



**CASE SUMMARY**

## Vitmark – High-Quality and Affordable Fruit Products from Local Producers

**Country:** Ukraine

**MDGs addressed:**



**Sector:** Agriculture, Consumer Products

**Authors:** Olena Lazorenko

**Inclusion of the poor:** Consumer, Producer, Employee

**Lead organization:** Large Domestic Company

**Theme(s):** Organic, Social Business, Environmental Impact

### Abstract



Photo: Vitmark

Local fruit and vegetable producers from the Odesa, Mykolayev, Vinnytsya and Cherkasy regions of Ukraine are the main suppliers for the beverages produced by Vitmark-Ukraine Holding. Vitmark purchases about 40,000 tons of fresh fruits and vegetables annually from small-scale farmers (less than 2,500 employees) and 25 large domestic agricultural suppliers in these regions. Vitmark includes the poor at various points in its value chain - not only on the supply side as suppliers of local produce or as employees, but also on the demand side, by adapting its products to the needs of low-income consumers.

Vitmark invests in removing constraints on market participation. Information on high quality cultivation processes and quality standards is generally lacking in Ukraine. Vitmark invests in building up these capabilities among farmers, providing informal training and face-to-face or phone consultations. At the beginning of each agricultural season (April–May), up to 50 farmers participate in a free four-hour training hosted by the company and conducted by Vitmark’s supply chain officers, lawyers and accountants. Farmers receive practical information about the appropriate quality and technical standards of the fruits and vegetables (appearance, ripeness, damage etc.) and their production methods. This enables the small-scale farmers, who are considered low-income producers, to become Vitmark’s suppliers. The sourcing of local products increases farmers’ incomes and employment in four regions of Ukraine.

### Quote

*“There is no local public transportation there. By providing its corporate buses Vitmark creates a possibility for the workers to get to work and come back home without any logistical problems.”*

Andrey Skakunov, Head of Department at Kuchurgani Cannery



## Strategy Matrix

	Adapt products and processes	Invest in removing constraints	Leverage the strengths of the poor	Combine resources and capabilities	Engage in policy dialogue with government
Market information					
Regulatory environment					
Physical infrastructure		Lack of public transport			
		Vitmark provides transport to and from work			
Knowledge & skills			Lack of skills and knowledge of production		
			Company sponsored training and capacity building		
Access to financial services	Scarcity of financial resources for organic cultivation Special financial support program for farmers				

## Actors

- **Agricultural Farming Households:** Odesa, Mykolayev, Vinnitsa and Cherkasy regions are the most important actors in the business model.
- **Business Partners:** Large suppliers are represented by agricultural economic partnership companies including Komsomolets, Progress, Sadok, Mayak.
- **Ukrainian Scientific Research Institution of Nourishment at the Ministry of Health of Ukraine:** the Odesa branch approves the organic and natural recipes for Vitmark's juices and nectars, and ensures that they are in line with national nutrition standards.
- **GosPotrebStandart:** is the official state organization in charge of regular monitoring and laboratory testing for quality standards of juice production. Monitoring is conducted every year and participating companies receive official certificates for one year.

## Results

- **Economic:** Vitmark's market share in the JNSD market increased from 7% in 1999 to over 22% in 2008. Vitmark-Ukraine's turnover in 2008 was approximately UAH 800 million (€78.5 million). In spite of the economic crisis, the company's target for 2009 is UAH 1



billion (€98 million). While Vitmark's primary focus is the Ukrainian domestic market, about 15% of its production is exported to 18 countries in the CIS, the EU, North America, Asia and Australia.

- **Social:** Vitmark had around 2,600 full-time employees in 2009. The company provides official regular monthly payments to social funds (including fees to state pension insurance). Employment at Vitmark is a guarantee that the personnel will receive pension payments at retirement age. This is especially important for employees from rural areas where few are able to receive state pensions due to such reasons as high unemployment or working in the informal economy. Also, by providing its corporate buses, Vitmark allows the workers to get to work and come back home without any logistical problems.
- **Environmental:** Vitmark, as a responsible business, extracts resources and manufactures products in a way that minimizes the impact on the environment. In addition to quality controls for the supply of raw materials, monitoring of the environmental performance of the production processes has been conducted both by the company itself and by the Ukrainian state organizations, including the regional branch of the State Ecological Inspection in Odesa. The company's environmental policy includes the use of recycled materials in the production process and the creation of a system of water and waste management. Vitmark purifies water used in the production of all undesirable substances through the reverse osmosis method. In 2008, its total water consumption was 28,8363 cubic meters. However, through facility upgrades, it managed to decrease its water consumption by 54% in 2009. Moreover, the company is actively involved in post-consumer recycling and waste collection across the country in accordance with national legislation. Vitmark is one of the companies that support sustainable packing in Ukraine. Every year Vitmark partners with a specialized company on the separate collection of recycled resources and beverage cartons.

## Research Fellow



**Olena Lazorenko** is the Managerial Partner & Director at "International Consulting Company" Ltd. (ICC) Kyiv, Ukraine and Senior Research Fellow at National Academy of Sciences of Ukraine, the largest academic research institution in the country. She has been conducting the social sciences research, published five books (including chapters in monographs on Human Capital, Civil Society Development, CSR and the textbook -

Theory of Political Science), and more than 50 articles in Ukrainian, Russian and English. She previously worked within the framework of international projects of technical assistance (funded by USAID, Know-How Fund) and multinational business organizations at top managerial positions (as Deputy Director, Co-coordinator). Dr. Lazorenko started management consulting & business training activities in 1997 and since that time she has been conducting services in Ukraine, UK and Poland. Her business training/consulting focus there are Human Resource Management, Business Skills Development, Communication and Corporate Social Responsibility (CSR).

## Citation

Lazorenko, Olena. "Vitmark: High-Quality and Affordable Fruit Products from Local Producers." GIM Case Study No. B100. New York: United Nations Development Programme, 2010