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IFC SmartLessons

real experiences, real development

Leveraging the Supply Chain Development to Achieve Greater Impact in the Industry

The IFC Vinnytsya Fruit Supply-Chain Development Project works to strengthen the farmer supply chain for one of the world's largest fruit processors. This SmartLesson focuses on the project's experience using public education tools—demonstration programs, site tours, publications, television, and DVDs—for increasing the understanding and knowledge of industry stakeholders about market potential and development, for public discussion and promotion of needed regulatory improvements, and even for maintaining relations with donors.

The Project revolves around Agrana Juice and Fruit Holding GmbH, a multinational company with headquarters in Vienna. Agrana produces mid-product, which is then used for production of final products by such clients as, among others, Danon, Pepsi, and Coca-Cola. The company has a 14 percent market share for juice concentrate in Europe and a 37 percent world market share of fruit preparations. Agrana Fruit Ukraine LLC, the company's subsidiary in Ukraine, produces apple juice concentrate and fruit preparations.

The project provides the following advisory services to Agrana Fruit Ukraine:

- *Building Agrana's local capacity on supply chain development*
- *Support for registering new juice apple varieties in Ukraine to allow official use of these varieties in the country (completed)*
- *Facilitation of access to finance for local farmers, who are Agrana suppliers; and*
- *Building local capacity for advisory services to farmers and GAP implementation (addressing food safety and traceability issues)*

The project also leverages its supply-chain development work with Agrana Fruit Ukraine as the anchor company to achieve a replication effect and greater development

impact on the fruit industry in the region by running a strong public education program.

Although Agrana is not yet an IFC investment client, the discussion is in process, and we believe this is a case where advisory work will lead to IFC investment.



IFC's Advisory Services pilot farmer Andriy Slobodyanuyk greets Lars Thunell in his office in Vinnytsya region, Ukraine.

Lessons Learned

1) Do more than just lecture.

One of the project's objectives is to improve farmers' productivity and competitiveness. Because it is not possible to cover all fruit farmers in the region individually, the project designed demonstration-testing ("demo-testing") programs with selected pilot farmers. The aim of these programs is to

implement new techniques and farm management practices on average farms, and then have these farmers share their experience and demonstrate to the larger farm audience what they can do to enhance productivity and fruit quality and to market their products effectively.

The project identifies the areas with a lot of potential for improvement and then organizes the demo-testing program in cooperation with input suppliers: chemical and fertilizer companies, machinery suppliers, and foreign consultants, who bring innovative technologies and professional advice. This approach—on a costs-sharing basis between farmers and input suppliers—proved to be a good public education tool. Furthermore, it is effective in promoting successful replication, since farmers can learn in the field and can consult experienced farmers from the pilot farms. It gives farmers access to practical information through contact with a wide range of input providers.

This “learning by doing” system of education not only improves farming methods, it also does more, including:

- **Stimulating interest in innovations.** For example, on the basis of one demonstration program, a new-to-the-region prospective crop—blueberries, which were demanded by both fresh and processing markets—was popularized in the region. That one innovation opened a new market niche for local fruit producers, aroused interest in learning how to implement innovations at other farms, and attracted public attention to the fruit business as a whole.
- **Providing information for making the right management decisions.** For example, within the apple pest protection management demo-testing program, several protection plans were tested with different chemical companies at pilot farms. Results of the program were demonstrated at the project seminars, where all the participants had the opportunity to see first hand what worked best, what did not work well, and what costs were involved. Fruit growers could choose the appropriate technology to implement at their own farms, and make better-informed decisions about which chemicals to use and which input company to select. This approach provides an opportunity for the fruit producers to be sure they’re making the right choice, instead of just following the ads and making mistakes out of their own pockets.

2) It is better to see once than to hear 100 times.

Sometimes the project cannot find a farmer willing to take the risk of implementing a new technique or practice, but we know that a vehicle already exists in other countries and it works. Or, sometimes we know it could take too long for a new technique to be ready to demonstrate results. In such cases, we organize study tours.

For some study tours that cover a broader range of topics, the project invites various sector stakeholders (fruit producers, representatives of local authorities, financial institutions, professional nongovernmental organizations, and input suppliers) to promote better understanding, trust, and improved partnership among them.

To achieve the desired effect of a study tour, it is necessary to show the bigger picture to a farmer so that he will be able to understand the necessity of innovations as they relate to global trends and competition.



Launch of the Agrana Re-sorts Apple Supply Chain Program. The governor plants the first re-sort apple tree.

The Agrana Re-sorts¹ Apple Supply-Chain Program was launched after a study tour to European countries, including visits to:

- Agrana headquarters in Vienna, where farmers learned about the global situation in the fruit-processing segment
- Leading apple scientific-research institutes, where farmers learned about the latest news and developments in apple production
- Apple tree producers, where farmers were able to see the required quality of trees and learn about apple production
- Apple producers, where farmers learned about technology and found answers to questions about why it makes sense to use certain techniques; and
- Marketing cooperatives, where farmers learned about market requirements and trends in Europe.

When the Agrana Re-sorts apple program was launched in the region, five pilot farms planted 157 hectares altogether of apple orchards with innovative Re-sorts cultivars.

A note on pricing:

The project itself learned a lesson from the first study tours. We learned that charging a fee for the tour ensures commitment and helps attract the right participants. After the first study tour, which was free for the clients, the project implemented a participation fee. We discovered that clients who paid were more responsible for getting as much benefit as possible during the tour, took knowledge

¹ Re-sorts are varieties of apple cultivars resistant to main apple diseases. They enable farmers to mitigate risks, reduce costs of production, and improve quality and productivity

very seriously, and implemented changes faster upon return.

3) Educational materials need to be presented, not just distributed.

Since the beginning of the project's work, we've created four manuals covering technical and economical aspects of fruit production and advice for farmers regarding the most common legal issues. Such manuals are a unique source of information in the local language and are adapted to the local condition. To have a broader impact, we present newly published manuals at our seminars, training sessions, and workshops, and via educational TV programs. This allows us to achieve an impact across the entire fruit sector, well beyond the farmer group directly covered by the project. For example, after the first presentation of the manual, "Growing Strawberries," one of the leading Ukrainian strawberry plant materials producers paid for additional 300 copies for further dissemination among his clients.



An IFC project consultant presents a newly published manual, "Growing Strawberries."

Greater outreach through TV programs and DVDs:

Since its launch, the project has partnered with the local TV station on creating interesting and relevant educational programs directed toward promoting development of the fruit business in the region, including:

- **Interviews and advice**—IFC specialists (lawyer, agronomist, business developer) cover the most burning topics that we think need to be addressed, or that have been raised by the clients
- **Coverage of IFC events** (seminars, workshops, and training sessions organized by the project in cooperation with other fruit sector stakeholders)

allow us to spread information about best experiences, market possibilities, and results of the demo-testing programs and to keep fruit producers informed about market trends and developments

- **Educational programs** are used as a practical guide. For example, a fruit-orchard pruning program provided professional detailed step-by-step information that any fruit farmer could follow to perform pruning in the proper way and increase the productivity of the trees.

To extend the life of the TV materials and reach a variety of audiences, we record all our TV programs on CDs or DVDs. These videos can be effective training aids, support the project's events, and illustrate ideas and help put them into action. Never lose an opportunity to leave good tracks.

Conclusion

Due to an intensive public education program, the project achieved significant sector impact beyond the Agrana supply chain. To date, almost 100 training events have been conducted, 125 educational materials produced, and more than 1,600 individuals trained by the project.

The strong demonstration effect has already led to a more than twofold increase in new fruit plantations set up in the region (from 370 hectares to almost 900 hectares per annum). With project support, farmers invested more than \$5 million in new techniques and plantations. During recent years, the Vinnytsya region became a leader in fruit production in Ukraine and in implementing the newest technologies. In 2008, Vinnytsya farmers produced 40 percent of apple output from farms in Ukraine (see Diagram 1), and apple productivity in Vinnytsya is 57 percent higher than the national average. In 2008, Vinnytsya was the only region in Ukraine showing a positive trend in establishment of apple plantations and the first increase in plantation area since the Soviet era (see Diagram 2 on the next page).

Diagram 1. Apple Production by Farms in Ukraine in 2008

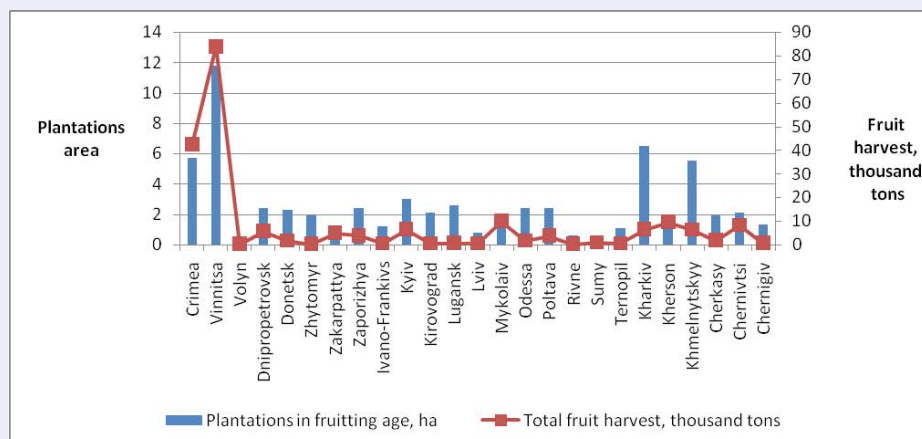
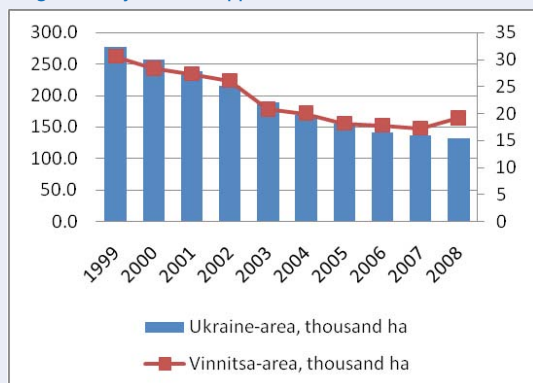


Diagram 2. Dynamic of Apple Plantations in Ukraine



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