

# AGRICULTURAL AND FOOD PRODUCTS PROCESSING



## RESUME

Conveniently located at the Ukrainian agricultural heartland, Mykolaiv is ideally suited for export-oriented agricultural and food products processing industries. Agricultural commodities could be sourced from the neighbouring areas, stored and processed in existing or purpose-built facilities and exported via Mykolaiv river-sea port. New investors could join an existing cluster of local and international companies (Bunge, Cofco, Kernel, Nibulon, etc.). There are several municipal and privately owned land plots adjacent to industrial river docks that are available for investors. Mykolaiv Development Agency assists investors with site selection, road and engineering infrastructure provision as well as analysis of the target agricultural commodities markets in the region.



## THE MARKET

- Ukraine is an acknowledged player on the global agricultural and food markets, with agro exports reaching EUR 15bn in 2014. Agriculture and agricultural products are responsible for 12% of the country's GDP (2015). 26 of 100 largest companies in Ukraine are agro holdings or agro companies. 70% of Ukraine's total area is used for agriculture (41,5 mln ha), incl. 32 mln ha as arable soil that equals to third of that in the EU-28.
- With global population growth and respective food security risks, Ukraine is well positioned to continue its rise in the sector. Improving agricultural sector efficiency and moving up along the agricultural products value chain are the government and local players priorities.
- Ukraine has increased its grain storage capacity by 70% since 2001, reaching 40mln t in 2011. However, the country needs to increase its by additional 70% by 2020 to keep up with the demand and production volumes.



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- Though agro commodities processing and exports have been on a steady rise in Ukraine, there is still a limited range of globally competitive processed food products the country exports that offers investment opportunities. While grain crops and oil markets are highly competitive, grapes, vegetables, berries etc. Are rather underdeveloped.



## MYKOLAIV INVESTMENT FACTORS

### Access to agricultural inputs

- Mykolaiv is located right at the centre of the Ukrainian agricultural area, with easy access to Central, Southern and Eastern Ukraine. The Mykolaiv region itself has 5% of Ukraine's arable soil, with 3.900 active farmers, 750 large cattle farms and further 220 households' farmers.
- While grain and oil crops markets are deep and well developed, Mykolaiv offers access to agricultural inputs that could be tapped by investors for processing, storage, exports and/or food processing, e.g. vegetables (region produces 3% of Ukraine's output), grapes (region has over 5.000ha grape areas) and berries (over 3.500ha cultivated areas).

### Agricultural logistics infrastructure

- The region and the city could avail of more certified grain facilities. Currently there are 38 such facilities with total capacity of over 2mln t. There are multiple segments for other storage and processing facilities that could serve the Mykolaiv region needs.
- Mykolaiv offers a good and unique combination of road-river-sea logistics routes. With efforts to ease river transport regulations on the way, Mykolaiv will benefit from more cargo shipped downstream to Mykolaiv ports and more opportunities to ship commodities and food products further to Black Sea routes. Mykolaiv port is already one of the leading Ukrainian and Black Sea ports for agricultural trade, with still more capacity for expansion and modernization.



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## Cluster effect

- Mykolaiv is a home for several leading international and Ukrainian export-oriented agro companies, incl. Nibulon, Cofco Agri, Kernel and Bunge. The companies store, process and ship agricultural commodities to international markets from Mykolaiv river ports. Most of companies own their processing facilities and mooring walls.
- Pepsico and Lactalis are major food companies based in Mykolaiv, combining access to the local port (import/export) with access to the Ukrainian consumer market for final products.
- Emerging cluster companies are collaborating with local port administration and have an extensive know-how on working in the region. New entrants to Mykolaiv will find it of use to engage with existing players.
- Mykolaiv Development Agency (MDA) and City Council are considering launching a dedicated cluster initiative to address needs and growth potential of agro and food companies in Mykolaiv.

## Available land plots

- While other Ukrainian agricultural sites might lack suitable land plots, Mykolaiv has several locations to offer interested investors. The land plots are adjacent to the ports and linked to major roads.
- A large area (140ha) has been reserved for industrial park, with excellent connections to both port area and major highways. Agricultural and food products processing is one of the key sectors for the Mykolaiv industrial park.
- The city has understanding of the agro and food companies needs, e.g. road infrastructure, and since 2015 has been addressing infrastructural bottlenecks.



## INVESTOR SUPPORT

- Mykolaiv Development Agency (MDA) assists investors in selecting land plots and/or facilities, i.e. provides information on legal status, owners, available engineering infrastructure and procedure for any additional infrastructure required.



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- Mykolaiv local authorities provide support in recruiting and training personnel.
- Mykolaiv City Council could push forward any infrastructural works necessary for the land plots of investor selection, i.e. local roads construction, public transport provision etc.
- MDA staff could assist with any feasibility studies, benchmarking studies or project documentation preparation.



## FYI: INVESTMENT FACTORS' COSTS

1. Electricity - EUR/kWh 0.063
2. Raw water supply - EUR/m<sup>3</sup> 0.43
3. Gas price for industrial use, EUR/kWh - 0.0613
4. Skilled workers, salary (gross), EUR/month - 235.00
5. Management staff, salary (gross), EUR/month - 470.00
6. Industrial facilities, rent price, EUR/m<sup>2</sup>/month - 1.00 - 2.00
7. Industrial facilities, purchase price, EUR/m<sup>2</sup> - 95.00 - 160.00
8. Land lease, EUR/m<sup>2</sup> - 0.50 - 1.00
9. Land for industrial use, purchase price, EUR/m<sup>2</sup> - 2.00 - 10.00



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Western NIS  
Enterprise Fund



## LAND PLOTS



## 1 – Land plot

- Area size - 3.75ha.
- Cadastre number available.
- Distance to paved road - 285m. Distance to railway - 260m.
- Electricity connection point - 760m, substation capacity - 6 kV.
- Water supply connection point - 530m, capacity - 4.200 m<sup>3</sup>/h.
- Sewerage connection point - 530m, capacity - 2.500 m<sup>3</sup>/h.

## 2 – Land plot

- Area size - 9.6 ha.
- Cadastre number available.
- Distance to paved road - 370m. Distance to railway - 260m.
- Electricity connection point - 230m, capacity of substation - 6 kV;
- Water supply connection point - 250 m, capacity - 3.200 m<sup>3</sup>/h.
- Sewerage connection point - 250m, capacity - 2.500 m<sup>3</sup>/h.

## 3 - Land plot (Industrial park)

- Area size - 140 ha.
- Two paved roads in direct vicinity (south-east and north bound).
- Railway - 260m.
- Electricity supply - 110/35 kV.
- Water supply connection point - 615m, capacity - 3.200 m<sup>3</sup>/h.
- Gas connection - available.



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