%

Sloes 270,1 0,2% 62,2 -1,4% 0,0 - 0,0%

Apricots 192,1 7,6% 8,3 -5,5% 0,0 - 0,0%

**Potatoes and** Potatoes 7 267,7 0,7% 302,9 -9,6% 0,0 - 0,0%

**other edible roots and tubers with**



33

**high starch or inulin content**

Sweet potatoes 192,3 17,0% 128,4 17,1% 0,0 - 0,0%

Other edible roots and tubers with high starch or 90,7 -9,8% 36,1 0,9% 0,0 - 0,0% inulin content

Cassava 31,8 0,0% 23,7 -0,9% 0,0 - 0,0%

Taro 4,2 - 4,0 - 0,0 - 0,0%

**Root, bulb or** Onions 1 665,4 -0,4% 280,7 -3,2% 0,7 61,9% 0,2%

**tuberous vegetables**

Garlic 187,4 -0,1% 51,3 -9,8% 0,0 75,0% 0,1%

Carrots and turnips 983,1 -2,2% 54,1 -11,6% 0,0 -12,9% 0,0%

Other root, bulb or tuberous vegetables (without 386,1 3,9% 7,5 4,5% 0,0 -29,0% 0,5% high starch or inulin content)

Leeks and other alliaceous vegetables 189,5 -2,3% 11,0 -9,2% 0,0 - 0,0%

**Berries and** Strawberries 474,1 2,0% 30,3 -4,8% 0,0 - 0,0%

**the fruits of the genus vaccinium**

Other berries, the fruits of the genus vaccinium 116,5 22,5% 40,8 22,3% 0,3 -19,0% 0,8% n.e.c.

Raspberries 97,9 8,0% 21,3 19,0% 0,0 - 0,0%

**Grapes** Other grapes, fresh 1 641,1 -0,1% 624,1 1,0% 0,0 - 0,0%

**Melons** Other melons 988,6 1,8% 373,3 1,9% 0,7 144,8% 0,2%

Watermelons 1 255,9 1,9% 200,7 0,4% 7,5 -26,2% 3,7%

**Green** Beans, green 412,0 4,2% 200,1 1,4% 0,0 - 0,0%

**leguminous vegetables**

Peas, green 215,9 15,9% 28,6 7,6% 0,0 - 0,0%

Other green leguminous vegetables 38,3 4,3% 1,5 -19,9% 0,0 - 0,0%

**Mushrooms** Mushrooms and truffles 418,5 -0,5% 13,6 2,5% 0,9 2,1% 6,5%

**and truffles**



*Source: Eurostat*

*\* - excluding apples, pears and tropical fruits*

34

**Other tree** Other tree and bush fruits n.e.c. 447,1 8,2% 122,7 10,2% 0,0 - 0,0%

**and bush fruits n.e.c.**

**Vegetables,** Vegetables, fresh, n.e.c. 151,6 2,9% 0,3 -39,3% 0,0 - 0,0%

**fresh, n.e.c.**

**TOTAL** 28 1,6% 3 -0,7% 10, -21,5% 0,3%

961,9 776,4 5



The major of extra-EU imports are imported by Netherlands (1 541 mln. EUR or 30% in 2014), United Kingdom (1 237 mln. EUR or 24%) and France (691 mln. EUR or 14%), which in 2014 accounted for 68% of import values.

**Table 1.10 –EU/EFTA import of fresh fruits and vegetables by countries in 2010- 2014, mln. Euro\***

*Source: Eurostat*

*\* - excluding apples, pears and tropical fruits*

35

**Country ALL IMPORT EU/EFTA external UA export to UA share EU/EFTA import EU/EFTA in**

**mln. EUR CAGR in mln. EUR CAGR in mln. EUR CAGR in external**

**2010-2014 2010- 2010-2014 import**

**2014**

**Germany** 5 755,8 1,5% 235,4 7,6% 0,917 -14,9% 0,4%

**United Kingdom** 3 900,9 3,1% 1 237,2 5,9% 0,000 - 0,0%

**Netherlands** 2 868,7 3,3% 1 541,0 6,4% 0,004 -3,5% 0,0%

**France** 2 800,7 2,1% 691,0 2,7% 0,000 - 0,0%

**Belgium** 1 453,3 5,1% 138,8 -0,3% 0,000 - 0,0%

**Italy** 1 101,9 -1,0% 113,6 -15,3% 0,000 -100,0% 0,0%

**Austria** 732,6 -1,8% 130,4 -8,1% 0,022 -35,3% 0,0%

**Poland** 794,0 4,4% 27,3 -3,2% 2,832 -11,1% 10,4%

**Spain** 783,3 3,1% 387,3 7,3% 0,000 - 0,0%

**Switzerland** 708,4 1,1% 121,9 6,6% 0,211 0,5% 0,2%

**Sweden** 666,6 4,5% 18,7 8,6% 0,000 - 0,0%

**Czech Republic** 492,6 -1,2% 9,7 -12,1% 0,093 - 1,0%

**Lithuania** 524,0 12,0% 21,9 20,2% 1,407 19,8% 6,4%

**Norway** 514,2 4,8% 156,3 7,9% 0,015 - 0,0%

**Denmark** 446,4 -0,1% 18,8 -0,3% 0,000 - 0,0%

**Portugal** 338,6 -2,8% 13,7 -1,7% 0,000 - 0,0%

**Ireland** 324,6 -0,2% 23,6 3,9% 0,000 - 0,0%

**Finland** 277,8 3,5% 3,5 25,5% 0,000 - 0,0%

**Slovakia** 210,7 -0,2% 1,0 -32,8% 0,004 -35,5% 0,4%

**Slovenia** 171,5 -3,9% 57,6 -9,3% 0,035 - 0,1%

**Romania** 199,2 11,6% 45,0 -4,5% 0,055 70,2% 0,1%

**Greece** 111,2 -6,8% 17,6 -18,4% 0,028 37,9% 0,2%

**Hungary** 105,7 -2,7% 11,3 -14,3% 0,000 -100,0% 0,0%

**Latvia** 109,6 8,3% 6,5 0,3% 0,487 -13,5% 7,5%

**Luxembourg** 87,3 0,9% 1,1 28,5% 0,000 - 0,0%

**Croatia** 98,4 7,9% 15,6 -11,7% 0,000 -100,0% 0,0%

**Bulgaria** 82,5 6,3% 33,8 -4,6% 0,000 -62,6% 0,0%

**Estonia** 59,0 2,4% 1,0 -7,1% 0,384 -1,5% 39,6%

**Cyprus** 21,7 -8,4% 2,2 -19,7% 0,000 - 0,0%

**Iceland** 27,8 7,9% 10,8 9,1% 0,000 - 0,0%

**Malta** 18,2 2,1% 0,1 -20,0% 0,000 - 0,0%

**Liechtenstein** 0,1 -29,9% 0,0 -33,9% 0,000 - 0,0%

TOTAL **25 787,1 2,2% 5 093,7 3,4% 6,493 -7,7% 0,1%**



**Spain 387**

**7,6%**

**Germany 235**

**4,6%**

**France 691**

**13,6%**

**Norway 156**

**3,1%**

**Belgium 139**

**2A,7u%stria 130**

**2,6%**

**United Kingdom 1.237**

**24,3%**

**Switzerland 122**

**2,4%**

**Other 454**

**8,9%**

**Netherlands 1.541**

**30,3%**

**Figure 1.12 - EU/EFTA external import of fresh fruits and vegetables by main importing countries in 2014, mln. EUR**

The major exporters of extra-EU imports are Morocco (961 mln. EUR or 19% in 2014), South Africa (625 mln. EUR or 12%), Chile (435 mln. EUR or 9%), Peru (364 mln. EUR or 7%) and Egypt (324 mln. EUR or 6%), which in 2014 accounted for 53% of import values.

**Brazil 238**

**4,7%**

**Israel 221**

**4,3%**

**Kenya 165**

**3,2%**

**Turkey 303**

**6,0%**

**Egypt 324**

**6,4%**

**Other 1.457**

**28,6%**

**Peru 364**

**7,1%**

**Chile 435**

**8,5%**

**Morocco 961**

**18,9%**

**South Africa 625**

**12,3%**

**Figure 1.13 - EU/EFTA external import exporting countries in 2014, mln. EUR**

**of fresh fruits and vegetables by main**

European fruit and vegetables supply chains are increasingly driven by large retailers. Increasing concentration and consolidation in retail chains, as well as their global

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expansion, has improved their position and augmented their buying power in the market. The major effects of the emergence of food retailers in the global food supply chains are through the procurement system of large volumes of products from suppliers. Retailers are building up long term relationships with key suppliers – either producers or wholesalers - capable to meet the requirements necessary to respond to the increased consumer interest for purchasing fresh fruit and vegetables products from supermarkets. While competition at the retail stage fuels changes in formats of retailing and outlets, the tendency to concentration and consolidation also in upstream stages of supply chains materializes a bias against small farms and fuels forms of association at farm level stage. This is the major challenge for small F&V farmers, either from the EU or other supplying areas: how to be part of modern EU-based chains where the retail stage coordinate the other actors.

Effects of structural changes can be detected also when observing changes in the trade pattern of the EU’s fruit and vegetables sector. A slow decline of the share of Intra-EU imports (from 81.2% to 80.5% in the 5 years) and a slow increase of the structural unbalance between Extra-EU import and export (-3.5 billion euro for EU/EFTA in 2014) show a gradual increase in openness to external trade and suggest a slow process of substitution of EU suppliers incapable of meeting demand and retail requirements stemming from globalized supply chains.

“Substitutes” in supply of vegetables are mainly from the Mediterranean area, but also from Central-South America and some African countries, while Central and South America prevails for fruit (also because of the role played by tropical and off-seasons fruit and vegetables products), although with a significant role of Mediterranean countries for some products, such as citrus. Survival of traditional marketing channels in the EU market, structural backwardness of non-EU suppliers, and EU trade policy devices,

converge in determining a relatively slow pace of inclusion of external

fruit

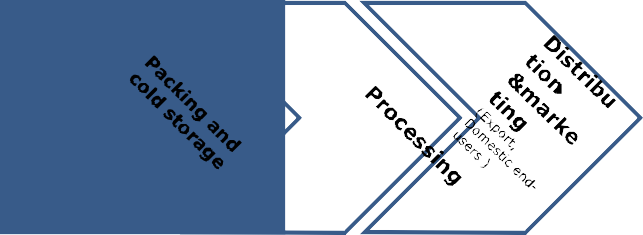
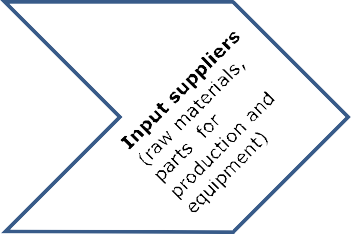
and

vegetables

suppliers in the EU-based supply chains for fruit and vegetables.

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**1.4**

**Mapping the value chain**

The three major stakeholders in this Value Chain are the chain actors, supporters and influencers.

**Figure 1.14 - Ukraine fresh fruit and vegetables value chain**

EU Delegation

EU Consumers, Lobbysts

ISO organizations

State Veterinary and Phytosanitary Service of Ukraine

State Sanitary Service

Local athorities

**Chain**

Ministry of Ecology and Natural

National Bank of Ukraine

Ministry of Finance

Ministry of Economic

Ministry of Agrarian Policy

State Fiscal Service

**influencers** Development and Trade

**Chain supporters**

Industry associations

Universities and research institutes

BSOs (EBA, CCI,

etc.)

International donors (WNISEF, GUF, EIB)

Commercial banks (Eximbank, Oschadbank, Privatbank, Raiffeisen Bank Aval etc)

**Chain actors**

**Producers of fresh fruits and vagatables** (for fresh consumption and processing)

***Chain actors and their functions***



**Suppliers of raw materials** (seedlings, pesticides, machinery, equipment). These market subjects are divided into two categories: a) domestic producers of raw materials, b) foreign companies exporting raw materials to Ukraine.



**Manufacturers of fruits and vegetables**. Currently in Ukraine there are about 1 500 companies producers of fruits and vegetables, most of which are SMEs with number of employees less than 100 people. Producers are divided into two categories: a) small and medium producers without own cool storage and packing facilities, b) big producers with own cool storage and packing facilities.



**Fruit and vegetables processing companies**. Currently in Ukraine there are about 300 companies processors of fruits and vegetables, most of which are SMEs.

Processing plants purchase fruits and vegetable inputs from the producers (non- standard production for serving as fresh, residues of fresh and vegetables production).



**Distributors, dealers, private retailers**. Sales of fresh fruit and vegetables are carried out, usually through intermediaries’ distributors (from local and external markets) and dealers (the same way). Exports can be performed directly (large producers) and through wholesale trade companies.

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***Chain supporters and their functions***



**Sector production associations**. At the national level there is no industry association. The most effective association established in the major producing regions (Vinnytsia, Chernivtsi). Their strategy includes representing and lobbying for the interests of its members; provide support for export development by using its own available resources and combining these with external resources where possible.



**Universities** middle level institutions.

**and research institutes** (horticulture and vegeculture). There is a of interaction between the sector and educational and scientific



**Chamber of**

**Commerce of Ukraine**. The main task of the Ukrainian CCI - the

creation of favourable conditions for entrepreneurship, promote the comprehensive development of scientific, technological and trade relations between Ukrainian businessmen and their foreign partners, represent the interests of its members on economic activity both in Ukraine and abroad.



**Private consultants and advisors**. A large number of consulting firms and individual private counsellors are able to provide information and consulting support to businesses of fruit and vegetable industry.



**European Business Association**. The most important function of the EBA is the collective defence of the members’ interests in central and local government bodies of Ukraine, foreign and international organizations.

***Chain influencers and their functions***



**Ministry of Economic Development and Trade of Ukraine (**MEDTU) The Ministry is the main body in the system of central bodies of the executive power in formation

and providing realization of state development (business economics), external economic policies, state entrepreneurship development policy,

regulatory policy of economic and social regulation of price, industrial, investment, trade policy, state regional policy, state technical regulations and security of consumer

rights as well as inter-agency coordination for economic and social cooperation of Ukraine with the European Union.



**Ministry of Ecology & Natural Resources of Ukraine (MENRU)**. Ministry operates in the field of environmental protection, ecological safety, treatment of waste, hazardous chemicals, pesticides and agricultural chemicals and perform state ecological expertise. The Ministry is entitled in the area of atmospheric air, preservation of ozone layer, restoration and protection of flora and fauna, restoration and protection of lands, restoration and protection of water resources (surface, ground, and seawaters), efficient usage of water resources. The Ministry ensures legal and regulatory governing of the water management and land reclamation, geological study and efficient usage of mineral resources, as well as performs state supervision on the fulfilment of the requirements of the environment legislation.

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

**Ministry of Finance of Ukraine (MFU).** Ministry of Finance is a principal authority among central executive authorities forming and implementing the financial, budget, tax and customs policy of the State (except for the administration of taxes, customs duties and sales tax and customs policies), policy in the area of state financial control, treasury maintenance of budget funds and accounting.



**State Fiscal Service of Ukraine (SFSU).** The main objectives of SFSU are: implementation of state tax policy and in the civil customs, public policy in the fight against crimes in the application of tax and customs legislation implementation within the authority provided by law, control the flow to budgets and state funds taxes and fees customs and other charges, public policy administration single contribution and combating offenses during the application of the legislation on the payment of a single fee, state policy on control timeliness of payment in foreign currency statutory term compliance procedure of cash payments for goods (services) and the availability of licenses for economic activities subject to licensing under the law, trade patents.



**Ministry of Agrarian Policy and Food.** Ministry is the main body on the formulation and implementation of national agricultural policy, policy on agriculture and on food security, public policy in the fields of fisheries and fisheries, protection, use and reproduction of aquatic resources, regulation of fisheries and maritime security fleet vehicles fisheries, veterinary medicine, food safety in the areas of plant protection, protection of rights on varieties grown, land relations, survey and mapping, forestry and hunting, surveillance (monitoring ) in agriculture.



**State Sanitary and Epidemiological Service of Ukraine.** This body monitors the conformity of fruit and vegetables and the raw materials used, as well as sanitary and epidemiological control at checkpoints across the state border.



**Certification companies.** Provides a service for issuing certificates for compliance with product standards and requirements set by national and international legislation, as well as providing consulting services to bring the production and business processes in compliance with the standards.



**Local authorities.** Local authorities can influence the business of local companies through the adoption of regulatory decisions and decisions related to the use of local resources, the distribution of which is within their competence.

The flow of products along the chain is described in Figure 1.15.

40



**Figure 1.15 –**

**Flow of products along the chain of fresh fruit and vegetables in Ukraine**

**Raw**

**materials**

**Packaging and cool storage**

**Distribution and marketing**

**Production**

**Processing**

**Domestic market**

**Processing companies**

**Suppliers of inputs**

**Producer: fruits & vegetables for processed food**

**Producer: fruits & vegetables for fresh consumption**

**Exporters and wholesalers**

**Large Producer Exporter Companies**

**Export**

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**Importers**

**Production**

**Packing Plants**

**Cold storage units**

**Equipment**

**Irrigation equipment**

**Small-scale retail**

**Open air markets**

**Fertilizers**

**Medium & Large**

**Small**

**Wholesalers**

**Packing Plants**

**Cold storage units**

**Seeds**

**Agrochemicals**

**Supermarkets**

**Horeca**

**Dried**

**Frozen**

**Preserved**

**Juices**



**1.5** **Bottlenecks along the value chain**

**1.5.1** **Market opportunities**

The main market opportunities for Ukraine are:









Ukraine is located nearby the EU, suggesting short transport time

favourable climate conditions for majority of horticulture products and fertile lands low labour cost and unlikely significant wages increase in the short- and mid-term potential to develop EU/EFTA export markets (especially in the organic products sector) after entering into force DCFTA with EU

opportunities for the manufacturing of baby food (fruit and vegetable puree)

Ukraine can be a competitive producer and exporter of organic goods. The highly labour-intensive value chains of processed organic fruits could also generate significant socioeconomic benefits, particularly in rural communities.





In the segment of vegetable production in Ukraine almost hasn’t a competitive advantage over European producers because the level of mechanization processes in Ukraine is much lower (with the exception of mushrooms garlic, onion).

So Ukraine has competitive advantages in the most labour-intensive sector products, as stone fruits, berries, and melons.

In addition, production and export of berries is promising due to current trends on the EU fruit market. Consumers are more aware of environmental issues, i.e. they require organic, pesticide free, or ecologically responsible products. More and more companies are looking for organic suppliers. ‘Super fruits’ have become very popular as part of the trend among consumers in Europe towards healthier lifestyles. The word ‘super’ refers to supposed health benefits as a result of nutritional value and anti-oxidants. Berries that have been labelled as such are blueberries and raspberries; their popularity is expected to grow further as large companies jump on the ‘super-fruit bandwagon’. Some popular berries like blackcurrants and blackberries are not commonly mentioned as super fruits despite their excellent nutritional properties, so there are still some marketing opportunities in this context.

These products demonstrated high rates of external import growth: berries (CAGR in 2010-2014 - 26,2%), raspberries (20,9%), watermelons (11,3%), other melons (7,2%),

strawberries (6,9%) (Table 1.11).

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**Table 1.11 –EU/EFTA external import of some fruit and vegetables products in**

**2014 by main suppliers**

*Source: Eurostat*

**1.5.2**

**Key bottlenecks, risks and opportunities along the value chain**

**Table**

**1.12 -**

**Value Chain constraints and opportunities**

1 Critical means if the constraint is not resolved the programme outcome is not possible, or significantly reduced.

2 Short term means that the constraint can be addressed within the duration of the programme.

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**Observed constraints in value chain and how they prohibit export**

**Critical**[**1**](#_bookmark10) **constraint**

**? (Y/N)**

**Solvabl e in short term**[**2**](#_bookmark11) **(Y/N)**

**Which (donor) organisation is providing this solution? (CBI, or others)**

**How can this problem be solved?**

**Lack of knowledge on EU/EFTA market segments and market access requirements.**

Companies have insufficient knowledge about the European markets, what EU buyer and what market segment they can cater for.

Y

Y

CBI

Training is needed on market research, and market access requirements, and also existing technical, environmental, phytosanitary regulations and taxation in the EU as a whole and with features in individual countries.

**Lack of (export) marketing skills**

In line with the constraint mentioned above. Due to a poor knowledge about the European markets, consumption culture and the needs of the EU market, combined with the lack of skills and experience in the field of marketing, existing companies struggle to attract new customers and increase their exports. The sales and marketing approach is not attractive to European buyers.

Y

Y

CBI

Training is needed on marketing, also providing with information about current EU market trends on fruit and vegetables consumption, a proactive service minded approach and the right communication with customers.

**The lack of direct contacts**

Y

Y

CBI

Participation in exhibitions,

Product EU/EFTA external Main suppliers import

**mln. EUR CAGR in**

**2010-2014**

**Berries (cranberries,** 248,2 26,2 Chile (45%), Argentina (20%), Morocco

**blueberries, currants,** (16%), Ukraine (0.2%)

**blueberries, etc.)**

**Raspberry** 88,5 20,9% Mexico (43%), Morocco (26%), Serbia

(11%), Ukraine (0,001%)

**Melons** 107,6 11,3% Costa Rica (25%), Brazil (19%), Panama

(16%), Ukraine (1%)

**Watermelons** 343,2 7,2% Brazil (42%), Morocco (18%), Costa

Rica (15%), Ukraine (0,005%)

**Strawberry** 90,6 6,9% Morocco (42%), Egypt (42%), USA

(7%), Ukraine (-)

**Stone fruits (cherries,** 311,4 -0,3% South Africa (35%), Turkey (31%),

**plums, nectarines)** Chile (17%), Ukraine (0.01%)



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**between Ukrainian producers and European companies**

trade fairs and other similar events to establish contacts between Ukrainian producers and European consumers

**Lack of necessary certifications to enter the EU market**

**(Global GAP, ISO)**

Y

Y

CBI

Training is needed on certification procedures. CBI can organize activities (training and trade fair participation) in cooperation with the stakeholders

**Lack of internal financial resources and limited access to long-term loans**

Limited access to cheap credit resources (compared with neighbouring countries) which prevents the expansion of investment in assets and hinders the development of both horticulture and food processing.

Y

N

Existing incentive mechanisms need to be revised to facilitate access by SMEs, and if possible, priorities to be given to agricultural export producers.

Fruit and vegetables associations need to take a stronger role in policy advocacy in this respect.

**Lack of storage facilities, especially with new equipment and technology level**

Given the short shelf life of fruits and berries, availability of refrigeration capacity is a key factor for the development of this segment in Ukraine. The lack of sufficiently refrigerators and the need for additional packaging costs (for the products preservation during transportation over long distances) are constraining for growing berries and stone fruit crops.

Y

N

CBI

CBI can organize activities (training and trade fair participation) in cooperation with the stakeholders to promote cooperation between small producers in order to create new capacities.

Thus the development the system of grants (or reimbursements) is needed to stimulate horticultural farms forming of farming cooperatives aimed for construction common refrigeration capacity.

**Lack of refrigeration facilities in horticultural and vegetable farms.** This affects the quality of products safety, and reduces the raw materials for the processing industry.

Y

N

Creation of products sales centres, development of post- harvest and market infrastructure

**Fragmentation of producers and lack of cooperation between sector producers.**

Fragmentation and small scale of farms and orchards and lack of farmer cooperatives impedes efficiency/yields increase, achieving economy of scales and also doesn’t allow to develop infrastructure (refrigerator capacities). Small scales keep production costs high, making products less competitive.

Y

Y

CBI

CBI can organize activities (training and trade fair participation) in cooperation with the stakeholders to motivate cooperation in the future.

Promote cooperation between small producers to protect their interests and opportunities to enter large amounts of contracts

**Lack of state export promotion**

Y

N

Compensation of export VAT to



45

**and low level of government support of producers in fresh fruit and vegetables sectors**

Lack of state export promotion in fresh fruit and vegetables sectors. The sector is hardly supported by the government.

fixed agricultural tax payers.

**Lack of a strong positive image and branding for Ukrainian fruit and vegetables sector**

Y

Y

CBI

Building institutional capacity within sector associations and train a representative who will be able promote the Ukrainian fruit and vegetables sector in the relevant EU countries

CBI can assist in defining a promotion strategy to promote the Ukrainian fruit and vegetables sector and companies.

**Weak branch associations which could take a lead in resolving the issues of sector and lobby the interests of manufacturers**

The sector associations are small and fragmented thus are not able to address exporters’ needs.

Based on the experience of export to Russia, most companies ‘wait’ for clients to come, meaning that they lack export-marketing skills for positioning and promoting their product on European markets.

Y

Y

CBI

Existing associations have not sufficient capacity and financial means to promote the Ukrainian fruits and vegetables sector and can only provide limited relevant EU market information, assistance in defining export strategies or technical support.

CBI can support the sector organisation through the use of its network in the EU fruit and vegetables sector as well as through Market intelligence. Besides that they can organise buyer missions and trade fair participation in cooperation with sector associations to create more cohesion between the individual members and attract new members.

**Lack of awareness among stakeholders on CSR issues on the EU market (labour, safety, environmental and other social responsibilities)**

Without proper awareness of CSR issues (which are increasingly part of the buyer requirements in Europe), potential exporters cannot enter the market with success.

Y

N

CBI

CBI with cooperation of the interested BSOs and associations, information sharing activities should be conducted on specific CSR requirements relating to fruit and vegetable sector.

**Lack of bilateral cooperation agreement between Ukrainian phytosanitary authorities and relevant bodies of other states.** The lack of cooperation agreements leads to non- recognition by phytosanitary origin

Y

Y

Revitalization of the work necessary for the conclusion of bilateral agreements between phytosanitary agencies to eliminate barriers to trade



46

certificates in designation countries (Indonesia, the Middle East)

**Low quality of raw materials for processing.** Most processing plants provide raw materials caused by many small farmers and farmlands. Very often, the quality does not meet required standards.

Y

N

Development of the system of incentives for the development of raw orchards (fruits which are intended solely for processing)

**Regulatory constraints resulting in more narrow range of allowed pesticides and high product costs.**

Due to the existing regulatory rules In Ukraine, list of certified pesticides and plant protection products is much smaller than in the EU countries (not all European pesticides allowed in Ukraine). So, Ukrainian producers are limited in the choice of protection means, and thus protection system is ineffective because addiction pests and diseases to pesticides. The above situation is due to the need of European pesticides certification by corresponding Ukrainian regulatory authorities, which are often associated with corruption risks.

Y

Y

Allow to use EU approved pesticides without certification in Ukraine

**Deficit of quality planting material**

Insufficient availability of quality planting material, especially stone fruit crops that meet the current demand (virus tested stem cuttings, power tree growth, price quality relationship).

Y

Y

Development the preferential crediting system of producers for purchasing quality planting material

**No domestic competitive varieties of fruit and berry crops those are not inferior to foreign analogues (with flavouring properties, keeping quality etc.)**

No domestic competitive varieties of fruit and berry crops those are not inferior to foreign analogues (with flavouring properties, keeping quality etc.).

Y

N

Establishing cooperation between Ukrainian and EU pomology research centres for the development of new competitive breeds

**Inconsistency of fruits products to European quality standards (**fruit diameter, no damage, etc.)

Y

N

Compliance of farming cultivation and harvesting schemes

**Climate and natural risks** (frost, hail, pests, disease) **are** still **one**

Y

N

Public assistance (concessional lending, privileges in VAT



47

**of the main obstacles to sustainable development** of the industry and negatively affect the quality of the final product.

payment on the import of equipment, etc.) in the procurement hail-defence nets, irrigation systems, and so on.

**The great level of labour inputs and the short after harvest period berry and stone fruit compared with apples are obstacles to berries production**

Y

N

Promotion of facilitate mechanization in berry production

**Low level of production culture and pricing policy for organic products are the main obstacles to the organic production development**

Y

N

Development of measures to regulate the prices of raw materials for organic production and signing long- term contracts between processors and gardeners

**Unstable supply of fresh fruit and vegetable processing enterprises through lower prices (compared with the fresh fruits and berries for fresh consumption)**, and accordingly the reluctance of households to establish the raw orchards (fruits which are intended solely for processing). Absence of contractual agreements with food processing companies limits fruit cultivation attractiveness for farmers.

Y

N

Absence of contractual agreements with food processing companies limits fruit cultivation attractiveness for farmers

Development of incentives for the development of raw orchards (fruits assigned exclusively for processing)

**Lack of industrial capacities and raw materials base development for dried and frozen fruit and berries production.**

Poor production segment of dried fruits and frozen products in Ukraine in connection with the need for large investments in equipment (the purchase and creation of modern dryers and adoption of modern production skills)

Y

N

Policy measures elaboration for the development of the dried and frozen products production (concessional lending, VAT

non-payment on the import of equipment, etc.)

**Observed opportunities in value chain and how they benefit export**

**Critical opportun ity? (Y/N)**

**Short term benefit (Y/N)**

**Which (donor) organisation is benefiting from this opportunity? (CBI, or**

**others)**

**How can this opportunity be benefited from?**

Ukraine is located nearby the EU, suggesting short transport time

Y

Y

CBI

- Through promotion and image building of Ukraine

Favourable climate conditions for majority of horticulture products and fertile lands

Y

Y

CBI

- Through promotion and image building of Ukraine

Low labour cost and unlikely significant wages increase in the

Y

Y

CBI

- Through promotion and image building of Ukraine



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short- and mid-term

- Marketing training

Potential to develop EU/EFTA export markets (especially in the organic products sector) after entering into force DCFTA with EU

Y

Y

CBI

- Through exhibiting on trade fairs in those markets, contact agents and contact with relevant sector organizations in target markets.

Opportunities for the manufacturing of baby food (fruit and vegetable puree)

Y

Y

CBI

* Through promotion and image building of Ukraine
* Exhibit at the right fairs
* Training on product development skills and marketing

Ukraine can be a competitive producer and exporter of organic goods, given favourable climatic conditions, fertile soils and an efficient agricultural sector. The highly labour-intensive value chains of processed organic fruits could also generate significant socioeconomic benefits, particularly in rural communities.

Y

Y

CBI

* Through promotion and image building of Ukraine
* Exhibit at the right fairs
* Training on product development skills and marketing

**Observed Social Responsibility risks in value chain**

**Critical risk? (Y/N)**

**Solvab le in short term (Y/N)**

**Which (donor) organisation is benefiting from this opportunity? (CBI, or**

**others)**

**How can this opportunity be benefited from?**

Growing demand from European buyers on working circumstances in producing countries.

Y

N

CBI

CBI will link up as much as possible with existing local and/or international CSR initiatives in Ukraine



**1.5.3** **Main constraints in the value chain**

**The main constraints of fresh fruit and vegetable sector are:**

1.

2.

3.

4.

Lack of knowledge on EU/EFTA market segments and market access requirements. Lack of (export) marketing skills

The lack of direct contacts between Ukrainian producers and European companies

Lack

of

necessary

certifications

to

enter

the

EU market

(Global GAP, ISO)

Lack of internal financial resources and limited access to long-term loans Lack of storage facilities, especially with new equipment and technology level

Fragmentation of producers and lack of cooperation between sector producers.

Weak branch associations which could take a lead in resolving the issues of sector and lobby the interests of manufacturers

5.

6.

7.

8.

**1.6** **Context information**

**1.6.1** **Number of enterprises active in the chain and percentage of which is actively exporting**

Most of the Ukraine's production of fresh fruit and vegetables is consumed internally (Table 1.13). In terms of quantities of fresh fruit and vegetables produced, the Ukrainian exports around 2.7% of the production of watermelons, 1.5% of tomatoes, 1.4% of onions, cabbagesandand aubergines. In the case of fruits, Ukrainian exports represent around 0.9% of the production of cherries, 0.4% of strawberries.

Number of companies that are active in the fresh fruits and vegetables sector exporters is from 5-10 (mainly in the segment of fruit) 30-40 (tomatoes and potatoes).

**Table 1.13 – Number of enterprises active in the chain and estimated number of**

**actively exporting in 2014**

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**Product Production, tons Export Export share in Estimated**

**, tons production, % number of**

Total agricultural Total agricultural **enterprises**

enterprise enterprise **actively**

without without **exporting,**

private private **units**

households households

**Tomatoes** 4 088,4 1 134,4 61,8 1,5% 5,5% about 30-40

**Cucumbers and gherkins** 1 660,3 80,1 17,3 1,0% 21,7% about 20

**Potatoes** 23 693,4 758,9 16,1 0,1% 2,1% about 30-40

**Onions and shallots** 1 108,6 218,0 15,5 1,4% 7,1% about 20

**Watermelons** 547,6 43,2 14,7 2,7% 34,0% about 10

**Carrots and turnips** 890,7 116,7 6,5 0,7% 5,5% about 10

**Vegetables, nes** 1 505,8 82,1 3,7 0,2% 4,6% about 10

**Peppers** 187,9 9,7 2,7 1,4% 27,5% about 10

**Cabbages** 1 876,6 183,1 2,6 0,1% 1,4% about 10

**Cherries** 182,9 3,4 1,7 0,9% 49,9% 5-10

**Aubergines(egg-plants)** 86,9 5,1 1,2 1,4% 24,0% about 5



*Source: State Statistic Service of Ukraine, own estimations*

**1.6.2** **Value addition at each step of the value chain**

In the value added structure of fresh fruits and vegetables production the largest share accounted for the production stage (45-55%), in which profits is about 50-60%.

The share of raw materials is also significant (20-30%), in which about half falls on imported materials (pesticides).

**Table 1.14 –Value division between the value chain, %**

**1.6.3** **Currently exported volumes and amounts**

Over the last 5 years the Ukraine has been constantly recording a negative trade balance in fresh fruits and vegetables, totalling 153 million EUR in 2014 (Table 1.15). However, if in value terms the advantage was – 4.2 times, while in volume terms – 1.7 only times, indicating that the products, imported to Ukraine was characterized by higher level of prices than export prices.

The Ukrainian total export value in 2014 of the selected products amounted to 47 million EUR or 152 thous. tons (down by 6.2% and 0.7% on average from 2010 respectively). Dynamics of export was unstable (maximum level - 60 mln. Euros in 2010, and the minimum - 47 mln. EUR in 2014).

Import volumes of fresh fruits and vegetables in 2014 amounted to 200 million. EUR or 252 thous. Tons (up by 3.7% in value terms, while decreased by 5.8% in quantity terms respectively). Import shipments were also volatile (in 2010-2013 there was an annual increase to 260 million. Euros, while in 2014 the volumes fell to 200 mln. Euros).

50

Indicator Raw materials Manufactur Distribution Retail Total production ing added

value

Fruits 20-30 45-55 10-20 5-10 100

*Approximate share of Ukraine,* ***50 100 0 0 -***

*%*

Vegetables 20 50-60 15 15-25 100

*Approximate share of Ukraine,* ***75 100 0 0 -***

*%*

**Melons** 137,6 1,6 1,0 0,7% 60,5% about 15

**Plums and sloes** 163,2 4,4 0,5 0,3% 12,6% 5-10

**Strawberries** 66,9 8,0 0,3 0,4% 3,1% about 10

**Garlic** 191,1 1,2 0,2 0,1% 13,2% about 10

**Cauliflowers** 23,0 1,9 0,0 0,2% 2,0% 5-10

**Apricots** 64,5 0,7 0,0 0,0% 1,1% 5-10

**Raspberries, blackberries,** 30,8 1,0 0,0 0,0% 0,3% 5-10

**mulberries and loganberries**

**Peaches, nectarines** 22,5 5,3 0,0 0,0% 0,0% 5-10



**Table 1.15 –Ukrainian foreign trade of fresh fruits and vegetables in 2010-2014, mln. EUR\***

*Source: State Statistic Service of Ukraine*

*\* - excluding apples, pears and tropical fruits*

**mln. Euro**

**thous. tons**

**400**

**Export**

**Import**

**350**

**Export**

**Import**

**300**

**277**

**350**

**260**

**321**

**304**

**250**

**279**

**300**

**200**

**252**

**243**

**200**

**250**

**173**

**151**

**197**

**194**

**200**

**150**

**157**

**152**

**152**

**150**

**100**

**60**

**57**

**52**

**52**

**47**

**100**

**50**

**50**

**0**

**2010**

**2011**

**2012**

**2013**

**2014**

**0**

**2010**

**2011**

**2012**

**2013**

**2014**

**Figure 1.16 - Ukrainian foreign trade of fresh fruits and vegetables in 20102014**

The main sales markets of selected products were Russia (29.2 mln. EUR or 62.7%), CIS (11.5 mln. EUR or 24.7%) and the EU/EFTA (4.7 mln. EUR or 10.0% in 2014). Together, these regions account for almost 98% of exports.

In 2010-2014 there was a significant increase in exports to CIS countries (CAGR 19,0%), while export shipments to EU/EFTA and Russia declined (CAGR -11.7% and -10.8% respectively). In value terms, the largest increase occurred to CIS (+6 mln. EUR), and decrease to Russia (-17 mln. EUR) and EU/EFTA (-3 mln. EUR).

**Table 1.16 – Ukraine’s export of fresh fruits and vegetables by main**

**destinations in 2010-2014\***

51

Indicator Region 2010 2011 2012 2013 2014 CAGR, %

**Value, 000** Russia 46 086 43 894 39 564 36 113 29 199 -10,8%

**Euro**

CIS 5 733 3 113 6 035 6 912 11 485 19,0%

EU/EFTA 7 646 4 865 10 144 5 529 4 655 -11,7%

Flow Indicator 2010 2011 2012 2013 2014 CAGR, %

**Export** Value, mln. Euro 60 52 57 52 47 -6,2%

Weight, thous. tons 157 152 194 197 152 -0,7%

**Import** Value, mln. Euro 173 151 277 260 200 3,7%

Weight, thous. tons 321 304 279 243 252 -5,8%



*Source: State Statistic Service of Ukraine*

*\* - excluding apples, pears and tropical fruits*

**CIS 11,5**

**24,7%**

**0**

**Africa**

**0**

**America**

**EU/EFTA 4,7**

**10,0%**

**Asia 0,3**

**0,6%**

**1**

**Other**

**0**

**Asia**

**Other 0,9**

**1,8%**

**America 0,1**

**0,1%**

**-3**

**EU/EFTA**

**Russia 29,2**

**62,7%**

**Africa 0,0**

**0,0%**

**6**

**CIS**

**Russia**

**-17**

-20

-10

0

10

**Figure**

**1.17 - Ukrainian**

**export of**

**Figure 1.18 – Increase**

**of Ukrainian**

**fresh fruits and vegetables in 2014, mln. EUR**

**fresh fruits and vegetables export in 2010-2014, mln. EUR**

The main export product groups are tomatoes (20.9 mln. EUR or 44.9% in 2014), cucumbers (8.3 mln. EUR or 17.9%) and mushrooms (4.4 mln. EUR or 9.4%), which in 2014 accounted for 72% of exports.

52

Asia 369 38 993 1 913 285 -6,3%

Other 101 129 295 1 030 855 70,5%

America 57 58 69 65 53 -1,5%

Africa 6 12 119 76 1 -28,5%

**TOTAL 59 997 52 109 57 219 51 637 46 533 -6,2%**

**Weight, tons** Russia 94 497 118 156 118 222 110 481 82 546 -3,3%

CIS 27 884 15 967 34 284 35 994 45 672 13,1%

EU/EFTA 31 965 16 838 32 651 21 424 10 748 -23,9%

Asia 1 546 58 4 710 19 527 4 058 27,3%

Other 577 788 3 675 9 048 9 191 99,8%

America 62 64 80 74 71 3,6%

Africa 5 8 472 571 2 -16,8%

**TOTAL 156 536 151 878 194 095 197 120 152 288 -0,7%**



**Mushrooms and truffles**

**4,4**

**9,4%**

**Potatoes 2,7**

**5,8%**

**Melons 2,5**

**5,4%**

**Cucumbers and gherkins**

**8,3**

**17,8%**

**Onions 1,5**

**3,2%**

**Cherries 1,3**

**2,8%**

**Others 4,9**

**10,6%**

**Tomatoes 20,9**

**44,9%**

**Figure 1.19 - Ukrainian export of fresh fruits and vegetables by main product groups in 2014, mln. EUR**

In 2010-2014 there was a significant exports decrease of a majority of product groups, the highest in segment of green leguminous vegetables (CAGR -35,9%), stone fruits (CAGR -23,9%) and the highest increase in segments of root, bulb or tuberous vegetables (CAGR 27.4%), mushrooms (CAGR 1.4%).

**Table 1.17 –Ukraine’s export of fresh fruits and vegetables by main product**

**groups in 2010-2014\***

53

**Indic Product group 2010 2011 2012 2013 2014 CAGR, ator %**

**Valu** Other fruit-bearing vegetables 38 398 37 385 36 777 28 973 30 -5,9%

**e,** 084

**000**

**Euro**

Root, bulb or tuberous 1 167 2 583 2 802 8 028 3 100 27,7% vegetables

Melons 4 869 2 591 2 295 2 878 2 531 -15,1%

Potatoes and other edible roots 2 354 2 479 870 2 310 2 692 3,4% and tubers with high starch or

inulin content

Leafy or stem vegetables 3 815 1 058 1 787 2 520 1 300 -23,6%

Green leguminous vegetables 798 63 5 366 387 135 -35,9%

Stone fruits 4 201 2 523 2 717 3 003 1 407 -23,9%

Mushrooms and truffles 2 850 1 863 2 655 2 437 4 389 11,4%

Berries and the fruits of the 1 456 1 511 1 923 999 862 -12,3% genus vaccinium

Other tree and bush fruits n.e.c. 74 32 7 1 1 -63,1%

Grapes 16 21 19 100 31 19,1%

Vegetables, fresh, n.e.c. 1 1 1 1 1 9,9%



*Source: State Statistic Service of Ukraine*

*\* - excluding apples, pears and tropical fruits*

**Root, bulb or tuberous vegetables 3,1**

**6,7%**

**Mushrooms 4,4**

**9,4%**

**Potatoes 2,7**

**5,8%**

**Melons 2,5**

**5,4%**

**Stone fruits 1,4**

**3,0%**

**Other 2,3**

**5,0%**

**Other fruit-bearing vegetables**

**30,1**

**64,7%**

**Figure 1.20 - Ukrainian export of fresh fruits and vegetables by main product groups in 2014, mln. EUR**

54

**Total 59 997 52 109 57 219 51 46 -6,2%**

**637 533**

**Weig** Other fruit-bearing vegetables 75 124 94 074 109 182 69 513 83 2,5%

**ht,** 075

**tons**

Root, bulb or tuberous 4 008 10 656 24 826 69 649 25 58,1%

vegetables 063

Melons 43 777 23 183 15 204 20 986 15 -22,7%

645

Potatoes and other edible roots 7 264 11 509 7 175 16 288 16 22,0% and tubers with high starch or 088

inulin content

Leafy or stem vegetables 13 855 5 252 9 190 13 191 6 597 -16,9%

Green leguminous vegetables 5 693 182 22 880 1 381 398 -48,6%

Stone fruits 4 885 5 494 3 725 4 650 2 242 -17,7%

Mushrooms and truffles 795 703 800 731 2 529 33,5%

Berries and the fruits of the 842 728 1 076 625 613 -7,6% genus vaccinium

Other tree and bush fruits n.e.c. 269 60 18 0 1 -75,7%

Grapes 24 35 20 107 36 11,2%

Vegetables, fresh, n.e.c. 0 0 0 0 1 38,5%

Total 156 536 151 878 194 095 197 152 -0,7%

120 288



**Table 1.18 –Ukraine’s export of fresh fruits and vegetables by main product groups and commodity items in 2010-2014\***

55

**Indicator Group Commodity item CAGR in 2014**

**2010-2014 TOTAL EU/ Russia CIS Asia Africa America Other EFTA**

**Value, 000**

**Euro**

Other fruit-bearing vegetables

Tomatoes -8,5% **20 894** 90 14 268 6 530 3 0 3 0

Cucumbers and gherkins 0,6% **8 276** 88 7 455 728 2 0 2 0

Chillies and peppers, green 16,4% **746** 6 533 195 8 0 2 2

(only capsicum)

Eggplants (aubergines) 29,0% **167** 2 36 128 1 0 1 0

Total -5,9% **30 084** 185 22 292 7 581 14 0 8 3

Root, bulb or tuberous vegetables

Onions 62,2% **1 496** 133 504 374 211 0 2 272

Carrots and turnips 90,3% **902** 13 547 340 1 0 1 0

Other root, bulb or tuberous -2,3% **640** 6 360 272 1 0 1 0

vegetables (without high starch or inulin content)

Garlic -22,5% **59** 19 10 4 1 0 26 0

Leeks and other alliaceous -35,5% **3** 0 1 0 1 0 0 0

vegetables

Total 27,7% **3 100** 171 1 422 990 214 0 31 272

Melons

Watermelons -17,4% **2 232** 945 0 1 286 0 0 0

Other melons 45,2% **298** 139 20 139 0 0

Total -15,1% **2 531** 1 084 20 1 425 1 0 0

Potatoes and other edible roots and tubers with high starch or inulin content

Potatoes 3,4% **2 692** 8 989 1 127 8 1 8 552

Other edible roots and -100,0% tubers with high starch or

inulin content

Total 3,4% **2 692** 8 989 1 127 8 1 8 552

Leafy or stem vegetables

Cabbages -30,3% **446** 4 268 166 4 0 3 2

Artichokes -19,3% **763** 2 684 74 2 0 1 0

Spinach -0,8% **19** 0 19 0 0 0

Lettuce -15,2% **52** 1 45 0 5 0 0



56

Cauliflowers and broccoli 51,4% **19** 0 16 1 1 0 0 0

Asparagus - **0** 0

Chicory - **0** 0

Total -23,6% **1 300** 8 1 032 241 12 0 4 2

Green leguminous vegetables

Peas, green -39,1% **99** 67 0 33 0 0

Other green leguminous - vegetables

Beans, green -17,3% **35** 34 0 0 0 1

Total -35,9% **135** 101 0 33 0 0 1

Stone fruits

Cherries -21,4% **1 312** 1 306 6

Apricots -68,5% **2** 0 2 0

Sloes -35,1% **93** 0 93 0 0 0

Nectarines -43,3% **1** 0 0 0 0 0

Total -23,9% **1 407** 0 1 401 6 0 0 0

Mushrooms and truffles

Mushrooms and truffles 11,4% **4 389** 2 645 1 664 54 1 0 1 25

Total 11,4% **4 389** 2 645 1 664 54 1 0 1 25

Berries and the fruits of the genus vaccinium

Other berries, the fruits of -18,3% **639** 424 215

the genus vaccinium n.e.c.

Strawberries 80,4% **218** 0 156 61 1 0

Raspberries 17,8% **5** 0 5 0

Total -12,3% **862** 424 376 61 1 0

Other tree and bush fruits n.e.c.

Other tree and bush fruits -63,1% **1** 1 0 0

n.e.c.

Total -63,1% **1** 1 0 0

Grapes

Other grapes, fresh 19,1% **31** 28 2 0 1 0 0

Total 19,1% **31** 28 2 0 1 0 0

Vegetables, fresh, n.e.c.

Vegetables, fresh, n.e.c. 9,9% **1** 0 0 0 0 0

Total 9,9% **1** 0 0 0 0 0

**TOTAL -6,2% 46 533 4 655 29 199 11 485 285 1 53 855**



57

**Weight**

**, tons**

Other fruit-bearing vegetables

Tomatoes 1,2% **61 840** 157 42 967 18 711 2 0 3 0

Cucumbers and gherkins 4,6% **17 340** 152 15 817 1 366 1 0 2 0

Chillies and peppers, green 18,5% **2 665** 9 1 127 1 504 11 0 1 13

(only capsicum)

Eggplants (aubergines) 53,0% **1 230** 1 185 1 042 1 0 1 0

Total 2,5% **83 075** 320 60 097 22 623 15 0 7 14

Root, bulb or tuberous vegetables

Onions 78,3% **15 481** 710 5 526 2 310 3 810 0 5 3 119

Carrots and turnips 125,8% **6 454** 22 2 657 3 769 1 0 4 0

Other root, bulb or tuberous 11,9% **2 958** 41 1 948 964 1 0 3 0

vegetables (without high starch or inulin content)

Garlic -15,3% **163** 36 91 19 0 0 16 0

Leeks and other alliaceous -24,0% **7** 0 6 1 0 0 0 0

vegetables

Total 58,1% **25 063** 809 10 229 7 064 3 813 0 29 3 119

Melons

Watermelons -23,8% **14 671** 7 436 2 7 230 1 1 0

Other melons 46,0% **974** 675 27 271 0 0

Total -22,7% **15 645** 8 112 30 7 501 1 2 0

Potatoes and other edible roots and tubers with high starch or inulin content

Potatoes 22,0% **16 088** 11 3 756 6 204 73 1 24 6 018

Other edible roots and -100,0% tubers with high starch or

inulin content

Total 22,0% **16 088** 11 3 756 6 204 73 1 24 6 018

Leafy or stem vegetables

Cabbages -28,4% **2 605** 24 890 1 650 5 0 8 28

Artichokes -0,1% **3 748** 1 3 241 502 1 0 1 0

Spinach 16,3% **101** 0 100 1 0 0

Lettuce -8,2% **105** 0 103 1 0 0 0

Cauliflowers and broccoli 100,1% **38** 0 21 16 1 0 0 0

Asparagus - **0** 0

Chicory - **0** 0



*Source: State Statistic Service of Ukraine*

*\* - excluding apples, pears and tropical fruits*

Ukrainian import of fresh fruits and vegetables is shown in Appendix 1.

58

Total -16,9% **6 597** 26 4 356 2 170 7 0 10 29

Green leguminous vegetables

Peas, green -50,7% **332** 182 0 149 0 0

Other green leguminous - vegetables

Beans, green -9,6% **66** 63 1 0 0 2

Total -48,6% **398** 246 1 149 0 0 2

Stone fruits

Cherries -15,5% **1 687** 1 678 9

Apricots -63,0% **8** 0 8 0

Sloes -16,4% **547** 0 547 0 0 0

Nectarines -62,8% **0** 0 0 0 0 0

Total -17,7% **2 242** 0 2 233 9 0 0 0

Mushrooms and truffles

Mushrooms and truffles 33,5% **2 529** 891 1 579 49 0 0 1 10

Total 33,5% **2 529** 891 1 579 49 0 0 1 10

Berries and the fruits of the genus vaccinium

Other berries, the fruits of -18,8% **358** 297 62

the genus vaccinium n.e.c.

Strawberries 92,2% **252** 0 200 52 0 0

Raspberries 65,4% **3** 0 3 0

Total -7,6% **613** 297 265 52 0 0

Other tree and bush fruits n.e.c.

Other tree and bush fruits -75,7% **1** 1 0 0

n.e.c.

Total -75,7% **1** 1 0 0

Grapes

Other grapes, fresh 11,2% **36** 36 0 0 0 0 0

Total 11,2% **36** 36 0 0 0 0 0

Vegetables, fresh, n.e.c.

Vegetables, fresh, n.e.c. 38,5% **1** 0 1 0 0 0

Total 38,5% **1** 0 1 0 0 0

TOTAL **-0,7% 152 288 10 748 82 546 45 672 4 058 2 71 9 191**



**1.6.4** **Trends in supply and demand**

The main trends on EU market for the coming years will be healthy natural products, corporate social responsibility (CSR) and convenience.

Consumers are more aware of environmental issues, i.e. they require organic, pesticide free, or ecologically responsible products. More and more companies are looking for organic suppliers.

The current situation of the European fresh fruits and vegetables sector arises mainly from long-term changes in the structure of the global fresh fruits and vegetables sector:



consumers increasingly demand services, including convenience in food purchasing and preparation, taste, and variety, and are increasingly concerned for food safety and quality;

sales are increasingly being controlled by fewer and fewer retailers, with a growing bargaining power;

the role of the WTO and bilateral negotiations are becoming more important in widening competition;

multinational agribusiness is becoming more important due to upgrading of logistics, communication and information technology, transport enabling fresh products to be transported from many origins.

producers prices have usually been volatile for fresh fruits and vegetables and seem declining in trend in the last few years, while retail prices are either constant or increasing, indicating either increasing rents being captured by downstream actors or increasing levels of value added;

final demand for fresh fruits and vegetables is generally more stable than supply and changes tend to occur over longer periods of time. Available data on consumption suggests a trend of slow increase in consumption of fresh fruits and vegetables in the EU, particularly for those countries starting from lower levels of per capita consumption.

‘Super fruits’ have become very popular as part of the trend among consumers in Europe towards healthier lifestyles. The word ‘super’ refers to supposed health benefits as a result of nutritional value and anti-oxidants. Berries that have been labelled as such are blueberries and raspberries; their popularity is expected to grow further as large companies jump on the ‘super-fruit bandwagon’. Some popular berries like blackcurrants and blackberries are not commonly mentioned as super fruits despite their excellent nutritional properties, so there are still some marketing opportunities in this context.

fresh fruits and vegetables supply chains are increasingly driven by large retailers. Increasing concentration and consolidation in retail chains, as well as their global expansion, has improved their position and augmented their buying power in the market. The major effects of the emergence of food retailers in the global food supply chains are through the procurement system of large volumes of products from suppliers. Retailers are building up long term relationships with key suppliers – either producers or wholesalers - capable to meet the requirements necessary to respond to the increased consumer interest for purchasing fresh fresh fruits and vegetables products from supermarkets.

consumers are increasingly concerned about where products originate, and how they are produced. They demand more sustainable (i.e. socially and environmentally responsible) food products from retailers. Fruit and vegetables are the most









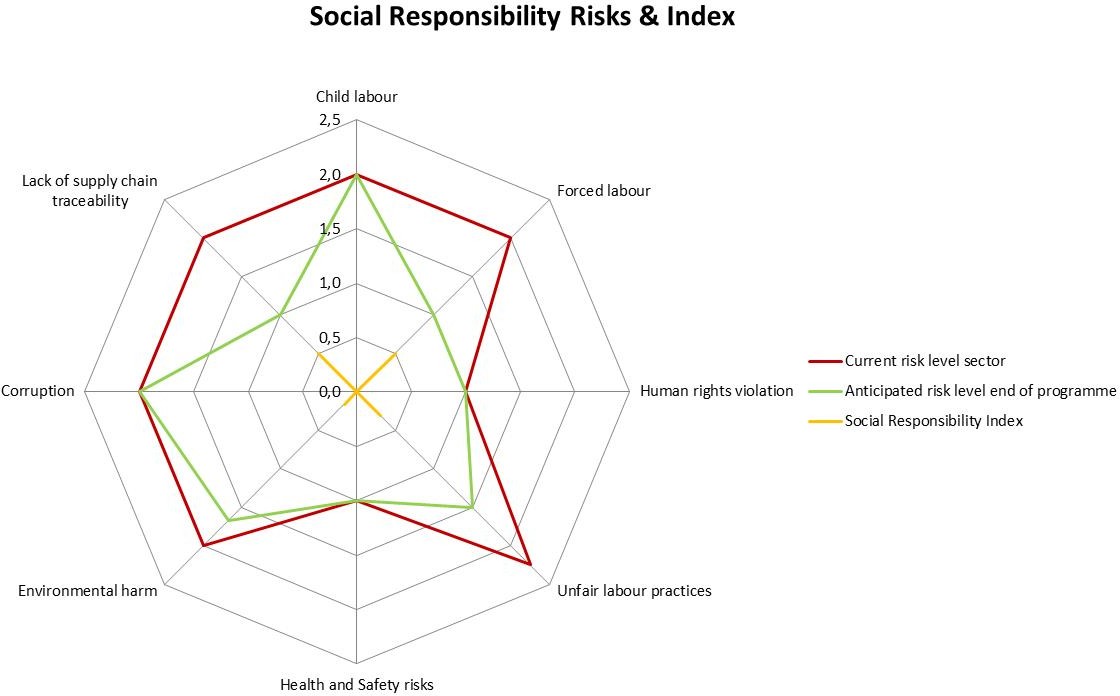








59



important category of sustainable food products that are purchased by consumers, with shares of between 15 and 36% in total organic sales in the four largest EU markets.

**1.6.5** **Social Responsibility risk level in the chain**

CSR has become one of the pillars of the Dutch policy for development cooperation, in particular labour conditions.

Ukrainian manufacturers do not always comply with social standards based on the conventions of the International Labour Organization (ILO) and the United Nations' Universal Declaration of Human Rights. There are some risks of employing children under age of 15, excessive use of natural resources, employment under minimum wages, excessive working hours and risks of non-compliance with local and/or international environmental regulations.

However, the risk level is not significant and it is under control of the State Committee for Industrial Safety, Labour Protection and Mining Supervision and other controlling authorities.

CBI can play a constructive and proactive role in assisting the governmental institutions and the implementation in the fruit and vegetable sector through the sector organization and the manufacturers.

Current Social Responsibility Risk Index is shown in Figure.

**Figure 1.21 - Social Responsibility Risk Score & Index Ukraine**

60



**1.7** **Recommendations for intervention**

**1.7.1** **Potential improvement of export and social responsibility**

Taking into account market opportunities (see section 1.5) and interviews with industry experts the Ukraine’s potential for export growth to EU/EFTA markets by product group is presented in the table below.

**Table 1.19 –EU/EFTA’s and Ukraine’s foreign trade statistics in 2014, potential for Ukraine’s export growth to EU/EFTA of some fresh fruit and vegetables product subgroups, million EUR**

61

**Group Subgroup EU/EFTA external UA export to UA Growth**

**import EU/EFTA share in potential,**

**external million**

**mln. EUR CAGR in mln. EUR CAGR in import EUR by 2010- 2010- 2017**

**2014 2014**

Stone fruits

Nectarines 60,9 3,3% 0,025 34,1% 0,0% **+0,03**

Cherries 137,8 -0,3% 0,000 -100,0% 0,0% **+0,01**

Sloes 95,4 0,2% 0,000 0,0% **+0,01**

Apricots 17,4 -10,9% 0,003 0,0% **+0,01**

Root, bulb or tuberous vegetables

Onions 166,1 1,6% 0,137 69,5% 0,1% **+0,16**

Garlic 60,0 -18,0% 0,021 76,0% 0,0% **+0,03**

Berries and the fruits of the genus vaccinium

Strawberries 90,7 6,9% 0,000 0,0% **+0,00**

Other berries, the 248,2 26,2% 0,502 -23,1% 0,2% **+0,60**

fruits of the genus vaccinium n.e.c.

Raspberries 88,4 20,9% 0,001 0,0% **+0,00**

Melons

Other melons 343,2 7,2% 0,156 103,1% 0,0% **+0,19**

Watermelons 107,6 11,3% 1,211 -22,5% 1,1% **+1,45**

Mushrooms Mushrooms and 68,6 2,1% 4,215 2,9% 6,1% **+5,06**

and truffles truffles

Other tree and Other tree and 256,8 6,9% 0,001 - 0,0% **+0,00**

bush fruits bush fruits n.e.c. n.e.c.

TOTAL **5 093,7 3,4% 6,55 +7,55**

abovementioned



**1.7.2** **Recommendation towards CBI**

We would recommend CBI to further develop a programme for intervention in the fresh fruits and vegetables value chain in Ukraine. According to our estimates, there are possibilities to raise export of the sector’s products to EU/EFTA by 7.55 mln EUR (by 75- 100%) during next 2-3 years due to CBI support. Thus, access to European markets will be able to partially replace the loss of markets by Ukrainian producers in Russia and CIS countries and to compensate sharp decline in domestic demand.

The main areas of intervention, in which CBI can play a role, in order to realize sustainable export growth to Europe are:



Exposure to European opportunities and sourcing needs, through matchmaking and trade promotion activities.

Specific and up-to-date development and provision of EU market information. Capacity building in areas of export marketing, production technologies and CSR.





Fresh fruits and vegetables sector can be supported through a number of interventions, as follows:



exposure and linkage to European opportunities and sourcing needs, e.g. through partnering with associations such as FRUCOM, European Fruit and Vegetables Trade Association (EUCOFEL) and similar ones in Europe.



development, information;

regularly update and provision of EU/EFTA

market

intelligence





capacity building in areas of export marketing and CSR. assistance in certification procedures for Ukrainain producers.

62



**1.7.3** **Risk analysis**

**Table 1.20 –Risk assessment**

*Risk level: 1=Rare; 2=Unlikely; 3=Possible;*

*4=Likely; 5=Almost certain.*

*Influence: 1=Negligible; 2=Minor; 3=Moderate; 4=Major; 5=Severe.*

63

**Risk Possible impact on Level Influe Mitigation strategy (general or proposed CBI nce**

**specific) intervention**

Specific risk: This will have a direct 3 3 CBI has to focus on the EU buyer doesn’t impact on the follow up most important

accept of the CBI programme, compliance that can be manufacturers as it won't benefit export achieved with little

timeline to to the EU investment. Therefor

achieve manufacturer can show

compliance their willingness to

standard comply

Specific risk: This will have direct 5 3 CBI has to focus on manufacturers impact on the CBI setting up the

won't get access programme as programme for

to competitive manufacturer can't manufacturers in a way

financing in the invest in necessary they that they can start near future upgrading or up and then

improvements to be able improve/upgrade along

to change price focus or the way because of

to achieve compliance higher profits they will standard start making. So basically

by self-financing

Specific risk: Other donor program(s) 1 2 CBI has to constantly implementation may duplicate CBI efforts monitor other donors’

of other donor activities and coordinate

program(s) in the its actions with them

sector

General risk: Violation of economic 2 4 The risk is beyond control resumption of links between the of CBI and there is no

active hostilities companies in the value mitigation strategy by Russia in chain, especially in

eastern Ukraine eastern Ukraine, a

further reduction in domestic demand, as a result - the bankruptcy of some enterprises involved in the programme



**2** **PR****OCESSED FRUIT AND VEGETABLES VALUE CHAIN ANALYSIS**

**2.1**

**Introduction**

Processing of fruit and vegetables is part of the ‘food industry’ sector that includes home meat products, dairy products, bakery products and others. The fruit and vegetable processing industry represents about 5% of the turnover in the food industry.

There are 335 registered fruit and vegetables processing companies in Ukraine, and most of them are small or medium-sized (Table 2.1).

Over the last 5 years in terms of national currency, Ukrainian fruit and vegetables processing sector has been constantly recording turnover growth to 11 544 million UAH (1 149 thous. tons) in 2014, (the total increase was +45%). However, if in Euro terms the turnover decreased by 3% (735 million EUR) due to the devaluation of the hryvnia.

The sector is realizing 0.9% of the country’s overall export and its contribution to the GDP during 2012 – 2014 was about 0.3% (value added of the sector was 349 mln. EUR in 2014).

**Figure 2.1- Turnover and value added of Ukraine’s fruit and vegetables processing industry in 2010-2014**

**Turnover, mln. EUR**

***Turnover, mln. UAH***

**mln. Euro 1.000**

**900**

**800**

**700**

**600**

**500**

**400**

**300**

**200**

**100**

**0**

***mln. UAH***

**mln. Euro 500**

**Value added of the sector, mln EUR**

***11.544***

**Sectors share in GDP, %**

***12.000***

**1,0%**

**420**

***9***

***6***

***9***

***8***

***9.309***

***10.000***

**400**

**362**

**0,8%**

**349**

***7***

***3***

***8.000***

**300**

**0,6%**

***6.000***

**4**

**6**

**839**

**200**

**0,4%**

**4**

**5**

***4.000***

***0***

***%***

***0***

***%***

***0***

***%***

**100**

**0,2%**

***2.000***

**0**

**0,0%**

***0***

**2012**

**2013**

**2014**

**2010**

**2011**

**2012**

**2013**

**2014**

64

**73**

***.94***

**75**

***.93***

**93**

***.69***

**94**

***,31***

***,30***

***,32***



**Table 2.1 –Basic indicators of activity of business entities of processed fruits**

**and vegetables sector in 2010-2014**

*Source: State Statistic Service of Ukraine*

The assortment of processed fruit and determined by available raw materials

vegetable products produced by industry

is

of domestic origin: grape, cherries, apples,

plumps, apricots, peaches, strawberry, raspberry, blueberry, black currant, gherkins, cabbage, marrow, eggplants, pepper, tomatoes, bean, green peas etc., and last times, sweet corn and mushrooms. Priorities of Ukrainian enterprises are put on the products which are of stable demand on domestic market and foreign markets in the segments of:













canned vegetables and fruit natural juices and concentrates ketchup and sauces

frozen vegetables and fruits dry fruits

processed potatoes

The leading enterprises of the industry are independent companies (like ‘Veres’, ‘Sandora’, ‘Chumak’, ‘Bonduelle’, Nestle (‘Torchyn Product’) or form a part of the large food processing and distribution holdings (like Gaysin Cannery, Agrofusion group).

The capacities for processing of fruit and vegetables are mainly located in regions where fruit and vegetables grow, thus reducing significantly the share of transportation costs in the price structure of final product. In 2014 Ukraine processed about 1.15 million tons of processed fruit and vegetables (of them market of processed vegetables is estimated as 600 million EUR).

65

Indicator 2010 2011 2012 2013 2014

Number of enterprises, units **398 394 326 357 335**

Number of employees, thous. person **20,5 22,5 22 21,1 19,4**

Turnover, mln. UAH **7943,1 9309,1 9697,6 9936,2 11544,4**

Production value, mln. UAH **n.a. n.a. 11205,1 10979,5 14596,8**

Value added, mln. UAH **n.a. n.a. 4310,9 3837,6 5492,0**

Financial results of enterprises before taxation, mln. UAH

**Financial result (balance)** -32,9 39,3 74,1 137,1 -2284,1

**in % to the total** 58,6 62,6 60,3 60,3 59,4

**Businesses earned a profit** 287,6 362,7 496,6 498,1 562,7

**in % to the total** 41,4 37,4 39,7 39,7 40,6

**Companies made a losses** 320,5 323,4 422,5 361 2846,8

Net profit (loss) of enterprises, mln. UAH

**Financial result (balance)** -103,6 -40 -43,8 18,5 -2216

**in % to the total** 57,8 61,2 59,3 59,1 58,7

**Businesses earned a profit** 249,6 301,8 394,3 415,3 506,6

**in % to the total** 42,2 38,8 40,7 40,9 41,3

**Companies made a losses** 353,2 341,8 438,1 396,8 2722,6

Profitability of operational activity, % **3,2 3,3 4,7 4,3 -0,8**

Profitability of all activity, % **-1,0 -0,3 -0,3 0,1 -10,6**



The Ukrainian market of processed fruit and vegetables is quite promising and has good potential of growth. Gradual denial of homemade canning, and the wide range of industrial analogues with low price and stable presence in the stores contribute to development of domestic manufacturing sector.

The combination of these factors and the fact that present consumption makes only 1/3 of the recommended norm may result in considerable market growth.

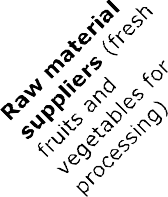
According to prognosis in coming years the market of canned peas, sweet corn, processed potatoes and tomatoes, frozen fruits and vegetables will continue growing, despite the decrease of production volumes by individual operators.

There is a challenge for Ukrainian producers to conquer the market of neighbouring European countries, first of all, due to insufficient development of domestic raw material base, lack of experienced workforce and production capacities in these countries.

As expected the growth of consumption in the sector will be modest - 3-8%. But this is inevitable because of the continuing urbanization of the population. Domestic manufacturers are increasing capacity and strengthen its market position. According to forecasts of market operators, in few years ’unbranded’ processed fruit and vegetables will disappear from the market.

66





**2.2**

**Management summary**

***Objective***

The principal objective of this value chain analysis (VCA) is to assess whether or not a CBI intervention in a processed fruits and vegetables sector in Ukraine will contribute significantly to export growth and, if so, identify and define the opportunities for these interventions.

***Methodology***

The VCA was conducted by a team of Ukrainian experts. About 20 interviews have been held with corporate representatives as well as industry experts.

***Mapping the value chain***

EU Consumers, Lobbysts

ISO organizations

EU Delegation

State Sanitary Service

Local athorities

**Chain influencers**

National Bank of Ukraine

Ministry of Ecology and Natural

Ministry of Finance

Ministry of Economic Development and Trade

State Fiscal Service

Ministry of Agrarian Policy

Industry associations

Universities and research institutes

**Chain supporters**

BSOs (EBA, CCI,

etc.)

International donors (WNISEF, GUF, EIB)

Commercial banks (Eximbank, Oschadbank, Privatbank, Raiffeisen Bank Aval etc)

**Producers of processed fruits and vagatables** (for fresh consumption and processing)

**Chain actors**

***Bottlenecks along the value chain***

Below is an overview of the main identified bottlenecks that growth to the EU/EFTA.

currently hamper

export

67

**Observed constraints in value chain and how they prohibit export**

Lack of knowledge on EU/EFTA market segments and market access requirements.

Lack of (export) marketing skills

The lack of direct contacts between Ukrainian producers and European companies

Lack of necessary certifications to enter the EU market (ISO)



***EU/EFTA market opportunities***

The main market opportunities for Ukrainian processed fruits and vegetables are in segments, in which Ukraine demonstrated stable export increase: canned fruits vegetables (CAGR of Ukrainian export to EU/EFTA in 2010-2014 – 23-63%), fruit

the and and

vegetable juices (9-22%), frozen vegetables (18%), frozen fruits (2%), jams, fruit jellies and fruit or nut puree and pastes (9%).

**Recommendations for intervention**



exposure and connexion to European opportunities and sourcing needs, e.g. through partnering with associations such as FRUCOM (European Federation of the Trade in Dried Fruit, Edible Nuts, Processed Fruit & Vegetables, Processed Fishery Products, Spices and Honey), PROFEL (European Association of Fruit and Vegetable Processing Industries), European Fruit Juice Association (AIJN) and similar ones in Europe.



development, information;

regularly update and provision of EU/EFTA

market intelligence





capacity building in areas of export marketing and CSR. assistance in certification procedures for Ukrainain producers.

68

**Observed constraints in value chain and how they prohibit export**

Lack of internal financial resources and limited access to long-term loans

Lack of storage facilities, especially with new equipment and technology level

Lack of refrigeration facilities in horticultural and vegetable farms

Lack of state export promotion and low level of government support of producers in fresh fruit and vegetables sectors

Lack of a strong positive image and branding for Ukrainian fruit and vegetables sector

Weak branch associations which could take a lead in resolving the issues of sector and lobby the interests of manufacturers

Lack of awareness among stakeholders on CSR issues on the EU market (labour, safety, environmental and other social responsibilities)

Low quality of raw materials for processing.

Climate and natural risks are one of the main obstacles to sustainable development

The great level of labour inputs and the short afterharvest period berry and stone fruit compared with apples are obstacles to berries production

Low level of production culture and pricing policy for organic products are the main obstacles to the organic production development

Unstable supply of fresh fruit and vegetable processing enterprises through lower prices (compared with the fresh fruits and berries for fresh consumption)

Lack of industrial capacities and raw materials base development for dried and frozen fruit and berries production.



**2.3** **Export Market Analysis**

**2.3.1** **Segmentation of EU/EFTA markets and product groups**

EU processed fruits and vegetables market apparent consumption grew from 45.6 billion EUR in 2010 to 53.9 billion EUR in 2014 (up by 4.2% on average). Import share in apparent consumption accounts for about 14%.

**Table 2.2 –EU processed fruits and vegetables market apparent consumption in**

**2010-2014, mln. EUR\***

*\* - data on EFTA market is not available*

**bln. EUR**

**Apparent consumption. bln. EUR**

**Import share, %**

**60**

**50%**

**53,9**

**51,4**

**49,5**

**48,5**

**50**

**40**

**30**

**20**

**45,6**

**40%**

**30%**

**20%**

**10%**

**10**

**0**

**0%**

**2010**

**2011**

**2012**

**2013**

**2014**

**Figure 2.2 - EU processed fruits and vegetables market apparent consumption in 2010-2014 in value terms**

69

**13,0%**

**14,0%**

**14,1%**

**13,7%**

**13,8%**

Indicator 2010 2011 2012 2013 2014 CAGR, %

Production 42 394 44 796 46 058 47 971 50 358 4,4%

Export 2 684 3 050 3 519 3 660 3 892 9,7%

Import 5 935 6 792 6 970 7 051 7 440 5,8%

**Apparent consumption 45 645 48 538 49 509 51 363 53 906 4,2%**

Import share in apparent 13% 14% 14% 14% 14% consumption, %



Canned fruits and vegetables (14.6 billion EUR in 2014), other processed and preserved fruit and vegetables (mostly potatoes crisps and nuts) (14.0 billion Euros) and fruit and vegetable juices (10.8 billion Euros), comprise the greatest share of apparent consumption (about 73%).

**Table 2.3 –EU processed fruits and vegetables market apparent consumption of in 2010-2014 by product groups, mln. EUR\***

**Fruit and vegetable juices 10.781**

**20,0%**

**Frozen vegetables 8.345**

**15,5%**

**Jams, fruit jellies and fruit or nut puree and pastes 3.487**

**6,5%**

**Other processed and preserved fruit and vegetables 14.033**

**26,0%**

**Frozen fruits 1.538**

**2,9%**

**Dried vegetables 1.090**

**2,0%**

**Canned fruit and vegetables 14.632**

**27,1%**

**Figure 2.3- EU processed fruits and vegetables market apparent consumption of in 2014, mln. EUR**

70

**Group Production Export Import Consumption**

**mln. CAGR in**

**EUR 2010-2014**

Canned fruit and vegetables 14 611 454 475 14 632 2,8%

Other processed and preserved 11 690 864 3 207 14 033 4,4% fruit and vegetables

Fruit and vegetable juices 9 245 737 2 274 10 781 3,5%

Frozen vegetables 9 148 1 111 308 8 345 5,5%

Jams, fruit jellies and fruit or nut 3 651 293 129 3 487 8,7% puree and pastes

Frozen fruits 1 036 181 683 1 538 6,0%

Dried vegetables 978 251 363 1 090 5,7%

**TOTAL 50 358 3 892 7 440 53 4,2%**

**906**



**Table 2.4 –EU processed subgroups, mln. EUR\***

**fruits**

**and**

**vegetables**

**market**

**apparent**

**consumption**

**of**

**in**

**2010-2014**

**by**

**product**

**groups**

**and**

71

Group Subgroup Production Export Import Consumption

**mln. EUR CAGR in**

**2010-**

**2014**

**Canned fruit and vegetables**

Vegetables and mixtures of vegetables, n.e.c. (excluding prepared vegetable dishes 4 812 0 0 4 812 4,7% and frozen vegetables and mixtures of vegetables)

Vegetables (excluding potatoes), fruit, nuts and other edible parts of plants, prepared 1 951 156 274 2 069 -1,3% or preserved by vinegar or acetic acid

Prepared or preserved olives (excluding prepared vegetable dishes and olives dried, 1 650 0 0 1 650 6,4% frozen or preserved by vinegar or acetic acid)

Concentrated tomato puree and paste 967 255 194 905 2,6%

Beans, preserved otherwise than by vinegar or acetic acid, except prepared vegetable 1 164 0 0 1 164 1,5% dishes

Preserved tomatoes, whole or in pieces (excluding prepared vegetable dishes and 1 167 0 0 1 167 2,1% tomatoes preserved by vinegar or acetic acid)

Unconcentrated tomato puree and paste 864 43 7 828 5,9%

Prepared or preserved mushrooms and truffles (excluding prepared vegetable dishes 533 0 0 533 -3,0% and mushrooms and truffles dried, frozen or preserved by vinegar or acetic acid)

Frozen vegetables and mixtures of vegetables (excluding prepared vegetable dishes, 561 0 0 561 4,5% frozen vegetables and mixtures of vegetables uncooked or cooked by steaming or

boiling in water, or preserved by vinegar or acetic acid)

Prepared or preserved sweetcorn (excluding prepared vegetable dishes and sweetcorn 445 0 0 445 3,7% dried, frozen or preserved by vinegar or acetic acid)

Peas, preserved otherwise than by vinegar or acetic acid, except prepared vegetable 346 0 0 346 -1,2% dishes

Preserved sauerkraut (excluding prepared vegetable dishes and sauerkraut dried, 114 0 0 114 1,7% frozen or preserved by vinegar or acetic acid)

Preserved asparagus (excluding prepared vegetable dishes and asparagus dried, 37 0 0 37 -1,5% frozen or preserved by vinegar or acetic acid)

**Other processed and preserved fruit and vegetables**

Fruit, prepared or preserved, n.e.c. (excluding MГјsli) 2 966 355 909 3 521 4,8%

Potatoes prepared or preserved, including crisps (excluding frozen, dried, by vinegar 3 888 147 15 3 756 4,1% or acetic acid, in the form of flour, meal or flakes)

Prepared or preserved nuts (other than groundnuts) 2 397 129 714 2 983 10,9%

Dried fruit (excluding bananas, dates, figs, pineapples, avocados, guavas, mangoes, 643 84 421 980 -4,4% mangosteens, citrus fruit and grapes)



72

Prepared or preserved groundnuts (including peanut butter 737 41 38 734 0,9%

Dried grapes 104 17 579 666 3,1%

Vegetable by-products and waste for animal consumption, n.e.c. 168 16 367 519 5,2%

Cooking and other preparation services (concentration, etc) for the preservation of 360 0 0 360 12,1% fruit and vegetables

Vegetables provisionally preserved by sulphur dioxide gas, in brine, in sulphur water 149 24 136 261 1,9% or in other preservative solutions, but unsuitable in that state for immediate

consumption

Potatoes prepared or preserved in the form of flour, meal or flakes (excluding frozen, 131 24 2 109 -17,9% dried, crisps, by vinegar or acetic acid)

Other fruit and nuts provisionally preserved by sulphur dioxide gas, in brine, sulphur 127 23 10 114 1,4% water or in other preservative solutions, but unsuitable for immediate consumption

Peel of citrus fruit or melons, fresh, frozen, dried or provisionally preserved in brine, 19 4 15 30 18,7% in sulphur water or in other preservative solutions

**Fruit and vegetable juices**

Unconcentrated orange juice (excluding frozen) 2 111 78 1 453 3 486 4,8%

Mixtures of fruit and vegetable juices 2 082 98 11 1 996 4,5%

Apple juice 1 464 142 172 1 494 2,6%

Unconcentrated juice of any single fruit or vegetable, not fermented and not 930 135 229 1 025 -0,4% containing added spirit (excluding orange, grapefruit, pineapple, tomato, grape and

apple juices)

Other fruit and vegetable juices n.e.c. 1 200 39 18 1 179 2,5%

Grape juice (including grape must) 659 102 11 569 15,1%

Pineapple juice 182 16 161 327 -3,9%

Unconcentrated juice of any single citrus fruit (excluding orange and grapefruit) 151 87 85 149 -5,8%

Frozen unconcentrated orange juice 120 25 61 156 9,3%

Grapefruit juice 93 5 71 159 -2,3%

Orange juice n.e.c. 152 6 0 147 2,7%

Tomato juice 101 5 1 97 4,7%

**Frozen vegetables**

Frozen vegetables and mixtures of vegetables, uncooked or cooked by steaming or 4 233 379 305 4 159 1,8% boiling in water (excluding potatoes)

Frozen potatoes, prepared or preserved (including potatoes cooked or partly cooked 4 400 726 3 3 678 9,2% in oil and then frozen

Frozen potatoes, uncooked or cooked by steaming or boiling in water 514 6 0 508 16,3%



73

**Jams, fruit jellies and fruit or nut puree and pastes**

Jams, marmalades, fruit jellies, fruit or nut purees and pastes, being cooked 3 434 276 127 3 285 9,8% preparations (excluding of citrus fruit, homogenized preparations)

Citrus fruit jams, marmalades, jellies, purees or pastes, being cooked preparations 217 17 2 202 -4,4% (excluding homogenized preparations)

**Frozen** Frozen fruit and nuts uncooked or cooked by steaming or boiling in water 1 036 181 683 1 538 6,0%

**fruits**

**Dried vegetables**

Dried potatoes in the form of flour, meal, flakes, granules and pellets 481 148 4 337 11,5%

Dried vegetables (excluding potatoes, onions, mushrooms and truffles) and mixtures 301 71 172 402 2,3% of vegetables, whole, cut, sliced, broken or in powder, but not further prepared

Dried mushrooms and truffles, whole, cut, sliced, broken or in powder, but not further 99 21 98 177 2,8% prepared

Dried onions, whole, cut, sliced, broken or in powder, but not further prepared 90 11 90 169 7,5%

Dried potatoes whether or not cut or sliced but not further prepared 6 1 0 5 6,6%

TOTAL **50 358 3 892 7 440 53 906 4,2%**



**2.3.2** **Trade flows and competitor analysis**

Over the last 5 years the EU/EFTA countries has been constantly recording a negative trade balance in footewear foreign trade, totalling 7 305 million EUR in 2014 (Table 2.5). However, if in volume terms the import was higher than export by more than 2 times, indicating that the products, exported from the EU/EFTA was characterized by the high level of prices than import prices.

In terms of value, EU/EFTA exports of processed fruits and vegetables grew from 25.0 bln EUR in 2010 to 31.3 bln EUR in 2014. In terms of quantity, growth was less pronounced, but it was still from 25,978 tonnes in 2010 to 27,701 tonnes in 2014. The fact that values grew faster than volumes may be because of price increases due to inflation, international price increases or fluctuations in exchange rates.

EU/EFTA imports of processed fruits and vegetables in terms of value grew from 33.1 bln EUR in 2010 to 41.5 bln EUR in 2014. In terms of quantity, growth was also less pronounced: from 33,745 tonnes in 2010 to 35,561 tonnes in 2014.

Table 2.5

**EU/EFTA foreign trade of processed fruits and vegetables in 2010-2014, mln. EUR**

*Source: Eurostat*

74

Indicator 2010 2011 2012 2013 2014 CAGR, %

Value, mln. Euro

**Export** 25 009 27 164 28 834 30 057 31 249 5,7%

**Import** 33 070 36 076 37 858 39 431 41 457 5,8%

**incl. external** 12 197 13 467 14 051 14 595 15 884 6,8%

**incl. Ukraine** 100 107 140 136 163 12,9%

**Ukraine's share** 0,82 0,79 1,00 0,93 1,03

Weight, thous.tons

**Export** 25 978 26 209 26 637 27 346 27 701 1,6%

**Import** 33 475 33 931 33 533 34 926 35 561 1,5%

**incl. external** 12 224 12 339 11 962 12 657 13 238 2,0%

**incl. Ukraine** 131 69 152 142 180 8,4%

**Ukraine's share** 1,07 0,56 1,27 1,12 1,36





**mln. Euro**

**bln. Euro**

**Export**

**Import**

**Import from Ukraine**

**50**

**Ukraine's share in external import, %**

**41**

**200**

**1,5%**

**39**

**38**

**40**

**36**

**33**

**1,2%**

**31**

**30**

**150**

**29**

**30**

**27**

**25**

**1,**

**%**

**0,9%**

**1,**

**%**

**0,**

**%**

**100**

**20**

**0,**

**% 0,**

**%**

**3**

**0,6%**

**0**

**6**

**7**

**50**

**10**

**0**

**0,3%**

**0**

**0**

**0,0%**

**2010**

**2011**

**2012**

**2013**

**2014**

**2010**

**2012**

**2014**

**Figure 2.4 - EU/EFTA foreign trade of processed fruits and vegetables in 2010- 2014 in value terms**

**thous. tons**

**mln. tons**

**Export Import**

**34**

**Import from Ukraine**

**40**

**36**

**Ukraine's share in external import, %**

**35**

**34**

**33**

**200**

**1,5%**

**30**

**28**

**27**

**27**

**1,36**

**%**

**26**

**26**

**1,2%**

**1,27%**

**150**

**1,12%**

**1,07%**

**0,9%**

**20**

**100**

**180**

**0,6%**

**2**

**142**

**131**

**10**

**0,**

**%**

**50**

**0,3%**

**0**

**0**

**0,0%**

**2010**

**2011**

**2012**

**2013**

**2014**

**2010 2011 2012 2013 2014**

**Figure 2.5**

**- EU/EFTA foreign trade of processed fruits and vegetables in 2010**

**2014 in volume terms**

Extra-EU export is around 17% of all EU/EFTA export in 2014. Hence, Europe mainly exports to other European countries (own production and re-exports). The highest rates

75

**56**

**69**

**15**

**82**

**10**

**79**

**10**

**93**

**13**

**00**

**14**

**03**

**16**



of extra-EU export are shipments of dried vegetables (25%) and jams, fruit jellies and fruit or nut puree and pastes (23%).

Extra-EU exported processed fruits and vegetables consist mainly of canned fruits and vegetables (2 290 mln. EUR or 44% in 2014), frozen vegetables (1 078 mln. EUR or

%31) and fruits and vegetables juices (627 mln. EUR or 12%). Together, these product account for more than three fourth of all extra-EU exports of processed fruits and vegetables.

In 2010-2014 export increase was observed in trade of all products (the largest in the segment of frozen vegetables, other processed and preserved fruit and vegetables and fruit and vegetable juices - CAGR 16.5%, 12.7%, 8.5% respectively).

**Table 2.6 – EU/EFTA groups in 2010-2014**

**processed**

**fruits**

**and vegetables**

**export**

**by**

**main**

**product**

76

Subgroup ALL EXPORT EU/EFTA external UA import from UA EU/EFTA export EU/EFTA share in

external

**mln. EUR CAGR mln. EUR CAGR mln. CAGR in** export

**in in EUR 2010-**

**2010- 2010- 2014**

**2014 2014**

Value, mln. Euro

**Canned fruit and vegetables** 11 914,6 4,9% 2 289,5 7,6% 31,0 -3,9% 1,4%

**Fruit and vegetable juices** 5 319,5 3,6% 626,6 8,5% 11,9 -10,5% 1,9%

**Frozen vegetables** 5 530,4 5,3% 1 078,2 16,5% 14,2 6,8% 1,3%

**Other processed and** 4 911,6 10,4% 564,9 12,7% 22,4 4,1% 4,0%

**preserved fruit and vegetables**

**Frozen fruits** 1 278,0 6,0% 129,6 6,9% 2,6 3,8% 2,0%

**Jams, fruit jellies and fruit or** 1 194,5 7,6% 271,8 5,6% 2,2 1,5% 0,8%

**nut puree and pastes**

**Dried vegetables** 1 100,6 6,7% 270,4 4,2% 4,2 11,0% 1,5%

**Total** 31 249,2 5,7% 5 230,9 9,5% 88,5 -1,0% 1,7%

Weight, thous. tons

**Canned fruit and vegetables** 10 715,7 2,5% 1 813,8 4,8% 27,4 -4,5% 1,5%

**Fruit and vegetable juices** 5 369,7 -0,5% 456,9 5,5% 7,1 -13,5% 1,6%

**Frozen vegetables** 7 173,7 3,0% 1 533,1 11,9% 19,6 4,7% 1,3%

**Other processed and** 1 798,2 1,4% 202,9 7,0% 9,6 5,5% 4,7%

**preserved fruit and vegetables**

**Frozen fruits** 813,1 0,9% 94,8 4,4% 3,1 -3,3% 3,3%

**Jams, fruit jellies and fruit or** 631,2 2,8% 128,4 1,1% 1,5 -12,3% 1,2%

**nut puree and pastes**

**Dried vegetables** 1 199,6 -2,8% 462,1 -5,3% 1,9 16,6% 0,4%

**Total** 27 701,2 1,6% 4 691,9 5,5% 70,2 -2,2% 1,5%



**Frozen vegetables 1.078**

**20,6%**

**Other processed and preserved fruit and vegetables 565**

**10,8%**

**Fruit and vegetable juices**

**627**

**12,0%**

**Frozen fruits 130**

**2,5%**

**Jams, fruit jellies and fruit or nut puree and pastes 272**

**5,2%**

**Dried vegetables 270**

**5,2%**

**Canned fruit and vegetables 2.290**

**43,8%**

**Figure 2.6 - EU/EFTA external**

**export**

**of processed fruits and vegetables**

**by**

**main product groups in 2014, mln. EUR**

EU/EFTA processed fruits and vegetables export by main product groups in 2010-2014 is shown in Table 2.7.

77



**Table 2.8 –EU/EFTA processed fruits and vegetables export by main product groups in 2010-2014**

78

**Group Subgroup ALL EXPORT EU/EFTA UA import from UA EU/EFTA external export EU/EFTA share in**

**external**

mln. EUR CAGR mln. CAGR mln. CAGR **export**

in EUR in EUR in 2010- 2010- 2010-

2014 2014 2014

**Value, mln. Euro**

**Canned fruit and vegetables**

Other vegetables (except potatoes), 5 677,4 5,1% 1 583,8 6,8% 20,8 -3,5% 1,3% preserved otherwise than by vinegar or

acetic acid, except prepared vegetable dishes

Other prepared, dried or preserved fruits and 4 939,8 4,6% 413,3 12,2% 5,6 -0,6% 1,4% nuts

Vegetables (except potatoes), fruit, nuts and 636,9 3,3% 139,2 4,2% 1,4 -2,1% 1,0% other edible parts of plants, prepared or

preserved by vinegar or acetic acid

Beans, preserved otherwise than by vinegar 471,9 7,6% 90,3 10,9% 0,3 -5,9% 0,3% or acetic acid, except prepared vegetable

dishes

Peas, preserved otherwise than by vinegar or 188,5 3,2% 62,9 5,9% 2,9 -11,4% 4,6% acetic acid, except prepared vegetable dishes

**Fruit and vegetable juices**

Orange juice 1 981,3 3,0% 80,7 9,8% 0,5 -13,2% 0,6%

Other fruit and vegetable juices 1 164,4 4,7% 221,3 11,0% 4,0 -5,3% 1,8%

Apple juice 937,7 7,6% 123,6 29,9% 0,3 -11,2% 0,2%

Mixtures of fruit and vegetable juices 573,9 1,7% 83,0 -1,3% 3,0 -16,2% 3,7%

Grape juice 378,0 4,7% 95,7 -0,1% 3,0 -10,4% 3,1%

Pineapple juice 170,3 -5,4% 13,8 -5,3% 0,9 -10,3% 6,3%

Grapefruit juice 86,6 -2,4% 4,1 -1,3% 0,2 14,3% 3,8%

Tomato juice 27,2 3,3% 4,3 14,7% 0,1 40,9% 2,0%

**Frozen** Potatoes, frozen 3 018,1 7,0% 727,6 15,3% 9,8 7,4% 1,4%

**vegetables**

Vegetables, frozen 2 512,3 3,5% 350,6 19,1% 4,3 5,3% 1,2%



79

**Other processed and preserved fruit and vegetables**

Groundnuts and nuts, shelled 1 818,5 19,7% 127,4 17,1% 1,4 17,9% 1,1%

Potatoes prepared or preserved 1 120,0 2,3% 157,8 5,1% 13,0 5,2% 8,2%

Nuts, groundnuts, roasted, salted or 1 309,2 8,7% 116,9 16,9% 5,7 -2,0% 4,8% otherwise prepared

Homogenised food preparations and dietetic 277,4 14,0% 93,3 19,2% 2,1 17,4% 2,3% food

Vegetables provisionally preserved 170,7 8,6% 20,7 20,7% 0,0 -4,6% 0,1%

Fruit, nuts, fruit-peel and other parts of 123,7 7,5% 23,1 12,2% 0,2 -12,6% 0,9% plants, preserved by sugar

Fruit and nuts, provisionally preserved, not 92,1 4,0% 25,6 6,1% 0,1 -24,4% 0,2% for immediate consumption

**Frozen** Fruit and nuts, uncooked or cooked, frozen 1 278,0 6,0% 129,6 6,9% 2,6 3,8% 2,0%

**fruits**

**Jams, fruit jellies and fruit or nut puree and pastes Dried vegetables**

Jams, fruit jellies and fruit or nut puree and 1 194,5 7,6% 271,8 5,6% 2,2 1,5% 0,8% pastes

Dried vegetables 535,6 7,6% 79,2 7,0% 2,8 4,9% 3,6%

Peas, dry 179,6 5,4% 31,2 -3,2% 1,1 37,7% 3,7%

Beans, dry 167,8 11,0% 38,6 19,4% 0,2 26,1% 0,5%

Broad beans, dry 104,7 -1,7% 80,0 -3,2% 0,0 - 0,0%

100,0%

Pulses (dried leguminous vegetables) n.e.c. 58,4 10,9% 35,2 17,7% 0,0 -64,0% 0,0%

Lentils, dry 34,3 4,7% 3,4 4,2% 0,0 - 0,2%

Chick peas, dry 18,9 8,1% 2,5 11,3% 0,0 - 0,2%

Pigeon peas, dry 1,1 - 0,1 - 0,0 - 0,0%

Cow peas 0,3 - 0,1 - 0,0 - 0,0%

**TOTAL** 31 249,2 5,7% 5 230,9 9,5% 88,5 -1,0% 1,7%

**Weight, thous. tons**

**Canned fruit and vegetables**

Other vegetables (except potatoes), 4 948,3 3,4% 1 269,2 4,4% 19,5 -1,7% 1,5% preserved otherwise than by vinegar or

acetic acid, except prepared vegetable dishes

Other prepared, dried or preserved fruits and 4 505,8 1,5% 268,5 6,9% 3,7 2,3% 1,4% nuts



80

Vegetables (except potatoes), fruit, nuts and 520,6 2,3% 93,9 2,9% 0,9 -15,0% 1,0% other edible parts of plants, prepared or

preserved by vinegar or acetic acid

Beans, preserved otherwise than by vinegar 539,3 3,1% 107,3 7,0% 0,3 -7,7% 0,3% or acetic acid, except prepared vegetable

dishes

Peas, preserved otherwise than by vinegar or 201,8 1,1% 74,8 4,8% 2,9 -17,7% 3,9% acetic acid, except prepared vegetable dishes

**Fruit and vegetable juices**

Orange juice 2 208,2 -1,5% 69,7 5,9% 0,3 -15,7% 0,4%

Other fruit and vegetable juices 573,3 1,0% 121,0 13,3% 1,2 -10,2% 1,0%

Apple juice 1 142,0 2,1% 107,4 22,5% 0,2 -16,9% 0,2%

Mixtures of fruit and vegetable juices 573,9 -0,8% 63,3 -6,1% 2,1 -15,1% 3,3%

Grape juice 512,8 -0,8% 70,9 -5,1% 2,3 -16,2% 3,2%

Pineapple juice 217,3 -1,4% 14,7 -1,6% 0,8 -6,1% 5,6%

Grapefruit juice 91,0 -9,3% 3,0 - 0,1 9,9% 2,5%

10,5%

Tomato juice 51,2 1,0% 6,8 14,6% 0,1 45,7% 1,8%

**Frozen vegetables**

Potatoes, frozen 4 212,4 3,6% 1 150,4 12,3% 13,9 5,7% 1,2%

Vegetables, frozen 2 961,4 2,1% 382,7 10,8% 5,7 2,6% 1,5%

**Other processed and preserved fruit and vegetables**

Groundnuts and nuts, shelled 264,0 4,3% 17,8 1,3% 0,2 8,4% 1,2%

Potatoes prepared or preserved 766,6 -1,2% 55,5 -3,3% 5,6 3,0% 10,1%

Nuts, groundnuts, roasted, salted or 313,4 -1,1% 26,3 9,3% 2,0 1,3% 7,7% otherwise prepared

Homogenised food preparations and dietetic 161,7 10,6% 61,2 20,4% 1,5 37,0% 2,5% food

Vegetables provisionally preserved 184,6 13,6% 18,3 22,6% 0,0 12,8% 0,2%

Fruit, nuts, fruit-peel and other parts of 42,5 2,2% 7,8 7,8% 0,1 -2,1% 0,9% plants, preserved by sugar

Fruit and nuts, provisionally preserved, not 65,4 -6,5% 15,9 6,0% 0,1 -6,6% 0,6% for immediate consumption

**Dried** Dried vegetables 164,2 5,1% 19,4 3,7% 0,5 -3,7% 2,8%



81

**vegetables**

Peas, dry 408,2 -3,4% 40,7 - 1,2 36,2% 2,9%

19,5%

Beans, dry 133,8 -0,7% 52,1 23,5% 0,1 47,9% 0,3%

Broad beans, dry 302,2 -10,3% 238,9 - 0,0 - 0,0%

11,0% 100,0%

Pulses (dried leguminous vegetables) n.e.c. 134,7 10,0% 104,1 17,8% 0,0 -70,9% 0,0%

Lentils, dry 32,8 6,2% 3,8 10,7% 0,0 - 0,2%

Chick peas, dry 19,6 5,9% 2,7 4,9% 0,0 - 0,4%

Pigeon peas, dry 3,5 - 0,2 - 0,0 - 0,0%

Cow peas 0,4 - 0,3 - 0,0 - 0,0%

**Frozen** Fruit and nuts, uncooked or cooked, frozen 813,1 0,9% 94,8 4,4% 3,1 -3,3% 3,3%

**fruits**

**Jams, fruit** Jams, fruit jellies and fruit or nut puree and 631,2 2,8% 128,4 1,1% 1,5 -12,3% 1,2%

**jellies and** pastes

**fruit or nut puree and pastes**

**TOTAL** 27 701,2 1,6% 4 691,9 5,5% 70,2 -2,2% 1,5%



The major exporters of extra-EU exports are Spain (992 mln. EUR or 19% in 2014), Italy (871 mln. EUR or 17%), Netherlands (679 mln. EUR or 13%) and Belgium (452 mln. EUR or 9%), which in 2014 accounted for 57% of exports.

**Table 2.9 –EU/EFTA export 2010-2014, mln. Euro**

**of**

**processed fruits**

**and vegetables**

**by countries in**

82

**Country ALL EXPORT EU/EFTA EU/EFTA external UA import from UA**

**export EU/EFTA share in external**

mln. EUR CAGR in mln. EUR CAGR in mln. EUR CAGR in 2010- **export**

2010-2014 2010-2014 2014

**Belgium** 5 364,9 4,3% 452,2 17,3% 0,7 8,6% 0,2%

**Netherlands** 5 002,2 5,5% 678,9 17,3% 7,3 -5,1% 1,1%

**Spain** 3 883,5 8,8% 992,3 9,0% 15,4 -2,9% 1,6%

**Italy** 3 582,8 5,3% 871,0 7,0% 4,7 -2,1% 0,5%

**Germany** 3 428,5 6,3% 249,0 5,2% 5,2 -9,9% 2,1%

**France** 2 407,3 3,3% 450,4 6,5% 2,1 -3,5% 0,5%

**Poland** 1 810,2 7,8% 331,8 8,9% 36,7 5,7% 11,1%

**Greece** 1 061,8 4,2% 364,6 8,8% 2,3 -7,9% 0,6%

**United** 762,6 6,1% 242,1 9,6% 0,2 74,3% 0,1%

**Kingdom**

**Austria** 707,7 4,4% 84,3 11,0% 1,8 8,0% 2,1%

**Hungary** 680,4 6,1% 101,1 1,8% 10,6 -7,2% 10,5%

**Portugal** 517,6 8,1% 139,1 10,2% 0,1 - 0,1%

**Denmark** 301,9 5,0% 28,5 -3,0% 0,0 -56,3% 0,0%

**Sweden** 253,9 2,4% 29,5 2,2% 0,0 -51,9% 0,0%

**Czech Republic** 217,2 11,6% 7,2 16,0% 0,4 23,9% 5,5%

**Bulgaria** 203,0 5,4% 31,3 7,3% 0,4 26,7% 1,2%

**Luxembourg** 174,3 4,0% 0,3 18,4% 0,0 - 0,0%

**Lithuania** 131,3 11,8% 28,7 7,5% 0,1 -15,5% 0,3%

**Romania** 143,1 10,5% 24,6 16,1% 0,1 -9,5% 0,4%

**Ireland** 121,5 5,6% 10,4 20,7% 0,0 148,3% 0,1%

**Slovakia** 99,1 6,5% 2,9 43,9% 0,1 20,5% 4,0%

**Switzerland** 88,7 0,2% 27,3 -1,0% 0,0 7,3% 0,1%

**Latvia** 75,0 19,2% 16,8 10,1% 0,1 29,1% 0,5%

**Slovenia** 66,3 10,7% 6,7 8,2% 0,2 24,0% 2,4%

**Finland** 42,2 1,9% 13,1 -3,2% 0,0 58,7% 0,0%

**Estonia** 43,9 15,1% 7,9 19,7% 0,0 11,3% 0,1%

**Croatia** 40,3 11,7% 19,1 12,6% 0,0 - 0,0%

**Cyprus** 23,0 7,9% 18,1 9,9% 0,0 -100,0% 0,0%

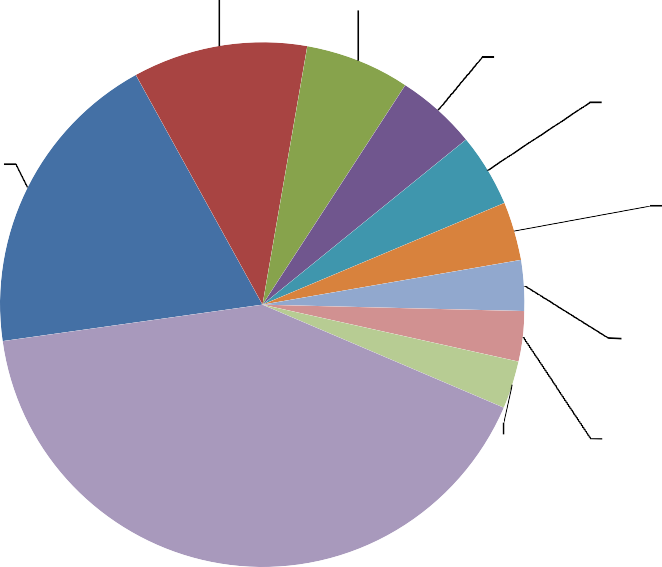
**Norway** 13,8 -4,6% 0,8 44,2% 0,0 - 0,0%

**Liechtenstein** 0,8 -2,1% 0,0 -16,3% 0,0 - 0,0%

**Malta** 0,5 23,3% 0,5 24,8% 0,0 - 0,0%

**Iceland** 0,1 -10,4% 0,1 8,4% 0,0 - 0,0%

**TOTAL** 31 249,2 5,7% 5 230,9 9,5% 88,5 -1,0% 1,7%



**France 450**

**8,6%**

**Greece 365**

**7,0%**

**Poland 332**

**6,3%**

**Germany 249**

**4,8%**

**United Kingdom 242**

**4,6%**

**Belgium 452**

**8,6%**

**Netherlands 679**

**13,0%**

**Other 598**

**11,4%**

**Italy 871**

**16,7%**

**Figure 2.7 - EU/EFTA external**

**Spain 992**

**19,0%**

**export**

**of processed fruits and vegetables by**

**main exporting countries in 2014, mln. EUR**

The major of extra-EU exports are imported by USA (1 006 mln. EUR or 19% in 2014), Russia (563 mln. EUR or 11%), Japan (336 mln. EUR or 6%) and Saudi Arabia (261 mln. EUR or 5%).

**Russia**

**Japan 336**

**6,4%**

**563**

**10,8%**

**Saudi Arabia 261**

**5,0%**

**Australia 236**

**4,5%**

**United States 1.006**

**19,2%**

**Brazil 189**

**3,6%**

**United Arab Emirates 163**

**3,1%**

**Canada 161**

**3,1%**

**Egypt 153**

**2,9%**

**Other 2.165**

**41,4%**

**external export**

**Figure 2.8 - EU/EFTA**

**of processed fruits and vegetables**

**by**

**main importing countries in 2014, mln. EUR**

83



Around 62% of EU/EFTA imports in 2014 are intra-EU imports and 38% - extra-EU import. Hence, a major share of European imports consists of products that are re- exported. The highest rates of extra-EU import are in shipments of dried vegetables (61%), other processed and preserved fruit and vegetables (51%) and canned fruit and vegetables (42%).

Extra-EU/EFTA imported processed fruits and vegetables consist mainly of canned fruits and vegetables (6 687 mln. EUR or 42% in 2014), other processed and preserved fruit and vegetables (4 442 mln. EUR or 28%) and fruits and vegetables juices (2 327 mln. EUR or 15%). Together, these product account for more than 85%of all extra-EU imports of processed fruits and vegetables.

In 2010-2014 the largest import increase was observed in import of jams, fruit jellies (CAGR 20.0% in value terms and 19.3% in volume terms).

**Table 2.10 –EU/EFTA**

**groups in 2010-2014**

**processed fruits and vegetables**

**import**

**by main**

**product**

84

**Subgroup ALL IMPORT EU/EFTA external UA export to UA**

**EU/EFTA import EU/EFTA share**

**in**

mln. EUR CAGR in mln. EUR CAGR in mln. CAGR in **extern**

2010- 2010-2014 EUR 2010-2014 **al**

2014 **import**

Value, mln. Euro

**Canned fruit and** 15 797,8 3,7% 6 687,0 3,0% 13,1 55,4% 0,2%

**vegetables**

**Fruit and vegetable juices** 7 166,8 4,5% 2 327,3 7,8% 38,5 17,9% 1,7%

**Other processed and** 8 766,6 12,8% 4 442,0 15,2% 49,3 27,9% 1,1%

**preserved fruit and vegetables**

**Frozen vegetables** 4 770,5 3,7% 317,8 -0,5% 2,3 18,2% 0,7%

**Dried vegetables** 2 102,8 5,6% 1 286,6 5,9% 16,1 -2,8% 1,3%

**Frozen fruits** 1 909,1 5,9% 703,6 3,8% 43,7 1,9% 6,2%

**Jams, fruit jellies and fruit** 943,2 9,0% 119,6 20,0% 0,0 9,2% 0,0%

**or nut puree and pastes**

**Total** 41 456,7 5,8% 15 883,8 6,8% 163,0 12,9% 1,0%

Weight, thous. tons

**Canned fruit and** 16 174,7 1,6% 7 727,7 1,1% 14,2 50,6% 0,2%

**vegetables**

**Fruit and vegetable juices** 7 693,1 2,0% 2 705,8 6,8% 85,1 32,0% 3,1%

**Other processed and** 2 256,2 1,4% 830,5 3,7% 8,3 14,8% 1,0%

**preserved fruit and vegetables**

**Frozen vegetables** 5 745,0 1,3% 245,0 -4,3% 1,2 42,3% 0,5%

**Dried vegetables** 2 029,9 -0,4% 1 220,9 -0,2% 51,5 -9,4% 4,2%

**Frozen fruits** 1 162,3 0,7% 439,9 -1,4% 19,8 1,8% 4,5%

**Jams, fruit jellies and fruit** 499,6 5,5% 68,4 19,3% 0,0 7,4% 0,0%

**or nut puree and pastes**

**Total** 35 560,8 1,5% 13 238,3 2,0% 180,1 8,4% 1,4%



**Frozen vegetables 318**

**Other processed and preserved fruit and vegetables 4.442**

**28,0%**

**2,0%**

**Dried vegetables 1.287**

**8,1%**

**Frozen fruits 704**

**4,4%**

**Jams, fruit jellies and fruit or nut puree and pastes 120**

**0,8%**

**Fruit and vegetable juices**

**2.327**

**14,7%**

**Canned fruit and vegetables 6.687**

**42,1%**

**import of processed fruits and vegetables by**

**Figure 2.9 - EU/EFTA external**

**product groups in 2014, mln. EUR**

EU/EFTA import of processed fruits and vegetables by main product groups in 2010-2014 is shown in Table 2.11.

85



**Table 2.11 –EU/EFTA import of processed fruits and vegetables by main product groups in 2010-2014**

86

**Group Subgroup ALL IMPORT EU/EFTA EU/EFTA external UA export to** UA

**import EU/EFTA** share in

mln. EUR CAGR in mln. EUR CAGR in mln. CAGR in externa 2010-2014 2010- EUR 2010-2014 l

2014 import

**Value, mln. Euro**

**Canned fruit and vegetable s**

Other prepared, dried or preserved fruits and nuts 9 751,1 3,8% 5 408,6 3,0% 1,0 23,2% 0,0%

Other vegetables (except potatoes), preserved 4 727,4 3,7% 925,9 2,4% 11,3 63,2% 1,2% otherwise than by vinegar or acetic acid, except

prepared vegetable dishes

Vegetables (except potatoes), fruit, nuts and other 773,4 3,1% 289,7 4,2% 0,8 45,0% 0,3% edible parts of plants, prepared or preserved by vinegar

or acetic acid

Beans, preserved otherwise than by vinegar or acetic 413,6 5,4% 58,7 3,9% 0,0 -11,4% 0,0% acid, except prepared vegetable dishes

Peas, preserved otherwise than by vinegar or acetic 132,3 1,8% 4,0 2,6% 0,0 9,5% 1,2% acid, except prepared vegetable dishes

**Fruit and vegetable juices**

Orange juice 3 549,0 7,5% 1 558,6 13,7% 0,1 4,6% 0,0%

Other fruit and vegetable juices 1 228,2 2,5% 335,2 1,5% 0,4 8,6% 0,1%

Apple juice 917,6 2,7% 171,5 0,4% 37,5 18,2% 21,9%

Mixtures of fruit and vegetable juices 655,3 3,6% 12,1 -2,0% 0,2 22,3% 1,3%

Pineapple juice 324,0 -6,3% 163,7 -7,0% 0,0 -100,0% 0,0%

Grape juice 283,0 6,0% 11,4 24,7% 0,0 - 0,0%

Grapefruit juice 174,3 0,7% 73,7 2,7% 0,0 -26,7% 0,0%

Tomato juice 35,3 5,6% 1,0 -3,7% 0,3 2,1% 27,5%

**Other processed and preserved fruit and vegetable**

Groundnuts and nuts, shelled 5 177,2 16,8% 3 445,5 17,0% 46,0 29,9% 1,3%

Nuts, groundnuts, roasted, salted or otherwise prepared 2 004,5 10,7% 788,5 10,8% 1,4 1,6% 0,2%

Potatoes prepared or preserved 922,8 5,1% 9,9 6,7% 0,1 -17,4% 0,7%

Vegetables provisionally preserved 255,7 1,7% 136,8 5,4% 1,8 22,0% 1,3%

Homogenised food preparations and dietetic food 201,3 9,0% 10,0 28,4% 0,0 56,7% 0,0%



87

**s**

Fruit, nuts, fruit-peel and other parts of plants, 115,7 5,3% 26,1 12,1% 0,0 -53,4% 0,0% preserved by sugar

Fruit and nuts, provisionally preserved, not for 89,4 4,1% 25,3 4,1% 0,0 - 0,0% immediate consumption

**Frozen vegetable s**

Vegetables, frozen 2 437,0 2,1% 313,3 -0,6% 2,3 18,2% 0,7%

Potatoes, frozen 2 333,5 5,6% 4,4 2,1% 0,0 - 0,0%

**Dried vegetable s**

Dried vegetables 866,1 4,6% 388,2 5,2% 0,1 7,4% 0,0%

Beans, dry 675,3 11,0% 563,2 11,2% 0,2 27,4% 0,0%

Peas, dry 232,9 5,7% 87,0 3,2% 15,3 -3,7% 17,6%

Lentils, dry 151,1 -3,6% 127,6 -3,8% 0,2 - 0,1%

Chick peas, dry 117,6 1,9% 100,7 1,1% 0,2 25,8% 0,2%

Broad beans, dry 39,3 2,6% 9,4 4,9% 0,0 - 0,1%

Pulses (dried leguminous vegetables) n.e.c. 13,4 -4,1% 4,1 -7,6% 0,0 - 0,5%

Cow peas 5,7 - 5,1 - 0,0 - 0,0%

Pigeon peas, dry 1,4 - 1,3 - 0,0 - 0,0%

**Frozen** Fruit and nuts, uncooked or cooked, frozen 1 909,1 5,9% 703,6 3,8% 43,7 1,9% 6,2%

**fruits**

**Jams,** Jams, fruit jellies and fruit or nut puree and pastes 943,2 9,0% 119,6 20,0% 0,0 9,2% 0,0%

**fruit jellies and fruit or nut puree and pastes**

**TOTAL** 41 456,7 5,8% 15 883,8 6,8% 163,0 12,9% 1,0%

**Weight, thous. tons**

**Canned** Other prepared, dried or preserved fruits and nuts 10 784,5 1,6% 6 668,7 1,5% 0,4 19,1% 0,0%



88

**fruit and vegetable s**

Other vegetables (except potatoes), preserved 4 159,1 1,4% 743,6 -3,2% 12,7 54,4% 1,7% otherwise than by vinegar or acetic acid, except

prepared vegetable dishes

Vegetables (except potatoes), fruit, nuts and other 660,9 2,8% 275,3 3,0% 1,0 42,8% 0,4% edible parts of plants, prepared or preserved by vinegar

or acetic acid

Beans, preserved otherwise than by vinegar or acetic 438,1 1,8% 37,6 -0,9% 0,0 -17,4% 0,0% acid, except prepared vegetable dishes

Peas, preserved otherwise than by vinegar or acetic 132,1 -0,1% 2,4 2,4% 0,1 8,1% 2,6% acid, except prepared vegetable dishes

**Fruit and vegetable juices**

Orange juice 4 192,2 4,6% 2 024,7 10,7% 0,1 -3,8% 0,0%

Other fruit and vegetable juices 601,3 -0,8% 140,2 -1,5% 0,4 14,9% 0,3%

Apple juice 1 167,3 -0,1% 217,7 -1,6% 83,8 32,9% 38,5%

Mixtures of fruit and vegetable juices 613,5 0,5% 9,2 -7,8% 0,2 13,9% 2,4%

Pineapple juice 411,7 -1,9% 221,6 -1,2% 0,0 -100,0% 0,0%

Grape juice 454,3 -1,5% 6,7 19,7% 0,0 - 0,0%

Grapefruit juice 191,4 -4,6% 84,0 -3,3% 0,0 -28,3% 0,0%

Tomato juice 61,4 3,6% 1,7 -0,9% 0,6 -0,6% 34,8%

**Other processed and preserved fruit and vegetable s**

Groundnuts and nuts, shelled 818,8 5,3% 557,5 5,2% 7,2 20,0% 1,3%

Nuts, groundnuts, roasted, salted or otherwise prepared 470,7 1,7% 142,6 1,7% 0,6 -10,5% 0,5%

Potatoes prepared or preserved 569,3 -2,8% 3,4 7,0% 0,0 -17,2% 0,7%

Vegetables provisionally preserved 190,9 -1,5% 91,5 -1,3% 0,4 16,7% 0,4%

Homogenised food preparations and dietetic food 88,8 3,9% 4,8 17,1% 0,0 77,8% 0,0%

Fruit, nuts, fruit-peel and other parts of plants, 43,3 3,0% 9,7 7,8% 0,0 -40,5% 0,0% preserved by sugar

Fruit and nuts, provisionally preserved, not for 74,5 -0,6% 21,0 -1,8% 0,0 - 0,0% immediate consumption

**Frozen vegetable s**

Vegetables, frozen 2 676,3 1,0% 241,7 -4,3% 1,2 42,3% 0,5%

Potatoes, frozen 3 068,6 1,6% 3,3 -3,7% 0,0 - 0,0%



89

**Dried vegetable s**

Dried vegetables 366,2 2,0% 126,5 1,3% 0,0 -17,5% 0,0%

Beans, dry 555,3 -0,2% 485,4 -0,1% 0,5 18,0% 0,1%

Peas, dry 605,4 -1,8% 248,5 -3,0% 50,2 -9,8% 20,2%

Lentils, dry 218,0 -0,9% 196,2 -0,5% 0,3 - 0,2%

Chick peas, dry 164,5 3,6% 143,8 3,3% 0,4 29,9% 0,3%

Broad beans, dry 87,2 -7,1% 9,8 0,4% 0,0 - 0,1%

Pulses (dried leguminous vegetables) n.e.c. 24,9 -4,7% 2,9 -11,7% 0,0 - 1,6%

Cow peas 6,8 - 6,3 - 0,0 - 0,0%

Pigeon peas, dry 1,6 - 1,6 - 0,0 - 0,0%

**Frozen** Fruit and nuts, uncooked or cooked, frozen 1 162,3 0,7% 439,9 -1,4% 19,8 1,8% 4,5%

**fruits**

**Jams,** Jams, fruit jellies and fruit or nut puree and pastes 499,6 5,5% 68,4 19,3% 0,0 7,4% 0,0%

**fruit jellies and fruit or nut puree and pastes**

**TOTAL** 35 560,8 1,5% 13 238,3 2,0% 180,1 8,4% 1,4%



The major of extra-EU imports are imported by Germany (2 731 mln. EUR or 17% in 2014), Belgium (2 424 mln. EUR or 15%), Netherlands (2 352 mln. EUR or 15%) and

United Kingdom (1 778 mln. EUR or 11), which in 2014 accounted for 58% of import values.

Belgium and the Netherlands are important entry ports (especially through the harbours of Rotterdam and Antwerp) and are European trading hubs for products entering Europe. The value of Belgium and Dutch imports, therefore, includes those products that are then re-exported to other countries. Hence, a major share of European imports consists of products that are re-exported

**Table 2.12 –EU/EFTA import of processed fruits and vegetables by countries in 2010-2014, mln. Euro**

90

**Country ALL IMPORT EU/EFTA EU/EFTA external UA export to UA**

**import EU/EFTA share in external**

mln. EUR CAGR in mln. EUR CAGR in mln. EUR CAGR in **import**

2010-2014 2010-2014 2010-2014

**Germany** 8 095,2 5,9% 2 730,8 8,1% 17,1 3,7% 0,6%

**France** 5 322,3 5,1% 1 230,2 4,9% 15,9 24,0% 1,3%

**United Kingdom** 4 821,2 4,7% 1 777,6 3,9% 5,6 -0,3% 0,3%

**Belgium** 4 059,4 6,6% 2 424,4 6,9% 0,7 -2,7% 0,0%

**Netherlands** 3 935,8 6,6% 2 352,3 8,0% 10,9 11,1% 0,5%

**Italy** 2 941,3 6,1% 1 526,0 7,7% 8,6 1,3% 0,6%

**Spain** 2 146,2 7,2% 1 194,2 9,7% 4,2 -18,0% 0,3%

**Austria** 1 137,2 5,0% 252,8 4,2% 19,6 8,2% 7,8%

**Poland** 1 140,4 6,5% 298,3 7,6% 39,0 21,1% 13,1%

**Sweden** 1 063,6 5,9% 267,4 5,0% 1,2 -22,8% 0,5%

**Switzerland** 840,2 4,3% 423,2 6,8% 2,0 85,8% 0,5%

**Denmark** 704,1 7,4% 127,4 6,3% 0,0 -49,7% 0,0%

**Portugal** 558,3 3,0% 111,1 -0,1% 0,2 - 0,2%

**Ireland** 561,3 5,2% 79,0 7,1% 0,0 - 0,0%

**Czech Republic** 546,1 4,9% 84,3 7,4% 6,6 30,9% 7,8%

**Greece** 475,9 2,0% 227,4 7,8% 5,1 24,0% 2,3%

**Norway** 458,2 3,8% 238,5 2,9% 0,4 136,7% 0,2%

**Finland** 433,6 6,0% 51,4 7,1% 0,0 -32,6% 0,1%

**Hungary** 311,8 4,9% 53,2 9,9% 8,1 74,2% 15,2%

**Romania** 363,4 13,7% 65,9 3,3% 9,4 102,3% 14,2%

**Slovakia** 281,1 6,8% 31,5 13,7% 0,2 0,7% 0,6%

**Bulgaria** 192,9 7,1% 69,2 10,6% 0,1 4,3% 0,1%

**Croatia** 188,7 5,9% 61,2 -3,7% 0,0 -54,4% 0,0%

**Lithuania** 186,4 10,6% 58,6 13,7% 6,1 14,8% 10,3%

**Slovenia** 177,9 6,2% 68,8 10,7% 0,0 -28,1% 0,0%

**Luxembourg** 134,8 7,5% 0,9 161,7% 0,0 - 0,0%

**Latvia** 122,8 11,8% 27,3 11,5% 1,7 21,5% 6,2%

**Estonia** 101,0 10,3% 8,7 -2,7% 0,4 2,1% 4,9%

**Cyprus** 68,4 0,8% 19,7 -0,3% 0,0 -50,3% 0,1%



**France 1.230**

**7,7%**

**Italy 1.526**

**9,6%**

**Spain 1.194**

**7,5%**

**Switzerland 423**

**2,7%**

**United Kingdom 1.778**

**11,2%**

**Poland 298**

**1,9%**

**Other 1.927**

**12,1%**

**Netherlands 2.352**

**14,8%**

**Germany 2.731**

**17,2%**

**processed fruits and vegetables by**

**Belgium 2.424**

**15,3%**

**Figure 2.10 - EU/EFTA external**

**import of**

**main importing countries in 2014, mln. EUR**

The major exporters of extra-EU imports are Turkey (2 578 mln. EUR or 16% in 2014),

USA (2 274 mln. EUR or 14%), Brazil (1 490 mln. EUR or 9%) and China (1 091 EUR or 7%), which in 2014 accounted for 46% of import values.

mln.

91

**Malta** 43,6 5,9% 5,6 20,9% 0,0 - 0,0%

**Iceland** 38,2 6,8% 16,0 4,6% 0,1 - 0,4%

**Liechtenstein** 5,3 9,2% 0,9 12,7% 0,0 - 0,0%

**TOTAL** 41 456,7 5,8% 15 883,8 6,8% 163,0 12,9% 1,0%



**Ecuador 1.002**

**6,3%**

**China 1.091**

**6,9%**

**Colombia 763**

**4,8%**

**Costa Rica 718**

**4,5%**

**India 445**

**2,8%**

**Brazil 1.490**

**9,4%**

**Chile 367**

**2,3%**

**United States 2.274**

**14,3%**

**Turkey 2.578**

**16,2%**

**Other 5.163**

**32,5%**

**Figure 2.11 - EU/EFTA**

**external**

**import**

**of**

**processed fruits**

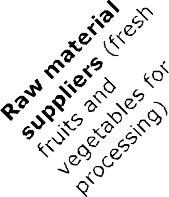
**and vegetables**

**by**

**main exporting countries in 2014, mln. EUR**

92





**2.4**

**Mapping the value chain**

The three major stakeholders in this Value Chain are the chain actors, supporters and influencers.

**Figure 2.12 - Ukraine processed fruit and vegetables value chain**

EU Delegation

EU Consumers, Lobbysts

ISO organizations

**Chain influencers**

State Sanitary Service

Local athorities

Ministry of Ecology and Natural

National Bank of Ukraine

Ministry of Finance

State Fiscal Service

Ministry of Economic Development and Trade

Ministry of Agrarian Policy

Industry associations

Universities and research institutes

**Chain supporters**

BSOs (EBA, CCI,

etc.)

International donors (WNISEF, GUF, EIB)

Commercial banks (Eximbank, Oschadbank, Privatbank, Raiffeisen Bank Aval etc)

**Chain actors**

**Producers of processed fruits and vagatables** (for fresh consumption and processing)

***Chain actors and their functions***



**Suppliers of raw materials** (fresh fruits and vegetables for processing).



**Fruit and vegetables processing companies**. Currently in Ukraine there are about

300 companies processors of fruits and vegetables, most of which are SMEs. Processing plants purchase fruits and vegetable inputs from the producers (non- standard production for serving as fresh, residues of fresh and vegetables production).

**Distributors, dealers, private retailers**. Sales of fresh fruit and vegetables are carried out, usually through intermediaries distributors (from local and external markets) and dealers (the same way). Exports can be performed directly (large producers) and through wholesale trade companies.



***Chain supporters and their functions***



**Sector production associations**. At the national level there is no industry association. Threre are subsectors asssociations, like association "Union of juice producers in Ukraine". Their strategy includes representing and lobbying for the interests of its members; provide support for export development by using its own available resources and combining these with external resources where possible.

93





**Universities** middle level institutions.

**and research institutes** (horticulture and vegeculture). There is a of interaction between the sector and educational and scientific



**Chamber of**

**Commerce of Ukraine**. The main task of the Ukrainian CCI - the

creation of favourable conditions for entrepreneurship, promote the comprehensive development of scientific, technological and trade relations between Ukrainian businessmen and their foreign partners, represent the interests of its members on economic activity both in Ukraine and abroad.



**Private consultants and advisors**. A large number of consulting firms and individual private counsellors are able to provide information and consulting support to businesses of fruit and vegetable industry.



**European Business Association**. The most important function of the EBA is the collective defence of the members interests in central and local government bodies of Ukraine, foreign and international organizations.

***Chain influencers and their functions***



**Ministry of Economic Development and Trade of Ukraine (**MEDTU) The Ministry is the main body in the system of central bodies of the executive power in formation

and providing realization of state development (business economics), external economic policies, state entrepreneurship development policy,

regulatory policy of economic and social regulation of price, industrial, investment, trade policy, state regional policy, state technical regulations and security of consumer

rights as well as inter-agency coordination for economic and social cooperation of Ukraine with the European Union.



**Ministry of Ecology & Natural Resources of Ukraine (MENRU)**. Ministry operates in the field of environmental protection, ecological safety, treatment of waste, hazardous chemicals, pesticides and agricultural chemicals and perform state ecological expertise. The Ministry is entitled in the area of atmospheric air, preservation of ozone layer, restoration and protection of flora and fauna, restoration and protection of lands, restoration and protection of water resources (surface, ground, seawaters), efficient usage of water resources. The Ministry ensures legal and regulatory governing of the water management and land reclamation, geological study and efficient usage of mineral resources, as well as performs state supervision on the fulfilment of the requirements of the environment legislation.



**Ministry of Agrarian Policy and Food.** Ministry is the main body on the formulation and implementation of national agricultural policy, policy on agriculture and on food security, public policy in the fields of fisheries and fisheries, protection, use and reproduction of aquatic resources, regulation of fisheries and maritime security fleet vehicles fisheries, veterinary medicine, food safety in the areas of plant protection, protection of rights on varieties grown, land relations, survey and mapping, forestry and hunting, surveillance (monitoring ) in agriculture.

94





**Ministry of Finance of Ukraine (MFU).** Ministry of Finance is a principal authority among central executive authorities forming and implementing the financial, budget, tax and customs policy of the State (except for the administration of taxes, customs duties and sales tax and customs policies), policy in the area of state financial control, treasury maintenance of budget funds and accounting.



**State Fiscal Service of Ukraine (SFSU).** The main objectives of SFSU are: implementation of state tax policy and in the civil customs, public policy in the fight against crimes in the application of tax and customs legislation implementation within the authority provided by law, control the flow to budgets and state funds taxes and fees customs and other charges, public policy administration single contribution and combating offenses during the application of the legislation on the payment of a single fee, state policy on control timeliness of payment in foreign currency statutory term compliance procedure of cash payments for goods (services) and the availability of licenses for economic activities subject to licensing under the law, trade patents.



**State Sanitary and Epidemiological Service of Ukraine.** This body monitors the conformity of fruit and vegetables and the raw materials used, as well as sanitary and epidemiological control at checkpoints across the state border.



**Certification companies.** Provides a service for issuing certificates for compliance with product standards and requirements set by national and international legislation, as well as providing consulting services to bring the production and business processes in compliance with the standards.



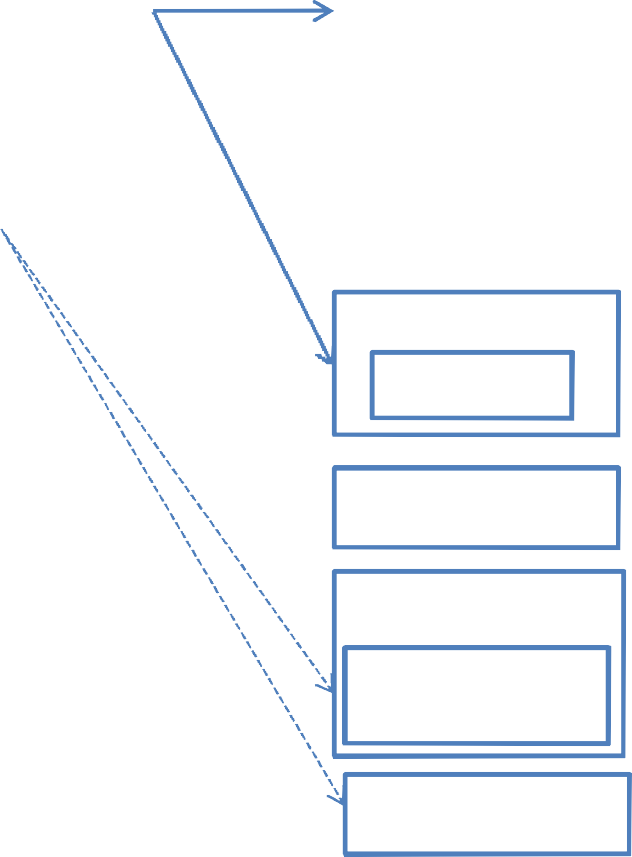
**Local authorities.** Local authorities can influence the business of local companies through the adoption of regulatory decisions and decisions related to the use of local resources, the distribution of which is within their competence.

The flow of products along the chain is described in Figure.

95



**wholesalers**



**Figure 2.13 – Flow of products along the processed fruit and vegetables chain in Ukraine**

**Distribution and marketing**

**Raw materials**

**Production**

**Domestic market end-users**

**Processing companies**

**Suppliers of raw materials**

**Wholesalers**

**Small-scale retail**

**Export**

**Importers**

**Food Manufacturing companies**

***Residues***

**Food and chemical industry**

**Pectin, organic acids, distillates, dyes, yeast**

**Animal industry**

**Fodder**

96

**Residues of fruits & vegetables for fresh consumption**

**Vegetables for processed food**

**Fruits for processed food**

**Dried**

**Frozen**

**Preserved**

**Juices**

**Supermarkets**

**Food service**



**2.5** **Bottlenecks along the value chain**

**2.5.1** **Market opportunities**

The main market opportunities for Ukraine are:









Ukraine is located nearby the EU, suggesting short transport time

favourable climate conditions for majority of horticulture products and fertile lands low labour cost and unlikely significant wages increase in the short- and mid-term potential to develop EU/EFTA export markets (especially in the organic products sector) after entering into force DCFTA with EU

opportunities for the manufacturing of baby food (fruit and vegetable puree)

Ukraine can be a competitive producer and exporter of organic goods. The highly labour-intensive value chains of processed organic fruits could also generate significant socioeconomic benefits, particularly in rural communities.





The most demand on Ukrainian processed fruits and vegetables is on the segments, in which Ukraine demonstrated stable export increase: canned fruits and vegetables (CAGR of Ukrainian export to EU/EFTA in 2010-2014 – 23-63%), fruit and vegetable juices (9- 22%), frozen vegetables (18%), frozen fruits (2%), jams, fruit jellies and fruit or nut puree and pastes (9%). Most of them demonstrated high growth rates durig last 5 years (Table 2.13).

Special attention should be paid to fruit and vegetable juices. Being the second-largest market in the world, Europe is an attractive market for exporting fruit juices . Europeans consume a great deal of fruit juice. Value-added chilled, functional and not-from- concentrate juices could benefit from the ongoing consumer health trend and demand for quality products.

**Table 2.13 –EU/EFTA external import products in 2014 by main suppliers**

**of**

**some**

**processed**

**fruit**

**and**

**vegetables**

*Source: Eurostat*

**2.5.2** **Key bottlenecks, risks and opportunities along the value chain**

97

**Product EU/EFTA external Main suppliers**

**import**

mln. EUR CAGR in

2010-2014

**Dietetic food** 10,0 28,2% Turkey (46%), Mexico (22%), Ecuador

(6%), Ukraine (0.03%)

**Jams, fruit jellies, fruit** 120,8 20,3% Turkey (60%), Serbia (5%), South **purees and pastes or** Africa (5%), Ukraine (0.02%) **nut**

**Canned fruits and** 1241,1 3,0% China (26%), Turkey (25%), Peru

**vegetables** (17%), Ukraine (1%)

**Frozen vegetables** 311,3 -0,6% China (40%), Turkey (11%), Egypt

(8%), Ukraine (1%)

**Frozen fruit** 703,7 3,8% Serbia (34%), Morocco (11%), China

(8%), Ukraine (6%)

**Fruit and vegetable** 531,5 1,3% Turkey (18%), Ecuador (10%),

**juices (excluding** Argentina (9%), Ukraine (7%)

**tropical)**



**Table 2.14 – Value Chain constraints and opportunities**

3 Critical means if the constraint is not resolved the programme outcome is not possible, or significantly reduced.

4 Short term means that the constraint can be addressed within the duration of the programme.

98

**Observed constraints in value chain and how they prohibit export**

**Critical**[**3**](#_bookmark33) **constrai nt? (Y/N)**

**Solvabl e in short term**[**4**](#_bookmark34) **(Y/N)**

**Which (donor) organisation is providing this solution? (CBI, or others)**

**How can this problem be solved?**

**Lack of knowledge on EU/EFTA market segments and market access requirements.**

Companies have insufficient knowledge about the European markets, what EU buyer and what market segment they can cater for.

Y

Y

CBI

Training is needed on market research, and market access requirements, and also existing technical, environmental, phytosanitary regulations and taxation in the EU as a whole and with features in individual countries.

**Lack of (export) marketing skills**

In line with the constraint mentioned above. Due to a poor knowledge about the European markets, consumption culture and the needs of the EU market, combined with the lack of skills and experience in the field of marketing, existing companies struggle to attract new customers and increase their exports. The sales and marketing approach is not attractive to European buyers.

Y

Y

CBI

Training is needed on marketing, also providing with information about current EU market trends on fruit and vegetables consumption, a proactive service minded approach and the right communication with customers.

**The lack of direct contacts between Ukrainian producers and European companies**

Producers do not possess enough knowledge and understanding about consumers and their needs in export markets

Y

Y

CBI

Participation in exhibitions, trade fairs and other similar events to establish contacts between Ukrainian producers and European consumers

**Lack of necessary certifications to enter the EU market (ISO)**

A few large companies has adopted international quality standards (such as ISO 22000, HACCP).

Smaller companies lack the implementation of such standards, due to lack of financing.

Y

Y

CBI

Training is needed on certification procedures. CBI can organize activities (training and trade fair participation) in cooperation with the stakeholders

**Lack of internal financial resources and limited access to long-term loans**

Limited access to cheap credit resources (compared with neighbouring countries) which prevents the expansion of investment in assets and hinders the development of both horticulture and food processing.

Y

N

Existing incentive mechanisms need to be revised to facilitate access by SMEs, and if possible, priorities to be given to agricultural export producers.

Fruit and vegetables associations need to take a stronger role in policy advocacy in this respect.

**Lack of storage facilities, especially with new equipment and technology level**

Y

N

CBI

CBI can organize activities (training and trade fair participation) in cooperation with the stakeholders to



99

Given the short shelf life of fruits and berries, availability of refrigeration capacity is a key factor for the development of this segment in Ukraine. The lack of sufficiently refrigerators and the need for additional packaging costs (for the products preservation during transportation over long distances) are constraining for growing berries and stone fruit crops.

promote cooperation between small producers in order to create new capacities.

Thus the development the system of grants (or reimbursements) is needed to stimulate horticultural farms forming of farming cooperatives aimed for construction common refrigeration capacity.

**Lack of refrigeration facilities in horticultural and vegetable farms.** This affects the quality of products safety, and reduces the raw materials for the processing industry.

Y

N

Creation of products sales centres, development of post harvest and market infrastructure

**Lack of state export promotion and low level of government support of producers in fresh fruit and vegetables sectors**

Lack of state export promotion in fresh fruit and vegetables sectors. The sector is hardly supported by the government.

Y

N

Compensation of export VAT to fixed agricultural tax payers.

**Lack of a strong positive image and branding for Ukrainian fruit and vegetables sector**

Y

Y

CBI

Building institutional capacity within sector associations and train a representative who will be able promote the Ukrainian fruit and vegetables sector in the relevant EU countries

CBI can assist in defining a promotion strategy to promote the Ukrainian fruit and vegetables sector and companies.

**Weak branch associations which could take a lead in resolving the issues of sector and lobby the interests of manufacturers**

The sector associations are small and fragmented thus are not able to address exporters’ needs. Based on the experience of export to Russia, most companies ‘wait’ for clients to come, meaning that they lack export-marketing skills for positioning and promoting their product on European markets.

Y

Y

CBI

Existing associations have not sufficient capacity and financial means to promote the Ukrainian fruits and vegetables sector and can only provide limited relevant EU market information, assistance in defining export strategies or technical support.

CBI can support the sector organisation through the use of its network in the EU fruit and vegetables sector as well as through Market intelligence. Besides that they can organise buyer missions and trade fair participation in cooperation with sector associations to create more cohesion between the individual members and attract new members.

**Lack of awareness among stakeholders on CSR issues on the EU market**

Y

N

CBI

CBI with cooperation of the interested BSOs and



100

**(labour, safety, environmental and other social responsibilities)**

Without proper awareness of CSR issues (which are increasingly part of the buyer requirements in Europe), potential exporters cannot enter the market with success.

associations, information sharing activities should be conducted on specific CSR requirements relating to fruit and vegetable sector.

**Low quality of raw materials for processing.** Most processing plants provide raw materials caused by many small farmers and farmlands. Very often, the quality does not meet required standards.

Y

N

Development of the system of incentives for the development of raw orchards (fruits which are intended solely for processing)

**Climate and natural risks** (frost, hail, pests, disease) **are** still **one of the main obstacles to sustainable development** of the industry and negatively affect the accessibility of raw materials.

Y

N

Public assistance (concessional lending, privileges in VAT payment on the import of equipment, etc.) in the procurement hail-defence nets, irrigation systems, and so on.

**The great level of labour inputs and the short afterharvest period berry and stone fruit compared with apples are obstacles to berries production**

Y

N

Promotion of facilitate mechanization in berry production

**Low level of production culture and pricing policy for organic products are the main obstacles to the organic production development**

Y

N

Development of measures to regulate the prices of raw materials for organic production and signing long- term contracts between processors and gardeners

**Unstable supply of fresh fruit and vegetable processing enterprises through lower prices (compared with the fresh fruits and berries for fresh consumption)**, and accordingly the reluctance of households to establish the raw orchards (fruits which are intended solely for processing). Absence of contractual agreements with food processing companies limits fruit cultivation attractiveness for farmers.

Y

N

Absence of contractual agreements with food processing companies limits fruit cultivation attractiveness for farmers

Development of incentives for the development of raw orchards (fruits assigned exclusively for processing)

**Lack of industrial capacities and raw materials base development for dried and frozen fruit and berries production.**

Poor production segment of dried fruits and frozen products in Ukraine in connection with the need for large investments in equipment (the purchase and creation of modern dryers and adoption of modern production skills)

Y

N

Policy measures elaboration for the development of the dried and frozen products production (concessional lending, VAT

non-payment on the import of equipment, etc.)

**Observed opportunities in value chain and how they benefit export**

**Critical opport unity? (Y/N)**

**Short term benefit (Y/N)**

**Which (donor) organisation is benefiting from this**

**How can this opportunity be benefited from?**



**2.5.3** **Main constraints in the value chain**

**The main constraints of fresh fruit and vegetable sector are:**

1.

2.

3.

4.

5.

6.

7.

8.

Lack of knowledge on EU/EFTA market segments and market access requirements. Lack of (export) marketing skills

The lack of direct contacts between Ukrainian producers and European companies Lack of necessary certifications to enter the EU market (ISO)

Lack of internal financial resources and limited access to long-term loans Lack of storage facilities, especially with new equipment and technology level

Fragmentation of producers and lack of cooperation between sector producers.

Lack of state export promotion and low level of government support of producers in fresh fruit and vegetables sectors

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**opportunity? (CBI, or**

**others)**

Ukraine is located nearby the EU, suggesting short transport time

Y

Y

CBI

- Through promotion and image building of Ukraine

Favourable climate conditions for majority of horticulture products and fertile lands

Y

Y

CBI

- Through promotion and image building of Ukraine

Low labour cost and unlikely significant wages increase in the short- and mid-term

Y

Y

CBI

* Through promotion and image building of Ukraine
* Marketing training

Potential to develop EU/EFTA export markets (especially in the organic products sector) after entering into force DCFTA with EU

Y

Y

CBI

- Through exhibiting on trade fairs in those markets, contact agents and contact with relevant sector organizations in target markets.

Opportunities for the manufacturing of baby food (fruit and vegetable puree)

Y

Y

CBI

* Through promotion and image building of Ukraine
* Exhibit at the right fairs
* Training on product development skills and marketing

Ukraine can be a competitive producer and exporter of organic goods, given favourable climatic conditions, fertile soils and an efficient agricultural sector. The highly labour-intensive value chains of processed organic fruits could also generate significant socioeconomic benefits, particularly in rural communities.

Y

Y

CBI

* Through promotion and image building of Ukraine
* Exhibit at the right fairs
* Training on product development skills and marketing

**Observed Social Responsibility risks in value chain**

**Critical risk? (Y/N)**

**Solvabl e in short term (Y/N)**

**Which (donor) organisation is benefiting from this opportunity? (CBI, or**

**others)**

**How can this opportunity be benefited from?**

Growing demand from European buyers on working circumstances in producing countries.

Y

Y

CBI

CBI will link up as much as possible with existing local and/or international CSR initiatives in Ukraine



9. Weak branch associations which could take a lead in resolving the issues of sector and lobby the interests of manufacturers

**2.6** **Context information**

**2.6.1** **Number of enterprises active in the chain and percentage of which is actively exporting**

Most of the Ukraine's production of processed fruit and vegetables is consumed internally (Table 2.15). In terms of quantities, the Ukrainian exports around 66% of the production of frozen vegetables, 28% of fruit and vegetable juices and morethan half of frozen fruits.

Producers of processed fruits and vegetables are active exporters. The highest level of enterprises actively exporting is in segment of frozen fruits (about 50%), fruit and vegetable juices (about 40%) and frozen vegetables (about 40%).

**Table 2.15 –Number of enterprises active in the chain and percentage of which is actively exporting in 2014**

102

**Indicator Number of Productio Export, Export Estimated producers, n, tons tons share in percentage**

**units productio of**

**n, % enterprises**

**actively exporting**

**Fruit and vegetable juices** 439 727 122 490 28% -

**Tomato juice** 37 61743 11 749 19% 40%

**Orange juice** 10 37438 4 274 11% 50%

**Grapefruit juice** 5 3005 275 9% 20%

**Pineapple juice** 6 11938 32 0% 20%

**Grape juice** 9 533 405 76% 40%

**Apple juice** 73 214329 103 918 48% 40%

**Mixtures of fruit and vegetable juices** 38 246038 1 925 1% 25%

**Other fruit and vegetable juices** 39 110741 1 836 2% 20%

**Vegetables, frozen** 17 17722 11 702 66% 40%

**Vegetables provisionally preserved** 2 30 387 -

**Dried vegetables** 5 556 39 7% -

**Beans, preserved otherwise than by vinegar or** 18 5852 1 646 28% 30%

**acetic acid, except prepared vegetable dishes**

**Peas, preserved otherwise than by vinegar or** 18 17458 1 662 10% 30%

**acetic acid, except prepared vegetable dishes**

**Other vegetables (except potatoes), preserved** 92 120513 34 370 29% 25%

**otherwise than by vinegar or acetic acid, except prepared vegetable dishes**

**Vegetables (except potatoes), fruit, nuts and** 86 39913 14 384 36% 30%

**other edible parts of plants, prepared or preserved by vinegar or acetic acid**

**Fruit and nuts, uncooked or cooked, frozen** 20 7459\* 20 923 281% 50%

**Jams, fruit jellies and fruit or nut puree and** 74 59100 2 196 4% 20%

**pastes**

**Nuts, groundnuts, roasted, salted or otherwise** 55 23650 6 699 28% 20%



*\* - data could be preliminary or suppressed by confidentiality reasons*

**2.6.2** **Value addition at each step of the value chain**

In the value added structure of processed fruits and vegetables production the largest share accounted for the raw materials stage (40-50%).

The share of distribution (wholesale trade) is also significant (20-25%).

**Table 2.16 –Value division between the value chain, %**

**2.6.3** **Currently exported volumes and amounts**

Over the last 5 years the Ukraine has been constantly recording a trade surplus in processed fruit and vegetables, totalling 137 million EUR in 2014 (Table 2.17). However, if in volume terms the advantage was - times, while in value terms – only times, indicating that the products, imported to Ukraine was characterized by the high level of prices than export prices.

The Ukrainian total export value in 2014 of the selected products amounted to 378 million EUR or 455 thous. Tons (up by 5.5% and 2.1% yearly on average from 2010 respectively). Dynamics of export was unstable (maximum level - 432 mln. Euros in 2012, and the minimum - 304 mln. Euros in 2010).

Import volumes of processed fruit and vegetables in 2014 amounted to 241 million. EUR or 169 thous. Tons (up by 1.0%, value terms, while decreased by 4.0% in quantity terms respectively). Import shipments were also volatile (in 2010-2013 there was an annual increase to 329 million. Euros, while in 2014 the volume fell to 241 mln. Euros).

**Table 2.17 –Ukrainian foreign trade of processed fruits and vegetables in 2010-**

**2014, mln. EUR**

*Source: State Statistic Service of Ukraine*

103

Flow Indicator 2010 2011 2012 2013 2014 CAGR, %

**Export** Value, mln. Euro 304 336 432 431 378 5,5%

Weight, thous. tons 418 388 455 422 455 2,1%

**Import** Value, mln. Euro 232 268 299 329 241 1,0%

Weight, thous. tons 199 225 201 220 169 -4,0%

Indicator Raw materials Manufacturin Distribution Retail Total added production g value

Processed fruit and 40-50 25-30 15-20 10-15 100

vegetables

*Approximate share of Ukraine,* ***90 100 0 0 -***

*%*

**prepared**

**Fruit and nuts, provisionally preserved, not for** 1 85 0 0% -

**immediate consumption**

**Other prepared, dried or preserved fruits and** 27 7327 7 522 103% -

**nuts**

**Potatoes, frozen** 2 973 35 4% -

**Potatoes prepared or preserved** 14 17924 8 308 46% 50%



**mln. Euro**

**thous. tons**

**500**

**Export**

**Import**

**Export**

**Import**

**500**

**432**

**431**

**455**

**455**

**422**

**418**

**378**

**400**

**388**

**400**

**336**

**329**

**304**

**299**

**300**

**268**

**300**

**241**

**232**

**225**

**220**

**201**

**200**

**199**

**200**

**169**

**100**

**100**

**0**

**0**

**2010**

**2011**

**2012**

**2013**

**2014**

**2010**

**2011**

**2012**

**2013**

**2014**

**Figure 2.14 - Ukrainian foreign trade of processed fruits and vegetables in 2010-2014**

The main sales markets of selected products were the EU/EFTA (198.5 mln. EUR

or

52.6% in 2014), Russia (68.4 mln. EUR or 18.1%), Asia (52, 5 mln. EUR or 13.9%) and CIS (47.0 mln. EUR or 12.4%), which in 2014 accounted for 97% of exports.

In 2010-2014 there was a significant increase in exports to all regions (the largest to the EU/EFTA – with CAGR 22,0%), with the exception of Russia and America, where exports declined (CAGR -11,5% and -3.8% respectively ).

In value terms, the largest increase occurred in the EU (+109 mln. EUR), and decrease to Russia (-43 mln. EUR).

**Table 2.18 –Ukraine’s export of processed fruit and vegetables by main destinations in 2010-2014**

104

Indicator Region 2010 2011 2012 2013 2014 CAGR, %

**Value, 000** EU/EFTA 89 575 92 092 145 728 195 981 198 531 22,0%

**Euro**

Russia 111 617 112 719 149 615 140 561 68 394 -11,5%

Asia 51 763 71 849 68 111 29 257 52 505 0,4%

CIS 43 326 50 402 53 121 52 695 46 974 2,0%

Other 3 791 5 241 7 603 6 512 5 130 7,9%

Africa 3 080 2 840 6 691 5 135 5 170 13,8%

America 1 205 1 310 1 508 1 173 1 031 -3,8%

**TOTAL 304 357 336 453 432 377 431 315 377 734 5,5%**

**Weight, tons** EU/EFTA 123 082 77 919 142 700 150 622 181 802 10,2%

Russia 147 242 118 062 143 721 143 859 68 987 -17,3%

Asia 81 913 129 234 102 216 58 160 133 265 12,9%



**a**

**%**

**r**

*Source: State Statistic Service of Ukraine*

**0**

**America**

**Russia 68,4**

**18,1%**

**Asia 52,5**

**13,9%**

**2**

**Africa**

**CIS 47,0**

**12,4%**

**1**

**Other**

**4**

**CIS**

**Afric 5,2**

**1,4**

**Asia**

**1**

**Russia**

**-43**

**Othe 5,1**

**1,4%**

**EU/EFTA**

**109**

**EU/EFTA 198,5**

**52,6%**

**America 1,0**

**0,3%**

-100 -50

0

50

100

150

**Figure 2.15**

**- Ukrainian export of**

**Figure**

**2.16**

**– Increase of Ukrainian fruits and vegetables**

**processed fruits and vegetables in 2014, mln. EUR**

**processed**

**export of in 2010-2014, mln. EUR**

The main export product groups are fruit and vegetable juices (134.4 mln. EUR or 35.6% in 2014), canned fruits and vegetables (53.1 mln. EUR or 14.1%) and dried vegetables (47.9 mln. EUR or 12.7%), which in 2014 accounted for 62.4% of exports.

In 2010-2014 there was a significant exports increase of all product groups (the largest in the sector of fruit and vegetable juices and dried vegetables - CAGR 23.1% and 9.6% respectively).

**Table 2.19 –Ukraine’s export of processed fruits and vegetables by main product groups in 2010-2014**

105

Indicator Product group 2010 2011 2012 2013 2014 CAGR, %

**Value, 000**

**Euro**

Fruit and vegetable juices 58 594 56 315 135 112 180 747 134 400 23,1%

Other processed and 97 198 130 306 135 975 98 802 97 413 0,1% preserved fruit and

vegetables

Canned fruit and vegetables 64 644 55 870 66 057 75 106 53 121 -4,8%

Dried vegetables 33 192 45 171 51 268 34 148 47 909 9,6%

CIS 48 676 47 083 41 550 46 416 45 657 -1,6%

Other 4 193 5 524 7 270 6 499 5 642 7,7%

Africa 11 432 8 004 15 955 14 882 18 258 12,4%

America 1 748 1 747 1 647 1 623 1 290 -7,3%

**TOTAL 418 287 387 574 455 059 422 061 454 903 2,1%**



*Source: State Statistic Service of Ukraine*

**Canned fruit and vegetables**

**53,1**

**14,1%**

**Dried vegetables 47,9**

**12,7%**

**Other processed and preserved fruit and vegetables**

**97,4**

**25,8%**

**Frozen fruits 35,9**

**9,5%**

**Frozen vegetables 7,5**

**2,0%**

**Jams, fruit jellies and fruit or nut puree and pastes 1,5**

**0,4%**

**Fruit and vegetable juices 134,4**

**35,6%**

**Figure 2.17 - Ukrainian export of processed fruits and vegetables by main product groups in 2014, mln. EUR**

Ukraine’s export of processed fruits and vegetables by main product groups commodity items in 2010-2014 is shown in Table 2.20.

and

106

Frozen fruits 41 017 40 768 35 947 34 982 35 917 -3,3%

Frozen vegetables 7 064 5 261 5 798 5 469 7 456 1,4%

Jams, fruit jellies and fruit or 2 649 2 763 2 219 2 061 1 520 -13,0% nut puree and pastes

**Total 304 357 336 453 432 377 431 315 377 734 5,5%**

**Weigh t, tons**

Fruit and vegetable juices 85 721 57 652 108 416 144 385 124 415 9,8%

Other processed and 42 734 51 422 54 049 42 083 40 726 -1,2% preserved fruit and

vegetables

Canned fruit and vegetables 94 486 76 167 83 498 92 659 59 584 -10,9%

Dried vegetables 158 261 173 447 177 697 112 425 195 321 5,4%

Frozen fruits 21 606 18 278 20 108 19 354 20 923 -0,8%

Frozen vegetables 11 403 7 074 9 012 8 540 11 738 0,7%

Jams, fruit jellies and fruit or 4 075 3 533 2 279 2 614 2 196 -14,3% nut puree and pastes

**Total 418 287 387 574 455 059 422 061 454 903 2,1%**



**Table 2014**

**2.20**

**–Ukraine’s export of**

**processed fruits**

**and vegetables**

**by main**

**product**

**groups**

**and commodity items**

**in**

**2010-**

107

**Indicat Group Commodity item CAGR 2014**

**or in** TOTAL EU/ Russia CIS Asia Africa America Other

**2010-**

**2014** EFTA

**Value, 000**

**Euro**

Fruit and vegetable juices

Apple juice 25,8% **121 239** 101 009 15 633 4 125 160 0 5 306

Tomato juice 7,5% **4 740** 258 1 510 2 717 86 0 111 59

Other fruit and vegetable juices -10,7% **1 264** 349 308 424 2 0 144 38

Orange juice -1,9% **2 361** 82 873 962 16 0 1 427

Mixtures of fruit and vegetable juices -13,0% **950** 211 71 585 40 0 22 21

Grape juice 134,1% **3 670** 3 660 0 7 0 0 0 2

Grapefruit juice -16,7% **134** 8 11 91 0 0 0 24

Pineapple juice 0,5% **41** 1 0 40 0 0 0 0

Total 23,1% **134 400** 105 578 18 406 8 951 305 0 283 877

Other processed and preserved fruit and vegetables

Groundnuts and nuts, shelled -0,7% **60 396** 30 184 1 058 3 986 23 857 337 0 974

Potatoes prepared or preserved 2,3% **23 141** 72 14 201 8 033 49 0 2 784

Nuts, groundnuts, roasted, salted or -0,3% **13 135** 812 2 723 8 339 265 0 87 908

otherwise prepared

Vegetables provisionally preserved 22,3% **726** 719 0 7 0 0 0 0

Fruit and nuts, provisionally preserved, -55,7% **0** 0 0 0 0 0 0 0

not for immediate consumption

Fruit, nuts, fruit-peel and other parts of -70,4% **1** 1 0 0 0 0 1 0

plants, preserved by sugar

Homogenised food preparations and -34,2% **14** 3 2 3 0 0 1 6

dietetic food

Total 0,1% **97 413** 31 790 17 984 20 369 24 172 337 91 2 671

Canned fruit and vegetables

Other vegetables (except potatoes), 0,1% **27 952** 10 263 13 926 3 172 278 13 227 73

preserved otherwise than by vinegar or acetic acid, except prepared vegetable dishes

Vegetables (except potatoes), fruit, nuts -16,4% **11 493** 1 489 8 190 1 383 121 2 291 16

and other edible parts of plants, prepared or preserved by vinegar or acetic acid



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Other prepared, dried or preserved fruits 6,5% **11 217** 881 1 574 8 612 6 0 11 133

and nuts

Beans, preserved otherwise than by -13,6% **1 388** 16 922 410 15 0 24 0

vinegar or acetic acid, except prepared vegetable dishes

Peas, preserved otherwise than by vinegar -14,5% **1 071** 48 206 778 19 0 18 1

or acetic acid, except prepared vegetable dishes

Total -4,8% **53 121** 12 697 24 818 14 354 440 16 571 224

Dried vegetables

Peas, dry 6,5% **38 998** 12 518 65 1 492 20 965 3 577 3 379

Chick peas, dry 34,5% **7 273** 137 0 69 6 367 646 0 53

Beans, dry 21,9% **539** 142 0 0 72 0 1 323

Broad beans, dry 71,5% **636** 27 0 0 76 533 0 0

Dried vegetables -5,6% **283** 154 46 43 28 0 7 5

Pulses (dried leguminous vegetables) - **63** 24 0 0 5 34 0 0

n.e.c.

Lentils, dry 258,3% **117** 73 0 24 20 0 0 0

Total 9,6% **47 909** 13 075 111 1 628 27 534 4 789 11 761

Frozen fruits

Fruit and nuts, uncooked or cooked, -3,3% **35 917** 34 176 1 106 312 26 0 0 298

frozen

Total -3,3% **35 917** 34 176 1 106 312 26 0 0 298

Frozen vegetables

Vegetables, frozen 1,4% **7 414** 1 194 5 684 501 23 0 1 10

Potatoes, frozen 0,2% **43** 1 6 28 0 0 0 7

Total 1,4% **7 456** 1 194 5 690 530 23 0 2 17

Jams, fruit jellies and fruit or nut puree and pastes

Jams, fruit jellies and fruit or nut puree -13,0% **1 520** 22 278 831 7 27 73 282

and pastes

Total -13,0% **1 520** 22 278 831 7 27 73 282

TOTAL 5,5% **377 734** 198 531 68 394 46 974 52 505 5 170 1 031 5 130

**Weigh** Fruit and

**t, tons** vegetable

juices

Apple juice 13,5% **103 918** 83 643 13 684 5 888 225 0 11 467

Tomato juice 6,3% **11 749** 625 3 708 6 827 247 0 268 75

Other fruit and vegetable juices -17,5% **1 836** 475 98 881 1 0 269 111



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Orange juice -3,1% **4 274** 117 1 785 1 571 18 0 1 783

Mixtures of fruit and vegetable juices -17,9% **1 925** 326 140 1 285 73 0 46 54

Grape juice 4,8% **405** 389 0 11 0 0 1 4

Grapefruit juice -15,6% **275** 14 18 200 0 0 0 43

Pineapple juice -14,0% **32** 1 0 32 0 0 0 0

Total 9,8% **124 415** 85 590 19 433 16 695 564 0 596 1 537

Other processed and preserved fruit and vegetables

Groundnuts and nuts, shelled -2,7% **25 318** 7 030 214 2 221 15 254 183 0 417

Potatoes prepared or preserved 4,9% **8 308** 28 5 728 2 282 13 0 0 258

Nuts, groundnuts, roasted, salted or -1,8% **6 699** 503 1 240 4 368 71 0 43 473

otherwise prepared

Vegetables provisionally preserved 13,5% **387** 377 0 10 0 0 0 0

Fruit and nuts, provisionally preserved, -70,4% **0** 0 0 0 0 0 0 0

not for immediate consumption

Fruit, nuts, fruit-peel and other parts of -68,5% **1** 0 0 0 0 0 0 0

plants, preserved by sugar

Homogenised food preparations and -32,0% **12** 2 0 2 0 0 1 7

dietetic food

Total -1,2% **40 726** 7 940 7 182 8 883 15 339 183 44 1 154

Canned fruit and vegetables

Other vegetables (except potatoes), -5,5% **34 370** 11 952 17 969 3 846 334 12 204 53

preserved otherwise than by vinegar or acetic acid, except prepared vegetable dishes

Vegetables (except potatoes), fruit, nuts -20,4% **14 384** 2 286 10 080 1 520 136 1 339 22

and other edible parts of plants, prepared or preserved by vinegar or acetic acid

Other prepared, dried or preserved fruits -4,3% **7 522** 372 2 001 5 065 1 0 8 74

and nuts

Beans, preserved otherwise than by -15,6% **1 646** 12 1 044 555 16 0 19 0

vinegar or acetic acid, except prepared vegetable dishes

Peas, preserved otherwise than by vinegar -15,9% **1 662** 99 244 1 271 24 0 22 1

or acetic acid, except prepared vegetable dishes

Total -10,9% **59 584** 14 722 31 339 12 257 511 13 592 150

Dried Peas, dry 1,9% **165 385** 52 284 167 4 680 94 081 12 823 6 1 345



*Source: State Statistic Service of Ukraine*

Ukraine’s import of processed fruits and vegetables is shown in Appendix 2.

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vegetables

Chick peas, dry 60,6% **25 399** 326 0 194 22 221 2 489 0 169

Beans, dry 13,3% **1 004** 307 2 0 70 0 1 624

Broad beans, dry 67,9% **3 046** 88 0 0 364 2 594 0 0

Dried vegetables -10,7% **39** 16 6 6 10 0 0 0

Pulses (dried leguminous vegetables) - **208** 61 0 0 27 120 0 0

n.e.c.

Lentils, dry 369,2% **240** 158 0 38 44 0 0 0

Total 5,4% **195 321** 53 240 175 4 919 116 18 026 7 2 138

817

Frozen fruits

Fruit and nuts, uncooked or cooked, -0,8% **20 923** 19 133 964 613 18 0 0 196

frozen

Total -0,8% **20 923** 19 133 964 613 18 0 0 196

Frozen vegetables

Vegetables, frozen 0,7% **11 702** 1 169 9 687 822 12 0 1 11

Potatoes, frozen -4,3% **35** 0 2 27 0 0 0 6

Total 0,7% **11 738** 1 169 9 690 849 12 0 1 16

Jams, fruit jellies and fruit or nut puree and pastes

Jams, fruit jellies and fruit or nut puree -14,3% **2 196** 9 205 1 442 4 36 50 450

and pastes

Total -14,3% **2 196** 9 205 1 442 4 36 50 450

TOTAL 2,1% **454 903** 181 802 68 987 45 657 133 18 258 1 290 5 642

265



**2.6.4** **Trends in supply and demand**

**The main trends on Ukrainian processed fruit and vegetables market are:**



The Ukrainian market of processed fruit and vegetables is quite promising and has good potential of growth. Gradual denial of homemade canning, and the wide range of industrial analogues with low price and stable presence in the stores contribute to development of domestic manufacturing sector.

The combination of these factors and the fact that present consumption makes only 1/3 of the recommended norm may result in considerable market growth.

According to prognosis in coming years the market of canned peas, sweet corn, processed potatoes and tomatoes, frozen fruits and vegetables will continue growing, despite the decrease of production volumes by individual operators.

There is a challenge for Ukrainian producers to conquer the market of neighbouring European countries, first of all, due to insufficient development of domestic raw material base, lack of experienced workforce and production capacities in these countries.

The import of processed fruit and vegetables had been growing till 2013 and then again entered a downward trend (decrease by 27% to 241 million EUR in 2014). The import of processed fruit and vegetables prevails over the export: the negative foreign trade balance for this group of products totalled 137 million EUR.

Gradually, the share of domestic canned fruits and vegetables in the market increases, forcing out the foreign products to leave the market. Ukraine imports mainly exotic canned fruits, juices and natural canned vegetables (canned peas, corn, mushrooms); exotic sauces, frozen potatoes; dried fruit and berries. The reduction of imported canned products is due to its high price, as well as sluggish consumer interest. However, the reduction is expected within the range 5-10% during coming years.

As expected the growth of consumption in the sector will be modest - 3-8%. But this is inevitable because of the continuing urbanization of the population. Domestic manufacturers are increasing capacity and strengthen its market position. According to forecasts of market operators, in few years ’unbranded’ will disappear from the market.













Demand for processed fruit and vegetable products in Europe, the industry's second largest market after North America, is expected to remain relatively stable over the five years to 2020.

**The main trends on EU processed fruit and vegetables markets are:**



Opportunities for consumption of processed fruits and vegetables lie in consumption trends such as convenience and health.

The market for frozen food products is currently expanding due to the fact that frozen products are cheaper than fresh produce.

In Europe fruit is predominantly bought fresh, while vegetables are more often bought prepared or processed.

Most of processed fruits and vegetables are not consumed by consumers, but used by the food processing industry. They are further processed as part of pizza, cookies and biscuits, ice creams, etcetera.

The food processing industry needs a regular supply of – mostly high-quality – goods. It maintains close relations with importers, which are often based on long-term contracts or partnerships. Further processing of fruits and vegetables requires new









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techniques and a high level of knowledge, giving the processor/ manufacturer a strong position within the supply chain.

Dried and frozen fruit, dried vegetables, edible nuts, fruit juice concentrates and provisionally preserved fruits and vegetables are mainly used as ingredients for the food processing or manufacturing industry. Canned and frozen fruits and vegetables and edible nuts are (also) end products that are finished and packed at origin.

Within Europe, most foods are sold in supermarkets. Retail buying power has increased over recent years, affecting the food processing industry since price wars led to the offering of premium brands at prices that compete with private labels.

One of the biggest challenges for Europe over the next five years will be the ongoing decline in the consumption of (processed) fruit and vegetable products, linked to changing life styles and eating habits. With fast-paced lifestyles and increasing numbers of working women, consumers are increasingly seeking convenience, which is also reflected in the type of products they buy. Innovation is needed in order to meet the demands of changing lifestyles and consumer demand for more convenient fruit and vegetable products.

The consumption of processed fruits and vegetables is affected by the ongoing consumer health trend. Consumers are increasingly aware of the health benefits of fruit and vegetable consumption. Since spending power may have decreased due to the economic crisis within Europe, they are more critical and seek out the most affordable healthy options for their budgets. Processed fruit and vegetables can play a role here. By freezing or canning shortly after harvest, fruits and vegetables are preserved at peak ripeness, retaining most of their nutrients and vitamins. In addition, demand for products with healthy ingredients such as anti-oxidants (i.e., ‘superfoods’) has increased.

Consumers are increasingly concerned about where products originate, and how they are produced. They demand more sustainable (i.e. socially and environmentally responsible) food products from retailers. Fruit and vegetables are the most important category of sustainable food products that are purchased by consumers, with shares of between 15 and 36% in total organic sales in the four largest EU markets.

The share of organic production of fruit and vegetables in Europe is relatively large (up to 10% in 2012 for nut trees). Countries with the largest organic fruit production areas are the Mediterranean countries: Italy, Spain and Greece. In addition, for organic vegetables, Italy is again the country with the largest area by far, followed by Germany and France. A proportion of these fresh fruits and vegetables are processed into processed fruit and vegetables.





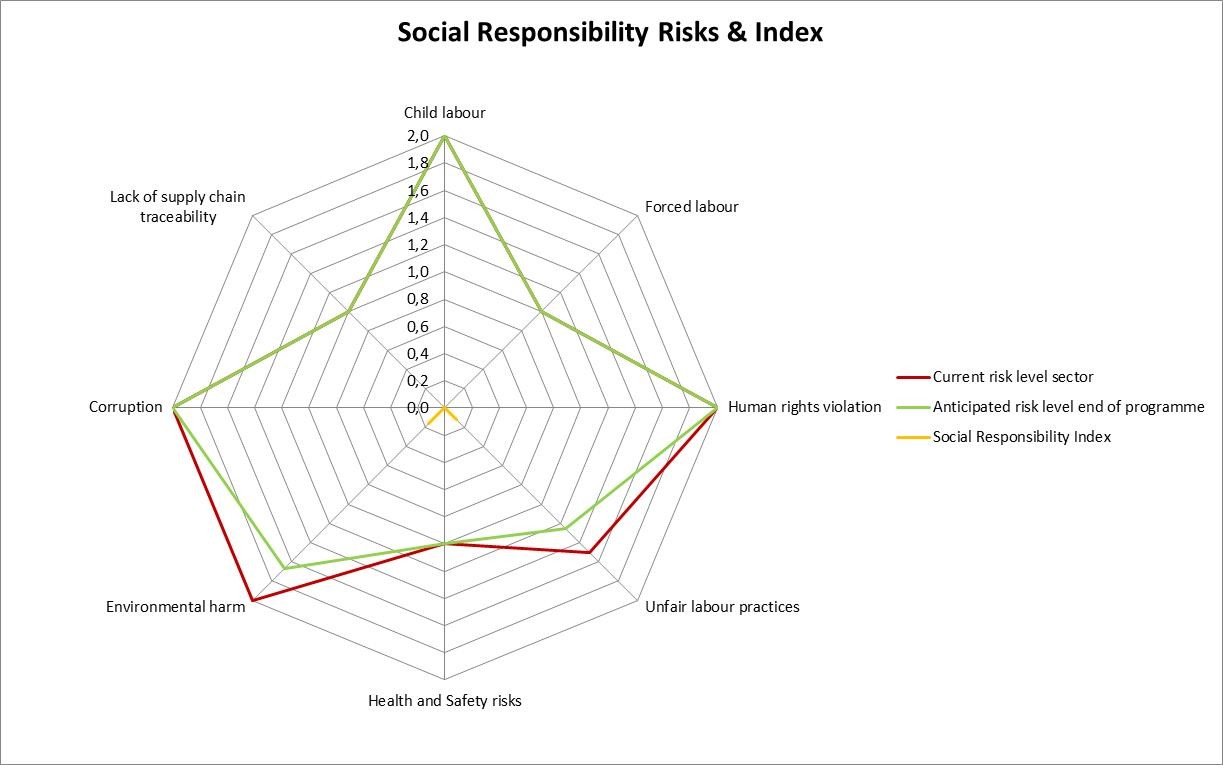


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



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**2.6.5** **Social Responsibility risk level in the chain**

CSR has become one of the pillars of the Dutch policy for development cooperation, in particular labour conditions.

Ukrainian manufacturers do not always comply with social standards based on the conventions of the International Labour Organization (ILO) and the United Nations' Universal Declaration of Human Rights. There are some risks of excessive use of natural resources, employment under minimum wages, excessive working hours and risks of non-compliance with local and/or international environmental regulations.

However, the risk level is not significant and it is under control of the State Committee for Industrial Safety, Labour Protection and Mining Supervision and other controlling authorities.

CBI can play a constructive and proactive role in assisting the governmental institutions and the implementation in the fruit and vegetable sector through the sector organization and the manufacturers.

Current Social Responsibility Risk Index is shown in Figure.

**Figure 2.18 - Social Responsibility Risk Score & Index Ukraine**

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**2.7** **Recommendations for intervention**

**2.7.1** **Potential improvement of export and social responsibility**

Taking into account market opportunities (see section 2.5) and interviews with industry experts the Ukraine’s potential for export growth to EU/EFTA markets by product group is presented in the table below.

**Table 2.21 –EU/EFTA’s and Ukraine’s foreign trade statistics in 2014, potential for Ukraine’s export growth to EU/EFTA, million EUR**

*Source: Eurostat, State Statistic Service of Ukraine*

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Group Subgroup EU/EFTA external UA export to EU/EFTA UA Growth

import share potential,

mln. EUR CAGR in mln. EUR CAGR in in million

2010- 2010-2014 externa EUR by

2014 l import 2017

**Canned fruit and vegetables**

Other prepared, dried or 5 408,6 3,0% 1 23,2% 0,0% **+0,7**

preserved fruits and nuts

Other vegetables 925,9 2,4% 11,3 63,2% 1,2% **+21,4**

(except potatoes), preserved otherwise than by vinegar or acetic acid, except prepared vegetable dishes

Vegetables (except 289,7 4,2% 0,8 45,0% 0,3% **+1,1**

potatoes), fruit, nuts and other edible parts of plants, prepared or preserved by vinegar or acetic acid

**Fruit and vegetable juices**

Other fruit and 335,2 1,5% 0,4 8,6% 0,1% **+0,1**

vegetable juices

Apple juice 171,5 0,4% 37,5 18,2% 21,9% **+20,5**

Mixtures of fruit and 12,1 -2,0% 0,2 22,3% 1,3% **+0,1**

vegetable juices

**Frozen** Vegetables, frozen 313,3 -0,6% 2,3 18,2% 0,7% **+1,3 vegetables**

**Frozen fruits** Fruit and nuts, uncooked 703,6 3,8% 43,7 1,9% 6,2% **+2,5**

or cooked, frozen

**Jams, fruit** Jams, fruit jellies and 119,6 20,0% 0 9,2% 0,0% **+1,0 jellies and** fruit or nut puree and

**fruit or nut** pastes

**puree and pastes**

TOTAL above **8 279,5 97,2 +48,7**

mentioned



**2.7.2** **Recommendation towards CBI**

We would recommend CBI to further develop a programme for intervention in the processed fruits and vegetables value chain in Ukraine. According to our estimates, there are possibilities to raise export of the sector’s products to EU/EFTA by 48.7 mln EUR (by 50%) during next 2-3 years due to CBI support. Thus, access to European markets will be able to partially replace the loss of markets by Ukrainian producers in Russia and CIS countries and to compensate sharp decline in domestic demand.

The main areas of intervention, in which CBI can play a role, in order to realize sustainable export growth to Europe, are:



Exposure to European opportunities and sourcing needs, through matchmaking and trade promotion activities.

Specific and up-to-date development and provision of EU market information. Capacity building in areas of export marketing, production technologies and CSR.





Processed fruits and vegetables sector can be supported through a number of interventions, as follows:



exposure and connexion to European opportunities and sourcing needs, e.g. through partnering with associations such as FRUCOM (European Federation of the Trade in Dried Fruit, Edible Nuts, Processed Fruit & Vegetables, Processed Fishery Products, Spices and Honey), PROFEL (European Association of Fruit and Vegetable Processing Industries), European Fruit Juice Association (AIJN) and similar ones in Europe.



development, information;

regularly update and provision of EU/EFTA

market

intelligence





capacity building in areas of export marketing and CSR. assistance in certification procedures for Ukrainain producers.

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**2.7.3** **Risk analysis**

**Table 2.22 –Risk assessment**

*Risk level: 1=Rare; 2=Unlikely; 3=Possible;*

*4=Likely; 5=Almost certain.*

*Influence: 1=Negligible; 2=Minor; 3=Moderate; 4=Major; 5=Severe.*

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Risk (general or Possible impact on Level Influenc Mitigation strategy specific) proposed CBI e

intervention

**Specific risk:** This will have a direct 3 3 CBI has to focus on the

**EU buyer doesn’t** impact on the follow most important

**accept** up of the CBI compliance that can be

**manufacturers** programme, as it achieved with little

**timeline to achieve** won't benefit export investment. Therefor

**compliance** to the EU manufacturer can show

**standard** their willingness to

comply

**Specific risk:** This will have direct 5 3 CBI has to focus on

**manufacturers** impact on the CBI setting up the

**won't get access** programme as programme for

**to competitive** manufacturer can't manufacturers in a way

**financing in the** invest in necessary they that they can start

**near future** upgrading or up and then improvements to be improve/upgrade along

able to change price the way because of

focus or to achieve higher profits they will compliance standard start making. So

basically by self- financing

**Specific risk:** Other donor 1 2 CBI has to constantly

**implementation of** program(s) may monitor other donors’ **other donor** duplicate CBI efforts activities and **program(s) in the** coordinate its actions

**sector** with them

**General risk:** Violation of economic 2 4 The risk is beyond

**resumption of** links between the control of CBI and there

**active hostilities** companies in the is no mitigation

**by Russia in** value chain, strategy

**eastern Ukraine** especially in eastern

Ukraine, a further reduction in domestic demand, as a result - the bankruptcy of some enterprises involved in the programme

**3.** **APPAREL VALUE CHAIN ANALYSIS**

**3.1**

**Introduction**

The EU and Ukraine signed the Deep and Comprehensive Free Trade Area (DCFTA) on 27

June 2014 as part of their broader Association Agreement (AA). response to the security, political and economic challenges faced unilaterally granted Ukraine preferential access to the EU market 2015.

In April 2014, in by Ukraine the EU until 31 December

To avoid further destabilization of the country and in particular to guarantee Ukraine's access to the CIS market under the Ukraine-Russia bilateral preferential regime, in September 2014 the EU postponed implementing the DCFTA until January 2016.

The EU is Ukraine's largest trading partner, accounting for more than a third of its trade. It is also its main source of Foreign Direct Investment (FDI). Given Ukraine's industrial potential, the DCFTA provides an opportunity to make the country more competitive and diversify its exports.

Ukrainian garment industry has become a sewing workshop for many world-famous garment manufacturers. 85% manufactured in Ukraine dresses, coats and suits with brand labels goes abroad.

High skill of Ukrainian tailors have appreciated the British companies New Look, Marks & Spencer, Next, Laura Ashley and Top Shop; Spanish Zara; Netherlands Mexx; German Triumph; American BCBG; international Esprit, founded in the USA as well as several other brands that host order in Ukraine under the tolling scheme. Everything - from threads to fabrics and labels, price tags and packaging - comes from abroad. Domestic factory produce and send to Europe and the United States manufactured goods.

**Table 3.1 – Foreign brands produced in Ukraine\***

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**Company name Place Brand name**

**Donbas** Donetsk Bugatti, Esprit, Gebr. Weis, Kardstat

Quelle, Mexx, Moda Spiga, Perri Ellis, Zara

**Gregory Arber** Odesa Benetton, Conbipel, Esprit, Gerry Weber, Mexx

**Baltska** Balta Benetton, Esprit, Kookai, Laura Ashley,

**Sewing factory** (Odesa region) Max Mara, Mexx, Next, Steilmann, Top Shop,

Wallis

**Volodarka** Vinnitsa Hugo Boss

**Tulchyn** Tulchyn Diverse, Esprit, Grosso Moda, Karstadt,

**Sewing** (Vinnytsia region) Maratex, Mexx, Roxy, Staff, Walker

**factory**

**Euro-style** Poltava Frank Henke Mode GmbH, Franken Walder

**Krmteks** Kremenchuk Betty Barclays, Vera Mont (Poltava region)

**Trembita** Chernivtsi Armand Thiery, Benetton, Celio, Fellini,

Galeries Lafaytte, Gianni Ferrucci, Prado

**Arnika** Chernivtsi Triumph

**Dana** Kyiv Iceberg, Sandro

**Trottola** Lviv New Look, Zara

\*[*http://ua.korrespondent.net/journal/1601403-korrespondent-shvejni-zarabitki-ukrayinski-fabriki-*](http://ua.korrespondent.net/journal/1601403-korrespondent-shvejni-zarabitki-ukrayinski-fabriki-) *peretvorilisya-na-ceh-z-poshittya-dlya-svitovih-bren*

Ukrainian apparel industry now comprises more than 1800 enterprises with thou of employees. There are approximately 15 enterprises with more employees among them. The rest are the small enterprises with less employees.

almost 48

than 100

than 100

**Table 3.1 - The key indicators of the Ukrainian apparel industry\***

[*http://www.ukrstat.gov.ua/druk/publicat/kat\_u/2015/zb/11/zb\_dsg\_14pdf.zip*](http://www.ukrstat.gov.ua/druk/publicat/kat_u/2015/zb/11/zb_dsg_14pdf.zip)

Domestic textile production value is growing at last 3 years, but does not cover all needs of local market: 3976.4 mln. UAH at 2012; 3833.4 mln.UAH at 2013 and 5092.9

mln.UAH in 2014.

Sewing companies are mainly located in areas of consumption in large, medium-sized, and even small towns – closer to their workers – mostly women. Biggest companies are located in big cities such as Kyiv, Lviv, Dnipropetrovsk, Odessa, Kharkiv, Donetsk, Zaporizhia, Cherkasy, Chernivtsi, Pervomaysk and Uman. In fact, many small private enterprises are settled in each town of the country. The largest share in the production of clothing industry occupies wear knitwear, coats, jackets, blazers, shirts and trousers, man and women costumes.

Clothing industry refers to the production of consumer goods, which is always attractive to investors. Priority of the clothing industry is determined by rapid capital turnover and short maturity; low energy production (1.3% of total costs); negligible impact on the environment; considerable export potential; social orientation (the development of which is a prerequisite for improving living standards).

Available in Ukraine capacities enable to produce almost the entire product range. Ukrainian apparel meets European requirements quality and is competitive in quality. According to Ukrlegprom President Mr.Olexander Sokolovsky, currently Ukrainian products are sold on the European market, more than 98% - on tolling schemes. The

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2010 2011 2012 2013 2014

**Enterprises, units** 2262 2162 1922 2092 1825

**Employees, thou people** 66,6 65,4 62,7 58,7 47,7

**Share of the profitable enterprises, %** 61,2 68,0 61,5 66,3 69,1

**Apparel production value, mln.UAH** N/A N/A 4784.0 4518.9 5388.6

**Calina** Chervonograd Triumph (Lviv region)

**Santa-Ukraine** Pervomaisk BCBG, Grossa Moda, Laura Ashley, Mexx, (Mykolayiv region) Next, Top Shop

**Berdychyv** Berdychyv Licona, Peter Kaiser

**Sewing** (Zhytomyr region)

**factory**

main exporters to the EU market are companies with foreign investments (parent companies that are originating from the EU). Thus, the bulk of exports (about 90% of exports) are in the blanks for the apparel production (parts of clothing).

“When in 1991 the Soviet Union collapsed, then sewers went to Western markets, and by 1994 the majority of Ukrainian factories have established stable production”, - says Tatiana Izovit, CEO Ukrlegprom. Within the Ukraine’s independence, carrying out of the apparel production has been under significant pressure.

"Ukraine does not produce any fabrics or yarns, and most importantly - any type of equipment for light industry - says Eugene Dyrdin, CEO Pervomaysk factory of Santa Ukraine (they produce for Laura Ashley and Top Shop). - Even the needle we have to import".

The actuality of apparel supply from Ukraine to EU is trend to grow due to annual increase of Chinese production cost (+5-10% per year) and low transporting cost from Ukraine to European countries. Taking into account aforementioned advantages, Ukraine can replace part of the Chinese and Russian supply to the European market as well as enter the segments where the Chinese and Russian clothing has not been presented yet.

Demand for the Ukraine apparel still could be covered due to the presence of the qualified staff as well as qualitative special equipment. Moreover, low competitive labor cost as well as proximity to the EU market, give huge advantages and opportunity for Ukrainian apparel industry.

Though the numbers look like going up, it should be counted the almost 300% falling of Ukrainian local currency at the same period. This difference gave a significant margin for those companies that export abroad.

For a number of years Ukrainian producers accounted only 25% of domestic market and the rest were imports (mainly China). Generally, that was in the form of smuggling or so called "grey imports" that sharpen price competition between Ukrainian producers and importers. Political turmoil, war in the East of Ukraine as well as fall of the disposable income of the local population caused slump of local consumers demand on import goods. That creates new prospective for local producers to get the local market back.

The war at Ukraine-Russian border comes to need to arising Ukrainian troops. This created new opportunities for domestic clothing manufacturers. Ministry of Defense of Ukraine orders on new electronic trades model PROZORRO created new and growing demand for domestic clothing industry.

There are number of newly established by volunteers sewing units, which are willing to grow on that extremely developing sector.

During previous years apparel industry in Ukraine had firmly taken the shadow position of an outsider in the economy, however, some steps could arise its export to EU and get back its major share of the local market.

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**3.2**

**Management summary**

***Objective***

The object of this study is the value chain in the clothing industry of Ukraine. Subject of research - the possibility for the development of exports of apparel products from Ukraine to the EU; risks and barriers that prevent the actualizing of the full potential of Ukrainian manufacturers of apparel; ways to increase its export from Ukraine.

***Methodology***

The VCA was conducted by a team of Ukrainian experts. About 18 interviews have been held with corporate representatives as well as industry experts.

***Mapping the value chain***

Chain Actors – companies, that design, produce, delivere and sell clothing products

Chain Supporters –business-organizations , design and technical schools, private consulting companies (software, PR, HR and other services)

Chain Influencers – National Parliament, government and local authorities, certification firms

***Bottlenecks along the value chain***

Most of the export is based on CMT (cutting, making and trimming) – this means that the EU importer delivers all materials. Ukrainian production company is purely executing the production (cutting materials, sewing the product and packing), and is thus “selling” its low cost salaries without much added value.

Most companies are passively “waiting” for orders to come. They don’t have export- marketing skills and resourses enough for positioning and promoting their product on European market with needed level of Social Responsibility.

The sector is hardly supported by the government. The sector association Ukrlegprom represents only 5% of companies and is not able to address exporters’ needs.

Besides that the apparel sector organization needs support on establishing partnerships with EU sector organizations to promote Ukrainian apparel sector.

***EU/EFTA market opportunities***

At the border of the EU, counting to associate to EU, Ukraine can full fill the demand from EU importers in Eastern European manufacturers for sustainable garment production in just outside EU.

Ukrainian light industry has clear opportunities in the European market. Requirements for quality and certification are the same both for Ukraine and for the EU. Ukraine has manufacturing facilities and experience in manufacturing all kinds of apparel incl. sports. CBI supporting program will be able to support the SME companies and business support organizations on the above mentioned constraints. This way Ukraine has a chance to become a target country for European buyers looking for sustainable production for the mid-high garments segment.

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***Recommendations for intervention***

Potential improvement of export growth could be achieved as a result of join activity from both sides – business deregulation from the government side and export marketing skills development – from manufacturers side. CBI could be very effective in special skills and knowledges delivering and some pilot export-promotion activities providing

The access of Ukrainian exporters to foreign markets, as well as a long-term effective work in the foreign markets, depends on the successful solution of a number of problems:

active promotion of Ukraine's image abroad,

launching educational programs aimed at improving knowledge in the field of foreign trade activities,







marketing and distribution sewing enterprises abroad.

of

information

about

the

opportunities

for

Ukrainian

121

**3.3** **Export Market Analysis**

**3.3.1** **Segmentation of EU/EFTA markets and product groups**

EU apparel market apparent consumption grew from 81.9 billion EUR in 2010 to 85.3 billion EUR in 2014 (up by 1.0% on average). Import share in apparent consumption accounts for about 89%.

**Table 3.2 – EU apparel market apparent consumption in 2010-2014, mln. EUR\***

*\* - data on EFTA market is not available Source: Eurostat*

**bln. EUR**

**Apparent consumption. bln. EUR**

**Import share, %**

**100**

**50%**

**85,3**

**83,8**

**81,9**

**80,4**

**78,1**

**80**

**40%**

**60**

**30%**

**40**

**20%**

**20**

**10%**

**0**

**0%**

**2010**

**2011**

**2012**

**2013**

**2014**

**Figure 3.1 - EU apparel market apparent consumption in 2010-2014 terms**

**in value**

122

Indicator 2010 2011 2012 2013 2014 CAGR, %

**Production** 32 174 31 181 32 407 31 674 33 396 0,9%

**Export** 16 338 19 605 21 752 22 743 23 749 9,8%

**Import** 66 061 72 208 69 771 69 134 75 697 3,5%

Apparent consumption **81 898 83 783 80 426 78 066 85 344 1,0%**

**Import share in** 81% 86% 87% 89% 89%

**apparent consumption,**

**%**

Outerwear (32.7 billion EUR in 2014), underwear (23.4 billion EUR) and other knitted and

crocheted apparel (8.3 billion EUR), comprise the greatest consumption (about 76%).

share of apparent

**Table 3.3 – EU apparel market product groups, mln. EUR\***

**apparent**

**consumption**

**of**

**in**

**2010-2014**

**by**

*\* - data on EFTA market is not available Source: Eurostat*

**Other wearing apparel and accessories 8.303**

**9,7%**

**Other knitted and crocheted apparel 11.829**

**13,9%**

**Underwear 23.991**

**28,1%**

**Knitted and crocheted hosiery 4.424**

**5,2%**

**Workwear 2.508**

**2,9%**

**Leather clothes 1.200**

**1,4%**

**Articles of fur 349**

**0,4%**

**Other outerwear 32.740**

**38,4%**

**Figure 3.2 - EU apparel market apparent consumption of in 2014, mln. EUR**

EU apparel market apparent consumption of in 2014 by product groups and subgroups see at Appendix 3.

123

**Group Production Export Import Consumption**

mln. EUR CAGR in 2010-2014

**Other outerwear** 12 417 9 384 29 706 32 740 1,5%

**Underwear** 6 655 4 430 21 766 23 991 0,7%

**Other wearing apparel** 4 283 6 140 10 160 8 303 -0,8%

**and accessories**

**Other knitted and** 4 074 1 997 9 752 11 829 1,3%

**crocheted apparel**

**Knitted and crocheted** 3 033 489 1 880 4 424 1,8%

**hosiery**

**Workwear** 1 469 239 1 278 2 508 4,0%

**Leather clothes** 841 576 935 1 200 -4,2%

**Articles of fur** 624 493 218 349 16,0%

**TOTAL** 33 396 23 749 75 697 85 344 1,0%

**3.3.2** **Trade flows and competitor analysis**

Over the last 5 years the EU/EFTA countries has been constantly recording a negative trade balance in apparel foreign trade, totalling 49 billion EUR in 2014 (Table ). However, if in volume terms the import was higher than export by almost than 3 times, indicating that the products, exported from the EU/EFTA was characterized by the high level of prices than import prices.

The EU/EFTA total apparel export value in 2014 amounted to 90.6 billion EUR or 2 956 thous. tons (up by 5.8% and 7.1% on average from 2010 respectively). Export had been stable increasing annually in 2010-2014 from 72.3 bln. EUR to 90.6 bln. EUR.

Import volumes of apparel in 2014 amounted to 139.6 billion EUR or 8 416 thous. tons (up by 4.0% annually in value terms and by 5.4% annually in quantity terms respectively). Import shipments were volatile (in general import increased: from 119.3 bln. EUR to 139.6 bln. EUR.

**Table 3.4 – EU/EFTA foreign trade of apparel**

**in 2010-2014, mln. EUR**

*Source: Eurostat*

124

Indicator 2010 2011 2012 2013 2014 CAGR, %

Value, mln. Euro

**Export** 72 271 79 988 80 907 84 302 90 560 5,8%

**Import** 119 313 129 730 126 942 127 819 139 595 4,0%

**incl. external** 65 809 71 951 71 087 70 579 77 043 4,0%

**incl. Ukraine** 290 328 318 317 317 2,3%

**Ukraine's share** 0,44 0,46 0,45 0,45 0,41

Weight, thous. tons

**Export** 2 242 2 391 2 394 3 360 2 953 7,1%

**Import** 6 832 6 550 6 631 6 513 8 416 5,4%

**incl. external** 4 564 4 544 4 131 4 391 4 772 1,1%

**incl. Ukraine** 14 15 13 12 13 -3,5%

**Ukraine's share** 0,32 0,33 0,30 0,28 0,26

**bln. Euro**

**mln. EUR**

**Export**

**Import from Ukraine**

**150**

**140**

**130**

**128**

**127**

**119**

**500**

**1,5%**

**120**

**400**

**1,2%**

**91**

**84**

**328**

**90**

**81**

**80**

**318**

**317**

**317**

**290**

**72**

**300**

**0,9%**

**60**

**200**

**0,6%**

**0,**

**%**

**0,**

**%**

**0,**

**%**

**0,**

**%**

**0,**

**%**

**30**

**100**

**0,3%**

**0**

**0**

**0,0%**

**2010**

**2012**

**2014**

**2010**

**2011**

**2012**

**2013**

**2014**

**Figure 3.3- EU/EFTA apparel foreign trade in 2010-2014 in value terms**

**thous. tons**

**9.000**

**8.000**

**7.000**

**6.000**

**5.000**

**4.000**

**3.000**

**2.000**

**1.000**

**0**

**Export**

**thous. tons**

**Import from Ukraine**

**8.416**

**6.832**

**20**

**1,5%**

**6.631**

**6.550**

**6.513**

**14,0 15,0**

**1,2%**

**15**

**13,0 12,0 13,0**

**0,9%**

**3.360**

**10**

**2.953**

**0,6%**

**2.391 2.394**

**2.242**

**0, % 0,**

**%**

**0,**

**% 0,**

**5**

**% 0, %**

**0,3%**

**0**

**0,0%**

**2010**

**2012**

**2014**

**2010 2011 2012**

**2013 2014**

**Figure 3.4- EU/EFTA apparel foreign trade in 2010-2014 in volume terms**

125

**28**

**26**

**30**

**32**

**33**

**44**

**41**

**45**

**45**

**46**

The main product groups of EU/EFTA apparel export in 2010-2014 was Outerwear 7 693,2 mln. EUR or 43.0%, Underwear 3485.1 mln. EUR or 19.5% and Other wearing apparel and accessoires 4771,8 mln.EUR or 26.7%)

**Table 3.5 – EU/EFTA apparel export by main product groups in 2010-2014**

**Other wearing apparel and accessories 4.772**

**26,7%**

**Other knitted and crocheted apparel 1.566**

**8,8%**

**Underwear 3.485**

**19,5%**

**Knitted and crocheted hosiery 380**

**2,1%**

**Outerwear 7.693**

**43,0%**

**Figure 3.5- EU/EFTA apparel export by main product groups in 2010-2014, mln.**

**EUR**

126

**Subgroup ALL EXPORT EU/EFTA external UA import from UA share EU/EFTA export EU/EFTA in**

**external**

**mln. EUR CAGR mln. EUR CAGR mln. CAGR in export**

**in in EUR 2010-**

**2010- 2010- 2014**

**2014 2014**

Value, mln. Euro

**Other outerwear** 39 752,4 7,1% 7 693,2 13,4% 179,1 1,5% 2,3%

**Underwear** 23 759,4 5,1% 3 485,1 11,3% 93,6 -0,4% 2,7%

**Other wearing apparel** 13 782,7 5,0% 4 771,8 7,6% 86,0 -4,7% 1,8%

**and accessories**

**Other knitted and** 10 086,7 5,0% 1 566,1 12,0% 40,4 -0,4% 2,6%

**crocheted apparel**

**Knitted and crocheted** 3 178,5 1,2% 379,8 -3,1% 10,4 -14,4% 2,7%

**hosiery**

**Total** 90 559,7 5,8% 17 895,9 10,7% 409,6 -1,1% 2,3%

Weight, thous. tons

**Other outerwear** 1 175,4 9,2% 123,4 10,8% 3,0 2,1% 2,5%

**Underwear** 814,0 6,0% 78,6 6,4% 2,2 -4,9% 2,8%

**Other wearing apparel** 426,4 4,4% 100,2 6,7% 1,8 -9,7% 1,8%

**and accessories**

**Other knitted and** 368,7 10,2% 30,7 9,5% 1,0 0,5% 3,1%

**crocheted apparel**

**Knitted and crocheted** 168,2 1,1% 15,9 -5,5% 0,3 -21,8% 2,2%

**hosiery**

**Total** 2 952,7 7,1% 348,7 7,5% 8,3 -4,6% 2,4%

EU/EFTA apparel export by main product groups in 2010-2014 see Appendix 3.

**EU/EFTA apparel export by countries in 2010-2014**

The biggest exporters of apparel into the EU countries: Italy, France, Spain and Germany.

The largest external supplier of clothes to the EU is China, Turkey and Bangladesh that occupies almost 80% of the external imports.

**Table 3.6 – EU/EFTA apparel export**

**by countries in 2010-2014, mln. Euro**

127

**Country ALL EXPORT EU/EFTA external UA import UA**

**EU/EFTA export from EU/EFTA share in external**

mln. EUR CAGR in mln. EUR CAGR in mln. EUR CAGR in **export**

2010- 2010-2014 2010-

2014 2014

**Italy** 17 159,1 5,3% 6 801,8 9,0% 136,5 -5,6% 2,0%

**Germany** 13 888,2 3,2% 1 654,3 8,7% 60,3 4,1% 3,6%

**France** 7 992,9 3,4% 2 420,5 7,5% 22,2 -8,4% 0,9%

**Spain** 9 069,8 14,9% 2 968,4 26,0% 28,9 51,4% 1,0%

**Belgium** 6 301,2 3,6% 256,8 3,0% 4,9 -1,9% 1,9%

**Netherlands** 6 608,6 7,6% 213,2 10,6% 5,1 -5,2% 2,4%

**United** 5 966,6 11,4% 1 459,6 15,4% 12,9 2,4% 0,9%

**Kingdom**

**Poland** 3 344,8 8,1% 269,4 9,3% 94,9 2,3% 35,2%

**Denmark** 3 011,9 4,3% 107,7 8,5% 1,2 -11,3% 1,1%

**Portugal** 2 782,0 4,9% 214,7 16,1% 0,3 7,2% 0,1%

**Romania** 2 663,1 4,2% 118,7 10,0% 1,8 -2,2% 1,5%

**Austria** 1 984,6 4,1% 204,2 5,9% 6,1 2,6% 3,0%

**Bulgaria** 1 376,1 4,5% 57,5 11,8% 0,2 -16,0% 0,3%

**Sweden** 1 380,9 8,2% 75,8 19,8% 0,6 -20,1% 0,8%

**Slovakia** 1 246,4 9,6% 116,7 46,3% 2,1 -23,0% 1,8%

**Switzerland** 960,0 -1,9% 223,6 -12,5% 1,2 -17,8% 0,6%

**Czech Republic** 1 079,8 5,0% 53,7 -9,8% 5,2 -11,8% 9,7%

**Lithuania** 692,3 6,9% 263,2 13,0% 2,2 -12,2% 0,8%

**Greece** 505,4 -5,1% 43,1 -3,4% 0,4 2,9% 0,9%

**Hungary** 530,4 1,7% 63,0 4,7% 15,9 -0,9% 25,3%

**Croatia** 582,6 13,4% 19,8 28,9% 0,0 - 0,1%

**Ireland** 250,8 -8,0% 15,7 4,6% 0,0 -8,1% 0,2%

**Finland** 298,8 7,0% 107,2 12,6% 1,1 20,2% 1,1%

**Latvia** 230,1 4,6% 45,8 -2,6% 1,6 -23,8% 3,5%

**Slovenia** 237,8 -1,7% 36,0 -12,6% 0,2 1,7% 0,6%

**Estonia** 196,8 1,4% 46,1 1,8% 3,4 3,2% 7,3%

**Germany United Kingdom**

**France 1.654**

**1.460**

**8,2%**

**2.420**

**13,5%**

**9,2%**

**Poland 269**

**1,5%Lithuania**

**263**

**1,5%**

**Spain 2.968**

**16,6%**

**Belgium 257**

**1,4%**

**Switzerland 224**

**1,2%**

**Other 1.578**

**8,8%**

**Italy 6.802**

**38,0%**

**Figure 3.6- EU/EFTA apparel export by main exporting countries in 2014, mln. EUR**

The major of extra-EU exports are imported by USA (1 006 mln. EUR or 19% in 2014), Russia (563 mln. EUR or 11%), Japan (336 mln. EUR or 6%) and Saudi Arabia (261 mln. EUR or 5%).

**United Arab Korea, Republic**

**Saudi Arabia 422**

**2,4%**

**Emirates 653**

**T3u,r6k%ey 888**

**5,0%**

**China 1.109**

**6,2%**

**Of 506**

**2,8%**

**Other 5.785**

**32,3%**

**Japan 1.316**

**7,4%**

**Hong Kong 1.633**

**Russian Federation 2.973**

**16,6%**

**9,1%United States**

**2.616**

**14,6%**

**Figure 3.7- EU/EFTA apparel 2014, mln. EUR**

**external export by**

**main importing countries in**

128

**Luxembourg** 114,5 0,5% 20,1 22,5% 0,2 -9,8% 1,0%

**Norway** 76,4 0,2% 11,2 10,2% 0,0 -12,4% 0,0%

**Malta** 16,2 9,5% 6,4 9,0% 0,0 -14,0% 0,3%

**Cyprus** 9,3 -3,1% 0,9 -3,0% 0,0 - 0,3%

**Iceland** 1,6 -2,3% 0,6 1,2% 0,0 - 0,0%

**Liechtenstein** 0,8 10,4% 0,2 -7,1% 0,0 33,7% 0,7%

**TOTAL** 90 559,7 5,8% 17 895,9 10,7% 409,6 -1,1% 2,3%

In a 5-year period of 2010-2014 Ukrainian companies apparel export to EU/EFTA counts

317.4 mln EUR . This is only 0,4% of EU/EFTA apparel main products external import in the period. This shows a hugh nisha for export development.

The higest value of Ukraine export to EU/EFTA are in Outerwear clothing 73.4% of total amount). Next group is Underwear with 15.3%.

**Table 3.7 –EU/EFTA apparel**

**import**

**by main product groups in 2010-2014**

129

**Subgroup ALL IMPORT EU/EFTA UA export UA**

**EU/EFTA external to EU/EFTA share in**

**import external**

mln. EUR CAGR in mln. EUR CAGR in mln. CAGR in **import**

2010- 2010- EUR 2010-

2014 2014 2014

Value, mln. Euro

**Outerwear** 58 975,4 5,2% 31 973,9 5,4% 233,1 2,5% 0,7%

**Underwear** 40 051,0 3,3% 22 702,1 3,1% 48,6 2,3% 0,2%

**Other wearing apparel** 18 319,8 3,4% 10 027,6 3,1% 29,1 2,7% 0,3%

**and accessories**

**Other knitted and** 17 643,0 2,8% 10 384,4 3,1% 6,2 -6,9% 0,1%

**crocheted apparel**

**Knitted and crocheted** 4 606,2 3,1% 1 954,6 3,9% 0,5 12,5% 0,0%

**hosiery**

**Total** 139 595,4 4,0% 77 042,6 4,0% 317,4 2,3% 0,4%

Weight, thous. tons

**Other outerwear** 3 452,1 6,8% 1 924,4 2,8% 8,7 -3,6% 0,5%

**Underwear** 2 683,2 7,8% 1 367,9 -0,1% 1,8 -4,7% 0,1%

**Other wearing apparel** 987,8 0,8% 650,4 0,0% 1,7 1,6% 0,3%

**and accessories**

**Other knitted and** 934,6 1,4% 621,9 0,6% 0,2 - 0,0%

**crocheted apparel** 16,9%

**Knitted and crocheted** 358,7 0,6% 207,0 0,1% 0,0 8,8% 0,0%

**hosiery**

**Total** 8 416,4 5,4% 4 771,5 1,1% 12,5 -3,5% 0,3%

**Other wearing apparel and accessories 10,0**

**13,0%**

**Other knitted and crocheted apparel**

**10,4**

**13,5%**

**Underwear 22,7**

**29,5%**

**Knitted and crocheted hosiery**

**2,0**

**2,5%**

**Outerwear 32,0**

**41,5%**

**Figure 3.8- EU/EFTA apparel external import by main product groups in 2014, bln. EUR**

EU/EFTA import of apparel by main product groups in 2010-2014 see Appendix 3.

The major of EU imports are imported by Germany (26 936 .0 mln. EUR or 19.2%), France ( 17928.7 mln. EUR or 12.8%), and United Kingdom (17421.1 mln. EUR or 12.5%), which in 2014 accounted for 44.6% of all import values.

**Table 3.8 –EU/EFTA apparel import by importing countries in 2010-2014, mln. Euro**

130

**Country ALL IMPORT EU/EFTA external UA export to UA share EU/EFTA import EU/EFTA in**

**external**

mln. EUR CAGR in mln. EUR CAGR in mln. EUR CAGR in **import**

2010- 2010-2014 2010-2014

2014

**Germany** 26 936,0 4,3% 16 077,8 2,5% 132,2 -0,1% 0,8%

**France** 17 928,7 3,7% 8 696,2 1,7% 8,6 1,8% 0,1%

**United** 17 421,1 4,1% 12 646,6 3,5% 9,9 -6,2% 0,1%

**Kingdom**

**Italy** 12 124,8 1,2% 6 836,5 -0,8% 12,8 -0,1% 0,2%

**Spain** 12 358,9 5,6% 8 147,0 7,7% 1,7 71,2% 0,0%

**Netherlands** 10 721,1 6,5% 7 832,1 8,2% 6,0 -8,3% 0,1%

**Belgium** 7 042,1 3,4% 3 867,9 4,2% 20,1 -4,5% 0,5%

**Austria** 4 546,1 3,7% 705,6 4,4% 1,3 1,1% 0,2%

**Switzerland** 4 272,3 1,7% 2 708,1 28,9% 18,6 158,0% 0,7%

**Denmark** 3 383,2 4,4% 2 177,5 4,5% 8,6 -9,8% 0,4%

**Poland** 3 775,2 8,3% 920,7 12,0% 6,3 18,9% 0,7%

**Sweden** 3 219,3 5,5% 1 824,3 4,3% 1,5 -40,1% 0,1%

**Norway** 1 906,5 0,8% 1 521,8 1,4% 6,5 -5,1% 0,4%

**Portugal** 1 807,0 0,3% 187,8 -2,5% 0,6 101,5% 0,3%

**Ireland** 1 561,7 -0,3% 506,1 -3,5% 0,0 15,7% 0,0%

**Czech** 1 703,7 6,7% 477,9 5,1% 5,6 22,8% 1,2%

**Republic**

**Italy 6.837**

**8,9%**

**Netherlands 7.832**

**10,2%**

**Belgium 3.868**

**5,0%**

**Switzerland 2.708**

**3,5%**

**Denmark**

**2.178**

**2,8%**

**Spain 8.147**

**10,6%**

**France 8.696**

**11,3%**

**Other 8.053**

**10,5%**

**Germany 16.078**

**20,9%**

**United Kingdom 12.647**

**16,4%**

**Figure 3.9- EU/EFTA apparel import by main EUR**

**importing countries in 2014, mln.**

The major exporters of extra-EU imports are China (30 546 mln. EUR or 39.6%), Bangladesh (11 491 mln.EUR or 14.9%, Turkey (9 686 mln. EUR or 12.6% in 2014), which in 2014 accounted for 67.1% of import values.

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**Greece** 1 318,4 -6,5% 302,7 -9,8% 0,0 - 0,0%

**Finland** 1 304,8 1,3% 340,1 -0,5% 0,0 -80,0% 0,0%

**Slovakia** 1 334,1 12,5% 497,9 18,6% 10,9 -7,5% 2,2%

**Romania** 863,9 7,7% 161,7 4,1% 23,5 32,2% 14,5%

**Hungary** 737,4 8,8% 63,9 0,5% 20,3 3,2% 31,9%

**Croatia** 759,7 16,7% 113,9 -20,4% 0,0 -70,0% 0,0%

**Slovenia** 442,4 1,0% 91,8 8,4% 0,0 14,6% 0,0%

**Bulgaria** 421,7 5,1% 85,4 11,1% 0,0 250,5% 0,0%

**Luxembourg** 354,5 2,6% 42,4 13,3% 0,0 -5,8% 0,0%

**Lithuania** 381,6 6,8% 56,2 13,2% 8,0 4,6% 14,2%

**Latvia** 302,9 13,5% 34,7 18,4% 11,8 135,3% 34,0%

**Estonia** 265,6 6,4% 23,2 1,8% 2,3 7,6% 9,7%

**Cyprus** 219,9 -4,0% 11,8 -11,9% 0,0 19,4% 0,1%

**Iceland** 90,6 3,5% 62,7 3,9% 0,2 -3,9% 0,3%

**Malta** 82,3 2,3% 16,6 12,2% 0,0 -100,0% 0,0%

**Liechtenstein** 7,9 7,1% 3,5 33,5% 0,0 - 1,0%

TOTAL **139 595,4 4,0% 77 042,6 4,0% 317,4 2,3% 0,4%**

**India 4.900**

**6,4%**

**Vietnam 2.388**

**3,1%**

**Morocco 2.375**

**3,1%**

**Turkey 9.686**

**12,6%**

**Cambodia 2.326**

**3,0%**

**Tunisia 2.180**

**2,8%**

**Pakistan 1.900**

**2,5%**

**Bangladesh 11.491**

**14,9%**

**Other 9.295**

**12,1%**

**China 30.546**

**39,6%**

**Figure 3.10- EU/EFTA**

**2014, mln. EUR**

**apparel**

**external**

**import**

**by**

**main**

**exporting**

**countries**

**in**

132

**Raw materials**

**Retail**

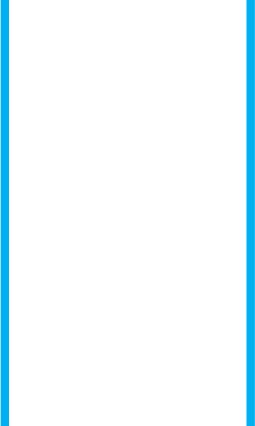
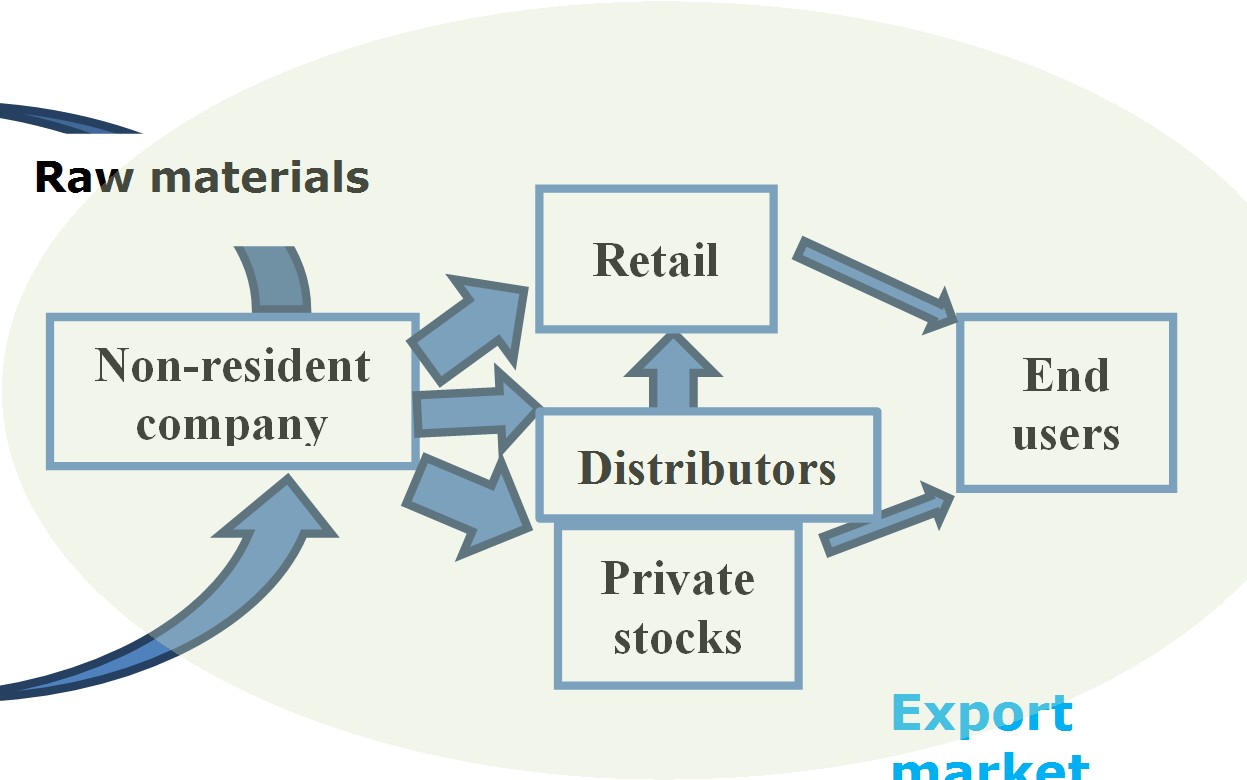
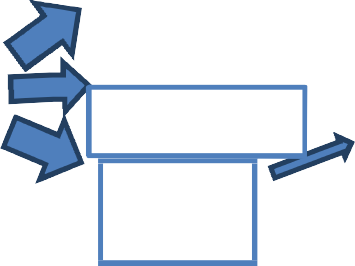
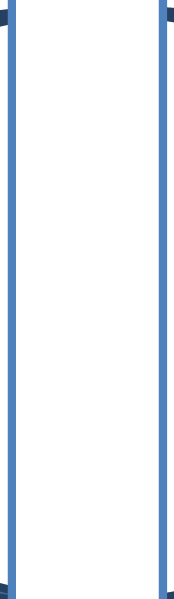
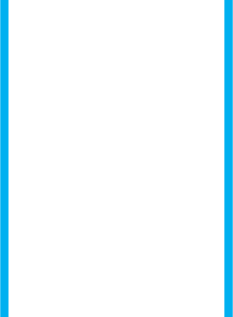
**Non-resident End**

**company users**

**Distributors**

**Private stocks**

**Export market**



**3.4**

**Mapping the value chain**

**Figure 3.11** - **Ukraine apparel value chain**

**Apparel products**

***Chain Actors***



**Companies that provide only CMT services**

specialization, function on demand of customers.

**-** 75% of the companies with no



**Companies with own label** - mostly combination of RMG and CMT, their strategy is to become competitive cut and making apparel enterprises producing their own labels (brands) and represent the highest value of the manufacturing chain.

***Chain supporters***

* **Textile and design schools, Technical Colleges -** There is very limited interaction between the sector and the schools.
* **Ukrlegprom** - Sector production association, contains more than 100 company-

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**Chain actors**

Private consultants and advisors

AmCham

Ukrainian Chamber of Commerce and Industry

EBA

National University of the Technologies and Design, professional schools and other colleges

Ukrainian Light Industry Association Ukrlegprom

**Chain support ers**

**Manufacturer**

**Logi stic com pan y**

Local authorities

Certification firms

Ministry of Finance of Ukraine

Ministry of Economic Development and Trade

Verkhovna Rada of Ukraine

**Chain influen cers**

members. Its strategy includes representing and lobbying for the interests of its members; provide support for export development by using its own available resources and combining these with external resources where possible. Its aim is to become a well operating association in supporting its members.

**European Business Association (EBA) –** powerful business association, organized by Ukrainian daughter companies and branches of European based companies.

**American Chamber in Ukraine (AmCham) –** powerful business association that





unites local daughter companies.

**Private consultants**

companies.

companies and branches of American based and international



**and advisors –** design, software, taxation, export and HR

***Chain influencers***



**Verkhovna Rada of**

**Ukraine (VRU)** via its committees (**Industrial Policy and**

**Entrepreneurship, Taxation Policy, Economic Policy and Euro-integration**) is very active in forming new legal environment and reforming existed laws for adopting the legal system to EU, DC FTA.

**Ministry of Economic development and Trade (MEDT)** is currently very active in cancelling overregulation and trade barriers. Their strategy includes creating a legal framework for the efficient and effective functioning of the SME in terms of the import and export regulation and VAT system; they facilitate provision of foreign TA and develop cooperation with external export development and promotion bodies.

**Ministry of Finance** with its bodies - **State Fiscal Service of Ukraine** and **State Custom Service of Ukraine** - is responsible for forming the state fiscal and custom policy and its executing at local level via its local branches.

**Local Authorities** of Public governance at municipal and regional levels are responsible for planning and executing programs for local social and economic development and are involved in controlling the influence of business unit on local environment, working conditions etc.

**Certification firms** are working on commercial base to certify products due to current rules and international obligations.









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**3.5** **Bottlenecks along the value chain**

**3.5.1** **Market opportunities**

Currently the industry operates about 1825 enterprises, of which about 80% are exporters of finished or semi-finished clothing.

The annual turnover of clothing production in Ukraine was more that 250 mln. EUR in 2014.

Due to experts estimation, annual local consumption makes approximately 5 bln. EUR per year.

Yearly export of apparel from Ukraine is about 494 mln. EUR. About 98% of export is providing within tolling scheme. About 73% of export supply is to the EU, while the rest was mainly to Russia.

According to official statistics, import of garments has fallen significantly in Ukraine in recent years, but that is not due to falling consumption, but because of the increasing import of goods through illegal custom schemes or simply smuggling.

Number of employees at the sector accounts up to 50 thou people, mostly women. Ukraine is located near the EU that diminishes the delivery time whereas the main extra- EU competitors from Asia need 2-3 months for the supply fulfilment.

Low labor cost. In 2015, the approximate average salary in industry fluctuates at $100- 150 that is by 15-20 time less than in the EU. At the time, Ukrainian labor cost is lower than in China.

Presence of the creative national designers and qualified staff which are able to satisfy demand of the EU buyers.

Ability to supply small goods shipment that is highly appreciated by the dealers on the initial steps of cooperation.

**3.5.2** **Key bottlenecks, Social Resposibility risks and opportunities along the value chain**

1.

**Regulatory constraints** resulting in high product costs: Due to the existing

import and export rules and taxes on fabrics and trimmings the end product (especially when it is exported under own brand) to be exported has a high price which is not competitive on foreign markets. Because there is no strong sector organization, there is only a limited lobby within the EU to remove these constraints. CBI can contribute to this by enforsing the relevant responsible people and institutions and show how these rules and taxes affect the industry. For example, currency revenue return within 90 (180 days previously) days that force Ukrainian exporters to put pressure on their partners concerning the payment. Protraction of the VAT reimbursement for the exporters that decrease the disposable circulating assets. This could be changed as a result of active information and lobbying activity at National Parliament (Verkhovna Rada) of Ukraine, National Bank of Ukraine, MEDT and Ministry of Finance in cooperation with NGOs, focusing on Euro-integration advocacy supporting (RPR, Nova Kraina etc.)

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2.

**Limited access to, and limited ability to source fabrics and accessories**

necessary for the production of CMT/RMG garments. Domestic row material (fabrics or yarns) production shortage as well as, and most importantly - any type of equipment for light industry. This is because the production was CM based and thus not requested by the buyers, and besides that fabrics and trimmings are not produced in Ukraine. To be able to prepare samples and move up the value chain, one of the key requirements is access to good quality raw materials. Sourcing trainings and missions can be organised in collaboration with regional/international experts and local partners. CBI can work with the sector organization on developing a supplier database and event.

3.

**Need for more compliance and sustainability methods**. At many small

manufactures productivity is low (workforce, facility, process and management). Partly this is historically based and partly because of the smal order quantities. Further improvement is required in productivity and quality control techniques. CBI can actively coach the ECP-participants on these issues organize training on Code of conducts, CSR, and motivate to certify (Fair Wear, SA8000, BSCI etc.), organise quality and productivity training through training programme.

4.

**Lack of knowledge on target market segments and Market Access**

**Requirements**: Companies have insufficient knowledge about the European markets, what EU buyer at what market segment they can cater for. Training is needed on market research, FDI attraction and market access requirements. Lack of product development skills: Most of the companies work on a CMT system (cutting, making and trimming) - that means that all designs, patterns, materials and trimmings are supplied by the European importer (mostly - made in China). The Ukrainian manufacturer does not need to design and only organises the production and transportation planning. This results in poor knowledge on European fashion trends and price requirements for the companies that would like to launch their own brand or develop sample collections for trade fairs. Through training on how to interpret EU fashion trends, fabric use, commercial pricing a sample collection can be developed, that attracts European buyers.

5.

**Lack of export marketing skills**: In line with the constraint mentioned above.

Due to a poor knowledge about the European markets, combined with the lack of skills and experience in the field of marketing, existing companies struggle to attract new customers and increase their exports. Training is needed on marketing, a proactive service minded approach and the right communication with customers.

6.

**Lack of cooperation between sector stakeholders**. The sector business-

association Ukrlegprom is lacking support from the individual apparel manufacturers, and capacity to support companies that would like to export. They have not sufficient capacity and financial means to promote the Ukrainian apparel sector. Weak cooperation between apparel manufacturers. Lack of the finance for the participation in the foreign fairs and exhibitions. Insufficient cooperation between apparel producers regarding defense of their rights as well as solving branch problems. CBI can support the sector organisation through the use of its network in the EU apparel sector as well as through Market intelligence. Besides that they can organise buyer missions and trade fair participation in cooperation with local business-associations to create more cohesion between the individual members and attract new members. CBI can organize activities (training and trade fair participation) in cooperation with the stakeholders to motivate cooperation in the future.

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7.

**Lack of the information about Ukrainian apparel producers among EU**

**buyers and investors** that complicates the investment attraction significantly. Lack of international operations skills especially with regards to the finding foreign partner. Slack promotion of the Ukrainian image as a reliable partner. Losses of the Ukrainian companies’ images as reliable partners because of the war in the eastern part of the country and dozens of years of working under the international brands umbrella. CBI can support to overcome that information gap in cinergetic cooperation with PUM-experts and Dutch-Ukrainian business clubs network, based on 8 years of successful Dynamic Business Management SME-supporting programe of MFA and VNO-NCW, executed by deBaak Management Centrum.

8.

Due to **small remunerations**, limited number of people willing to work in the

apparel industry. With country development in the process of closer association into EU, sector will converge closer to EU-countries labour market conditions.

**3.5.3** **Main constraints in the value chain**

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

Lack of fabrics and accessories that goes to high product costs Currency revenue returning requirement within 90 (180 days days

Extremely high cost of commercial bank financing Protraction of the VAT reimbursement for the exporters Lack of EU-export marketing skills:

Lack of state support to SME Weak sector organisations.

Slack promotion of the Ukrainian image as a reliable partner.

previously)













**Table 3.10 - Value Chain constraints and opportunities**

5 Critical means if the constraint is not resolved the programme outcome is not possible, or significantly reduced.

6 Short term means that the constraint can be addressed within the duration of the programme.

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Observed constraints in value chain and how they prohibit export

Critica[l5](#_bookmark57) constraint? (Y/N)

Solvable in short term[6](#_bookmark58) (Y/N)

Which (donor) organisation is providing this solution? (CBI or others)

1. Lack of knowledge on market segments and EU-market access requirements

Y

Y

CBI in cooperation with BSOs

2. Productivity should be improved (workforce, process and management)

Y

Y

CBI in cooperation with BSOs

3. Regulatory constraints resulting in high product costs

Y

Y

CBI+VRU, MEDT, MF in

cooperation with BSOs

4. Limited ability to source fabrics and accessories necessary for the production of CMT/RMG garments

Y

N

CBI+VRU, MEDT, MF in

cooperation with BSOs

5. BSO lacks support from the individual apparel manufacturers, and its lacking capacity to support

Y

Y

CBI in cooperation with UCCI by providing institutional support to

7 Short term means that the constraint can be addressed within the duration of the programme.

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member manufacturer that would like to export.

the sector associations

6. Lack of a strong positive image and branding for Ukraine.

Y

Y

CBI in cooperation with MEDT and Ministry of Foreign Affairs of Ukraine

7. Lack of cooperation between sector stakeholders

Y

Y

CBI in cooperation with UCCI and other BSOs

8. More compliance and sustainability methods should be implemented in the production process.

Y

Y

CBI in cooperation with BSOs

Observed opportunities in value chain and how they benefit export

Critical opportunity? (Y/N)

Short term benefit (Y/N)

Which (donor) organisation is benefiting from this opportunity? (CBI or others)

1. Able to produce small order quantities for fast fashion and brands

Y

Y

N.A.

2. Ukraine is located nearby the EU, implying short transport time and low carbon footprint.

Y

Y

N.A.

3. Potential to develop the Eastern European markets

Y

Y

CBI in cooperation with BSOs and MEDT

4. Low minute price compared to surround countries

Y

Y

N.A.

Observed Social Responsibility risks in value chain

Critical risk? (Y/N)

Solvable in short term[7](#_bookmark59) (Y/N)

Which (donor) organisation is providing this solution? (CBI or others)

1. Growing demand from European buyers on working circumstances in producing countries.

Y

Y

CBI in cooperation with BSOs + MEDT

2. Growing competitiveness pressure that will decrease labour conditions

N

Y

CBI in cooperation with BSOs and VRU and MEDT

3. Development fabric and materials production in Ukraine will increase its bad pollutions into environment

Y

Y

CBI in cooperation with BSOs and Local authorities by promoting best EU Eco-practices and

**Table 3.11 - Solution design**

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Constraint

How can this problem be solved?

Can this be achieved through a CBI module?

1. Lack of knowledge on target market segments and EU-market access requirements

* Market research training
* Market access requirement training

Y

2. Productivity should be improved (workforce, process and management)

- Quality and productivity training through group trainings.

Y

3. Regulatory constraints resulting in high product costs

* Visualize the relevant taxes and import duties and their impact on the Apparel export.
* Build institutional capacity within BSOs and develop a strong representative who will be able to lobby for the necessary changes.

Y

4. Limited ability to source fabrics and accessories necessary for the production of CMT/RMG garments

* Train on fabric sourcing, through sourcing training at the relevant fairs
* Train BSOs to develop a supplier database and how to organise supplier event.
* Train individual companies to develop a supplier base.

Y

5. BSO lacks support from the individual apparel manufacturers, and is lacking capacity to support member manufacturer that would like to export.

* EU provides Market intelligence input
* Trade-fair participation in cooperation with UCCI
* Buyer mission
* Rotating board/co-ordinator to call meetings and quarterly meetings
* Sign MOU with Public and private institutions

Y

6. Lack of a strong positive image and branding for Ukraine.

* Build institutional capacity and train a representative who will be able promote the Ukrainian apparel sector in the relevant EU countries
* EU assists in defining a promotion strategy to promote the Ukraine apparel sector and companies.

Y

7. Lack of cooperation between sector stakeholders

* EU organizes training and activities in cooperation with relevant stakeholders.
* Establish MOU with public and private bodies

Y

8. More compliance and sustainability methods should be implemented in

- Link up as much as possible with existing local and/or international CSR initiatives in Ukraine

Y

certifications

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the production process.

* Providing trainings on CSR and code of conduct writing
* To initiate certification like SA8000, Fairwear or else.

Opportunity

How can this opportunity be benefited from?

Can this be achieved through a CBI module?

1. Ukraine is located nearby the EU, implying short transport time and low carbon footprint.

- Through promotion and image building of Ukraine

Y

2. Able to produce small order quantities for fast fashion and brands

* Through promotion and image building of Ukraine
* Exhibit at the right fairs
* Training on product development skills and marketing

Y

3. Low minute price compared to surround countries

* Through promotion and image building of Ukraine
* Marketing training

Y

4. Potential to develop the Eastern European markets

- Through exhibiting on trade fairs in those markets, contact agents and contact with relevant sector organizations in target markets.

Y

Social Responsibility risk

How can this opportunity be benefited from?

Can this be achieved through a CBI module?

1. Growing demand for Eco- labels.

- Through adding the right fabrics to the sample collection and promotion on the relevant trade fairs (Ethical fashion show, Innatex etc)

Y

2. Growing demand from European buyers on working circumstances in producing countries.

- Link up as much as possible with existing local and/or international CSR initiatives in Ukraine

Y

**3.6** **Context information**

**3.6.1** **Number of enterprises active in the chain and percentage of which is actively exporting**

Due to Ukrainian state statistic service, 1825 enterprises with 47.7 thou employees were active in the apparel companies at 2014 , 50% from which were actively exporting (estimated).

**Table 3.12**

[*http://www.ukrstat.gov.ua/druk/publicat/kat\_u/2015/zb/11/zb\_dsg\_14pdf.zip*](http://www.ukrstat.gov.ua/druk/publicat/kat_u/2015/zb/11/zb_dsg_14pdf.zip)

**3.6.2** **Value addition at each step of the value chain**

**Table 3.13**

\**Estimated*

**3.6.3** **Currently exported volumes and amounts**

Over the last 5 years the Ukraine has been constantly recording a trade surplus wearing apparel, totalling 80 million EUR in 2014 (Table 3.14).

in

The Ukrainian total export value in 2014 of the selected products amounted to 411 million EUR or 18 thous. tons. Dynamics of export was unstable (maximum level - 433 mln. Euros in 2012, and the minimum - 411 mln. Euros in 2014).

Import volumes of wearing apparel in 2014 amounted to 491 million. EUR or 121 thous. tons. Import shipments were also volatile (in 2010-2013 there was an annual increase to 491 million. EUR, while in 2014 the volume fell to 121 mln. tons from its maximum 212 mln. tons in 2010).

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**Design and constructing**

**Raw materials**

**Manufacturing**

**Shipment**

**Distribution**

**Retail**

**Total added value**

Value addition,

%

2-5

30-35

10-15

15-20

15-25

30-40

100

**Years of scope**

**Number of apparel companies**

**Number of employees, thousands**

2010

2262

66.6

2011

2162

65.4

2012

1922

62.7

2013

2092

58.7

2014

1825

47.7

**Table 3.14 –Ukrainian foreign trade of wearing apparel in 2010-2014, mln. EUR**

**mln.**

**thous.**

**Expor**

**Export Import**

**Euro**

**tons**

**1.000**

**250**

**212**

**800**

**200**

**177**

**153**

**153**

**600**

**150**

**121**

**400**

**100**

**200**

**50**

**23**

**21**

**20**

**19**

**18**

**0**

**0**

**2010 2011 2012 2013 2014**

**2010**

**2011**

**2012**

**2013 2014**

**Figure - Ukrainian foreign trade of wearing apparel in 2010-2014**

*Source: State Statistic Service of Ukraine*

The main sales markets of selected products were the EU/EFTA (363.9 mln. EUR 2014), Russia (35.2 mln. EUR), CIS (6.8 mln. EUR), Asia (2,35 mln. EUR). Export

in to

Russia declined in 2014 to 2013 from 61.04 mln. EUR to 35.2 mln.EUR (-25.8 mln.EUR or

-42.3%).

**Table 3.15 - Ukraine’s export of wearing apparel by main destinations in 2010- 2014**

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Indicato Region 2010 2011 2012 2013 2014 CAGR, r %

**Value,** EU/EFTA 370 374 404 670 359 286 351 925 363 911 -0,4%

**000**

**Euro**

Russia 35 221 49 671 61 905 61 041 35 198 0,0%

CIS 3 833 5 590 7 341 8 102 6 826 15,5%

America 1 673 2 163 1 339 1 835 1 715 0,6%

Asia 470 1 103 1 868 2 104 2 350 49,5%

Other 512 536 1 183 961 1 347 27,4%

Africa 58 52 126 104 109 16,9%

**TOTAL 412 141 463 784 433 047 426 074 411 457 0,0%**

**Weight,** EU/EFTA 16 724 17 882 14 546 13 956 14 310 -3,8%

**tons**

**t 924**

**768**

**591**

**46460433 426 491**

**412 411**

Flow Indicator 2010 2011 2012 2013 2014 CAGR, %

**Export** Value, mln. Euro 412 464 433 426 411 0,0%

Weight, thous. tons 21 23 20 19 18 -4,1%

**Import** Value, mln. Euro 591 460 924 768 491 -4,6%

Weight, thous. tons 212 153 177 153 121 -13,1%

*Source: State Statistic Service of Ukraine*

**Russia 35,2**

**8,6%**

**CIS 6,8**

**1,7%**

**Africa**

**0**

**Other**

**1**

**Asia**

**2**

**America**

**0**

**America 1,7**

**0,4%**

**3**

**CIS**

**EU/EFTA 363,9**

**88,4%**

**Other 1,3**

**0,3%**

**Russia**

**0**

**-6**

**EU/EFTA**

**Asia 2,4**

**0,6%**

**Africa 0,1**

**0,0%**

-10

-5

0

5

**Figure - Ukrainian export of wearing apparel in 2014, mln. EUR**

**Figure – Increase of wearing apparel Ukrainian export of in 2010-2014, mln. EUR**

The main export product groups are “Other outerwear” (266.6 mln. EUR or 64.7% in 2014), this means lack of state statistic terms. Next largest groups are Underwear (80.2 mln. EUR or 19.5%), Other wearing apparel and accessories (41.5 mln. EUR or 10%), Knitted and crocheted hosiery and other (23.1 mln. EUR or 5.6%).

In 2010-2014 there was a slight exports increase at weight at all product groups, with the small exception of Knitted and crocheted hosiery (+3.8% CAGR). Ukraine’s export of apparel by main product groups and commodity items in 2010-2014 is shown in the table below.

**Table 3.16 –Ukraine’s export of wearing apparel by main product groups in 2010-2014**

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Indicato Product group 2010 2011 2012 2013 2014 CAGR, r %

**Value,** Other outerwear 264 605 293 971 267 363 264 272 266 585 0,2%

Russia 3 721 4 483 4 360 3 802 2 382 -10,6%

CIS 255 343 426 478 476 16,9%

America 65 77 50 114 130 19,1%

Asia 18 86 185 617 293 100,4%

Other 80 63 30 28 34 -19,3%

Africa 1 2 3 39 43 163,9%

**TOTAL 20 863 22 937 19 600 19 034 17 668 -4,1%**

*Source: State Statistic Service of Ukraine*

**Underwear 80,2**

**19,5%**

**Other wearing**

**apparel and accessories 41,5**

**10,1%**

**Knitted and crocheted hosiery 12,8**

**3,1%**

**Other knitted**

**and crocheted apparel**

**10,4**

**2,5%**

**Other outerwear 266,6**

**64,8%**

**Figure - Ukrainian export of wearing apparel by main product groups in 2014, mln. EUR**

Ukraine’s export of wearing apparel by main product groups and commodity items in 2010-2014 see Appendix 3.

In 2014 Ukraine’s imports of wearing apparel from Asia amounted to 327129 mln. EUR , EU/EFTA 113886 mln. EUR , what counts 89,8% of the total value. Other key exporters were CIS (17811 mln. EUR or 3,6%), America (14186 mln. EUR or 2,8%) and Russia (4358 mln. EUR or 2,8%). In 2010-2014 there was the significant import decrease from Russia (from 11497 mln. EUR in 2010 to 4358 mln.UER in 2104, CAGR -21,5%), while from other countries as America growth rates were extremely high (69,4% and Africa 32,2% –CAGR respectively )

144

**000**

**Euro**

Underwear 86 418 99 672 91 067 87 646 80 200 -1,8%

Other wearing 37 977 43 004 41 389 42 159 41 484 2,2%

apparel and accessories

Knitted and 12 256 13 732 17 404 15 532 12 815 1,1%

crocheted hosiery

Other knitted and 10 886 13 405 15 825 16 464 10 373 -1,2% crocheted apparel

**Total 412 141 463 784 433 047 426 074 411 457 0,0%**

**Weight** Other outerwear 12 322 13 168 10 792 10 848 10 480 -4,0%

**, tons**

Underwear 3 843 4 171 3 554 3 214 2 907 -6,7%

Other wearing 3 061 3 717 3 088 2 836 2 600 -4,0%

apparel and accessories

Knitted and 1 013 1 163 1 392 1 289 1 176 3,8%

crocheted hosiery

Other knitted and 624 719 774 847 505 -5,1% crocheted apparel

**Total 20 863 22 937 19 600 19 034 17 668 -4,1%**

**Table 3.17- Ukraine’s import of wearing apparel by main destinations in 2010- 2014**

*Source: State Statistic Service of Ukraine*

**EU/EFT A 113,9**

**23,2%**

**Other**

**Russia**

**CIS 17,8**

**3,6%**

**Africa 12,4**

**2,5%**

**America**

**Africa**

**CIS**

**America 14,2**

**2,9%**

**Russia 4,4**

**0,9%**

**Asia 327,1**

**66,7%**

**EU/EFTA**

**Asia**

**Other 1,0**

**0,2%**

-150 -100 -50

0 50

**Figure - Ukrainian import of wearing apparel in 2014, mln. EUR**

**Figure – Increase of Ukrainian import of wearing apparel in 2010-2014, mln. EUR**

145

**-7**

**-2**

**-113**

**1**

**12**

**8**

**0**

Indicator Region 2010 2011 2012 2013 2014 CAGR,

%

**Value,** Asia 440 155 289 260 738 701 563 641 327 129 -7,2%

**000 Euro**

EU/EFTA 113 657 128 948 133 608 134 701 113 886 0,1%

CIS 20 168 24 058 24 435 30 643 17 811 -3,1%

Africa 4 060 6 374 9 096 14 369 12 395 32,2%

America 1 723 3 183 10 725 15 691 14 186 69,4%

Russia 11 497 7 480 6 240 6 263 4 358 -21,5%

Other 203 648 1 479 2 699 979 48,3%

**TOTAL 591 462 459 951 924 284 768 007 490 744 -4,6%**

**Weight,** Asia 118 759 56 706 75 267 46 013 28 267 -30,2%

**tons**

EU/EFTA 90 301 93 066 94 811 97 474 84 136 -1,8%

CIS 1 020 1 191 1 161 1 572 1 025 0,1%

Africa 116 183 275 753 524 45,7%

America 1 297 1 606 4 959 6 360 6 323 48,6%

Russia 384 297 254 279 235 -11,6%

Other 6 40 112 311 100 98,2%

**TOTAL 211 884 153 089 176 840 152 761 120 610 -13,1%**

The main imported product groups are Outher wear, Underwear which in 2014 accounted

for 72.7% of imports. In 2013-2014 there was a significant exports increase of product groups

all

**Table 3.18**

**2010-2014**

**–Ukraine’s**

**import**

**of**

**wearing**

**apparel**

**by**

**main**

**product**

**groups**

**in**

*Source: State Statistic Service of Ukraine*

146

Indicat Region 2010 2011 2012 2013 2014 CAGR, %

or

**Value,** Other 246 568 222 541 452 655 395 317 256 177 1,0%

**000** outerwear

**Euro**

Underwear 133 926 100 068 218 291 162 977 101 067 -6,8%

Knitted and 83 835 42 129 49 222 38 046 24 247 -26,7%

crocheted hosiery

Other 61 228 55 757 112 284 92 440 59 622 -0,7%

wearing apparel and accessories

Other knitted 65 905 39 457 91 831 79 226 49 632 -6,8%

and crocheted apparel

**Total 591 462 459 951 924 284 768 007 490 744 -4,6%**

**Weigh** Other 120 627 112 442 131 489 124 061 101 698 -4,2%

**t, tons** outerwear

Underwear 34 471 17 614 19 930 10 859 6 589 -33,9%

Knitted and 29 451 9 158 4 918 2 610 1 993 -49,0%

crocheted hosiery

Other 10 711 8 640 12 383 9 443 5 907 -13,8%

wearing apparel and accessories

Other knitted 16 624 5 234 8 120 5 788 4 422 -28,2%

and crocheted apparel

**Total 211 884 153 089 176 840 152 761 120 610 -13,1%**

**Underwear 101,1**

**20,6%**

**Knitted and crocheted hosiery 24,2**

**4,9%**

**Other wearing apparel and accessories 59,6**

**12,1%**

**Other knitted and crocheted apparel 49,6**

**10,1%**

**Other outerwear 256,2**

**52,2%**

**Figure - Ukrainian import of wearing apparel by main product groups in 2014, mln. EUR**

**3.6.4** **Trends in supply and demand**

Ukrainian enterprises are ready to supply a wide range of high quality clothing to the EU market at very attractive prices. Key features of the potential offer from the Ukraine are:

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



short delivery time to the European market (1 week vs 2 months from China) good quality products, compatible with the famous world-wide brands competitive price of products.

More than 50 international brand are manufacturing now at Ukrainian enterprises under talling scheme: Bugatti, Esprit, Gebr. Weis, Kardstat Quelle, Mexx, Moda Spiga, Perri Ellis, Zara, Benetton, Conbipel, Esprit, Gerry Weber, Mexx, Esprit, Kookai, Laura Ashley, Max Mara, Next, Steilmann, Top Shop, Wallis, Hugo Boss, Diverse, Esprit, Grosso Moda, Karstadt, Maratex, Mexx, Roxy, Staff, Walker, Frank Henke Mode GmbH, Franken Walder, Betty Barclays, Vera Mont, Armand Thiery, Benetton, Celio, Fellini, Galeries Lafaytte, Gianni Ferrucci, OVS, Prado, Triumph, Iceberg, Sandro, New Look, Zara, BCBG, Grossa Moda, Licona, Peter Kaiser and others.

Apparel supply to the EU countries is very high. Especially significant is the increase in cheap imports from China, which aggravates the already extremely tough competition in the market. China occupies 39,6% of EU imports niche. The others large supplier to the EU countries is Bangladesh. Mentioned two countries supply more than 50% of the imported apparel to the EU markets that is caused by the low labor cost and high productivity of the Asian manufacturers. But abilities of the Asian countries to compete by the prices are rather limited due to the permanent rise of the labor cost. Social risk is also a growing concern.

From another side, due to Russian aggression at the east part of Ukraine and wide social and economic reforms, local currency (Hryvnya) rate decreased 3 times at 2013-2015.

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Together with short delivery period and DCFTA starting from 1st of January, 2016 - that gives Ukrainian suppliers nice opportunity to attract European buyers. Exporters should be focusing on speed to market, just-in-time deliveries and pre-production services in order to best compete in the fast changing sourcing European landscape.

On the demand side, the annual EU imports of clothing worth about 140 billion. EUR in 2014. And there is a clear trend in its increasing: in 2010 total imports amounted to about 119 billion. EUR, and this figure increased to 140 billion. EUR (+21 billion. EUR or

+17,6%) in 2014.

Such a significant volume of import market and substantial growth rate allow Ukrainian companies to entry the EU market with the supply of qualitative and affordable products. EU market could be devided by three large clothing niches: haute couture, luxury brands, mass product. Taking into account the quality and price of Ukrainian producers, they can pretend for entry into the second and third segments.

The largest importers of apparel in EU are large distributors or wholesaler who subsequently sell their products to the retail malls or small wholesale shops, which then distribute the products to retailers and brand shops. However, founding of the representatives office of the exporters becomes more and more popular in the EU, allowing companies to build a more flexible and effective policies with European buyers.

Overall, despite the huge competition in the market, the availability of a robust demand in all segments of the apparel market creates an excellent trading opportunities for small and medium business from Ukraine.

The main trends on European apparel market are:



rising smartphone and social media use continues to drive consumer expectations for speed, services and transparency upward; all levels of the value chain must seek to improve delivery, quality of services and visibility to remain competitive.

brands and retailers are implementing omni-channel distribution strategies that align and synchronize all the company’s channels and present a single face to the customer. more emphasis is being placed on social media for marketing and tracking trends.

manufacturers are improving processes and supply chains to meet demand for responsible sourcing, chemical safety and conservation of resources.

environmental and humanitarian organisations are becoming more influential, contributing to the demand for transparency in many industries.

the economy continues to recover slowly; many apparel companies are seeking expansion outside of domestic markets, and exploring new countries for partnerships and outsourcing.

a shifting population age structure is increasing the importance of targeting the senior consumer group.

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



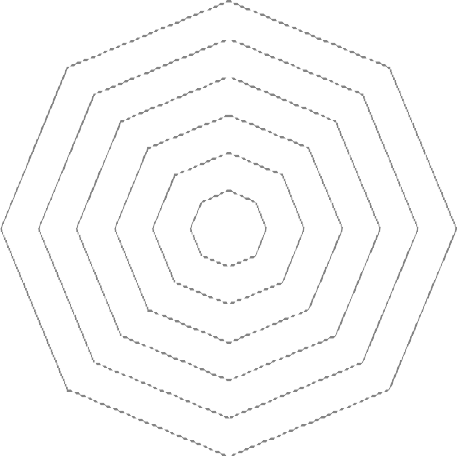




**3.6.5** **Social Responsibility risk level in the chain**

According to an opinion poll conducted by the Centre of Social Expertise of Institute of Sociology of NAS of Ukraine and Charitable Foundation "Intellectual Perspective", which was attended by 811 enterprises of different sizes, forms of ownership and spheres of activity, businesses are positioning their attitude to aspects of social responsibility as follows:

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

60% of respondents have a positive attitude to social projects and believe it’s useful to society as a whole; quarter of respondents demonstrated a "neutral"; 5% of respondents recorded a negative attitude, considering such activities as "a waste of time and resources";

4% of respondents said the lack of any opportunities to businesses to implement social projects;

a third believes that the possibility exists for all business organizations;

50% of the respondents believes that such an option, but only in certain companies. According to the AISEC research project, most informed about the concept of socially responsible business of the financial sector (94%), industrial goods (84.5%) and trade (83.2%).

Significant differences occur regionally. If in Kiev and awareness about social responsibility demonstrated 90.7% of surveyed companies, in Lviv region only 62.9%, and in Donetsk and region - 61.5% of companies.

Increase coverage of companies in the field of CSR will help ordinary people find that commercial organizations do not just try to make profits, but also care about the community where they work, is socially responsible.

SR risk level in the Apparel VC can be counted from slightly negligible in big cities gross enterprises to essential in small towns and small companies.

We have strong willing to achieve best SR marks when the Programme will come to its finishing.

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













**Social Responsibility Risks & Index**

Child

labour 3,0

2,5

2,0

1,5

1,0

0,5

0,0

Lack of

supply chain traceabili ty

Forced

labour

Current risk level sector

Human

rights violation

Corruptio

n

Anticipated risk level

end of programme

Social Responsibility Index

Environm

ental harm

Unfair

labour practices

Health

and Safety risks

149

**3.7** **Recommendations for intervention**

**3.7.1** **Potential improvement of export and social responsibility**

Potential improvement of export growth could be achieved as a result of join activity from both sides – government (business deregulation) and manufacturers (export skills development). CBI as EU-business side representative could be also very effective in special skills and knowledges delivering and some pilot export-promotion activities providing. It should be considered, that EU-states tenders will be acceptable for Ukrainian enterprises from 2016, so they need special knowledge on that kind of operations.

Significant advantages of production of apparel in Ukraine and further export - the low cost of labor, quite competitive prices for products, the availability of qualified staff, the proximity of the country to the EU market - point to the desirability of promoting export- promotion products in the industry.

However, the access of Ukrainian exporters to foreign markets, as well as a long-term effective work in the foreign markets, depends on the successful solution of a number of issues, such as:

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active promotion of Ukraine's image abroad

launching business-educational programs to improve knowledge in the foreign trade activities, export marketing and EU-tenders conditions

distribution of information about the opportunities for Ukrainian sewing enterprises abroad

finding proper EU partentrs

deregulation (VAT administration, National Bank and Custom Service rules) access to financing (at EU competitive level)

corporate social responsibility concept popularization











Potential of the Ukrainian apparel industry allows to increase export by 3 times to 1 200 mln. EUR during next 2 years, if bottlenecks will start to ease off (Table 3.19).

**Table 3.19 – Estimation of the apparel export growth as a result of the bottleneck removal**

**3.7.2** **Recommendation towards CBI**

Taking into account the experience of Dutch business-organizations, the availability of high-quality professionals and an extensive network of offices in the EU, the gradual resolution of these problems with the help of CBI looks quite feasible.

Due to industry representatives and experts, with removing mentioned obstacles, Ukrainian apparel has strong prospective to increase export value to the EU/EFTA market at least at 3 times in 2016-2017 – from 411 mln. Euro in 2014 to about 1,2 bln Euro in

150

**2014**

**2015 (e)**

**2016\***

**2017\***

Ukraine’s export, mln. EUR

411

500

800

1 200

2017. We would recommend CBI to further develop a programme for intervention in the apparel value chain in Ukraine.

The main areas of intervention, in which CBI can play a role, in order to realize sustainable Ukrainian apparel export growth to Europe are:



exposure to European opportunities and sourcing needs, through matchmaking and trade promotion activities.

specific and up-to-date development and provision of EU market information. capacity building in areas of export marketing, production technologies and csr.





Apparel sector can be supported through a number of interventions, as follows:



development, information;

regularly update and provision of EU/EFTA

market intelligence





capacity building in areas of export marketing and CSR. assistance in certification procedures for Ukrainain producers.

Export of garments from Ukraine could be strategically increased due to the impact of the following factors:



a sufficiently high level of competitiveness of Ukrainian companies compared with Asian suppliers that dominate over the import market of the EU. The level of competitiveness will continue to improve on the background of the expected wage growth in the industrial sectors of the Asian countries.

weak domestic demand against the background of having a fairly substantial unused production capacity and skilled staff. However, to use these assets, development of infrastructure to support exports, as well as the active promotion of Ukraine's image abroad should be the priority for the state bodies as well as business-organizations. actively developing network of institutions, whose mission is to promote exports from Ukraine. This is an informational, legal, political etc. support for the existing and potential exporters.

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**3.7.3** **Risk analysis**

In addition to the positive factors, there are some political and economic risks in Ukraine that could influence the development of exporting companies in the near future and in the long term. These risks include:

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Regulation instability, which is materialized in frequent changes of taxation and export rules in the country

Weak of domestic financial sector and political instability, which causes significant volatility in exchange rates

Local government and business association cannot agree on strategy for sustainability and certification

Exporters are unwilling to pay for certification services

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Risk analysis (overview of issues related to political stability, other donor activities etc.) to be considered when planning the short, medium and long term activities – see Table below.

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**Table 3.20 - Risk analysis**

L=Likelihood (or risk materializing): 5=almost certain, 4=likely, 3=possible, 2=unlikely, 1=rare

I= Impact (on programme): 5=severe, 4=major, 3=moderate, 2-minor, 1=negligible

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**Risk (general or Possible impact on L I Mitigation strategy specific) proposed intervention**

Regulation It will be less profitable 1 3 EU-integration instability -frequent to develop apparel export agreement and

bad changes of to EU, then sell it on DCFTA will bring

taxation and export domestic market more stabilization to

rules Ukrainian legislation,

by adopting it to EU directives

Weak of domestic Ukrainian manufacturers 3 3 Strong cooperation of financial sector and could not cover their The National Bank of

political instability, contract duties, so Ukraine and

which causes penalties could drive International

volatility in companies to bankruptcy Monetary Fund will

exchange rates. mitigate currency

rate instability

Local government Result cannot be 2 4 A coherent business and business achieved (exporters model for certified

association cannot certified), no export trade is developed in

agree on strategy possible. collaboration with

for sustainability exporters,

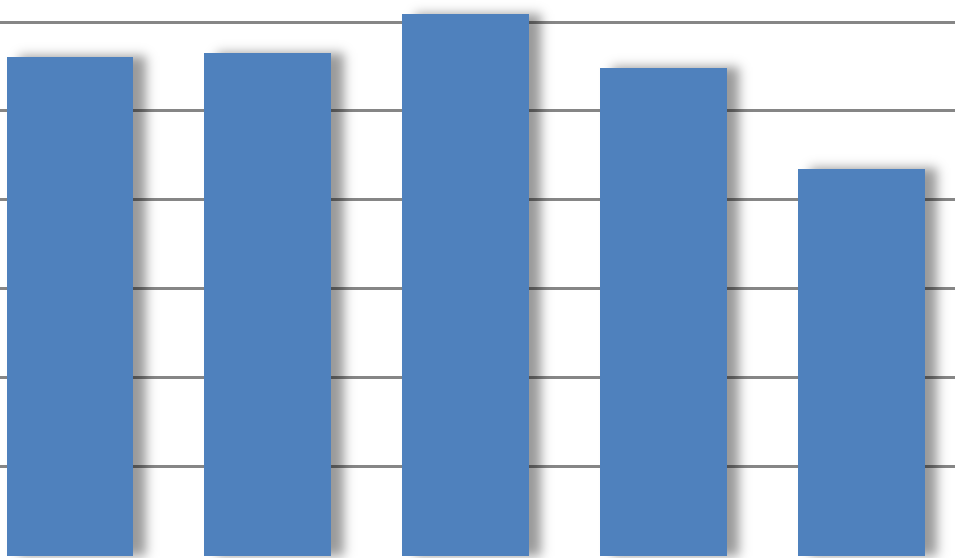
and certification. highlighting the

potential benefits for local government

Exporters are Result cannot be 3 2 CBI will focus on unwilling to pay for achieved (exporters raising

certification certified), no export complementary

services possible. funding for certification from active donors in this field.



**4** **FOOTWEAR VALUE CHAIN ANALYSIS**

**4.1**

**Introduction**

Within the Ukraine’s independence, carrying out of the footwear production has been under significant pressure. Reorganized and newly founded footwear enterprises worked on the low capacity utilization rates amid weak demand for their goods. However, demand for the footwear in Ukraine still could be covered due to the presence of the qualified staff as well as qualitative special equipment on the manufacturing enterprises. Moreover, competitive low labour cost as well as proximity to the EU market gives huge advantages and opportunities to Ukrainian footwear industry.

Ukrainian footwear industry comprises about 1,500 enterprises. There are approximately

10 enterprises with more than 250 employees among them. The rest are the small enterprises with less than 100 employees.

**Table 4.1 –The key indicators of the Ukrainian footwear industry\***

*\*estimation*

Annual footwear production totalled 28-31 mln. pairs in 2011-2013. However, further political turmoil, war in the Este of Ukraine as well as fall of the disposable income of the population caused shoes production slump. For instance, the estimation of the manufacturing in 2015 is approximately 22 mln. pairs, that is 30% lower than two years earlier (see the next figure).

35

30,5

28,3

28,1

30

27,5

25

21,8

20

15

10

5

0

2011

2012

2013

2014

2015 (e)

**Figure 4.1 Ukrainian footwear production, mln. pairs**

153

**Indicator 2010 2011 2012 2013 2014**

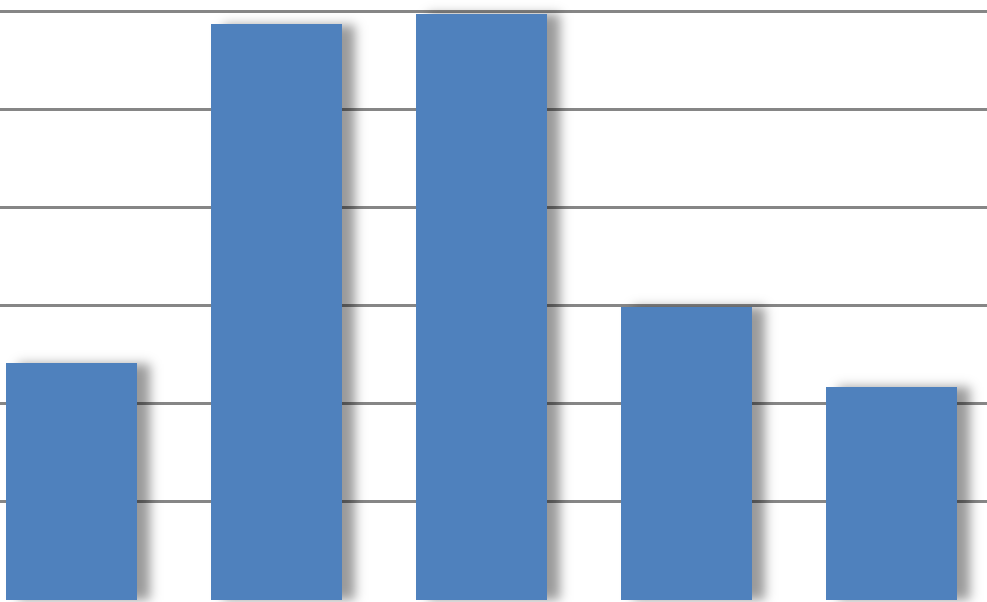
Enterprises, units 1 456 1 486 1 502 1 495 1 450

Employees, thou people 24,1 26,3 27,9 26,1 25,1

Wage costs (incl. taxes), mln. euro 47,9 59,9 80,7 76,2 59,8

Average salary, euro/per month 165,8 189,7 241,1 243,4 198,6

Share of the profitable enterprises, % 67,0 66,0 67,0 71,0 73,0



At the same time, Ukrainian producers account for only 25% of the Ukrainian market and the rest are imports (mainly China) generally in the form of smuggling or so called "grey imports" that sharpen price competition between Ukrainian producers and importers since the price for Ukrainian goods is much higher than Chinese in this case. Even legal Chinese import cause trouble for Ukrainian producers who use European raw materials of high quality such as leather, accessories, fittings etc. whereas the quality level of Chinese raws are significantly worse.

700

598

587

600

500

400

298

300

241

217

200

100

0

2011

2012

2013

2014

2015 (e)

**Figure 4.2 - Ukrainian footwear import, mln. EUR\***

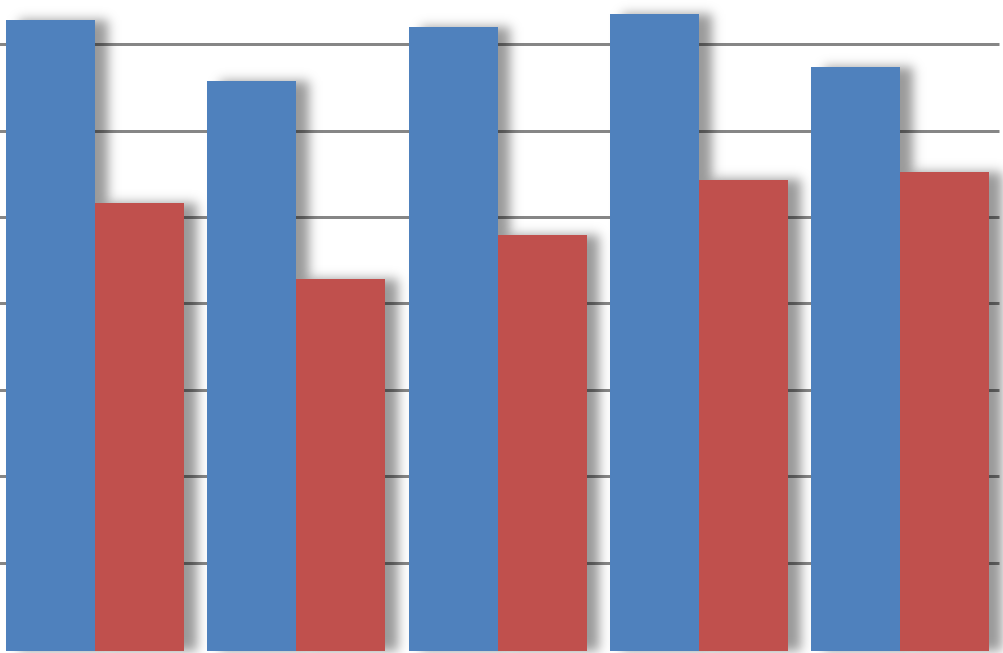
*\*official data. The sharp decline of the import in 2014-2015 implies on the smuggling rise that isn’t counted by the State Statistical Service of Ukraine*

Ukrainian footwear has clear opportunities in the European market. Requirements for quality and certification are the same both for Ukraine and for the EU.

The actuality of footwear supply from Ukraine to Europe is growing due to annual increase of Chinese production cost (+5-10% per year) and low transporting cost to the EU. Taking into account aforementioned advantages, Ukraine can replace part of the Chinese supply to the European market as well as enter the segments where the Chinese footwear hasn’t been presented yet.

Available capacities in Ukraine enable to produce almost the entire product range with the exception of sports shoes (running shoes, sneakers, etc.). Ukrainian footwear meets European requirements quality and is competitive in it compared to other non-European suppliers. Currently Ukrainian products are sold on the European market, but about 90% of the deliveries accounts for tolling schemes. Basically the main exporters to the EU market are companies with foreign investments (which parent companies originate from the EU). Thus, the bulk of exports (about 40% of exports) are in the blanks for the footwear production (parts of footwear). Total export of the footwear from the Ukraine made about 150 mln. EUR in 2011-2014. In 2015, export dropped by 8% (y-o-y) due to the worries of the importers concerning abilities of the Ukrainian suppliers to fulfil their commitment amid the war in the eastern part of the country.

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Total footwear export, mln. euro Export to the EU, mln. euro

The share of the export to the EU, %

160

100

147

146

144

135

132

140

90

120

111

109

104

96

82

100

80

86

80

74

71

70

60

67

65

40

60

20

0

50

2011

2012

2013

2014

2015 (e)

**Figure 4.3 - Ukrainian footwear export, mln. EUR**

Annual consumption of the footwear in Ukraine amounted to 0.6 bn. EUR per year. However, the significant decline in consumption was in place in 2014 due to the decrease of the disposable income of Ukrainian population as well as price rise of the imported footwear that resulted in decline of the demand (see the next table).

**Table 4.2 –Ukrainian footwear consumption**

*\* estimation. Includes smuggling and others illegal import that are out of accounting.*

**4.2**

**Management summary**

***Objective***

The principal objective of this value chain analysis (VCA) is to assess whether or not a CBI intervention in an footwear sector in Ukraine will contribute significantly to export growth and, if so, identify and define the opportunities for these interventions.

***Methodology***

The VCA was conducted by a team of Ukrainian experts. About 15 interviews have been held with corporate representatives as well as industry experts.

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**mln. $**

**%**

Indicator 2012 2013 2014

**Footwear production, mln. EUR** 167 153 222

**Export, mln. EUR** 132 144 147

**Import, mln. EUR** 587 598 500\*

**Consumption, mln EUR** 622 607 575

***Mapping the value chain***

Major **chain actors** in the industry are suppliers of raw materials (external, internal, and external within tolling schemes), manufacturers of footwear (about 1500 companies), logistics companies, distributors, dealers, private retailers.

**Chain Supporters:** Ukrainian League of Industrialists "Ukrshkіrvzuttya” (Ukrainian Leather Shoes), Light Industry Association, Chamber of Commerce of Ukraine, Kiev National University of Technology and Design, professional schools, private consultants

and advisers, the European Business Association.

**Chain Influencers:** Ministry of Economic Development and Trade, National Parliament, State Sanitary and Epidemiological Service of Ukraine, certification companies, local authorities, State Fiscal Service of Ukraine.

***Bottlenecks along the value chain***

**The key bottlenecks of the export activity**

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

Import footwear smuggling and use of others illegal schemes. Slack promotion of the Ukrainian image as a reliable partner.

Losses of the Ukrainian companies’ images as reliable partners because of the war in the eastern part of the country.

Lack of the information about Ukrainian footwear producers among the EU buyers and investors that complicates the investment attraction significantly.

Inefficient activities of the Industry Associations.

Currency revenue return within 90 (180 days previously) days that force Ukrainian exporters to put pressure on their partners concerning the payment.

Protraction of the VAT reimbursement for the exporters that decrease the disposable circulating assets.

Lack of export marketing skills especially with regards to the finding foreign partners. Domestic leather production shortage as well as absence of the domestic chemical raws for the leather processing.

Weak informational and consulting support from the government and non- government organization.

VAT charging amid footwear equipment import. Inability to use web trading through eBay and Amazon.

High prices for the postal delivery as well as high cost of the logistic at a general. Lack of the finance for the participation in the foreign fairs and exhibitions.

Weak cooperation between footwear manufacturers and high schools that results in the shortage of the qualified workers.

Insufficient cooperation between footwear producers regarding defence of their rights as well as solving branch problems.

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***EU/EFTA market opportunities***

The EU/EFTA market is the largest consumer of shoes, which annually imports goods worth about $ 40 billion. EUR. The most promising product niche for Ukrainian producers is the product subgroup “Footwear with uppers of leather, other than sports footwear”. Thus, this import market niche is fast growing (+4.3% CAGR 2010-2014) and quite large

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– 19 bn. EUR in 2014. The external import of this subgroup is 6.5 bn. EUR in 2014 (2.6% CAGR).

On the EU/EFTA market there are three large category niches of footwear products as follows: Haute Couture, Luxury brands, Mass product. It is obvious, that the Ukrainian companies can pretend for active entry into the some targeted segment of the mass products and partly in Luxury brands segment. When exporting to the EU, Ukrainian shoemakers should take into account a significant impact of supplier CSR (corporate social responsibility) on the choice. So, use of child labour, heavy labour conditions, harmful substances use in the production etc. are considered unacceptable. Incompliance with the REACH standard (Regulation on Registration, Evaluation, Authorization and Restriction of Chemicals) does not allow counting on a successful business in the EU.

**Recommendations for intervention**

Significant advantages of production of footwear in Ukraine and further export - the low cost of labour, quite competitive prices for products, the availability of qualified staff, the proximity of the country to the EU market - point to the desirability of promoting CBI products in the industry. However, the access of Ukrainian exporters to foreign markets, as well as a long-term effective work in the foreign markets, depends on the successful solution of a number of problems.

At first, CBI should pay attention to those bottlenecks that could be removed in the short term as follows: marketing skills enhancement and popularization of the Ukrainian producers around the EU. Taking into account the results of the manufacturers interview, a lot of companies have desire to start exporting. However, incompetence of their marketing staff prevent them enter the market or even to make a first step toward the EU.

At second, business support infrastructure doesn’t show proficiency that results in the lack of export intelligence among footwear industry. Firstly, this conclusion is applied to the Industry Associations. Therefore, trainings and seminars for the Associations managements should be the priority to speed up the development of the export support infrastructure.

Other bottlenecks should be removed also, but their removal will take a lot of time and it depends on the will and readiness of the large number of institutions including government bodies. Therefore, the positive impact on export is to come to the reality only in the long term.

Taking into account the experience of CBI, the availability of high-quality professionals and an extensive network of offices in the EU, the gradual resolution of these problems with the help of CBI looks quite feasible.

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**4.3** **Export Market Analysis**

**4.3.1** **Segmentation of EU/EFTA markets and product groups**

EU footwear market apparent consumption grew from 23.4 billion EUR in 2010 to 26.4 billion EUR in 2014 (up by 3.1% on average). Import share in apparent consumption accounts for about 65%.

Consumption increases at a steady pace in the EU. Thus, the average annual growth rate of consumption in 2010-2014 was 3.1% (see the next table and figure).

**Table 4.3 –EU footwear market apparent consumption in 2010-2014, mln. EUR\***

*\* - data on EFTA market is not available*

**bln. EUR**

**Apparent consumption. bln. EUR**

**Import share, %**

**30**

**25**

**20**

**15**

**10**

**5**

**0**

**100%**

**26,4**

**25,0**

**23,8**

**23,8**

**23,4**

**80%**

**60%**

**40%**

**20%**

**0%**

**2010**

**2011**

**2012**

**2013**

**2014**

**Figure 4.4 - EU footwear market apparent consumption in 2010-2014 terms**

**in value**

«Footwear other than sports and protective footwear and orthopaedic shoes» is the largest consumed product group - 20 billion EUR in 2014, accounting for 75% in the total consumption. At the same time, the fastest growing segment - «Sports footwear», whose annual growth rate is 10% (see the nest table and the figure).

158

**62,8%**

**65,2%**

**65,5%**

**60,5%**

**65,4%**

Indicator 2010 2011 2012 2013 2014 CAGR,

%

**Production** 13 806 16 035 15 267 16 017 17 137 5,6%

**Export** 5 106 6 162 7 056 7 726 7 991 11,8%

**Import** 14 689 15 124 15 555 15 551 17 286 4,2%

Apparent consumption **23 389 24 997 23 766 23 842 26 432 3,1%**

***Import share in*** *63% 61% 65% 65% 65%*

***apparent consumption,***

***%***

**Table 4.4 –EU footwear groups, mln. EUR**

**market**

**apparent**

**consumption**

**in**

**2014**

**by**

**product**

**Parts of footwear of leather 3.151**

**11,9%**

**Sports footwear 2.116**

**8,0%**

**Footwear other than sports and protective footwear and orthopaedic shoes**

**19.777**

**74,8%**

**Protective and other footwear n.e.c.**

**1.388**

**5,3%**

**Figure 4.5 - EU footwear market apparent consumption of in 2014, mln. EUR**

**4.3.2** **Trade flows and competitor analysis**

Over the last 5 years, the EU/EFTA countries have been constantly recording a negative balance in footwear foreign trade, totalling 7 305 million EUR in 2014. However, in volume terms the import was higher than export by more than 2 times, indicating that the products, exported from the EU/EFTA, are characterized by the higher level of prices than import prices.

The EU/EFTA total export value in 2014 of the selected products amounted to 35.7 billion EUR or 1 296 thou tons (up by 8.2% and 4.3% yearly on average from 2010 respectively). Export had been stable increasing annually in 2010-2014 from 26.1 bn. EUR to 35.7 bn. EUR.

159

**Group Production Export Import Consumption**

mln. EUR CAGR in

2010-2014

**Footwear other than** 13 220 6 830 13 387 19 777 2,2%

**sports and protective footwear and orthopaedic shoes**

**Parts of footwear of** 2 412 462 1 200 3 151 6,5%

**leather**

**Sports footwear** 469 387 2 034 2 116 9,8%

**Protective and other** 1 036 312 664 1 388 0,8%

**footwear n.e.c.**

TOTAL **17 137 7 991 17 286 26 432 3,1%**

Import volumes of footwear in 2014 amounted to 43.1 billion EUR or 2 627 thou tons (up by 6.2% annually in value terms and by 2.6% annually in quantity terms respectively). In import shipments there was also stable annual increase (in 2010-2013 there was an annual increase: from 33.9 bn. EUR to 43.0 bn. EUR.

**Table 4.5 –EU/EFTA foreign trade of footwear in 2010-2014, mln. EUR**

*Source: Eurostat*

**mln. EUR**

**bln. Euro**

**50**

**Export**

**Import**

**Import from Ukraine**

**Ukraine's share in external import, %**

**43**

**100**

**1,5%**

**39**

**37**

**40**

**37**

**82,9**

**82,1**

**36**

**77,8**

**34**

**33**

**80**

**1,2%**

**72,6**

**30**

**30**

**30**

**26**

**60**

**0,9%**

**51,8**

**20**

**0,**

**%**

**40**

**0,6%**

**0,**

**%**

**0,**

**%**

**0,**

**%**

**0,**

**%**

**10**

**20**

**0,3%**

**0**

**0,0%**

**0**

**2010 2011**

**2012**

**2013 2014**

**2010**

**2011**

**2012**

**2013**

**2014**

**Figure 4.6 - EU/EFTA footwear foreign trade in 2010-2014 in value terms**

160

**34**

**45**

**48**

**53**

**46**

**Indicator 2010 2011 2012 2013 2014 CAGR, %**

Value, mln. EUR

**Export** 26 078 29 863 30 436 32 689 35 728 8,2%

**Import** 33 893 36 612 37 362 38 620 43 033 6,2%

**incl. external** 15 169 15 625 16 205 16 203 17 957 4,3%

**incl. Ukraine** 52 82 73 78 83 12,5%

**Ukraine's share** 0,34 0,53 0,45 0,48 0,46

Weight, thou tons

**Export** 1 097 1 224 1 084 1 190 1 296 4,3%

**Import** 2 366 2 488 2 234 2 435 2 627 2,6%

**incl. external** 1 563 1 586 1 392 1 433 1 571 0,1%

**incl. Ukraine** 5 6 5 5 6 1,3%

**Ukraine's share** 0,34 0,37 0,36 0,35 0,36

**thous. tons**

**3.000**

**Export**

**Import**

**thous. tons**

**Import from Ukraine**

**2.627**

**2.488**

**2.435**

**2.234**

**5,9**

**2.366**

**2.500**

**5,6**

**6**

**1,5%**

**5,3**

**5,1**

**5,0**

**2.000**

**1,2%**

**4**

**1.500**

**1.296**

**0,9%**

**1.224**

**1.084 1.190**

**1.097**

**1.000**

**0,6%**

**2**

**% 0,**

**% 0,**

**% 0,**

**% 0,**

**%**

**0,**

**500**

**0,3%**

**0**

**0**

**0,0%**

**2010 2011 2012 2013 2014**

**2010 2011 2012 2013 2014**

**Figure 4.7 - EU/EFTA footwear foreign trade in 2010-2014 in volume terms**

The main EU/EFTA footwear export product groups are “Footwear other than sports

and

protective footwear and orthopaedic shoes” (119 mln. EUR or 79% in 2014) and “Parts of footwear of leather“ (21.4 mln. EUR), that accounted for 14% of exports in 2014.

In 2010-2014 there was a significant exports increase of all product groups (the largest in the segment of “Parts of footwear of leather“ – 3.6% CAGR). More detailed statistics regarding footwear export by the products groups is in the Appendix 4.

**Table 4.6 –EU/EFTA footwear export by main product groups in 2014**

161

**36**

**35**

**34**

**36**

**37**

**Subgroup ALL EXPORT EU/EFTA UA import from UA share EU/EFTA external export EU/EFTA in**

**external**

mln. EUR CAGR in mln. EUR CAGR in mln. EUR CAGR in **export**

2010- 2010- 2010-2014

2014 2014

Value, mln. EUR

**Footwear other** 26 282,9 7,7% 5 643,8 13,0% 119,0 -0,9% 2,1%

**than sports and protective footwear and orthopaedic shoes**

**Sports footwear** 4 691,4 13,7% 412,3 11,9% 6,1 10,3% 1,5%

**Parts of footwear of** 2 202,2 2,3% 590,3 2,4% 21,4 -2,9% 3,6%

**leather**

**Protective and** 2 551,8 9,8% 310,2 14,0% 4,9 -1,5% 1,6%

**other footwear n.e.c.**

Total **35 728,3 8,2% 6 956,5 11,9% 151,3 -0,9% 2,2%**

Weight, thous. tons

**Footwear other** 826,3 3,6% 115,5 9,5% 2,1 -5,9% 1,8%

**than sports and protective footwear**

The main EU/EFTA exporters of selected products were Italy (9 202 mln. EUR or 25.8% in 2014), France (4 113 mln. EUR or 11.5%), Spain (4 171 mln. EUR or 11.7%) and

Germany (2 775 mln. EUR or 7.8%), which in 2014 accounted for 76.9% of total exports (see the next figure).

**Belgium**

**Poland 2.557**

**7,2%**

**Portugal 1.908**

**5,3%**

**United Kingdom 1.366**

**3,8%**

**Slovakia 1.487**

**4,2%**

**2.446**

**6,8%**

**Germany 2.775**

**7,8%**

**Spain 4.171**

**11,7%**

**Other 5.704**

**16,0%**

**France 4.113**

**11,5%**

**Italy 9.202**

**25,8%**

**Figure 4.8 - EU/EFTA export of footwear by main exporting countries in 2014, mln. EUR**

The main destinations of EU/EFTA footwear export are Russia (763 mln. EUR or 34.8% in 2014), Belarus (216 mln. EUR or 9.9%), Algeria (103 mln. EUR or 4.7%) and Egypt (92 mln. EUR or 4.2%). Mentioned countries accounted for 53.6% of total exports in 2014.

162

**and orthopaedic shoes**

**Sports footwear** 145,7 10,2% 13,1 6,7% 0,2 -3,6% 1,3%

**Parts of footwear of** 167,8 0,4% 56,8 -2,0% 2,1 -7,6% 3,7%

**leather**

**Protective and** 156,5 7,8% 20,2 9,7% 0,4 -10,4% 1,8%

**other footwear n.e.c.**

Total **1 296,3 4,3% 205,7 5,5% 4,8 -7,0% 2,3%**

**United States Ukraine Brazil**

**Senegal 49**

**2,2%**

**75 51**

**3,4% 2,3%**

**75**

**3,4%**

**United Arab Emirates 78**

**3,6%**

**Egypt 92**

**4,2%**

**Other 693**

**31,6%**

**Algeria 103**

**4,7%**

**Belarus 216**

**9,9%**

**Russia 763**

**34,8%**

**Figure 4.9 - EU/EFTA export of footwear by main importing countries in 2014, mln. EUR**

**Table 4.7 –EU/EFTA export of footwear by countries in 2014, mln. EUR**

163

**Country ALL EXPORT EU/EFTA external UA import from UA share EU/EFTA export EU/EFTA in**

**external**

mln. EUR CAGR in mln. EUR CAGR in mln. EUR CAGR in **export**

2010-2014 2010-2014 2010-2014

**Italy** 9 201,9 5,7% 3 485,0 9,9% 66,6 -1,9% 1,9%

**Germany** 4 112,5 9,2% 498,3 6,1% 10,7 -3,2% 2,1%

**Belgium** 4 170,7 10,7% 214,3 11,3% 0,1 -28,4% 0,0%

**Spain** 2 775,0 9,5% 663,9 17,1% 6,3 16,7% 0,9%

**Netherlands** 2 557,2 6,9% 105,7 14,0% 2,5 7,6% 2,4%

**France** 2 445,7 11,3% 702,5 14,1% 4,0 4,4% 0,6%

**Portugal** 1 907,5 8,0% 212,9 32,1% 1,8 84,5% 0,8%

**Romania** 1 366,2 4,7% 24,3 4,0% 5,6 -9,7% 22,9%

**United** 1 487,2 11,1% 188,2 11,5% 1,2 -10,5% 0,6%

**Kingdom**

**Slovakia** 1 064,2 10,3% 138,0 30,6% 2,4 -2,4% 1,7%

**Austria** 803,7 8,2% 103,3 12,9% 2,2 -12,7% 2,2%

**Poland** 778,4 18,0% 238,7 14,5% 38,2 1,3% 16,0%

**Czech Republic** 672,5 17,1% 17,6 10,7% 0,6 -18,8% 3,3%

**Denmark** 467,3 -1,1% 15,9 -8,0% 1,3 -13,3% 8,2%

**Hungary** 379,8 5,1% 31,9 11,6% 4,9 0,5% 15,3%

**Switzerland** 277,1 10,9% 102,0 5,6% 0,8 -10,0% 0,8%

**Sweden** 227,2 9,1% 13,6 16,3% 0,2 -12,6% 1,1%

**Bulgaria** 206,4 2,7% 6,5 25,7% 0,0 -63,7% 0,0%

The “Footwear other than sports and protective footwear and orthopedic shoes" is the largest import item of footwear to the EU/EFTA, that accounts for 30.4 bn. EUR or 71% in 2014. Shares of others import groups are negligible and range 6-19%. In 2010-2014 there was a significant increase in imports in all product groups. Especially significant

import increase in value terms was observed in the group "Sports footwear" (see the next table).

-

11.8%

**Table 4.8 - EU/EFTA footwear**

**import by main product groups in 2014**

164

**Subgroup ALL IMPORT EU/EFTA UA export to UA EU/EFTA external import EU/EFTA share**

mln. EUR CAGR in mln. EUR CAGR in mln. EUR CAGR in **in**

2010- 2010- 2010-2014 **extern**

2014 2014 **al**

**import**

Value, mln. EUR

**Footwear other** 30 361,0 5,2% 12 385,4 2,9% 28,1 7,0% 0,2%

**than sports and protective footwear and orthopaedic shoes**

**Sports footwear** 5 860,9 11,8% 2 264,2 12,2% 0,1 -39,9% 0,0%

**Protective and** 4 041,5 7,7% 2 044,6 5,0% 2,6 35,0% 0,1%

**other footwear n.e.c.**

**Parts of footwear** 2 770,0 4,3% 1 263,0 6,3% 52,1 15,6% 4,1%

**of leather**

Total **43 033,4 6,2% 17 957,2 4,3% 82,9 12,5% 0,5%**

Weight, thou tons

**Footwear other** 1 844,9 1,8% 1 134,7 -1,0% 2,0 0,9% 0,2%

**than sports and protective footwear and**

**Croatia** 180,0 5,4% 6,2 2,8% 0,4 518,2% 7,0%

**Slovenia** 169,2 9,8% 23,8 -0,4% 0,1 -16,7% 0,5%

**Finland** 133,1 7,0% 26,4 10,3% 0,2 13,4% 0,7%

**Lithuania** 113,9 50,4% 89,7 85,8% 0,9 51,8% 1,0%

**Greece** 68,7 -0,1% 12,8 14,4% 0,0 -3,2% 0,1%

**Estonia** 43,1 0,1% 10,6 5,8% 0,3 232,9% 2,9%

**Ireland** 36,9 -7,7% 2,4 10,0% 0,0 - 0,0%

**Luxembourg** 23,2 -23,4% 6,5 3,0% 0,0 145,6% 0,0%

**Latvia** 32,4 17,7% 13,0 13,9% 0,0 -9,3% 0,4%

**Norway** 14,9 1,1% 0,9 8,3% 0,0 -24,3% 0,0%

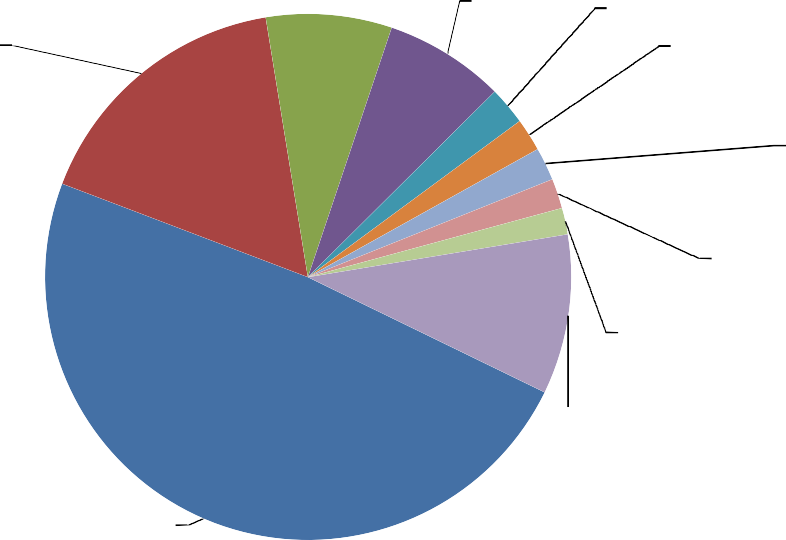
**Cyprus** 4,4 4,8% 1,1 19,1% 0,0 - 0,1%

**Malta** 7,7 23,4% 0,3 13,3% 0,0 -37,9% 0,2%

**Iceland** 0,2 23,3% 0,2 30,9% 0,0 - 0,0%

**Liechtenstein** 0,1 7,6% 0,0 20,1% 0,0 - 0,0%

TOTAL **35 728,3 8,2% 6 956,5 11,9% 151,3 -0,9% 2,2%**



The largest exporter of footwear to the EU/EFTA market is China (18 bn. EUR or 33.3% in 2014). Other major exporters are Asian countries as well - Vietnam (9 bn. EUR, or 17.1%), India (6 bn. EUR, or 11.6%) and Indonesia (5 bn. EUR or 9%). These countries account for more than 70% of total export to the EU/EFTA (see the next figure).

**India 1.395**

**7,8%**

**Indonesia 1.326**

**7,4%**

**Tunisia 419**

**2,3% Bosnia and**

**Herzegovina 366**

**2,0%**

**Cambodia 365**

**2,0%**

**Vietnam 2.985**

**16,6%**

**Morocco 324**

**1,8%**

**Albania 298**

**1,7%**

**Other**

**1.760**

**9,8%**

**China 8.720**

**48,6%**

**Figure 4.10 - EU/EFTA external import of footwear by main exporting countries in 2014, mln. EUR**

The largest importer of footwear in the EU/EFTA market is Germany (3.5 bn. EUR, or 19.1% in 2014), United Kingdom (2.5 bn. EUR, or 13.8%), Italy (2.5 bn. EUR, or 13.7%) and Belgium (1.9 bn. EUR, or 10.5%). Mentioned countries account for more than 57.1% of the total European imports (see previous figure).

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**orthopaedic shoes**

**Sports footwear** 253,0 6,6% 131,3 5,3% 0,0 -69,1% 0,0%

**Protective and** 366,8 4,7% 250,4 3,0% 0,1 1,5% 0,1%

**other footwear n.e.c.**

**Parts of footwear** 162,0 1,9% 55,1 2,3% 3,4 2,3% 6,3%

**of leather**

Total **2 626,7 2,6% 1 571,5 0,1% 5,6 1,3% 0,4%**

**Netherlands 1.345**

**7,5%**

**France 1.761**

**9,8%**

**Spain 1.341**

**7,5%**

**Switzerland 576**

**3,2%**

**Belgium 1.889**

**10,5%**

**Norway 325**

**1,8%**

**Other 2.352**

**13,1%**

**Italy 2.457**

**13,7%**

**Germany 3.429**

**19,1%**

**United Kingdom 2.481**

**13,8%**

**Figure 4.11 - EU/EFTA import mln. EUR**

**of footwear by main importing countries in 2014,**

Detailed statistics on the EU/EFTA import of footwear is table below.

**Table 4.9 –EU/EFTA import of footwear by countries in 2014, mln. EUR**

166

**Country ALL IMPORT EU/EFTA external UA export to UA EU/EFTA import EU/EFTA share in**

mln. EUR CAGR in mln. EUR CAGR in mln. EUR CAGR in **external**

2010-2014 2010-2014 2010-2014 **import**

**Germany** 8 031,8 8,8% 3 429,5 6,9% 0,0 -55,3% 0,0%

**France** 5 874,0 6,4% 1 761,0 4,6% 0,6 580,1% 0,0%

**Italy** 4 900,3 2,7% 2 457,3 0,7% 18,8 2,5% 0,8%

**United Kingdom** 4 549,8 4,1% 2 481,2 0,2% 0,0 - 0,0%

**Netherlands** 2 846,4 5,9% 1 345,1 1,6% 0,0 -17,5% 0,0%

**Belgium** 2 913,1 9,8% 1 889,4 11,8% 0,0 4,5% 0,0%

**Spain** 2 520,7 3,6% 1 340,7 1,9% 0,0 77,3% 0,0%

**Austria** 1 491,2 8,4% 182,8 3,5% 0,4 140,7% 0,2%

**Switzerland** 1 194,6 4,5% 575,8 23,0% 1,7 69,7% 0,3%

**Poland** 1 151,9 12,3% 298,9 20,1% 0,8 21,0% 0,3%

**Denmark** 781,0 3,8% 273,2 -2,6% 4,4 6,4% 1,6%

**Sweden** 728,0 4,8% 220,2 0,2% 0,0 28,4% 0,0%

**Slovakia** 826,1 15,8% 270,7 15,5% 1,9 22,0% 0,7%

**Czech Republic** 742,3 10,1% 246,1 7,6% 0,9 -8,1% 0,4%

**Romania** 659,2 8,6% 120,1 6,3% 41,8 23,1% 34,8%

**Portugal** 635,4 3,2% 135,4 9,7% 0,0 - 0,0%

**Norway** 522,4 2,1% 325,4 1,9% 0,5 50,4% 0,1%

**Greece** 443,8 -4,2% 156,9 -2,9% 0,0 - 0,0%

At present, competition is very high in the segment sales of footwear in the EU/EFTA due to the presence of not only a significant number of suppliers, but also the very high requirements of customers for the products. It should be taking into account that the competitive price is not the only factor determining the competitiveness of the products on the market. Quality factor, following the fashion trends in shoe design, social responsibility of the manufacturer, the speed of delivery of products and others have not lower significance than aforementioned factors. However, the impact of each of these factors varies considerably depending on the segment of products. Such fierce competition leads to retention of business margins at a low level, that contributes to the cooperation of manufacturers and vendors, partially bypassing the chain of intermediaries.

In the EU market, the main competitors of Ukraine are the countries as follows:

**Table 4.10 –The main competitors of Ukraine on the EU footwear market**

167

№ Exporter Export to the EU in Approximate EU

2014, bn. EUR import market share

in 2014, %

Intra-EU competitors

**1** Italy 4.5 11

**2** Germany 3.3 8

**3** Belgium 3.0 7

**4** Netherlands 2.7 6

**5** Portugal 1.5 4

Extra-EU competitors

**1** China 8.3 20

**2** Vietnam 2.8 6

**3** Indonesia 1.3 3

**4** India 1.3 3

**Hungary** 404,1 10,2% 51,4 8,1% 10,9 5,4% 21,3%

**Ireland** 323,5 -1,9% 60,8 -3,6% 0,0 5,2% 0,0%

**Finland** 318,8 3,8% 91,4 10,4% 0,0 - 0,0%

**Croatia** 235,6 7,0% 32,5 -26,2% 0,0 -80,6% 0,0%

**Slovenia** 240,5 9,2% 103,0 17,9% 0,0 - 0,0%

100,0%

**Bulgaria** 139,4 4,4% 31,1 10,3% 0,0 - 0,0%

**Lithuania** 160,5 22,7% 24,8 11,5% 0,0 10,2% 0,1%

**Luxembourg** 92,5 0,9% 4,1 -30,7% 0,0 - 0,0%

**Latvia** 99,7 15,1% 7,9 3,6% 0,0 129,3% 0,5%

**Estonia** 100,2 15,0% 9,7 13,7% 0,0 136,6% 0,1%

**Cyprus** 59,2 -5,9% 10,8 -5,0% 0,0 - 0,0%

**Malta** 24,8 1,8% 7,1 5,1% 0,0 - 0,0%

**Iceland** 21,8 4,4% 12,9 3,6% 0,0 -22,6% 0,0%

**Liechtenstein** 0,8 -8,3% 0,2 -17,8% 0,0 - 0,0%

TOTAL **43 033,4 6,2% 17 957,2 4,3% 82,9 12,5% 0,5%**

Raw materials, moulds, concepts

Retail

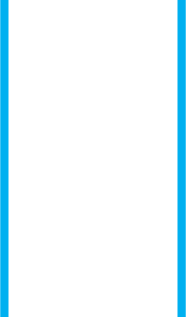
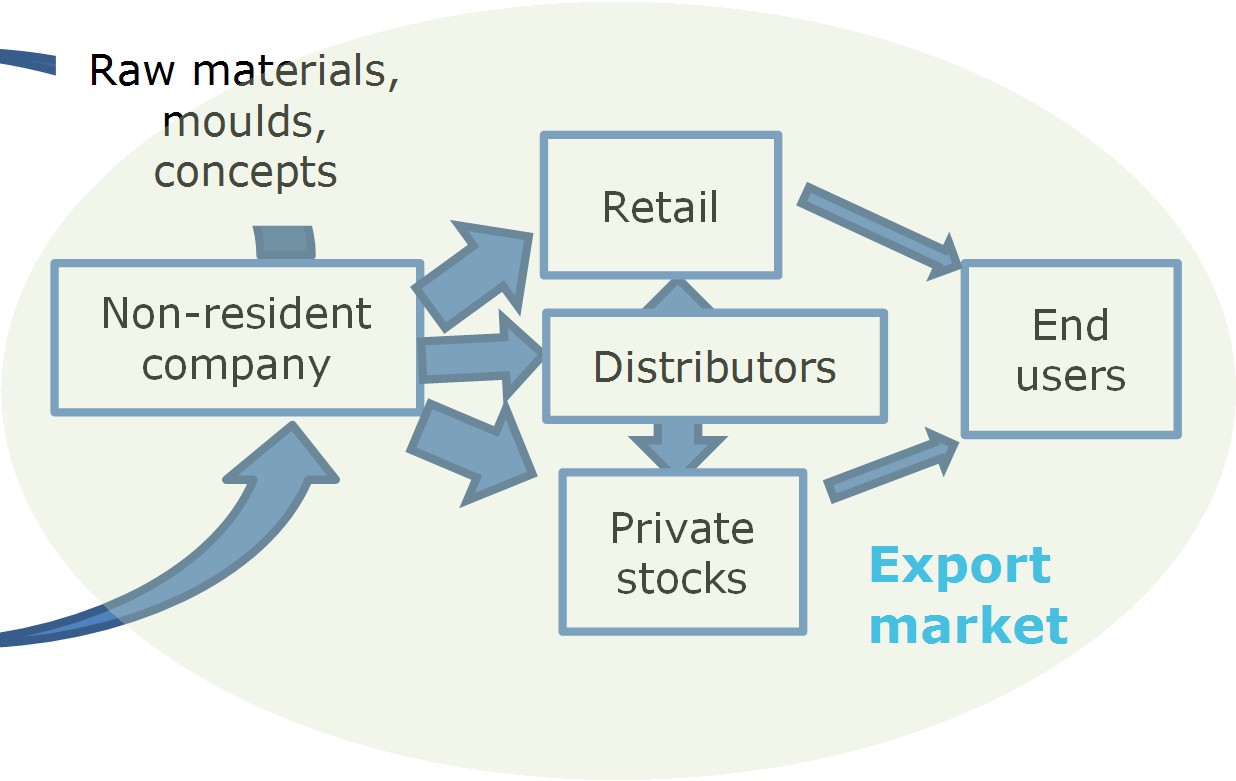
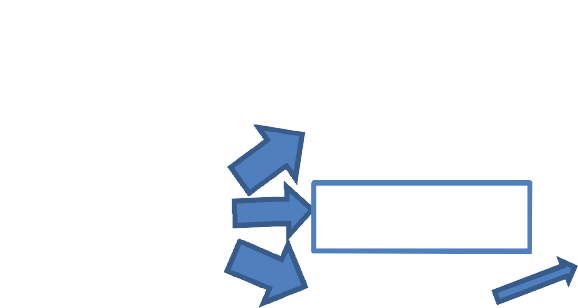
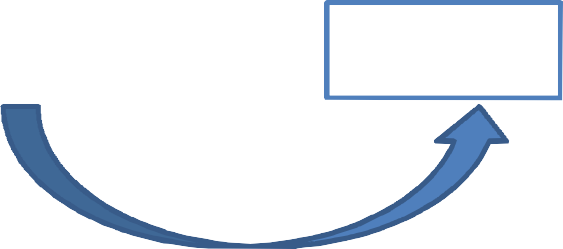
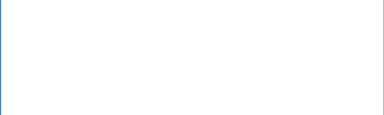
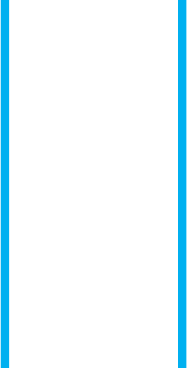
Non-resident End

company Distributors users

Private

stocks **Export**

**market**



In addition to competition with domestic producers, who already firmly hold their market niche, exporters of shoes from Ukraine should be prepared for an intense rivalry with external suppliers. Thus, among the European countries, the largest exporter of footwear is Italy, which accounts for about 11% of total imports into the EU/EFTA of footwear. If we talk about non-European suppliers, the leadership belongs to China, which takes 20% of EU/EFTA imports niche. As we can see, four Asian countries supply more than 30% of the imported footwear to the EU markets that is caused by the low labour cost and high productivity of the Asian mills. However, the permanent rise of the labour cost in aforementioned countries as well as remote geographical location (remoteness from the EU/EFTA markets) allows Ukrainian producers to compete successfully on the narrowly targeted market niches.

Large companies that make up the main competition for Ukrainian companies on the EU market are: Invito, Ziengs, Nike, Adidas, Puma, Umbro, Le coq sportive, Scapino, Deichmann and others.

**4.4**

**Mapping the value chain**

Value chain in the manufacture of footwear includes a number of entities that are directly involved in the creation of added value, as well as those that have a direct influence and support the business processes of the industry.

The map of the value chain in the footwear industry in Ukraine is presented below.

Manufacturer

Footwear products

168

**Chain actors**

Logistic company

Private consultants and advisors

EBA

**Chain supp orter s**

League of Ukrainian industrialists “Ukrainian Footwear Industry”

National University of the Technologies and Design, professional schools and other colleges

Ukrainian Chamber of Commerce

Ukrainian Light Industry Association

Certification firms

State Fiscal Service of Ukraine

Ministry of Economic Development and Trade

State Sanitary and Epidemiological Service of Ukraine

Local authorities

National Parliament

**Chain influe ncers**

**Inputs** (leather, so accessories, glues, textil heels, heel- toe-caps etc

**designs, molds**

**Domestic market**

Distributors

End users

Retail or private

tic stocks

any

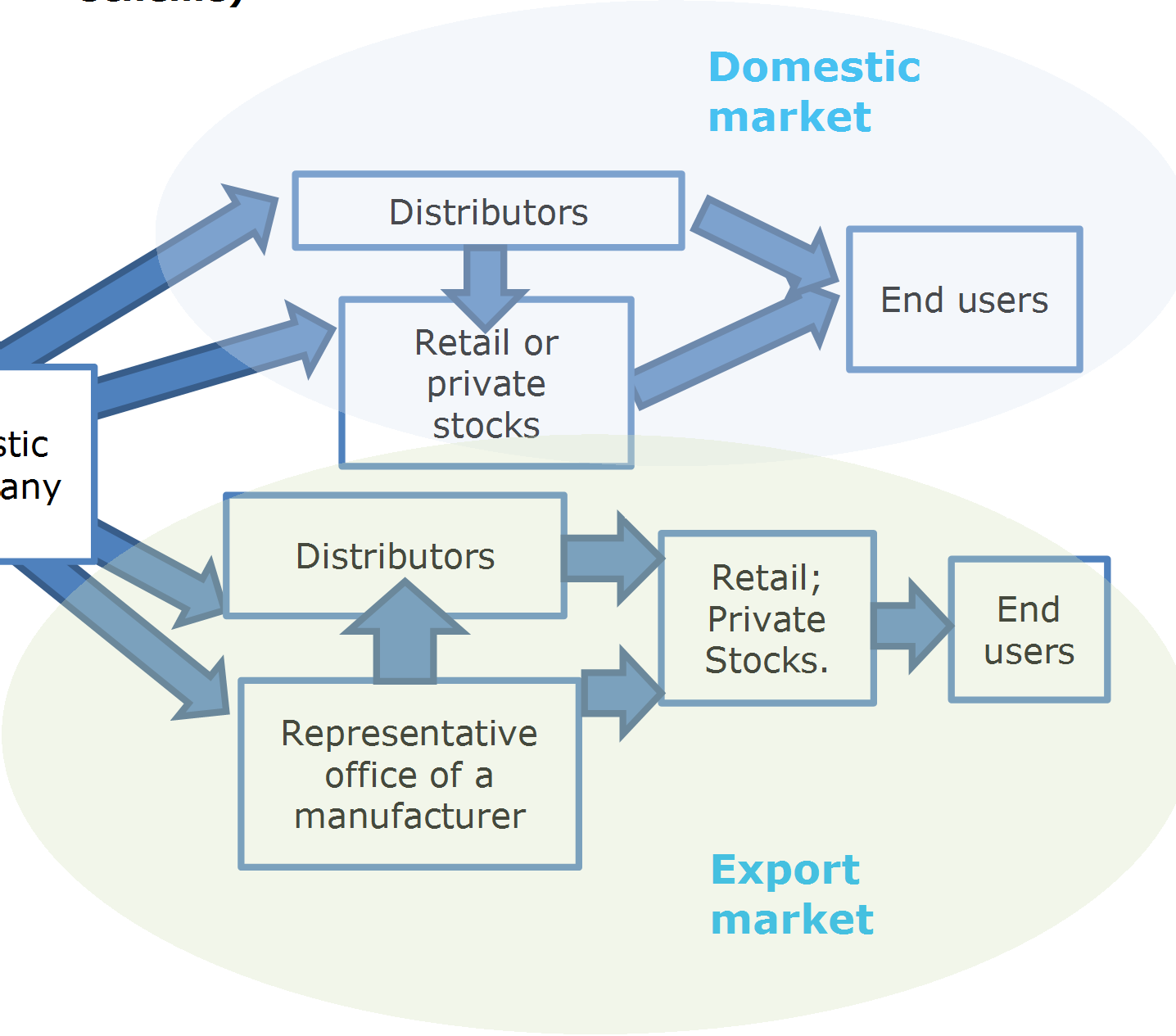
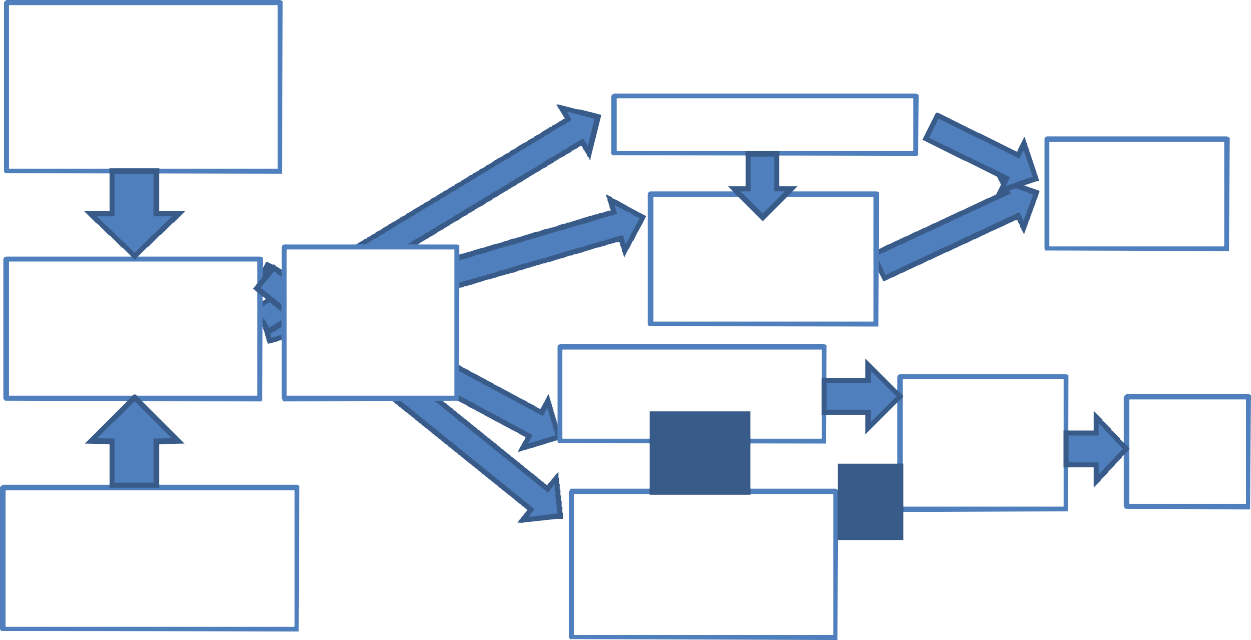
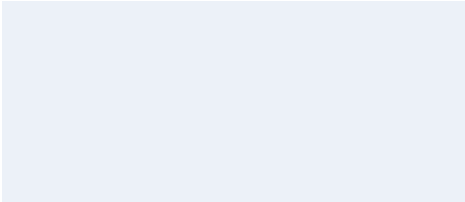
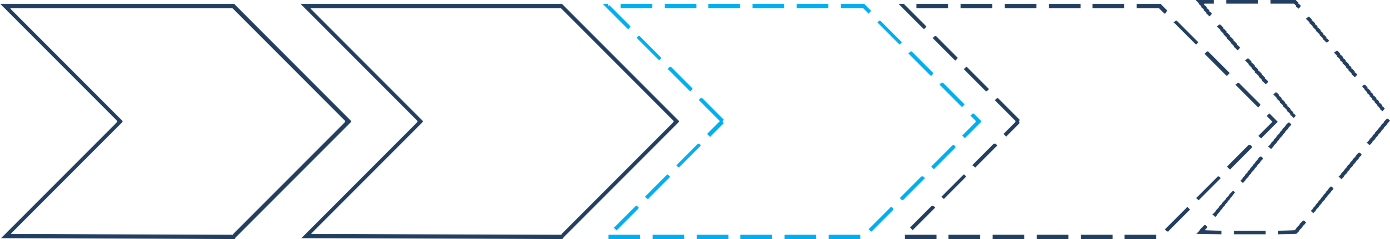
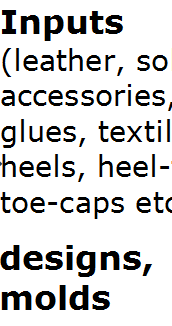
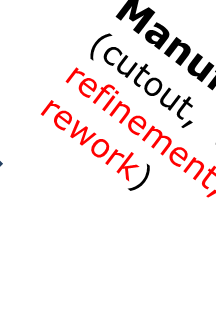
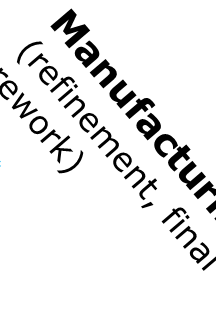
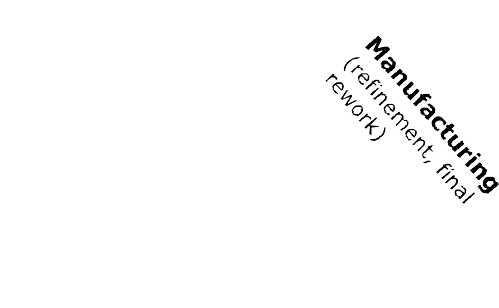
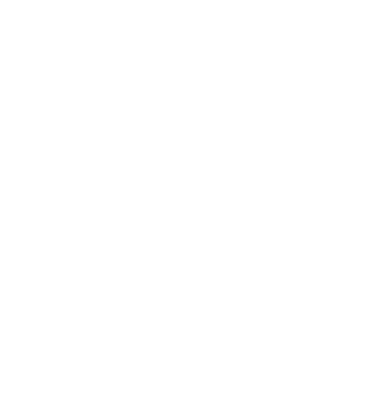
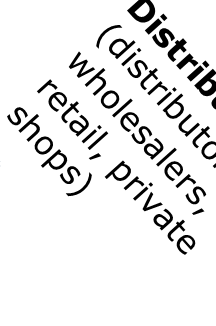
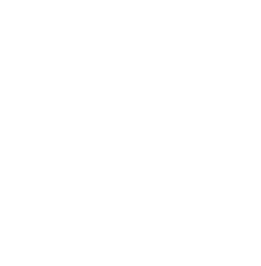
Distributors Retail;

Private End

Stocks. users

Representative office of a manufacturer

**Export market**



**Figure 4.12 - Value added chains map in the footwear industry (tolling scheme)**

Raw materials suppliers (domestic producer)

Logis comp

Manufacturer

Raw materials suppliers (foreign producer)

**Figure 4.13 - Value added chains map in the footwear industry (general scheme)\***

*\*the chain supporters and influencers aren’t pictured since they are the same as on the previous Figure*

les,

Chain actors

es, taps,

.)

**Figure 4.14 – Product flow in the value chain in footwear industry**

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**Chain actors**

Could be done by the foreign partner within the tolling scheme

Optional!

In case of tolling schemes only

**Chain Actors**

•

**Suppliers of raw materials** (leather, furniture, chemicals, polyurethane). These market players are divided into three categories: a) suppliers of raw materials from abroad, who are also customers of the final product (partners of domestic companies under the tolling scheme), b) domestic producers of raw materials, e) exporters of the raw materials to Ukraine that are not related to any tolling schemes.

•

**Manufacturers of footwear**. Currently, there are about 1,500 companies manufacturers of shoes in Ukraine, most of them are small enterprises with number of employees less than 100 people. About 50 companies (3%) industries are active exporters, with about 60% of them exported the finished shoes, while the rest sell the components of the footwear products. The most active exporters are companies that have foreign investment in their stocks and work on tolling scheme, the use of which allows to not worry about finding partners and customers. However, the use of such a scheme may have disadvantages. So, focusing solely on the tolling scheme often leads to discriminating terms from the foreign partner, that are often considerably worse than for those companies which cooperation is conducted on the traditional market scheme.

•

**Logistics companies**. Transportation manufactured products or semi-finished products is carried out by engaging private carriers or using their own transport. Currently in Ukraine there is a large number of logistics companies, the competition between them is quite high, that reduces the risk of collusion and unjustified price increases for transport services.

•

**Distributors, dealers, private retailers**. Footwear sales are conducted, as usual, through intermediaries distributors (local and external markets) and dealers (the same way). For example, it is estimated that about 95% of shoes manufacturers sell through intermediaries, and only 5% through corporate stores directly. Almost 100% of footwear products are sold through intermediaries and large wholesalers on the foreign markets.

**Chain Supporters**

•

**Ukrainian League of Industrialists "Ukrshkіrvzuttya" (“Ukrainian Leather Footwear”).** This industry association includes about 20 companies, and the main purpose of its activity is the protection and advocacy of its members, as well as providing consulting support to the industry.

•

**Light Industry Association.** The main functions of the Association: a) protection and lobbying the interests of enterprises of light industry amid state authorities; b) the partners search for members of the Association, finding the opportunities for investment attraction and joint ventures, expansion of sales markets; c) drafting of legislative and regulatory acts relating to the activities of the industry.

•

**Chamber of Commerce of Ukraine.** The main tasks of the Ukrainian Chamber of Commerce are creating favourable conditions for entrepreneurship, promotion the comprehensive development of science, technology and trade connections between

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Ukrainian business and foreign partners, represent the interests of its members on economic activity both in Ukraine and abroad.

•

**Kyiv National University of Technology and Design, vocational schools, and others colleges**. These supporters prepare professionals for the footwear industry, as well as provide retraining employees.

•

**Private consultants and advisors**. A large number of consulting firms and individual private counsellors are able to provide information and consulting support to businesses shoe industry.

•

**European Business Association**. The most important function of the EBA is collective advocacy of Ukrainian companies in the central and local government bodies of Ukraine as well as foreign and international organizations.

**Chain Influencers**



**Ministry of Economic Development and Trade of Ukraine**. This body implements state policy of economic and social development, pricing, industrial, investment, foreign policy, state policy in the sphere of trade, state regional policy, state policy on development of entrepreneurship, technical regulation (standardization, metrology, certification, quality management) and consumer protection and inter-agency coordination on economic and social cooperation between Ukraine and the European Union.



**National Parliament**. It is the only legislative body of Ukraine, the function of which is the adoption of the country's laws.



**State Fiscal Service of Ukraine**. The major function of this body is the formation of the state tax policy in general, as well as the collection of taxes and other payments.



**State Sanitary and Epidemiological Service of Ukraine**. This body controls the compliance of the shoe production and the raw materials with the sanitary requirements, as well as sanitary and epidemiological control at checkpoints across the state border.



**Local authorities**. Local authorities can influence the business of local companies through the adoption of regulatory decisions and decisions related to the use of local resources, the distribution of which are within their competence.



**Certification companies**. Provides a service for issuing certificates for compliance with product standards and requirements set by national and international legislation, as well as providing consulting services to bring the production and business processes in compliance with the standards.

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**4.5** **Bottlenecks along the value chain**

**4.5.1** **Market opportunities**

The EU/EFTA market is the largest consumer of shoes, which annually imports goods worth about $ 40 billion. EUR. At the same time, in recent years the market had a positive trend in the import segment. So, if in 2010 total imports amounted to about 33 billion. EUR, in 2014 this figure increased to 43 billion. EUR (+10 billion. EUR or + 30%). Such a huge market size and rapid growth rate creates excellent opportunities for Ukrainian exporters when selling their products to this region (see the following table and figure).

**Netherlands**

**France 1.761**

**9,8%**

**1.345**

**7,5%**

**Spain 1.341**

**7,5%**

**Switzerland 576**

**3,2%**

**Belgium 1.889**

**10,5%**

**Norway 325**

**1,8%**

**Other 2.352**

**13,1%**

**Italy 2.457**

**13,7%**

**Germany 3.429**

**19,1%**

**United Kingdom 2.481**

**13,8%**

**Figure 4.15 - EU/EFTA import of footwear by main importing countries in 2014, mln. EUR**

The most promising product niche for Ukrainian producers is the product subgroup “Footwear with uppers of leather, other than sports footwear”. Thus, this import market niche is fast growing (+4.3% CAGR 2010-2014) and quite large – 19 bn. EUR in 2014. The external import of this subgroup is 6.5 bn. EUR in 2014 (2.6% CAGR). Taking into account negligible share of Ukraine in external EU import (0.3%), even doubled or tripled export of this product subgroup will be accepted by market easily. Mentioned niche is attractive due to the opportunities to compete successfully in terms of quality and prices with the Chinese suppliers.

On the EU/EFTA market there are three large category niches of footwear products as follows: Haute Couture, Luxury brands, Mass product. It is obvious, that the Ukrainian companies can pretend for active entry into the some targeted segment of the mass products and partly in Luxury brands segment (see the next Table).

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**Table 4.11 – Product categories in the EU footwear market and their features**

The largest importers of shoes in the EU are large retailers or wholesalers who subsequently sell their products to the retail malls or small wholesale shops. However, in recent years the market tends towards the direct deliveries from producers or the organization of production in the imported countries. Additionally, more and more distributors are starting to choose a narrow niche of footwear products, that allows them to meet the higher quality demands of narrow customer segments and quickly respond to changing consumer preferences. Therefore, the possibility of Ukrainian producers may be in direct cooperation with last intermediaries, providing high quality products at a reasonable cost and in a short time. However, gradual decrease of large wholesale- intermediaries buyers number in the chain, may necessitate delivery of small cargo to last intermediaries or final consumers, that significantly increases the cost of delivery. In this case, the establishment of representative offices in priority countries can help to increase the flexibility of Ukrainian suppliers.

When exporting to the EU, Ukrainian shoemakers should take into account a significant impact of supplier CSR (corporate social responsibility) on the choice. So, use of child labour, heavy labour conditions, harmful substances use in the production etc. are considered unacceptable. Incompliance with the REACH standard (Regulation on Registration, Evaluation, Authorization and Restriction of Chemicals) does not allow counting on a successful business in the EU. However, such stringent requirements can be considered as opportunities since fully complying with the requirements and standards could allow Ukrainian suppliers to gain the trust and reputation as a reliable long-term partner among the major European buyers.

**4.5.2** **Key bottlenecks, risks and opportunities along the value chain**

Although there are significant opportunities for export to the EU market, there are a substantial number of constraints in Ukraine that complicate the export process or even

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№ Product category Product features Major selling outlet Price level

1 Haute couture fashion footwear small local retail prices for

made from leather stores and brand footwear is rather

shops that provides high; consumers personal service of aren’t sensitive to the very high the prices too quality much

2 Luxury brands Fashion footwear mid-high level medium-high made from leather footwear stocks or prices;

retailers consumers’ sensitivity to the price change is

moderate

3 Mass product Footwear from Large international low prices;

either leather or retailers consumers are synthetic materials footwear or non- sensitive to the

footwear outlets price change sell its products

are the obstacles to the implementation of foreign trade. In particular, the key bottlenecks include:

1.

The smuggling of shoes into the Ukraine and the use of illegal schemes in imports. It is estimated, that Ukraine has imported smuggled shoes at 300-400 mln. EUR yearly. In addition, goods, that officially imported through customs, often comes at a reduced customs value. As a result, getting to the domestic market, the price of these products is much lower than that of the Ukrainian producers, who mainly adhere to the legal work. As a result, many businesses are forced to close, while others start using illegal schemes or shift to higher quality segments, where the low solvency of the population does not allow them to work effectively. In addition, there is the issue of footwear import through the second-hand or on the inappropriate commodity codes that guarantee lower customs duties.

Weak promotion of the image of Ukraine as a reliable partner and its deterioration due to the war in the east of Ukraine. Currently marketing the image of Ukraine is practically not carried out. At the same time those attempts that take place are not systemic and not integrated into the overall strategy of Ukraine's exports. As a result, potential importers are afraid of trading scam, especially in long-term cooperation. Moreover, this factor has a negative impact in attracting partners to work on tolling scheme.

Lack of information about the Ukrainian producers among European buyers. EU importers often have no idea about the opportunities of Ukraine in case of the shoe manufacturing and its supply chain. As a consequence, the contacts between Ukrainian companies and European buyers are very scarce.

Small time of return of foreign currency income. In such circumstances, Ukrainian exporters lose their competitive position as importers often asked deferred payment up to 120-150 days. Unavailability of suppliers to meet this requirement leads to a change of the exporter or difficulties in concluding long-term contracts.

Delays in VAT refunds. No return of VAT washes out circulating capital exporters that creates significant problems for the operational activities and does not allow them to develop the business properly. In the context of expensive loans, this situation is a significant threat to the effective export activities.

Lack of export marketing skills and competencies. Management of many Ukrainian companies doesn’t have the appropriate knowledge for the purpose of export: market research, search for partners, promoting the company's brand, sales tools, legal and regulatory framework of the EU etc.

Ineffective activities of the Industry associations. The enterprises lack qualitative support from Industry associations that curbs their abilities to develop the export (at first, marketing support, legal consultations, general information support, promotion etc.).

Shortage of raw materials of high quality for the manufacture of footwear (leather, chemical ingredient, polyurethane, etc.). Shortage of the raw materials forces companies to import, that leads to the growth of production costs.

Weak consulting support from the government and non-government companies. Exporters are experiencing serious difficulties in obtaining high-quality professional information concerning promising markets in the EU, market trends, availabilities of potential partners, as well as the general algorithm export.

Inability to use global trade e-platforms as eBay or Amazon. Currently, Ukrainian SME producers are deprived of the opportunities to use eBay and Amazon as the key distribution channel because of the prohibition of the money receiving by the PayPal in Ukraine.

2.

3.

4.

5.

6.

7.

8.

9.

10.

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11.

High prices for the postal delivery that hamper the abilities of the SMEs to ship small cargos. this bottleneck supplements previous one since ssmall cargo delivery is highly popular within the internet trading.

The VAT charging on imported equipment. The high quality requirements of the EU induce Ukrainian exporters to upgrade their equipment through import. However VAT charging of equipment import under tight banking credit conditions doesn’t allow many Ukrainian companies to increase the level of technology.

Lack of financial resources to participate in international exhibitions. As a rule, effective participation in international exhibitions mean significant costs. Difficult financial stance of many Ukrainian companies doesn’t not allow them to take part in exhibitions and to look for potential partners in the EU.

Weak cooperation between footwear manufacturers and high schools. The absence of an order for professionals and disregard the needs of professionals in the footwear market don’t allow the Ukrainian institutions of higher education to prepare professional staff. In addition, the low level of practical training is a reason of difficulties while hiring them. As a consequence, the industry has a shortage of highly qualified staff.

Insufficient cooperation between footwear producers regarding defence of their rights as well as solving branch problems. Enterprises do not seek full use of the potential of professional associations to defend their rights and lobby their interests. As a consequence, there is no sharing of experience and the industry's problems are often left unresolved.

12.

13.

14.

15.

**Table 4.12 – Value Chain constraints and opportunities**

8 Critical means if the constraint is not resolved the programme outcome is not possible, or significantly reduced.

9 Short term means that the constraint can be addressed within the duration of the programme.

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**Observed constraints in value chain and how they prohibit export**

**Critical**[**8**](#_bookmark80) **constraint? (Y/N)**

**Solvable in short term**[**9**](#_bookmark81) **(Y/N)**

**The solutions of the constraints in the value chains**

1. Import footwear smuggling and use of the illegal schemes

Y

Y

* control enhancement on the Ukrainian custom service
* handing over the customs to the highly respected world audit firms for operating and management

2. Slack promotion of the Ukrainian image as a reliable partner

Y

Y

* development of the foreign trade representative offices via Ukrainian Chamber of Commerce and embassies.
* Organization of the meetings between Ukrainian and foreign partners in order to present our companies for the EU business.
* Enhancement of the professional work of international TV channels (for example “Ukraine Today”) on behalf of Ukrainian business promotion.
* motivation of Ukrainian companies to participate in the international fairs and exhibition by the partial reimbursement of participation cast

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**Observed constraints in value chain and how they prohibit export**

**Critical8 constraint? (Y/N)**

**Solvable in short term9 (Y/N)**

**The solutions of the constraints in the value chains**

3. Losses of the Ukrainian companies’ images as a reliable partners because of the war in the eastern part of the country

Y

Y

The same as above

4. Lack of the information about Ukrainian footwear producers among EU buyers and investors that complicates the investment attraction significantly

Y

Y

* The same as above
* Elaboration and promotion the modern and user-friendly electronic platform that contains full information about Ukrainian footwear exporters

5. Lack of export marketing skills especially with regards to the finding foreign partner

Y

Y

* Providing the educational seminars on the permanent basis for the potential and actual exporters
* Founding the consultancy service centres on the regions that will facilitate export activity of Ukrainian companies
* Elaboration and distribution of the basic information materials regarding export to the EU

6. Currency revenue return within 90 (180 days previously) days that force Ukrainian exporters to put pressure on their partners concerning the payment

Y

Y

Increase the currency revenue return period from 90 to 180 days or more

7. Ineffective activities of the industry Associations

Y

Y

Training of the Industry management and implementation of the comprehensive educational program with regards to the successful experience of the similar foreign Associations

8. Protraction of the VAT reimbursement for the exporters that decrease the disposable circulating assets

Y3

N

Timely VAT reimbursement or diminishing the period of the task reimbursement

9. Inability to use global trade e-platforms as eBay or Amazon

Y3

Y

Lobbying of the legislative amendments that could facilitate pay-pal operation in Ukraine

10. High prices for the logistic that hamper the

Y3

Y

Simplification of the customs procedures that will cause reduction of the cost of

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**Observed constraints in value chain and how they prohibit export**

**Critical8 constraint? (Y/N)**

**Solvable in short term9 (Y/N)**

**The solutions of the constraints in the value chains**

abilities of the SMEs to ship small cargos

the customs documents registration

11. Domestic leather production shortage as well as absence of the domestic chemical raws for the leather processing

Y3

Y

Temporal cancelation of the import duties on the raws (leather)

Tax preferential conditions for the Ukrainian enterprises that supply footwear producers with a raws

12. Weak informational and consulting support from the government and non-government organization

N

Y

Promotion of the government and non- government organization which can provide consulting service among Ukrainian enterprises with the parallel export educational campaign that targets employees of the aforementioned organizations

13. VAT charging amid footwear equipment import

N

Y

VAT cancelation amid footwear equipment import

14. Lack of the finance for the participation in the foreign fairs and exhibitions.

N

Y

Government partial reimbursement of the participation cost

15. Weak cooperation between footwear manufacturers and high schools that results in the shortage of the qualified workers

N

Y

* Elaboration of the footwear labour forces balance that could serve as the landmark for the Ukrainian high schools in their education programs
* Providing scholarship by the footwear producers for the best students on the faculties that relates to the footwear business
* Providing the opportunities for the students to carry our practical work on the manufacturing facilities with the odds to be hired after graduation

16. Insufficient cooperation between footwear producers regarding defence of their rights as well as solving branch problems

N

Y

* Promotion and PR of the opportunities that professional branch associations could provide among footwear industry representatives
* Organization of the regular meetings between footwear enterprises in the official and informal conditions for the better interaction and exchange by the experience

**Observed opportunities in value chain and how they benefit export**

**Critical opportunity? (Y/N)**

**Short term benefit (Y/N)**

**Which (donor) organization is benefiting from this opportunity? (CBI, or others)**

10 Short term means that the constraint can be addressed within the duration of the programme.

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**Observed constraints in value chain and how they prohibit export**

**Critical8 constraint? (Y/N)**

**Solvable in short term9 (Y/N)**

**The solutions of the constraints in the value chains**

1. Ukraine is located near the EU that diminishes the delivery time whereas the main extra-EU competitors from Asia need 2-3 months for the supply fulfilment

Y

Y

-

2. Low labour cost. The appr. average salary in industry fluctuates at 100-120$ that is by 15- 20 time less than in the EU. At the time, Ukrainian labour cost is lower than in China

Y

Y

-

3. Presence of the creative national designers and qualified staff which are able to satisfy demand of the EU byers

N

Y

-

4. Ability to supply small goods shipment that is highly appreciated by the dealers on the initial steps of cooperation

N

Y

-

**Observed Social Responsibility risks in value chain**

**Critical risk? (Y/N)**

**Solvable in short term**[**10**](#_bookmark82) **(Y/N)**

**The solutions of the constraints in the value chains**

1. Growing demand from the European partners for carrying out only legal procedures in the production process in the producing countries (legal “white” salary, avoiding the use of the smuggled raw materials etc.)

Y

Y

Active informational campaign among Ukrainian potential and actual exporters with regards to the European buyers preferences changes as well as risk of not complying with the requirements

2. Requirements of the foreign buyers for the use of ecologically friendly raw materials.

N

Y

The same as above

**4.5.3** **Main constraints in the value chain**

Based on the power of negative impact on the value chain operating, the most important constraint, in our opinion, is the smuggling of shoes into the Ukraine, which actually destroys the effectiveness of the Ukrainian enterprises through the need to shift the Ukrainian producers to the more expensive price segment, where demand of the population is extremely poor. Also, the most important constraint to the successful development of the industry in general and exports in particular, is the lack of a systematical promotion of the image of Ukraine and Ukrainian companies abroad, which hinders the attraction of foreign investment and limits the ability of our producers to start long-term cooperative relations with foreign importers.

However, the solution of these difficulties will not bring the desired effect, without simultaneous training Ukrainian exporters on basics of marketing and foreign trade to the EU, without which businesses can’t search for partners in foreign markets and implement comprehensive export strategy successfully.

The lack of information about the Ukrainian exporters and their capabilities in the fluctuating environment of European importers and potential investors leads to missed opportunities for transactions and establishments of the long term partnerships. This limitation is closely related to ineffective development to export support infrastructure, which does not allow materializing the full potential of the Ukrainian enterprises. From our point of view, these limitations are the key, and it is almost impossible to achieve substantially increasing exports from Ukraine without their solutions.

**4.6** **Context information**

**4.6.1** **Number of enterprises active in the chain and percentage of which is actively exporting**

Currently there are about 1,500 companies manufacturers of shoes in Ukraine, most of which are small enterprises with number of employees less than 100 people. About 50 companies (3%) industries are active exporters, with about half of them exported the finished shoes, while the rest implements the components of the footwear products. The most active exporters are companies that have foreign investment in their capital and work on tolling scheme, the use of which allows to not worry about finding partners and customers.

**4.6.2** **Value addition at each step of the value chain**

In the process of value creation (on the example of the “mass product” segment), the largest share of the value addition is in the retail - 30-50%. However, this figure is entirely dependent on the price range of shoes, as margin of retailers can sometimes reach up to 100-150%. Also, a significant share of value added accounted for the production and delivery of raw materials - 20-30%. At the same time, the very production and distribution occupy much smaller proportion - 20-30%. The share of transportation companies in the creation of added value is small - less than 0.05%. Design occupies 1-3%. It should be noted that the division between the value chain in the below tables could be applied to the general and tolling schemes (see tables below).

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**Table 4.13 / Value division between the value chain *(“Haute couture” segment*)**

*\*the presence of Ukraine depends on the sheme (tolling sheme – 0%, general sheme – 100%).*

**Table 4.14 – Value division between the value chain (*“Luxury” segment*)**

*\*the presence of Ukraine depends on the sheme (tolling sheme – 0%, general sheme – 100%).*

**Table 4.15 –Value division between the value chain (*“Mass product” segment*)**

*\*the presence of Ukraine depends on the sheme (tolling sheme – 0%, general sheme – 100%).*

**4.6.3. Currently exported volumes and amounts**

In recent years, export of footwear from Ukraine was unstable. In 2010, Ukrainian exporters supply products for the 128 million EUR on external markets, then exports

180

**Design Raw Manufac Shipment Distribution Retail Total materi turing added**

**als value**

**produc tion**

Value 0.01- 20-30 20-30 0.01-0.05 15-25 30-50 100

addition, 0.02

%

Presence 0/100 50 100 100 0 0 - of \*

Ukraine,

%

**Design Raw Manufac Shipment Distribut Retail Total materi turing ion added**

**als value**

**produc tion**

Value 0.5-2 10-20 20-40 0.01-0.03 15-25 20-40 100

addition,

%

Presence 0/100\* 50 90 100 0 0 - of Ukraine,

%

**Design Raw Manufact Shipment Distribut Retail Total materi uring ion added**

**als value**

**produc tion**

Value 1-3 5-10 60-80 0.00-0.02 - 10-20 100

addition, %

Presence of 0/100\* 50 90 100 - 0 - Ukraine, %

increased to 145 million EUR in 2011 and continued to fluctuate over this figure in the next years. The import of footwear significantly exceeded exports over the past years. Thus, the peak value of imports was achieved in 2012-2013, when Ukraine has bought products for 570-590 mln. EUR. However, imports dropped significantly - up to 300 million EUR in 2014 due to the increase of delivery of footwear by illegal schemes or simply smuggling (see the following table and figures).

**Table 4.16 –Ukrainian footwear foreign trade in 2010-2014, mln. EUR**

*Source: State Statistic Service of Ukraine*

**mln.**

**thous.**

**Export**

**Import**

**Euro**

**600**

**tons**

**80**

**589**

**572**

**75**

**Export**

**500**

**56**

**60**

**53**

**400**

**353**

**44**

**299**

**40**

**300**

**34**

**241**

**200**

**145**

**148**

**144**

**132**

**128**

**20**

**15**

**14**

**14**

**13**

**13**

**100**

**0**

**0**

**2010**

**2011**

**2012**

**2013**

**2014**

**2010**

**2011**

**2012**

**2013**

**2014**

**Figure 4.16 - Ukrainian foreign trade of footwear in 2010-2014**

The largest foreign market for Ukrainian footwear export is the EU/EFTA, which accounts for about 74% of all shipments, or about 100 mln. EUR per year. The supply to this destination showed the highest growth rate in recent years, due to the active use of the tolling scheme in cooperation with the European partners. The second largest export market is Russia, whose share is around 15-16%. The volume of supply to this country range of about 20-30 mln. EUR per year. Also, quite a large market is the rest of the CIS countries, but its size is significantly lower than the European and Russian (see the following table and figures).

**Table 4.17 –Ukraine’s export of footwear by main destinations in 2010-2014**

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**Indicat Region 2010 2011 2012 2013 2014 CAGR, %**

**or**

**Value,** EU/EFTA 90 107 103 680 86 249 96 653 108 418 4,7%

**000**

**EUR**

Flow Indicator 2010 2011 2012 2013 2014 CAGR, %

**Export** Value, mln. EUR 128 145 132 144 148 3,7%

Weight, thou tons 14 15 13 14 13 -2,0%

**Import** Value, mln. EUR 353 241 589 572 299 -4,1%

Weight, thou tons 75 44 56 53 34 -17,8%

*Source: State Statistic Service of Ukraine*

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Russia 22 885 27 746 29 825 30 332 23 313 0,5%

CIS 11 798 11 080 13 362 14 373 13 418 3,3%

Asia 2 315 2 545 2 749 2 521 2 243 -0,8%

Other 246 105 163 240 152 -11,4%

America 367 318 76 36 5 -65,5%

Africa 6 13 14 39 27 47,1%

**TOTAL 127 723 145 486 132 438 144 196 147 576 3,7%**

**Weight,** EU/EFTA 7 706 7 860 6 578 7 126 7 787 0,3%

**tons**

Russia 4 231 4 361 4 116 4 179 3 430 -5,1%

CIS 1 416 1 447 1 443 1 450 1 243 -3,2%

Asia 773 803 799 775 632 -4,9%

Other 20 15 16 27 20 0,6%

America 48 59 4 1 0 -77,0%

Africa 1 1 1 1 4 47,0%

**TOTAL 14 195 14 546 12 957 13 561 13 116 -2,0%**

**Russia 23,3**

**15,8%**

**CIS 13,4**

**9,1%**

**Asia 2,2**

**1,5%**

**Africa**

**0**

**EU/EFTA 108,4**

**73,5%**

**America**

**0**

**Other**

**0**

**America 0,0**

**Other 0,2**

**0,1%**

**0**

**Asia**

**0,0%**

**Africa 0,0**

**0,0%**

**CIS**

**2**

**0**

**Russia**

**18EU/EFTA**

-10

0

10

20

**Figure**

**4.17 - Ukrainian**

**export**

**of**

**Figure 4.18 – Increase of Ukrainian export of footwear in 2010-2014, mln. EUR**

**footwear in 2014, mln. EUR**

"Footwear other than sports and protective footwear and orthopedic shoes" is the dominant group in the overall Ukrainian exports, whose share is about 50-55%. At the same time, the export of this footwear group demonstrates increase for the last years. So, if in 2010 the export of these products made 65 million. EUR, it reached 80 mln. EUR in 2014. The essential section of Ukrainian exports of footwear is a component of the shoes, which accounts for about 40% or 50-60 mln. EUR per year. As for sports shoes, the Ukrainian exporters are hardly presented in this segment (see the next table and figures).

See the detailed statistics with regards to the types of footwear products in the Appendix 4.

**Table 4.18 –Ukraine’s export of footwear by main product groups in 2010-2014**

183

**Indica Product 2010 2011 2012 2013 2014 CAGR,**

**tor group %**

**Value,** Footwear 64 752 75 445 75 031 82 977 79 664 5,3%

**000** other than

**EUR** sports and protective footwear and orthopaedic shoes

Parts of 55 009 60 992 51 614 56 049 63 565 3,7%

footwear of

*Source: State Statistic Service of Ukraine*

**Parts of footwear of leather**

**63,6**

**43,1%**

**Protective and other footwear n.e.c.**

**4,3**

**2,9%**

**Footwear other than sports and protective footwear and orthopaedic shoes 79,7**

**54,0%**

**Sports footwear 0,1**

**0,1%**

**Figure 4.19 - Ukrainian export of footwear by main product groups in 2014, mln. EUR**

The largest suppliers of import footwear to Ukraine are the countries of Asia, which in 2012-2013 supplied the products on the 500-540 mln. EUR. During this period, the share of Asian suppliers was over 90%. However, in 2014 the share of Asia declined to 82% (yearly Ukrainian import in 2014 - 244 mln. EUR), due to the footwear import within illegal schemes or smuggling. Also, the large suppliers of footwear to Ukraine are the EU countries, whose import market share fluctuates around 14%. Thus, European companies

184

leather

Protective and 4 969 5 231 5 028 5 113 4 274 -3,7% other footwear

n.e.c.

Sports 2 994 3 818 764 57 74 -60,4%

footwear

**Total 127 723 145 486 132 438 144 196 147 576 3,7%**

**Weight** Footwear 7 506 7 866 7 570 7 905 7 482 -0,1%

**, tons** other than

sports and protective footwear and orthopaedic shoes

Parts of 5 757 5 789 4 688 4 975 5 066 -3,1%

footwear of leather

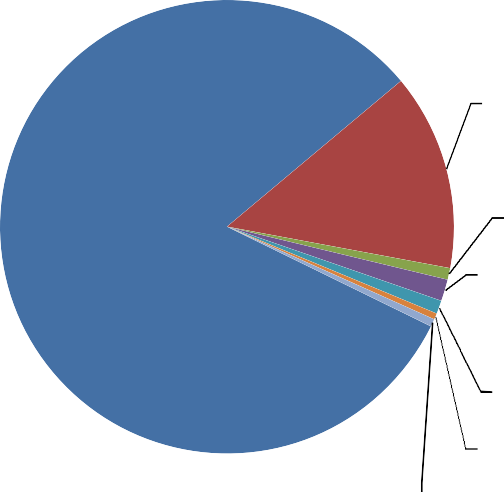
Protective and 703 690 662 679 564 -5,4% other footwear

n.e.c.

Sports 229 202 37 1 5 -62,2%

footwear

**Total 14 195 14 546 12 957 13 561 13 116 -2,0%**



supply footwear products to Ukraine for 42-46 mln. EUR per year. The rest of the exporting countries do not play a significant role in the Ukrainian market, and their share is less than 5% (see the following table and figures).

**Table 4.19 –Ukraine’s import of footwear by main destinations in 2010-2014**

*Source: State Statistic Service of Ukraine*

**Other**

**EU/EFTA 42,0**

**14,0%**

**CIS**

**Africa**

**Russia 2,4**

**0,8%**

**Asia 244,2**

**81,7%**

**America**

**America 4,7**

**1,6%**

**Russia**

**Africa 2,9**

**CI1S,0% 1,2**

**0,4%**

**EU/EFTA**

**Asia**

**Other 1,6**

**0,5%**

-100

-50

0

50

185

**0**

**-1**

**-71**

**1**

**2**

**3**

**12**

Indicator Regi 2010 2011 2012 2013 2014 CAGR, %

on

**Value,** Asia 315 052 191 070 537 990 501 779 244 227 -6,2%

**000 EUR**

EU/EFT 30 054 39 095 37 292 45 915 41 976 8,7% A

Russia 3 471 4 382 5 751 8 387 2 427 -8,6%

Americ 1 678 2 645 2 075 7 248 4 687 29,3%

a

Africa 926 1 886 2 497 3 929 2 874 32,7%

CIS 1 207 1 241 2 819 3 143 1 206 0,0%

Other 458 694 1 009 1 761 1 629 37,3%

**TOTAL 352 846 241 012 589 433 572 163 299 026 -4,1%**

**Weight,** Asia 70 979 38 284 50 990 46 759 29 596 -19,6%

**tons**

EU/EFT 3 234 3 816 2 859 3 619 3 144 -0,7% A

Russia 746 897 1 085 1 420 585 -5,9%

Americ 151 222 198 671 519 36,2%

a

Africa 49 84 89 233 144 30,8%

CIS 300 188 374 556 270 -2,6%

Other 36 30 52 192 140 40,4%

**TOTAL 75 495 43 520 55 647 53 450 34 399 -17,8%**

**Figure**

**4.20**

**-**

**Ukrainian**

**import of**

**Figure 4.21 – Increase of Ukrainian footwear import in 2010-2014, mln. EUR**

**footwear in 2014, mln. EUR**

The largest import item of footwear is "Footwear other than sports and protective footwear and orthopedic shoes", which accounts for about 73% in the overall import. For example, in 2012-2013 the import of this commodity group was about 430 million. EUR. However, in 2014 import fell to 218 million. EUR, that is due to the increase in volumes of illegally imported goods into the territory of Ukraine. A significant volume of imports are the article "Protective and other footwear n.e.c.", but its share is much smaller - 10- 20%. "Parts of footwear of leather" occupies about 12% of imports by the end of 2014. These products are mostly imported in the framework of the production of footwear on tolling schemes. It should be noted that imports "Parts of footwear of leather" does not decrease unlike other commodity groups, due to the almost complete absence of illegal import within tolling schemes (see the following table and figures).

**Table 4.20 –Ukraine’s import of footwear by main product groups in 2010-2014**

186

Indicator Region 2010 2011 2012 2013 2014 CAGR, %

**Value,** Footwear 260 179 386 433 565 429 443 218 140 -4,3%

**000 EUR** other than 495

sports and protective footwear and orthopaedic shoes

Protective 63 880 22 160 118 608 101 765 41 349 -10,3%

and other footwear n.e.c.

Parts of 26 631 36 691 32 355 35 561 36 191 8,0%

footwear of leather

Sports 1 840 2 776 4 905 5 393 3 345 16,1%

footwear

**Total 352 241 012 589 433 572 163 299 026 -4,1%**

**846**

**Weight,** Footwear 55 686 25 818 37 845 36 592 20 192 -22,4%

**tons** other than sports and protective footwear and orthopaedic shoes

Protective 14 266 4 834 10 780 9 053 6 149 -19,0%

and other footwear n.e.c.

Parts of 5 357 12 651 6 645 7 387 7 740 9,6%

footwear of leather

Sports 185 217 377 419 318 14,4%

footwear

*Source: State Statistic Service of Ukraine*

**Protective and other footwear n.e.c.**

**41,3**

**13,8%**

**Parts of footwear of leather**

**36,2**

**12,1%**

**Footwear other than sports and protective footwear and orthopaedic shoes 218,1**

**73,0%**

**Sports footwear 3,3**

**1,1%**

**Figure 4.22 - Ukrainian import of footwear by main product groups in 2014, mln. EUR**

**4.6.3** **Trends in supply and demand**

Currently, Ukrainian enterprises are ready to supply a wide range of high quality shoes to the EU market at very attractive prices. Key features of the potential offer from the Ukraine are:







High quality shoes are compatible with the European brands. Competitive price of products.

Short delivery time to the European market.

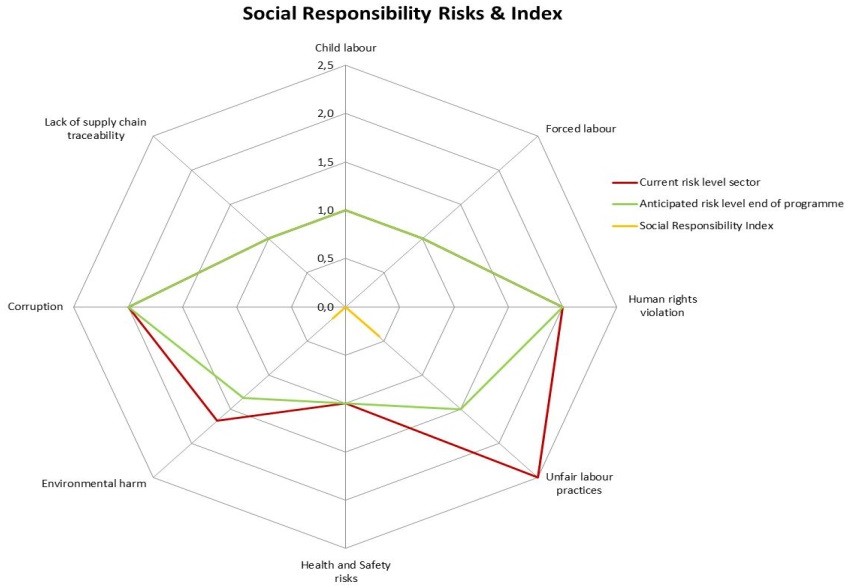
Currently, footwear supply to the EU market is very high. Especially significant is the increase in cheap imports from China, which aggravates the already extremely tough competition in the market. Thus, China occupies 20% of EU imports niche. The others large suppliers to the EU countries are Vietnam, Indonesia and India. Mentioned four Asian countries supply more than 30% of the imported footwear to the EU markets that is caused by the low labour cost and high productivity of the Asian manufacturers. But abilities of the Asian countries to compete by the prices are rather limited due to the permanent rise of the labour cost that gives Ukrainian suppliers nice opportunity to attract European buyers.

On the demand side, the annual EU imports of shoes worth about $ 40 billion. EUR. So, if in 2010 total imports amounted to about 33 billion. EUR, this figure increased to 43 billion. EUR (+10 billion. EUR or + 30%) in 2014. Such a significant volume of import market and substantial growth rate allow Ukrainian companies to entry the market with the supply of qualitative and affordable shoes.

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**Total 75 43 520 55 647 53 450 34 399 -17,8%**

**495**



The largest consumer of imported footwear is Germany (8.5 bn. EUR in 2014 or 20% in the total European imports), France (5.8 bn. EUR or 13%), United Kingdom (5.4 bn. EUR or 13%). Taking into account the growing consumer demand in these markets, as well as a high level of solvency of the population, the level of imports of footwear these countries will increase in the long term.

On the EU market is dominated by three large footwear niches: haute couture, luxury brands, mass product. Taking into account the quality and price of Ukrainian producers, they can pretend for entry into the second and third segments.

The largest importers of shoes in the EU is large distributors or wholesaler who subsequently sell their products to the retail malls or small wholesale shops, which then distribute the products to retailers and brand shops. However, founding of the representatives office of the exporters becomes more and more popular in the EU, allowing companies to build a more flexible and effective policies with European buyers.

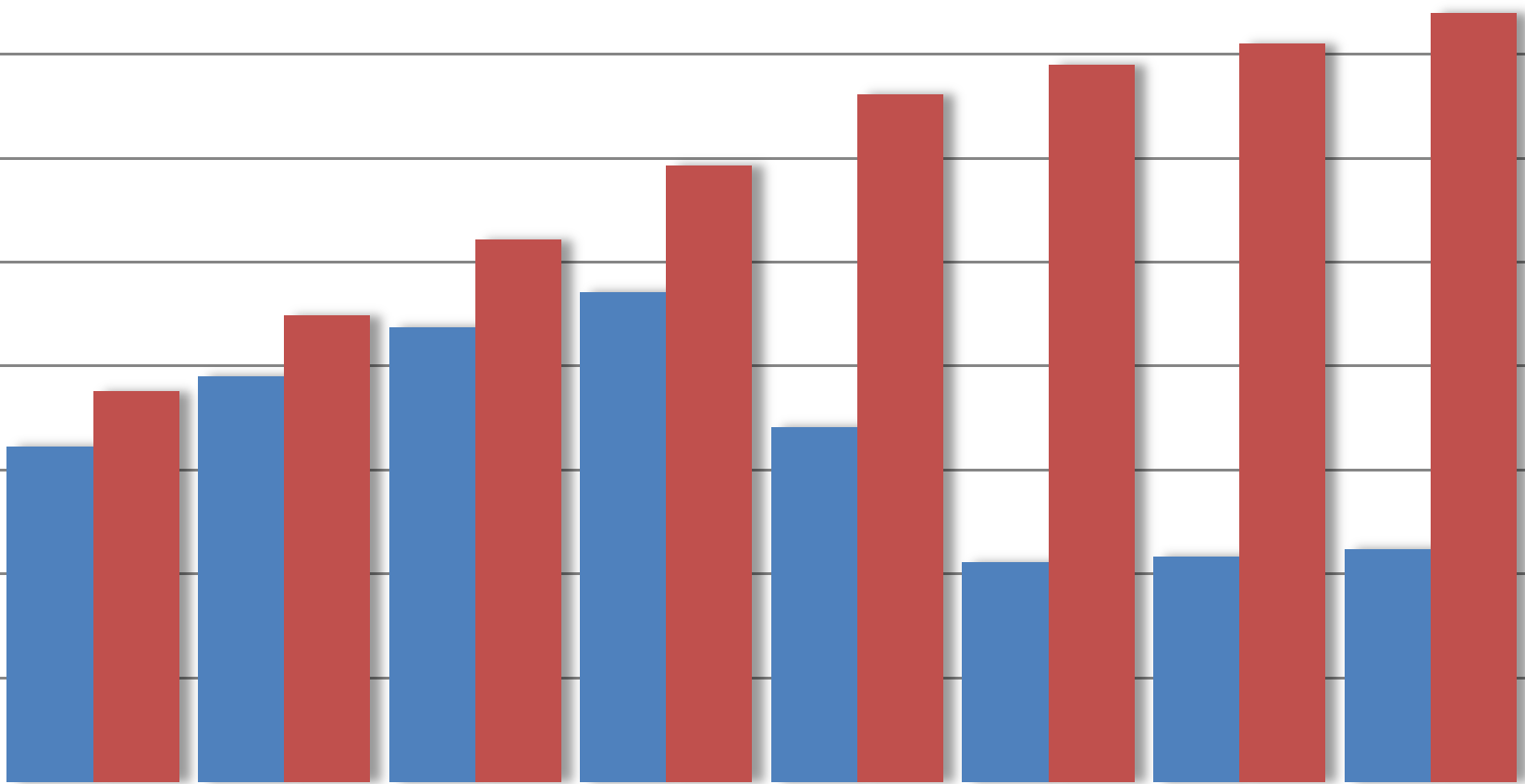
Overall, despite the huge competition in the market, the robust demand in all segments of the shoes market creates an excellent trading opportunities for small and medium business from Ukraine.

**4.6.4** **Social Responsibility risk level in the chain**

As regards social responsibility risks, currently the highest level is observed amid improper labour practices (excessive labour hours, wages out of accounting etc.), human rights violation and corruption (see the net Figure).

**Figure 4.23 - Social Responsibility Risk Score & Index in Ukrainian footwear industry**

188



**4.7** **Recommendations for intervention**

**4.7.1** **Potential improvement of export and social responsibility**

Export of footwear from Ukraine is a very attractive business in the mid and long term. Thus, exports from Ukraine will increase significantly in the case of a successful resolution of the problems that currently hinder the effective implementation of export activity. The prerequisites for a possible increase in footwear exports from Ukraine are:

1. High levels of competitiveness of Ukrainian companies compared with Asian suppliers that dominate the import market of the EU. Thus, according to the Economist Intelligence Unit data, the average salary increases steadily in the industrial sector in China since 2010, and this year it makes about 690 EUR. At the same time, wages in industry of Ukraine showed a significant decline in 2013-2015 (in EUR terms) due to the devaluation of the Ukrainian currency. Thus, in 2015 the average wage in the industry of China will exceed Ukrainian industrial salaries by three times, and this gap will only increase. Taking into account dominant position of China on the import market of the EU, Ukrainian

enterprises in the long term have a chance to gradually conquer niches where shoemakers were not competitive before (see the Figure below).

our

**800**

**740**

**710**

**690**

**700**

**661**

**Ukraine China**

**593**

**600**

**522**

**471**

**500**

**449**

**438**

**390**

**376**

**400**

**341**

**323**

**300**

**224**

**217**

**211**

**200**

**100**

**0**

**2010**

**2011**

**2012**

**2013**

**2014**

**2015**

**2016\* 2017\***

*\*forecast*

**Figure 4.24 – Average wages in manufacturing industries of China and Ukraine, Euro/per month**

2. Weak demand in the domestic market for high-quality shoes and still lack of opportunity to be competitive to Chinese products provide powerful incentive to Ukrainian producers to develop export. In addition, the constantly evolving trade war between Russia and Ukraine will be an additional factor for the gradual reorientation of Ukrainian suppliers to foreign markets.

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The key conditions for the use of this opportunity should be the development and promotion of the image of Ukraine abroad. So, at the moment there are several entities that carry out these functions:







Institute for the promotion of Ukrainian culture in the world. Real image of Ukraine (AIU).

Ministry of Informational Policy.

The quality of work of these authorities and non-profit organizations is poor. However, the state begins to take action for the development of Ukraine's image abroad more actively. Thus, it has been created "Working group to promote the image of Ukraine abroad from the Presidential Administration", which will be responsible for promoting the Ukrainian image. In addition, the development of exports is in the priorities of the national government that allows relying upon increase of the efficiency of work in this area. However, the effect of these actions will be visible only in the long term, so the next few years will be still difficult for Ukrainian companies.

3. Most likely, Ukraine will actively develop infrastructure to support exports in the medium and long term. Currently, the Chamber of Commerce of Ukraine launched a series of educational activities for small and medium enterprises to enter the EU market. In addition, a number of non-governmental organizations and private enterprises implement conducting educational seminars for existing and potential exporters, aimed at increasing knowledge in the field of foreign trade. This positive trend can count on an qualification increase of the management of Ukrainian companies in the sphere of foreign trade. As a result, the number of exporters of shoes is to increase.

Potential of the Ukrainian footwear industry allows counting on the annual export at 250-

300 mln. EUR by the next 5 years, if bottlenecks will start to ease off. Taking into account complexity of the current barriers, the way to develop footwear export from Ukraine will take more than 5 years (see the next Table).

**Table 4.21 –Estimation of the footwear export growth as a result of the bottleneck removal**

*\*forecast*

**4.7.2** **Recommendation towards CBI**

Despite the large number of the bottlenecks, most of them can be terminated through an active policy of Ukraine and international organizations. The significant potential of the footwear export from Ukraine indicates good prospects for its development and founding the new export-oriented production of shoes.

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2014 2015 (e) 2016\* 2018\* 2020\* CAGR

2020-

2015, %

Footwear export from 147 135 180 250 300 +31 Ukraine, mln. EUR

**Table 4.22 – The analysis of the opportunities and barriers when entering the value chain of the footwear production**

At first, CBI should pay attention to those bottlenecks that could be removed in the short term as follows: marketing skills enhancement and popularization of the Ukrainian producers around the EU. Taking into account the results of the manufacturers interview,

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**№ Opportunities**

1 Low labour cost and unlikely significant wages increase in the short- and mid- term

2 Competitiveness increase in the long-term because of the labour cost rise in the Asian countries

3 Beneficial logistical location of Ukraine

4 The ability of Ukrainian exporters to supply small cargo of footwear

5 Presence of the qualified staff on the footwear manufacturers that is able to follow EU fashion trends

6 Export support priority of the state because of domestic market stagnation

**Bottlenecks Possible CBI role in the bottlenecks removal**

1 Political and economic instability in - Ukraine. The ease of them seems unlikely in the nearest future

2 Negative image of Ukraine at a Advisory support organizations whose general and Ukrainian companies function is to improve the image of

Ukraine

3 Insufficient knowledge in Organizing and conducting trainings on marketing and export export for shoe manufacturers together

with industry associations or local consulting companies

4 Lack of information among Using its offices in the EU to disseminate European importers regarding information about the Ukrainian Ukrainian manufacturers producers.

Consulting support of industry associations regarding informing importers on opportunities in Ukraine

5 Absence of the wide scale of raw The organization lobbies, together with materials manufacturing associations or private enterprises in the

industry to lobby for decisions regarding the provision of tax incentives for producers of raw materials (tax, customs, registration, etc.)

6 Inability to use eBay and Amazon Active coordinating of the interested

business and non-government organization amid adoption of the legislation concerning pay-pal operation facilitation

7 Protraction of the VAT - reimbursement while exporting

8 Charging VAT amid footwear The lobbying organization together with equipment import associations or private companies in the

sector for the implementation of initiatives concerning the abolition of import VAT

a lot of companies have desire to start exporting. However, incompetence of their marketing staff prevent them enter the market or even to make a first step toward the EU.

At second, business support infrastructure doesn’t show proficiency that results in the lack of export intelligence among footwear industry. Firstly, this conclusion is applied to the Industry Associations. Therefore, trainings and seminars for the Associations managements should be the priority to speed up the development of the export support infrastructure.

Other bottlenecks should be removed also, but their removal will take a lot of time and it depends on the will and readiness of the large number of institutions including government bodies. Therefore, the positive impact on export is to come to the reality only in the long term.

**4.7.3** **Risk analysis**

The significant risks that will directly affect the import of footwear from Ukraine are as follows:

**Table 4.23 –Risk assessment and possible mitigation strategy**

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**№ Risk Possible impact on proposed L I Mitigation**

**CBI intervention strategy**

Fundamental risks\*

**1** The war in the In the context of military 5 5 Out of CBI east of Ukraine operations in the country, competences

businesses located very close to the occupied territories staying as a zone of special risk. At the same time, the risk of sharpening the military actions is maintained constantly, that prevent attraction of the investors to the capital of companies

**2** Political Frequent change of power in 5 5 Out of CBI instability Ukraine (including a revolutionary competences

way) has a direct impact on business by reducing the country's investment attractiveness, as well as regular changes in the rules of doing business. In such circumstances, the use as a management tool medium- and long-term planning considerably complicated

**3** The crisis in the which leads to lack of credit on 5 5 Out of CBI financial sector acceptable terms. The absence of a competences

source of cheap borrowing does not allow enterprises to actively develop and modernize. In addition, short-term loans to cover cash shortages if available, are at very high interest rates that often

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causes shortage of working capital when conducting the export activities.

Special risks

**4** Ukrainian Long lasting time for the technical 3 2 Active lobbying government will modernization of the Ukrainian of the

not provide footwear enterprises and, as a preferential

preferential result, absence of the quality rise taxation customs duty and protraction with the successful conditions with for the import standardizations. the use of PR

of the footwear Unresolved issues concerning VAT and mass media equipment. The reimbursement and short time for campaign

same risk can the currency income return can be apply for the cause aggravating of the financial VAT stance of the footwear enterprises reimbursement

protraction as well as currency income return

**5** Industry The absence of the single centre of 4 4 Training of the Associations the initiatives whose aims are to Industry

will continue promote footwear business, lobby Association working interests of industry and provide management to

ineffectively enterprises by the proper turn and information. As a result, export concentrate

development and bottlenecks their action on

destroying will be significantly the export

complicated promotion and

facilitation. Increase of the awareness of the footwear enterprises with regards to the Industry Associations activity with the aim to adopt them as a members and enhance multi side cooperation: enterprises- Industry Associations- Government bodies-non- government bodies

**6** Protraction with Export delay amid inability to 4 3 Arrangements of the certification prove the compliance with the EU the CBI with the due to the lack mandatory and optional foreign and

of finance requirements domestic donors

resources regarding

preferential

*\*the impact of these risks is long-term, and solution in the near future is unlikely. However, their presence does not create insurmountable obstacles to exports, as evidenced by a large number of enterprises of the shoe industry, which successfully operate and sell their products into the EU markets.*

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conditions for the crediting as well as elaboration of the program with the certification bodies concerning payment delay for the certification provided

**5.** **AIR OR VACUUM PUMPS, COMPRESSORS & VENTILATION SYSTEMS VALUE CHAIN ANALYSIS**

**5.1** **Introduction**

The principal objective of this value chain analysis is to assess whether or not CBI intervention in Air or Vacuum Pumps, Compressors & Ventilation Systems sector in Ukraine will contribute significantly to export growth, and if so, identify and define the opportunities using a business case model methodology. This report summarizes findings from desk and field research of the sector.

Field research was conducted based on interviewing 14 corporate representatives and 2 industry experts. We have also collected baseline data, statistics on number of chain actors, current production and export volumes, employment, market trends and more.

Value Chain study identifies a number of key bottlenecks that hinder export growth based on which we suggest the possible solutions and respective roles by CBI. To do so we map all the chain actors and relevant stakeholders along the value chain of the sector.

In chapter 5.1 of the report, we summarize the current state of the EU/EFTA markets with expected trends of export growth and opportunities across different product groups/sub-sectors. Thereafter, in chapter 5.2 the value chain is mapped and visualized, with an overview and analysis of the main actors, supporters and influencers. Chapter

5.3 presents the bottlenecks along the value chain, followed by the context information (chapter 5.4) and recommendations for CBI's business case (chapter 5.5).

**5.2**

**Management summary**

***Objective***

The principal objective of this value chain analysis (VCA) is to assess whether or not a CBI intervention in an Air or Vacuum Pumps, Compressors & Ventilation Systems sector in Ukraine will contribute significantly to export growth, and if so, identify and define the opportunities for this interventions.

***Methodologies***

The VCA was conducted by a team of three Ukrainian experts. About 16 interviews have been held with corporate representatives as well as industry experts.

***Mapping the value chain***

There are more than 90 companies that produce fans, air or vacuum pumps and compressors in Ukraine. Together they employ about 11,000 people. The total number of companies participating in the chain is about 180. This sector of an engineering industry is export-oriented with about 2/3 of products being exported. Traditionally, companies in this sector have been focused on Russian and CIS markets. In 2010-2014 Ukrainian exports of ventilators, air or vacuum pumps and compressors decreased from 218 to 81 million EUR (2.7 times), mainly due to the loss of markets in Russia and Asia. Exports to EU/EFTA increased from 12 to 21 million EUR with its share in total exports increasing

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**Solvable**

**Whic**

International don

EIB,

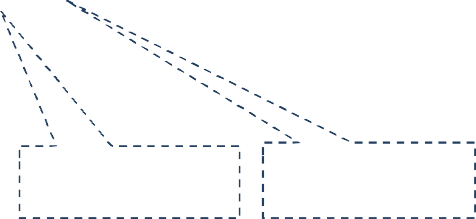
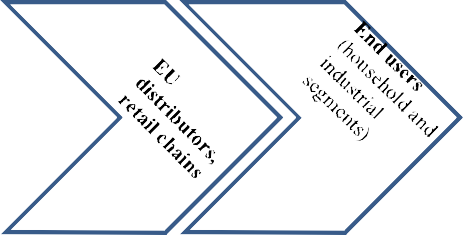
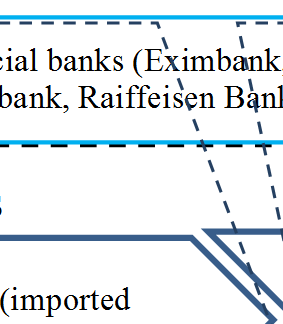
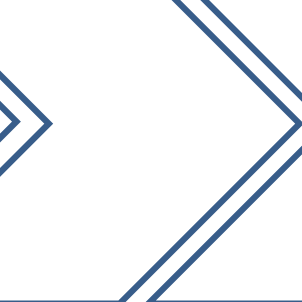
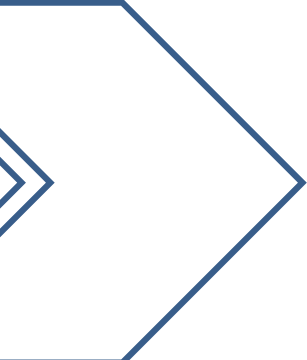
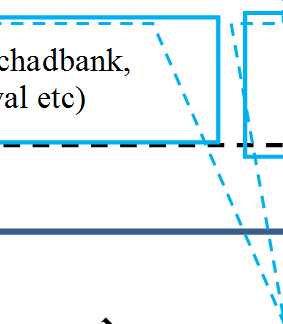
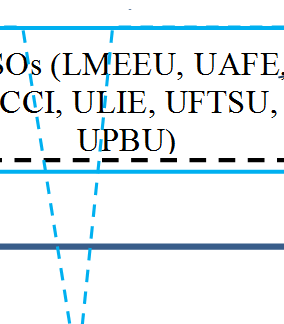
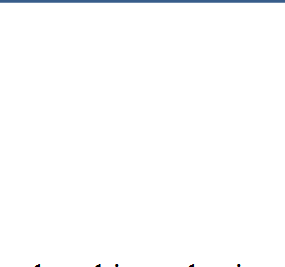
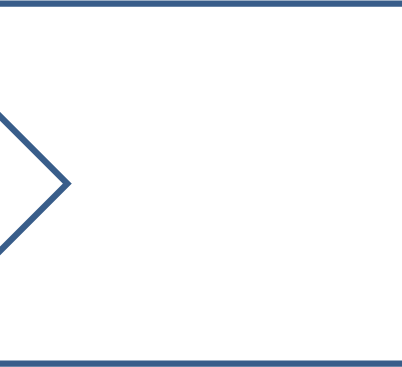
SOs (LMEEU, UAFE, CCI, ULIE, UFTSU,

UPBU)

ial banks (Eximbank bank, Raiffeisen Bank

(imported

chadbank, al etc)



from 6% to 25%.

**Value chain in compressors, fans and vacuum pumps sector**

EU Committees

EU Consumers, Lobbysts

ISO organizations

Chain influencers

State Committee for Industrial Safety, Labour Protection and Mining Supervision

Local athorities

State Fiscal Service of

State Consumer Protection Inspectorate

National Bank of Ukraine

Ministry of Economic Development and Trade

Chain supporters

7. Limited financial resources

4. Delay in refund of export VAT

10. Limited capacities of BSOs

3. Currency control

8. Absence of government support to export

Chain actors

**Inputs**

materials and parts)

11. Lack of CSR awareness

**Inputs** (local materials)

**Processes** (metal casting, metalworking, plastic forming, coating, assembly)

1 .Low production technology

5 .Weak production management

9. Lack of clustering and cooperation

2. Limited marketing capacities

6. Dependency on imported materials

and parts

***Bottlenecks along the value chain***

11 Critical means if the constraint is not resolved the programme outcome is not possible, or significantly reduced.

12 Short term means that the constraint can be addressed within the duration of the programme.

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**Observed bottlenecks in Critical**[**11**](#_bookmark97) **in h (donor) value chain constraint? short organisation is providing**

**(Y/N) term**[**12**](#_bookmark98) **this solution? (CBI, or (Y/N) others)**

1. Technical parameters of Y N The government has taken some Ukrainian products some initiatives to promote

are worse than their R&D and innovation.

competitors’ ones in the However, we have not

EU. Low production indentified any specific

technology, lack of R&D outcome or applications of

and innovation these initiatives in SME

producers in engineering sectors. Companies can also take their own solutions. If the market potential (motivation) is well informed to producers, investment in higher technology is possible.

2. Lack of motivation to Y Y A number of training courses export to EU. Limited and expertise delivered by

export marketing capacity: international donors and

Commerc , Os

Privat Av

B U

ors (WNISEF, GUF, EBRD)

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potential exporters not well local associations regarding

informed about export export marketing, but not

markets/opportunities; no specifically relevant for the

experience concerning engineering sectors. marketing strategy

3.Currency control Y Y NBU announced to cancel (mandatory sale of 75% of obligatory sale of 75% of

foreign exchange earnings, hard currency revenue from

the return of foreign export by the end of 2015,

currency earnings within but the solution will depend

90 days). on the NBU's reserves level

4. Delays in refund of Y Y Cabinet of Ministers of export VAT Ukraine introduced

electronic VAT administration and publically available reporting on export VAT refund. However, the problem still exists.

5.Weak production Y N A number of training courses management (i.e. process and expertise delivered by

control, quality control, international donors and

delivery) local associations regarding

capacity building issues. However, appropriate follow- up is required for managers and related production functions within companies. Coaching-style programs can play a role here.

6.Dependency on imported Y N No specific solution taken materials, parts and yet.

components

7.Limited financial N N Government agencies and resources and access to international donors have

credits included some incentives

(tax refunds, preferable interest rates) but it seems that these incentives are neither accessible for SMEs nor specifically addressing the needs of producers in engineering sectors.

8.Absence of governmental Y Y Export promotion support support in export concerning the supporting

promotion for the sector industries, has been included in national strategies but practical guidance has not been given. Government and local stakeholders are furthermore not well informed of export markets and opportunities in the sector. The draft laws on state export insurance and export promotion agencies are pending in Parliament.

***EU/EFTA market opportunities***

EU ventilators, air or vacuum pumps and compressors market grew from 12.3 billion EUR in 2010 to 13.7 billion EUR in 2014 (up by 2.9% on average). Import share in apparent consumption accounts for about 40%. The largest product subgroup in terms of consumption in 2014 is compressors for refrigeration equipment (2 204 mln. EUR, CAGR in 2010-2014 -2.3%). The fastest growing product subgroup in 2010-2014 is turbo- compressors, multistage (CAGR in 2010-2014 is 16.8%). Consumption for this subgroup is 1 317 mln. EUR (3rd largest).

Over the last 5 years the EU/EFTA countries has been constantly recording a positive trade balance in compressors, ventilators, air or vacuum pumps and foreign trade totalling 7.5 billion EUR in 2014.The volume of external import has been growing at 4.8% and reached 5.1 billion EUR in 2014. The Ukraine’s share in EU/EFTA external import was quite small, however, increased from 0.26% to 0.41% and totalled 21 million EUR in 2014.

Based on the market trends analysis, the most popular products in EU/EFTA, which Ukrainian producers can supply or in production chains of which may be involved, are oil lubricated and oil-free compressors, compressors for refrigeration equipment, liquid vacuum pumps, and centrifugal fans.

***Recommendations for intervention***

We would recommend CBI to further develop a programme for intervention in the vacuum and air pumps, compressors and ventilation systems value chain in Ukraine. According to our estimates, it is possible to raise export of sector products to EU/EFTA by

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9. Lack of clustering and N Y Nobody cooperation in the sector,

especially among SMEs

10.Limited capacity of N Y BSOs and associations have BSOs and associations to moderate knowledge and

take the followup support expertise to support

with specific respect to EU companies with specific

opportunities in respect to EU opportunities

engineering sectors in engineering sectors.

11. Lack of awareness Y N Local and international among stakeholders on consulting companies offer

CSR issues on the EU CSR coaching and training,

market (labour, safety, although not yet specifically

environmental and other in the mechanical

social responsibilities) engineering sector. Some Ukrainian universities introduced courses on CSR. Most producers and suppliers think it is too soon or not necessary to think about these topics because the EU/EFTA export markets in engineering products are not yet a priority.

18-20 mln. EUR (85-100%) during the next 2-3 years with CBI support. Thus, access to European markets will be able to partially replace the loss of markets by Ukrainian producers in Russia and CIS countries, and compensate sharp decline in domestic demand.

The main areas of intervention where CBI can play a role in order to achieve sustainable export growth to Europe are:



Exposure to European opportunities and sourcing needs through support in product certification according to the EU regulations, matchmaking, and trade promotion activities.

Specific and up-to-date development and provision of EU market information. Capacity building in areas of export marketing, production technologies and CSR.





Vacuum and air pumps, compressors and ventilation systems sector can be supported through a number of interventions:



Exposure and linkage to European opportunities and sourcing needs, e.g. through partnering with associations such as Pneurop (European Association of Manufacturers of Compressors, Vacuum Pumps, Pneumatic Tools and Air &

Condensate Treatment Equipment), EVIA (European Ventilation Association) and similar ones in Europe.

Business development, export training and coaching. Support in product certification.

Industry







Strengthening of services in policy advocacy, information provision, and promotion through capacity building of BSOs such as LMEEU, UCCI and ULIE. Enhance awareness and quick wins in CSR area, e.g. by realizing cost and material reduction quick wins.



**5.3**

**Export Market Analysis**

**5.3.1**

**Segmentation of EU/EFTA markets and product groups**

EU ventilators, air or vacuum pumps and compressors market apparent consumption grew from 12.3 billion EUR in 2010 to 13.7 billion EUR in 2014 (up by 2.9% on average). Import share in apparent consumption accounts for about 40% (table 5.1).

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**Table 5.1 –EU ventilators, air or vacuum pumps and compressors market apparent consumption in 2010-2014, mln. EUR\***

*\*Data on EFTA market is not available*

**Apparent consumption. bln. EUR**

**Import share, %**

**bln. EUR**

**14,2**

**15**

**100%**

**13,8**

**12,6**

**12,4**

**12,3**

**80%**

**10**

**60%**

**40%**

**5**

**20%**

**0**

**0%**

**2010**

**2011**

**2012**

**2013**

**2014**

**Figure 5.1 - EU ventilators, air or vacuum pumps and compressors marketapparent consumption in 2010-2014 in value terms**

**Table 5.2 –EU ventilators, air or vacuum pumps and compressors market apparent consumption of in 2010-2014 by product groups, mln. EUR**

200

**Group Production Export Import Consumption**

mln. CAGR in

EUR 2010-

2014

**Air or vacuum pumps;** 15 029 9 346 4 569 10 252 3,5%

**air or other gas compressors**

**Fans, other than table,** 3 126 1 444 557 2 239 0,6%

**floor, wall, window, ceiling or roof fans**

**Fans and ventilating or** 1 294 357 343 1 280 2,1%

**recycling hoods of the domestic type**

TOTAL **19 448 11 147 5 469 13 771 2,9%**

**42,4%**

**38,4%**

**42,1%**

**39,7%**

**37,5%**

Indicator 2010 2011 2012 2013 2014 CAGR,

%

**Production** 16 990 18 734 18 085 18 009 19 448 3,4%

**Export** 9 415 9 895 10 959 10 715 11 147 4,3%

**Import** 4 718 5 314 5 248 5 296 5 469 3,8%

Apparent consumption **12 293 14 153 12 374 12 590 13 771 2,9%**

***Import share in*** *38% 38% 42% 42% 40% -*

***apparent consumption, %***

**Fans, other than table,**

**floor, wall, window, ceiling or roof fans**

**2.239**

**16,3%**

**Fans and ventilating or**

**recycling hoods of the domestic type**

**1.280**

**9,3%**

**Air or vacuum pumps; air**

**or other gas compressors 10.252**

**74,4%**

**Figure 5.2 - EU ventilators, air or vacuum pumps and compressors market apparent consumption in 2014, mln. EUR**

The largest product subgroup in terms of consumption in 2014 is **Compressors for refrigeration equipment** (2 204 mln. EUR) (table 5.3). CAGR in 2010-2014 for this

subgroup is -2.3%.

The fastest growing product subgroup in 2010-2014 is **Turbo-compressors, multistage** (CAGR in 2010-2014 is 16.8%). Consumption for this subgroup is 1 317 mln. EUR (3rd largest).

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**Table 5.3 –EU ventilators, air or vacuum pumps and compressors market apparent consumption of in 2010-2014 by product groups and subgroups, mln. EUR\***

202

**Group Subgroup Production Export Import Consumption**

mln. EUR CAGR in 2010-2014

**Air or vacuum pumps; air or other gas compresso rs**

Parts of air and vacuum pumps, of air and gas 2 423 3 042 1 911 1 291 0,5% compressors, of fans, and of hoods

Compressors for refrigeration equipment 2 326 1 259 1 137 2 204 -2,3%

Turbo-compressors, single stage 2 322 828 392 1 885 6,8%

Turbo-compressors, multistage 2 200 986 103 1 317 16,8%

Multi-shaft screw compressors 1 800 802 17 1 014 3,3%

Air/gas compressors excluding air/vacuum 834 527 332 639 14,8% pumps used in refrigeration, air compressors

mounted on wheeled chassis, turbo compressors, reciprocating and rotary displacement compressors

Rotary piston vacuum pumps, sliding vane 1 024 372 79 731 -0,5% rotary pumps, molecular drag pumps, Roots

pumps, diffusion pumps, cryopumps and adsorption pumps

Liquid ring 577 464 174 287 2,3%

Reciprocating displacement compressors 485 221 37 301 -1,1% having a gauge pressure capacity > 15 bar,

giving a flow per hour > 120 mВі

Reciprocating displacement compressors 245 145 206 306 6,0% having a gauge pressure capacity <= 15 bar,

giving a flow <= 60 mВі/hour

Air compressors mounted on a wheeled 224 201 26 49 1,2% chassis for towing

Multi-shaft compressors (excluding screw 207 141 5 71 -6,5% compressors)

Rotary displacement compressors, single-shaft 131 173 52 10 -14,7%

Reciprocating displacement compressors 170 107 9 72 -2,5% having a gauge pressure capacity > 15 bar,

203

giving a flow per hour <= 120 mВі

Hand or foot-operated air pumps 25 17 72 80 5,3%

Reciprocating displacement compressors 36 61 19 -6 -34,1% having a gauge pressure capacity <= 15 bar,

giving a flow per hour > 60 mВі

**Fans, other than table, floor, wall, window, ceiling or roof fans**

Centrifugal fans (excluding table, floor, wall, 1 358 576 88 871 1,5% window, ceiling or roof fans with a self-

contained electric motor of an output <= 125 W)

Axial fans (excluding table, floor, wall, 1 016 571 296 740 -0,4% window, ceiling or roof fans with a self-

contained electric motor of an output <= 125 W)

Fans (excluding table, floor, wall, ceiling or 752 297 173 628 0,7% roof fans with a self-contained electric motor

of an output <= 125 W, axial fans, centrifugal fans)

**Fans and ventilating or recycling hoods of the domestic type**

27511580 - Ventilating or recycling hoods 908 273 139 774 0,8% incorporating a fan, with a maximum

horizontal side <= 120 cm

Table, floor, wall, window, ceiling or roof fans, 386 84 204 506 4,3% with a self-contained electric motor of an

output <= 125 W

TOTAL **19 448 11 147 5 469 13 771 2,9%**

**5.3.2** **Trade flows**

Over the last 5 years the EU/EFTA countries has been constantly recording a positive trade balance in compressors, ventilators, air or vacuum pumps and foreign trade totalling 7.5 billion EUR in 2014 (Table 5.4).The volume of external import has been growing at 4.8% and reached 5.1 billion EUR in 2014. The Ukraine’s share in EU/EFTA external import was quite small, however, increased from 0.26% to 0.41% and totalled 21 million EUR in 2014.

**Table 5.4 –EU/EFTA foreign trade of ventilators, air or vacuum pumps and compressors in 2010-2014, mln. EUR**

*Source: Eurostat*

**bln. 5E0uro**

**mln. EUR**

**Export**

**Import**

**Import from Ukraine**

**25**

**1,5%**

**40**

**21**

**20**

**1,2%**

**17**

**30**

**27**

**16**

**25**

**25**

**24**

**14**

**22**

**15**

**0,9%**

**19**

**19**

**18**

**18**

**20**

**11**

**16**

**10**

**0,6%**

**0,**

**%**

**0,**

**%**

**0,**

**%**

**0,**

**%**

**10**

**0,**

**%**

**5**

**0,3%**

**0**

**0**

**0,0%**

**2010**

**2011**

**2012**

**2013 2014**

**2010**

**2011**

**2012**

**2013**

**2014**

**Figure 5.3**

**- EU/EFTA foreign trade of ventilators, air or vacuum pumps and**

**compressors in 2010-2014 in value terms**

*Source: Eurostat*

EU/EFTA export figures by product groups are presented in table 5.5 below. Despite total external export growth at 4.3%, EU/EFTA export to Ukraine has been declining at - 8.5% annually over 2010-2014 to 65.0 million EUR. The main reasons for that are declining demand in Ukraine due to shrinking GDP, political instability and sharp Hryvnia depreciation.

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**26**

**29**

**34**

**35**

**41**

Indicator 2010 2011 2012 2013 2014 CAGR, %

Value, mln. Euro

**Export (incl. internal)** 22 125 24 067 24 905 25 354 26 690 4,8%

**Import (incl. internal)** 16 035 17 888 17 714 18 501 19 211 4,6%

**External** 4 212 4 847 4 842 4 814 5 074 4,8%

**Ukraine** 11 14 16 17 21 17,0%

**Ukraine's share** 0,26 0,29 0,34 0,35 0,41

**Table 5.5 - EU/EFTA export of ventilators, air or vacuum pumps and compressors by main product groups in 2010-2014**

*Source: Eurostat*

The major products exported from EU/EFTA to Ukraine

are reciprocating

displacement

compressors (16,7 million EUR in 2014), compressors for refrigeration equipment (14,5 million EUR), industrial fans (12.9 million EUR), as well as parts and components to all product groups under consideration (million 13.2 EUR) (Table 5.6).

205

**Subgroup ALL EXPORT EU/EFTA external UA import from UA share EU/EFTA export EU/EFTA in external**

**export**

mln. EUR CAGR in mln. EUR CAGR in mln. CAGR in 2010-2014 2010-2014 EUR 2010-2014

Value, mln. Euro

**Air or vacuum** 14 712,4 3,9% 6 476,0 4,1% 33,9 -5,0% 0,5%

**pumps; air or other gas compressors**

**Parts of pumps** 7 393,9 6,5% 3 203,6 3,7% 13,2 -11,5% 0,4%

**and compressors**

**Fans, other than** 3 484,6 6,0% 1 359,3 8,0% 12,9 -11,6% 1,0%

**table, floor, wall, window, ceiling or roof fans**

**Fans and** 1 099,1 2,6% 279,3 2,4% 5,0 -12,8% 1,8%

**ventilating or recycling hoods of the domestic type**

Total **26 689,9 4,8% 11 318,3 4,3% 65,0 -8,5% 0,6%**

**Table 5.6 – EU/EFTA export of ventilators, air or vacuum pumps and compressors by main product groups in 2010-2014**

*Source: Eurostat*

206

**Group Subgroup ALL EXPORT EU/EFTA EU/EFTA external UA import from UA share**

**export EU/EFTA in external**

mln. EUR CAGR in 2010- mln. EUR CAGR in 2010- mln. EUR CAGR in 2010- **export**

2014 2014 2014

**Value, mln. Euro**

**Air or vacuum pumps; air or other gas compressors**

Reciprocating displacement 9 555,2 5,7% 4 194,6 4,9% 16,7 -6,3% 0,4% compressors

Compressors for refrigeration 3 041,0 -0,1% 1 228,9 2,7% 14,5 -2,6% 1,2% equipment

Vacuum pumps 1 712,3 3,7% 851,9 3,4% 2,4 -5,1% 0,3%

Air compressors mounted on a 344,4 -0,7% 185,9 0,0% 0,2 -28,0% 0,1% wheeled chassis for towing

Hand or foot-operated air pumps 59,5 -3,0% 14,7 -5,7% 0,2 -11,3% 1,1%

**Parts of pumps** Parts of air or vacuum pumps, of 7 393,9 6,5% 3 203,6 3,7% 13,2 -11,5% 0,4%

**and** air or gas compressors, of fans, of

**compressors** hoods

**Fans, other than** Fans, other than table, floor, wall, 3 484,6 6,0% 1 359,3 8,0% 12,9 -11,6% 1,0%

**table, floor,** window, ceiling or roof fans

**wall, window, ceiling or roof fans**

**Fans and** Fans and ventilating or recycling 1 099,1 2,6% 279,3 2,4% 5,0 -12,8% 1,8%

**ventilating or** hoods of the domestic type

**recycling hoods of the domestic type**

TOTAL **26 689,9 4,8% 11 318,3 4,3% 65,0 -8,5% 0,6%**

The main exporters of extra-EU exports are Germany (4.0 billion EUR or 35% in 2014), Italy (2.0 billion EUR or 18%), Belgium (1.1 billion EUR or 9%) and France (0.8 billion

EUR or 7%).

**Table 5.7 –EU/EFTA export of ventilators, air or vacuum pumps and compressors by exporting countries in 2010-2014, mln. Euro**

*Source: Eurostat*

207

**Country ALL EXPORT EU/EFTA EU/EFTA UA import from UA**

**external export EU/EFTA share in**

mln. EUR CAGR in mln. EUR CAGR in mln. EUR CAGR in **external**

2010-2014 2010- 2010-2014 **export**

2014

**Germany** 7 914,9 5,5% 3 995,2 6,4% 24,9 1,5% 0,6%

**Italy** 3 864,5 4,1% 2 034,7 7,3% 10,2 1,9% 0,5%

**France** 2 207,0 1,5% 833,5 -1,8% 1,7 -35,8% 0,2%

**Belgium** 2 081,7 3,0% 1 066,0 2,0% 2,3 3,3% 0,2%

**Netherlands** 1 427,8 7,8% 369,2 4,1% 0,9 -39,1% 0,2%

**United** 1 254,7 -2,2% 578,6 -6,0% 0,7 -23,8% 0,1%

**Kingdom**

**Switzerland** 1 233,4 -0,8% 708,2 2,6% 0,9 44,0% 0,1%

**Hungary** 993,6 7,3% 134,3 30,0% 1,3 -25,6% 1,0%

**Czech** 821,8 7,9% 279,6 11,3% 1,9 -37,0% 0,7%

**Republic**

**Poland** 807,6 15,3% 111,2 13,7% 6,1 -3,9% 5,5%

**Romania** 833,4 14,3% 134,3 84,5% 1,4 162,8% 1,0%

**Slovakia** 575,4 14,9% 238,6 8,6% 6,0 7,7% 2,5%

**Austria** 582,0 7,1% 159,7 -2,4% 2,6 -5,4% 1,6%

**Spain** 400,4 3,7% 194,0 8,2% 0,7 -15,4% 0,4%

**Slovenia** 254,9 -8,5% 24,1 -35,2% 0,3 -44,9% 1,3%

**Denmark** 223,7 -6,7% 77,2 -3,3% 0,6 -11,8% 0,8%

**Sweden** 226,9 0,3% 76,4 -0,9% 0,8 -3,7% 1,0%

**Ireland** 351,7 45,0% 19,7 -0,4% 0,0 - 0,1%

**Norway** 130,4 9,7% 71,9 9,0% 0,1 17,9% 0,1%

**Finland** 126,5 2,8% 54,5 -1,4% 0,7 45,7% 1,2%

**Portugal** 143,0 13,1% 40,4 11,0% 0,0 - 0,0%

**Lithuania** 61,9 10,8% 52,1 10,0% 0,6 -21,1% 1,2%

**Luxembourg** 37,6 10,2% 2,2 23,4% 0,0 40,5% 0,2%

**Estonia** 22,7 13,5% 12,6 34,6% 0,4 38,6% 2,9%

**Croatia** 32,6 31,1% 4,2 29,5% 0,0 - 0,0%

**Latvia** 14,2 0,4% 9,4 -4,1% 0,0 -21,1% 0,3%

**Greece** 30,8 23,7% 25,0 40,7% 0,1 7,0% 0,3%

**Liechtenstein** 13,2 11,1% 6,8 21,6% 0,0 10,8% 0,3%

**Bulgaria** 20,9 33,0% 4,5 32,9% 0,0 75,4% 1,0%

**Malta** 0,6 36,1% 0,2 19,4% 0,0 - 0,0%

**Cyprus** 0,1 -41,6% 0,1 -3,1% 0,0 - 0,0%

**Iceland** 0,0 -32,8% 0,0 10,4% 0,0 - 0,0%

TOTAL **26 689,9 4,8% 11 318,3 4,3% 65,0 -8,5% 0,6%**

**France 833**

**7,4%**

**United Kingdom 579**

**5,1%**

**Switzerland 708**

**6,3%**

**Belgium 1.066**

**9,4%**

**Netherlands 369**

**3,3%**

**Czech Republic 280**

**2,5%**

**Slovakia 239**

**2,1%**

**Italy 2.035**

**18,0%**

**Other 1.215**

**10,7%**

**Germany 3.995**

**35,3%**

*Source: Eurostat*

**Figure 5.4 - EU/EFTA external export of ventilators, air or vacuum pumps and compressors by main exporting countries in 2014, mln. EUR**

The major importers of EU/EFTA products are United States (1.9 billion EUR or 17% in 2014), China (1.7 billion EUR or 15%), Russia (0.9 billion EUR or 8%) and Republic of

Korea (0.7 billion EUR or 6%) (figure 5.5).

**Russia 865**

**7,6%**

**Korea, Republic of 697**

**6,2%**

**Turkey 557**

**4,9%**

**Brazil 415**

**3,7%**

**Australia 411**

**3,6%**

**China 1.706**

**15,1%**

**Saudi Arabia 320**

**2,8%**

**India 299**

**2,6%**

**United States 1.872**

**16,5%**

**Other 4.179**

**36,9%**

*Source: Eurostat*

**Figure 5.5 - EU/EFTA external export of ventilators, air or vacuum pumps and compressors by main importing countries in 2014, mln. EUR**

208

About 74% of EU/EFTA imports in 2014 are intra-EU imports and 26% - extra-EU import. The highest volumes of extra-EU import are in shipments of parts of compressors, pumps and fans (1.7 billion EUR or 34% in 2014), reciprocal displacement compressors (1.0 billion EUR or 20%), industrial fans (0.5 billion EUR or 10%).

In 2010-2014 the largest import increase was observed in import fans (CAGR 7.8% for household fans and CAGR 6.3% for industrial fans).

**Table 5.8 –EU/EFTA ventilators, air or vacuum pumps and compressors by main product groups in 2010-2014**

**import**

*Source: Eurostat*

**Parts of air or vacuum pumps, of air or gas compressors, of fans, of hoods**

**1.739**

**34,3%**

**Hand or foot-operated air pumps**

**71**

**1,4%**

**Fans, other than table, floor, wall, window, ceiling or roof fans 518**

**10,2%**

**Air compressors mounted on a wheeled chassis for towing**

**26**

**0,5%**

**Vacuum pumps 199**

**3,9%**

**Compressors for refrigeration equipment**

**1.140**

**22,5%**

**Fans and ventilating or recycling hoods of the domestic type**

**352**

**6,9%**

**Reciprocating displacement compressors 1.030**

**20,3%**

**Figure 5.6 - EU/EFTA ventilators, air or vacuum pumps and compressors external import by main product groups in 2014, bln. EUR**

*Source: Eurostat*

209

**Subgroup ALL IMPORT EU/EFTA UA export to UA share EU/EFTA external import EU/EFTA in external**

**import**

mln. EUR CAGR in mln. EUR CAGR in mln. CAGR in 2010- 2010- EUR 2010-

2014 2014 2014

Value, mln. Euro

**Air or vacuum pumps;** 10 015,7 3,8% 2 466,1 3,9% 2,6 18,2% 0,1%

**air or other gas compressors**

**Parts of pumps and** 5 637,1 5,9% 1 738,9 4,9% 1,7 24,7% 0,1%

**compressors**

**Fans, other than table,** 2 394,0 5,7% 517,5 7,8% 8,8 15,7% 1,7%

**floor, wall, window, ceiling or roof fans**

**Fans and ventilating or** 1 163,9 3,6% 351,7 6,3% 7,7 16,6% 2,2%

**recycling hoods of the domestic type**

Total **19 210,7 4,6% 5 074,2 4,8% 20,8 17,0% 0,4%**

EU/EFTA import of ventilators, air or vacuum pumps and compressors by main product groups in 2010-2014 is shown in Table 5.9.

**Table 5.9 –EU/EFTA import**

**of ventilators, air or vacuum pumps and compressors**

**by main product groups in 2010-2014**

210

**Group Subgroup ALL IMPORT EU/EFTA UA export to UA share EU/EFTA external import EU/EFTA in**

mln. EUR CAGR in mln. EUR CAGR in mln. EUR CAGR in **external**

2010-2014 2010-2014 2010-2014 **import**

**Value, mln. Euro**

**Air or vacuum** Reciprocating displacement compressors 5 854,5 3,9% 1 030,4 3,8% 2,2 16,4% 0,2%

**pumps; air or other gas compressors**

Compressors for refrigeration equipment 2 867,7 3,6% 1 140,0 3,3% 0,0 -8,6% 0,0%

Vacuum pumps 1 001,4 4,4% 199,4 9,5% 0,3 46,3% 0,2%

Air compressors mounted on a wheeled chassis for 175,2 0,3% 25,8 -1,8% 0,0 123,3% 0,1% towing

Hand or foot-operated air pumps 116,9 2,1% 70,5 3,3% 0,0 18,2% 0,0%

**Parts of pumps** Parts of air or vacuum pumps, of air or gas 5 637,1 5,9% 1 738,9 4,9% 1,7 24,7% 0,1%

**and** compressors, of fans, of hoods

**compressors**

**Fans, other** Fans, other than table, floor, wall, window, ceiling 2 394,0 5,7% 517,5 7,8% 8,8 15,7% 1,7%

**than table,** or roof fans

**floor, wall, window, ceiling or roof fans**

**Fans and** Fans and ventilating or recycling hoods of the 1 163,9 3,6% 351,7 6,3% 7,7 16,6% 2,2%

**ventilating or** domestic type

**recycling hoods of the domestic type**

TOTAL **19 210,7 4,6% 5 074,2 4,8% 20,8 17,0% 0,4%**

The majority of EU/EFTA total imports come to Germany (4.0 billion EUR or 21% in 2014), France (2.1 billion EUR or 11%), United Kingdom (1.6 billion EUR or 8%) and Italy (1.4 billion EUR or 7%), which accounted for 47% of import values in 2014 (table 5.10).

**Table 5.10 –EU/EFTA ventilators, air or vacuum pumps and compressors import**

**by importing countries in 2010-2014, mln. EUR**

211

**Country ALL IMPORT EU/EFTA external UA export to UA share EU/EFTA import EU/EFTA in external**

**import**

mln. EUR CAGR in 2010- mln. EUR CAGR in 2010- mln. CAGR in 2010- 2014 2014 EUR 2014

**Germany** 4 007,6 6,4% 1 116,2 2,6% 1,0 30,0% 0,1%

**France** 2 073,8 3,0% 685,1 4,7% 1,6 15,3% 0,2%

**Italy** 1 432,6 -2,1% 379,2 -4,2% 1,0 46,2% 0,3%

**United** 1 624,9 8,2% 531,0 8,0% 3,3 32,0% 0,6%

**Kingdom**

**Netherland** 1 098,8 5,2% 609,7 9,7% 1,1 12,1% 0,2%

**s**

**Belgium** 907,3 1,4% 247,3 1,2% 0,8 54,7% 0,3%

**Spain** 984,4 2,4% 176,9 1,5% 1,2 40,9% 0,7%

**Poland** 857,8 5,8% 261,7 13,4% 2,1 -1,2% 0,8%

**Hungary** 904,1 8,7% 123,5 4,6% 1,3 7,6% 1,0%

**Austria** 805,6 4,2% 36,5 5,0% 0,7 20,5% 2,0%

**Sweden** 612,7 1,3% 60,1 -4,6% 1,4 15,6% 2,3%

**Romania** 613,6 8,8% 100,9 11,2% 0,7 5,9% 0,7%

**Czech** 646,2 9,8% 128,8 4,6% 0,7 17,3% 0,6%

**Republic**

**Switzerland** 471,1 0,1% 70,8 21,0% 0,2 57,4% 0,3%

**Slovakia** 431,2 9,6% 158,6 11,4% 1,1 9,1% 0,7%

**Denmark** 270,4 1,5% 53,1 -6,1% 0,4 15,8% 0,8%

**Norway** 274,5 4,1% 30,2 6,6% 0,8 34,6% 2,6%

**Finland** 188,2 1,2% 21,1 -2,8% 0,2 33,1% 0,7%

**Slovenia** 174,1 0,9% 75,7 0,2% 0,0 3,3% 0,1%

**Portugal** 151,1 -4,8% 22,1 15,6% 0,1 33,4% 0,3%

**Ireland** 241,3 47,2% 45,9 48,7% 0,0 -21,1% 0,0%

**Bulgaria** 111,1 20,4% 65,5 75,6% 0,4 14,1% 0,5%

**Greece** 64,7 -11,2% 13,1 -22,0% 0,0 -29,5% 0,1%

**Lithuania** 70,6 11,5% 7,9 22,0% 0,5 32,4% 6,2%

**Luxembour** 51,1 9,5% 33,2 10,7% 0,0 - 0,0%

**g**

**Estonia** 39,9 9,5% 6,5 27,9% 0,1 10,8% 2,0%

**Croatia** 37,0 1,3% 3,8 -7,5% 0,0 3,8% 1,3%

**Latvia** 27,6 12,4% 2,8 8,3% 0,1 -24,9% 3,4%

**Liechtenstei** 11,2 5,8% 1,4 8,4% 0,0 - 0,0%

**n**

**Cyprus** 7,1 -8,3% 2,6 -3,0% 0,0 73,4% 0,3%

**Korea, Republic of 297**

**5,8%**

**United States 892**

**17,6%**

**India 186**

**3,7%**

**Thailand 170**

**3,4%**

**Turkey 108**

**2,1%**

**Taiwan 103**

**2,0%**

**Brazil 64**

**1,3%**

**Japan 1.073**

**21,1%**

**Other 430**

**8,5%**

**China 1.755**

**34,6%**

**Figure 5.7 - EU/EFTA ventilators, air or vacuum pumps and compressors external import by major exporting countries in 2014, mln. EUR**

The major exporters of extra-EU imports are China (1 755 mln. EUR or 35% in 2014), Japan (1 073 mln. EUR or 21%), United States (892 mln. EUR or 18%), and Republic of Korea (297 mln. EUR or 6%), which in 2014 accounted for 71% of import values.

**Poland 262**

**5,2%**

**Belgium 247**

**4,9%**

**Italy 379**

**7,5%**

**Spain 177**

**3,5%**

**Slovakia 159**

**3,1%**

**United Kingdom 531**

**10,5%**

**Other 908**

**17,9%**

**Netherlands 610**

**12,0%**

**Germany 1.116**

**22,0%**

**France 685**

**13,5%**

**Figure 5.8 - EU/EFTA ventilators, air or vacuum pumps and compressors external import by main importing countries in 2014, mln. EUR**

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**Iceland** 11,2 17,7% 1,0 11,6% 0,0 - 3,8%

**Malta** 8,1 5,0% 2,1 6,5% 0,0 - 0,2%

TOTAL **19 210,7 4,6% 5 074,2 4,8% 20,8 17,0% 0,4%**

The major European importers are Germany (1 116 mln. EUR or 22%), France (685 mln. EUR or 14%), Netherlands (610 mln. EUR or 12%), and United Kingdom (531 mln. EUR or 11%), which in 2014 accounted for 57% of import values.

**5.3.3** **Trends in demand and supply, key market players**

***Air Compressors***

Air compressors supply and monitor air/gas for various industrial and non-industrial activities. They facilitate the gas transfer process in numerous industries across automobiles, food & beverages, air blast circuits, chemical plants, pharmaceuticals, oil extraction, transport, and many more. The advent of energy efficient air compressors, which are available in portable models, are largely being adopted across numerous industrial activities. The development of recent air compressors, which reduce the maintenance costs, are well received by numerous buyers from different industries. The air contamination due to oil lubrication and noisy operations of oil-free compressors is a major area of concern, limiting the adoption of air compressors. However, efforts from key players in order to develop efficient air compressors, would limit the air contamination and noise generation. With innovations in the technology, air compressors would receive a higher adoption in construction activities, especially in developing countries. The revival of stalled infrastructural projects due to global recession could increase the air compressor adoption in developed countries for the next few years.

The market is segmented on the basis of type, product design, lubrication method, and geography. The type segment includes portable and stationary air compressors. The convenience of portable air compressors is driving its off-site applications. In accordance to the design of products, air compressors are classified among rotary, centrifugal, and reciprocating.

Rotary air compressors are commonly found in heavy industrial applications, whereas centrifugal air compressors are gaining traction due to increasing non-industrial applications. Based on lubrication method, the market is clasified as oil lubricated and oil- free air compressors. Oil-free air compressors, which supply non-contaminated air, are receiving increased adoption amid industries such as pharmaceuticals, food and beverages, and electronic assembling.

Numerous companies are identifying product launch, acquisition, and expansion as a measure to excel in the market. Rotary air compressors are gaining increased attention from key market players. Several leading players such as Atlas Copco, Ingersoll Rand, Sulzer Ltd., Mitsubishi Heavy Industries, and Sullair are launching rotary air compressors

with new features. Other key players in the market include, Ebara Corp., KPCL, Equipment Ltd., Kobe Steel, and VMAC.

Elgi

***Vacuum pumps***

Vacuum pumps are widely used in such fields as metallurgy, chemicals, food, electronic coating. In recent years, the rapid development of these industries bolstered the fast growth of vacuum pumps.

and has

Influenced by the downstream demand and environmental requirements, vacuum pump

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market segments performed differently. Despite a wider application, liquid ring vacuum pumps, which are limited by requirements for environmental protection, have the shrinking market share. In contrast, dry vacuum pump market sprang up and scored great performance in recent years. But the high-end market was mainly dominated by European, American and Japanese companies.

Liquid ring pumps are used in many technological processes of industrial production with relatively low technical requirements, including vacuum filtration and vacuum water diversion.

Dry vacuum pumps are mainly used in a wide range of industries, including semiconductor, chemical, film, instrument, medicine, food, etc. where multinational brands dominate. Still, molecular pumps are also widely used in nuclear physics, electric vacuum, and surface science. As the semiconductor industry grows rapidly, the market segment expands at a fast pace.

Major world vacuum pump manufacturers are Gardner Denver, Oerlikon Leybold Vacuum, ULVAC, Osaka Vacuum, Tuthill, Atlas Copco, Busch, Pfeiffer Vacuum GmbH, KNF, Kashiyama, Guangdong Foshan Pump Factory Co., Ltd, Shandong Hua Cheng Group, Sanlian Pump Group, Zibo Shuangshan Vacuum Equipment Plant Co., Ltd., Shanghai Hanbell Precise Machinery Co.

***Ventilation Equipment***

Slight revival of construction activity in Europe in the residential, industrial and commercial sectors would enhance demand for ventilation equipment. Other factors, such as awareness about importance of indoor air quality and energy efficiency standards would go a long way in renewing market demand. The European Union has promulgated a regulation that sets forth reducing energy consumption in buildings, which is viewed as a key area for increased demand of ventilation equipment that improve indoor air quality, without the added burden of high energy consumption. Ventilation product segments are Axial Fans, Centrifugal Fans, Cross Flow Fans, Domestic Exhaust Fans, Roof/Attic Fans, Range Hoods, HRV/ERV Units and Air Handling Units for Ventilation. Among the leading market players are EBM-Papst, Systemair Group, Flakt Woods Group, Elica SpA, Faber Group, Trox Group, Centrotec Sustainable AG, Ziehl-Abegg AG, Soler & Palau Group, Nicotra Gebhardt.

**5.4** **Mapping the value chain**

There are more than 90 companies that produce fans, air or vacuum pumps and

compressors in Ukraine. Together they number of companies participating in engineering industry is export-oriented

employ about 11 thousand people. The total the chain is about 180. This sector of an with about 2/3 of products being exported.

Traditionally, companies in this sector have been focused on Russian and CIS markets. In 2010-2014 Ukrainian exports of ventilators, air or vacuum pumps and compressors decreased from 218 to 81 million EUR (2.7 times), mainly due to the loss of markets in Russia and Asia. Exports to EU/EFTA increased from 12 to 21 million EUR with its share in total exports increasing from 6% to 25%.

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More than 30 companies in Zaporizhia, Sumy, Kharkiv, and Mykolaiv regions specialize in the production of piston compressors that find wide application in shipbuilding, construction of oil and gas extraction facilities (including offshore), as well as nuclear and thermal power, construction of traction and passenger rolling stock, in metallurgy, agriculture and food industry.

Manufacture of turbo-generators is established in Mykolaiv and Zaporizhia regions by Melitipolskiy Factory of Turbo-generators, and Enegromash, whose products are in demand in agriculture (agricultural machinery, tractors, trucks), mining, and petroleum

processing industries. Companies in Poltava and Zaporizhia regions production of industrial vacuum & air pumps. Major producers are Melitipolskiy Compressor, and Poltava Turbomechanical Factory. Their

specialize in Electromotor, products are

widely known outside the country and are actively exported to the CIS countries, Moldova, Georgia, Egypt, China, Baltic countries, and the Netherlands.

About 20 companies in Kharkiv, Poltava and Zaporizhia regions are involved in the production of ventilation systems that are used in Ukraine, and are exported mainly to the CIS countries.

Souz and Profit M in Western Ukraine produce household fans and export cooker hoods to Russia, Moldova and Poland.

The following companies are the leaders in product segments:

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

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VENTS – household and industrial fans, ventilation systems; UkrRosMetal – versatile company, that produces industrial compressors; Ekvator – HVAC and refrigeration equipment for various industries; Melitipolskiy Compressor – production of compressors for industrial use;

Melitipolskiy Factory of Turbo-generators, Enegromash – production of turbo-

compressors;



Electromotor – manufacture of vacuum & air pumps.

During the final product assembly Ukrainian producers use mainly local raw materials (metal, metal profile & molding, electrical products) and imported electric motors (Germany, China), compressor units (Italy, Germany), control system (Germany).

Lack of investment, no R&D activities, outdated equipment, and technological gap from European producers in the industry are typical characteristics of many Ukrainian mechanical engineering companies in general and, in particular, in manufacturing of pumps, compressors and ventilation equipment.

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chain actors

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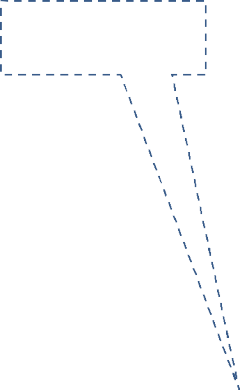
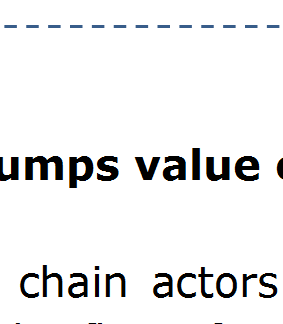
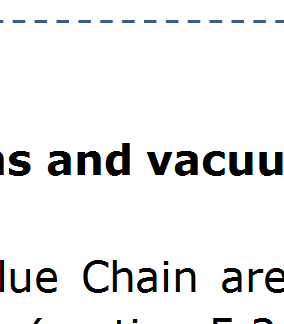
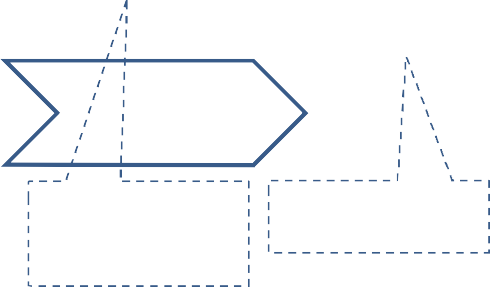
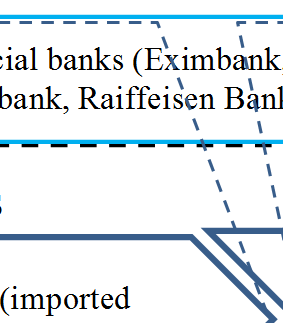
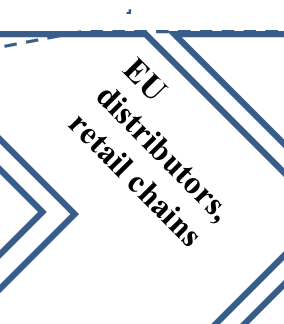
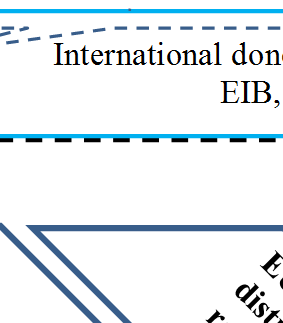
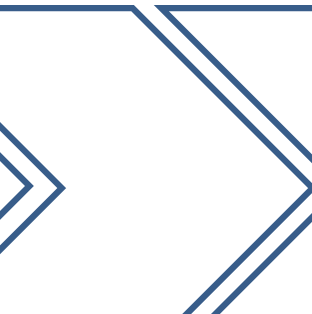
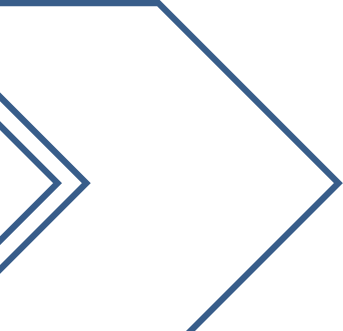
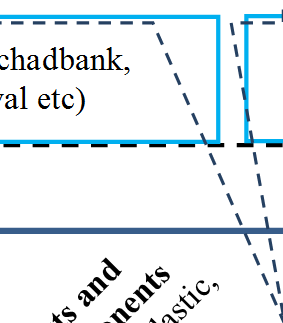
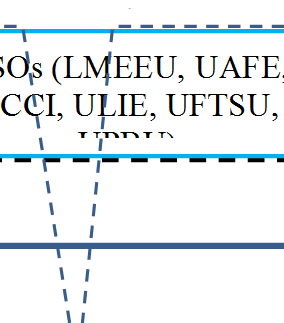
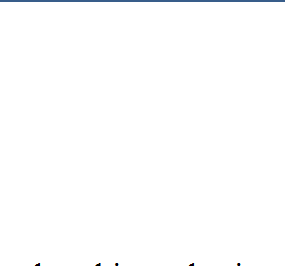
EIB,

SOs (LMEEU, UAFE CCI, ULIE, UFTSU,

ial banks (Eximbank bank, Raiffeisen Bank

(imported

chadbank, al etc)



The value chain for the Ukrainian compressors, fans and visualized below.

vacuum pumps sector is

EU Committees

EU Consumers, Lobbysts

ISO organizations

Chain influencers

State Committee for Industrial Safety, Labour Protection and Mining Supervision

Local athorities

State Fiscal Service of

State Consumer Protection Inspectorate

National Bank of Ukraine

Ministry of Economic Development and Trade

Chain supporters

7. Limited financial resources

4. Delay in refund of export VAT

10. Limited capacities of BSOs

3. Currency control

8. Absence of government support to export

Chain actors

**Inputs**

materials and parts)

11. Lack of CSR awareness

**Inputs** (local materials)

**Processes** (metal casting, metalworking, plastic forming, coating, assembly)

1 .Low production technology

5 .Weak production management

2. Limited marketing capacities

9. Lack of clustering and cooperation

6. Dependency on imported materials

and parts

**Figure 5.9 - Ukraine compressors, fan**

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**hain**

The three major stakeholders in this Val

the

(section 5.2.1),

supporters (section 5.2.2) and influencers (section 5.2.3). The flow of products along the chain is described in section 5.2.4.

***Chain actors***

**Input**

The input includes local supplies of materials (rolled and plate steel, billets, structural shapes, pipes, aluminum alloys, rubber products), moulds and dies, as well as import of raw materials (copper, polycarbonate/ABS), parts (drive motors, control systems, lamps, filters, etc.), machines and tools not produced domestically. Dependence on imported parts and raw materials means passive control over quality level, prices, inventory and delivery, which generally means lower competitiveness.

**Semi production**

Parts are manufactured by factories producing final products (casting of metals, plastics forming, electric motors, casing) and by independent producers, in particular, manufacturers of metal casted items, die and mould makers, forgers, press-formers and suppliers of other forming processes (like bending, pressing, rolling, stamping), etc.

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ors (WNISEF, GUF, EBRD)

**Final production**

In 2014 there were 91 companies in the compressors, fans and vacuum pumps manufacturing sector in Ukraine, out of which 5 firms represented large business (more than 500 employees) the rest 86 entities were SMEs. About 30 companies produce compressors, fans and vacuum pumps as main products in their product mix.

**Table 5.11 –Number of producers by type of product**

*Source: State Statistics Service of Ukraine*

The level of production localization of the final products is described in the table 5.12. Compressors, pumps, fans are devices consisting of many parts and components. Large and medium-sized companies are buying raw materials, for example, roll steel, billets, fittings, pipes and produce many of the necessary components on their own. Some parts, such as motors, control systems are bought from specialized local producers or imported. Small businesses work differently. They buy ready-made components (compressor units, motors, control panels, automation systems) in Ukraine, Russia, China, Poland, Germany and other countries and do SKD assembly.

**Table 5.12 –Inputs and production localization by the final product manufacturers**

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**Products Parts produced Purchases**

**by final product** Parts Raw materials

**manufacturers**

**Household** Housing, fan, Light bulbs, aluminum filters Steel (Ukraine),

**fans (hoods)** heater, control (Ukraine), halogen lamps, polycarbonate/

panel Сarbon filters, (imports) ABS (import)

**Industrial** Housing, impellers Electric motors, control Rolled steel,

**fans** systems (Ukraine) alloyes (Ukraine, import)

**Reciprocating** Main parts Electric motors, control Steel, alloyes

**compressors** panels (Ukraine) (Ukraine)

**Rotary** Housing, main Drive motors to mobile Rolled steel,

**compressors** parts compressors, screw other metals

compressor units, control (Ukraine) systems (import), bearings,

tubes, electric motors (Ukraine, China, Germany)

Products Number of

producers

**Table, Floor, Wall, Window , Ceiling or Roof Fans with electric** 5

**engine capacity up to 125 W**

**Other Fans** 40

**Volumetric Piston Compressors** 13

**Rotary compressors** 5

**Compressors of a Kind Used in Refrigerating Equipment** 5

**Other Air or Gas Compressors** 6

**Vacuum Pumps** 12

**Turbo Compressor** 5

**Hoods with Fans Having a Maximum Horizontal Side Not** 5

**Exceeding 120cm**

**Main strengths** of the final product producers include:

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Long and standing history, with workers of relatively good knowledge-base. Technology and research & development activities are supported by research institutions and universities.

A number of local producers are experienced with exporting to Russia and other CIS- countries.

Cheap labor cost.

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**Main weaknesses** are amongst others dependence on imported materials and parts, limited export marketing capacity, lack of clustering and local cooperation, low production technology, lack of R&D and innovation and weak production management (i.e. process control, quality control, delivery). Also there is a general lack of awareness on the EU market requirements and CSR standards. At the same time, no serious circumstances of CSR violation were identified during interviews and discussion with industry experts.

The current determination to improve CSR compliance is weak, considering little exposure to EU market opportunities. The compliance issue will be solvable if companies are well motivated by market potential.

***Supporters and their functions***

There are several groups of organizations supporting the value chain: commercial banks, universities and research institutions, donor funded organizations and programs, BSOs and private consultants.

BSOs’ members are mainly large and medium-sized companies from the value chain. The majority of final products manufacturers are not the members of BSOs. Sector specific BSO does not exist. Some suppliers of ventilation equipment are members of BSOs uniting companies in their target markets (e.g., Ukrainian Fire and Technological Safety Union, Union of Poultry Breeders, Association of Pig Producers, etc.)

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**Air and gas** Tubes, bearings, electric

**compressors** Housing, main motors (Ukraine), control Rolled steel parts systems (import) (Ukraine)

**Compressors** The assembly of Piston and screw - **for** components compressors (Ukraine, **refrigeration** imports)

**equipment**

**Turbocharger** Housing, mail Some parts (Ukraine) Metals

**s** parts (Ukraine)

**Vacuum** Tubes, bearings, electric Metals

**pumps** Housing, main motors (Ukraine), control (Ukraine) parts systems (import)

**Business support organizations (BSOs)**



***Association «Ukrmashbud» (LMEEU)***

The Аssociation «League of machine engineers and employers of Ukraine

«Ukrmashbud» (LMEEU) is created as association of the enterprises of domestic mechanical engineering, for strengthening their economic position in a home market of Ukraine and abroad. The Association includes 240 enterprises of Ukraine from such areas of economy, as heavy, agricultural mechanical engineering, manufacture of spare parts to various types of technics, repair and service, lawyer offices, financial and insurance companies, bodies of certification and test laboratories.

The association carries out support of domestic mechanical engineering by:

Searching for new commodity markets in Ukraine and abroad;

Preparations of the highly skilled staff for manufacture (engineers-designers, chiefs of industrial sites, adjusters and operators of the industrial equipment); Granting help in re-equipment of technical base of the enterprises and designs of manufacture on a turn-key basis;

Granting consultations on development of the engineering specifications on production, concerning tests, certification of production, as well as certification of manufacture on conformity to requirements ISO 9001;

Search for investment into the enterprises, as in Ukraine, and abroad; Granting legal consultations;

Lobbying interests of the domestic enterprises at different levels of authority.

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***Ukrainian Chamber of Commerce & Industry (UCCI)***

The Ukrainian Chamber of Commerce (UCCI) and Industry according to the law is a non-government non-profit self-governing organization incorporating on a voluntary basis legal entities and Ukrainian citizens registered as entrepreneurs as well as their associations.

Nearly 10,000 enterprises and companies of different forms of property are members of the Ukrainian Chamber of Commerce and Industry.

The main chamber objective is primarily creating favorable conditions for the entrepreneurial activity, assisting all-round development of scientific, technological and trade relations between Ukrainian economic operators and their foreign partners, representing economic concerns of the chamber members in Ukraine and overseas.

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***Ukrainian League of Industrialists and Entrepreneurs (ULIE)***

The Ukrainian League of largest union of business types from big vertically

Industrialists and Entrepreneurs (ULIE) is Ukraine's organizations and economic agents of all forms and integrated corporations to small- and medium-sized

businesses. The ULIE sees its mission in development of favorable business climate among the business community, civil society and the government. It also stands up for versatile and effective support for domestic producers. The League

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has 28 regional offices, 73 branches, 22 representative offices and 34 commissions for various issues.



***Federation of Employers of Engineering Industry (FEEI)***

The association of employers "Federation of Employers of Engineering Industry"

brings together and represents the Ukrainian engineering enterprises.

interests

of

5

employers,

that

include

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**Table 5.13 – Services of BSOs**

**International cooperation**

In Ukraine there are no international financial support programs targeted exclusively

on

mechanical engineering sector. However, there are some international credit lines and equity funds available for Ukrainian SMEs.

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***Ukreximbank and EIB joint credit program for SMEs***

Within the agreement between Ukreximbank and EIB, the program targets Ukrainian small and medium enterprises, as well as projects in energy efficiency, environmental protection and other local private sector projects of high priority, projects aimed at overcoming the consequences of climate change.

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***Credit Program for Small and Medium Business (KFO)***

KFO program is designed for business entities, legal entities and individual entrepreneurs, and implemented to facilitate lending to small and medium sized businesses to expand output, improve quality and expanding product range, increase productivity and create jobs by financing investment projects within the KFO resources.

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***Lending Program in cooperation with the European Investment Bank***

JSC "Oschadbank" and the EIB signed a financial agreement, whose main objective is the financing of domestic SMEs, mid-cap companies and other high- priority projects.

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**Services Industry/Business Associations**

LMEEU FEEI UCCI ULIE

Policy making / advisory **X X X**

Scientific research **X** X **X**

Capacity building, training **X X** X **X**

Investment promotion **X**

Trade promotion X

Testing, quality control, ISO X

Explicitly targeting SME exporters with services

Information service **X X** X X

Govt. or private **Private Private Private Private**

# of members (est.) 240 **37 10 000** 100



***German-Ukrainian Fund (GUF)***

The main objective of German-Ukrainian fund is to strengthen the competitiveness of ukrainian micro-, small and mid-sized enterprises (MSMEs) by providing loans to finance investments and working capital through selected partner banks.

GUF was founded in 1999 by the National Bank of Ukraine, the Ministry ofFinance of Ukraine on behalf of the Cabinet of Ministers of Ukraine and German development bank (KfW) on a parity basis. GUF capital amounts to €16.36 Million. GUF is a non-profit institution, so any possible profit is not distributed among shareholders and goes for further lending to MSMEs. This status is determined by the governmental organizations of Germany and Ukraine to ensure sustainability of GUF funds.

The main instruments of GUF are its lending programs, which are implemented according to «second level» principle, by providing financial resources to MSMEs through selected partner banks that meet certain requirements. Partner banks lend to MSMEs target groups that are featured in the Programs of GUF.

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***Western NIS Enterprise Fund (WNISEF)***

WNISEF is a USD $150 million regional private equity fund, a pioneer in Ukraine and Moldova with more than two decades of successful experience investing in small and medium-sized companies. WNISEF was funded by the U.S. government via U.S. Agency for International Development (USAID). Since inception, WNISEF’s cumulative investments total over $168 million to 118 companies in Ukraine and Moldova. WNISEF’s portfolio of investments in Ukraine and Moldova is managed by Horizon Capital.

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***Ukrainian Foundation for Entrepreneurship Support (UFES)***

Ukrainian

Foundation

for

Entrepreneurship

Supporting

is a non-profit,

government-funded organization established to implement programs aimed to provide Ukrainian SMEs with educational, consultative and also soft-term financial and credit support.

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***The EBRD's Small Business Support Programme***

The objective of the Programme is to help small and medium-sized businesses grow, succeed, becoming catalysts for the local economies. The EBRD’s team connects SMEs to local consultants and international advisers who can help transform the businesses and compensate to SMEs upto 75% of advisory fees. The Programme supports businesses from many industries, such as food and beverages, wholesale and retail distribution and construction and engineering.

**Universities and research institutions**

Universities can take the role of research and development centres for suppliers in the supporting industries in general and companies in compressor, pumps and ventilation systems in particular. They can support by providing physical facilities (laboratories) and expertise to companies at various stages and they can help students to learn a lot from this cooperative practice. Given this importance, the current linkage between companies and universities are to be further developed.

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Among the leading local universities and research centers related to the value chain are: National Technical University “Kiev Polytechnic Institute”, National Technical University "Kharkiv Polytechnic Institute", Institute of Cold, Cryotechnology Ecoenergy at Odessa National Academy of Food Technologies, Poltava National Technical University.

**Influencers and their functions**

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***Ministry of Economic Development and Trade of Ukraine (MEDTU)***

The Ministry of Economic Development and Trade of Ukraine is the main body in the system of central bodies of the executive power in formation and providing realization of state regulatory policy of economic and social development (business economics), regulation of price, industrial, investment, external economic policies, state policy in the sphere of trade, state regional policy, state policy in development of entrepreneurship, technical regulations and security of consumer rights as well as inter-agency coordination for economic and social cooperation of Ukraine with the European Union.



***Ministry of Ecology & Natural Resources of Ukraine (MENRU)***

Ministry of Ecology and Natural Resources of Ukraine operates in the field of environmental protection, ecological safety, treatment of waste, hazardous chemicals, pesticides and agricultural chemicals and perform state ecological expertise. The Ministry is entitled in the area of atmospheric air, preservation of ozone layer, restoration and protection of flora and fauna, restoration and protection of lands, restoration and protection of water resources (surface, ground, seawaters), efficient usage of water resources. The Ministry ensures legal

and regulatory governing of the water management and geological study and efficient usage of mineral resources, as state supervision on the fulfillment of the requirements of legislation.

land reclamation, well as performs the environment



***Ministry of Finance of Ukraine (MFU)***

Ministry of Finance is a principal authority among central executive authorities forming and implementing the financial, budget, tax and customs policy of the State (except for the administration of taxes, customs duties and sales tax and customs policies), policy in the area of state financial control, treasury maintenance of budget funds and accounting.



***State Fiscal Service of Ukraine (SFSU)***

The main objectives of SFSU are: implementation of state tax policy and in the civil customs, public policy in the fight against crimes in the application of tax and customs legislation implementation within the authority provided by law, control the flow to budgets and state funds taxes and fees customs and other charges, public policy administration single contribution and combating offenses during the application of the legislation on the payment of a single fee, state policy on control timeliness of payment in foreign currency statutory term compliance procedure of cash payments for goods (services) and the availability of licenses for economic activities subject to licensing under the law, trade patents.



***State Service of Mining Supervision & Industrial Safety of Ukraine (SSMSISU)***

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Key goals of the SSMSISU are: implementation of state policy in the field of industrial safety, labor protection, state mining supervision, protection of natural

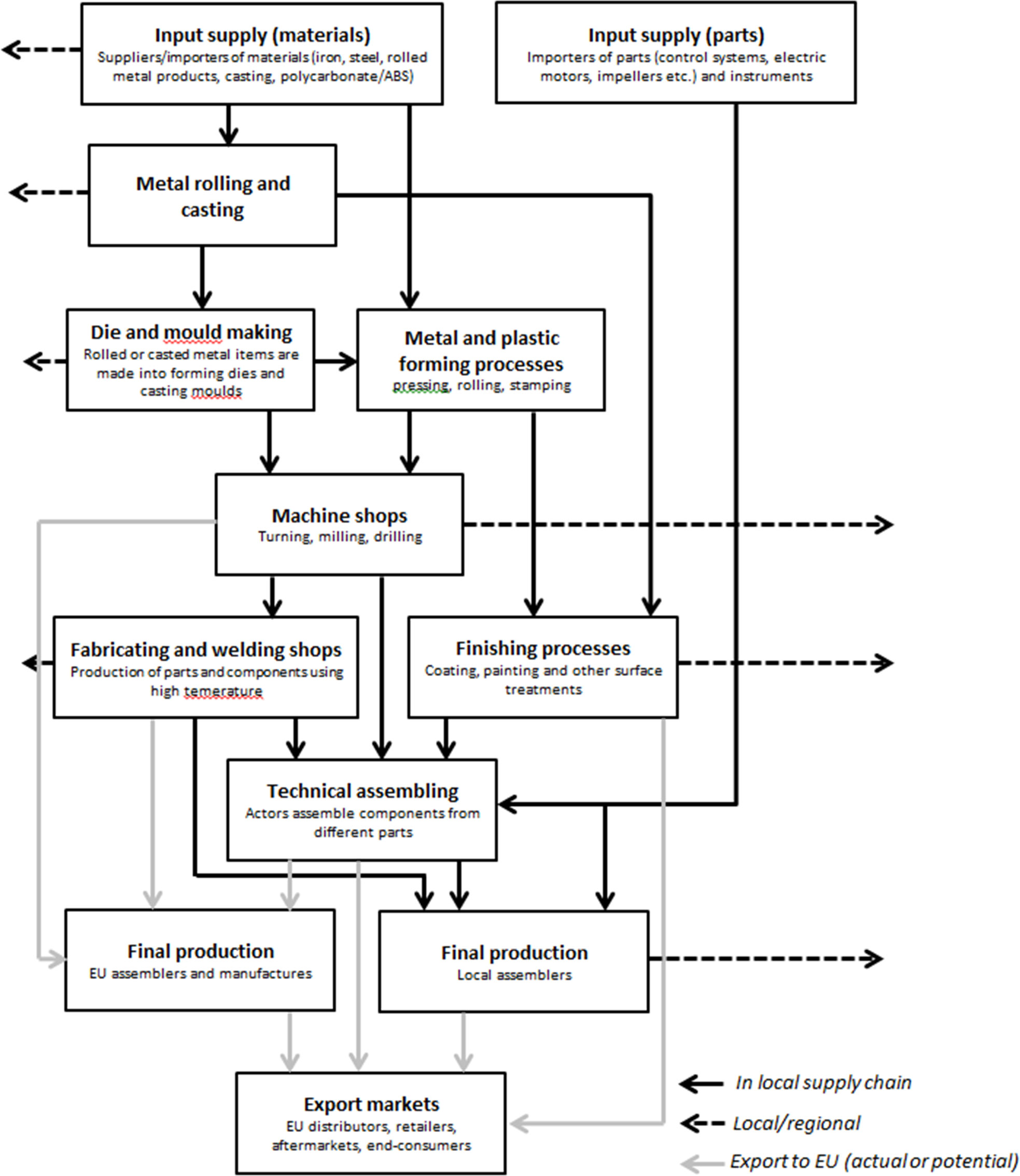
resources, industrial safety in the treatment of industrial well as making proposals for the policy formation.

explosive

materials

as

223



**Flow of products along the value chain**

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**5.5** **Bottlenecks along the value chain**

**5.5.1** **Market opportunities**

Ukraine’s export of air/vacuum pumps, compressors and ventilation systems to EU/EFTA markets in 2014 (21 mln EUR) is far below export volumes of other countries (Korea – 297 mln EUR, Thailand – 170 mln EUR, Turkey – 108 mln EUR, Taiwan – 103 mln EUR). At the same time, Ukraine has a DCFTA with the EU, proximity to EU/EFTA markets (land border with four EU countries), export-oriented engineering industry, although focused on Russia and CIS countries, qualified labor force highly competitive in terms of wage level. The Ukrainian companies also experienced competition with European, American and Asian companies in the domestic market and abroad. Limiting factors for their entering the EU/EFTA markets are poor knowledge of their potential and peculiarities, as well as product range being not certified in compliance with the EU standards and regulations.

Based on the market trends analysis (section 5.1.3), the most popular products in EU/EFTA, which Ukrainian producers can supply or in production chains of which may be involved, are oil lubricated and oil-free compressors, compressors for refrigeration equipment, liquid vacuum pumps, and centrifugal fans supplied as a separate units and as part of modular ventilation systems for residential and non-residential segments of construction/retrofit market.

The most affordable for Ukrainian producers of final products is the low-end of European market represented mainly by Asian companies. The opportunities for Ukrainian products exist in the middle price segment as well when imported high-tech parts and components are used. Given the presence of eminent manufacturers with established reputation, supply of parts and/or components to them also can be regarded as the first step to gain market share in EU/EFTA.

**5.5.2** **Key bottlenecks, risks and opportunities along the value chain**

The key bottlenecks preventing export in the value chain are presented below.

**Table 5.14 –Bottlenecks in Compressors, Fans and Vacuum Pumps Value Chain in Ukraine**

13 Critical means if the constraint is not resolved the programme outcome is not possible, or significantly reduced.

14 Short term means that the constraint can be addressed within the duration of the programme.

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**Observed bottlenecks in value chain Critical Solvable**

**bottlenecks in short (Y/N)**[**13**](#_bookmark107) **term**

**(Y/N)**[**14**](#_bookmark108)

1. Technical parameters of some Ukrainian products are Y N worse than their competitors’ ones in the EU. Low

production technology, lack of R&D and innovation (including compressors, pumps and fans)

There are some risks of occupational health and safety dangers for workers and risks of non-compliance with local and/or international environmental regulations at the following production stages:







plastic forming; paint operations; galvanic operations.

However, the risk level in those spheres is not significant and it is under control of the State Committee for Industrial Safety, Labour Protection and Mining Supervision.

Some donor-funded organizations (KFO, GUF, EIB) provide loans to Ukrainian SMEs on preferable terms (at 3-5 percentage points less expensive than local commercial banks).

The bottlenecks and/or risks that can be solved by CBI are presented in the following table.

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2. Lack of motivation to export to EU. Limited export Y Y marketing capacity: potential exporters not well informed

about export markets/opportunities; no experience concerning marketing strategy

3. Currency control (mandatory sale of 75% of foreign Y Y exchange earnings, the return of foreign currency earnings

within 90 days)

4. Delays in refund of export VAT Y Y

5.Weak production management (i.e. process control, Y N quality control, delivery)

6. Dependency on imported materials, parts and Y N components

7. Limited financial resources and access to credits N N (restriclively high bank interest rates - 12-13% in USD or

Euro, 28-35% in Hryvna)

8. Absence of governmental support in export promotion for Y Y the sector

9. Lack of clustering and cooperation in the sector, Y Y especially among SMEs

10. Limited capacity of BSOs and associations to take the N Y followup support with specific respect to EU opportunities in

engineering sectors

11.Lack of awareness among stakeholders on CSR issues on Y N the EU market (labour, safety, environmental and other

social responsibilities)

**Table 5.15**

**5.5.3** **Main constraints in the value chain**

**Table 5.16 –Main constraints in value chain**

15 Critical means if the constraint is not resolved the programme outcome is not possible, or significantly reduced.

16 Short term means that the constraint can be addressed within the duration of the programme.

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**Observed constraints in Critical**[**15**](#_bookmark110) **Solvable Which (donor) value chain and how constraint? in short organisation is providing they prohibit export (Y/N) term**[**16**](#_bookmark111) **this solution? (CBI, or**

**(Y/N) others)**

1. Technical parameters of Y N The government has taken Ukrainian products is some initiatives to promote

worse than their R&D and innovation.

competitors in the EU. However, we have not

Low production indentified any specific

technology, lack of R&D outcome or applications of

and innovation these initiatives in SME producers in engineering sectors. Companies can also take their own solutions. If the market potential (motivation) is well informed to producers, investment in

**Bottlenecks that can be solved by CBI Would CBI activities in**

**addition to ongoing activities resolve identified constraints**

1. Lack of motivation to export to EU. Limited export marketing capacity: potential exporters not well informed about export markets/opportunities; no experience concerning marketing strategy

Trainings and consulting on export activities, participation in exhibitions, fairs and business matchmaking events in EU/EFTA countries would promote export in the sector

2. Absence of governmental support in export promotion for the sector

3. Weak production management (i.e. process Appropriate trainings and coaching control, quality control, delivery) programs can improve

performance of the enterprises

4. Lack of clustering and cooperation in the sector, BSOs could be attracted to especially among SMEs coordinate cooperation among

enterprises in the sector

5. Limited capacity of BSOs and associations to Business consulting to BSOs could take the followup support with specific respect improve their efficiency

to EU opportunities in engineering sectors

6. Lack of awareness among stakeholders on CSR Appropriate trainings would help issues on the EU market (labour, safety, introduce CSR standards in the environmental and other social responsibilities) companies

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higher technology is possible.

2. Lack of motivation to Y Y A number of training courses export to EU. Limited and expertise delivered by

export marketing international donors and

capacity: potential local associations regarding

exporters not well export marketing, but not

informed about export specifically relevant for the

markets/opportunities; no engineering sectors. experience concerning

marketing strategy

3.Currency control Y Y NBU announced to cancel (mandatory sale of 75% obligatory sale of 75% of

of foreign exchange hard currency revenue from

earnings, the return of export by the end of 2015,

foreign currency earnings but the solution will depend

within 90 days). on the NBU's reserves level

4.Weak production Y N A number of training courses management (i.e. process and expertise delivered by

control, quality control, international donors and

delivery) local associations regarding

capacity building issues. However, appropriate follow- up is required for managers and related production functions within companies. Coaching-style programs can play a role here.

5.Dependency on Y N No specific solution taken imported materials, parts yet.

and components

6.Limited financial N N Government agencies and resources and access to international donors have

credits included some incentives

(preferable interest rates) but it seems that these incentives are neither accessible for SMEs nor specifically addressing the needs of producers in engineering sectors.

7.Absence of Y Y Export promotion support governmental support in concerning the supporting

export promotion for the industries, has been

sector included in national

strategies but practical guidance has not been given. Government and local stakeholders are furthermore not well informed about export markets and opportunities in

**Table 5.17 – Opportunities in value chain**

Table 5.18

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**Observed opportunities Critical Short term Which (donor) in value chain and how opportunity? benefit organisation is**

**they benefit export (Y/N) (Y/N) benefiting from this**

**opportunity? (CBI, or others)**

Some Ukrainian products Y Y CBI could have potential

demand within EU/EFTA markets (oil lubricated and oil-free compressors, compressors for refrigeration equipment, liquid vacuum pumps, and centrifugal fans)

Ability to supply some Y Y CBI parts and components to

EU assemblers, OEMs and MNCs

Opportunities for N Y CBI cooperation among SMEs

in the sector

the sector. The draft laws on state export insurance and export promotion agencies are pending in Parliament.

8.Limited capacity of N Y BSOs and associations have BSOs and associations to moderate knowledge and

take the followup support expertise to support

with specific respect to EU companies with specific

opportunities in respect to EU opportunities

engineering sectors in engineering sectors.

9. Lack of awareness Y N Local and international among stakeholders on consulting companies offer

CSR issues on the EU CSR coaching and training,

market (labour, safety, although not yet specifically

environmental and other in the mechanical

social responsibilities) engineering sector. Some Ukrainian universities introduced courses on CSR. Most producers and suppliers think it is too soon or not necessary to think about these topics because the export markets in engineering products are not yet there for Ukraine.

**Social Responsibility risks in value chain**

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**Observed Social Critical Solvable in Which (donor)**

**Responsibility risks in risk? (Y/N) short term organisation is value chain (Y/N) providing this solution?**

**(CBI, or others)**

Occupational health and N Y safety dangers for workers

(plastic forming and some finishing processes, in particular, paint and galvanic operations)

State Committee for Industrial Safety, Labour Protection and Mining Supervision

Non-compliance with local N Y and/or international

environmental regulations (plastic forming and some finishing processes, in particular, paint and galvanic operations)

**5.6** **Context information**

**5.6.1** **Number of enterprises active in the chain and percentage of which is actively exporting**

The total number of companies participating in the chain is about 180, including 91 end

product

manufacturers

(table 5.19). More than three-quarter of

end-product

manufacturers are exporting their products. About half of all value chain participants are engaged in export activities.

**Table 5.19 –Statistics of enterprises participating in the value chain**

**5.6.2** **Value addition at each step of the value chain**

The structure of value added in the chain depends largely on the degree of production process localization and the presence of imported materials and parts (see table 5.20).

**Table 5.20 –Value distribution within the value chain by production localization degree and product groups, %**

*Source: interviews with market participants and industry experts*

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**Raw materials and Design, Shipment Total parts manufacturing added** Import Local **value**

Ventilation equipment - SKD assembly

Primarily imported parts 80 3 12 5 **100**

Primarily locally 5-10 25-30 55-65 5 **100**

produced parts

Refrigerator equipment - localized production

Primarily imported raw 50 25-30 15-20 5 **100**

materials and parts

Primarily locally 5-10 25-30 55-65 5 **100**

produced raw materials and parts

**Enterprise activity Number of Number of local exporters**

**companies**

End product manufacturers, 91 ~70

*including*

*Complete cycle companies 15 15*

Suppliers of metal (sheet, structural steel, alloys) 11 -

Suppliers of hardware 23 -

Suppliers of cable 3 3

Suppliers of motors 5 5

Suppliers of cabinets and control panels 9 5

Suppliers of rubber products 21 7

Suppliers of lubricants (oils and lubricants for 17 - compressors)

Total **180 ~90**

**5.6.3** **Currently exported volumes and amounts**

From 117 to 179 million EUR, while in 2013-2014 volume fell to 143 million EUR). The total value of Ukrainian export of the value chain products in 2014 amounted to 81 million EUR (CAGR of -21.9% over 2010-2014).

Imports of ventilators, air or vacuum pumps and compressors amounted to 143 million EUR in 2014 (CAGR of 5%). Import was somewhat stable (in 2010-2012 there was an increase.

**Table 5.21 – Ukrainian foreign trade of ventilators, air or vacuum pumps and compressors in 2010-2014, mln. EUR**

*Source: State Statistic Service of Ukraine*

**thousan**

**mln.**

**Export**

**Import**

**Export**

**Import**

**d tons**

**EUR**

**40**

**243**

**250**

**218**

**198**

**29**

**200**

**30**

**179**

**27**

**171061**

**25**

**23**

**145**

**143**

**150**

**19**

**117**

**18**

**20**

**18**

**17**

**100**

**13**

**81**

**9**

**10**

**50**

**0**

**0**

**2010**

**2011**

**2012**

**2013**

**2014**

**2010**

**2011**

**2012**

**2013**

**2014**

**Figure 5.10 - Ukrainian foreign trade of ventilators, air or vacuum pumps and compressors in 2010-2014**

Main sales markets for selected products were Russia (39.3 mln. EUR or 48% in 2014), EU/EFTA (19.8 mln. EUR or 24%), CIS (12.1 mln. EUR or 15%) and Asia (6.2 mln. EUR or 8%), which in 2014 accounted for 95% of exports.

In 2010-2014 there was a decrease in exports to all regions except for EU/EFTA, that increased from 12.5 to 19.8 million EUR, CIS (slightly increased from 11.8 to 12.1 million EUR), and Africa (barely increased from 0.66 to 0.69 million EUR). The most significant

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Flow Indicator 201 201 201 201 201 CAG

0 1 2 3 4 R, %

Import Value, mln. EUR 117 145 179 161 143 5,0%

Weight, thousand 23 29 27 25 18 -

tons 6,4%

Expo Value, mln. EUR 218 198 243 170 81 -21,9%

rt

Weight, thousand 18 17 19 13 9 -15,4% tons

**a**

**r**

**%**

decline in exports was to Asia (from 60 to 6 million EUR), and Russia (from 130 to 39 million EUR).

**Table 5.22 –Ukraine’s export of ventilators, air or vacuum pumps and compressors by main destinations in 2010-2014**

**CIS 12,1**

**14,8%**

**Africa**

**0**

**EU/EFTA 19,8**

**24,4%**

**Asia 6,2**

**7,6%**

**America**

**-1**

**Other**

**1**

**Americ 0,9**

**1,1%**

**EU/EFTA**

**7**

**CIS**

**0**

**Othe 2,4**

**3,0**

**Africa 0,7**

**0,8%**

**-54**

**Asia**

**Russia 39,3**

**48,2%**

**-91**

**Russia**

-100

-50

0

50

**Figure 5.11 - Ukrainian export of ventilators, air or vacuum pumps and compressors in 2014, mln. EUR**

**Figure export**

**5.12 – Increase**

**of Ukrainian**

**of ventilators, air or vacuum**

**pumps**

**and compressors in 2010-**

**2014, mln. EUR**

*Source: State Statistic Service of Ukraine*

The main export product groups are Air or vacuum pumps; air or other gas compressors (33.2 mln. EUR or 41% in 2014), and Fans and ventilating or recycling hoods of the domestic type (134.4 mln. EUR or 31%), which in 2014 accounted for 72% of total exports.

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**Indicator Region 2010 2011 2012 2013 2014 CAGR,**

**%**

Value, Russia 129 913 137 153 127 836 88 971 39 292 -25,8%

thousand EUR

Asia 60 095 27 311 21 416 41 135 6 228 -43,3%

CIS 11 792 15 458 73 703 19 319 12 060 0,6%

EU/EFTA 12 493 13 401 16 617 15 426 19 844 12,3%

Other 1 606 2 415 2 035 2 915 2 435 11,0%

Americas 1 873 1 138 847 998 927 -16,1%

Africa 666 697 530 1 125 692 1,0%

***Total 218 197 573 242 984 169 81 478 -21,9%***

***438 891***

In 2010-2014 there was a significant decrease in exports of Air or vacuum pumps; air or other gas compressors (from 178.3 to 33.2 mln. EUR). Exports of Parts of pumps and compressors decreased from 15.2 to 11 mln. EUR.

Exports of two other product groups – Fans and ventilating or recycling hoods of the domestic type, and Fans, other than table, floor, wall, window, ceiling or roof fans, increased from 16.2 to 25.2 million EUR, and from 8.8 to 12.1 million EUR, respectively.

**Table 5.23 –Ukraine’s export of ventilators, air or vacuum pumps and compressors by main product groups in 2010-2014**

*Source: State Statistic Service of Ukraine*

**Fans and ventilating or recycling hoods of the domestic type 25,2**

**30,9%**

**Parts of pumps and compressors 11,0**

**13,5%**

**Fans, other than table, floor, wall, window, ceiling or roof fans**

**12,1**

**14,9%**

**Air or vacuum pumps; air or other gas compressors 33,2**

**40,7%**

**Figure 5.13 - Ukrainian export of ventilators, air or vacuum pumps and compressors by main product groups in 2014, mln. EUR**

Information about Ukrainian imports of ventilators, air or vacuum pumps compressors is in Appendixes 5.1-5.3.

and

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Indicator Region 2010 2011 2012 20 2014 CAGR, %

13

**Value,** Air or vacuum pumps; air or 178 280 142 163 72 33 -34,3%

**thousand** other gas compressors 747 104 82 180

**EUR** 1

Fans and ventilating or 16 225 17 20 21 25 11,6%

recycling hoods of the 678 927 57 203

domestic type 5

Parts of pumps and 15 176 25 34 52 10 -7,8%

compressors 899 340 16 972

0

Fans, other than table, floor, 8 758 11 24 23 12 8,5%

wall, window, ceiling or roof 249 613 33 123

fans 6

***Total 218 438 197 242 16 81 -21,9%***

***573 984 9 478***

***89***

***1***

**Table 5.24 –Ukraine’s export of ventilators, air or vacuum pumps and compressors by main product groups and commodity items in 2010-2014**

*Source: State Statistic Service of Ukraine*

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**Indicator Group Commodity item CAGR 2 014**

**in** TOTAL EU/ Russia CIS Asia Africa America Other

**2010-** EFTA

**2014**

**Value, 000 Euro**

Air or vacuum pumps; air or other gas compressors

Reciprocating -37,6% **25 557** 1 890 18 610 3 106 1 343 214 128 266

displacement compressors

Air compressors mounted 3,4% **5 084** 179 2 021 2 791 45 7 1 40

on a wheeled chassis for towing

Vacuum pumps -15,2% **1 576** 70 1 164 306 21 0 14

Compressors for -22,7% **804** 58 317 304 0 3 25 96

refrigeration equipment

Hand or foot-operated air -7,5% **159** 2 136 8 10 0 0 1

pumps

Total -34,3% **33 180** 2 200 22 248 6 515 1 420 224 155 418

Fans and ventilating or recycling hoods of the domestic type

Fans and ventilating or 11,6% **25 203** 14 436 5 905 1 527 1 430 255 569 1 079

recycling hoods of the domestic type

Total 11,6% **25 203** 14 436 5 905 1 527 1 430 255 569 1 079

Parts of pumps and compressors

Parts of air or vacuum -7,8% **10 972** 1 018 4 515 2 596 2 428 11 28 375

pumps, of air or gas compressors, of fans, of hoods

Total -7,8% **10 972** 1 018 4 515 2 596 2 428 11 28 375

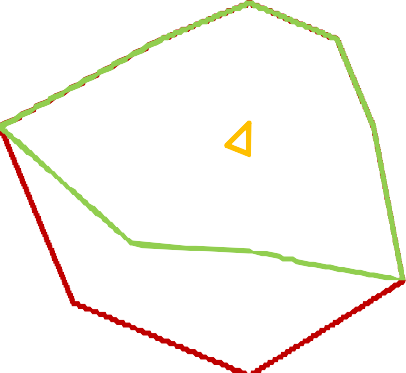
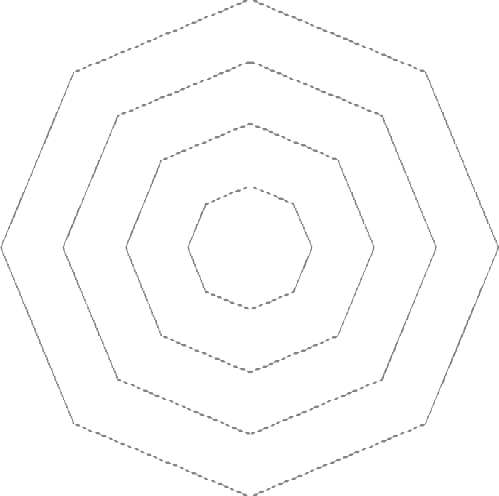
Fans, other than table, floor, wall, window, ceiling or roof fans

Fans, other than table, 8,5% **12 123** 2 190 6 623 1 421 950 201 175 564

floor, wall, window, ceiling or roof fans

Total 8,5% **12 123** 2 190 6 623 1 421 950 201 175 564

**TOTAL -21,9% 81 478 19 844 39 292 12 060 6 228 692 927 2 435**



**5.6.4**

**Social Responsibility risk level in the chain**

Child labour 2,0

Lack of supply

chain traceability

1,5

Forced labour

1,0

Current risk level sector

0,5

Human rights

violation

Corruption

0,0

Anticipated risk level end of

programme

Social Responsibility Index

Environmental

harm

Unfair labour

practices

Health and

Safety risks

**Figure 5.14 - Social responsibility risks & index**

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**5.7** **Recommendations for intervention**

**5.7.1** **Potential improvement of export and social responsibility**

Taking into account market opportunities and strengths of domestic producers (see section 5.3.1) the Ukraine’s potential for export growth to EU/EFTA markets by product group is presented in the table 5.25 below.

**Table 5.25 –EU/EFTA’s and Ukraine’s Foreign Trade Statistics in 2014, potential for Ukraine’s export growth to EU/EFTA, million EUR**

The current determination to improve CSR compliance

is weak, considering little

exposure to EU market opportunities. The compliance issue will take a long time but is solvable if companies are well motivated by market potential.

**5.7.2** **Recommendation towards CBI**

We would recommend CBI to further develop a programme for intervention in the vacuum and air pumps, compressors and ventilation systems value chain in Ukraine. According to our estimates, there are possibilities to raise export of sector products to EU/EFTA by 18-20 mln. EUR (85-100%) during the next 2-3 years with CBI support.

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**HS Code Product External Ukraine's Export to**

**Import to EU/EFTA EU/EFTA**

million % of million % of Growth

€ total € external potential,

import to million €

EU/EFTA by 2017

841410 Vacuum Pumps 90 1,9% 0,1 0,1%

841420 Hand or Foot Operated Air 129 2,7% 0,0 0,0% Pumps

841430 Compressors of a Kind 812 16,9% 0,1 0,0% +0,9 Used in Refrigerating

Equipment

841440 Air Compressors Mounted 43 0,9% 0,2 0,5% On a Wheeled Chassis for

Towing

841451 Table, Floor, Wall, 504 10,5% 14,2 2,8% +7,0

Window , Ceiling or Roof Fans

841459 Other Fans 640 13,3% 2,2 0,3% +2,8

841460 Hoods Having a Maximum 246 5,1% 0,4 0,2% +0,6 Horizontal Side Not

Exceeding 120cm

841480 Other Air Pumps and Air 872 18,2% 1,9 0,2% +4,1 or Gas Compressors;

Other Hoods

841490 Parts of Air or Vacuum 1739 30,5% 1,7 0,1% +3,0 Pumps, Air or Other Gas

Compressors, Fans & Hoods

Total: **5 074 100,0 20,8 0,4% 18,5**

**%**

Thus, access to European markets will be able to partially replace the loss of markets by Ukrainian producers in Russia and CIS countries and to compensate sharp decline in domestic demand.

***Main interventions needed***

The main areas of intervention, in which CBI can play a role, in order to realize sustainable export growth to Europe are:



Exposure to European opportunities and sourcing needs through support in product certification according to the EU regulations, matchmaking, and trade promotion activities.

Specific and up-to-date development and provision of EU market information. Capacity building in areas of export marketing, production technologies and CSR.





Vacuum and air pumps, compressors and ventilation systems sector can be supported through a number of interventions, as follows:

1.

Exposure and linkage to European opportunities and sourcing needs, e.g. through partnering with associations such as Pneurop (European Association of Manufacturers of Compressors, Vacuum Pumps, Pneumatic Tools and Air & Condensate Treatment Equipment), EVIA (European Ventilation Industry Association) and similar ones in Europe.

Business development, export training and coaching. Support in product certification.

Strengthening of services in policy advocacy, information provision and promotion, through capacity building of BSOs such as LMEEU, UCCI and ULIE. Enhance awareness and quick wins in CSR area, e.g. by realizing cost and material reduction quick wins.

2.

3.

4.

5.

***In collaboration with government and private sector***

Involve LMEEU, UCCI as project partners in supporting the mechanical engineering sector. From the government side, UFES can play the supporting role. Also MEDTU is suggested to be involved for development of a sector specific voice and policy advocacy.

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**5.7.3** **Recommendation towards CBI**

**Table 5.26 – Risk assessment**

*Risk level: 1=Rare | 2=Unlikely | 3=Possible | 4=Likely | 5=Almost certain*

*Influence: 1=Negligible | 2=Minor | 3=Moderate | 4=Major | 5=Severe*

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**Risk (general Possible impact on Level Influen Mitigation or specific) proposed CBI intervention ce strategy**

Specific risk: This will have a direct 3 3 CBI has to focus EU buyer impact on the follow up of on the most

doesn’t accept the CBI programme, as it important

manufacturers won't benefit export to the compliance that

timeline to EU can be achieved

achieve with little

compliance investment.

standard Therefor

manufacturer can show their willingness to comply

Specific risk: This will have direct impact 5 3 CBI has to focus manufacturers on the CBI programme as on setting up the

won't get manufacturer can't invest in programme for

access to necessary upgrading or manufacturers in a

competitive improvements to be able to way they that they

financing in change price focus or to can start up and

the near future achieve compliance then

standard improve/upgrade

along the way because of higher profits they will start making. So basically by self financing

Specific risk: Other donor program(s) 1 2 CBI has to implementatio may duplicate CBI efforts constantly monitor

n of other other donors’

donor activities and

program(s) in coordinate its

the sector actions with them

General risk: Violation of economic links 2 4 The risk is beyond resumption of between the companies in control of CBI and

active the value chain, especially there is no

hostilities by in eastern Ukraine, a further mitigation strategy Russia in reduction in domestic

eastern demand, as a result - the

Ukraine bankruptcy of some enterprises involved in the programme

**6** **REGULATORY AND INSTITUTIONAL FRAMEWORK**

**6.1**

**Export of Ukrainian Products to the EU: Regulatory Framework of Discovered Problems**

**I.**

**Common Impediments for all Value-Added Chains Selected**

The fieldwork showed that there are certain problems, which impede normal export operations of Ukrainian producers. These problems are also common for the selected value-added chains. The most crucial problems are the following:









Value-added tax (“VAT”) refund; Export revenue sale rule; Deficiencies of customs procedures;

Insufficient functioning of the electronic payment system.

Given that Agreement additionally

recently Ukraine’s was approved by we will analyze

application the WTO’s legislative

to join the Committee provisions

WTO Government Procurement on Government Procurement[17](#_bookmark123), that might prevent Ukrainian

producers/exporters from access to a global procurement market. This section concludes with recommendations concerning improvement of the regulatory environment.

***VAT Refund Problem***

VAT refund is the most painful problem for Ukrainian business. The irregularities with VAT refund creates unpredictable and unsecure business environment and significantly discourages foreign investors to deal with the Ukrainian economy.

The State Fiscal Service explains the problem with VAT refund in Ukraine in the following way. The debt of the Ukrainian government exceeds 20 billion UAH, and this debt is constantly increasing. There is a limit for VAT refund for each month and the overall annual limit of refund is envisaged in the State Budget of Ukraine for 2015 (58 billion UAH). The State Fiscal Service of Ukraine is in charge of the VAT refund administration and cannot increase the monthly and annual limits[18](#_bookmark124).

In the end of 2014 the tax system of Ukraine was modified by adoption of the Law of Ukraine No.71-VIII dated 28.12.2015 “*Amending the Tax Code of Ukraine and other legislative acts of Ukraine as to the tax reform*” (effective since 01.01.2015). Among other things, a few changes were introduced concerning the VAT.

From the 1 January 2015 all VAT reports, according to Article 49.4 of the *Tax Code of Ukraine*, shall be submitted solely in the electronic format given that respective entities shall have an electronic signature. Pursuant to Article 181.1 of the *Tax Code of Ukraine*, the obligation to register as VAT payer concerns those entities, which annual revenue from export/import operations exceeds 1 billion UAH (without VAT).

17 Ukraine to join WTO’s Government Procurement Agreement https://[www.wto.org/english/news\_e/news15\_e/gpro\_11nov15\_e.htm](http://www.wto.org/english/news_e/news15_e/gpro_11nov15_e.htm)

18 For more information please see the interview of the Head of the State Fiscal Service of Ukraine -

<<http://www.rbc.ua/ukr/news/problemy-vozvratom-nds-obuslovleny-limitom-1435670575.html>>

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The rules regarding taxable basis were also amended. According to Article 188.1 of the *Tax Code of Ukraine* the taxable basis is determined by the transaction value. However, such basis cannot be lower certain benchmarks, i.e.:

1)

for the supply of goods/services – not lower than the purchase price of such goods/services;

for supply of own manufactured goods/services - not lower than their costs of production;

for the supply of fixed assets - not lower than book (residual) value according to the accounting, established at the beginning of the reporting (tax) period during which such operations are carried out (in the absence of accounting of fixed assets - based on the regular price).

2)

3)

In addition, the electronic system of VAT administration was established. During February

– July 2015 it operated in a test mode. According to Article 200.4 of the *Tax Code of Ukraine* VAT payers, which have negative VAT in the declaration (given the absence of the tax debt) can choose any of the two options:

1. either to claim VAT refund from the budget in the amount of VAT paid to suppliers (or to the budget in case of import operations) in the previous and current fiscal reporting periods; or
2. to allocate negative VAT to the amount of tax credit for the next fiscal period.

***Cancelation or Simplification of Export Revenue Sale Rule***

A major problem for all entities involved in export operations is current Ukrainian rules on export revenue sale. In accordance with a Decree of the National Bank of Ukraine No.

581 dated 03.09.2015 (effective till 05.12.2015) payments for export and import transactions of goods shall be made in a period not exceeding 90 days. It is highly possible that so-called ‘90-day rule’ will be extended after the 5th of December 2015 for the next 3-month period.

Then 75% of revenues in foreign currency referred to above shall be subject to compulsory sale on the interbank currency market of Ukraine, including directly to the National Bank of Ukraine. The remaining foreign exchange revenue shall remain at disposal of residents and non-residents and are used by them in accordance with the rules of currency regulation.

The revenue sale rule significantly impedes exports operations of Ukrainian producers. For instance, very often the terms of cooperation with European distributors provide for 120-day period of payment. The adherence to such conditions contravenes the provisions of Ukrainian legislation. Thus, generally accepted terms of cooperation in the EU become

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**The difficulties with VAT refund and exorbitant debts of the Ukrainian government are known problems of the fiscal system of Ukraine. Recently, the Ministry of Finance of Ukraine presented the model of the 2016 tax reform of Ukraine1. It is suggested to leave the same level of VAT tax (20%) and provide additional budget allocations (20 billion UAH) to refund existing debts.**

unacceptable for Ukrainian producers as it significantly complicates ordinary course of business. On the one hand, such stringent regulation is necessary to prevent the outflow

of foreign currency from Ukraine.

The rule of obligatory sale of 50% of export revenue sale was introduced in 2012 for 6- month period. Then this rule has been repeatedly extended. In August 2014, the respective requirement increased to 100% of export revenue, and on 22 September 2014 the National Bank of Ukraine decided to reduce the amount to 75% of revenue in foreign currency.

This problem has been impeding the normal business operation for long period of time. Any predictions as to cancelation or simplification of the export revenue sale rule are unfeasible.

***Deficiencies of Customs Procedures***

Another common problem for selected value-added chains is the customs procedures upon export and import operations. Among other things producers mentioned long and unpredictable customs clearance procedures as well as red tape and bribery upon clearance of goods. In this respect it should be mentioned that in general the Ukrainian customs legislation is consistent with international obligations of Ukraine. However, practical implementation of the customs legislation creates numerous obstacles and problems for exporters and importers (i.e., unreasonable delays, artificial increase of the value of goods imported, bribery, etc.).

In order to eradicate corruption and increase transparency, Ukraine acceded to the *WTO Trade Facilitation Agreement*. On 20 October 2015, the draft Law on the ratification of

the Protocol amending the Organization was supported implementation by Ukraine of

Marrakesh agreement establishing the World Trade by the Parliament of Ukraine with aim to ensure internal procedures necessary for the entry into force of

the Trade Facilitation Agreement (“**TFA**”).

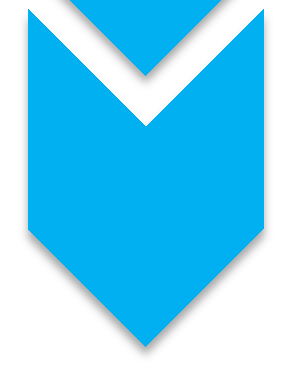
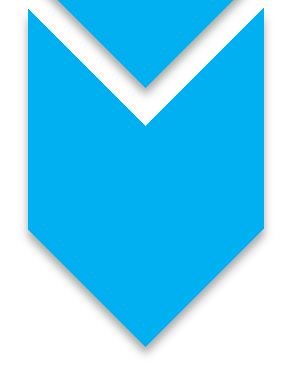
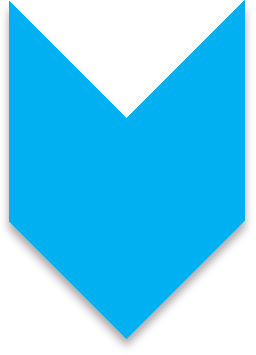
TFA provides for expedite movement, release and clearance of goods (including goods in transit). It also sets out provisions for customs cooperation1[9.](#_bookmark125) Upon accession to the TFA, a member must categorize each provision of the TFA (categories A, B, C) and notify other WTO members of these categorizations.

19 For more information please see the WTO website -

<https://[www.wto.org/english/tratop\_e/tradfa\_e/tradfa\_e.htm](http://www.wto.org/english/tratop_e/tradfa_e/tradfa_e.htm)>

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**Thus, it is highly recommended to cancel the ‘90-day rule’ or to simplify it by extending the period of payment or broadening the list of exceptions.**



* provisions that the member will implement by the time the TFA enters into force

**Category A**

* provisions that the member will implement after a transitional period following the entry into force of the TFA

**Category B**

* provisions that the member will implement on a date after a transitional period following the entry into force of the TFA and requiring the acquisition of assistance and support for capacity building

**Category C**

On 14 August 2014 Ukraine notified the WTO Preparatory Committee on the provisions of the TFA, which it designated to the Category A. These measures are the following [20](#_bookmark126):

Given the aforesaid, Ukraine has to implement the above wide range of important provisions upon the TFA entry into force (importantly, the TFA will enter into force once two-thirds of the WTO membership has formally accepted the TFA). The implementation of these provisions will improve the legislative environment and increase the credibility of the customs authorities in Ukraine.

Another framework for the improvement of customs procedures is the *Association*

20 The full text of communication is available here -

<https://docs.wto.org/dol2fe/Pages/FE\_Search/FE\_S\_S006.aspx?Query=@Symbol=%20wt/pctf/n/\*%20and% 20%20@Symbol=%20ukr&Language=ENGLISH&Context=FomerScriptedSearch&languageUIChanged=true# >

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**Ukraine’s accession to the TFA is a telltale sign of Ukraine’s readiness to fight against illegitimate and corrupted practices of customs authorities.**

**Art. 1.1**

Publication

**Art. 1.2**

Information Available Through Internet

**Art. 7.1**

Pre-arrival Processing

**Art. 7.4**

Risk Management (except for Art. 7.4.1, Art.7.4.2, Art.7.4.3)

**Art. 7.7**

Trade Facilitation Measures for Authorized Operators

**Art. 7.8**

Expedited Shipments

**Art. 7.9**

Perishable Goods (except for Art. 7.9.1, Art.7.9.2)

**Art. 8**

Border Agency Cooperation

**Art. 9**

Movement of Goods under Customs Control Intended for Import

**Art. 10.8**

Rejected Goods (except for Art. 10.8.2)

**Art. 10.9**

Temporary Admission of Goods/Inward and Outward Processing

**Art. 11**

Freedom of Transit (except for Art.11.3, Art.11.4, Art.11.5, Art.11.6, Art.11.7, Art.11.8, Art.11.10)

*Agreement between the EU and Ukraine*[*21*,](#_bookmark127) which contains a separate chapter that seeks

to enhance cooperation in customs and customs-related matters and to simplify customs requirements and formalities and prevent fraud.

Ukraine committed that its respective trade and customs legislation shall be stable and comprehensive, and that provisions and procedures shall be proportionate, transparent, predictable, non-discriminatory and impartial. In accordance with Article 76 of the Association Agreement Ukraine and the EU agreed to, *inter alia*:

1)

2)

apply a single administrative document for the purposes of customs declarations; apply modern customs techniques, including risk assessment, post clearance controls and company audit methods in order to simplify and facilitate the entry and release of goods;

without prejudice to the application of objective risk-assessment criteria, ensure the non-discriminatory application of requirements and procedures applicable to imports, exports and goods in transit;

apply the international instruments applicable in the field of customs and trade including those developed by the World Customs Organization (Framework of Standards to Secure and Facilitate Global Trade of 2005, Istanbul Convention on temporary admission of 1990, HS Convention) of 1983, the WTO (e.g. on Valuation), the UN (TIR Convention of 1975, 1982 Convention on harmonization of frontier controls of goods), as well as EC guidelines such as the Customs Blueprints;

take the necessary measures to reflect and implement the provisions of the Revised Kyoto Convention on the Simplification and Harmonization of Customs Procedures of 1973;

provide for advance binding rulings on tariff classification and rules of origin; introduce and apply simplified procedures for authorized traders according to objective and non-discriminatory criteria;

apply transparent, non-discriminatory and proportionate rules in respect of the licensing of customs brokers.

3)

4)

5)

6)

7)

8)

In addition, the Association Agreement contains provisions related to (1) the relations with business community (transparency, publication of respective notices, consultation mechanism, cooperation between operators and relevant administrations, etc.); (2) fees and charges upon customs valuation; (3) customs cooperation and mutual administrative assistance in customs matters. Moreover, Annex XV to the Chapter 5 (“Approximation of the customs legislation”) contains the list of the EU legislative acts with which the Ukrainian legislation shall be aligned within established timeframe.

To ensure the fulfillment of all stipulated arrangement Article 83 of the Association Agreement provides for the establishment of the Customs Sub-Committee. It is stated

21 The full text and annexes is available here -

<<http://eeas.europa.eu/ukraine/docs/association_agreement_ukraine_2014_en.pdf>>

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**Article 75 of the Association Agreement stipulates that “the Parties acknowledge the importance of customs and trade facilitation matters in the evolving bilateral trade environment”.**

that the function of the Customs Sub-Committee shall include regular consultations and monitoring of implementation and administration of the Chapter 5 of the Part IV of the Association Agreement, including the issues of customs cooperation, cross-border customs cooperation and management, technical assistance, rules of origin, and trade facilitation, as well as mutual administrative assistance in customs matters.

Meanwhile, Ukraine undertakes certain actions to eliminate discrepancies in the customs sphere. For instance, recently Cabinet of Ministers of Ukraine adopted a Decree No.724 dated 16.09.2015 (effective since 23.09.2015) “*On the use of indicative customs values in the risk management system*”. The State Fiscal Service of Ukraine elaborated the list of the indicative prices based on the last 6-month period data. Such indicative prices are used in the risk management system and are not obligatory minimum prices (which are prohibited by the WTO rules). Later on the State Fiscal Service issued clarifications that indicative prices are used solely to analyze, identify and evaluate the risks of submitting false information about the customs value of goods, including the incorrect determination of the customs value of goods.

Moreover, in the beginning of November 2015 the Head of Odessa Customs Office signed a Decree according to which only the first method of the customs clearance (transaction value method) shall be used for goods from 30 countries (*inter alia*, the EU, the US, Japan, Israel, etc.) upon submission of the certificate of origin. Such step is deemed as a proof of trust to business.

Therefore, the lists of obligations under the TFA and the Association Agreements are long-term. However, among short-term key priorities might be singled out the following:

1)

2)

improvement of customs risk-analysis system by using post audits results; introduction of a risk-analysis system by the veterinary, phytosanitary and other control authorities at the border similarly to those used by the customs authorities; development of the customs post audit as a trade-facilitation tool;

implementation of the Authorized Economic Operator in Ukraine; development and implementation of the “Single Window” concept.

3)

4)

5)

To ensure equitable and transparent customs procedures, a lot of painful work has to be done to eradicate corruption, bureaucracy and fraud.

***Insufficient functioning of the electronic payment system***

One of the most effective ways of marketing the product is e-commerce and sales *via* Internet. The most popular platforms for international sales are eBay and Amazon. However, Ukrainian producers cannot sale goods via these platforms due to the regulatory restrictions. Primarily, the on-line payment system *PayPal*, commonly used for purchases and sales on eBay and Amazon, does not function in Ukraine. Ukrainian customers can only make payments *via PayPal*, but not receive payments or cash them

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**Notably, the improvement of the customs procedures requires legislative amendments, institutional reforms and, most importantly, change of ‘entrepreneurial consciousness’.**

in. In fact, in case of sales of goods on eBay and Amazon Ukrainian producers cannot receive money for such transactions. Traditionally, in order to receive payments the entity must have a bank account. Each payment must be proved by a contact, invoice and act of acceptance. All revenues in foreign currency is subject to currency control and mandatory export revenue sales rule.

The National Bank of Ukraine has already undertaken certain steps to facilitate the use of electronic means of payment in Ukraine. Moreover, the National Bank of Ukraine continues to implement the action plan on implementation of the *Comprehensive Program of Ukraine's financial sector development* by 2020[22.](#_bookmark128)

Certain innovations were introduced by the National Bank of Ukraine by the Decree No.480 dated 24.07.2015 "*On amendments of some legislative acts of the National Bank of Ukraine*" and by the Decree No.481 dated 24.07.2015 "*On amendments of some legislative acts of the National Bank of Ukraine for transactions with electronic money*".

The Decree No. 480 clarified how such systems of on-line payment as *PayPal*, *ApplePay* и

*GoogleWallet* may be included in the Register of the payment systems. By the Decree No.481 the National Bank created legal conditions for on-line payments to non-resident traders and receipt of on-line payments from non-residents. Hopefully, these changes will expedite the establishment of well-known on-line payments systems on the Ukrainian market.

***Participation in Governmental Procurement***

11th

On

of November 2015 Ukraine’s accession terms to the WTO Government

Procurement Agreement (“**GPA**”) were approved. Thus, upon completion of the internal ratification procedures Ukraine will accede to this plurilateral agreement providing Ukrainian companies with a chance to access global procurement market. Currently 45 WTO members are current by the GPA (counting 28 EU member-states)[23](#_bookmark129).

For selected value-added chains access to a global procurement market is of paramount importance. However, there are certain legislative requirements that might prevent Ukrainian producers from participating in government procurement abroad.

Two main problems are VAT refund and export revenue sale rule (please see paragraphs

1.1 and 1.2 above).

Another important problem is a requirement to obtain an individual license to deposit currency on accounts abroad, which is often necessary to participate in the government procurement abroad. According to the Decree of the National Bank of Ukraine No.485 dated 14.10.2005 such individual licenses are issued by the National Bank of Ukraine. The respective request might be considered up to 25 working days. Moreover, the National Bank of Ukraine may require additional documents, which could make the procedure of obtaining the license even longer. Finally, the National Bank of Ukraine may reject the application for a license if it considers that to issue such license is simply unreasonable.

1. The text of the Program is available here - <<http://www.bank.gov.ua/doccatalog/document?id=18563297>>
2. More information about GPA can be found here -

<https://[www.wto.org/english/news\_e/news15\_e/gpro\_11nov15\_e.htm](http://www.wto.org/english/news_e/news15_e/gpro_11nov15_e.htm)>

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Another potential impediment is the need to obtain a certificate proving the absence of arrears (indebtedness) of taxes and other official payment, which might also be necessary to participate in foreign bids. Pursuant to the Decree of the Ministry of income and charges of Ukraine No. 567 dated 10.10.2013 such certificate is valid only 10 days upon issuance. Such short term of validity is unacceptable given that the bids procedures usually last longer.

In addition, according to the Decree of the National Bank of Ukraine No.597 dated 30.12.2003, to make a payment to non-resident, if the sum exceeds 50,000 euro, is conditional upon receipt of the certificate from State Enterprise National Research and Information Center for Monitoring International Commodity Markets. Such requirement seems to be abundant.

Other complications concern the term during which physical persons can stay in the territory of other state. For instance, article 101 of the Association Agreement stipulates that “the entry and temporary stay of natural persons within the Party concerned shall be for a cumulative period of not more than six months or, in the case of Luxembourg, twenty-five weeks in any twelve month period or for the duration of the contract, whichever is less”.

Therefore, the formal accession to the GPA will not automatically provide Ukrainian companies with an opportunity to access procurement market of 45 WTO Members. Only upon completion of domestic ‘homework’ such hypothetical opportunity might become a reality.

***Specific problems of textile industry***

The fieldwork discovered that textile industry of Ukraine is interested in cheaper raw materials. It was suggested that one way to make imported raw materials cheaper is to lower the import duties on raw materials. Notably, the textile industry is concerned with the import duties on leather.

Currently the hides, skins and leather are subject to the import duties established by the effective Law of Ukraine “*On Customs Tariff of Ukraine”* No. 584-VII dated 19.09.2013.The rates of the duties are different according to the origin of the products and degree of their processing. Below there are certain selected codes of the Ukrainian Classification of Goods for Foreign Economic Activities (“UCGFEA”) for leather.

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**Thus, 6-month temporary stay of contractual services suppliers may not be sufficient to perform contractual obligations. The same problem may occur with foreign contractual services suppliers performing services in Ukraine.**

**Thus, the Decree No. 567 dated 10.10.2013 should be amended.**

**Therefore, to simplify the access to global procurement market it is necessary to amend the Decree of the National Bank of Ukraine No.485.**

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**Code Title Duty rates Additional**

Preferenti Incentive Full **basic units of**

al **measure**

**4101** Raw hides and skins of bovine 0% 0% pce (including buffalo) or equine

animals (fresh, or salted, dried, limed, pickled or otherwise preserved, but not tanned, parchment-dressed or further prepared), whether or not dehaired or split.

**4102** Raw skins of sheep or lambs 0% 0% pce (fresh, or salted, dried, limed,

pickled or otherwise preserved, but not tanned, parchment dressed or further prepared), whether or not with wool on or split, other than those excluded by Note 1 (c) to this Chapter.

**4104** Tanned or crust hides and 3% 3% pce skins of bovine (including

buffalo) or equine animals, without hair on, whether or not split, but not further prepared.

**4107** Leather further prepared after 3% 3% m2 tanning or crusting, including

parchment-dressed leather, of bovine (including buffalo) or equine animals, without hair on, whether or not split, other than leather of heading 41.14.

**4114** Chamois (including 5% 5% pce/m2 combination chamois)

leather; patent leather and patent laminated leather; metallized leather.

Composition leather with a 10% 10% basis of leather or leather

fiber, in slabs, sheets or strip, whether or not in rolls; parings and other waste of leather or of composition leather, not suitable for the manufacture of leather articles; leather dust, powder and flour.

Therefore, current applied rates of import duties are relatively low. Moreover, according to the Tariff schedules of Ukraine attached to the Annex 1A of Title IV of the Association Agreement some import duty rates for hides, skins and leather shall remain the same and some shall be changed to 0% during the indicated transitional period. Hereinafter follows the representative collation of the duty rates from the Tariff schedules of Ukraine:

It is questionable whether the elimination of import duties on leather will make Ukrainian textile producers better off. The devaluation of the national currency of Ukraine made imported raw materials extremely expensive. The abolition of any import duties will lead to the decrease of budget revenues and requires consultations between the industry concerned and the Government of Ukraine.

Moreover, from 1 January 2016 Ukraine will cancel the import surcharge, which has been applied to almost all imported products since 25 February 2015 for balance of payment purposes. The cancelation of the import surcharge will make imported products cheaper.

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**CN 2008 Description Base Transitional rate period**

**4101** Raw hides and skins of bovine (including 0% 0

buffalo) or equine animals (fresh, or salted, dried, limed, pickled or otherwise preserved, but not tanned, parchment- dressed or further prepared), whether or not dehaired or split.

**4103** Other raw hides and skins (fresh, or 3% 0

salted, dried, limed, pickled or otherwise preserved, but not tanned, parchment- dressed or further prepared), whether or not dehaired or split, other than those excluded by note 1(b) or 1 (c) to this chapter:

**4104 41 51** Whole hides and skins, of a unit surface 3% 3

**00** area exceeding 28 square feet (2,6 m2)

**4107 12 99** Equine leather 3% 3

**00**

**4107 99 10** Bovine (including buffalo) leather 3% 3

**00**

**4114 10** Chamois (including combination chamois) 5% 0

leather

**4115** Composition leather with a basis of 10% 0

leather or leather fibre, in slabs, sheets or strip, whether or not in rolls; parings and other waste of leather or of composition leather, not suitable for the manufacture of leather articles; leather dust, powder and flour.

Additionally, the textile industry (as well as representatives of horticulture and vegetable growing) accentuates the need for the government to elaborate the programs of support in the form of special tax exemptions for the suppliers of raw materials, VAT cancellation for certain producers, price support and conclusion on long-term agreements, etc.

It is worth mentioning that Ukraine as a WTO member shall staunchly adhere to the *WTO Agreement on Subsidies and Countervailing Measures* (the “**SCM Agreement**”). Pursuant to SCM Art.1.1 a measure has to be a 1) financial contribution by a government or price/income support; 2) that confers a benefit and 3) is specific in order to be a subsidy covered by the SCM Agreement. Any export contingent or import substitution subsidies are prohibited. Other specific subsidies are actionable (i.e. they could be challenged in the WTO or countervailed). Article 5(c) of the SCM Agreement states that no Member should cause, through the use of any subsidy, adverse effects to the interests of other Members, for example serious prejudice to the interests of another Member. Article 6 of the SCM Agreement explains what can be considered as “serious prejudice”.

The subsidization of agricultural products is subject to separate rules. In providing domestic support to the agricultural sector, the annual amount of support shall not exceed the total aggregate measures of support (total AMS), stipulated by Section I of Part IV of the Ukraine’s Schedule (3,043.4 million UAH).

***Specific problems of horticulture and vegetable growing***

Representatives of horticulture and vegetable growing industries pointed out the problem with certification of pesticide, i.e. due to the complicated procedure of certification and state registration Ukrainian industries have limited access to pesticides and even certified in the EU additives must be registered in Ukraine.

The issues of importation, production, conservation and usage of pesticides is regulated by the Law of Ukraine *“On Pesticides and Agrochemicals”* No. 86/95-ВР dated 02.03.1995 (the **“Pesticide Law**”) and a number of other regulatory acts (the Resolutions of the Cabinet of Ministers of Ukraine).

According to Article 4 of the *Pesticide Law*, the importation of pesticides (except those for conduct of state examination and scientific research), production (with the same exception), trade in pesticides and their usage is prohibited prior to the state registration. In the version of the *Pesticide Law* prior to 12 February 2015, there was established that the state registration is a basis for conduct of certification of pesticides (Article 7, paragraph 9) and of technical facilities of usage of pesticides (Article 8, paragraph 6) for the purposes of the state registration. Moreover, pursuant to Article 10, paragraph 5, there was explicitly stated that the certification of pesticides on conformity with the requirements of state standards and other regulatory documents shall be conducted within the Ukrainian State Certification System (UkrSEPRO).

On 12 February 2015, according to the adoption of the Law of Ukraine *“On Amendments to some Legislative Acts of Ukraine Regarding Facilitation of Conditions of Doing Business (Deregulation)”* No.19-VIII dated 12.02.2015, all the mentioned provisions were excluded. Therefore, pesticides are not subject to the mandatory state certification and they may be certified voluntary.

According to the effective Law of Ukraine *“On Confirmation of Conformity”* No. 2406-III dated 17.05.2001 and the effective Decree of the Cabinet of Ministers of Ukraine *“On*

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*Standardization and Certification”* No.46-93 dated 10.05.1993 the certification in Ukraine, both voluntary and mandatory, shall be conducted by the certification bodies, authorized by the central executive state authority on standardization and certification which is the Ministry of Economic Development and Trade of Ukraine.

Pursuant to the Law of Ukraine “*On technical regulations and conformity assessment”* No. 124-VIII dated 15.01.2015, which shall come into force on 10.02.2016, the certification shall be divided into voluntary certification and certification required by the technical regulations. Such authorities, as authorized conformity assessment authorities, recognized independent organizations and accredited laboratories of producers, shall conduct both types of certification. All types of conformity assessment authorities will require accreditation and authorization by the Ministry of Economic Development and Trade of Ukraine, as the central executive body authorized to designate the conformity assessment authorities.

Another problem relates to the operation of organic products in Ukraine and price policy of organic products. The issues related to the production of organic products in Ukraine are regulated by the Law of Ukraine *“On Production and Circulation of the Organic Agricultural Products and Raw Materials”* No. 425-VII dated 03.09.2013 (the “**Organic Products Law**”). The “production of the organic products” is defined as the production without usage of chemical fertilizers, pesticides, GMO, conservants, etc. on each production phase. The “organic products” and “organic raw materials” are defined as products and raw materials obtained as a result of the certified production according to the requirements of the *Organic Products Law* (definitions provided according to Article 1 of the *Organic Products Law*). The production of organic products in Ukraine is subject to the certification and state registration.

According to Article 24 of the *Organic Products Law*, the certification is conducted as a result of the conformity assessment procedures. Upon the application of the entity on switch to the production of organic products, the certification auditor, acting pursuant to the Law of Ukraine *“On Confirmation of Conformity”* No. 2406-III dated 17.05.2001, conducts the assessment of production conformity with the requirements of the state standards and draws up the report. The conformity assessment authorities take the decision on the basis of this report whether to grant the applicant the conformity certificate or to deny the application on the basis of the exhaustive list of reasons set forth in Article 24.

Pursuant to Article 13 of the *Organic Products Law*, the producers, which obtained the conformity certificate, shall be placed into the Register of producers of organic products (raw materials). The producers, which are not placed into this register, do not have the right to produce organic products and raw materials.

Pursuant to Article 24, paragraph 7 of the *Organic Products Law*, obtaining of the conformity certificate grants the right to label the products. According to Article 29 of the *Organic Products Law* labeling and usage of the state logotype is mandatory. The state logotype must consist of the note *“organic product”* and the relevant graphic image. The usage of private logotypes is also permitted.

Pursuant to Article 29 paragraph 7, the usage of notes *“organic”, “biodynamic’, “biological”, “ecofriendly”,* other notes with prefixes *“bio-“* and *“eco-“* is prohibited. The imported organic products labeled with the mentioned notes should be marked as *“organic products”* in the Ukrainian translation.

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According to the effective Order of the Ministry of Agrarian Policy and Food of Ukraine *“On Approval of the Action Plan on Approximation of the Legislation of Ukraine with the Law of European Union in Agricultural Sector”* No. 15 dated 19.01.2015, the adoption of the new version of the Law shall be provided until December 2017.

Additionally, in September 2015, the new Law on Food Safety entered into force (No.1602

– VII effective from 20.09.2015). It is based on the principle “from farm to fork” and introduces all basic EU standards applicable to the cycle of production, processing and distribution of agricultural food (e.g., the principles of HACCP, responsibility of business operators, traceability).

Therefore, the legislation of Ukraine contains a detailed provisions related to the production and marketing of the organic products. However, there are no state programs of price policy support for the organic products. Therefore, it is highly important to incentivize producers to use organic raw materials for production and conclude long-term contracts. Given the existed legislative framework, such incentives might be provided by the Government of Ukraine upon elaboration of the respective support programs. Meanwhile, such programs should be elaborated given the existing provisions of the GATT and SCM Agreement, as the price support might constitute a subsidy. Article XVI of GATT 1994 regards a subsidy as any form of income or price support, which operates directly or indirectly to increase exports of any product from, or to reduce imports of any product into country’s territory. In *China-GOES* the panel found that the term “price support” only captures government measures that set or target a given price[24](#_bookmark130). Price support includes direct government intervention in the market with the design to fix the price of a good at a particular level[25](#_bookmark131). Therefore, any governmental programs should be designed carefully given the existing WTO obligations of Ukraine.

***Export Promotion and harmonization of legislation***

Despite favorable natural resources, Ukraine does not fully take advantage of its agricultural and industrial potential. In order to promote exports of Ukrainian products (including selected value-added chains) the following steps should be undertaken:





Elaboration of the national export strategy;

Deregulation and delegation of certain state functions to self-regulated organizations (e.g., monitoring the quality and safety of certain agricultural products);

Cancelation or simplification of export revenue sale rule; Improvement of the existing VAT refund procedures for exporters;

Amendment of the domestic legislation of Ukraine to ensure the access to global procurement market upon Ukraine’s accession to the GPA;

Eradication of corruption and other irregularities in the practice of customs authorities of Ukraine;

Elaboration of the support programs within the framework of the WTO obligations of Ukraine (including consultations concerning the temporary elimination of import duties on certain raw materials);

Harmonization of the Ukrainian legislation with the European standards.





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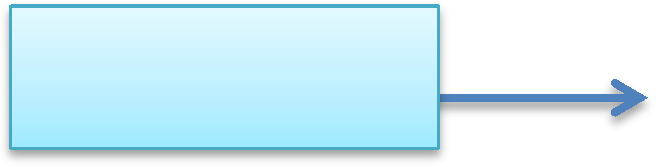
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24 See Panel Report, *China — Countervailing and Anti-Dumping Duties on Grain Oriented Flat-rolled Electrical Steel from the United States*, para. 7.84.

25 Ibid., para. 7.85.

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Notably, as of 1 January 2016, the Association Agreement between the EU and Ukraine will finally take effect. Besides the tariff reduction, the Association Agreement provides for a roadmap on vitally needed domestic reforms that have to be implemented in order to ensure security, stability and prosperity of Ukraine. In the scopes of economic dimension, the Association Agreement envisages a sharp timescale for approximation of legal environment towards modernizing the economy and improvement of investment climate in Ukraine.

The Association Agreement implementation requires for the transformation in such sectors as customs cooperation and trade facilitation; rules of origin; trade relations in the energy sector, establishment and investment of services, recognition, capital movements and payments; competition policy; IP rights, government procurement, trade and sustainable development, transparency, dispute settlement, etc. Effective *Deep and Comprehensive Free Trade Area* between Ukraine and the EU (“**DCFTA**”) will change the ordinary business patterns of exporting and non-exporting enterprises. The Association Agreement concerns all and sundry. Thus, its effect will be pertinent also for enterprises not engaged in export activities.

Changes of regulatory environment for exporting domestic producers

Changes of regulatory environment for non- exporting domestic producers

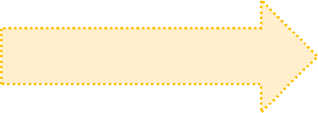
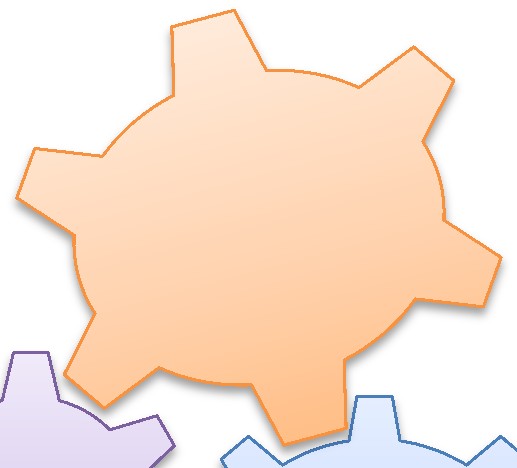
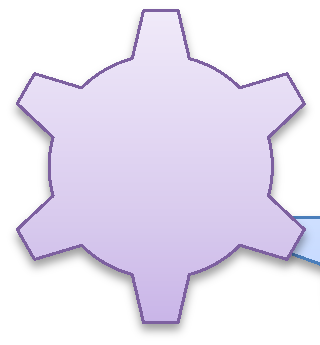
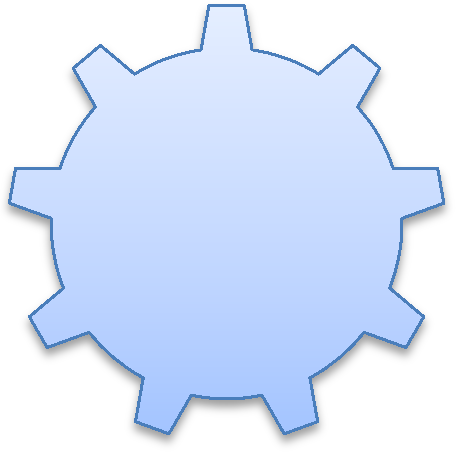
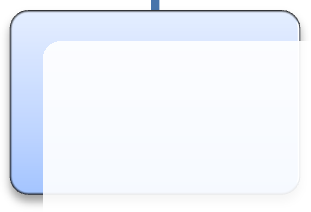
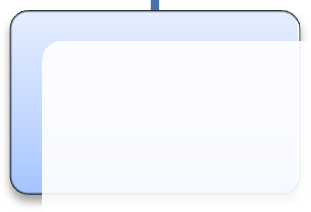
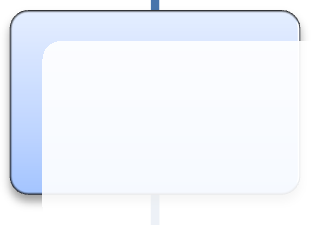
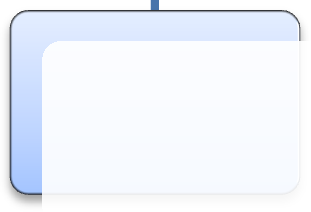
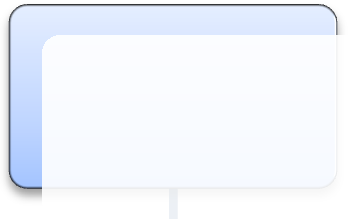
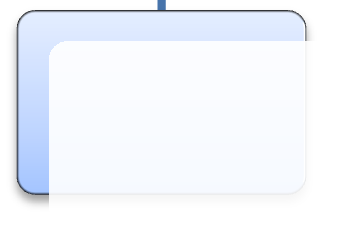
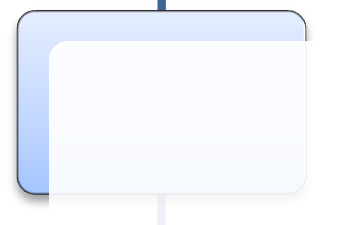
**DCFTA**

01.01.2016

The main problem, which closes the EU markets to the majority of Ukrainian industrial and agricultural goods, is non-tariff barriers. This issue is of paramount importance for the elected value-added chains.

In this respect, DCFTA provides for a completely new approach towards the technical regulations (“**TBT**”) and sanitary and phytosanitary measures (“ **SPS**”). This new approach has to ensure the appropriate level of consumers’ protection without placing the excessive regulatory burden on business. It is important to note that new regulatory environment in TBT and SPS realms will affect not only exporters but also all domestic producers. Upon completion of the process of legislative alignment, all products will have to be produced according to new rules irrespective of their final destination (domestic or foreign market).

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**Import of Ukrainian goods to the EU**

**Autonomous Trade Preferences**

*(certificate EUR.1)*

**General System of Preferences**

*(certificate A)*

**Import duties elimination for majority of industrial and agricultural products**

**Import duties elimination for majority of industrial and agricultural products**

**Tariff quotas for agricultural products**

'First come, first served' basis

Import licensing procedures

In this respect the list of the EU TBT and SPS legislation to be adopted by Ukraine is defined in Annexes III-V to the Association Agreement. In particular, after the Association Agreement enters into force, the EU and Ukraine shall add an *Agreement on Conformity Assessment and Acceptance of Industrial Products* (ACAA) as a Protocol to the Association Agreement. The ACAA is a type of a bilateral Mutual Recognition Agreement that will aim to align the legislative system and infrastructure of Ukraine with those of the EU and provide the Ukrainian industries an easier access to conformity assessment. As to the SPS regime, not later than three months after the entry into force of the Association Agreement, Ukraine shall submit to the SPS Sub-Committee a

comprehensive strategy for the implementation of the SPS regulation.

Thus, the standards,

Association Agreement calls for the introduction of the comprehensive applicable through the whole food supply chain “from farm to fork”.

SPS

**Environmental requirements**

**Industrial products**

**TBT**

**SPS**

**Agricultural products**

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The timescale in which the domestic laws have to be approximated was outlined in the Action Plan for the Implementation of the Association Agreement for 2014-2017 approved by the Regulation of the Cabinet of Ministers of Ukraine No.847 dated 17 September 2014.

**6.2** **Export of Ukrainian Products to the EU: Institutional Framework**

Both desk research and field study of the issue provide with the following structure of institutional framework for export promotion, which is common for all the selected value chains:

1.

Ministry for Foreign Affairs of Ukraine (MFA) – Council of Exporters at the MFA - economic units within the diplomatic missions of Ukraine abroad.

Ministry for Economic Development and Trade (MEDT) – Council of Exporters at the MEDT – bilateral intergovernmental commissions – bilateral business councils – trade representations abroad (pending on approval of the President of Ukraine, are expected in early 2016) – SE “Derzhzovnishinform”.

Ukrainian Chamber of Commerce and Industry (national level) and regional Chambers of Commerce and Industries (regional level).

Departments for External Economic Activities of Regional State Administrations (regional level).

Customs Service and its regional and local branches. Export Credit Agency (perspective institutional set up). Mission of the European Union in Ukraine.

EU Import Promotion Institutions.

Other donors, which support export promotion in Ukraine (USAID, World Bank).

2.

3.

4.

5.

6.

7.

8.

9.

10. Profile Industry Associations.

Main problem with the given structure is that it is not a hierarchical one, but rather loose. Each of the institution performs it role quite autonomously with some overlapping of the functions by the ministries.

**6.2.1 Description**

**of**

**major**

**functions**

**of**

**the**

**listed**

**institutions,**

**responsible for export promotion in Ukraine and their practical role**

***1.***

***Ministry of Foreign Affairs of Ukraine (MFA) – Council of Exporters at the MFA - economic units within the diplomatic missions of Ukraine abroad***

Under current Ukrainian legislation MFA plays a pivotal role in export promotion of Ukraine. The Ministry enjoys a leading coordination role in external relations (economic and trade relations included) and participates in implementation of foreign economic policy of Ukraine. In year 2010 trade and economic missions of Ukraine (governmental foreign representation offices for external economic activity of Ukraine, which fell under the competence of the Ministry for Economic Development and Trade) were abolished. Instead, economic units of diplomatic missions of Ukraine abroad were enriched with the personnel of trade and economic missions, who stayed there by the end of their posting abroad. With a view of strict limits on spending of state budget of Ukraine, there have been a number of non-replacements of rotated

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diplomats and specialists within diplomatic missions. A lot of them have been taken at the expense of the then personnel of trade and economic missions. As a result nowadays there is a significant shortage of economic specialists in diplomatic missions abroad, who could deal with export promotion.

Moreover, given the nature of diplomatic work, there are strict limitations under Vienna Convention of 1961 for commercial activities of the staff of diplomatic missions. Therefore, this institutional element has very narrow scope of possible involvement into commercial activity and export promotion of Ukrainian companies abroad, limited to predominantly informative functions on general opportunities for export, inter alia international trade shows and exhibitions.

The MFA has also established a Council of Exporters, which includes major exporting companies of Ukraine. The Council sits regularly (every 4-6 months) and discusses problems, which impede exports. However the nature of that institution is more of recommendatory character. It issues recommended actions but has limited opportunity to influence export policy at a governmental level.

***2.***

***Ministry for Economic Development and Trade (MEDT) – Council of Exporters at the MEDT – bilateral intergovernmental commissions – bilateral business councils – trade representations abroad (pending on approval of the President of Ukraine are expected in early 2016) – SE “Derzhzovnishinform”***

In comparison to the MFA the MEDT has more competence in defining external economic policy. According to the definition of its functions the MEDT is responsible for formulation and actual implementation of external economic policy.

On the other hand, with the abolition of trade and economic missions in 2010, the MEDT has lost their instrument to perform these functions abroad. Current level of cooperation between the MFA and the MEDT is rather insufficient and should be substantially improved.

In November 2014 the Government of Ukraine introduced a position of Trade Representative of Ukraine - Deputy Minister for Economy and Trade. Establishment of this position has helped the foreign trade and economic policy of Ukraine to be better articulated at a governmental level. Yet, an absence of mechanisms to execute respective MEDT decisions abroad substantially limits the efficiency of MEDT in that sphere.

In November 2015 the Prime-Minister of Ukraine called for an establishment of governmental trade representation offices (TRO) abroad, which would fall under the auspices of the MEDT. It is expected that first 7 such TROs should be set up in the nearest future in the countries and regions of most active and perspective export activity of Ukraine. Brussels (as EU capital) is also listed there. It is expected that such TROs should be dealing with issues of commercial diplomacy and export promotion, thus, effectively overcoming shortages of similar activity performed by the economic units of diplomatic missions. However, the decision is still pending on the position of the President of Ukraine.

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In early 2015 the MEDT has also set up a respective Council of Exporters, which slightly varies in its composition from the similar structure of the MFA. Issues that MEDT brings forward to its Council of Exporters are of more applied nature (in comparison to those of the MFA). However, its decisions reflect the same custom of recommendations and, therefore, have limited effect onto general policy of export promotion.

The MEDT has also another two types of instruments of export promotion in its arsenal. These are – intergovernmental economic commissions (IEC) and bilateral business councils (BBC). IECs and BBCs are established with almost all the partner- countries of Ukraine. They should meet every 4-6 months and discuss trade and economic issues of bilateral interest. Ukrainian delegations for these events usually are comprised of both officials and businessmen (existing or potential exporters to a country). Meanwhile, given strict state budget limitations for 2014-2015, these types of export promotion activities have been substantially reduced in Ukraine, with some of IEC and BBC being frozen.

Yet, real practical export promotion effect from IEC and BBC activities has been minor, according to assessment of business, which participated in these formats. IEC and BBC meetings have been rather of official protocol nature with small practical component. Real problems of export activity had been rarely discussed in practical terms there and the business had minor influence over an agenda and conclusive documents of such meetings.

The MEDT is also responsible for facilitating participation of Ukrainian companies in international trade shows and exhibitions. Yet, for the same reason of limited state budget spending on these types of activities, this particular instrument of export promotion is substantially under-used for the time being.

One of the strengths of the MEDT is quite good general informative component on export opportunities. Its structural unit – state enterprise “Derzhzovnishinform” - provides with general overview of markets and trends in export-import activity. It also produces market analysis and research on certain product lines (both, as general papers and individual research made upon request). On the other hand, this information is not sufficient enough for a Ukrainian company to design a proper market penetration strategy.

***3.***

***Ukrainian Chamber of Commerce and Industry (national level) and regional Chambers of Commerce and Industries (regional level)***

Ukrainian Chamber of Commerce and Industry (UCCI) is another institution, which is aimed at facilitation of export activity of the Ukrainian companies. UCCI has rather developed structure of regional representation in Ukraine (each oblast’/region has its own chamber of commerce and industry (RCCI)). It also has a number of individual representatives of UCCI abroad, which are not properly institutionalized, but rather formally presented by physical persons.

Despite quiet wide scope of competence on export promotion, UCCI has limited budget available to perform these functions effectively. Membership in UCCI is not

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compulsory for the Ukrainian companies, so that many of them (predominantly, large business) do not participate in UCCI. Major clients of UCCI and RCCI are SMEs, who are widely using information on international exhibition and trade shows, as well as participate in different seminars and other education programs on export development.

On the other hand, UCCI and RCCIs are rather weak in proper expertise on certain export markets and could hardly be seen as solid source for initial market analysis in order to design a proper market penetration strategy for a company.

***4.***

***Departments***

***for***

***External***

***Economic***

***Activities***

***of***

***Regional***

***State***

***Administrations (regional level)***

Problem with this type of institutional component for export promotion is that the structure and functions are not unified among the regional state administrations in Ukraine. In some regions (f.e. L’vivska oblast’) there is a special Department of External Economic Activity, which covers both issues of export promotion and foreign investments. In others (for instance, Vynnytskaya oblast’) there is a general Department on Commerce and Pricing, which also covers export/import activity, but this element is rather under-developed there.

In most cases, companies turn to these structures in order to get a letter on visa support, if they travel on business abroad, then for real assistance in export promotion.

***5.***

***Customs Service and its regional and local branches***

Custom Service of Ukraine is placed here within the institutional structure of export, because it is an important element for facilitating export activity. By its nature, this institution has nothing to do with export promotion, but rather with streamlining and simplifying administrative procedures for goods and services once they cross the border of Ukraine.

Yet, at present time, the activity of this institution and its regional and local branches creates rather more obstacles for Ukrainian export than facilitates it (a more detailed description of imperfections of modern customs services in Ukraine is given in Chapter on Regulatory Framework).

***6.***

***Export Credit Agency (perspective institutional set up)***

Perspective establishment of an export credit agency (ECA) in Ukraine is considered as an effective tool to stimulate export activity in Ukraine, especially those of SMEs. According to assessments of PriceWaterhouseCoopers Ltd, it is expected that upon setting up of the ECA in Ukraine, export activity will raise on 1,27%.

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In November 2015 a draft law on ECA was passed in first reading. It is expected that all necessary legislative procedures will have been completed by early 2016 and the Agency will eventually be set up in first half of 2016.

***7.***

***Mission of the European Union in Ukraine***

This institution is considered as one, which indirectly, but could stimulate export activity of Ukrainian companies to the EU. It performs informative, consultative and educational functions for Ukrainian companies, providing them with the information on general EU practices, rules and requirements.

On the other hand, Ukrainian companies find this information of a very general nature, which does not help them to design a clear cut strategy of market penetration and to find proper business-partner in EU. Suggested EU web-sites are considered as being quiet clumsy and non-friendly to user. Moreover, absence of respective information in Ukrainian or Russian language makes it much more difficult for Ukrainian companies to use respective EU web-resources.

***8.***

***EU Import Promotion Institutions***

Most of Ukrainian companies do not know anything about activities of EU Import Promotion Institutions, which operate in Ukraine. Consequently, there has been minor knowledge about opportunities to enter EU market with the help of these instruments.

In best cases, economic and commercial missions of some EU member-states (or

linked to them bilateral chambers of commerce) are quiet noticeably presented Ukraine and therefore, efficient in facilitating trade promotion (e.g. Bureau Delegate of German Economy in Ukraine). Yet, their activity is under-sufficient

in of in

terms of proper promotion of EU market opportunities for Ukrainian companies on a large scale.

***9.***

***Other donors, which support export promotion in Ukraine (USAID, World Bank)***

There are a number of international donor institutions and technical assistance offices of European countries in Ukraine, which have some running projects on export promotion. For instance, as part of the long-standing Export Development Project, the World Bank, working through local banks, provides long-term foreign currency financing to Ukrainian exporters, which is especially important during times of financial crisis.

There are a few other sectoral projects aimed at export facilitation (e.g. project of ecology-friendly diary products of Ukraine for Swiss market, supported by Swiss Cooperation Bureau in Ukraine). Yet, these projects of applied nature are very limited in numbers.

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Most of trade promotion technical assistance projects in Ukraine aimed at policy development at a national level (alike current USAID-WNISEF project on National Export Strategy of Ukraine or previous SIDA projects on WTO and trade liberalization).

It has been identified that there is a substantial demand from the Ukrainian companies (especially SMEs) for more applied practical technical assistance projects on export promotion.

***10.Profile Industry Associations***

It has been discovered during the field study that professional industry associations in the selected 5 value chains play minor role in assisting profile companies in their export promotion. Being institutionally weak, these industry associations are pre- dominantly non-attractive for the companies to join, as they cannot provide with explicit value added from their membership. As an illustration, in Association of Footwear Industry there are just around 20 members, while the industry is represented by more than 1500 enterprises.

In most cases individual companies are not interested to join industry associations, sticking to the principle of “autonomous self-existence”. They openly admit that they do not see any use in joining such associations and prefer to act on their own.

On the other hand, during discussions over the first draft of this report the companies have expressed their interest in getting united into respective associations, which could be efficient and pro-active in promoting their good at the EU market. They admitted they are lacking proper institutional and administrative knowledge, but would be keen to get educated and would welcome repetive assistance from the profile EU institutions.

On a broader scale of different industries in Ukraine and their respective associations we may conclude that their BSOs are in most cases of purely nominal nature or they have been established in order to serve interests of particular company(ies), which take a lead in activities of these associations.

**6.2.2 Specific problem in Ukrainian export legacy**

The study has revealed the following typical challenges, which affect strong performance of Ukrainian companies, while undertaking their export activities.

1.2.1 Reliance on state and public institutions of export promotion as onto main actors, responsible for efficient export positioning of Ukrainian companies abroad;

1.2.2. Low personal responsibility of companies, who want to export, for their proper export strategy

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It was customized in soviet Ukraine that state and government were in charge of all export-import activity of the country, providing with proper institutional support. For 24 years of Ukraine’s independence quiet large number of companies (especially, SMEs in regions and rural areas) still have not developed strong perception that they themselves are in charge of their export strategy and should act rather independently, without relying on governmental bodies to do major part of export promotion on their behalf.

This explains certain inertia in approach of quite a lot of SMEs, which would potentially like to do export activity, but do not know from where to start. This is equally true for a number of those companies, who do export, but would like to raise proportion of their export in total sales. Such companies often complain on scarce information resources and low activity of the governmental institutions to support them. The problem lies, however, in differences in perception of major functions of governmental and public institutions in export promotion. Most of the companies would like to have not general, but tailor made information on potential export markets with proper analysis of marketing and recommendations for export development strategy in the interested field or with regard to a potentially interesting country or region. Moreover, they would often expect such services to be provided by the government on a pro-bono basis. They could hardly accept the idea that governmental and public institutions are not designed to do that, as these services are of commercial nature; or, at least, that these services should be paid for at a market competitive price.

The mentioned above approach is also responsible for low practical interest of a number of companies to look into opportunities suggested by the UA-EU DC FTA. Major excuse, which the companies have, refers to a statement that “nobody expects us there” or “we are not able to perform at EU market competitively”. For some product lines this could be true, but false for the other. At least, we can qualify their approach as “passive” rather than “pro-active”.

An important thing, which is needed, is to change the described negative paradigm of thinking of Ukrainian companies, wishing to enhance their export activity, especially onto the EU market.

However, during the discussions of the first draft of the report, some of the companies expressed their firm resolution to go ahead with their export activity despite minor support from the government and BSOs. Their major statement was “please,do not create obstacles; let us do our job by ourselves”. It should be noed, however, that proportion of the companies with similar approach is quite low, but increasing.

**6.2.3 Main**

**problems**

**that**

**Ukrainian**

**exporters**

**experience**

**while**

**accessing EU markets**

Research on all the five selected value chains, as well as more broad study of SMEs, who export or are potentially interested to export, revealed certain common problems, which affect their export performance. These could be grouped into the following main categories:

***1) Adequate self-presentation of a company***

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* Language barrier (a lot of companies experience difficulties in foreign languages, even with English);
* Proper presentation of their product lines, including proper web-sites in English.

***2)***

***Financial means to support export promotion***

* Lack of funding to undertake trade-missions and to participate in international trade-shows;
* Absence of instruments for financial support (affordable credits, insurance and guarantees to export contracts).

***3)***

***Information asymmetry***

* Information access to main counterparts in the EU;
* Lack of knowledge of EU regulations and standards;
* Absence of information on existing market niches in the EU;
* No clear vision of an algorithm on how to enter EU market.

***4)***

***Regulatory constraints***

* Value-added tax (“VAT”) refund;
* Export revenue sale rule;
* Deficiencies of customs procedures.

***5)***

***Policy component***

* Lack of coherent export strategy on national level and on industry level, which would help to identify a priority list of product lines and perspective markets.

It can be seen from the list above, that categories 2).-3). could be partially solved with the help of respective institutions, both Ukrainian and foreign.

Problems of category 1). could also be partially solvable with the help of respective training programs and coaching (possibly, via targeted technical assistance projects).

Categories 4).-5). fall under direct responsibility of Ukrainian authorities and require respective regulatory changes.

It should be noted that in significant number of cases Ukrainian companies tend to blame Ukrainian governmental institutions for the failure to provide them with proper services to support their export activity (a narrative for that is partially explained in sub-Section 1.2).

The main problem identified by Ukrainian companies with regard to efficiency of the institutions of export promotion in Ukraine relates to low practical assistance in finding new markets and customers.

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**6.2.4 Perspective Instruments to Facilitate Export Promotion in Ukraine**

**(non-regulatory component)**

Interviews undertaken for the research have identified the following instruments, which are considered to be effective tools for the immediate and short-term perspective of export promotion of Ukrainian goods to the EU**:**

**I.Web-resources**

1)

User-friendly and simple EU-UA AA portal (interactive web-site) with an option of commercial enquiry point;

Modernized and enriched web-site of “Derzhzovnishinform”; Modernized and user-friendly MEDT web-site on export opportunities; Development of e-commerce and international trade via Internet.

2)

3)

4)

**II. Activities**

1)

2)

3)

4)

5)

Sponsored participation in trade shows and international trade fairs; Sectoral or industry trade missions of Ukrainian companies abroad; Sectoral or industry investment missions to Ukraine;

Assistance in obtaining EU certification for Ukrainian goods;

Assistance in setting up pro-active Industry Associations to promote exports to the EU.

**III. Educational and training programs**

1)

“Consultant” and coaching missions to Ukraine (sectoral or industry consultants on EU market opportunities for Ukrainian companies);

Educational seminars, which encourage direct B2B contacts with EU partners; Educational seminars on “step-by-step” EU market penetration strategy; Educational seminars on proper international self-presentation of a company.

2)

3)

4)

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**APPENDIXES**

**Appendix 1**

**Ukrainian import of fresh fruits and vegetables**

Fresh fruits and vegetables imports from EU/EFTA amounted to approximately 45.0% of the total value of Ukrainian imports in 2014. Other key exporter was Asia (87.8 mln. EUR or 44.0%). Together, these regions account for almost 89% of imports.

In 2010-2014 there was the significant import increase from Asia and EU/EFTA (CAGR 7.6% and 3.2% respectively), while import from CIS and Russia decreased (CAGR 12.0% and 21.5% respectively).

In value terms, the largest increase occurred from Asia (+22 mln. EUR) and EU/EFTA (+11 mln. EUR).

**Table 1.1**

**Ukraine’s import of fresh fruits and vegetables by main destinations in 2010- 2014\***

*Source: State Statistic Service of Ukraine*

*\* - excluding apples, pears and tropical fruits*

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**Indicator**

**Region**

**2010**

**2011**

**2012**

**2013**

**2014**

**CAGR, %**

Value, 000 Euro

EU/EFTA

79 195

69 654

126 256

91 313

89 887

3,2%

Asia

65 500

60 168

112 065

122 920

87 838

7,6%

CIS

11 386

7 806

18 880

19 587

6 813

-12,0%

Other

7 987

4 852

11 085

14 673

7 367

-2,0%

Africa

6 453

6 819

4 892

6 064

4 713

-7,6%

America

1 886

2 018

3 905

4 973

2 866

11,0%

Russia

256

133

44

46

97

-21,5%

**TOTAL**

**172 661**

**151 451**

**277 127**

**259 576**

**199 582**

**3,7%**

Weight, tons

EU/EFTA

144 328

129 920

130 394

87 785

127 733

-3,0%

Asia

108 835

126 277

112 154

112 685

97 629

-2,7%

CIS

24 860

14 685

16 663

17 550

7 516

-25,8%

Other

19 782

11 169

11 518

14 869

9 770

-16,2%

Africa

19 745

18 775

4 886

5 956

6 938

-23,0%

America

2 008

2 653

3 414

3 763

2 177

2,0%

Russia

1 185

298

20

81

322

-27,8%

**TOTAL**

**320 743**

**303 778**

**279 049**

**242 690**

**252 085**

**-5,8%**

**Asia 87,8**

**44,0%**

**0**

**Russia**

**America**

**1**

**CIS 6,8**

**3,4%**

**Other 7,4**

**3,7%**

**Africa 4,7**

**2,4%**

**America 2,9**

**1,4%**

**-2**

**Africa**

**-1**

**Other**

**-5**

**CIS**

**22**

**Asia**

**EU/EFT A**

**89,9**

**45,0%**

**EU/EFTA**

**Russia 0,1**

**0,0%**

**11**

-10

0

10

20 30

**Figure 1.1- Ukrainian import of fresh fruits and vegetables in 2014, mln. EUR**

**Figure**

**1.2–**

**Increase of Ukrainian**

**import of fresh fruits and vegetables in 2010-2014, mln. EUR**

The main export product groups

are tomatoes (41.5 mln. EUR or 20.9% in

2014), tree and bush fruits (33.4 mln. EUR or 16.7%), nectarines (32.1 mln. EUR

or

of

16.1%) and grapes (21.5 mln.

imports.

EUR or 10.8%) which in 2014 accounted for

65%

**Onions 13,8**

**6,9%**

**Leafy or stem vegetables 13,7**

**6,9%**

**Chillies and peppers, green 12,3**

**6,2%**

**Grapes 21,5**

**10,8%**

**other fruit-bearing vegetables**

**13,6**

**6,8%**

**Nectarines 32,1**

**16,1%**

**Others 17,3**

**8,7%**

**Other tree and bush fruits n.e.c.**

**33,4**

**16,7%**

**Tomatoes 41,8**

**20,9%**

**Figure 1.3- Ukrainian import of fresh fruits and vegetables by main product groups in 2014, mln. EUR**

In 2010-2014 there was a significant exports increase of a majority of product

groups (the largest in the sector of leafy or stem vegetables and fruit-bearing

265

vegetables- CAGR 10.4% and 9.4% respectively), while the CAGR of mushrooms

melons decreased (-68.1% and -16.9% respectively).

and

**Table 1.2**

**Ukraine’s import of fresh fruits and vegetables by main product groups in 2010- 2014\***

266

**Indica tor**

**Region**

**2010**

**2011**

**2012**

**2013**

**2014**

**CAGR,**

**%**

Value, 000

Euro

Other fruit-bearing vegetables

45 685

45 788

77 352

93 081

65 443

9,4%

Stone fruits

33 259

25 399

72 391

35 037

36 673

2,5%

Other tree and bush fruits n.e.c.

24 099

23 037

56 206

63 001

33 408

8,5%

Root, bulb or tuberous vegetables

23 217

13 784

6 428

9 256

17 430

-6,9%

Grapes

28 105

20 384

46 846

36 708

21 529

-6,4%

Leafy or stem vegetables

9 246

10 032

9 569

14 961

13 713

10,4%

Potatoes and other edible roots and tubers with high starch or inulin content

6 663

11 269

4 603

3 800

9 317

8,7%

Berries and the fruits of the genus vaccinium

1 125

1 006

2 590

2 186

999

-2,9%

Vegetables, fresh, n.e.c.

255

489

722

1 114

857

35,5%

Melons

415

208

357

419

198

-16,9%

Mushrooms and truffles

580

44

62

9

6

-68,1%

Green leguminous vegetables

12

12

1

2

10

-5,4%

Total

172 661

151 451

277 127

259 576

199 582

3,7%

Weight

, tons

Other fruit-bearing vegetables

71 861

82 044

75 126

80 760

68 485

-1,2%

Stone fruits

42 971

46 465

84 415

42 410

48 181

2,9%

Other tree and bush fruits n.e.c.

34 264

39 660

46 137

50 374

28 543

-4,5%

Root, bulb or tuberous vegetables

82 118

46 382

9 982

12 908

39 388

-16,8%

Grapes

38 849

39 134

43 900

33 808

24 143

-11,2%

Leafy or stem vegetables

28 672

24 526

10 840

14 953

20 056

-8,5%

Potatoes and other edible roots and tubers with high starch or inulin content

19 404

23 847

6 272

5 180

21 840

3,0%

Berries and the

809

795

1 386

1 145

566

-8,5%

*Source: State Statistic Service of Ukraine*

*\* - excluding apples, pears and tropical fruits*

**Grapes 21,5**

**10,8%**

**Root, bulb or tuberous vegetables 17,4**

**8,7%**

**Other tree and bush fruits n.e.c.**

**33,4**

**16,7%**

**Leafy or stem vegetables 13,7**

**6,9%**

**Stone fruits 36,7**

**18,4%**

**Potatoes 9,3**

**4,7%**

**Other 2,1**

**1,0%**

**Other fruit-bearing vegetables**

**65,4**

**32,8%**

**Figure 1.4- Ukrainian import of fresh fruits and vegetables by main product groups in 2014, mln. EUR**

267

**Indica tor**

**Region**

**2010**

**2011**

**2012**

**2013**

**2014**

**CAGR,**

**%**

fruits of the genus vaccinium

Vegetables, fresh, n.e.c.

271

545

585

833

655

24,7%

Melons

562

320

341

315

221

-20,8%

Mushrooms and truffles

946

50

64

3

2

-79,1%

Green leguminous vegetables

15

10

1

2

5

-22,8%

Total

320 743

303 778

279 049

242 690

252 085

-5,8%

**Table 1.3**

**Ukraine’s import of fresh fruits and vegetables by main product groups and commodity items in 2010-2014\***

268

**Indicator**

**Group**

**Commodity item**

**CAGR in 2010-**

**2014**

**2014**

**TOTAL**

**EU/ EFTA**

**Russia**

**CIS**

**Asia**

**Africa**

**America**

**Other**

Value, 000 Euro

Other fruit- bearing vegetables

Tomatoes

8,8%

**41 811**

7 770

33 414

613

0

14

Cucumbers and gherkins

5,3%

**10 005**

329

9 668

0

8

Chillies and peppers, green (only capsicum)

15,8%

**12 289**

6 842

5 433

14

0

Eggplants (aubergines)

11,4%

**1 337**

1 097

234

7

Total

9,4%

**65 443**

16 037

48 749

634

0

22

Stone fruits

Nectarines

2,6%

**32 142**

29 432

282

708

2

3

1 716

Apricots

-0,9%

**1 990**

1 310

242

1

437

Sloes

4,3%

**2 221**

1 834

292

13

47

2

32

Cherries

4,9%

**319**

270

32

7

11

Total

2,5%

**36 673**

32 845

574

996

50

13

2 196

Other tree and bush fruits n.e.c.

Other tree and bush fruits n.e.c.

8,5%

**33 408**

12 849

5 328

13 058

373

710

1 091

Root, bulb or tuberous vegetables

Onions

2,6%

**13 770**

8 551

3

16

3 316

1 861

11

12

Garlic

-10,1%

**2 801**

73

2 657

71

0

Carrots and turnips

-50,9%

**260**

167

93

0

0

Other root, bulb or tuberous vegetables (without high starch or inulin content)

-30,1%

**442**

174

267

1

Leeks and other alliaceous vegetables

-3,2%

**156**

151

5

0

Total

-6,9%

**17 430**

9 116

3

16

6 338

1 934

11

12

Grapes

Other grapes, fresh

-6,4%

**21 529**

2 910

525

15 224

925

1 921

24

Total

-6,4%

**21 529**

2 910

525

15 224

925

1 921

24

Leafy or stem vegetables

Cabbages

-7,5%

**3 240**

1 231

14

1

1 995

Artichokes

21,8%

**5 097**

666

306

2 120

13

2

1 992

Lettuce

20,1%

**3 210**

3 205

3

1

Cauliflowers and broccoli

15,7%

**1 597**

1 571

25

1

269

**Indicator**

**Group**

**Commodity item**

**CAGR in 2010-**

**2014**

**2014**

**TOTAL**

**EU/ EFTA**

**Russia**

**CIS**

**Asia**

**Africa**

**America**

**Other**

Chicory

117,0%

**340**

340

0

Asparagus

-0,3%

**60**

3

5

52

Spinach

158,5%

**167**

167

Total

10,4%

**13 713**

7 184

14

309

2 151

13

54

3 988

Potatoes and other edible roots and tubers with high starch or inulin content

Potatoes

8,8%

**9 317**

7 420

80

15

1 018

744

4

35

Sweet potatoes

-0,7%

**0**

0

0

Other edible roots and tubers with high starch or inulin content

-100,0%

Total

8,7%

**9 317**

7 420

80

15

1 018

744

4

35

Berries and the fruits of the genus vaccinium

Strawberries

-5,8%

**779**

699

44

33

2

Raspberries

-2,3%

**87**

46

3

38

Other berries, the fruits of the genus vaccinium n.e.c.

34,0%

**133**

100

3

31

Total

-2,9%

**999**

845

44

39

71

Vegetables, fresh, n.e.c.

Vegetables, fresh, n.e.c.

35,5%

**857**

644

213

Total

35,5%

**857**

644

213

Melons

Watermelons

-24,8%

**74**

11

37

0

25

Other melons

-9,2%

**124**

15

46

5

1

56

Total

-16,9%

**198**

27

46

43

1

81

Mushrooms and truffles

Mushrooms and truffles

-68,1%

**6**

3

3

Total

-68,1%

**6**

3

3

Green leguminous vegetables

Beans, green

-33,0%

**1**

1

0

0

Peas, green

7,2%

**8**

6

0

2

Other green leguminous vegetables

-

**0**

0

Total

-5,4%

**10**

6

1

1

2

TOTAL

3,7

%

**199 582**

89 887

97

6 813

87 838

4 713

2 866

7 367

270

**Indicator**

**Group**

**Commodity item**

**CAGR in 2010-**

**2014**

**2014**

**TOTAL**

**EU/ EFTA**

**Russia**

**CIS**

**Asia**

**Africa**

**America**

**Other**

Weight, tons

Other fruit- bearing vegetables

Tomatoes

-1,4%

**45 435**

7 607

37 254

556

0

17

Cucumbers and gherkins

-6,4%

**10 830**

350

10 472

0

8

Chillies and peppers, green (only capsicum)

7,0%

**11 063**

6 057

4 994

12

0

Eggplants (aubergines)

0,1%

**1 157**

944

213

0

Total

-1,2%

**68 485**

14 958

52 933

569

0

25

Stone fruits

Nectarines

2,4%

**41 984**

38 282

385

1 035

2

4

2 276

Apricots

-1,4%

**2 582**

1 638

362

1

581

Sloes

14,4%

**2 928**

2 387

423

19

55

3

41

Cherries

23,8%

**686**

640

31

6

9

Total

2,9%

**48 181**

42 947

808

1 447

58

14

2 908

Other tree and bush fruits n.e.c.

Other tree and bush fruits n.e.c.

-4,5%

**28 543**

10 033

5 625

10 380

281

478

1 745

Total

-4,5%

**28 543**

10 033

5 625

10 380

281

478

1 745

Root, bulb or tuberous vegetables

Onions

-5,5%

**33 397**

23 687

20

77

5 519

4 054

13

27

Garlic

-20,9%

**4 236**

44

4 095

96

0

Carrots and turnips

-54,5%

**865**

700

165

0

0

Other root, bulb or tuberous vegetables

-47,3%

**710**

245

464

1

Leeks and other alliaceous vegetables

7,7%

**179**

176

4

0

Total

-16,8%

**39 388**

24 852

20

77

10 247

4 152

13

27

Grapes

Other grapes, fresh

-11,2%

**24 143**

2 670

649

18 561

724

1 518

20

Total

-11,2%

**24 143**

2 670

649

18 561

724

1 518

20

Leafy or stem vegetables

Cabbages

-18,3%

**9 858**

6 766

29

1

3 062

Artichokes

5,8%

**5 155**

642

217

2 348

12

2

1 934

Lettuce

26,6%

**2 987**

2 985

2

1

Cauliflowers and broccoli

7,4%

**1 604**

1 580

23

1

Chicory

111,1%

**266**

266

0

Asparagus

1,0%

**53**

3

4

46

*Source: State Statistic Service of Ukraine*

*\* - excluding apples, pears and tropical fruits*

271

**Indicator**

**Group**

**Commodity item**

**CAGR in 2010-**

**2014**

**2014**

**TOTAL**

**EU/ EFTA**

**Russia**

**CIS**

**Asia**

**Africa**

**America**

**Other**

Spinach

99,5%

**133**

133

Total

-8,5%

**20 056**

12 374

29

219

2 376

13

48

4 997

Potatoes and other edible roots and tubers

Potatoes

3,0%

**21 840**

18 906

273

41

1 446

1 120

5

48

Sweet potatoes

-28,0%

**0**

0

0

Other edible roots and tubers with high starch or inulin content

-100,0%

Total

3,0%

**21 840**

18 906

273

41

1 446

1 120

6

48

Berries and the fruits of the genus vaccinium

Strawberries

-11,7%

**425**

376

32

16

1

Raspberries

-7,8%

**51**

27

2

22

Other berries, the fruits of the genus vaccinium n.e.c.

24,4%

**90**

71

2

17

Total

-8,5%

**566**

474

32

19

41

Vegetables, fresh, n.e.c.

Vegetables, fresh, n.e.c.

24,7%

**655**

493

163

Total

24,7%

**655**

493

163

Melons

Watermelons

-32,2%

**65**

10

36

0

18

Other melons

-11,5%

**157**

13

96

5

1

40

Total

-20,8%

**221**

23

96

42

1

59

Mushrooms and truffles

Mushrooms and truffles

-79,1%

**2**

0

1

Total

-79,1%

**2**

0

1

Green leguminous vegetables

Beans, green

-41,5%

**1**

1

0

0

Peas, green

-3,5%

**4**

2

0

2

Other green leguminous vegetables

-

**0**

0

Total

-22,8%

**5**

2

1

1

2

TOTAL

-5,8

%

**252 085**

127 733

322

7 516

97 629

6 938

2 177

9 770

**Appendix 2**

**Ukrainian import of processed fruits and vegetables**

Imports from EU/EFTA amounted to approximately 38.1% of the total value of Ukrainian imports in 2014. Other key exporters were Asia (88.8 mln. EUR or 36.9%), America (27.5 mln. EUR or 11.4%) and Russia (19.2 mln. EUR or 8.0%).

In 2010-2014 there was the significant import increase from Russia (CAGR 22,9%), while from other countries growth rates were not sufficient (America and EU/EFTA –CAGR 1.7% and 0.6% respectively) At the same time import from CIS and Asia decreased (CAGR 22,9%).

In value terms, the largest increase occurred from the Russia (+11 mln. EUR), and decrease from Asia and CIS (-3 mln. EUR both).

**Table 2.1**

**Ukraine’s import of processed fruits and vegetables by main destinations in 2010-2014**

*Source: State Statistic Service of Ukraine*

272

**Indicator**

**Region**

**2010**

**2011**

**2012**

**2013**

**2014**

**CAGR, %**

Value, 000

Euro

Asia

91 420

109 903

122 380

132 554

88 751

-0,7%

EU/EFT A

89 447

97 784

106 021

108 105

91 686

0,6%

America

25 644

28 649

35 055

36 007

27 462

1,7%

Russia

8 399

10 131

14 701

31 435

19 177

22,9%

CIS

12 888

16 375

13 215

12 804

9 985

-6,2%

Other

3 166

4 015

6 310

6 859

2 737

-3,6%

Africa

682

1 121

1 701

1 304

1 030

10,8%

**TOTAL**

**231**

**646**

**267**

**978**

**299**

**383**

**329**

**068**

**240**

**829**

**1,0%**

Weight, tons

Asia

72 415

90 242

73 067

82 199

58 225

-5,3%

EU/EFT A

84 524

85 306

81 455

84 449

72 084

-3,9%

America

15 996

19 336

18 068

17 009

16 668

1,0%

Russia

7 332

9 110

10 467

19 317

10 798

10,2%

CIS

16 527

17 870

13 402

13 934

9 269

-13,5%

Other

1 318

2 083

2 490

2 240

898

-9,1%

Africa

599

1 527

1 598

976

812

7,9%

**TOTAL**

**198**

**711**

**225**

**474**

**200**

**547**

**220**

**124**

**168**

**754**

**-4,0%**

**EU/EFT A**

**91,7**

**38,1%**

**0**

**Africa**

**America 27,5**

**11,4%**

**Russia 19,2**

**8,0%**

**0**

**Other**

**-3**

**CIS**

**11**

**Russia**

**CIS 10,0**

**4,1%**

**2**

**America**

**2**

**EU/EFTA**

**Other 2,7**

**1,1%**

**-3**

**Asia**

**Asia 88,8**

**36,9%**

**Africa 1,0**

**0,4%**

-5

0

5

10 15

**Figure**

**2.1 -**

**Ukrainian import**

**of Figure**

**2.2 – Increase of Ukrainian**

**processed fruits and vegetables 2014, mln. EUR**

**in processed fruits and vegetables import in 2010-2014, mln. EUR**

The main export product groups are processed and preserved fruits and vegetables (172.5 mln. EUR or 45.7% in 2014), fruit and vegetable juices (134.4 mln. EUR or 35.6%), which in 2014 accounted for 81.3% of exports.

In 2010-2014 there was a significant exports increase of all product groups (the largest in the sector of fruit and vegetable juices - CAGR 23.1%), with the exception of Other processed and preserved fruit and vegetables (CAGR -2.6%).

**Table 2.2**

**Ukraine’s import of processed fruits and vegetables by main product groups in 2010-2014**

273

**Indicato r**

**Region**

**2010**

**2011**

**2012**

**2013**

**2014**

**CAGR, %**

Value, 000

Euro

Canned fruit and vegetables

78 096

95 383

115 031

135 602

98 166

5,9%

Other processed and preserved fruit and vegetables

65 286

78 796

91 828

97 144

69 644

1,6%

Fruit and vegetable juices

55 990

56 194

53 502

52 373

36 572

-10,1%

Frozen vegetables

12 009

14 568

15 277

17 198

15 043

5,8%

Dried vegetables

8 176

10 022

10 322

11 680

10 716

7,0%

Jams, fruit jellies and fruit or nut puree and pastes

7 931

8 206

7 550

8 854

6 878

-3,5%

*Source: State Statistic Service of Ukraine*

**Fruit and vegetable juices 36,6**

**15,2%**

**Processed and preserved potatoes**

**34,7**

**14,4%**

**Other processed and preserved fruit and vegetables 166,8**

**69,3%**

**Dried leguminous vegetables**

**2,7**

**1,1%**

**Figure 2.3 - Ukrainian import of processed fruits and vegetables by main product groups in 2014, mln. EUR**

274

**Indicato r**

**Region**

**2010**

**2011**

**2012**

**2013**

**2014**

**CAGR, %**

Frozen fruits

4 157

4 810

5 872

6 216

3 810

-2,2%

**Total**

**231 646**

**267 978**

**299 383**

**329 068**

**240 829**

**1,0%**

Weight

, tons

Canned fruit and vegetables

99 087

120 442

108 980

121 244

87 675

-3,0%

Other processed and preserved fruit and vegetables

24 524

25 946

25 572

28 470

22 564

-2,1%

Fruit and vegetable juices

41 005

37 120

30 704

31 385

23 630

-12,9%

Frozen vegetables

16 379

19 741

19 571

21 283

19 276

4,2%

Dried vegetables

4 256

5 916

4 973

5 679

5 361

5,9%

Jams, fruit jellies and fruit or nut puree and pastes

7 965

10 719

5 404

6 224

6 154

-6,2%

Frozen fruits

5 495

5 591

5 343

5 838

4 093

-7,1%

**Total**

**198 711**

**225 474**

**200 547**

**220 124**

**168 754**

**-4,0%**

**Table 2.3**

**Ukraine’s import of processed fruits and vegetables by main product groups and commodity items in 2010-2014**

2

5

275

**Indica tor**

**Group**

**Commodity item**

**CAGR in 2010-2014**

**2014**

**TOTAL**

**EU/ EFTA**

**Russi a**

**CIS**

**Asia**

**Afric a**

**Ame rica**

**Ot he r**

Value, 000

Euro

Canned fruit and vegetables

Other prepared, dried or preserved fruits and nuts

3,7%

**49 306**

5 965

776

6 165

30 587

183

5 558

72

Other vegetables (except potatoes), preserved otherwise than by vinegar or acetic acid, except prepared vegetable dishes

12,8%

**39 803**

19 947

1 684

375

12 442

30

5 297

28

Vegetables (except potatoes), fruit, nuts and other edible parts of plants, prepared or preserved by vinegar or acetic acid

-2,0%

**5 195**

1 322

109

312

3 419

7

22

4

Peas, preserved otherwise than by vinegar or acetic acid, except prepared vegetable dishes

-9,4%

**3 225**

2 926

41

0

257

0

0

1

Beans, preserved otherwise than by vinegar or acetic acid, except prepared vegetable dishes

11,4%

**638**

289

344

0

5

0

0

0

Total

5,9%

**98 166**

30 449

2 954

6 852

46 710

220

10 876

105

Other processed and preserved fruit and vegetables

Nuts, groundnuts, roasted, salted or otherwise prepared

-1,7%

**28 145**

4 831

175

38

22 289

0

743

70

Potatoes prepared or preserved

12,6%

**24 196**

14 547

9 027

520

86

0

0

15

Groundnuts and nuts, shelled

-3,4%

**13 548**

389

0

103

8 058

8

2 767

2 22

Homogenised food preparations and dietetic food

-0,8%

**2 633**

1 701

677

193

8

0

30

24

Fruit, nuts, fruit-peel and other parts of plants, preserved by sugar

4,2%

**609**

214

4

0

327

0

60

4

Fruit and nuts, provisionally preserved, not for immediate consumption

-33,1%

**185**

45

0

0

140

0

0

0

Vegetables provisionally preserved

-1,7%

**327**

22

0

0

305

0

0

0

Total

1,6%

**69 644**

21 748

9 883

855

31 214

8

3 600

2 33

Fruit and vegetable juices

Orange juice

-6,8%

**12 647**

1 670

101

7

52

0

10 814

2

Other fruit and vegetable juices

-7,5%

**6 823**

4 246

480

288

1 366

0

202

240

Mixtures of fruit and vegetable juices

-7,7%

**7 129**

3 512

2 441

731

408

0

36

1

Grape juice

-11,4%

**3 789**

3 319

0

0

344

0

125

1

7

276

**Indica tor**

**Group**

**Commodity item**

**CAGR in 2010-2014**

**2014**

**TOTAL**

**EU/ EFTA**

**Russi a**

**CIS**

**Asia**

**Afric a**

**Ame rica**

**Ot he r**

Apple juice

-19,6%

**2 963**

335

2 253

249

125

0

0

1

Pineapple juice

-21,2%

**1 907**

1 242

17

6

616

0

26

0

Grapefruit juice

-9,0%

**1 239**

974

43

3

194

0

26

0

Tomato juice

-0,4%

**76**

50

14

5

1

0

0

6

Total

-10,1%

**36 572**

15 348

5 349

1 289

3 106

0

11 229

251

Frozen vegetables

Potatoes, frozen

6,5%

**10 551**

10 551

0

0

0

0

0

0

Vegetables, frozen

4,2%

**4 492**

4 323

38

78

52

0

1

0

Total

5,8%

**15 043**

14 873

38

78

52

0

1

0

Dried vegetables

Dried vegetables

3,7%

**8 007**

1 978

247

25

4 473

435

848

1

Peas, dry

24,1%

**1 244**

1 232

3

0

9

0

0

0

Beans, dry

28,2%

**1 084**

51

0

518

60

173

283

0

Lentils, dry

13,1%

**369**

6

81

0

174

0

108

0

Chick peas, dry

-44,4%

**8**

1

1

0

0

0

7

0

Pulses (dried leguminous vegetables) n.e.c.

-32,7%

**3**

0

0

3

0

0

0

0

Broad beans, dry

-24,8%

**1**

1

0

0

0

0

0

0

Total

7,0%

**10 716**

3 268

332

546

4 715

608

1 246

2

Jams, fruit jellies and fruit or nut puree and pastes

Jams, fruit jellies and fruit or nut puree and pastes

-3,5%

**6 878**

3 462

604

334

2 154

60

251

12

Total

-3,5%

**6 878**

3 462

604

334

2 154

60

251

12

Frozen fruits

Fruit and nuts, uncooked or cooked, frozen

-2,2%

**3 810**

2 537

16

32

802

133

258

32

Total

-2,2%

**3 810**

2 537

16

32

802

133

258

32

TOTAL

1,0%

**240 829**

91 686

19 177

9 985

88 751

1 030

27 462

2 73

Weight, tons

Canned fruit and vegetables

Other prepared, dried or preserved fruits and nuts

-3,0%

**36 128**

3 687

259

3 672

25 215

128

3 110

57

Other vegetables (except potatoes), preserved otherwise than by vinegar or acetic acid,

1,2%

**41 152**

19 869

1 320

593

13 559

55

5 715

43

277

**Indica tor**

**Group**

**Commodity item**

**CAGR in 2010-2014**

**2014**

**TOTAL**

**EU/ EFTA**

**Russi a**

**CIS**

**Asia**

**Afric a**

**Ame rica**

**Ot he r**

except prepared vegetable dishes

Vegetables (except potatoes), fruit, nuts and other edible parts of plants, prepared or preserved by vinegar or acetic acid

-13,2%

**6 483**

965

115

278

5 106

2

13

5

Peas, preserved otherwise than by vinegar or acetic acid, except prepared vegetable dishes

-17,3%

**3 354**

2 933

54

0

366

0

0

1

Beans, preserved otherwise than by vinegar or acetic acid, except prepared vegetable dishes

3,4%

**559**

311

243

0

4

0

0

0

Total

-3,0%

**87 675**

27 764

1 991

4 543

44 251

184

8 838

105

Other processed and preserved fruit and vegetables

Nuts, groundnuts, roasted, salted or otherwise prepared

-2,8%

**6 286**

1 870

75

32

4 118

0

186

6

Potatoes prepared or preserved

7,1%

**10 788**

6 629

3 470

600

88

0

0

1

Groundnuts and nuts, shelled

-3,6%

**3 008**

55

0

20

1 836

2

446

649

Homogenised food preparations and dietetic food

-7,5%

**1 343**

692

331

305

3

0

6

7

Fruit, nuts, fruit-peel and other parts of plants, preserved by sugar

3,9%

**383**

77

1

0

289

0

16

0

Fruit and nuts, provisionally preserved, not for immediate consumption

-51,8%

**129**

96

0

0

33

0

0

0

Vegetables provisionally preserved

-15,8%

**626**

40

0

0

586

0

0

0

Total

-2,1%

**22 564**

9 459

3 877

957

6 953

2

654

663

Fruit and vegetable juices

Orange juice

-9,8%

**7 113**

737

122

10

38

0

6 204

2

Other fruit and vegetable juices

-10,8%

**2 827**

1 238

338

555

562

0

36

98

Mixtures of fruit and vegetable juices

-2,5%

**6 065**

2 165

1 915

1 679

294

0

12

1

Grape juice

-17,0%

**2 614**

2 256

0

0

268

0

89

1

Apple juice

-27,4%

**2 477**

208

1 779

398

91

0

0

1

Pineapple juice

-14,9%

**1 658**

1 081

22

8

540

0

8

0

Grapefruit juice

-13,1%

**785**

604

41

6

122

0

12

0

Tomato juice

-3,3%

**91**

42

28

10

3

0

0

8

Total

-12,9%

**23 630**

8 330

4 245

2 666

1 918

0

6 360

111

***Source: State Statistic Service of Ukraine***

278

**Indica tor**

**Group**

**Commodity item**

**CAGR in 2010-2014**

**2014**

**TOTAL**

**EU/ EFTA**

**Russi a**

**CIS**

**Asia**

**Afric a**

**Ame rica**

**Ot he r**

Frozen vegetables

Potatoes, frozen

5,3%

**13 577**

13 577

0

0

0

0

0

0

Vegetables, frozen

1,6%

**5 699**

5 476

35

158

30

0

1

0

Total

4,2%

**19 276**

19 053

35

158

30

0

1

0

Dried vegetables

Dried vegetables

-1,7%

**2 971**

372

59

17

2 202

262

59

0

Peas, dry

27,6%

**1 207**

1 195

4

0

8

0

0

0

Beans, dry

20,8%

**800**

50

0

334

29

195

192

0

Lentils, dry

27,8%

**375**

4

118

0

143

0

111

0

Chick peas, dry

-52,7%

**4**

0

0

0

0

0

3

0

Pulses (dried leguminous vegetables) n.e.c.

-36,0%

**4**

0

0

4

0

0

0

0

Broad beans, dry

-39,2%

**0**

0

0

0

0

0

0

0

Total

5,9%

**5 361**

1 621

180

355

2 382

457

365

0

Jams, fruit jellies and fruit or nut puree and pastes

Jams, fruit jellies and fruit or nut puree and pastes

-6,2%

**6 154**

2 856

465

568

1 915

75

269

5

Total

-6,2%

**6 154**

2 856

465

568

1 915

75

269

5

Frozen fruits

Fruit and nuts, uncooked or cooked, frozen

-7,1%

**4 093**

3 001

5

22

777

94

180

14

Total

-7,1%

**4 093**

3 001

5

22

777

94

180

14

TOTAL

-4,0%

**168 754**

72 084

10 798

9 269

58 225

812

16 668

898

**Appendix 3**

**Table**

**3.1**

**EU apparel market apparent consumption of in 2010-2014 by product groups and subgroups, mln. EUR\***

279

**Group**

**Subgroup**

**Production**

**Export**

**Import**

**Consumption**

**mln. EUR**

**CAGR in 2010-2014**

Other outerwear

Women's or girls' dresses (excluding knitted or crocheted)

1 901

1 296

2 222

2 827

-1,3%

Men's or boys' trousers and breeches, of denim (excluding for industrial or occupational wear)

758

487

2 423

2 695

6,4%

Men's or boys' trousers and breeches, of cotton (excluding denim, knitted or crocheted)

560

495

2 147

2 212

1,3%

Women's or girls' trousers and breeches, of cotton (excluding denim, for industrial or occupational wear)

676

398

1 991

2 269

0,7%

Women's or girls' dresses, of knitted or crocheted textiles

920

466

1 625

2 079

5,2%

Women's or girls' jackets and blazers (excluding knitted or crocheted)

1 027

406

943

1 564

-0,5%

Women's or girls' trousers, breeches, shorts, bib and brace overalls, of knitted or crocheted textiles

191

271

2 509

2 429

11,4%

Men's or boys' anoraks, ski-jackets, wind-jackets and similar articles (excluding jackets and blazers, knitted or crocheted, impregnated, coated, covered, laminated or rubberized)

240

431

1 899

1 709

3,8%

Women's or girls' anoraks, ski-jackets, wind- jackets and similar articles (excluding jackets and blazers, knitted or crocheted, impregnated, coated, covered, laminated or rubberized)

155

503

2 157

1 808

7,0%

Women's or girls' trousers and breeches, of denim (excluding for industrial or occupational wear)

323

343

1 667

1 646

-0,6%

280

**Group**

**Subgroup**

**Production**

**Export**

**Import**

**Consumption**

**mln. EUR**

**CAGR in 2010-2014**

Men's or boys' jackets and blazers (excluding knitted or crocheted)

728

536

892

1 083

-3,7%

Women's or girls' skirts and divided skirts (excluding knitted or crocheted)

486

284

705

907

-8,3%

Women's or girls' trousers and breeches, of wool or fine animal hair or man-made fibres (excluding knitted or crocheted and for industrial and occupational wear)

479

297

889

1 071

-0,9%

Men's or boys' suits (excluding knitted or crocheted)

0

0

0

0

-100,0%

WomanвЂ™s or girlsвЂ™ raincoats and

overcoats, etc

616

553

1 423

1 486

-

Woman's or girls' overcoats, etc

0

0

0

0

-100,0%

Men's or boys' shorts, of cotton or man-made fibres (excluding knitted or crocheted)

18

103

875

790

10,2%

Men's or boys' trousers and breeches, of man- made fibres (excluding knitted or crocheted, for industrial or occupational wear)

229

97

582

713

2,3%

Women's or girls' jackets and blazers, of knitted or crocheted textiles

326

102

335

559

9,1%

MenвЂ™s or boysвЂ™ suits & ensembles

(excluding knitted or crocheted)

630

605

431

457

-

Men's or boys' trousers, breeches, shorts, bib and brace overalls, of knitted or crocheted textiles

116

125

631

622

11,1%

Women's or girls' anoraks, ski-jackets, wind- cheaters, wind-jackets and similar articles, of knitted or crocheted textiles (excluding jackets and blazers)

34

59

536

512

3,2%

Woman's or girls' raincoats

0

0

0

0

-100,0%

Women's or girls' ensembles (excluding knitted or crocheted)

0

0

0

0

-100,0%

Men's or boys' trousers, breeches and shorts, of

248

115

118

251

-6,8%

281

**Group**

**Subgroup**

**Production**

**Export**

**Import**

**Consumption**

**mln. EUR**

**CAGR in 2010-2014**

wool or fine animal hair (excluding knitted or crocheted, for industrial or occupational wear)

Men's or boys' overcoats, car-coats, capes, etc

0

0

0

0

-100,0%

Women's or girls' skirts and divided skirts, of knitted or crocheted textiles

163

86

327

403

9,5%

Women's or girls' shorts, of cotton (excluding knitted and crocheted)

17

103

362

277

0,3%

MenвЂ™s or boysвЂ™ raincoats, overcoats, car- coats, capes, etc.

236

267

596

564

-

Women's or girls' suits and ensembles, of knitted or crocheted textiles

323

41

88

369

11,9%

Men's or boys' anoraks, ski-jackets, wind- cheaters, wind-jackets and similar articles, of knitted or crocheted textiles (excluding jackets and blazers)

57

62

295

291

3,8%

Men's or boys' jackets and blazers, of knitted or crocheted textiles

177

63

169

284

9,2%

Women's or girls' trousers, breeches, bib and brace overalls, of textiles (excluding cotton, wool or fine animal hair, man-made fibres, knitted or crocheted)

60

94

138

104

-16,1%

WomenвЂ™s or girlsвЂ™ suits & ensembles

(excluding knitted or crocheted)

170

465

102

-193

-

Women's or girls' suits (excluding knitted or crocheted)

0

0

0

0

-100,0%

Women's or girls' overcoats, car-coats, capes, cloaks and similar articles, of knitted or crocheted textiles (excluding jackets and blazers)

94

64

120

150

-5,2%

Men's or boys' suits and ensembles, of knitted or crocheted textiles

149

41

76

184

1,9%

Women's or girls' shorts, of man-made fibres (excluding knitted or crocheted)

5

33

233

205

4,0%

Men's or boys' raincoats

0

0

0

0

-100,0%

282

**Group**

**Subgroup**

**Production**

**Export**

**Import**

**Consumption**

**mln. EUR**

**CAGR in 2010-2014**

Men's or boys' ensembles (excluding knitted or crocheted)

0

0

0

0

-100,0%

Men's or boys' overcoats, car-coats, capes, cloaks and similar articles, of knitted or crocheted textiles (excluding jackets and blazers, anoraks, wind-cheaters and wind-jackets)

192

27

43

209

18,7%

Men's or boys' trousers, breeches, shorts and bib and brace overalls (excluding of wool, cotton and man-made fibres, knitted or crocheted)

63

43

85

105

-5,9%

Women's or girls' bib and brace overalls, of cotton (excluding knitted or crocheted, for industrial or occupational wear)

17

5

32

44

-9,7%

Women's or girls' bib and brace overalls, of textiles (excluding cotton, knitted or crocheted, for industrial or occupational wear) and women's or girls' shorts, of wool or fine animal hair (excluding knitted or crocheted)

31

12

22

41

16,7%

Men's or boys' bib and brace overalls (excluding knitted or crocheted, for industrial or occupational wear)

4

6

17

15

-10,1%

Underwear

T-shirts, singlets and vests, knitted or crocheted

1 470

1 579

8 401

8 292

1,1%

Women's or girls' blouses, shirts and shirt- blouses (excluding knitted or crocheted)

1 500

782

2 731

3 450

2,3%

Men's or boys' shirts (excluding knitted or crocheted)

961

702

2 685

2 944

0,3%

Brassieres

418

352

1 646

1 712

-0,1%

Men's or boys' shirts and under-shirts, of knitted or crocheted textiles

350

261

1 414

1 504

2,0%

Women's or girls' blouses, shirts and shirt- blouses, of knitted or crocheted textiles

590

209

974

1 355

-3,4%

Women's or girls' briefs and panties, of knitted or crocheted textiles (including boxer shorts)

414

167

1 133

1 380

-0,9%

Men's or boys' underpants and briefs, of knitted

267

92

869

1 044

4,5%

283

**Group**

**Subgroup**

**Production**

**Export**

**Import**

**Consumption**

**mln. EUR**

**CAGR in 2010-2014**

or crocheted textiles (including boxer shorts)

Women's or girls' nighties and pyjamas, of knitted or crocheted textiles

118

57

671

732

-1,0%

Men's or boys' nightshirts and pyjamas, of knitted or crocheted textiles

51

18

274

307

1,9%

Women's or girls' negligees, bathrobes, dressing gowns and similar articles, of knitted or crocheted textiles

40

28

229

240

4,6%

Braces, suspenders, garters and similar articles and parts thereof

24

61

94

57

33,7%

Women's or girls' nightdresses and pyjamas (excluding knitted or crocheted)

47

17

119

150

-7,6%

Women's or girls' singlets and other vests, briefs, panties, nГ©gligГ©s, bathrobes, dressing gowns, housecoats and similar articles of cotton (excluding knitted or crocheted)

62

13

90

139

-8,7%

Girdles, panty-girdles and corselettes (including bodies with adjustable straps)

72

15

53

110

-4,0%

Men's or boys' singlets, vests, bathrobes, dressing gowns and similar articles (excluding knitted or crocheted)

79

11

58

126

1,1%

Men's or boys' underpants and briefs (including boxer shorts) (excluding knitted or crocheted)

40

10

84

115

2,2%

Women's or girls' negligees, bathrobes, dressing gowns, singlets, vests, briefs and panties (including boxer shorts), of fibres other than cotton (excluding knitted or crocheted)

52

10

69

111

1,3%

Men's or boys' nightshirts and pyjamas (excluding knitted or crocheted)

10

6

58

61

-6,9%

Women's or girls' singlets, vests, briefs, panties, negligees, bathrobes, dressing gowns and similar articles, of textiles (excluding cotton, man-made fibres, knitted or crocheted)

50

21

20

49

18,9%

284

**Group**

**Subgroup**

**Production**

**Export**

**Import**

**Consumption**

**mln. EUR**

**CAGR in 2010-2014**

Men's or boys' dressing gowns, bathrobes and similar articles, of knitted or crocheted textiles

11

4

53

60

4,4%

Women's or girls' slips and petticoats, of knitted or crocheted textiles

22

9

29

42

-0,7%

Women's or girls' slips and petticoats (excluding knitted or crocheted)

6

7

12

11

-10,3%

Other wearing apparel and accessories

Garments made up of felt or nonwovens, textile fabrics impregnated or coated

175

1 336

2 020

859

-1,6%

Babies' garments and clothing accessories, knitted or crocheted including vests, rompers, underpants, stretch-suits, napkins, gloves or mittens or mitts, outerwear (for children of height <= 86 cm)

352

175

1 554

1 731

3,1%

Other women's or girls' apparel n.e.c., including waistcoats, tracksuits and jogging suits (excluding ski-suits, knitted or crocheted)

110

1 250

588

-552

13,2%

Other garments, knitted or crocheted (including bodies with a proper sleeve)

85

695

654

44

-8,9%

Belts and bandoliers, of leather or composition leather

584

498

170

256

-11,3%

Shawls, scarves, mufflers, mantillas, veils and the like (excluding articles of silk or silk waste, knitted or crocheted)

180

322

621

479

-1,4%

Hats and other headgear, knitted or crocheted or made-up from lace, felt or other textile fabric in the piece (but not in strips)

142

163

695

675

2,3%

Women's or girls' swimwear, of knitted or crocheted textiles

400

128

506

777

1,3%

Gloves, mittens and mitts, of knitted or crocheted textiles

90

63

805

833

6,3%

Other men's or boys' apparel n.e.c., including waistcoats, tracksuits and jogging suits (excluding ski-suits, knitted or crocheted)

403

180

259

482

4,2%

285

**Group**

**Subgroup**

**Production**

**Export**

**Import**

**Consumption**

**mln. EUR**

**CAGR in 2010-2014**

Clothing accessories of textiles (excluding shawls, scarves and mufflers, mantillas and veils, ties, bow-ties and cravats, gloves, mittens and mitts, knitted or crocheted)

267

248

112

132

-4,8%

Babies clothing and accessories, of textiles, not knitted or crocheted (for children of height <= 86 cm) including vests, rompers, underpants, stretch-suits, gloves, mittens and outerwear (excluding sanitary towels and napkins and similar articles)

107

104

590

593

-

Shawls, scarves, mufflers, mantillas, veils and the like, of knitted or crocheted textiles

147

65

287

369

0,4%

Clothing accessories and parts thereof, of knitted or crocheted textiles (excluding gloves, mittens, shawls, scarves, mufflers, mantillas and veils)

296

72

76

300

8,6%

Track-suits, of knitted or crocheted textiles

152

33

236

356

-0,7%

Babies' clothing and accessories, of textiles, not knitted or crocheted (for children of height <= 86 cm) including vests, rompers, underpants, stretch-suits, napkins, gloves, mittens and outerwear

0

0

0

0

-100,0%

Ties, bow ties and cravats, of silk or silk waste (excluding knitted or crocheted)

98

157

71

12

-32,6%

Parts of garments or of clothing accessories, of textiles (excluding bras, girdles and corsets, braces, suspenders and garters, knitted or crocheted)

75

204

31

-97

#NUM!

Shawls, scarves, mufflers, mantillas, veils and the like, of silk or silk waste (excluding knitted or crocheted)

42

176

84

-49

#NUM!

Gloves, mittens and mitts (excluding knitted or crocheted)

31

24

206

212

3,0%

Gloves, mittens and mitts, of leather or

34

38

127

123

-9,5%

286

**Group**

**Subgroup**

**Production**

**Export**

**Import**

**Consumption**

**mln. EUR**

**CAGR in 2010-2014**

composition leather (excluding for sport, protective for all trades)

Clothing accessories of leather or composition leather (excluding gloves, mittens and mitts, belts and bandoliers)

144

51

18

110

0,4%

Other headgear (except headgear of rubber or of plastics, safety headgear and asbestos headgear)

101

34

74

141

9,7%

Women's or girls' swimwear (excluding of knitted or crocheted textiles)

53

13

54

94

-3,3%

Men's or boys' swimwear (excluding of knitted or crocheted textiles)

21

18

92

95

4,9%

Men's or boys' swimwear, of knitted or crocheted textiles

18

12

84

90

-4,1%

Ties, bow ties and cravats (excluding articles of silk or silk waste, knitted or crocheted)

44

22

35

58

3,9%

Hats and other headgear, plaited or made by assembling strips of any material

46

13

44

77

8,7%

Felt hats and other felt headgear, made from hat bodies or hoods and plateaux

58

16

12

54

-7,6%

Ski-suits (excluding of knitted or crocheted textiles)

3

9

24

19

-17,0%

Handkerchiefs

2

10

19

12

-7,8%

Hat-forms, hat bodies and hoods, plateaux and manchons of felt (including slit manchons) (excluding those blocked to shape, those with made brims)

20

10

4

13

3,5%

Ski-suits, of knitted or crocheted textiles

1

3

2

1

-34,1%

Hat-shapes, plaited or made by assembling strips of any material (excluding those blocked to shape, those with made brims, those lined or trimmed)

2

0

5

7

12,4%

Other knitted and crocheted

Women's or girls' jerseys, pullovers, sweatshirts, waistcoats and cardigans, of man-made fibres

558

516

3 679

3 721

5,2%

287

**Group**

**Subgroup**

**Production**

**Export**

**Import**

**Consumption**

**mln. EUR**

**CAGR in 2010-2014**

apparel

(excluding lightweight fine knit roll, polo or turtle neck jumpers and pullovers)

Women's or girls' jerseys, pullovers, sweatshirts, waistcoats and cardigans, of cotton (excluding lightweight fine knit roll, polo or turtle neck jumpers and pullovers)

542

333

2 292

2 501

0,1%

Men's or boys' jerseys, pullovers, sweatshirts, waistcoats and cardigans, of cotton (excluding lightweight fine knit roll, polo or turtle neck jumpers and pullovers)

164

230

1 566

1 501

-0,6%

Women's or girls' jerseys, pullovers, sweatshirts, waistcoats and cardigans, of wool or fine animal hair (excluding jerseys and pullovers containing

<=50% of wool and weighing <=600g)

841

332

684

1 193

-3,3%

Men's or boys' jerseys, pullovers, sweatshirts, waistcoats and cardigans, of wool or fine animal hair (excluding jerseys and pullovers containing

<=50% of wool and weighing <=600g)

512

236

326

601

-5,6%

Jerseys, pullovers, sweatshirts, waistcoats and cardigans, of textile materials (excluding those of wool or fine animal hair, cotton, man-made fibres)

704

144

205

765

4,3%

Men's or boys' jerseys, pullovers, sweatshirts, waistcoats and cardigans, of man-made fibres (excluding lightweight fine knit roll, polo or turtle neck jumpers and pullovers)

111

88

746

769

6,7%

Jerseys and pullovers, containing <= 50% by weight of wool and weighing <= 600 g per article

314

69

57

302

-8,9%

Lightweight fine knit roll, polo or turtle neck jumpers and pullovers, of cotton

175

25

114

263

0,6%

Lightweight fine knit roll, polo or turtle neck jumpers and pullovers, of man-made fibres

154

24

82

212

15,7%

Knitted and

Knitted or crocheted hosiery and footwear

1 227

270

1 508

2 465

2,6%

288

**Group**

**Subgroup**

**Production**

**Export**

**Import**

**Consumption**

**mln. EUR**

**CAGR in 2010-2014**

crocheted hosiery

(including socks

Panty hose and tights, of knitted or crocheted synthetic fibres, measuring per single yarn < 67 decitex

1 102

136

148

1 114

0,8%

Women's full-length or knee-length knitted or crocheted hosiery, measuring per single yarn < 67 decitex

450

25

43

468

-0,4%

Panty hose and tights, of textiles (excluding those of knitted or crocheted synthetic fibres)

85

28

126

183

-3,5%

Panty hose and tights, of knitted or crocheted synthetic fibres, measuring per single yarn <= 67 decitex

168

30

56

194

10,7%

Workwear

Men's or boys' other garments, of cotton or man- made fibres, for industrial or occupational wear

370

82

330

618

-0,3%

Men's or boys' trousers and breeches, of cotton or man-made fibres, for industrial or occupational wear

228

57

433

604

7,3%

Men's or boys' ensembles, of cotton or man- made fibres, for industrial and occupational wear

360

15

32

377

10,9%

Men's or boys' jackets and blazers, of cotton or man-made fibres, for industrial and occupational wear

173

25

169

317

3,4%

Women's or girls' other garments, of cotton or man-made fibres, for industrial or occupational wear

103

24

141

220

-0,5%

Men's or boys' bib and brace overalls, of cotton or man-made fibres, for industrial or occupational wear

88

12

99

175

2,7%

Women's or girls' trousers and breeches, of cotton or man-made fibres, for industrial or occupational wear

42

12

52

82

7,3%

Women's or girls' jackets and blazers, of cotton or man-made fibres, for industrial or occupational

71

8

17

81

14,6%

289

**Group**

**Subgroup**

**Production**

**Export**

**Import**

**Consumption**

**mln. EUR**

**CAGR in 2010-2014**

wear

Women's or girls' ensembles, of cotton or man- made fibres, for industrial or occupational wear

28

2

3

29

-4,7%

Women's or girls' bib and brace overalls, of cotton or man-made fibres, for industrial or occupational wear

5

2

2

6

-9,2%

Leather clothes

Articles of apparel of leather or of composition leather (including coats and overcoats) (excluding clothing accessories, headgear, footwear)

841

576

935

1 200

-4,2%

Articles of fur

Articles of apparel and clothing accessories, of furskins (excluding hats and headgear)

347

462

186

70

-1,6%

Articles of furskin (excluding apparel, clothing accessories, hats and headgear)

276

31

33

279

24,0%

TOTAL

33 396

23 749

75 697

85 344

1,0%

Table

3.2

**EU/EFTA apparel export by main product groups in 2010-2014**

290

**Group**

**Subgroup**

**ALL EXPORT EU/EFTA**

**EU/EFTA external export**

**UA import from EU/EFTA**

**UA**

**share in extern al export**

**mln. EUR**

**CAGR**

**mln. EUR**

**CAGR**

**mln. EUR**

**CAGR**

**Value, mln. Euro**

Other outerwear

Men's or boys' trousers, bib and brace overalls, breeches and shorts of textile fabrics, not knitted or crocheted

7 353,3

5,6%

1 062,7

13,5%

22,0

7,0%

2,1%

Women's or girls' trousers, bib and brace overalls, breeches and shorts of textile fabrics, not knitted or crocheted

6 175,7

6,2%

1 010,9

15,1%

25,2

7,0%

2,5%

Women's or girls' dresses, skirts and divided skirts of textile fabrics, not knitted or crocheted

5 013,5

6,1%

1 335,7

18,3%

26,7

-2,7%

2,0%

Women's or girls' suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts, knitted or crocheted

5 416,0

10,3%

750,9

16,4%

24,3

6,3%

3,2%

Women's or girls' overcoats, car coats, capes, cloaks, anoraks, wind-cheaters, wind-jackets and similar articles of textile fabrics, not knitted or crocheted

4 433,7

10,5%

869,5

22,2%

19,9

10,6%

2,3%

Men's or boys' overcoats, raincoats, car coats, capes, cloaks, anoraks, wind-cheaters, wind-jackets and similar articles of textile fabrics, not knitted or crocheted

3 157,3

10,7%

553,1

17,2%

11,0

6,5%

2,0%

Women's or girls' jackets and blazers of textile fabrics, not knitted or crocheted

1 717,2

2,8%

318,8

7,9%

5,1

-8,3%

1,6%

Men's or boys' jackets and blazers, of textile fabrics, not knitted or crocheted

1 991,2

10,6%

437,2

20,7%

5,3

20,3%

1,2%

Men's or boys' suits and ensembles of textile fabrics, not knitted or crocheted

1 434,6

-1,7%

552,1

3,5%

8,0

-6,6%

1,5%

Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches and shorts, knitted or crocheted

1 106,8

16,0%

190,1

22,4%

3,9

7,5%

2,0%

291

**Group**

**Subgroup**

**ALL EXPORT EU/EFTA**

**EU/EFTA external export**

**UA import from EU/EFTA**

**UA**

**share in extern al export**

**mln. EUR**

**CAGR**

**mln. EUR**

**CAGR**

**mln. EUR**

**CAGR**

Women's or girls' suits and ensembles of textile fabrics, not knitted or crocheted

693,2

-5,1%

444,9

-6,3%

24,3

-9,3%

5,5%

Women's or girls' overcoats, car coats, capes, cloaks, anoraks, windcheaters, wind-jackets and similar articles, knitted or crocheted

756,0

8,1%

94,8

19,6%

2,2

1,4%

2,3%

Men's or boys' overcoats, car coats, capes, cloaks, anoraks, windcheaters, wind-jackets and similar articles, knitted or crocheted

503,9

13,9%

72,4

26,1%

1,2

12,2%

1,6%

Underwear

T-shirts, singlets and other vests, knitted or crocheted

9 106,5

5,3%

1 214,9

13,6%

29,4

4,6%

2,4%

Women's or girls' blouses, shirts and shirt-blouses, of textile fabric not knitted or crocheted

3 576,6

8,3%

629,8

18,5%

12,1

1,0%

1,9%

Men's or boys' shirts, of textile fabric not knitted or crocheted

2 821,0

4,9%

580,3

13,1%

10,2

0,6%

1,8%

Brassieres, girdles, corsets, braces, suspenders, garters and similar articles and parts thereof, whether or not knitted or crocheted

2 175,7

4,2%

336,2

3,6%

18,2

-3,4%

5,4%

Women's or girls' slips, petticoats, briefs, panties, nightdresses, pyjamas, dressing gowns, negligees, bathrobes and similar articles, knitted or crocheted

1 888,8

3,4%

186,9

4,9%

9,7

-2,5%

5,2%

Women's or girls' blouses, shirts and shirt-blouses, knitted or crocheted

1 314,3

0,1%

159,5

6,3%

4,3

-15,3%

2,7%

Men's or boys' shirts, knitted or crocheted

1 413,5

6,7%

216,0

13,9%

4,1

8,0%

1,9%

Men's or boys' underpants, briefs, nightshirts, pyjamas, bathrobes, dressing gowns and similar articles, knitted or crocheted

990,4

6,3%

81,3

5,8%

2,4

6,8%

3,0%

Women's and girls' singlets and other vests, slips, petticoats, briefs, panties, nightdresses, pyjamas, negligees, bathrobes, dressing gowns and similar articles, of textile fabric not knitted or crocheted

312,5

1,0%

58,7

-5,7%

2,8

-5,3%

4,8%

Men's or boys' singlets and other vests, underpants,

160,0

0,8%

21,3

-3,5%

0,4

-5,1%

1,9%

292

**Group**

**Subgroup**

**ALL EXPORT EU/EFTA**

**EU/EFTA external export**

**UA import from EU/EFTA**

**UA**

**share in extern al export**

**mln. EUR**

**CAGR**

**mln. EUR**

**CAGR**

**mln. EUR**

**CAGR**

briefs, nightshirts, pyjamas, bathrobes, dressing gowns, of textile fabric not knitted or crocheted

Other wearing apparel and accessories

Garments made up of felt or non-wovens, textile fabrics impregnated or coated

3 366,4

6,7%

1 198,3

7,8%

10,0

13,4%

0,8%

Tracksuits, ski suits and swimwear; other garments of textile fabric, not knitted or crocheted

2 789,6

5,3%

1 449,3

8,3%

32,0

-7,4%

2,2%

Handkerchiefs, shawls, scarves, veils, ties, cravats, gloves and other made-up clothing accessories; parts of garments or of clothing accessories, of textile fabric, not knitted or crocheted, n.e.c.

2 606,4

4,7%

1 004,9

7,1%

16,2

-8,2%

1,6%

Tracksuits, ski suits, swimwear and other garments, knitted or crocheted

2 450,6

3,5%

716,4

7,3%

18,3

2,3%

2,6%

Babies' garments and clothing accessories, knitted or crocheted

995,9

6,2%

145,9

8,8%

3,8

-14,8%

2,6%

Other made-up clothing accessories and parts of garments or of clothing accessories, knitted or crocheted

532,7

0,2%

118,7

0,8%

2,0

-13,3%

1,7%

Gloves, mittens and mitts, knitted or crocheted

561,9

6,4%

48,9

13,3%

1,5

1,3%

3,0%

Babies' garments and clothing accessories, of textile fabric, not knitted or crocheted

479,1

3,6%

89,3

6,7%

2,2

-6,3%

2,5%

Other knitted and crocheted apparel

Jerseys, pullovers, cardigans, waistcoats and similar articles, knitted or crocheted

10 086,7

5,0%

1 566,1

12,0%

40,4

-0,4%

2,6%

Knitted and crocheted hosiery

Panty hose, tights, stockings, socks and other hosiery, knitted or crocheted

3 178,5

1,2%

379,8

-3,1%

10,4

-14,4%

2,7%

TOTAL

90 559,7

5,8%

17 895,9

10,7%

409,6

-1,1%

2,3%

**Weight, thous. tons**

Other

Men's or boys' trousers, bib and brace overalls, breeches

264,6

7,9%

27,5

11,1%

0,7

8,8%

2,4%

293

**Group**

**Subgroup**

**ALL EXPORT EU/EFTA**

**EU/EFTA external export**

**UA import from EU/EFTA**

**UA**

**share in extern al export**

**mln. EUR**

**CAGR**

**mln. EUR**

**CAGR**

**mln. EUR**

**CAGR**

outerwear

and shorts of textile fabrics, not knitted or crocheted

Women's or girls' trousers, bib and brace overalls, breeches and shorts of textile fabrics, not knitted or crocheted

216,5

9,1%

22,8

13,3%

0,6

6,7%

2,6%

Women's or girls' dresses, skirts and divided skirts of textile fabrics, not knitted or crocheted

88,2

6,1%

15,0

21,5%

0,2

-7,7%

1,5%

Women's or girls' suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts, knitted or crocheted

191,9

9,9%

16,5

14,8%

0,5

0,3%

2,9%

Women's or girls' overcoats, car coats, capes, cloaks, anoraks, wind-cheaters, wind-jackets and similar articles of textile fabrics, not knitted or crocheted

110,1

9,9%

11,1

18,2%

0,4

14,1%

3,5%

Men's or boys' overcoats, raincoats, car coats, capes, cloaks, anoraks, wind-cheaters, wind-jackets and similar articles of textile fabrics, not knitted or crocheted

75,4

6,9%

7,6

5,6%

0,2

4,3%

2,9%

Women's or girls' jackets and blazers of textile fabrics, not knitted or crocheted

33,6

3,8%

3,6

7,4%

0,1

-9,1%

1,8%

Men's or boys' jackets and blazers, of textile fabrics, not knitted or crocheted

47,5

18,7%

4,3

19,6%

0,1

12,7%

1,2%

Men's or boys' suits and ensembles of textile fabrics, not knitted or crocheted

18,9

-5,9%

3,7

-6,5%

0,1

-5,7%

2,0%

Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches and shorts, knitted or crocheted

54,8

21,6%

4,4

5,0%

0,1

11,1%

1,8%

Women's or girls' suits and ensembles of textile fabrics, not knitted or crocheted

9,9

-5,5%

3,3

-16,1%

0,1

-23,2%

3,5%

Women's or girls' overcoats, car coats, capes, cloaks, anoraks, windcheaters, wind-jackets and similar articles, knitted or crocheted

29,8

9,0%

2,1

14,7%

0,1

2,2%

2,4%

Men's or boys' overcoats, car coats, capes, cloaks,

34,3

40,0%

1,7

17,7%

0,0

17,5%

1,6%

294

**Group**

**Subgroup**

**ALL EXPORT EU/EFTA**

**EU/EFTA external export**

**UA import from EU/EFTA**

**UA**

**share in extern al export**

**mln. EUR**

**CAGR**

**mln. EUR**

**CAGR**

**mln. EUR**

**CAGR**

anoraks, windcheaters, wind-jackets and similar articles, knitted or crocheted

Underwear

T-shirts, singlets and other vests, knitted or crocheted

381,1

7,1%

34,3

9,5%

0,9

-1,9%

2,6%

Women's or girls' blouses, shirts and shirt-blouses, of textile fabric not knitted or crocheted

82,1

10,9%

8,1

13,1%

0,2

0,6%

2,4%

Men's or boys' shirts, of textile fabric not knitted or crocheted

64,6

4,0%

9,1

8,4%

0,2

-5,9%

2,1%

Brassieres, girdles, corsets, braces, suspenders, garters and similar articles and parts thereof, whether or not knitted or crocheted

43,1

4,6%

5,3

1,3%

0,4

-6,7%

6,7%

Women's or girls' slips, petticoats, briefs, panties, nightdresses, pyjamas, dressing gowns, negligees, bathrobes and similar articles, knitted or crocheted

81,0

5,8%

5,9

1,4%

0,3

-6,5%

4,4%

Women's or girls' blouses, shirts and shirt-blouses, knitted or crocheted

46,0

-0,7%

4,2

-1,5%

0,1

-19,6%

2,6%

Men's or boys' shirts, knitted or crocheted

36,1

4,3%

4,0

9,0%

0,1

9,6%

2,2%

Men's or boys' underpants, briefs, nightshirts, pyjamas, bathrobes, dressing gowns and similar articles, knitted or crocheted

46,8

3,2%

4,2

-1,4%

0,1

-0,9%

2,0%

Women's and girls' singlets and other vests, slips, petticoats, briefs, panties, nightdresses, pyjamas, negligees, bathrobes, dressing gowns and similar articles, of textile fabric not knitted or crocheted

21,6

8,8%

2,7

5,8%

0,0

-15,8%

1,2%

Men's or boys' singlets and other vests, underpants, briefs, nightshirts, pyjamas, bathrobes, dressing gowns, of textile fabric not knitted or crocheted

11,7

4,0%

0,8

-13,2%

0,0

-20,8%

1,4%

Other wearing apparel and accessories

Garments made up of felt or non-wovens, textile fabrics impregnated or coated

106,5

7,0%

28,0

25,2%

0,2

2,7%

0,7%

Tracksuits, ski suits and swimwear; other garments of textile fabric, not knitted or crocheted

63,2

-0,5%

19,6

2,3%

0,4

-10,8%

2,0%

295

**Group**

**Subgroup**

**ALL EXPORT EU/EFTA**

**EU/EFTA external export**

**UA import from EU/EFTA**

**UA**

**share in extern al export**

**mln. EUR**

**CAGR**

**mln. EUR**

**CAGR**

**mln. EUR**

**CAGR**

Handkerchiefs, shawls, scarves, veils, ties, cravats, gloves and other made-up clothing accessories; parts of garments or of clothing accessories, of textile fabric, not knitted or crocheted, n.e.c.

63,9

4,4%

21,3

-0,3%

0,7

-11,7%

3,2%

Tracksuits, ski suits, swimwear and other garments, knitted or crocheted

70,1

5,3%

16,4

3,7%

0,2

-8,0%

1,4%

Babies' garments and clothing accessories, knitted or crocheted

50,3

4,9%

4,8

9,1%

0,1

-7,6%

1,8%

Other made-up clothing accessories and parts of garments or of clothing accessories, knitted or crocheted

28,4

5,7%

4,4

-1,3%

0,1

-12,3%

2,2%

Gloves, mittens and mitts, knitted or crocheted

25,3

6,4%

2,1

8,0%

0,1

-11,3%

3,7%

Babies' garments and clothing accessories, of textile fabric, not knitted or crocheted

18,7

-0,2%

3,6

9,1%

0,0

-3,6%

1,0%

Other knitted and crocheted apparel

Jerseys, pullovers, cardigans, waistcoats and similar articles, knitted or crocheted

368,7

10,2%

30,7

9,5%

1,0

0,5%

3,1%

Knitted and crocheted hosiery

Panty hose, tights, stockings, socks and other hosiery, knitted or crocheted

168,2

1,1%

15,9

-5,5%

0,3

-21,8%

2,2%

TOTAL

2 952,7

7,1%

348,7

7,5%

8,3

-4,6%

2,4%

**Table**

**3.3**

**EU/EFTA import**

**of apparel**

**by main product groups in 2010-2014**

296

**Group**

**Subgroup**

**ALL IMPORT EU/EFTA**

**EU/EFTA external import**

**UA export to EU/EFTA**

**UA share in external import**

**mln. EUR**

**CAGR**

**mln. EUR**

**CAGR**

**mln. EUR**

**CAGR**

**Value, mln. Euro**

Other outerwear

Men's or boys' trousers, bib and brace overalls, breeches and shorts of textile fabrics, not knitted or crocheted

12 408,1

4,7%

7 120,7

5,4%

61,8

5,5%

0,9%

Women's or girls' trousers, bib and brace overalls, breeches and shorts of textile fabrics, not knitted or crocheted

10 109,6

3,8%

5 710,3

3,7%

32,4

0,2%

0,6%

Women's or girls' suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts, knitted or crocheted

9 185,5

9,0%

5 128,5

9,4%

19,9

8,7%

0,4%

Women's or girls' dresses, skirts and divided skirts of textile fabrics, not knitted or crocheted

6 023,4

0,3%

3 050,7

-1,4%

20,8

5,8%

0,7%

Women's or girls' overcoats, car coats, capes, cloaks, anoraks, wind-cheaters, wind-jackets and similar articles of textile fabrics, not knitted or crocheted

6 867,9

8,1%

3 809,4

8,4%

30,7

-3,6%

0,8%

Men's or boys' overcoats, raincoats, car coats, capes, cloaks, anoraks, wind- cheaters, wind-jackets and similar articles of textile fabrics, not knitted or crocheted

4 708,2

7,9%

2 603,6

7,5%

17,9

10,6%

0,7%

Women's or girls' jackets and blazers of textile fabrics, not knitted or crocheted

2 159,2

1,7%

998,9

2,4%

20,2

-4,7%

2,0%

Men's or boys' jackets and blazers, of textile fabrics, not knitted or crocheted

2 333,0

7,7%

1 049,8

7,8%

19,2

4,9%

1,8%

Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls,

1 689,3

10,9%

909,7

11,8%

1,3

8,7%

0,1%

297

**Group**

**Subgroup**

**ALL IMPORT EU/EFTA**

**EU/EFTA external import**

**UA export to EU/EFTA**

**UA share in external import**

**mln. EUR**

**CAGR**

**mln. EUR**

**CAGR**

**mln. EUR**

**CAGR**

breeches and shorts, knitted or crocheted

Men's or boys' suits and ensembles of textile fabrics, not knitted or crocheted

1 182,5

-2,4%

431,1

-2,1%

7,5

-0,6%

1,7%

Women's or girls' overcoats, car coats, capes, cloaks, anoraks, windcheaters, wind-jackets and similar articles, knitted or crocheted

1 284,7

5,1%

693,0

4,0%

1,0

13,9%

0,1%

Men's or boys' overcoats, car coats, capes, cloaks, anoraks, windcheaters, wind-jackets and similar articles, knitted or crocheted

745,8

8,3%

358,2

9,9%

0,2

-28,2%

0,1%

Women's or girls' suits and ensembles of textile fabrics, not knitted or crocheted

278,4

-9,4%

110,1

-5,4%

0,1

-20,3%

0,1%

Underwear

T-shirts, singlets and other vests, knitted or crocheted

15 472,2

3,8%

8 684,7

3,5%

17,1

7,8%

0,2%

Women's or girls' blouses, shirts and shirt- blouses, of textile fabric not knitted or crocheted

5 357,6

4,3%

2 899,6

3,4%

9,2

-2,7%

0,3%

Men's or boys' shirts, of textile fabric not knitted or crocheted

4 697,4

2,8%

2 817,9

3,1%

7,9

-3,4%

0,3%

Women's or girls' slips, petticoats, briefs, panties, nightdresses, pyjamas, dressing gowns, negligees, bathrobes and similar articles, knitted or crocheted

3 615,8

2,4%

2 147,6

2,5%

2,8

-4,8%

0,1%

Brassieres, girdles, corsets, braces, suspenders, garters and similar articles and parts thereof, whether or not knitted or crocheted

3 501,5

4,0%

1 890,3

3,8%

5,7

14,3%

0,3%

Men's or boys' shirts, knitted or crocheted

2 513,1

4,1%

1 467,0

3,7%

0,2

31,5%

0,0%

Women's or girls' blouses, shirts and shirt- blouses, knitted or crocheted

1 933,3

-2,0%

1 023,1

-2,1%

4,5

1,7%

0,4%

298

**Group**

**Subgroup**

**ALL IMPORT EU/EFTA**

**EU/EFTA external import**

**UA export to EU/EFTA**

**UA share in external import**

**mln. EUR**

**CAGR**

**mln. EUR**

**CAGR**

**mln. EUR**

**CAGR**

Men's or boys' underpants, briefs, nightshirts, pyjamas, bathrobes, dressing gowns and similar articles, knitted or crocheted

2 025,6

5,0%

1 243,3

5,5%

1,1

-1,0%

0,1%

Women's and girls' singlets and other vests, slips, petticoats, briefs, panties, nightdresses, pyjamas, negligees, bathrobes, dressing gowns and similar articles, of textile fabric not knitted or crocheted

574,4

-1,3%

322,3

-2,0%

0,0

-40,3%

0,0%

Men's or boys' singlets and other vests, underpants, briefs, nightshirts, pyjamas, bathrobes, dressing gowns, of textile fabric not knitted or crocheted

360,1

0,9%

206,3

-0,7%

0,1

54,2%

0,0%

Other wearing apparel and accessories

Garments made up of felt or non-wovens, textile fabrics impregnated or coated

3 731,8

4,7%

2 251,0

5,1%

6,7

15,0%

0,3%

Tracksuits, ski suits, swimwear and other garments, knitted or crocheted

3 686,5

3,9%

1 584,5

3,6%

5,4

18,9%

0,3%

Tracksuits, ski suits and swimwear; other garments of textile fabric, not knitted or crocheted

2 840,7

3,2%

1 562,0

2,6%

10,8

-6,5%

0,7%

Handkerchiefs, shawls, scarves, veils, ties, cravats, gloves and other made-up clothing accessories; parts of garments or of clothing accessories, of textile fabric, not knitted or crocheted, n.e.c.

2 587,7

2,7%

1 190,8

2,6%

0,5

-4,0%

0,0%

Babies' garments and clothing accessories, knitted or crocheted

2 435,4

3,2%

1 603,7

2,2%

5,0

5,2%

0,3%

Gloves, mittens and mitts, knitted or crocheted

1 262,2

6,7%

847,3

7,3%

0,1

-11,0%

0,0%

Babies' garments and clothing accessories, of textile fabric, not knitted or

993,3

0,0%

608,7

-1,5%

0,4

-5,0%

0,1%

299

**Group**

**Subgroup**

**ALL IMPORT EU/EFTA**

**EU/EFTA external import**

**UA export to EU/EFTA**

**UA share in external import**

**mln. EUR**

**CAGR**

**mln. EUR**

**CAGR**

**mln. EUR**

**CAGR**

crocheted

Other made-up clothing accessories and parts of garments or of clothing accessories, knitted or crocheted

782,2

-1,4%

379,6

-2,1%

0,3

9,5%

0,1%

Other knitted and crocheted apparel

Jerseys, pullovers, cardigans, waistcoats and similar articles, knitted or crocheted

17 643,0

2,8%

10 384,4

3,1%

6,2

-6,9%

0,1%

Knitted and crocheted hosiery

Panty hose, tights, stockings, socks and other hosiery, knitted or crocheted

4 606,2

3,1%

1 954,6

3,9%

0,5

12,5%

0,0%

TOTAL

139 595,4

4,0%

77 042,6

4,0%

317,4

2,3%

0,4%

**Weight, thous. tons**

Other outerwear

Men's or boys' trousers, bib and brace overalls, breeches and shorts of textile fabrics, not knitted or crocheted

678,0

2,8%

480,9

1,9%

2,7

-1,6%

0,6%

Women's or girls' trousers, bib and brace overalls, breeches and shorts of textile fabrics, not knitted or crocheted

509,1

1,8%

350,5

0,1%

1,3

-3,1%

0,4%

Women's or girls' suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts, knitted or crocheted

484,6

3,2%

336,1

7,1%

0,7

4,2%

0,2%

Women's or girls' dresses, skirts and divided skirts of textile fabrics, not knitted or crocheted

801,0

20,8%

117,7

-2,4%

0,6

0,4%

0,5%

Women's or girls' overcoats, car coats, capes, cloaks, anoraks, wind-cheaters, wind-jackets and similar articles of textile fabrics, not knitted or crocheted

283,8

5,1%

201,6

4,7%

1,0

-11,9%

0,5%

Men's or boys' overcoats, raincoats, car

258,5

10,0%

142,3

2,2%

0,6

-0,4%

0,4%

300

**Group**

**Subgroup**

**ALL IMPORT EU/EFTA**

**EU/EFTA external import**

**UA export to EU/EFTA**

**UA share in external import**

**mln. EUR**

**CAGR**

**mln. EUR**

**CAGR**

**mln. EUR**

**CAGR**

coats, capes, cloaks, anoraks, wind- cheaters, wind-jackets and similar articles of textile fabrics, not knitted or crocheted

Women's or girls' jackets and blazers of textile fabrics, not knitted or crocheted

72,4

1,6%

47,6

1,1%

0,7

-6,5%

1,4%

Men's or boys' jackets and blazers, of textile fabrics, not knitted or crocheted

73,5

5,8%

47,7

4,7%

0,7

-0,8%

1,5%

Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches and shorts, knitted or crocheted

122,8

10,6%

90,0

10,7%

0,0

-10,8%

0,0%

Men's or boys' suits and ensembles of textile fabrics, not knitted or crocheted

34,1

-4,7%

20,3

-4,4%

0,2

-12,5%

1,2%

Women's or girls' overcoats, car coats, capes, cloaks, anoraks, windcheaters, wind-jackets and similar articles, knitted or crocheted

68,7

2,5%

46,8

0,5%

0,0

6,2%

0,1%

Men's or boys' overcoats, car coats, capes, cloaks, anoraks, windcheaters, wind-jackets and similar articles, knitted or crocheted

45,7

11,4%

30,8

11,6%

0,0

-29,0%

0,0%

Women's or girls' suits and ensembles of textile fabrics, not knitted or crocheted

20,0

-0,2%

12,2

1,6%

0,0

-8,4%

0,1%

Underwear

T-shirts, singlets and other vests, knitted or crocheted

980,3

3,4%

608,8

0,7%

0,7

3,4%

0,1%

Women's or girls' blouses, shirts and shirt- blouses, of textile fabric not knitted or crocheted

789,0

52,6%

105,6

2,0%

0,2

-6,8%

0,2%

Men's or boys' shirts, of textile fabric not knitted or crocheted

187,8

0,1%

139,5

-0,4%

0,3

-7,1%

0,2%

Women's or girls' slips, petticoats, briefs, panties, nightdresses, pyjamas, dressing gowns, negligees, bathrobes and similar

208,0

-0,5%

149,2

-1,7%

0,1

-15,0%

0,1%

301

**Group**

**Subgroup**

**ALL IMPORT EU/EFTA**

**EU/EFTA external import**

**UA export to EU/EFTA**

**UA share in external import**

**mln. EUR**

**CAGR**

**mln. EUR**

**CAGR**

**mln. EUR**

**CAGR**

articles, knitted or crocheted

Brassieres, girdles, corsets, braces, suspenders, garters and similar articles and parts thereof, whether or not knitted or crocheted

90,0

2,5%

60,8

2,0%

0,1

-5,9%

0,2%

Men's or boys' shirts, knitted or crocheted

129,1

0,4%

96,4

-0,5%

0,0

25,1%

0,0%

Women's or girls' blouses, shirts and shirt- blouses, knitted or crocheted

89,2

-14,1%

53,6

-4,9%

0,2

-10,1%

0,4%

Men's or boys' underpants, briefs, nightshirts, pyjamas, bathrobes, dressing gowns and similar articles, knitted or crocheted

139,8

2,3%

104,7

1,2%

0,1

-9,0%

0,1%

Women's and girls' singlets and other vests, slips, petticoats, briefs, panties, nightdresses, pyjamas, negligees, bathrobes, dressing gowns and similar articles, of textile fabric not knitted or crocheted

40,8

-4,6%

28,5

-5,9%

0,0

-38,7%

0,0%

Men's or boys' singlets and other vests, underpants, briefs, nightshirts, pyjamas, bathrobes, dressing gowns, of textile fabric not knitted or crocheted

29,1

-2,1%

20,7

-3,7%

0,0

52,4%

0,0%

Other wearing apparel and accessories

Garments made up of felt or non-wovens, textile fabrics impregnated or coated

226,7

2,9%

155,4

2,6%

0,8

27,6%

0,5%

Tracksuits, ski suits, swimwear and other garments, knitted or crocheted

157,5

-0,6%

82,0

-1,6%

0,1

13,7%

0,2%

Tracksuits, ski suits and swimwear; other garments of textile fabric, not knitted or crocheted

139,1

-1,8%

92,8

-2,9%

0,6

-11,4%

0,6%

Handkerchiefs, shawls, scarves, veils, ties, cravats, gloves and other made-up

105,8

-1,8%

68,5

-3,3%

0,0

-8,7%

0,0%

302

**Group**

**Subgroup**

**ALL IMPORT EU/EFTA**

**EU/EFTA external import**

**UA export to EU/EFTA**

**UA share in external import**

**mln. EUR**

**CAGR**

**mln. EUR**

**CAGR**

**mln. EUR**

**CAGR**

clothing accessories; parts of garments or of clothing accessories, of textile fabric, not knitted or crocheted, n.e.c.

Babies' garments and clothing accessories, knitted or crocheted

141,3

1,4%

92,9

-1,5%

0,2

-1,3%

0,2%

Gloves, mittens and mitts, knitted or crocheted

110,0

4,3%

85,7

4,6%

0,0

-42,7%

0,0%

Babies' garments and clothing accessories, of textile fabric, not knitted or crocheted

59,3

4,1%

41,9

3,5%

0,0

-8,5%

0,0%

Other made-up clothing accessories and parts of garments or of clothing accessories, knitted or crocheted

48,0

-2,8%

31,2

-2,4%

0,0

-1,1%

0,0%

Other knitted and crocheted apparel

Jerseys, pullovers, cardigans, waistcoats and similar articles, knitted or crocheted

934,6

1,4%

621,9

0,6%

0,2

-16,9%

0,0%

Knitted and crocheted hosiery

Panty hose, tights, stockings, socks and other hosiery, knitted or crocheted

358,7

0,6%

207,0

0,1%

0,0

8,8%

0,0%

TOTAL

8 416,4

5,4%

4 771,5

1,1%

12,5

-3,5%

0,3%

**Table**

**3.4.**

**Ukraine’s export of wearing apparel by main product groups and commodity items in 2010-2014**

303

**Indic ator**

**Group**

**Commodity item**

**CAGR in 2010-2014**

**2014**

**TOTAL**

**EU/ EFTA**

**Russia**

**CIS**

**Asia**

**Africa**

**America**

**Other**

Value, 000

Euro

Other outerwear

Men's or boys' trousers, bib and brace overalls, breeches and shorts of textile fabrics, not knitted or crocheted

3,2%

**74 869**

74 049

157

391

123

44

105

Women's or girls' overcoats, car coats, capes, cloaks, anoraks, wind- cheaters, wind-jackets and similar articles of textile fabrics, not knitted or crocheted

-6,3%

**30 967**

30 264

244

28

264

143

25

Women's or girls' trousers, bib and brace overalls, breeches and shorts of textile fabrics, not knitted or crocheted

-3,0%

**30 000**

29 638

72

58

83

101

48

Women's or girls' suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts, knitted or crocheted

5,6%

**20 936**

18 846

1 862

118

73

7

30

Men's or boys' jackets and blazers, of textile fabrics, not knitted or crocheted

4,6%

**25 061**

24 553

83

287

3

76

59

Women's or girls' jackets and blazers of textile fabrics, not knitted or crocheted

-4,7%

**23 160**

22 694

5

285

9

147

19

Men's or boys' overcoats, raincoats, car coats, capes, cloaks, anoraks, wind-cheaters, wind-jackets and similar articles of textile fabrics, not knitted or crocheted

2,3%

**25 053**

24 427

356

65

151

0

1

52

Women's or girls' dresses, skirts and divided skirts of textile fabrics, not knitted or crocheted

1,8%

**22 224**

21 422

89

34

315

9

325

31

Men's or boys' suits and ensembles of textile fabrics, not knitted or crocheted

-6,5%

**9 321**

8 336

309

301

268

38

0

69

304

**Indic ator**

**Group**

**Commodity item**

**CAGR in 2010-2014**

**2014**

**TOTAL**

**EU/ EFTA**

**Russia**

**CIS**

**Asia**

**Africa**

**America**

**Other**

Worn clothing and other worn articles

4,1%

**348**

1

0

3

276

42

26

Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches and shorts, knitted or crocheted

20,0%

**2 366**

1 309

1 028

27

0

1

1

Women's or girls' overcoats, car coats, capes, cloaks, anoraks, windcheaters, wind-jackets and similar articles, knitted or crocheted

18,3%

**1 656**

1 088

558

0

3

6

Men's or boys' overcoats, car coats, capes, cloaks, anoraks, windcheaters, wind-jackets and similar articles, knitted or crocheted

-1,1%

**342**

95

199

1

25

22

Women's or girls' suits and ensembles of textile fabrics, not knitted or crocheted

-11,1%

**282**

176

80

16

8

0

1

Total

0,2%

**266 585**

256 898

5 042

1 614

1 603

89

846

494

Underwear

T-shirts, singlets and other vests, knitted or crocheted

2,7%

**23 053**

16 103

6 541

231

58

0

5

114

Brassieres, girdles, corsets, braces, suspenders, garters and similar articles and parts thereof, whether or not knitted or crocheted

-0,8%

**19 687**

16 499

2 390

731

24

3

40

Women's or girls' slips, petticoats, briefs, panties, nightdresses, pyjamas, dressing gowns, negligees, bathrobes and similar articles, knitted or crocheted

-5,9%

**7 870**

6 281

1 357

202

22

1

7

Women's or girls' blouses, shirts and shirt-blouses, knitted or crocheted

-4,7%

**6 032**

4 381

1 575

2

65

5

5

Men's or boys' shirts, of textile fabric not knitted or crocheted

-2,8%

**9 356**

8 797

59

299

80

3

3

116

Women's or girls' blouses, shirts and shirt-blouses, of textile fabric not knitted or crocheted

-7,5%

**10 427**

10 262

123

3

18

0

5

16

Men's or boys' underpants, briefs, nightshirts, pyjamas, bathrobes,

-11,0%

**1 073**

973

71

19

1

0

9

305

**Indic ator**

**Group**

**Commodity item**

**CAGR in 2010-2014**

**2014**

**TOTAL**

**EU/ EFTA**

**Russia**

**CIS**

**Asia**

**Africa**

**America**

**Other**

dressing gowns and similar articles, knitted or crocheted

Men's or boys' shirts, knitted or crocheted

103,3%

**2 096**

207

1 595

14

198

0

82

Men's or boys' singlets and other vests, underpants, briefs, nightshirts, pyjamas, bathrobes, dressing gowns, of textile fabric not knitted or crocheted

3,6%

**147**

68

20

59

0

0

Women's and girls' singlets and other vests, slips, petticoats, briefs, panties, nightdresses, pyjamas, negligees, bathrobes, dressing gowns and similar articles, of textile fabric not knitted or crocheted

-22,4%

**458**

410

6

36

1

3

3

Total

-1,8%

**80 200**

63 980

13 736

1 596

466

3

26

393

Other wearing apparel and accessories

Tracksuits, ski suits and swimwear; other garments of textile fabric, not knitted or crocheted

-3,8%

**14 395**

14 002

135

230

6

1

6

15

Garments made up of felt or non- wovens, textile fabrics impregnated or coated

14,8%

**8 359**

8 112

0

230

1

12

3

1

Handkerchiefs, shawls, scarves, veils, ties, cravats, gloves and other made- up clothing accessories; parts of garments or of clothing accessories, of textile fabric, not knitted or crocheted, n.e.c.

6,1%

**4 634**

4 433

23

7

1

1

3

167

Babies' garments and clothing accessories, knitted or crocheted

-2,8%

**5 984**

4 290

908

685

51

49

Gloves, mittens and mitts, knitted or crocheted

5,0%

**658**

135

298

199

8

2

1

15

Tracksuits, ski suits, swimwear and other garments, knitted or crocheted

8,6%

**6 102**

5 599

353

128

11

0

1

11

Other made-up clothing accessories and parts of garments or of clothing accessories, knitted or crocheted

-1,0%

**580**

264

267

12

32

0

5

306

**Indic ator**

**Group**

**Commodity item**

**CAGR in 2010-2014**

**2014**

**TOTAL**

**EU/ EFTA**

**Russia**

**CIS**

**Asia**

**Africa**

**America**

**Other**

Babies' garments and clothing accessories, of textile fabric, not knitted or crocheted

14,6%

**771**

309

409

44

7

2

Total

2,2%

**41 484**

37 144

2 392

1 535

59

17

73

265

Knitted and crocheted hosiery

Panty hose, tights, stockings, socks and other hosiery, knitted or crocheted

1,1%

**12 815**

597

9 421

1 910

89

758

38

Total

1,1%

**12 815**

597

9 421

1 910

89

758

38

Other knitted and crocheted apparel

Jerseys, pullovers, cardigans, waistcoats and similar articles, knitted or crocheted

-1,2%

**10 373**

5 292

4 607

171

133

0

12

157

Total

-1,2%

**10 373**

5 292

4 607

171

133

0

12

157

TOTAL

0,0%

**411 457**

363 911

35 198

6 826

2 350

109

1 715

1 347

Weigh t, tons

Other outerwear

Men's or boys' trousers, bib and brace overalls, breeches and shorts of textile fabrics, not knitted or crocheted

-2,2%

**3 396**

3 356

4

31

3

2

1

Women's or girls' overcoats, car coats, capes, cloaks, anoraks, wind- cheaters, wind-jackets and similar articles of textile fabrics, not knitted or crocheted

-13,3%

**1 077**

1 055

9

2

6

4

1

Women's or girls' trousers, bib and brace overalls, breeches and shorts of textile fabrics, not knitted or crocheted

-3,9%

**1 306**

1 294

2

4

2

4

0

Women's or girls' suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts, knitted or crocheted

0,0%

**835**

725

103

6

1

0

1

Men's or boys' jackets and blazers, of textile fabrics, not knitted or crocheted

-0,9%

**860**

831

2

23

0

3

0

307

**Indic ator**

**Group**

**Commodity item**

**CAGR in 2010-2014**

**2014**

**TOTAL**

**EU/ EFTA**

**Russia**

**CIS**

**Asia**

**Africa**

**America**

**Other**

Women's or girls' jackets and blazers of textile fabrics, not knitted or crocheted

-4,9%

**753**

729

0

18

0

6

0

Men's or boys' overcoats, raincoats, car coats, capes, cloaks, anoraks, wind-cheaters, wind-jackets and similar articles of textile fabrics, not knitted or crocheted

-2,7%

**707**

686

9

8

1

0

0

2

Women's or girls' dresses, skirts and divided skirts of textile fabrics, not knitted or crocheted

-0,9%

**657**

635

3

1

4

0

13

0

Men's or boys' suits and ensembles of textile fabrics, not knitted or crocheted

-9,4%

**318**

250

31

27

5

2

0

3

Worn clothing and other worn articles

-6,8%

**337**

17

0

21

255

40

4

Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches and shorts, knitted or crocheted

13,4%

**120**

42

77

0

0

0

0

Women's or girls' overcoats, car coats, capes, cloaks, anoraks, windcheaters, wind-jackets and similar articles, knitted or crocheted

18,8%

**84**

40

44

0

0

0

Men's or boys' overcoats, car coats, capes, cloaks, anoraks, windcheaters, wind-jackets and similar articles, knitted or crocheted

14,7%

**21**

4

17

0

0

1

Women's or girls' suits and ensembles of textile fabrics, not knitted or crocheted

-19,7%

**8**

4

3

1

0

0

0

Total

-4,0%

**10 480**

9 670

304

143

278

41

31

13

Underwear

T-shirts, singlets and other vests, knitted or crocheted

-4,9%

**1 103**

681

413

7

1

0

0

1

Brassieres, girdles, corsets, braces, suspenders, garters and similar articles and parts thereof, whether or not knitted or crocheted

-1,9%

**385**

312

50

20

0

0

2

308

**Indic ator**

**Group**

**Commodity item**

**CAGR in 2010-2014**

**2014**

**TOTAL**

**EU/ EFTA**

**Russia**

**CIS**

**Asia**

**Africa**

**America**

**Other**

Women's or girls' slips, petticoats, briefs, panties, nightdresses, pyjamas, dressing gowns, negligees, bathrobes and similar articles, knitted or crocheted

-11,6%

**254**

216

33

5

1

0

0

Women's or girls' blouses, shirts and shirt-blouses, knitted or crocheted

-11,6%

**301**

226

73

0

1

0

0

Men's or boys' shirts, of textile fabric not knitted or crocheted

-5,6%

**335**

320

1

13

1

0

0

0

Women's or girls' blouses, shirts and shirt-blouses, of textile fabric not knitted or crocheted

-6,6%

**283**

278

5

0

0

0

0

0

Men's or boys' underpants, briefs, nightshirts, pyjamas, bathrobes, dressing gowns and similar articles, knitted or crocheted

-23,6%

**68**

59

8

1

0

0

0

Men's or boys' shirts, knitted or crocheted

59,5%

**108**

6

99

0

2

0

0

Men's or boys' singlets and other vests, underpants, briefs, nightshirts, pyjamas, bathrobes, dressing gowns, of textile fabric not knitted or crocheted

-5,1%

**44**

10

2

32

0

0

Women's and girls' singlets and other vests, slips, petticoats, briefs, panties, nightdresses, pyjamas, negligees, bathrobes, dressing gowns and similar articles, of textile fabric not knitted or crocheted

-29,9%

**25**

24

0

1

0

0

0

Total

-6,7%

**2 907**

2 133

684

80

6

0

0

4

Other wearing apparel and accessories

Tracksuits, ski suits and swimwear; other garments of textile fabric, not knitted or crocheted

-4,3%

**747**

724

6

15

0

0

0

0

Garments made up of felt or non- wovens, textile fabrics impregnated or coated

17,1%

**819**

815

0

3

0

1

0

0

Handkerchiefs, shawls, scarves, veils,

-11,6%

**392**

377

1

1

0

0

0

12

*Source: State Statistic Service of Ukraine*

309

**Indic ator**

**Group**

**Commodity item**

**CAGR in 2010-2014**

**2014**

**TOTAL**

**EU/ EFTA**

**Russia**

**CIS**

**Asia**

**Africa**

**America**

**Other**

ties, cravats, gloves and other made- up clothing accessories; parts of garments or of clothing accessories, of textile fabric, not knitted or crocheted, n.e.c.

Babies' garments and clothing accessories, knitted or crocheted

-20,4%

**264**

165

67

27

4

0

Gloves, mittens and mitts, knitted or crocheted

-14,3%

**156**

6

97

51

0

0

0

1

Tracksuits, ski suits, swimwear and other garments, knitted or crocheted

13,1%

**152**

131

16

5

0

0

0

0

Other made-up clothing accessories and parts of garments or of clothing accessories, knitted or crocheted

3,2%

**41**

14

25

0

2

0

0

Babies' garments and clothing accessories, of textile fabric, not knitted or crocheted

10,9%

**30**

17

11

1

0

0

Total

-4,0%

**2 600**

2 249

225

103

2

2

6

14

Knitted and crocheted hosiery

Panty hose, tights, stockings, socks and other hosiery, knitted or crocheted

3,8%

**1 176**

47

887

142

6

92

2

Other knitted and crocheted apparel

Jerseys, pullovers, cardigans, waistcoats and similar articles, knitted or crocheted

-5,1%

**505**

212

283

8

1

0

1

1

TOTAL

**17 668**

14 310

2 382

476

293

43

130

34

Table

3.5

**Ukraine’s import of wearing apparel by main product groups and commodity items in 2010-2014**

310

**Indic ator**

**Group**

**Commodity item**

**CAGR in 2010-**

**2014**

**2014**

**TOTAL**

**EU/ EFTA**

**Russia**

**CIS**

**Asia**

**Africa**

**America**

**Other**

Value, 000

Euro

Other outerwear

Worn clothing and other worn articles

1,0%

**78 681**

65 992

3

1

373

0

12 311

0

Men's or boys' trousers, bib and brace overalls, breeches and shorts of textile fabrics, not knitted or crocheted

-10,2%

**30 588**

999

521

549

24 788

3 312

369

50

Women's or girls' trousers, bib and brace overalls, breeches and shorts of textile fabrics, not knitted or crocheted

-8,0%

**28 506**

1 553

815

98

22 454

3 509

60

17

Women's or girls' overcoats, car coats, capes, cloaks, anoraks, wind-cheaters, wind-jackets and similar articles of textile fabrics, not knitted or crocheted

8,6%

**31 178**

1 364

57

53

29 122

549

28

5

Men's or boys' overcoats, raincoats, car coats, capes, cloaks, anoraks, wind-cheaters, wind- jackets and similar articles of textile fabrics, not knitted or crocheted

4,1%

**27 550**

706

56

24

26 462

88

207

7

Women's or girls' dresses, skirts and divided skirts of textile fabrics, not knitted or crocheted

5,8%

**17 496**

2 825

255

260

13 143

934

48

31

Women's or girls' suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts, knitted or crocheted

15,7%

**19 869**

2 050

228

240

16 726

577

38

9

Men's or boys' suits and ensembles of textile fabrics, not knitted or crocheted

-3,2%

**2 666**

297

28

352

1 970

8

3

7

Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches and shorts, knitted or crocheted

32,5%

**7 439**

191

46

46

7 105

35

4

11

Women's or girls' jackets and blazers of textile fabrics, not knitted or crocheted

13,5%

**4 542**

1 455

85

34

2 698

259

8

4

Women's or girls' suits and ensembles of textile fabrics, not knitted or crocheted

5,5%

**1 421**

188

0

56

1 031

3

143

Men's or boys' jackets and blazers, of textile fabrics, not knitted or crocheted

15,3%

**3 332**

647

13

1

2 403

250

5

13

Men's or boys' overcoats, car coats, capes,

5,3%

**1 214**

97

17

12

1 080

5

3

2

311

**Indic ator**

**Group**

**Commodity item**

**CAGR in 2010-**

**2014**

**2014**

**TOTAL**

**EU/ EFTA**

**Russia**

**CIS**

**Asia**

**Africa**

**America**

**Other**

cloaks, anoraks, windcheaters, wind-jackets and similar articles, knitted or crocheted

Women's or girls' overcoats, car coats, capes, cloaks, anoraks, windcheaters, wind-jackets and similar articles, knitted or crocheted

8,6%

**1 693**

164

37

8

1 426

56

0

1

Total

1,0%

**256 177**

78 530

2 162

1 732

150 782

9 585

13 229

157

Underwear

T-shirts, singlets and other vests, knitted or crocheted

-8,1%

**31 994**

2 396

585

635

27 526

551

257

44

Men's or boys' underpants, briefs, nightshirts, pyjamas, bathrobes, dressing gowns and similar articles, knitted or crocheted

-34,8%

**4 718**

361

16

64

4 183

53

20

22

Women's or girls' slips, petticoats, briefs, panties, nightdresses, pyjamas, dressing gowns, negligees, bathrobes and similar articles, knitted or crocheted

-13,7%

**9 982**

658

4

777

8 378

81

60

24

Men's or boys' shirts, of textile fabric not knitted or crocheted

-3,2%

**11 866**

546

8

5

10 972

305

19

13

Brassieres, girdles, corsets, braces, suspenders, garters and similar articles and parts thereof, whether or not knitted or crocheted

7,4%

**17 130**

6 048

68

2 809

8 133

51

2

20

Women's and girls' singlets and other vests, slips, petticoats, briefs, panties, nightdresses, pyjamas, negligees, bathrobes, dressing gowns and similar articles, of textile fabric not knitted or crocheted

-23,1%

**2 296**

62

6

2 197

24

8

0

Women's or girls' blouses, shirts and shirt- blouses, of textile fabric not knitted or crocheted

16,0%

**11 335**

1 146

8

101

9 426

628

15

10

Men's or boys' singlets and other vests, underpants, briefs, nightshirts, pyjamas, bathrobes, dressing gowns, of textile fabric not knitted or crocheted

-29,7%

**520**

15

15

479

3

8

Women's or girls' blouses, shirts and shirt- blouses, knitted or crocheted

26,0%

**6 235**

355

96

123

5 496

157

7

0

Men's or boys' shirts, knitted or crocheted

41,8%

**4 990**

377

76

51

4 400

76

10

0

312

**Indic ator**

**Group**

**Commodity item**

**CAGR in 2010-**

**2014**

**2014**

**TOTAL**

**EU/ EFTA**

**Russia**

**CIS**

**Asia**

**Africa**

**America**

**Other**

Total

-6,8%

**101 067**

11 965

866

4 580

81 189

1 927

407

133

Knitted and crocheted hosiery

Panty hose, tights, stockings, socks and other hosiery, knitted or crocheted

-26,7%

**24 247**

2 617

60

11 009

9 833

23

61

644

Total

-26,7%

**24 247**

2 617

60

11 009

9 833

23

61

644

Other wearing apparel and accessories

Gloves, mittens and mitts, knitted or crocheted

1,8%

**6 607**

249

45

6 261

1

51

1

Tracksuits, ski suits, swimwear and other garments, knitted or crocheted

-12,0%

**8 028**

778

49

122

6 925

130

21

5

Tracksuits, ski suits and swimwear; other garments of textile fabric, not knitted or crocheted

7,8%

**12 790**

4 740

156

49

7 617

198

27

3

Handkerchiefs, shawls, scarves, veils, ties, cravats, gloves and other made-up clothing accessories; parts of garments or of clothing accessories, of textile fabric, not knitted or crocheted, n.e.c.

-5,8%

**10 346**

5 677

86

62

4 462

17

40

1

Garments made up of felt or non-wovens, textile fabrics impregnated or coated

19,4%

**4 752**

169

1

21

4 511

24

27

0

Other made-up clothing accessories and parts of garments or of clothing accessories, knitted or crocheted

-8,5%

**8 276**

5 585

311

6

2 359

11

4

0

Babies' garments and clothing accessories, knitted or crocheted

16,4%

**6 390**

225

12

96

5 815

39

202

1

Babies' garments and clothing accessories, of textile fabric, not knitted or crocheted

14,0%

**2 432**

275

62

2 051

38

7

Total

-0,7%

**59 622**

17 698

721

357

39 999

456

379

11

Other knitted and crocheted apparel

Jerseys, pullovers, cardigans, waistcoats and similar articles, knitted or crocheted

-6,8%

**49 632**

3 076

549

133

45 327

403

110

35

TOTAL

-4,6%

**490 744**

113 886

4 358

17 811

327 129

12 395

14 186

979

Weigh t, tons

Other outerwear

Worn clothing and other worn articles

-0,6%

**89 223**

82 617

1

1

422

0

6 177

5

Men's or boys' trousers, bib and brace overalls, breeches and shorts of textile fabrics, not knitted or crocheted

-30,3%

**2 208**

39

34

42

1 918

156

18

1

313

**Indic ator**

**Group**

**Commodity item**

**CAGR in 2010-**

**2014**

**2014**

**TOTAL**

**EU/ EFTA**

**Russia**

**CIS**

**Asia**

**Africa**

**America**

**Other**

Women's or girls' trousers, bib and brace overalls, breeches and shorts of textile fabrics, not knitted or crocheted

-31,8%

**1 928**

44

39

2

1 717

117

7

1

Women's or girls' overcoats, car coats, capes, cloaks, anoraks, wind-cheaters, wind-jackets and similar articles of textile fabrics, not knitted or crocheted

-9,3%

**2 648**

32

2

1

2 590

18

4

0

Men's or boys' overcoats, raincoats, car coats, capes, cloaks, anoraks, wind-cheaters, wind- jackets and similar articles of textile fabrics, not knitted or crocheted

-14,5%

**1 886**

32

2

3

1 837

4

8

0

Women's or girls' dresses, skirts and divided skirts of textile fabrics, not knitted or crocheted

-5,0%

**1 211**

61

9

5

1 102

29

5

1

Women's or girls' suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts, knitted or crocheted

11,2%

**1 085**

46

13

7

985

28

5

1

Men's or boys' suits and ensembles of textile fabrics, not knitted or crocheted

-10,2%

**377**

11

0

19

345

1

0

0

Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches and shorts, knitted or crocheted

32,2%

**466**

37

4

10

411

2

1

0

Women's or girls' jackets and blazers of textile fabrics, not knitted or crocheted

-0,8%

**170**

14

3

1

145

7

1

0

Women's or girls' suits and ensembles of textile fabrics, not knitted or crocheted

-3,9%

**215**

5

0

2

207

0

1

Men's or boys' jackets and blazers, of textile fabrics, not knitted or crocheted

1,0%

**125**

13

0

0

105

6

0

0

Men's or boys' overcoats, car coats, capes, cloaks, anoraks, windcheaters, wind-jackets and similar articles, knitted or crocheted

7,7%

**79**

9

1

2

65

0

1

0

Women's or girls' overcoats, car coats, capes, cloaks, anoraks, windcheaters, wind-jackets and similar articles, knitted or crocheted

13,2%

**78**

5

3

0

67

2

0

0

Total

-4,2%

**101 698**

82 965

111

96

11 915

371

6 230

10

Underwear

T-shirts, singlets and other vests, knitted or

-35,5%

**2 158**

90

27

100

1 883

42

14

2

314

**Indic ator**

**Group**

**Commodity item**

**CAGR in 2010-**

**2014**

**2014**

**TOTAL**

**EU/ EFTA**

**Russia**

**CIS**

**Asia**

**Africa**

**America**

**Other**

crocheted

Men's or boys' underpants, briefs, nightshirts, pyjamas, bathrobes, dressing gowns and similar articles, knitted or crocheted

-53,8%

**413**

32

0

8

343

28

1

1

Women's or girls' slips, petticoats, briefs, panties, nightdresses, pyjamas, dressing gowns, negligees, bathrobes and similar articles, knitted or crocheted

-36,8%

**907**

17

0

81

800

5

3

2

Men's or boys' shirts, of textile fabric not knitted or crocheted

-22,3%

**937**

13

0

0

907

13

4

0

Brassieres, girdles, corsets, braces, suspenders, garters and similar articles and parts thereof, whether or not knitted or crocheted

-20,1%

**763**

120

1

44

596

1

0

0

Women's and girls' singlets and other vests, slips, petticoats, briefs, panties, nightdresses, pyjamas, negligees, bathrobes, dressing gowns and similar articles, of textile fabric not knitted or crocheted

-27,4%

**300**

7

0

290

1

1

0

Women's or girls' blouses, shirts and shirt- blouses, of textile fabric not knitted or crocheted

-8,0%

**472**

25

0

1

430

13

2

0

Men's or boys' singlets and other vests, underpants, briefs, nightshirts, pyjamas, bathrobes, dressing gowns, of textile fabric not knitted or crocheted

-49,9%

**52**

1

1

49

0

0

Women's or girls' blouses, shirts and shirt- blouses, knitted or crocheted

19,9%

**349**

10

3

3

327

5

1

0

Men's or boys' shirts, knitted or crocheted

36,6%

**239**

13

4

3

214

3

2

0

Total

-33,9%

**6 589**

329

36

241

5 839

112

27

5

Knitted and crocheted hosiery

Panty hose, tights, stockings, socks and other hosiery, knitted or crocheted

-49,0%

**1 993**

169

2

660

1 076

2

2

82

Other wearing apparel and

Gloves, mittens and mitts, knitted or crocheted

14,1%

**2 364**

15

16

2 332

0

1

0

Tracksuits, ski suits, swimwear and other garments, knitted or crocheted

-38,5%

**594**

23

1

1

543

3

23

0

315

**Indic ator**

**Group**

**Commodity item**

**CAGR in 2010-**

**2014**

**2014**

**TOTAL**

**EU/ EFTA**

**Russia**

**CIS**

**Asia**

**Africa**

**America**

**Other**

accessories

Tracksuits, ski suits and swimwear; other garments of textile fabric, not knitted or crocheted

-15,5%

**727**

75

2

4

638

5

2

0

Handkerchiefs, shawls, scarves, veils, ties, cravats, gloves and other made-up clothing accessories; parts of garments or of clothing accessories, of textile fabric, not knitted or crocheted, n.e.c.

-25,0%

**694**

218

14

8

450

1

3

0

Garments made up of felt or non-wovens, textile fabrics impregnated or coated

15,8%

**482**

29

0

5

445

1

2

0

Other made-up clothing accessories and parts of garments or of clothing accessories, knitted or crocheted

-19,8%

**406**

184

28

0

192

0

0

0

Babies' garments and clothing accessories, knitted or crocheted

24,8%

**492**

12

1

4

453

4

17

0

Babies' garments and clothing accessories, of textile fabric, not knitted or crocheted

10,6%

**149**

18

3

125

2

2

Total

-13,8%

**5 907**

574

64

23

5 179

17

50

0

Other knitted and crocheted apparel

Jerseys, pullovers, cardigans, waistcoats and similar articles, knitted or crocheted

-28,2%

**4 422**

100

21

4

4 258

22

14

3

TOTAL

-13,1%

**120 610**

84 136

235

1 025

28 267

524

6 323

100

**Appendix 4**

Table

4.1

**EU footwear market apparent consumption of in 2010-2014 by product groups and subgroups, mln. EUR\***

316

**Group**

**Subgroup**

**Production**

**Export**

**Import**

**Consumption**

**mln. EUR**

**CAGR in 2010-2014**

Footwear other than sports and protective footwear and orthopaedic shoes

Women's town footwear with leather uppers (including boots and shoes

6 312

3 003

3 164

6 473

2,7%

Men's town footwear with leather uppers (including boots and shoes

3 837

1 548

1 888

4 177

4,0%

Town footwear with rubber or plastic uppers

240

368

3 237

3 108

1,0%

Footwear with rubber, plastic or leather outer soles and textile uppers (excluding slippers and other indoor footwear, sports footwear)

413

434

2 219

2 199

6,2%

Women's sandals with leather uppers (including thong type sandals, flip flops)

758

648

517

627

-4,4%

Children's town footwear with leather uppers (including boots and shoes

714

282

660

1 092

4,0%

Sandals with rubber or plastic outer soles and uppers (including thong-type sandals, flip flops)

64

113

794

744

0,7%

Slippers and other indoor footwear (including dancing and bedroom slippers, mules)

202

44

423

581

-0,2%

Waterproof footwear, with uppers in rubber or plastics (excluding incorporating a protective metal toecap)

151

65

172

258

-5,8%

Men's sandals with leather uppers (including thong type sandals, flip flops)

116

114

63

66

-13,4%

Footwear with textile uppers (excluding slippers and other indoor footwear as well as footwear with outer soles of rubber, plastics, leather or composition leather)

107

28

53

132

-7,3%

Slippers and other indoor footwear with rubber, plastic or leather outer soles and leather uppers (including dancing and bedroom slippers, mules)

109

28

58

138

-4,1%

Footwear with wood, cork or other outer soles and leather uppers (excluding outer soles of rubber, plastics or leather)

120

64

20

76

-6,4%

Children's sandals with leather uppers (including thong type sandals, flip flops)

48

35

69

82

-4,1%

Footwear with a wooden base and leather uppers (including clogs) (excluding with an inner sole or a protective metal toe-cap)

18

49

15

-

-

Slippers and other indoor footwear with rubber or plastic outer

11

7

36

41

-4,9%

317

**Group**

**Subgroup**

**Production**

**Export**

**Import**

**Consumption**

**mln. EUR**

**CAGR in 2010-2014**

soles and plastic uppers (including bedroom and dancing slippers, mules)

Parts of footwear of leather

Parts of footwear (excluding uppers) other materials

1 200

340

317

1 176

5,3%

Leather uppers and parts thereof of footwear (excluding stiffeners)

952

87

768

1 633

7,3%

Uppers and parts thereof of footwear (excluding stiffeners, of leather)

260

35

115

341

7,2%

Sports footwear

Sports footwear with rubber or plastic outer soles and textile uppers (including tennis shoes, basketball shoes, gym shoes, training shoes and the like)

91

180

1 590

1 501

14,4%

Other sports footwear, except snow-ski footwear and skating boots

378

207

444

615

1,5%

Protective and other footwear n.e.c.

Footwear with rubber, plastic or leather outer soles and leather uppers, and with a protective metal toe-cap

804

127

514

1 191

5,8%

Wooden footwear, miscellaneous special footwear and other footwear n.e.c.

145

151

122

116

-22,9%

Footwear (including waterproof footwear), incorporating a protective metal toecap, with outer soles and uppers of rubber or of plastics

87

34

28

80

6,5%

**TOTAL**

**17 137 7 9**

**91 17 28**

**6 26 43**

**2 3,1**

**%**

**Table**

**4.2**

**EU/EFTA footwear**

**export by main product groups in 2010-2014**

318

**EU/EFTA**

**external export**

**ALL EXPORT EU/EFTA**

**UA import from EU/EFTA**

**UA**

**share in external export**

**Group**

**Subgroup**

**mln. EUR**

**mln. EUR**

**mln. EUR**

**CAGR**

**CAGR**

**CAGR**

**Value, mln. EUR**

Footwear with uppers of leather, other than sports footwear, footwear

Footwear other than sports and protective footwear and orthopaedic shoes

incorporating a protective metal toe-cap and miscellaneous special footwear

19 768,8

7,1%

4 847,0

12,8%

103,1

-1,8%

2,1%

Footwear with uppers of textile materials, other than sports footwear Footwear with outer soles and uppers of rubber or plastics, other than

3 070,1

9,5%

414,9

11,9%

8,7

5,6%

2,1%

3 135,8

10,7%

333,9

18,1%

6,2

7,5%

1,9%

waterproof or sports footwear

Waterproof footwear, with outer soles and uppers of rubber or

308,1

3,7%

48,0

12,5%

0,9

4,9%

1,9%

plastics, other than footwear incorporating a protective metal toe-cap

Tennis shoes, basketball shoes, gym shoes, training shoes and the like

2 742,5

22,6%

136,3

27,2%

2,5

37,5%

1,8%

Sports footwear

Other sports footwear, except snow-ski footwear and skating boots

1 373,8

7,0%

163,8

9,1%

2,9

9,8%

1,8%

Snow-ski footwear

Parts of footwear of leather; removable insoles, heel cushions and

575,0

1,3%

112,2

4,1%

0,7

-16,2%

0,6%

Parts of footwear of leather

Protective

1 671,9

1,9%

442,4

2,9%

18,3

0,2%

4,1%

similar articles; gaiters, leggings and similar articles, and parts thereof

Other articles of plastics

530,3

3,7%

147,8

0,8%

3,0

-15,0%

2,0%

Footwear incorporating a protective metal toe-cap

2 052,7

9,6%

177,1

16,0%

3,3

9,5%

1,8%

and other footwear n.e.c.

Wooden footwear, miscellaneous special footwear and other footwear n.e.c.

499,0

10,3%

133,1

11,5%

1,6

-13,9%

1,2%

TOTAL

35 728,3

8,2%

6 956,5

11,9%

151,3

-0,9%

2,2%

**Weight, thous. tons**

Footwear with uppers of leather, other than sports footwear, footwear incorporating a protective metal toe-cap and miscellaneous special footwear

Footwear other than sports and protective footwear and orthopaedic shoes

407,1

3,1%

72,0

9,4%

1,4

-8,3%

2,0%

Footwear with uppers of textile materials, other than sports footwear Footwear with outer soles and uppers of rubber or plastics, other than

162,6

-2,2%

15,5

9,4%

0,4

2,2%

2,5%

216,1

13,3%

21,9

13,9%

0,2

0,6%

1,1%

waterproof or sports footwear

Waterproof footwear, with outer soles and uppers of rubber or

40,4

-4,9%

6,2

-0,4%

0,1

-8,5%

1,0%

plastics, other than footwear incorporating a protective metal toe-cap

Tennis shoes, basketball shoes, gym shoes, training shoes and the like

76,1

26,8%

3,5

21,1%

0,0

-3,2%

1,3%

Sports footwear

Other sports footwear, except snow-ski footwear and skating boots

36,5

2,2%

3,7

2,9%

0,1

11,6%

2,4%

Snow-ski footwear

Parts of footwear of leather; removable insoles, heel cushions and

33,1

-1,8%

6,0

3,3%

0,0

-20,6%

0,6%

Parts of footwear of leather

104,0

-1,0%

40,1

-1,2%

1,7

-3,7%

4,3%

similar articles; gaiters, leggings and similar articles, and parts thereof

Other articles of plastics

63,7

2,9%

16,7

-3,9%

0,4

-18,6%

2,4%

Protective

Footwear incorporating a protective metal toe-cap

132,2

7,7%

12,4

13,5%

0,2

-0,9%

1,9%

319

320

and other footwear n.e.c.

Wooden footwear, miscellaneous special footwear and other footwear n.e.c.

24,4

8,6%

7,9

4,8%

0,1

-20,8%

1,6%

TOTAL

1 296,3

4,3%

205,7

5,5%

4,8

-7,0%

2,3%

**Table**

**4.3**

**EU/EFTA import**

**of footwear**

**by main product groups in 2010-2014**

321

**Group**

**Subgroup**

**ALL IMPORT EU/EFTA**

**EU/EFTA**

**external import**

**UA export to EU/EFTA**

**UA**

**share in externa l import**

**mln. EUR**

**CAGR**

**mln. EUR**

**CAGR**

**mln. EUR**

**CAGR**

**Value, mln. EUR**

Footwear other than sports and protective footwear and orthopaedi c shoes

Footwear with uppers of leather, other than sports footwear, footwear incorporating a protective metal toe-cap and miscellaneous special footwear

19 170,5

4,3%

6 520,6

2,6%

21,9

3,3%

0,3%

Footwear with outer soles and uppers of rubber or plastics, other than waterproof or sports footwear

5 318,0

4,8%

2 870,7

0,8%

1,2

4,0%

0,0%

Footwear with uppers of textile materials, other than sports footwear

5 441,7

9,5%

2 804,6

6,1%

5,0

44,9%

0,2%

Waterproof footwear, with outer soles and uppers of rubber or plastics, other than footwear incorporating a protective metal toe-cap

430,9

2,8%

189,5

1,5%

0,0

- 10,8%

0,0%

Sports footwear

Tennis shoes, basketball shoes, gym shoes, training shoes and the like

3 809,7

18,1

%

1 739,3

16,7

%

0,0

- 39,1%

0,0%

Other sports footwear, except snow-ski footwear and skating boots

1 604,4

4,4%

478,1

2,4%

0,0

- 41,8%

0,0%

Snow-ski footwear

446,8 0

,0%

46,7

-3,6%

0,0

-

0,0%

Protective and other footwear n.e.c.

Footwear incorporating a protective metal toe-cap

3 585,4

7,8%

1 918,3

5,8%

2,5

33,6%

0,1%

Wooden footwear, miscellaneous special footwear and other footwear n.e.c.

456,1

6,9%

126,3

-4,7%

0,1

92,5%

0,1%

Parts of footwear of leather

Parts of footwear of leather; removable insoles, heel cushions and similar articles; gaiters, leggings and similar articles, and parts thereof

2 308,4

4,3%

1 211,5

6,6%

51,5

15,6%

4,2%

Other articles of plastics

461,6

4,3%

51,5

-0,3%

0,7

17,3%

1,3%

TOTAL

43 033,4

6,2%

17 957,2

4,3%

82,9

12,5%

0,5%

**Weight, thou tons**

Footwear other than sports and protective

Footwear with uppers of leather, other than sports footwear, footwear incorporating a protective metal toe-cap and miscellaneous special footwear

703,7

0,9%

363,2

-0,7%

1,5

-3,3%

0,4%

Footwear with outer soles and uppers of rubber or plastics, other than waterproof or sports footwear

564,5

0,6%

420,0

-1,8%

0,1

3,8%

0,0%

322

**Group**

**Subgroup**

**ALL IMPORT EU/EFTA**

**EU/EFTA**

**external import**

**UA export to EU/EFTA**

**UA**

**share in externa l import**

**mln. EUR**

**CAGR**

**mln. EUR**

**CAGR**

**mln. EUR**

**CAGR**

footwear and orthopaedi c shoes

Footwear with uppers of textile materials, other than sports footwear

514,7

5,7%

315,7

-0,1%

0,4

37,2%

0,1%

Waterproof footwear, with outer soles and uppers of rubber or plastics, other than footwear incorporating a protective metal toe-cap

62,1

-4,4%

35,9

-3,5%

0,0

- 25,1%

0,0%

Sports footwear

Tennis shoes, basketball shoes, gym shoes, training shoes and the like

163,6

13,3

%

98,4

10,6

%

0,0

- 78,4%

0,0%

Other sports footwear, except snow-ski footwear and skating boots

65,4

-1,0%

30,3

-5,1%

0,0

- 68,7%

0,0%

Snow-ski footwear

24,0 -4

,0%

2,6

-8,1%

0,0

-

0,0%

Protective and other footwear n.e.c.

Footwear incorporating a protective metal toe-cap

337,1

4,2%

234,1

2,7%

0,1

1,3%

0,1%

Wooden footwear, miscellaneous special footwear and other footwear n.e.c.

29,7

10,3

%

16,3

8,3%

0,0

47,0%

0,0%

Parts of footwear of leather

Parts of footwear of leather; removable insoles, heel cushions and similar articles; gaiters, leggings and similar articles, and parts thereof

115,1

2,0%

50,3

2,3%

3,3

1,9%

6,7%

Other articles of plastics

46,8

1,8%

4,7

2,7%

0,1

16,7%

2,1%

TOTAL

2 626,7

2,6%

1 571,5

0,1%

5,6

1,3%

0,4%

**Table**

**4.4**

**Ukraine’s export of footwear by main product groups and commodity items in 2010-2014**

323

**Indicato r**

**Group**

**Commodity item**

**CAGR in 2010-**

**2014**

**2014**

**TOTAL**

**EU/ EFTA**

**Russia**

**CIS**

**Asia**

**Africa**

**America**

**Other**

Value, 000 EUR

Footwear other than sports and protective footwear and orthopaedic shoes

Footwear with uppers of leather, other than sports footwear, footwear incorporating a protective metal toe-cap and miscellaneous special footwear

3,1%

**44 055**

27 216

12 023

4 554

177

13

3

69

Footwear with outer soles and uppers of rubber or plastics, other than waterproof or sports footwear

13,7%

**19 914**

18 318

1 121

467

4

4

Footwear with uppers of textile materials, other than sports footwear

5,8%

**13 103**

6 068

6 323

610

56

1

45

Waterproof footwear, with outer soles and uppers of rubber or plastics, other than footwear incorporating a protective metal toe-cap

-6,4%

**2 592**

621

40

37

1 887

0

6

Total

5,3%

**79 664**

52 223

19 508

5 667

2 124

14

4

124

Parts of footwear of leather

Parts of footwear of leather; removable insoles, heel cushions and similar articles; gaiters, leggings and similar articles, and parts thereof

5,0%

**57 534**

53 766

466

3 200

102

0

1

Other articles of plastics

-5,6%

**6 031**

679

2 044

3 303

5

Total

3,7%

**63 565**

54 445

2 510

6 503

102

0

6

Protective and other footwear n.e.c.

Footwear incorporating a protective metal toe- cap

-3,3%

**4 136**

1 662

1 282

1 168

5

13

1

4

Wooden footwear, miscellaneous special footwear and other footwear n.e.c.

-12,8%

**138**

57

13

37

13

18

Total

-3,7%

**4 274**

1 719

1 295

1 206

18

13

1

22

Sports footwear

Other sports footwear, except snow-ski footwear and skating boots

-74,1%

**13**

7

7

Tennis shoes, basketball shoes, gym shoes, training shoes and the like

230,1%

**60**

24

36

0

Snow-ski footwear

-

Total

-60,4%

**74**

31

43

0

TOTAL

3,7%

**147 576**

108 418

23 313

13

418

2 243

27

5

152

*Source: State Statistic Service of Ukraine*

324

**Indicato r**

**Group**

**Commodity item**

**CAGR in 2010-**

**2014**

**2014**

**TOTAL**

**EU/ EFTA**

**Russia**

**CIS**

**Asia**

**Africa**

**America**

**Other**

Weight, tons

Footwear other than sports and protective footwear and orthopaedic shoes

Footwear with uppers of leather, other than sports footwear, footwear incorporating a protective metal toe-cap and miscellaneous special footwear

-1,6%

**3 272**

1 667

1 239

359

5

1

0

1

Footwear with outer soles and uppers of rubber or plastics, other than waterproof or sports footwear

3,1%

**1 932**

1 722

103

105

0

2

Footwear with uppers of textile materials, other than sports footwear

4,8%

**1 501**

545

895

47

2

0

11

Waterproof footwear, with outer soles and uppers of rubber or plastics, other than footwear incorporating a protective metal toe-cap

-7,7%

**776**

147

6

13

609

0

1

Total

-0,1%

**7 482**

4 081

2 243

524

616

1

0

15

Parts of footwear of leather

Parts of footwear of leather; removable insoles, heel cushions and similar articles; gaiters, leggings and similar articles, and parts thereof

1,3%

**3 803**

3 454

206

133

10

0

0

Other articles of plastics

-12,5%

**1 263**

103

757

399

3

Total

-3,1%

**5 066**

3 558

963

532

10

0

3

Protective and other footwear n.e.c.

Footwear incorporating a protective metal toe- cap

-5,3%

**548**

142

223

179

1

2

0

0

Wooden footwear, miscellaneous special footwear and other footwear n.e.c.

-9,2%

**15**

2

0

6

5

2

Total

-5,4%

**564**

144

224

186

5

2

0

2

Sports footwear

Other sports footwear, except snow-ski footwear and skating boots

-81,1%

**0**

0

0

Tennis shoes, basketball shoes, gym shoes, training shoes and the like

197,8%

**4**

3

1

0

Snow-ski footwear

-

Total

-62,2%

**5**

4

1

0

TOTAL

-2,0%

**13 116**

7 787

3 430

1 243

632

4

0

20

Table

4.5

**Ukraine’s import of footwear by main product groups and commodity items in 2010-2014**

325

**Indicator**

**Group**

**Commodity item**

**CAGR**

**in 2010-**

**2014**

**2014**

**TOTAL**

**EU/ EFTA**

**Russia**

**CIS**

**Asia**

**Africa**

**America**

**Other**

Value, 000 EUR

Footwear other than sports and protective footwear and orthopaedic shoes

Footwear with outer soles and uppers of rubber or plastics, other than waterproof or sports footwear

-17,8%

**72 358**

1 045

100

40

70 126

164

760

123

Footwear with uppers of leather, other than sports footwear, footwear incorporating a protective metal toe-cap and miscellaneous special footwear

6,6%

**99 535**

19 055

407

273

73 724

2 536

2 701

838

Footwear with uppers of textile materials, other than sports footwear

16,9%

**43 536**

1 813

365

339

39 734

128

1 134

22

Waterproof footwear, with outer soles and uppers of rubber or plastics, other than footwear incorporating a protective metal toe- cap

8,1%

**2 712**

177

917

411

1 171

7

28

Total

-4,3%

**218 140**

22 090

1 790

1 063

184 755

2 828

4 602

1 011

Protective and other footwear n.e.c.

Footwear incorporating a protective metal toe- cap

-9,9%

**37 409**

393

50

65

36 584

45

2

269

Wooden footwear, miscellaneous special footwear and other footwear n.e.c.

-13,9%

**3 940**

150

0

22

3 761

7

0

Total

-10,3%

**41 349**

543

50

88

40 345

45

9

269

Parts of footwear of leather

Parts of footwear of leather; removable insoles, heel cushions and similar articles; gaiters, leggings and similar articles, and parts thereof

9,7%

**29 176**

15 263

48

15

13 443

0

75

330

Other articles of plastics

1,9%

**7 016**

3 705

538

2 772

Total

8,0%

**36 191**

18 968

586

15

16 215

0

75

330

Sports footwear

Other sports footwear, except snow-ski footwear and skating boots

18,0%

**2 233**

106

2 109

18

Tennis shoes, basketball shoes, gym shoes, training shoes and the like

18,3%

**783**

54

40

689

1

0

Snow-ski footwear

3,3%

**329**

215

114

Total

16,1%

**3 345**

375

40

2 912

1

18

TOTAL

-4,1%

**299 026**

41 976

2 427

1 206

244 227

2 874

4 687

1 629

Weight, tons

Footwear other than sports and

Footwear with outer soles and uppers of rubber or plastics, other than waterproof or

-33,8%

**8 042**

97

9

14

7 778

6

104

35

*Source: State Statistic Service of Ukraine*

326

**Indicator**

**Group**

**Commodity item**

**CAGR**

**in 2010-**

**2014**

**2014**

**TOTAL**

**EU/ EFTA**

**Russia**

**CIS**

**Asia**

**Africa**

**America**

**Other**

protective footwear and orthopaedic shoes

sports footwear

Footwear with uppers of leather, other than sports footwear, footwear incorporating a protective metal toe-cap and miscellaneous special footwear

-4,2%

**7 628**

739

16

13

6 455

121

263

21

Footwear with uppers of textile materials, other than sports footwear

-1,2%

**3 801**

77

34

65

3 470

15

139

0

Waterproof footwear, with outer soles and uppers of rubber or plastics, other than footwear incorporating a protective metal toe- cap

2,1%

**721**

27

361

164

157

1

11

Total

-22,4%

**20 192**

941

422

256

17 859

141

507

67

Protective and other footwear n.e.c.

Footwear incorporating a protective metal toe- cap

-18,0%

**5 517**

51

9

3

5 390

3

0

61

Wooden footwear, miscellaneous special footwear and other footwear n.e.c.

-25,8%

**632**

21

0

2

609

1

0

Total

-19,0%

**6 149**

72

9

5

5 998

3

1

61

Parts of footwear of leather

Parts of footwear of leather; removable insoles, heel cushions and similar articles; gaiters, leggings and similar articles, and parts thereof

10,3%

**4 942**

1 587

3

1

3 329

0

12

11

Other articles of plastics

8,6%

**2 798**

513

152

2 133

Total

9,6%

**7 740**

2 100

155

1

5 462

0

12

11

Sports footwear

Other sports footwear, except snow-ski footwear and skating boots

25,9%

**190**

5

184

1

Tennis shoes, basketball shoes, gym shoes, training shoes and the like

1,5%

**93**

6

8

78

0

0

Snow-ski footwear

11,5%

**34**

20

14

Total

14,4%

**318**

31

8

277

0

1

TOTAL

-17,8%

**34 399**

3 144

585

270

29 596

144

519

140

**Appendix 5**

**Table 5.1**

**Ukraine’s import of ventilators, air or vacuum pumps and compressors by main destinations in 2010-2014**

*Source: State Statistic Service of Ukraine*

**Asia 27,1**

**19,0%**

**Africa**

**0**

**America 32,0**

**22,4%**

**0**

**Other**

**2**

**CIS**

**Russia 3,5**

**2,5%**

**Russia**

**-5**

**CIS 6,6**

**4,6%**

**America**

**7**

**3**

**Asia**

**Other 0,0**

**0,0%**

**EU/EFT A**

**73,4**

**51,4%**

**18 EU/EFTA**

**Africa 0,0**

**0,0%**

-10

0

10

20

**Figure**

**5.1 - Ukrainian import**

**of**

**Figure**

**5.2 – Increase of Ukrainian of ventilators, air or vacuum and compressors in 2010-**

**ventilators, air or vacuum pumps and import**

**compressors in 2014, mln. EUR**

**pumps**

**2014, mln. EUR**

327

**Indicator**

**Region**

**2010**

**2011**

**2012**

**2013**

**2014**

**CAGR, %**

Value, 000 Euro

EU/EFTA

55 367

90 108

92 243

89 108

73 394

7,3%

Asia

24 311

29 086

36 872

35 765

27 145

2,8%

America

24 677

6 988

28 782

8 455

32 003

6,7%

Russia

8 126

13 306

14 674

21 573

3 496

-19,0%

CIS

4 967

5 652

6 471

5 919

6 599

7,4%

Other

7

66

43

39

38

52,1%

Africa

6

7

7

21

11

14,2%

**TOTAL**

**117 460**

**145 214**

**179 092**

**160 879**

**142 686**

**5,0%**

**Table 5.2**

**Ukraine’s import of ventilators, air or vacuum pumps and compressors by main product groups in 2010-2014**

*Source: State Statistic Service of Ukraine*

**Fans and ventilating or recycling hoods of the domestic type 8,3**

**5,8%**

**Fans, other than table, floor, wall, window, ceiling or roof fans**

**20,6**

**14,4%**

**Air or vacuum pumps; air or other gas compressors 102,6**

**71,9%**

**Parts of pumps and compressors 11,2**

**7,9%**

**Figure 5.3 - Ukrainian import of ventilators, air or vacuum pumps and compressors by main product groups in 2014, mln. EUR**

328

**Indic ator**

**Region**

**2010**

**2011**

**2012**

**2013**

**2014**

**CAGR,**

**%**

Value, 000

Euro

Air or vacuum pumps; air or other gas compressors

78 641

95 187

122 597

102 736

102 556

6,9%

Fans and ventilating or recycling hoods of the domestic type

9 304

14 241

13 688

13 353

8 289

-2,8%

Fans, other than table, floor, wall, window, ceiling or roof fans

19 486

24 003

29 375

32 335

20 616

1,4%

Parts of pumps and compressors

10 030

11 783

13 433

12 455

11 225

2,9%

Total

117 460

145 214

179 092

160 879

142 686

5,0%

**Table 5.3**

**Ukraine’s import of ventilators, air or vacuum pumps and compressors by main product groups and commodity items in 2010-2014**

329

**Indicato r**

**Group**

**Commodity item**

**CAGR in 2010-**

**2014**

**2014**

**TOTAL**

**EU/ EFTA**

**Russia**

**CIS**

**Asia**

**Africa**

**America**

**Other**

Value, 000 Euro

Air or vacuum pumps; air or other gas compressors

Reciprocating displacement compressors

9,1%

**72 356**

31 105

677

1 878

9 527

4

29 143

21

Compressors for refrigeration equipment

2,6%

**25 433**

15 963

4 550

3 653

1 262

5

Hand or foot- operated air pumps

1,7%

**1 131**

257

1

858

16

Vacuum pumps

5,0%

**3 435**

2 310

97

80

567

0

378

3

Air compressors mounted on a wheeled chassis for towing

-25,7%

**201**

54

9

0

45

92

Total

6,9%

**102 556**

49 689

785

6 509

14 650

4

30 891

28

Fans and ventilating or recycling hoods of the domestic type

Fans and ventilating or recycling hoods of the domestic type

-2,8%

**8 289**

3 649

72

2

4 548

19

Total

-2,8%

**8 289**

3 649

72

2

4 548

19

Fans, other than table, floor, wall, window, ceiling or roof fans

Fans, other than table, floor, wall, window, ceiling or roof fans

1,4%

**20 616**

13 124

348

19

6 742

7

367

9

Total

1,4%

**20 616**

13 124

348

19

6 742

7

367

9

Parts of pumps and compressors

Parts of air or vacuum pumps, of air or gas

2,9%

**11 225**

6 932

2 292

70

1 205

726

0

***Source: State Statistic Service of Ukraine***

330

**Indicato r**

**Group**

**Commodity item**

**CAGR in 2010-**

**2014**

**2014**

**TOTAL**

**EU/ EFTA**

**Russia**

**CIS**

**Asia**

**Africa**

**America**

**Other**

compressors, of fans, of hoods

Total

2,9%

11 225

6 932

2 292

70

1 205

726

0

TOTAL

5,0%

**142 686**

73 394

3 496

6 599

27 145

11

32 003

38