Competitive advantages of wholesale markets of agricultural products as a type of entrepreneurial activity: the experience of Ukraine and Poland

Abstract. Wholesale markets of agricultural products are an important element of marketing infrastructure, and institutions at agrarian market make it possible to manage sales of bulk batches of agricultural products. The purpose of the research is to substantiate competitive advantages of wholesale markets as a type of entrepreneurial activity and benefits of the country from building a network of wholesale markets of agricultural products in Ukraine, as well as to examine and generalise the experience of the functioning of wholesale food markets in Poland. The research methods are abstract logical (theoretical generalisation of the research and substantiation of the conclusions), comparative (analysis of the current state of the development of wholesale markets of agricultural products in both Ukraine and Poland).

The paper substantiates competitive advantages of wholesale markets, distinguishes the main directions of the relative activity and describes the country's benefits relating to building a network of wholesale markets of agricultural products in Ukraine. The main advantages of the functioning of wholesale markets are the quality of food products, price control, better budgeting, increasing competition at the consumer market, fast promotion of products to consumers and creation of new jobs. The study looks into the positive experience of the functioning of wholesale food markets in Poland. Based on the obtained results we draw a conclusion about the expediency of building a network of wholesale food markets as an important premise ensuring economic security of commodity producers and meeting the demand of consumers for high-quality food products.

Keywords: Competitive Advantages; Wholesale Market; Trade; Entrepreneurial Activity; Product Quality; Prices; Polish Stock Exchange

JEL Classification: D4; L26; Q13; Q21

DOI: https://doi.org/10.21003/ea.V175-12
1. Introduction

The current state of the market of agricultural and food products in Ukraine is characterised by rather slow formation of the market scheme of promoting products to consumers, which would be capable of reducing the losses of agricultural products, improving their quality and assisting in market pricing. At present there are no long-lasting, steady mutually beneficial relationships in the chain «producer - wholesaler - retail seller - consumer». The appearance of non-organised resellers at the market of agricultural products, as well as their multiple resales of products, causes an increase in retail prices, loss of quality and a reduction in the range of products. In a market economy, wholesale markets are one of the most important elements of the system of goods movement from the producer to the consumer. As in the case of European Union and some other regions, sale of agricultural products occurs mainly through large wholesale markets acting as either temporary or permanent fairs, trade shows, or sale exhibitions. Contracts are made, products are purchased and new products are represented in such events. In order to develop the infrastructure of the agrarian market, the Decree «On the Approval of the Order Using Funds Envisaged in the State Budget to Provide Financial Support to Create Wholesale Markets of Agricultural Products» [1] was adopted. According to it, a wholesale market should be organised in every region of Ukraine. However, only four markets have been actually created (Kyiv region, Lviv region, Odesa region and Kherson region). Therefore, the issue of developing an efficient infrastructure of wholesale markets in the regions of Ukraine remains important to provide the population of all the regions with various agricultural products.

2. Brief Literature Review

Taking into consideration the significant role of wholesale trade in the present financial and economic system of Ukraine, an important scientific and practical task is to solve existing problems in this area, which proves the relevance of the problem. In particular, V. Lyslik (2011) [2] suggests the strategy of building a network of wholesale markets aimed at optimising investment resources. R. Morozov and L. Boiko (2018) [3] study the role of wholesale trade as an important component of agricultural market infrastructure.

N. Domanska (2017) [4] performed an analysis of the appropriateness of wholesale markets of agricultural products as an entity of entrepreneurial activity in the light of Economic code and Laws of Ukraine. The development and activity of wholesale markets should consider economic, social and legal conditions, the level of financial resources, as well as the management of Ukrainian companies having sufficient experience in developing technical and economic substantiation, and creating wholesale markets of agricultural products according to the existing European and world standards. The study by I. Sievidova (2018) [5] deals with determining the factors that impact the formation and location of wholesale markets and the specificity of their functioning. The author looks into the modern methods of evaluating the current situation at the vegetable market, indicated the directions of improving these methods aimed at a further increase in the reliability of the estimation of market potential of an agrarian enterprise.

S. Poperechnyi and Kleban, O. (2011) [6] research the activity of wholesale markets of agricultural products in terms of international experience.

B. Czyzewski, R. Trojanek and A. Matuszczak (2018) [7] explore how land prices affect production by using the example of the agricultural region in Poland. They consider markets of agricultural products to be a type of infrastructure which corresponds to a new type of doing business, providing a mutual search of sellers and buyers, the movement of goods, exchange and access to a wide range of products. B. Czyzewski and A. Majchrzak (2017) [8] conducted a research on the functioning of small and large family farms in Poland, supplying agricultural products at fair prices to the market.

The current tendencies of the development and the importance of wholesale markets as special market institutions in the trade of agro-industrial products are examined in the studies by B. Kuzman, N. Prdić and Z. Dobrā (2017) [9]. On the basis of communication knowledge about operations at retail markets (wholesale gross markets), at internal markets, and also basing on the importance which is ascribed to a trade aspect at wholesale markets in developed countries, the scientists conclude that even internal trade can increase sales of these types of products at wholesale markets.

The studies by M. Záboj (2008) [10] focus on the evaluation of the current state of two branches of economy within the framework of the European Union, in particular, of wholesale and retail trade of agricultural and food products. A profile with turnover indexes, additional value and employment was developed for these branches. The scientific papers by I. M. Sheldon (2017) [11] examine the issues of the necessity to increase competitiveness of agricultural products and improve the functioning of product markets.

J. J. Cadilhon, A. P. Fearne, D. R. Hughes and P. Mostier (2003) [12] examine the development of the functions of wholesale markets in Western Europe and their adaptation to the present conditions. The functions of wholesale markets, considered in economic and management areas, involve physical functions - keeping food products in one place that helps distribute the flows of dispersed sources, storing, grading, supplying and economic functions, promoting information and competition of interested parties, and banking.
activity. The scientists proved the importance of wholesale markets in food products marketing with regard to the performance of the abovementioned functions.

The issues of market institutions, management, operations at wholesale markets, planning and designing are analysed in the studies by J. D. Tracey-White (1991) [13]. Central wholesale markets are configured as an essential element in the channels of their distribution. Their role is to focus on economic improvements of agricultural products:

- ensuring the concentrations of agricultural products in a determined place;
- providing the operators of wholesale markets of agricultural products with reliable information about the situation at the market of agricultural products and consumer quality of such products;
- assisting the operators of wholesale markets of agricultural products in preparing agricultural products for buying and selling;
- providing the domestic producers of agricultural products in making profit from selling agricultural products;
- providing the operators of wholesale markets of agricultural products with reliable information about the situation at the market of agricultural products and consumer quality of such products;
- assisting the domestic producers of agricultural products in making profit from selling agricultural products;
- providing the operators of wholesale markets of agricultural products with reliable information about the situation at the market of agricultural products and consumer quality of such products;
- assisting the operators of wholesale markets of agricultural products in preparing agricultural products for buying and selling;
- providing veterinary and sanitary control and monitoring according to the Regulations of veterinary and sanitary control and monitoring for wholesale markets of agricultural products approved by the Cabinet of Ministers of Ukraine.

Wholesale markets of agricultural products create proper conditions for wholesale trade of agricultural products by means of providing the following services:

- providing the operators of wholesale markets of agricultural products with specially equipped work places;
- preparing batches of agricultural products for sale;
- official documents (if necessary) of buying and selling agricultural products;
- making the batches of standardised agricultural products;
- organising tenders and auctions;
- warehousing, storing, movement and delivery of the batches of agricultural products;
- control for the quality of agricultural products;
- advertising services;
- generalising and spreading reliable information about the demand and supply of agricultural products, the price level;
- organising exhibitions, seminars, conferences, training courses, competitions;
- transporting the batches of agricultural products;
- providing sellers and buyers with necessary loading and unloading machines, weighing equipment etc;
- protecting the property of the operators of wholesale markets of agricultural products;
- other services, necessary for maintaining the activity of wholesale markets of agricultural products.

Wholesale markets of agricultural products must keep offering the services, necessary for wholesale trade of agricultural products, on a permanent and regular basis. The services of wholesale markets of agricultural products are offered on a contract basis if the other is not established by legislation [15].

A wholesale market under current economic conditions is not the only place for selling agricultural products. This fact is obvious in the countries of Western Europe, where various additional services have been offered at wholesale markets for tens of years. However, for instance, in Poland, contracts made at wholesale agricultural markets are only part of the market elements, which perform much more functions such as thorough support for suppliers who are producers (consulting, training, creating comfortable conditions for sale, conclusions of long-term contracts with farmers, creating marketing groups of producers, etc.) and offers buyers the possibility to purchase in comfortable conditions, access to up-to-date office equipment and computer networks, the possibility to buy graded, safe products with detailed marking, packaged in the way they meet the requirements of different groups of clients etc.

Collection of information is another non-material product which is very important for both parties representing wholesale market demand and supply, which should be offered at wholesale markets. Information resources must be timely, complete and optimised for their users by time and form. The system of information about markets already works at the wholesale market in Poland, it is called Polish stock exchange. This system was established in cooperation with the Institute of logistics and shipping, aiming to improve the working conditions of the local market [16].

Poland has a developed network of wholesale markets. There are about twenty such markets functioning as joint-stock companies started as a result of the realization of the corresponding departmental and governmental programs. Six of them are large regional WMAP. Due to their coordinated activity, wholesale markets maintain price stability, equilibrium of demand and supply and promote the implementation of regulations and standards, reduce the number of intermediate links and accordingly - lead to an increase in the producers' profit. All Poland's wholesale markets were created due to the financial and organizational support of the local authorities and large banks. Among the stockholders there are also organizations of producers and market consumers. It is interesting that the markets in Gdansk and Lublin were financed with the loans from the World Bank, and the market in Warsaw - with those of EBRD. It should be mentioned that Polish wholesale markets have been highly regarded by many representatives of the European Union and the European Bank for Reconstruction and Development for several recent years. For instance, one of the largest wholesale markets in Poznan is the first wholesale market of European standards for sale of fruit and vegetable products, flowers and food products. It was created in 1992, at present it supplies products to about 5 thousand companies of the Central-Eastern and Northern Poland. The annual turnover is about 400-500 million zloty.
(approximately - USD 10-15 million) or 300-500 thousand tons of products. The marketplace occupies the area of 12 ha, and its warehouse space is designed for 1,500 thousand fresh and vegetable products, 4 - for food products, 2 - for fruit. There are also warehouses and a pavilion for horticulture products. The products for the market are supplied from all over the world twenty-four hours a day and the availability of a wide range of fresh fruit and vegetable products and also - of any food products is guaranteed to the buyers [17].

The development of a network of wholesale markets of agricultural products must meet the national and world requirements determined by the World Union of Wholesale Markets (WUWM). The creation of wholesale markets in Ukraine by the regional principle of agricultural products will allow concentrating the supply of agricultural products of different commodity producers of adjacent regions in one place; enabling all the suppliers of agricultural products to enter a competitive (non-monopolised) market; increasing the efficiency of supplying and distributing food products to cities and other settlements; accelerating and simplifying financial payments, optimising the process of goods movement; providing objective market information about the demand and supply of agricultural products of corresponding wholesale suppliers and consumers; supporting local commodity producers at the expense of developing an arranged sales system and maintaining feedback from end consumers to producers; assisting in fair market pricing and exclusion of fictitious pressures on the prices of agricultural products.

The agrarian market in Ukraine requires further development of logistic support of these components of the infrastructure - transport, warehouses and also the system of price monitoring, product standardisation and certification. The infrastructure of the current market of agricultural products is characterised by the fact that agricultural commodity producers have no perfect infrastructure, including those market operations (advisory services, the fund of supporting farmers, formation of the market scheme of promoting products from agrarian producers to organised sales channels, non-organised actions of particular elements of the infrastructure, their incapability to resist monopoly and perform efficient regulation of commodity flows in the agrarian area and provide market pricing. Poor development of communication nets has a negative impact on the functioning of the agrarian market infrastructure.

At present, there are 4 large wholesale markets of agricultural products in Ukraine («Shuvar» in Lviv, «Stolychnyi» in Kyiv, «Pochatok» in Odesa and «Nezhdannyi» in Kherson region). The wholesale market of agricultural products «Nezhdannyi», one of the largest agricultural markets of wholesale trade in Ukraine, has a developed infrastructure: administrative buildings, meat and milk pavilions, shops, and leisure spaces. One of the strategic factors of its development is a convenient location and a wide range of products. The consumers are offered agricultural products: fresh vegetables, fruit, berries, melons and watermelons at the market.

In Kherson region, the current state of the market of agricultural and food products is characterised by fast formation of the market scheme of promoting products from a producer to a consumer, which would be capable of reducing losses of agricultural products, improving their quality and pricing market. The market considerably contributes to pricing vegetables, fruit and berries not only in the south of Ukraine, but also on the whole territory of the country, since a wholesale price is determinant for further purchase and sale of products to processing companies, distributors and trade centres.

63 wholesale and retail markets are registered in Kherson region. 18 of them belong to the regional union of consumers, offering services in selling both food products and household goods. The regional union of consumers purchases and sells products in Kherson region; it cooperates with the western regions in the direction of purchasing and exchanging products aiming at providing the region with the goods which are not produced in Kherson region. The renovation of aviation activities and the development of the airport «Kherson» open prospects for agricultural producers of Kherson region to export their products through air-freighters. The place for a wholesale market has already been determined, being located at a distance of 10 km., which means that the costs for logistics will be reduced, and it will influence a final reduction in the cost price of products.

Taking into account that agricultural production is very dispersed in the region, it is possible to arrange and stimulate even distribution of vegetables, fruits, melons and other agricultural products only due to expanding the net of information and logistics, improving communication between commodity producers the conditions of selling products, firstly price them (increasing the prices for agricultural products, causing their considerable instability and disproportions), leading to the producers’ losing a part of their income. Successful functioning of the agro-industrial complex market requires further development of wholesale and retail markets without introducing additional wholesale and retail capacities. As a result it will allow providing the sales market of agricultural products grown by the domestic commodity producers and, which is very important, implementing a regulatory price policy according to the market and supply.

Thus, the advantages of the country from the development of the net of wholesale markets of agricultural products in both all over Ukraine and in the country’s southern regions are more than evident. They lead to an increase in the efficiency of agricultural production, market transparency, price control, quality foodstuffs, better budgetary resources, increasing the revenues of agricultural enterprises of the country, fast product promotion to consumers, and the creation of conditions for stimulating investment activities while developing the infrastructure elements of the agrarian market. Efficient development of the market of agricultural products is possible only under the interaction and mutual addition of all the components of its infrastructure, which remain independent and have their own functional direction [19].

Over the past years (2010-2019) the infrastructure of the agrarian market has started developing faster, but it is not perfect yet; its disfunctionality is noticeable, manifesting itself mainly in low accessibility of immediate agricultural commodity producers to organised sales channels, non-organised actions of particular elements of the infrastructure, their incapability to resist monopoly and perform efficient regulation of commodity flows in the agrarian area and provide market pricing. Poor development of communication nets has a negative impact on the functioning of the agrarian market infrastructure.

At present, there are 4 large wholesale markets of agricultural products in Ukraine («Shuvar» in Lviv, «Stolychnyi» in Kyiv, «Pochatok» in Odesa and «Nezhdannyi» in Kherson region). The wholesale market of agricultural products «Nezhdannyi», one of the largest agricultural markets of wholesale trade in Ukraine, has a developed infrastructure: administrative buildings, meat and milk pavilions, shops, and leisure spaces. One of the strategic factors of its development is a convenient location and a wide range of products. The consumers are offered agricultural products: fresh vegetables, fruit, berries, melons and watermelons at the market.
creating new jobs and, as a result, the improvement of the population living standards.

5. Conclusions

The development of the infrastructure of wholesale markets is a strategic direction of the activity of both regional agrarians and local authorities. Modern infrastructure of wholesale markets will allow distributing agricultural and food products more clearly, improving their quality, optimising (due to the centralisation and more efficient management of sales) making contracts, loading, unloading and other logistic procedures.

Wholesale markets must grow into regional agrarian centres, where buyers and sellers will be able not only to sell or buy products, but also receive a wide scope of services: storing, preparing goods for sale, transporting, making calculations, getting loans, obtaining information from consulting services, etc. Small wholesale consumers (restaurants, cafes, hotels and other private catering establishments) will have some benefits and take advantage of the situation - they will be relieved from additional expenses, since they will also be able to do without the services of numerous middlemen and have access to a wide range of agricultural products at a fair market price. Having examined the experience of Poland, we can state that, besides the listed advantages of selling agricultural products through wholesale markets, collecting actual information and providing information services to producers and potential buyers can be their additional advantages. The successful activity of wholesale markets of agricultural products in Poland has been maintained due to the government support and also financial, organisational support of local self-government bodies, commercial banks and the funds provided by the World Bank and the EU.

Building a network of wholesale markets of agricultural products, supporting and improving their activity requires further scientific research aimed at determining the models of their organisation, attracting investments from different sources through various types of government and private partnership and wider participation of local self-government bodies.

References

1. The Cabinet of Ministers of Ukraine (2010, September 29). About the approval of the order of using funds, envisaged in the state budget to provide financial support to create wholesale markets of agricultural products. The Cabinet Decree No. 893, in edition as of November 25, 2013 April. Retrieved from https://zakon.rada.gov.ua/laws/show/893-2010-п
2. Lysiuk, V. M. (2011). The strategy of the development of wholesale markets of agricultural products in Ukraine. Economic innovations, 43, 150-159. Retrieved from http://dspace.nbuv.gov.ua/bitstream/handle/123456789/66809/18-Lisyuk.pdf?sequence=1
3. Morozov, R. V., & Boiko, L. O. (2018). The economic role of exchange trade and the modern tendencies of its development. Agrosvit (Agroworld), 9, 3-8. Retrieved from http://www.agrosvit.info/pdf/9_2018/2.pdf
4. Domanska, N. A. (2017). Wholesale markets of agricultural products as a type of entrepreneurial activity and their organizational and legal forms and models. Naukowy visnyk Lvivskoho natsionalnoho universytetu veterynariyi, 131(1), 448-454. Retrieved from http://rbuv.gov.ua/JURN/svitu_2311_13_11__77
5. Cyzyszek, B., Trojanek, R., & Matuszczak, A. (2018). The effects of use values, amenities and payments for public goods on farmland prices. Evidence from Poland. Acta Deonomica, 68(1), 135-158. doi: https://doi.org/10.1506/03.2018.68.1.7 (in Polish)
6. Cyzyszek, B., & Majchrzak, A. (2017). Economic size of farms and adjustments of the total factor productivity to the business cycle in Polish agriculture. Agricultural Economics, 63(2), 93-102. doi: https://doi.org/10.17221/240/2015-AGRICECO (in Polish)
7. Kuzman, B., Predlíc, N., & Dobrās, Z. (2017). The importance of the wholesale markets for trade in agricultural products. Economics of Agriculture, 64(3), 117-126. doi: https://doi.org/10.5937/ekopol1703177K (in Slovak)
8. Záboj, M. (2008). Agricultural food and wholesale trade in the intra-community trade. Agricultural Economics, 54(9), 419–430. doi: https://doi.org/10.17221/2701-AGRICECO (in Czech)

Dear Colleagues!

The Economic Annals-XXI Journal is indexed in Scopus. Publishing your articles in the Economic Annals-XXI Journal is your advance in the international research space and prospect of career development! «Improving research results through analytical power» (Scopus)
http://soskin.info/ea/