

**Kyiv National University of Trade and Economics**

**The Department of World Economy**

**FINAL QUALIFYING PAPER (PROJECT)**

on the topic:

**“International economic activity of small and medium enterprises”**

**(based on the data of LLC “VOLYNAGROPRODUCT”, Kivertsi, Volyn region)**

Student of the 2<sup>nd</sup> year, group 2am,  
speciality 051 “Economy”,  
specialization “International  
economics”

Bash Alona

\_\_\_\_\_  
*(student's signature)*

Scientific adviser  
Candidate of Sciences (Economics),  
Associate Professor

Kravets K.P.

\_\_\_\_\_  
*(signature of a scientific  
adviser)*

Manager of the educational program  
Candidate of Sciences (Economics),  
Associate Professor

Kravets K.P.

\_\_\_\_\_  
*(signature of the  
manager of the  
educational program)*

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## INTRODUCTION

International economic activity is an indisputable factor of success in the development of small and medium enterprises. It is a major prerequisite for expanding markets, increasing production volumes, and improving product quality, which also creates a favourable base for strengthening the company's competitive position in the domestic market.

At the present stage, we can characterize the state of the foreign economic activity of Ukraine by a decline in industrial production, retail turnover, and construction volumes. The decline in exports of products of the most important industries of Ukraine exacerbates this difficult situation. These trends increase the relevance of the study of theoretical aspects of the international economic activity of enterprises, which may become the basis for making sound management decisions in the implementation of development strategy of small and medium enterprises.

Small and medium business always stands out due to high innovative potential and is the main driving force of technological and scientific progress. However, the role of SMEs in international trade is significantly less obvious than in the national markets and changes on this level are slow. Prospects for the further economic development of Ukraine closely connect with the level of its integration into international relations.

The current state and directions of international economic activity of small and medium enterprises are the subjects of foreign and domestic economists' comprehensive study. We built the research basis on studies by F. Caufmann, A. Spartak, G. Reckswoldt, D. Aldonas, D. Wilson, and R. Helm. They researched problems of creating the supporting business environment for developing national entrepreneurship. Following Ukrainian scholars set and solved problems of state support for small and medium-sized businesses in the context of fundamental research: O.Kirichenko - formulated a strategy for SMEs development in Ukraine, L. Loginenko - researched new strategic tasks of state policy on entrepreneurship development in Ukraine. Domestic economists, such as



I. Bagrova, N. Redina, and V. Vlasyuk, researched problems of organization of export operations at the enterprise in scientific works.

**The object** of the final qualifying paper is the process of carrying out foreign economic activity on the international flour market by the small and medium enterprises.

**The subject** of the final qualifying paper is theoretical and practical aspects of conducting international economic activity on the flour market by a company that represents small and medium enterprises.

**The purpose** of the final qualifying paper is to study the system of managing the international economic activity of the small and medium enterprises on the flour market.

Tasks of the final qualifying paper are the following:

- 1) to analyse the international market of flour;
- 2) to conduct the financial and economic analysis of LLC “Volynagroproduct”;
- 3) to analyse factors that influence the international activity of the company;
- 4) to estimate the effectiveness of international economic activity of LLC “Volynagroproduct”;
- 5) to propose measures of increasing international economic activity for the enterprise;
- 6) to assess the effectiveness of proposed measures.

The basis of the research is the methods of statistical observation, analysis and synthesis, methods of comparison, absolute and relative variables, abstraction, analogy, calculation. Following the tasks set in the final qualifying paper, we also used methods of research of processes: in the evaluation of the international, financial, and economic activity of the enterprise – mathematical and statistical analysis of the financial reports of the enterprise. We used graphical and tabular methods, as well.

Information base for research consists of legislative and regulatory acts of Ukraine, official materials of the State Statistics Service of Ukraine, monographs and scientific-analytical articles of domestic and foreign scientists, Internet resources.

The results of the study we tested in a collection of scientific articles of students obtaining a Master's degree in speciality “Economy”, specialization “International

economics". The structure of the final qualifying paper consists of an introduction, three sections, general conclusions, references and appendices.

## PART 1

### RESEARCH OF THE CURRENT STATE OF LLC “VOLYNAGROPRODUCT”

#### 1.1. Analysis of the international flour market

In the current context, there are several significant trends in the global agricultural and food markets. First, there is a gradual increase in population's needs for food compared to their production volume, and hence an increase in the growth of aggregate demand for food products and an increase in prices for them. Hence, the problem of the physical and economic availability of food for the population is exacerbated and remains unresolved in some regions.

Secondly, the intensive development of bioenergy is an industry closely linked to agricultural production, which necessitates a drastic review by the exporting countries of the acreage structure towards "fuel" crops.

Third, the decline in the level of global food stocks is due to previous factors. In the context of these trends and view of the globalization of the world economy, the production of agricultural products and food is losing its national isolation, and such a situation as a whole can satisfy both the producer and the consumer [1].

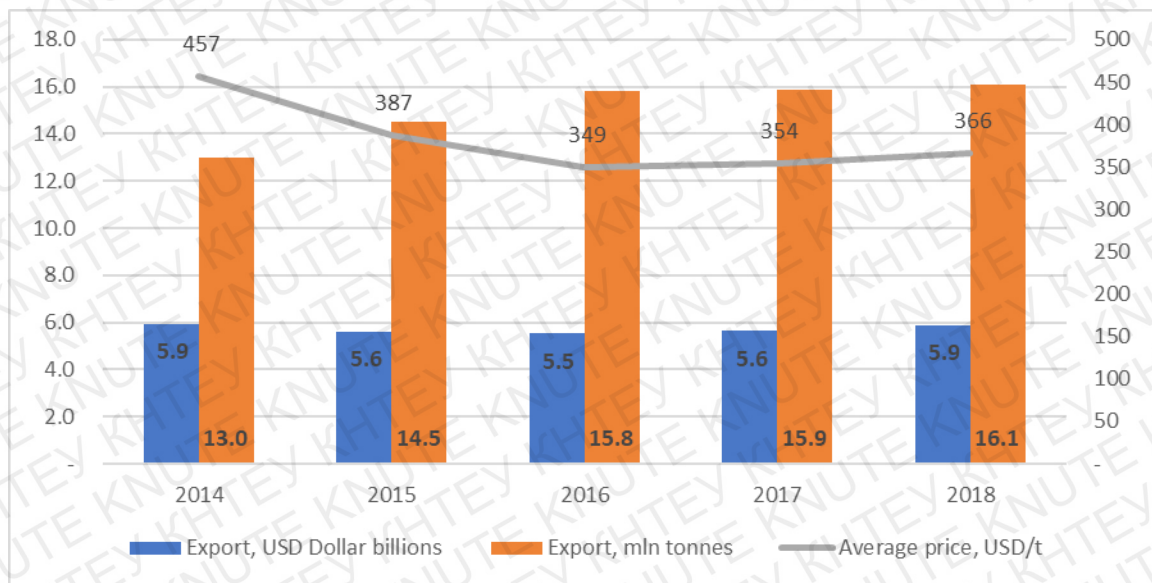
Processed grain products - flour and cereals - continue to be a basis for consumption in most countries of the world. Population growth in the Asian region, migration from risky regions due to adverse political and economic conditions, are among the most important factors in the formation of the food market, generating demand and stimulating global trade in grain products, and flour in particular.

Over the past three years, world trade in flour, according to estimates from the International Trade Centre, has remained relatively stable and averages around 14 million tons annually. At the same time, the weighted average prices for wheat flour remain minimal over the past five years, but with a slight growth trend (fig. 1.1).

The pricing situation in the wheat market due to the surplus of grain, together with the desire of key players to focus on the production and export of value-added



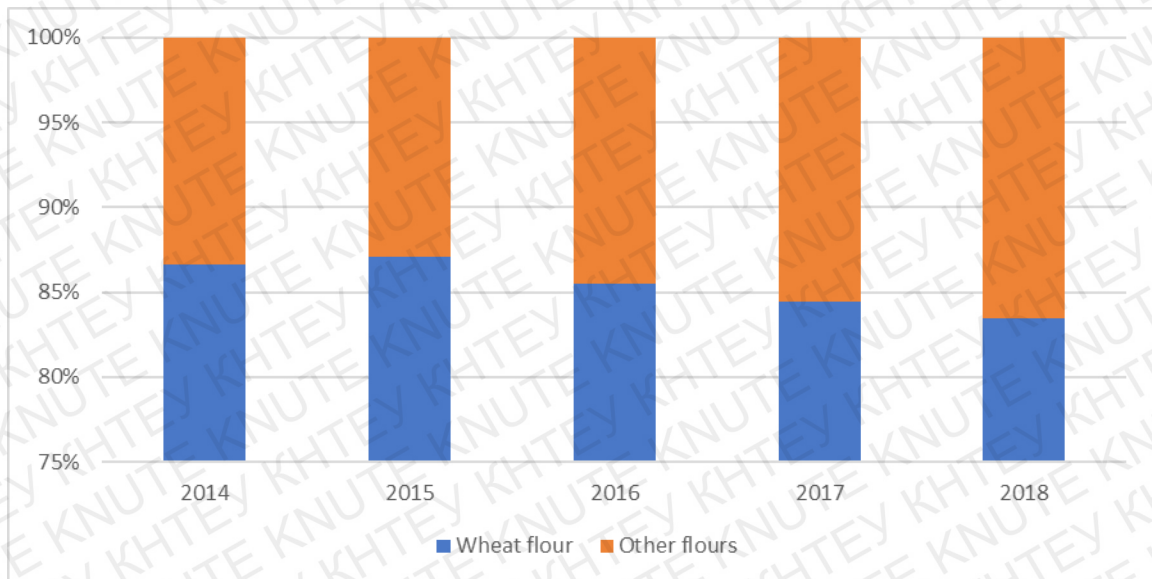
products, as well as the desire of some importers to achieve self-sufficiency in flour (and sometimes



**Figure 1.1.** Dynamics of world flour export in 2014-2018 years [2]

even become an exporter) had a corresponding impact on price dynamics in the wheat flour segment. As a result, the most competitive are those market participants can generate high profitability either due to large volumes of trade or high-quality products or due to state support.

At the global level, flour is still one of the leading products of grain processing, the trade activity of which is quite high. Wheat flour prevails in the total trade in flour, amounting to around 85%. The remaining species, such as corn, rice and others, account for about 15%. Besides, wheat flour started to slowly lose its popularity on the global market only in 2016 (fig. 1.2).

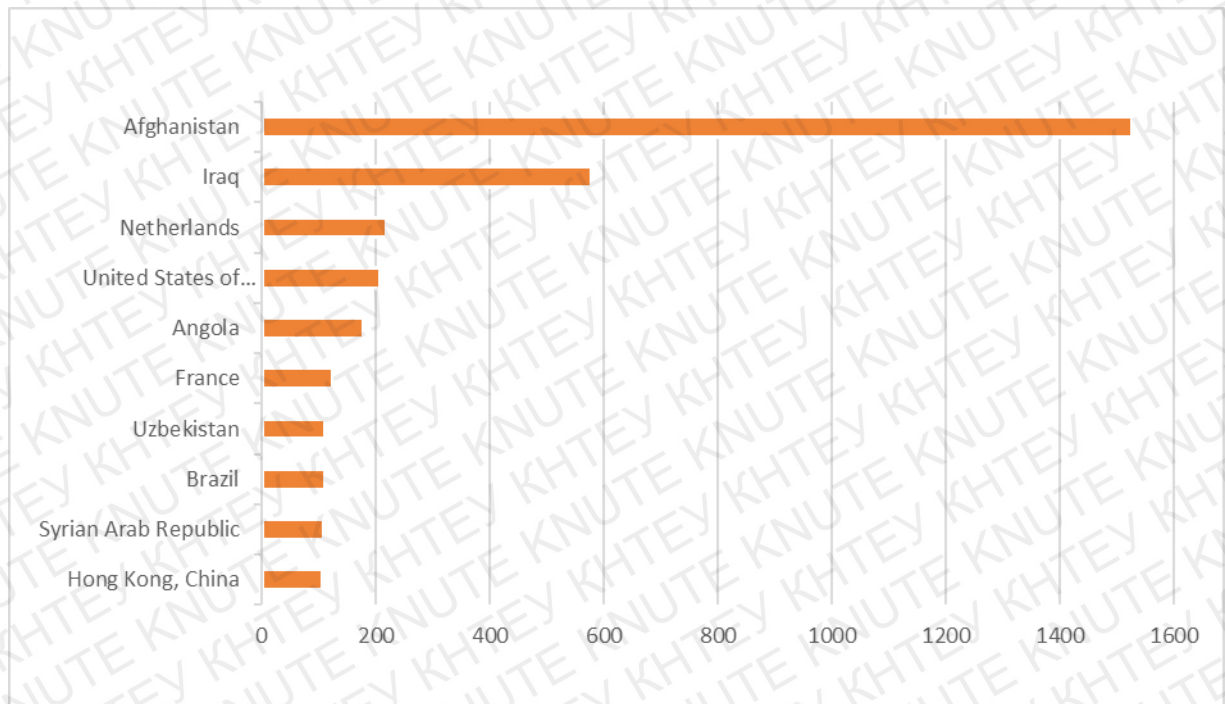


**Figure 1.2.** Dynamics of the proportion of wheat flour export in 2014 -2018 years [2]

For many years, Turkey and Kazakhstan remain the leaders of the world flour trade, accounting for an average of about 40% of world exports annually (appendix A). At the same time, we can characterize leaders by a decrease in deliveries by the end of 2018 (-5% and -1%, respectively). The current situation for Turkey is to a certain extent caused by the economic crisis amid a trade conflict with the US. The devaluation of the Turkish lira against the dollar limits the ability of Turkey to import wheat for further processing. A key factor in reducing the export of Kazakh flour was the reduction of capacity of local markets by developing their processing [4].

The main importers of flour are Uzbekistan, Mexico, Brazil and Afghanistan [7]. The last country ranks first in the ranking of the main importers of wheat flour (fig. 1.3).





**Figure 1.3.** *The biggest importers of wheat flour in 2018 [5]*

Accordingly, the leader of the previous year - Iraq - having reduced procurement of wheat flour in 2018 by 14%, moved to the second position. Uzbekistan closes the top three with an import volume of 659 thousand tons according to the results of the calendar year 2018. Nevertheless, as mentioned above, the development of our flour-grinding production allows us to reduce the volume of purchases, and already by the end of 2018/19 MY, purchases from the key supplier - Kazakhstan - decreased by 36% compared to the previous season.

As for the place of Ukraine, despite the fact that the country is one of the key players in the grain market, occupying the fifth position in the export of wheat in the world, the fourth in trade in barley and corn, while, unfortunately, it still occupies the trade-in flour-grinding products only 12th place in the exporters' world ranking.

The primary trend is a decrease in flour production in the country, which is due to objective circumstances. Furthermore, unfortunately, this is not at all because Ukrainians are replacing flour products and bread with more wholesome fruits, vegetables and meat. Our people have not become richer – the point is a rapid population decline.

Analysing the trends of domestic export of flour in recent years, we can ascertain the fact that its volume of revenues to the world markets increased in 2016-2017 years.

However, there was a slight decrease in 2018 due to the overall decrease in production (table 1.1).

*Table 1.1*

**Dynamics of export and import of flour products in Ukraine  
during 2014-2018 years, US Dollar thousands**

	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Export	124,401	117,888	138,668	181,891	175,811
Change to previous year	X	-5 %	+18 %	+31 %	-3 %
Import	25,110	14,029	22,106	32,240	34,339
Change to previous year	X	-44 %	+58 %	+46 %	+7 %

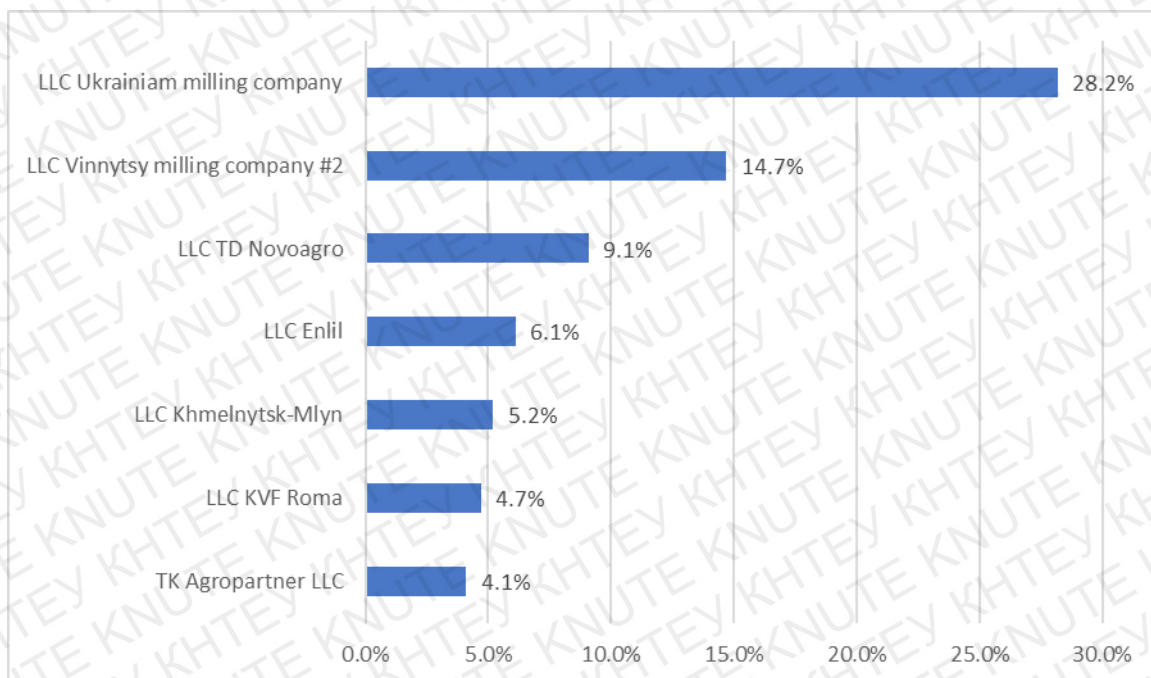
*Source: calculated based on data obtained from the Statistics Service of Ukraine [8]*

Based on the results of 2018, the LLC “Ukrainian Flour Company” delivered to the foreign markets 28.2% of the total volume of wheat flour exported from Ukraine (307 thousand tons). The TOP-3 largest flour exporters also included LLC Vinnytsia Bakery Combine # 2 with a share of 14.7% and Trade House Nova Agro LLC - 9.1%.

Ukrainian companies most often shipped wheat flour from Ukraine to China - 26.3% (80.5 thousand tons in 2018), the Republic of Moldova - 11.14% (34.04 thousand tons) and the Palestinian Territory – 11.1% (33.95 thousand tons) [9].

There are now about 600 flour mills in the country, most of which are loaded by 30-60%, especially now that flour production is falling. About half of them are small businesses that produce less than 1,000 tons of high-quality flour a year. Today, there is a pool of 30-40 companies that are industry leaders. Some of them have identified themselves in the domestic market, while the rest position themselves as export-oriented.





**Figure 1.4.** Top Ukrainian exporters of wheat flour in 2018 [37]

The above manufacturers gave to the market more than 40% of the products (figure 1.4), which are currently the largest (according to statistics that note the total amount of flour received from the beginning of the current marketing year in Ukraine). Compared to the first half of last season, the share of these companies increased by 5%

Unfortunately, the interest of outside investors in flour milling is completely absent. The milling business is more costly and less marginal than, for example, grain trading. Either the owners of the existing flour and grain business or grain traders who seek to diversify their activities carried out all made and planned investments.

Of course, In Ukraine, many obsolete enterprises with numerous personnel and high production costs still hold a large part of the market. New technologies can drastically reduce the number of employees and energy consumption, which leads to a reduction in the cost of processing and an increase in profitability. For comparison: 22 people work at the new 350-ton “Mover Mil” mill. Electricity consumption for processing 1 ton of wheat is about 75 kW. Similar mills of the old type, which actively produce flour and have not yet gone bankrupt, have more than 100 people and consume per 1 ton of wheat 85 to 105 kW of energy [6].

The main prerequisite for the effective development of grain processing enterprises is the formation of a reliable basis for the stable and rhythmic support of the



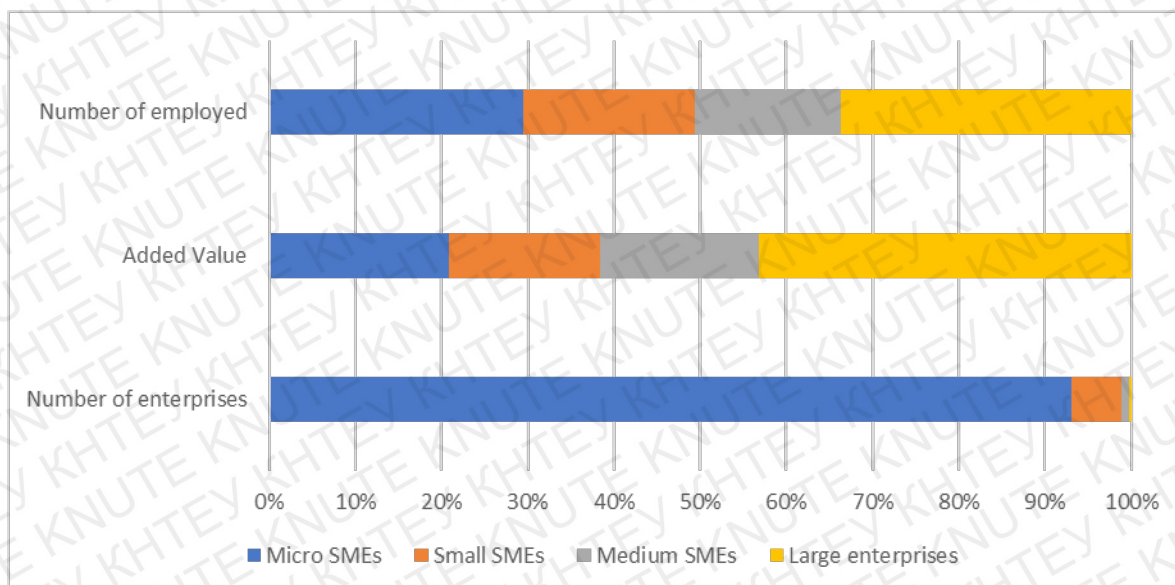
technological process of grain processing of raw grain in the required quantity and required quality. The main task of marketing activities of grain processing enterprises in the system of procurement and supply of raw materials is the formation and development of mechanisms to assess the status of existing and potential grain markets, study their impact on activities, forecast changes and develop effective tools for programming required changes.

In the structure of a modern, mixed economy, small, medium and large businesses co-exist and complement each other. At the same time, small business is the primary, the most numerous, and therefore the most widespread sector of the economy. SMEs play a vital role in the country's overall production networks and they are core to the economic growth of developing countries [36].

Small business in Europe stimulates the development of competition, "forces" large companies to introduce new technologies and improve production efficiency, the effectiveness of the entire EU economy is directly dependent on the successful activities of small and medium-sized businesses [31]. Therefore, within the framework of the European Union, countries implemented a policy of supporting small business, the main goal of which is to balance the interests of the state and business, to provide optimal conditions for entrepreneurship, and to increase the competitiveness of small businesses.

It is worth noting, that small business entity is the most sensitive to innovations, and therefore, the development of small business will contribute to the solution of the priority for Ukraine the task, namely the construction of an economy on an innovative basis, which will increase the competitiveness of the country as a whole [42].

Under conditions of globalization, in agricultural sector turned out to be mobile, able to adapt quickly to changes in the market situation, to introduce the latest technologies, to integrate into the production structure of large corporations and even to successfully compete with big business [26]. According to the OECD, the share of SMEs on the agro-food market accounts for 10-20% of all innovations, although its share in the cost of innovation is 4-5% (fig. 1.5). Large enterprises use about half of their inventions, while small business enterprises account for more than 70% [32].



**Figure 1.5.** *SMEs and large enterprises in the EU-28 food business sector [4]*

For the successful realization of their competitive advantages, small and medium-sized enterprises are increasingly choosing a strategy of internationalization [27]. The companies carry out the policy of supporting small business in Europe through the activities of states and through implementing specialized programs under the auspices of the European Union. The Structural Funds of the European Union, such as the Regional Development Fund and the Social Fund finance small business support.

Small business in Europe adapted to crisis conditions most effectively, having the ability to manoeuvre in the market. Small enterprises quickly began to occupy niches uninteresting for large enterprises, which significantly helps European countries overcome certain stagnation in the food market [24].

Ukraine had received significant support from the European Union, especially in the agricultural field. As one of the main preconditions for the development of the European community is the comprehensive support and promotion of the development of small business, which is the key to the successful functioning of the economies of individual regions and states, as well as the means of improving prosperity.

Currently, the most comprehensive support programs for the small and medium business of the European Union are COSME, HORIZON 2020 and the SME Facility, all under the EU4Business initiative (table 1.2).

*Table 1.2*



	2016-2017	2009-2017
Number of enterprises supported with advisory services	354	660
Number of enterprises which received loans	486	1,043
Total values of loans disbursed (thousands of Euros)	84,889	188,810
Number of new jobs created	4,022	5,887

*Source: compiled by the author based on [30]*

Currently, several EU initiatives are functioning in Ukraine. We can classify them in three main directions:

- 1) facilitating the entrance of small and medium-sized businesses into external markets - providing advisory services on export-import activity to the subjects of small and medium enterprises [43];
- 2) improving the conditions for competitiveness; in particular, the promotion of internationalization of clusters, eliminating excessive regulatory barriers;
- 3) forming a culture of doing business (educational programs, sector training, seminars, exchange programs, internships) [29].

The favoured direction of increasing the competitiveness of small business entities at the present stage of development is the attraction of funds via fundraising. International organisations design grants primarily for small business entities that implement innovative projects in various fields of economic activity, including activity on the agricultural market. COSME program that started in 2014 offers several grants to the SMEs with the concentration on priority spheres of Ukrainian economics such as industry, agriculture and tourism.

## **1.2. Analysis of the financial and economic activity of LLC “Volynagroproduct”**

Karpuk O. and Bilishuk V. founded LLC “Volynagroproduct” in 2001. The main directions of economic activity in the first stage of development were the production of bread and other flour goods, trade-in grain and sugar. The acquisition of procurement enterprise (elevator) prompted the management to attract high-level professionals to create their production base, to build and reconstruct new facilities, to organize the procurement of commodity products.



In 2002-2005 the company acquired a line of rye grinding with a capacity of 40 tons per day and management of Volynagroproduct initiated a new line of activity – flour milling. Along with the expansion of its activities, in 2008-2013, the company continued to develop its material base. Soon the enterprise installed new grain dryer Mathews Company (USA) and packing line “ITALPACK” (Italy) with a productivity of 4 tons per hour. We provided basic information about LLC “Volynagroproduct” in table 1.3.

*Table 1.3*

**General information about LLC “Volynagroproduct”**

Name of legal entity	Limited liability company “Volynagroproduct”
Date of registration	10 <sup>th</sup> August 2001
Address	45201, Volyn region., Kivertsi, Str Shevchenko, 35
Main activities	10.71 - Manufacture of bread and bakery products; production of flour confectionery, cakes and short-term pastries 10.61 - Manufacture of flour and cereal products 46.90 - Non-specialized wholesale trade 46.36 - Wholesale of sugar, chocolate and confectionery 47.24 - Retail sale of bakery products, flour and sugar confectionery in specialized stores
Director	Makovetskiy Volodymyr
Form of ownership	Private property
Share capital	18,900 UAH thousands

*Source: compiled by the author on the materials of LLC “Volynagroproduct”*

In current conditions, the main goal of a manufacturing enterprise, regardless of its type of activity and form of ownership, is to maximise profits, which is impossible without effective management [45]. To analyse the performance of the company, we use the appropriate indicators of profitability and profit, which are essential to determine the efficiency of production.

Production efficiency is the most crucial generic characteristic of production performance that reflects the ratio of the value of created goods and services to total labour costs. Profit is the result of the enterprise, which characterises the absolute

efficiency of its work. Profit is the same indicator that characterizes the success and effectiveness of any business [38].

We estimated the performance level of LLC “Volynagroproduct” by examining the financial results of its activity. We analysed the dynamics of the company's financial results for 2014-2018 and calculated individual indicators of its activities.

Table 1.4

**Indicators of financial and economic activity of  
LLC “Volynagroproduct” during 2014-2018 years**

Indicator	Years					
	2014	2015	2016	2017	2018	
	Actual, UAH thousands	Actual, UAH thousands	Actual, UAH thousands	Actual, UAH thousands	Actual, UAH thousands	Growth rate (+) / decrease (-) to 2014 level, %
Net sales revenue	69454	83429	112690	129161	173674	150.1
Cost of sales	-61198	-71100	-99562	-115703	-151638	147.8
Gross profit	8256	12329	13128	13458	22036	166.9
Other operating income	7	605	1354	7244	4479	63885.7
Administrative costs	-3090	-3892	-2544	-4834	-4895	58.4
Distribution costs	-263	-293	-416	-3276	-3658	1290.9
Other operating expenses	-1684	-996	-3766	-1941	-2081	23.6
Operating profit	3226	7753	7756	10651	15881	392.3

Continuation of table 1.4

Indicator	Years					
	2014	2015	2016	2017	2018	
	Actual, UAH thousands	Actual, UAH thousands	Actual, UAH thousands	Actual, UAH thousands	Actual, UAH thousands	Growth rate (+) / decrease (-) to 2014 level, %
Other financial income	11	0	0	0	0	-100.0
Other income	2	0	0	0	0	-100.0
Other expenses	-70	0	-152	-1	0	-100.0
Financial expenses	-754	-5262	-7316	-9259	-9434	1151.2
Profit before tax	2415	2491	288	1391	6447	167.0
Income tax	-1073	-618	-38	-390	-1241	15.7

Net profit	1342	1873	250	1001	5206	287.9
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*Source: calculated by the author on materials of LLC “Volynagroproduct” [appendix C]*

The data in Table 1.4 indicates a positive trend observed over the last five years. Net sales revenue in 2018 increased by 35% compared to the same period of the previous year, the cost of sales increased proportionately by 31%, however, the gross profit amplified by more than 60%. Operating expenses for the period under review significantly increased, which we expected with the general growth of activity volume. Operating income, in turn, increased by 49% compared to 2017. Regarding the main indicator - net profit - there is a tendency for drastic increase for the third consecutive year. Nevertheless, LLC “Volynagroproduct”, like other agricultural enterprises, is vulnerable to many risks. The main factors that influenced the results of the activity are:

- The crop industry has a pronounced seasonal nature of production, which relates to the biological properties of plants. Seasonality, as a rule, also determines the dynamics of prices for agricultural products, which tend to decline during the harvesting period and increase during the marketing year.
- Adverse weather conditions (in particular, much higher or lower rainfall than average, cold winter with little snow) can impair crop yields and adversely affect operational and financial results of LLC “Volynagroproduct”.
- Political and macroeconomic risks, such as the tax burden, uncertainty of the regulatory environment, political instability, recession or decline in economic development, the existing judicial system, restrictions on foreign exchange transactions inherent in LLC “Volynagroproduct”.

The company is a representative of the middle-size enterprise according to both European and Ukrainian classification (table 1.5). Its size presents a significant risk for the company, as the enterprise is not big enough to have a diversified business, high-quality management and to occupy a material market share.

*Table 1.5*

**Compliance LLC “Volynagroproduct”** indicators with requirements for middle-sized companies



Category	Per requirements	Per financial statements	Compliance
Turnover	< 50 million EUR	5 477 thousand EUR	Yes
Balance sheet total	< 43 million EUR	2 793 thousand EUR	Yes
Employees	< 250 employees	160 employees	Yes
Yearly income	< 50 million EUR	694 thousand EUR	Yes

*Source: compiled by the author based on sources [21], [22]*

The stable financial position of an enterprise in market conditions is largely due to its business activity. This group of coefficients indicates the efficiency of use of the assets of the enterprise, the consistency of the policy of managing production and inventories of finished products, etc. Increasing the intensity of use of the basic elements of assets is a positive trend, since the management may direct the released part of financial resources in other directions [34]. In general, increasing the turnover of the elements of assets indicates an increase in the efficiency of the enterprise [35]. By analysing business activity indicators, you can evaluate the efficiency of using your own funds (Table 1.6).

*Table 1.6*

#### **Indicators of business activity of LLC “Volynagroproduct” during 2014-2018**

Indicator	2014	2015	2016	2017	2018	Growth rate compared to 2014
Asset turnover ratio	1.57	1.65	1.73	1.62	1.99	27%
Inventory turnover ratio	5.30	4.31	2.89	2.47	2.95	-44%
Receivables turnover ratio	4.24	4.94	6.44	8.44	12.59	197%
Equity turnover ratio	7.52	8.21	5.47	4.28	5.31	-29%

*Source: calculated by the author on materials of LLC “Volynagroproduct” [appendix C]*

The asset turnover ratio reflects the total capital turnover. According to the calculations in the table, we can conclude that this indicator had the best value in 2018 (1.99 turns per year). At the beginning of 2017, there was a decrease in the value of the coefficient to 1.62 turns/year. However, the overall trend of this indicator is increasing, compared to the 2014 year.

An analysis of the dynamics of the inventory turnover ratio on the example of LLC “Volynagroproduct” indicates that enterprise has significant issues with the inventory management efficiency, as this indicator has decreased by 44% in the 2018 year compared to 2014. Although, there was a slight increase in 2018 compared to 2017. A possible cause is the implementation of a new IT system, which helped to avoid causes disruptions in the operating process.

The increase of the receivable’s turnover ratio of the analysed enterprise means high efficiency of debt management of clients and other debtors. If in 2014, the receivables of the company made 4.2 turnovers, then in 2018 - already 12.6 turnovers, which is a positive trend for the company.

In the short term, the criterion for assessing the financial condition of the company is its liquidity and solvency. The term "liquid" implies the unimpeded conversion of the property into means of payment. The less time it takes to convert a particular type of asset, the higher its liquidity [39]. An entity's liquidity is its ability to convert its assets into a means of payment to settle short-term liabilities, which is an extremely important group of performance indicators.

*Table 1.7*

**Liquidity Ratios of LLC “Volynagroproduct” during 2014-2018**

<b>Indicator</b>	<b>31.12. 2014</b>	<b>31.12. 2015</b>	<b>31.12. 2016</b>	<b>31.12. 2017</b>	<b>31.12. 2018</b>	<b>Growth rate compared to 2014</b>
Quick (acid–test) ratio	0.66	0.55	-0.03	0.09	-0.04	-106%
Current liquidity ratio	0.99	1.02	1.06	0.92	1.03	4%
Absolute liquidity ratio	0.14	0.16	0.03	0.02	0.14	0%

*Source: calculated by the author on materials of LLC “Volynagroproduct” [appendix C]*

The quick liquidity ratio characterizes the ability of the enterprise to repay current liabilities with current assets except for inventories. The analysts recommend a quick ratio to be above 0.5. At the enterprise under study, the value of this indicator has become significantly lower during the period.

The current ratio was mostly greater than one, which indicates that the value of current assets exceeds the amount of current liabilities, which in turn provides a normal level of liquidity and may indicate that the company has a significant amount of available resources that have formed thanks to their sources.

Analysis of liquidity and solvency indicators allow us to draw some conclusions. Its value within range 0.2-0.5 scientists consider enough, that is, 20-50% of its short-term debts entity can repay at the same time. As we can see in table 1.8, for the period between 2014 and 2018 year, the company's level of absolute liquidity ratio is rather low. A value below the regulatory level indicates an inefficient strategy for managing financial resources. Cash, unlike other assets, does not participate in the production process; they do not generate revenue for the company. The decrease in this indicator is an indication that the company does not divert capital to the formation of non-productive assets.

The financial stability of the enterprise (table 1.8.) implies that the cash flow from management should recoup the resources invested in entrepreneurship, and the profit will ensure self-financing and independence of the enterprise from external attracted sources of formation of assets.

*Table 1.8*

**Indicators of financial stability of LLC “Volynagroproduct” during 2014-2018**

<b>Indicator</b>	<b>31.12. 2014</b>	<b>31.12. 2015</b>	<b>31.12. 2016</b>	<b>31.12. 2017</b>	<b>31.12. 2018</b>	<b>Growth rate compared to 2014</b>
Financial dependency ratio	4.79	5.12	2.45	2.84	2.52	-48%
Financing ratio	0.26	0.24	0.69	0.54	0.66	150%
Interest coverage ratio	4.20	1.47	1.04	1.15	1.68	-60%

*Source: calculated by the author on materials of LLC “Volynagroproduct” [appendix C]*

According to the calculations, the ratio of financial dependence of the enterprise over the period under review exceeds two, which indicates an immense dependence of the enterprise on external sources of financing, although it tends to decrease.



The financing ratio shows what is the total value of the enterprise's assets per one UAH of own funds. The indicator of LLC "Volynagroproduct" tends to increase over the last five years, which implies an improvement in the solvency of the company.

Profitability is an integral indicator that reflects the efficiency of the enterprise, aimed at making a profit in the short term and which indicates the quality of management decisions related to the financial and investment activities of the enterprise [40].

*Table 1.9*

**Profitability indicators of LLC "Volynagroproduct" during 2014-2018 (in %)**

Indicator	2014	2015	2016	2017	2018	Absolute change compared to 2014
Return on assets	3.0	3.7	0.4	1.3	6.0	3.0
Return on equity	14.5	18.4	1.2	3.3	15.9	1.4
Return on sales	4.6	9.3	6.9	8.2	9.1	4.5
Operating Profit (EBIT)	4.9	10.2	7.3	8.5	1.2	-3.7
Margin						
Net Profit Margin	1.9	2.2	0.2	0.8	0.6	-1.3

*Source: calculated by the author on materials of LLC "Volynagroproduct" [appendix C]*

This definition emphasizes in which cases profitability is really a criterion for the economic efficiency of an enterprise, and considers that different profitability indicators can testify to the effectiveness of different areas of management work [40]. Its ability to generate profit affects the solvency of an enterprise. In this connection, one considers the aspect of enterprise activity as profitability, which characterizes the quality of management decisions concerning the financial, operational and investment activity of the enterprise (table 1.9).

During the period under review, the return on assets of LLC "Volynagroproduct" significantly increased. The main factor behind the increase in the return on assets is the rise in net profit over the last five years. The increase in the return on equity for 1.4% compared to the 2014 year is due to the increase in net profit. In general, the efficiency of Volynagroproduct's economic activity increases compared to the beginning of the analysed period.

Return on sales is 9.1% in 2018, which is still lower than in 2015, but higher by 0.9% compared to the previous year. This indicates that the profitability of the enterprise from its main activity is relatively stable.

Operating profit margin, analysed for the activity of LLC “Volynagroproduct”, steadily decreased during the period, which indicates the deteriorated possibility for recoupment of expenses in operating activities for 2014-2018 years.

Thus, by analysing the financial results of LLC “Volynagroproduct” and certain indicators of the financial position of the company, we can make conclusions on the efficiency and profitability of the activity of the analysed enterprise. In general, we evaluated the activity of the company as quite effective, because the most important indicators of financial position increased (return on assets, return on equity, and profitability of operating activities). The financial stability and solvency of the company in most cases meets the normative indicators, which indicates the existence of a stable financial condition of the company. However, we have noticed the gradual decline in some of the indicators of financial stability and solvency in the dynamics that may cause future financial risks for the enterprise.

## **CONCLUSIONS TO PART 1**

The state of the Ukrainian grain market is, in fact, a definite indicator of the quality of the economic reforms in the country, as well as the completeness of the implementation of the agro-food policy. It is obvious that, given the scale and completeness of the elements of economic relations, the grain market can serve as a model of development for other markets for agricultural products, raw materials and food. It is impossible to overestimate the importance of the grain industry for the national economy, which is to ensure the food security of the country, to maintain its priority positions, regardless of the influence of objective and subjective factors, caused primarily by the long-term market transformations that have affected all sectors of the Ukrainian economy.

The main reasons for the decrease in flour milling production are the decrease in average per capita consumption and the volume of industrial use of flour, in particular

in the baking industry, which is the largest consumer of this product (60% in the consumption structure), and the “shadowing” of the traffic flow. The functioning of the "shadow" sub-sectors testifies to the imperfection of the existing regulatory mechanisms and, therefore, the loss of the state from under-receipt of tax revenues. The regulator should build state policy on the grain market in the near future considering the impact of global factors, especially since today grain production in Ukraine is in an extremely favourable position, especially in the context of the global food crisis. In addition, the state can benefit greatly from the increase in grain production, which will certainly help to solve the problems of economic development in general (social and environmental in particular). An important condition for ensuring the stability of the grain market should be the use of effective mechanisms of state regulation, the essence of which is to ensure the balance of quantitative and qualitative parameters of supply and demand for products.

Given the current demographic factors and socio-economic problems, demand for flour in Ukraine will decline, which will affect in some way its production status and volumes.

To reduce the negative impact of these factors on the development of the domestic flour milling industry at the present stage is possible by stimulating the expansion of its exports. Prospective markets for domestic flour are primarily in Asia, Africa and CIS countries, as well as Central America. At the same time, certain niche opportunities remain in the European market. However, its competition is much higher, which requires additional efforts and adaptation to the requirements and tastes of consumers in this market.

The domestic flour market is one of the strategically important segments in the food security system of Ukraine, as well as a potential source of diversification of agricultural export products and an increase in its share with a high level of its processing and formation of added value.

As shown in the analysis above, the players on the Ukrainian market of flour are highly concentrated. The eight biggest exporters control more than 40% of the market. In the given framework, LLC “Volynagroproduct” is not even a significant player.



However, the company has found its niche and its customers. The profit was steadily rising over the three last years.

As for other indicators of business activity, the company mostly is within the frame of normative values. The main difficulties are associated with the size of the enterprise. Being in the middle-sized business means that a company cannot benefit in the full power from scaling effect. The costs of production are quite high due to the company's inability to set its own conditions for suppliers and consumers. Despite it, the company takes advantage of its size, and concentrates on maximum effectivity, investing in new equipment and makes an additional effort in analysis of its costs and opportunities to decrease them.

As a representative of SME companies, LLC "Volynagroproduct" takes care to know about its marketing advantages and limitations. Summarizing, small business affects the structure of the market and the expansion of market relations, primarily because of changes in the number of market entities, advanced training and the degree of attractiveness of an increasingly wider population to the business system. Small enterprises are crucial for the development of the national economy. With its development, Ukraine will be able to join the states with a higher standard of living.

**PART 2**  
**RESEARCH OF INTERNATIONAL ECONOMIC ACTIVITY OF LLC**  
**“VOLYNAGROPRODUCT”**

**2.1. Analysis of factors of influence on the international economic activity of LLC**  
**“Volynagroproduct”**

Production processes of LLC “Volynagroproduct” consist of a complex of primary processes: the main, auxiliary and service units of the enterprise, ensuring timely production of the specified products and the provision of quality services. There are three main areas of focus:

- procurement activities;
- flour milling production;
- packing and shipment of finished products.

The enterprise has an elevator put into operation in 1983 with a total capacity of 61.3 tons, milling type: M3x175 with daily grain yield for wheat - up to 4000 tons and for corn - up to 3000 tons. The company invested in two MATHEWS COMPANY grain dryers to provide efficient grain drying, providing the following daily drying volumes for wheat - up to 2500 square meters and for corn with humidity 28 - 30 (%) up to 1000 t.

Management of processes of unloading, cleaning, moving, drying, shipment is carried out automatically from the control room. Quality control of grain storage in silos is carried out with the help of remote control of temperature (thermometry) connected to the computer elevator system.

The study of modern technologies and principles of operation of equipment of the world's leading flour-producing firms allowed the specialists of the enterprise to introduce the most effective methods of forming grinding lots. They work on getting "excellent" quality indicators of flour at the mill of 3-grade 75% grinding processing capacity of 120 tons per day and rye line 87% grinding with a processing capacity of 30

tons per day. The flour produced from the grinding compartment is sent to the bulk storage unit for further storage and shipment.

In 2013, LLC “Volynagroproduct” put into operation a packing unit, and installed a modern ITALPAK 100 1DVC packing machine. Its productivity equals 4000-4200 kg per hour. Further, at an accumulation of 700 kg, employees stack the packaged products on a Euro pallet and wrap with a film on the ECOSPIR ELC / SX mobile pallet coil.

For the quantitative calculation of incoming raw materials, as well as the supply of raw materials and finished goods, the car scales with a capacity of 60 tons and 40 tons were installed in 2008, equipped with high-precision strain gauges and accessories of Siemens firm, with a further connection to the digital accounting system.

From the above, we can conclude that LLC “Volynagroproduct” understands the importance of sufficient material and technical base for economic activity. The company's management pays sufficient attention to investing in the company's fixed assets and developing its potential. The baking rye flour, wheat flour of the highest and first grades and bran represent the product line of the enterprise.

International cooperation has played an important role in the development of LLC “Volynagroproduct”. This applies both to experience sharing programs, partnerships, and strategies for exploring foreign markets, establishing well-established markets, which has made the company an important player in the agricultural export market.

From the main directions of foreign economic activity of LLC “Volynagroproduct”, we can define the following:

- monitoring of market proposals on an ongoing basis in order to follow market trends;
- conclusion of long-term contracts with further cooperation;
- pursuing an export expansion policy, focusing in particular on increasing the share of export sales in the Middle East, Africa, Europe;
- conducting innovative activities, developing organic production;
- determination of pricing strategies for export operations, etc.



For the successful realization of its competitive advantages, LLC “Volynagroproduct” is increasingly choosing a strategy of internationalization. L. Kubíčková divides factors contributing to the intensification of the processes of the entry of an enterprise into the international market into two groups: the objective preconditions prevailing in the local and world markets, and the subjective motives of the owners of medium enterprises.

The objective preconditions of internationalization of SME are [33]:

- activation of globalization and liberalization processes, that open for SME new markets for services and goods;
- technology development, which resulted in a reduction of managerial costs and simplified the access to potential customers abroad. Nowadays, the Internet has become the market space for SMEs (as on specialized sites (Amazon, AliExpress) as well as on individual websites);
- development of cooperation between multinational companies and small entities. Currently, the large enterprises usually have engaged several other entities that conduct research, provide maintenance or advertisement services etc. Such cooperation allows all participants to achieve high efficiency due to the rational use of resources [48];
- governmental support of foreign economic activity of SMEs in a different direction (organizational, technical, educational, financial).

R. Kneller divides the subjective internationalization motives for small and medium enterprises into three groups: incentives, availability of intangible assets, productive need (Figure 2.1).

<b>Incentives</b>	<b>Availability or need in non-material assets</b>	<b>Productive motives</b>
<ul style="list-style-type: none"> <li>• increase in volume of realized production;</li> <li>• access to cheaper resources and additional financing;</li> <li>• decrease in dependence on national market;</li> <li>• expansion of selection of partners;</li> <li>• insecurity of property rights.</li> </ul>	<ul style="list-style-type: none"> <li>• unique product or technology, patents and other specific resources require international market for the best possible realization;</li> <li>• need to gain access to modern technologies, supporting the company's reputation increase the necessity of internationalization</li> </ul>	<ul style="list-style-type: none"> <li>• creating own chain of production or participation in chain of large enterprise to optimize the efficiency of use of resources;</li> <li>• diversification of risks via selection of markets, that are on a different stage of product life and economic cycle</li> </ul>

*Figure 2.1. The motives for SMEs to pursue the international market [28,33]*

However, conducting international activity requires additional costs and the enterprise encounters a number of barriers. What concerns LLC “Volynagroproduct”, the main obstacles of its internalization are the following [33]:

- high level of expenses concerning the entrance to the foreign markets (market research, consulting services, adaptation of production);
- the threat of losing economic independence of entity in case of creation of a joint venture or participating in the system of franchising [44];
- lack of knowledge of legal, cultural, and political knowledge of the market of the accepting country;
- administrative barriers on local, as well on the international market;
- high tempus of production and technological processes, that requires an increase in R&D expenses;
- a harsh international competition that coincides with SME’s higher sensitivity comparing to large business to economic risks.

Today in Ukraine, there are several problems and obstacles on the way successful development of small and middle business. The most important are the difficulties in financing the activities of small businesses and the lack of proper state support and stimulation of their development. Despite its significance, the middle business does not receive the needed attention from the government, as there is not a clear concept of development and support of this organizational form of enterprise.

To study the external environment of the enterprise we used PEST analysis—a powerful and widely used tool for understanding strategic risk. It identifies the changes and the effect of the external macro-environment on a firm's competitive position [10]. The advantage of using PEST analysis is the ability to isolate the opportunities and threats of the influence of environmental factors on the enterprise, as well as to assess the degree of probability of their occurrence and significance for the enterprise, which based on the obtained results allows formulating appropriate management decisions.

The analysts study the political factor of the environment primarily in order to have a clear idea of the intentions of public authorities regarding the development of society and of the means by which the state intends to implement its policies.

The analysis of the economic aspect of the external environment makes it possible to understand how the state forms and distributes economic resources. For most businesses, this is a critical condition for their business activity.

The study of the social component of the external environment aims at understanding and assessing the impact on the business of such social phenomena as attitudes of people to work and quality of life, mobility of people, the activity of consumers.

Analysis of the technological component allows anticipating the opportunities associated with the development of science and technology, in time to refocus on the production and sale of a technologically promising product, to predict the moment of abandonment of the technology used.

Within the framework of the PEST analysis, we created a list of factors that have an impact on the activity of the enterprise of LLC “Volynagroproduct” and evaluated their influence. We estimated the significance (probability of realization) of each event for a given enterprise by assigning to it a certain weight from one (the most important) to zero (insignificant). The sum of the values of the weight index of each factor should be equal to the unit provided by the normalization. We estimated the degree of influence of each factor-event on the enterprise strategy based on a 5-point scale: "five" - strong influence, serious danger; "one" - no influence, threat [11].



We determined the weighted estimates by multiplying the weight of the factor by the force of its influence, and calculated the total weighted estimate for the enterprise.

The total assessment indicates the degree of readiness of the enterprise to respond to current and predicted environmental factors. We combined PEST analysis in Table 2.1.

Based on the results of the PEST-analysis of the enterprise, we can conclude that from the external environment the greatest positive influence is the ability to introduce new technologies into production, as the milling industry has a high degree of technological equipment and a high dependence on production technology. Also, among political factors, the enterprise experiences the most significant impact from governmental support. The government's financial support priorities should be: optimal application of the fiscal regulation instruments (reduction of the amount of taxes, determination of the criteria for the maximum taxation amount, tax incentives etc.), maintenance of the self-investment of small and medium-sized enterprises as well as investment, financial means of the public influence over the development of the enterprises, effective combination of both direct and indirect forms of the innovative development support.

Table 2.1

PEST-analysis of LLC "Volynagroproduct"

<b>Opportunities</b>	<b>Share</b>	<b>Rating</b>	<b>Integrated assessment</b>	<b>Threats</b>	<b>Share</b>	<b>Rating</b>	<b>Integrated assessment</b>
<b><i>Political (P)</i></b>							
Governmental support of milling activity	0,2	5	1	Aggravation of export and import conditions	0,11	5	0,55
				Unexpected changes in legislation and tax environment	0,09	4	0,36
<b><i>Economical (E)</i></b>							
Investment attractiveness of the industry	0,15	4	0,6	Level of unemployment	0,04	3	0,12
Positive dynamics of the exchange rate	0,1	3	0,3	Purchasing power of population	0,07	4	0,28
				Increase in prices of raw materials and services of third	0,19	5	0,95

				parties			
<b>Social (S)</b>							
The impact of advertising on the consumers	0,05	2	0,1	Changes in consumer preferences	0,05	2	0,1
Positive news coverage and public image	0,1	3	0,3	Aging of population	0,1	3	0,3
				Social mobility	0,05	4	0,2
<b>Technological (T)</b>							
Implementation of new technologies in production, equipment modernization	0,4	5	2	Equipment depreciation	0,3	4	1,2
<b>Total</b>	<b>1</b>		<b>4,3</b>	<b>Total</b>	<b>1</b>		<b>4,06</b>

*Source: combined by the author based on entity's internal data*

Among the threats to the environment, the greatest impact is respectively the deterioration of equipment, which causes difficulties for production. Among the economic factors, the main threat is an increase in prices for raw materials, as LLC "Volynagroproduct" does not have its own fields. Among the social factors, the most significant is the unstable demographic situation in the country, which experts characterize by the aging of the population.

After studying the external factors of the enterprise, it is advisable to analyse the complexity of internal factors that influence the development of the enterprise by means of SWOT analysis. SWOT analysis is a strategic planning tool that identifies environmental and environmental factors. The factors of the internal environment of the object of analysis (factors that the object affects) are the strengths (S) and weaknesses (W), while the factors of the external environment (which the object does not influence) are opportunities (O) and threats (T) [12].

The first step in the formation of a matrix of SWOT analysis is the selection of strengths and weaknesses of the company and their ranking by priority. LLC "Volynagroproduct" has the following set of key competitive forces, such as:

- advantageous geographical position (location in Volyn region, which is close to the border and has a lack of significant competitors);

- available raw materials base (many suppliers, their interest in interacting with the company);
- high-tech production (the yield of flour at the mill complex is about 60-70%, which is more than the industry average indicators for competitive capacities, there are opportunities for increasing production capacities);
- professionalism of technological personnel (the presence of personnel capable of setting up flour milling and monitoring the quality of products);
- organization of business “not from scratch” (staff experience in the milling industry and knowledge of the specifics of the business).

The main weaknesses of the company include the following factors:

- low product diversification (due to the production and sale of only bran, wheat and rye flour);
- the scope of the company (the middle size of the company imposes restrictions in implementing the growth strategy);
- lack of targeted marketing activities (due to the specifics of small business the organization of sales of products poorly expresses marketing in the company, which is carried out by the commercial department);
- lack of own logistics (use of third-party IP services specialized in the implementation of transportation);
- lack of a clearly defined development strategy;

The threats to LLC “Volynagroproduct” include:

- a slowdown in the growth of the flour market (general decrease in the world flour market and flour prices);
- strong market dependence on key consumers (several companies account for 50% of sales, which in the long term may weaken the company's competitive position);
- the possibility of losing current market positions due to large players;
- grain price volatility (75% of the costs in the formation of the price of flour are grain prices);



- a change in the structure of consumption in the B2C sector (a trend towards a decrease in the consumption of flour products; is having an impact since the bakery market is one of the main drivers of the flour market);

Company's opportunities include:

- intensification of consumption in the industrial processing sector associated with the production of semi-finished products (there is a tendency to increase demand for flour from these enterprises);
- product development for a new consumer group (for example, organic products);
- a trend of increasing exports of flour products (the ability to export products to countries of the near abroad, other markets);
- development of new types of products.

Conducting a SWOT analysis of the company, we can conclude that the main opportunity for the company is to enter international markets, for example, to export goods to the EMEA region. In addition, the main problem is the decrease in sales of products because there is a fall in demand for products by reducing the level of consumer income. The effectiveness and rationality of operational management as a whole depend on the correct choice of strategy. In this case, the company must choose a strategy that allows entering the international markets without any loss to the enterprise.

With the help of the conducted PEST and SWOT-analysis, we figured out that enterprise operates in an external environment characterized by a high degree of instability, demanding from enterprise timely response to change in external and internal circumstances and to occurring events.

## **2.2. Estimation of effectiveness of international economic activity of LLC “Volynagroproduct”**

To carry out foreign trade operations, management of LLC “Volynagroproduct” created a foreign economic department. The main functions of this department are: marketing activities, market research, export of goods, accounting of the achievements

of competitors in the domestic and foreign markets, forecasting global trends in the economy, international relations, exhibition activity, preparation and implementation of advertising of their goods, collecting and processing of information on prices , conclusion of contracts, registration of documents, determination of risks, financial support of foreign economic activity.

Managers of foreign economic activity of LLC “Volynagroproduct” usually carry out market research according to the marketing program. There are several factors that managers carefully study during the preparation of a foreign trade operation. First, it is political relations with the contracting country, because it is inappropriate to look for the possibility of contracting with a partner of the country with which the state has a tense relationship. Very important factors in choosing a market are the capacity of the commodity market and its environment. Exploring trade and political conditions is an important and, at the same time, very complicated process.

Conditions of transportation affect the price of goods, so managers of foreign economic activity must carefully study them. These include the availability of direct flights, railway rates, and the cost of transshipment and storage of cargo, rules and personal conditions of carriage. Also, of great importance is the study of laws on trade transactions, including insurance, protection of industrial property. A particularly careful study of the activities of competing firms, the organization of sales of their goods, agency network.

After selecting the contractor, the negotiation phase begins, that is, the establishment of contact. The parties can come into contact with each other in different ways: correspondence, telephone conversations, personal negotiations. For the exporter, the means of contacting the importer is to send him a commercial offer - offers.

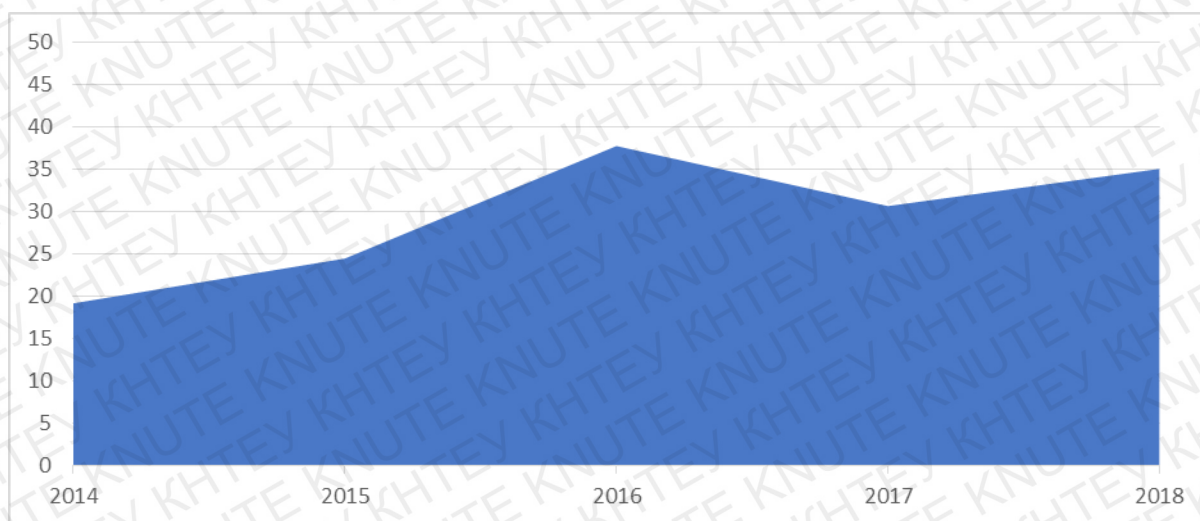
The next step is discussing and contracting. According to the contract, the main obligations of the exporter are delivery of goods, transfer of documents and ownership of the goods.

However, according to the research of the enterprise, LLC “Volynagroproduct”, concludes the contract at the discretion of the parties. These rules define the person



responsible for payment for delivery, customs clearance, and insurance of risks on the way of transportation of goods, depending on the specified standard terms of delivery.

LLC “Volynagroproduct” produces rye and wheat flour as well as bran as a by-product. The main sales market is the Middle East. Plans to sell their products to China, Angola and EU countries. Part of the contracts the company concludes on CIP terms, that is, the company delivers grain to the port of a foreign buyer. This expands the range of buyers and increases the opportunities for the trader.



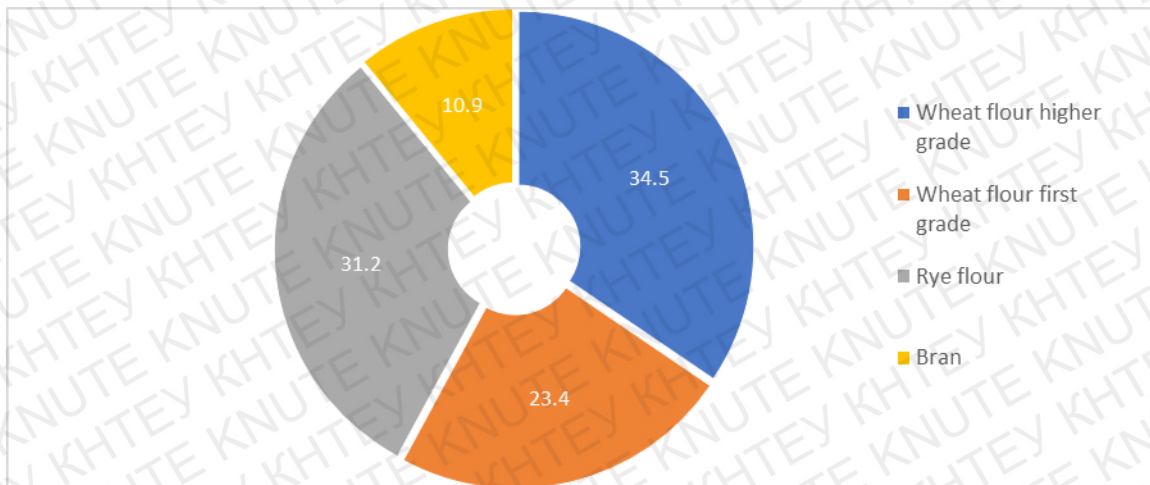
**Figure 2.2.** *Share of export in sales revenues of LLC "Volynagroproduct" in 2014-2018, % [internal data of LLC "Volynagroproduct"]*

Regarding the share of exports in total revenues from sales of products, the situation here is ambiguous (fig. 2.2). The highest figure was in 2016, which was 37.8% or UAH 43 million. In 2017, both the total volume of sales and the share of exports in it declined. The latter decreased by 7.1%, but in hryvnia equivalent exports declined by more than half. Last year, the situation improved slightly (up 4%), but has not yet reached 2016 levels.

The company exported the goods to more than eight countries. The largest counterparties locate in Turkey, Saudi Arabia and Moldova.

In terms of commodity structure, the largest share of exported products in Volynagroproduct belongs to wheat flour (fig. 2.3). However, sowing areas for rye flour and bran are gradually increasing. The enterprise would like to open a new avenue in its activity – organic products.





**Figure 2.3.** Commodity structure of exports of LLC “Volynagroproduct” in 2018, %  
[internal data of LLC “Volynagroproduct”]

Thus, we can conclude that LLC “Volynagroproduct” is quite actively developing foreign markets. Over the last three years, the share of export shipments in total sales has been consistently significant. In general, this is due to the increase in the volume of exported goods and the establishment of new trade links with countries in Europe and East Asia.

The efficiency of the foreign economic activity of the enterprise is a complex category that combines the parameters that characterize the development of the domestic and foreign markets [13, p.91-96]. In order for the performance indicators to give in practice the correct answer to the question about the expediency of the enterprise to carry out certain foreign trade operations, it is necessary to choose the efficiency criterion correctly.

The main criterion for evaluating the efficiency of foreign economic activity of the enterprise is the maximum net income from export operations [14, p.162]. According to this criterion, the managers should select the best options for cooperation with external trading partners. They carry out the quantitative assessment of this criterion based on a comparison of the cumulative effect of various options of foreign economic cooperation of the enterprise and the total costs associated with its implementation.

The major problem is that the assessment of the effectiveness of foreign economic activity of economic entities involves the calculation of the effectiveness of

specific foreign economic transactions and operations, as well as their profitability and efficiency, which would objectively reflect the state of activity of the enterprise [14, p.163].

Most of the export contracts of LLC “Volynagroproduct” the company concluded with Turkish company ÜÇEL SİLO LLC. That is why we have examined the export performance and evaluated the efficiency of the export operation based on the current contract between LLC “Volynagroproduct” and ÜÇEL SİLO LLC No. 464/2019 of 14.08.2019 (Appendix D). The terms of the contract we described below (table 2.2).

*Table 2.2*

**Terms of the** export agreement

Name of the exported item	Wheat flour I grade
HS Code	1101 00 11 00
Country of import	Turkey
Price for 1 ton	339,29 USD
Quantity	560 tons
Delivery	CPT Samsun
The official foreign exchange rate at the day of operation	25,15 UAH/ USD

*Source: compiled by the author on the materials of LLC “Volynagroproduct” [Appendix D]*

According to contract # 464/2019 of 14.08.2019, the company makes the delivery on CPT terms, the additional transportation costs of the exporter include the cost of transporting the cargo to the main carrier in the amount of 4 240 USD, the cost of loading equals 1% of the invoice value. It is also necessary to consider the cost of transportation from the port of Odesa to the port of Samsun – 22 400 USD [15].

The estimated selling price in the domestic market of Ukraine is UAH 7 526 per ton [16]. Aggregate costs for the sale of wheat flour of first grade on the territory of Ukraine - 14% of the contract value at domestic prices.

We should also take into account the costs associated with milling wheat to evaluate the effectiveness of the export operation. We listed them below in Table 2.3.



Table 2.3

### Costs associated with milling (% to internal price)

Costs of maintenance, operation, repair of production facilities, etc. (C1)	10%
Raw material costs (C2)	15%
Labour costs (C3)	12%
SRC charges (C4)	22% from labour costs

Source: compiled by the author on the materials of LLC "Volynagroproduct"

[Appendix D]

Based on the actual contract concluded, we have the opportunity to determine the effectiveness of the export agreement offered by the Ukrainian company LLC "Volynagroproduct".

Table 2.4

### Determining the effectiveness of the export operation

#	Indicator	Calculation	Result
1	Quantity, tons	-	560
2	Price per agreement, USD/ton	-	339,29
3	Contract price, USD	OP=Q*P	339,29 * 560 = <b>190 000</b>
4	Foreign exchange rate, UAH/USD	-	25,15
5	Production cost, UAH	PC=Domestic price *(C1+C2+C3+C4)	7526*560*(0,1+0,15+0,12+(0,12*0,22)) = <b>1 670 651,58</b>
6	Additional costs related to the export of goods, UAH	Cexp=(Contract price*Loading price + Transportation price)*Forex rate	(190 000*0,01+4240+22400)*25,15 = <b>717 781</b>

Continuation of table 2.4

#	Indicator	Calculation	Result
7	Costs related to the sale of goods in the domestic market, UAH	Cd=Domestic price*Domestic cost of sales	7 526*560*0,14 = <b>590 038,40</b>
8	The sales price on the domestic market, UAH/ton	-	7 526
9	Effect of operation, UAH:		
	-sale on the foreign market	Eexp=Contract price-(PC+Cexp)	4 778 500 – (1 670 651,58 + 717 781) = <b>2 390 067,42</b>
	-sale on internal market	Ed=Domestic price-(PC+Cd)	4 214 560 - (1 670 651,58 + 590 038,40) = <b>1 953 870,02</b>
10	Effectiveness of operation, per 1 UAH		
	-sale on the foreign market	Cexp=Contract price/(PC+Cexp)	4 778 500 / (1 670 651,58 + 717 781) = <b>2,00</b>



-sale on internal market	$Ced = \text{Domestic price} / (PC + Cd)$	$4\,214\,560 / (1\,670\,651,58 + 590\,038,40) = \mathbf{1,86}$
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*Source: calculated by the author on the materials of LLC "Volynagroproduct"*

[Appendix D], [46]

According to the calculations above, we can conclude that this export operation is profitable, but because of high transportation costs, the sale of wheat flour in the domestic market has almost the same efficiency as in the foreign one, but we offset it by the lack of difficulty communicating with foreign partners and registration of exports (Table 2.4). It is therefore advisable to develop an alternative operation that will be more profitable.

Finding ways to minimize the costs of organizing and performing export operations is the key to improving them. First, the exporter has to offer to carry out the export operation on favourable terms, and to state all this in the contract, but to reach agreement in advance between the importers. List of costs each party will bear influence the terms and conditions under which the company carries out the export operations. The favourable conditions for the exporter are those where the importing party bears all costs of transportation, loading, unloading, customs clearance and other formalities. Therefore, the exporter must insist on conditions that would satisfy his interests and minimize the cost of export operations.

Internationalisation can result in competitiveness gains at the firm level which may eventually translate into improved economic performance at national and European level:

- being internationally active strongly relates to higher turnover growth.
- SMEs that are internationally active generally report higher employment growth than non-active SMEs.
- the relationship between internationalisation and innovation is strong [42].

The effectiveness of an enterprise's foreign trade policy will largely depend on how the manager of foreign economic activity is able to organize the work of the department, as well as implement this program within the framework of the general (general) program of enterprise development [49].

The manager-exporter is always concerned about the strengthening of commercial relations with its consumers, constantly strives to increase sales volume, and systematically works to consolidate its position in the market. This requires systematic information of buyers on improving the technical level and quality of goods, ensuring favourable commercial conditions that allow expanding exports, working on improving the marketing and maintenance network, strengthening advertising, the saturation of which should be not less than that of the main competitors.

Therefore, possible ways to improve the organization and increase the efficiency of export operations of the enterprise we can characterize as the need to improve work on the application of currency risk insurance, a clearly defined marketing policy, the search for more profitable suppliers and the need to conclude contracts with better terms of supply.

## **CONCLUSIONS TO PART 2**

LLC “Volynagroproduct” is engaged in an almost full circle of production, its main areas of focus are procurement activities, flour milling, packaging, and shipment of finished goods. The enterprise has all needed fixed and non-tangible assets to conduct business activity. What is more, the management of the company tries very hard to update its equipment and to implement cost-efficient processes in the activity of the company.

The baking rye flour, wheat flour of the highest and first grades and bran represent the product line of the enterprise. The company has not wildly diversified the production; however, considering the size of the enterprise, it is better to concentrate on the chosen number of activities.

For the successful realization of its competitive advantages, LLC “Volynagroproduct” is increasingly choosing a strategy of internationalization. The aim of LLC “Volynagroproduct”, in this case, is to diversify the risks via a selection of different markets with various conditions. Today in Ukraine, the economists determine a number of problems and obstacles on the way successful development of

small and middle business. The most important are the difficulties in financing the activities of small businesses and the lack of proper state support and stimulation of their development.

To study the external environment of the enterprise we used PEST analysis—a powerful and widely used tool for understanding strategic risk. Based on the results of the PEST-analysis of the enterprise, we can conclude that from the external environment the greatest positive influence is the ability to introduce new technologies into production, as the milling industry has a high degree of technological equipment and a high dependence on production technology. In addition, among political factors, governmental support has the most impact on the enterprise. Taking into account the above, the priority areas for the government of improving the competitiveness of small business entities in Ukraine are an optimization of taxation (application of preferential taxation, exemption from payment of individual taxes) and strengthening state support for small businesses, in particular financial support at the expense of state and local budgets.

After studying the external factors of the enterprise, it is advisable to analyse the complex of internal factors that influence the development of the enterprise by means of SWOT analysis. Per carried out an analysis of the company we can conclude that the main opportunity for the company is to enter international markets, for example, to export goods to the EMEA region. Moreover, the main problem is the decrease in sales of products because there is a fall in demand for products by reducing the level of consumer income.

Volynagroproduct has a dedicated department for conducting foreign economic activity. The main functions of this department are marketing activities, market research, the export of goods, accounting of the achievements of competitors in the domestic and foreign markets, forecasting global trends in the economy, international relations, exhibition activity etc.

LLC “Volynagroproduct” produces rye and wheat flour and bran as a by-product. The main sales market is in the Middle East. The company has plans to sell its products to China, Angola and EU countries. LLC “Volynagroproduct” exported the goods to



more than eight countries, the largest share the company shipped to Turkey, Saudi Arabia and Moldova. In terms of commodity structure, of course, wheat flour is the leader with more than a half in the goods structure of export.

According to the calculations of effectiveness of export operation, we can conclude that this export operation is profitable, but because of high transportation costs, the sale of wheat flour in the domestic market has almost the same efficiency as in the foreign one. The lack of difficulty communicating with foreign partners and registration of exports negates that slight increase in the effectiveness of the trade on the international market.

## **PART 3. DIRECTIONS FOR INCREASING INTERNATIONAL ECONOMIC ACTIVITY OF LLC “VOLYNAGROPRODUCT”**

### **3.1. Justification of measures of increasing international economic activity of LLC “VOLYNAGROPRODUCT”**

From the theory of strategic management, we know that the key to the success of the enterprise is a well-balanced and well-grounded strategy for its development. In the conditions of globalization of the economy, one of the ways of development of economic entities is export activity. With the aim of an efficient organization of export, an important task of enterprise management is to develop a strategy for entering new foreign markets.

To overcome the negative impact of environmental factors that impede the development of export activity, enterprises must face the need to make effective management decisions. These decisions concern the enterprise management system, optimization of logistics costs, and improvement of the monitoring system and other components of the export activity of the enterprise. The complex nature of these processes, the significant risks of doing business abroad compared to the domestic market, create the need to create a comprehensive approach to optimizing the export activity of the enterprise.

The analysis of the organization of management at the LLC “Volynagroproduct” revealed that the processes of managing the export activity of the enterprise fall under the influence of two groups of factors: the organizational structure of the enterprise and the external environment, which, in turn, influence the decision-making process regarding foreign economic operations of enterprises.

We can divide situations that need constant monitoring and consideration into two groups: external and internal factors. External factors cover particular aspects of the environment, such as business environment and legislative support. For millers, such a

link is that of suppliers, since the production process itself (the production of flour etc.) implies a significant dependence on raw materials – wheat and rye.

External factors have a double impact: on internal factors and on the principles of managing the export activity of the enterprise. For example, changes in the competitive strategy of the company in the business environment of LLC “Volynagroproduct” affect changes in the strategy of the enterprise itself. Changes, in particular, at the legislative level also affect the principles of organization of export activity of the enterprise.

Based on the analysis in part 2.2 we can conclude that Volynagroproduct is an enterprise with a high level of export costs and comparably low export price. We can recognize such companies by typically low operating export performance and higher costs associated with the supply of raw materials. Accordingly, they must carefully regulate their own resources. The main export approaches for the company is to improve operating efficiency and profitability; quality improvement - only in those areas where it is too important for the foreign consumer. The indicators provide an opportunity to assess the state of the export activity of the enterprise and to choose the appropriate directions for its improvement.

LLC “Volynagroproduct” is a price leader company. It exports its goods at a price that is lower than the price set by competitors. Export sales profitability and return on assets in an analysed company are generally lower than in other companies in the industry.

According to the above, the main goal of business activity is to increase the profitability of export sales. The managers must consider the cost of high-quality exported goods, which they cannot secure without the use of adequate resources.

The basic measures for planning, organizing production and controlling export activities for such enterprises should pursue at efficient resource management and may include:

- A thorough analysis of consumer demand and the use, like the previous group, of highly standardized methods of management control in sectors that directly affect consumer demand;



- use of highly standardized mechanisms of planning, organization of production and control in the field of cost management;
- active use of target costing policy within the concept of target cost management of exported products.

A logistics is a problematic place in the system of organization of export activity of the enterprise. Logistics is an important marketing aspect of the enterprise, which, according to experts, is in second place in its impact on the export activity of the enterprise. One of the main factors for the efficient organization of logistics is the optimization of transport costs of the exporting enterprise.

Cost optimization measures (Table 3.1) we can divide into the following groups according to different classification characteristics, which cover the main areas of activity of the enterprise, according to the purpose, timing and desired result of the export activity of the enterprise:

- measures that require additional investment and measures that do not require it;
- measures affecting the profitability of the enterprise and neutral in profitability;
- short-, medium-, long-term activities;
- organizational, technical, economic measures [17].

*Table 3.1*

### **Measures to optimize logistics costs of export activity**

#	Measure	Target costing	Efficiency/ Profitability
	<b><i>Organizational</i></b>		
1	Partial and temporary consolidation of orders, shipments, stocks, features and processes that will improve the use of limited resources of various types	X	
2	Consistent placement of orders, shipments, inventory will increase labour efficiency while ensuring no downtime	X	
	<b><i>Economic</i></b>		
3	Developing innovative services to improve competitiveness, sales growth and productivity		X
4	Consolidation of orders to benefit from scale	X	
5	Exploring the possibility of reducing the number of suppliers	X	
6	Concentration on the main activities and use of external logistics companies for certain types of services		X
7	Evaluation, selection of the most economic logistics chains	X	
	<b><i>Technological</i></b>		
8	Mechanization and automation of processes, including		X

	process controls		
9	Application of innovative technologies, incl. automated multi-tiered warehouses, automated vehicles and more		X
10	Standardization and synchronization of operational processes and equipment within the logistics chain	X	
11	Reduction of inventory turnover time		X

*Source: supplemented by the author based on [18]*

Measures that affect the profitability of the exporting company include cost reductions directly due to either prolonged delivery times of exported products or changes in the quality of customer service.

It is worth noting that the organizational, technical and economic opportunities to optimize the logistical costs of transporting exported products should be carefully analysed, as they are often interdependent: they can reinforce mutual influence, but they can also offset or counteract each other. The advantage of organizational measures is the ability to implement them in the short term without significant investment.

However, described above measures are lightweight and mainly oriented on short term results. The main issue, that negatively affects the international activity of LLC “Volynagroproduct”, is that the company constantly understates the price of flour export to countries in which enterprise has already established its presence. Due to its size, the company does not have the means to compete in the existing market in full force. The obvious solution is to enter a new market.

The decision to invest in foreign markets includes risk, uncertainty and lack of information. Once a firm decides to enter an international market it must choose an appropriate form of operation or entry mode. Firms can select among several modes of foreign entry, including exporting, contractual agreements (e.g., licensing), joint venturing, acquiring an existing company and establishing a wholly-owned greenfield investment from scratch. The foreign market entry choice represents an important strategic decision, particularly for small and medium-sized enterprises. It determines the firm’s degree of resource commitment to the foreign market, the risks the firm will bear in the host country, and the level of control a firm can exercise over its foreign activities [47].

It is well known that SMEs are not just smaller versions of large multinational enterprises (MNEs), but differ in terms of various aspects, which influence managerial decisions, and, ultimately the way internationalization influence them. Such particularities of SMEs and the consequences of those characteristics for the firm's foreign market entry choice necessitate the research of SMEs' choice behaviour [49]. Due to their smaller size, SMEs are less susceptible to inertia than larger MNEs and are able to adapt more rapidly and flexible to different market conditions than MNEs. In many instances, the CEO is solely accountable and many SMEs are closely held and owner-managed. Thus, SMEs leadership can decide more flexible and with a higher level of managerial discretion compared to large MNEs, which usually have largely dispersed shareholders and employed managers [50]. Accordingly, SMEs enjoy faster decision processes and more informal and efficient information flows. Consequently, information, which company gathers during internationalization, is processed more efficiently and learning effects are stronger than in MNEs.

LLC "Volynagroproduct" has an entire department dedicated to conducting foreign economic activity. Therefore, the research of the new market will not require the company to outsource this service.

The first step in building a strategy for entering new foreign markets should be the stage of pre-selection of possible markets, the essence of which is to evaluate all the potential markets for sales of products or services of the studied enterprise. The main macro-filters for evaluation are geographical remoteness, political risks, and business environment risks [23].

Geographic remoteness is a factor that determines the number of features of export activity. With a great geographical distance, the cost of shipping products increases, which significantly increases the cost of the product, the delivery time is prolonged, which has a negative impact on safety, as well as the risk of loss or damage to the product. In addition, the geographical distance determines the possibility of using one or another mode of transport for the delivery of goods abroad.

Given the geographical distance, for most domestic enterprises, possible foreign markets for products may be:



- 1) First, the countries of CIS (primarily the nearest CIS countries: Russia, Georgia, Belarus, and Armenia);
- 2) Secondly, the European countries (first of all, the closest countries of Western and Central Europe: Poland, Germany, Czech Republic, and Austria).

The second step is to evaluate the potential markets for political enterprises for domestic enterprises. Let us first turn our attention to the political situation in Europe and the state of our country's relations with European countries.

First of all, significant changes have recently taken place in the interaction between Ukraine and the EU Member States, in particular regarding the possibility of increasing domestic exports to the EU. These opportunities relate to the signing of the EU-Ukraine Association Agreement. However, despite tariff liberalization, non-tariff barriers (differences in technical regulations, standards, and systems of conformity assessment, quality control and product safety) are an obstacle to the entry of domestic products into the European market.

Let us also consider the political situation and relations with the CIS countries. First, we can characterize this situation by instability related to the military conflict in Eastern Ukraine. The unacceptability of the supply of products to Russia the government conditions not only because of patriotic principles but also due to the principle of risk consideration. After all, Russia has already restricted the import of a number of goods from Ukraine, as well as imposed customs duties on Ukrainian goods, which makes them uncompetitive in the Russian market. As a result, finding buyers in and concluding foreign economic contracts with them is quite risky.

Events in Ukraine also create secondary effects for all CIS countries and their major trading partners. In the event of further instability, the risks of trade and financial ties in the region increase. That is, the market of most CIS countries is also riskier today than the European market.

Considering all the factors mentioned above, Romania is a highly perspective possible partner. Firstly, its geographical location is relatively near to the place of production. Another advantage is the availability of rail, which reduces the amount of transport needed to deliver goods and therefore the purchase price itself. The political

environment in Romania we can describe it as a relatively stable country. As for the economic side of things, wheat flour imports into Romania continue to indicate prominent growth making the country a net importer. Among the main importers – Moldova and Hungary.

Considering that flour is not a unique product, therefore LLC “Volynagroproduct” also due to its size does not have any additional advantages on the foreign market. Therefore, the most suitable strategy for foreign economic activity for such an enterprise will be a strategy of direct export. The mission of the export strategy of such domestic enterprise should be to promote its products to the European market by establishing long-term close relations with foreign partners.

The analysis of the factors influencing the export activity of the company made it possible to identify the main processes to which the company must direct its main monitoring efforts.

Firstly, the management of export activity at the enterprise. This block provides for the monitoring of the decision-making process regarding export activities, including planning, defining methods of doing business, establishing responsibilities of different departments and coordinating their activities within the framework of export activities of the enterprise.

Secondly, the management of resources related to the main production and export activities of the enterprise. Monitoring of resource management involves monitoring the rational use of available resources: capital, technical, technological, labour, marketing, information, involved directly in the export activity of the enterprise.

Thirdly, evaluation of the export activity of the enterprise. Includes systematic assessment and evaluation of the export activity process. A systematic assessment of export activities involves monitoring and evaluating the results of export activities through internal control methods. The results of such monitoring may be an incentive for the enterprise to take certain measures aimed at improving export activities.

### **3.2. Forecasted evaluation of the effectiveness of proposed measures for LLC “Volynagroproduct”**

Over the last three years, there has been a significant increase in profits from the activities of LLC “Volynagroproduct”. Considering that the sale of goods abroad is a major part of the enterprise's income, improving the efficiency of export operations is a critical factor for improving financial performance.

In order to increase the efficiency of foreign economic activity of the enterprise, it is first of all advisable to identify those countries that are attractive for further cooperation, to analyse the existing foreign economic relations and to identify promising areas of development. The overarching goal should be a thorough analysis of the system of international trade, the economic environment of the country where the penetration will take place, as well as the political, legal and cultural features of its environment [41].

During the foreign trade operation, LLC “Volynagroproduct” applies a direct method, which we can characterize as the duration and stability of relations. For this purpose, the management of the LLC “Volynagroproduct” created a specialized foreign economic department at the enterprise. It also helps to generate higher profits by reducing the cost to the broker; better study the state and trends of market development.

It is also important to assess demand and manage resources and stocks to improve efficiency. The set of actions includes the collection and analysis of data on competitors, administration of orders, determining the required size of stocks. It will be extremely important to monitor the use of available resources directly involved in the export activity of LLC “Volynagroproduct”.

Under the current contract, the contract is made on the terms of CPT (Carriage Paid To (... place of destination)). Under these conditions, the company was required to pay the costs associated with transporting the goods to the named destination. The buyer, in turn, assumed all risks, insurance and any additional costs after delivery in the above manner [19].



Thus, this condition of delivery implies a considerable cost to the exporter, which increases the export value of the contract and is rather risky, in terms of liability, which is not profitable for LLC “Volynagroproduct”.

The most advantageous delivery condition per Incoterms 2020 for the international seller is FCA. This condition means that the seller has fulfilled his delivery obligations when he has made the goods available to the buyer at the premises of his business or in another named place (for example: at a factory, factory, warehouse, etc.) [19]. The seller is not responsible for loading the goods on the vehicle but still clears the goods for export.

Thus, this condition of delivery imposes minimal obligations on the seller, and the buyer must bear all the costs and risks associated with the transport of the goods from the seller's business to the destination. It is therefore advisable to choose this condition for a future alternative contract.

Regarding the country of sale, it we must mention first that Volynagroproduct specializes not only in finished products but also in seeds for cereals. Considering the peculiarities of our enterprise activity, Romania is a profitable partner, as 43% of its agricultural land companies occupied by grain. Also, geographical proximity, which minimizes transportation costs, contributes greatly to both the seller and the buyer.

The next step is to choose a currency. The currency of the price is usually the freely convertible currency of the advanced market economies, so it is advisable to choose the Euro (EUR), which will be beneficial for both Ukraine and Romania, in order to carry out the Volynagroproduct export operation.

Next, we analyse the competition materials and compile a competitive letter. In order to determine the optimal price for the exported goods by LLC “Volynagroproduct”, it is necessary to analyse similar existing contracts for the supply of similar goods to foreign contractors.

*Table 3.2*

Competitive materials

Contract Conditions	Competitive materials		
	Contract LLC	Offer Ulusoyflour	Proposition HANAGRAIN

	«Volynagroproduct»		J.T.J
Country of export	Ukraine	Turkey	Czech Republic
Price	340 EUR/ton	453 EUR/ton	480 EUR/ton
Material year	2019	2018	2018
Delivery terms	FCA Lutsk	FOB Samsun	CIP Tulcea
Payment conditions	Letter of Credit	Bank transfer	100% prepayment
Quantity	560	1300	850

*Source: compiled by author based on [9], [15], and [29]*

The condition is that in 2019, LLC “Volynagroproduct” plans to supply wheat flour of first grade to Romania under the terms of FCA Lutsk in the amount of 560 tons by 100% advance payment in euro. The following competitive materials for similar products we used as the basis for the export price base (Table 3.2).

1. Romania Price Index:

- 2018 - 105,06%;

- 2019 (forecast) - 108.30% [20].

2. The buyer's costs for servicing the letter of credit - 5% of the contract value.

3. 7% discount on the proposition.

4. The offer price is 10% higher.

5. The average monthly bank interest rate - 2.5%

6. Discount for quantity - 3% for 800 or more, 5% for 1100 tons or more.

7. Delivery time is 30 days.

8. The cost of transportation from the Czech Republic to Tulcea - 24 euros/ton.

9. Loading costs are 1%.

10. Insurance costs 5.5% of the price.

The calculation of the aggregate adjustment for business terms provides for the determination of:

1. Adjustments for inflation (adjustment by maturity) (K1);

2. Amendments to the basic terms of delivery (K2);

3. Amendments to the terms of payment (K3);

4. Quantity adjustments (K4);

5. Amendments to the invasion (K5).

The aggregate commercial adjustment we calculated by adding all the above amendments.

### 1. Bringing up the agreement (inflation adjustment):

$$K1_1 = 340 * 108.3 / 108.3 - 340 = 0$$

$$K1_2 = 453 * 108.3 / 105.06 - 453 = 13.97$$

$$K1_3 = 480 * 108.3 / 105.06 - 480 = 14.8$$

### 2. Amendment to basic terms of delivery:

FCA Tulcea amendment = Tulcea CIP - transportation, loading, insurance costs -

$$\text{Tulcea CIP} = 480 - (24 + 480 * 0,01 + 480 * 0,055) - 480 = -55.2$$

$$\text{Samsung FCA correction} = \text{FOB Samsun} - \text{loading costs} - \text{Samsun FOB} = 453 - 453 * 0.01 - 453 = -4.53$$

### 3. Amendment to payment terms:

The costs of making payments using the payment form of a competing material (letter of credit) are higher, so the sign of the amendment to the terms of payment will be with "-" sign.

$$\text{Letter of credit servicing costs} = 340 * 0.05 = - 17$$

$$\text{Expenses related to maturity} = 340 / (1 + 0,025) - 340 = -8,29$$

$$\text{Letter of Credit Amendment} = -17 - 8.29 = -25.29$$

4. **The quantity adjustment** we calculated only for competitive material # 2 and # 3 as no other LLC "Volynagroproduct" does not offer additional discounts:

$$K4_2 = 453 * (0.05 - 0.03) = 9.06$$

$$K4_3 = 480 * (0.03 - 0.03) = 0$$

### 5. Correction for invasion:

$$K5_2 = - (453 * 0.1) = -45.3$$

$$K5_3 = - (480 * 0.07) = -33.6$$

Thus, the **price of competitive material** is as follows:

1) Contract of LLC "Volynagroproduct":

$$340 - 25,29 = 314,71 \text{ euros}$$

2) Offer of Ulusoyflour:

$$453 + 13.97 - 4.53 + 9.06 - 45.3 = 426.2 \text{ euros}$$

3) Suggestion HANAGRAIN J.T.J:

$$480 + 14.8 - 55.2 - 33.6 = 406 \text{ euros}$$



Now we can calculate the average contract price in the Romanian market:

$$\text{Average price} = (314.71 + 426.2 + 406) / 3 = 382.3 \text{ euros}$$

Because the price of the existing contract is 340 Euros and the average price in the Romanian wheat market is 382.3 Euros, then the established price is not justified and is understated. On the one hand, lower price gives a competitive advantage to the Ukrainian exporter in terms of attractiveness for clients. However, the price is materially understated; therefore, a significant part of the profit is not earned. In this case, it will be better to conclude the operation at the market price – 382 EUR per ton of wheat flour.

To evaluate the proposed alternative export operation, it is necessary to recalculate the effectiveness of the operation. Under the terms of the new contract, LLC “Volynagroproduct” plans to conclude an agreement with Romanian company Cerealcom Dolj in 2019 on the basic terms of delivery of FCA Lutsk and under the terms of the accreditation form of payment (Table 3.3).

*Table 3.3*

**Terms of the proposed** export agreement

Name of the exported item	Wheat flour of 1 <sup>st</sup> grade
HS Code	1101 00 11 00
Country of import	Romania
Price for 1 ton	382 EUR
Quantity	560 tons
Delivery terms	FCA Lutsk
Official foreign exchange rate	27,56

*Source: modified by the author based on internal data of LLC “Volynagroproduct”*

As we have chosen FCA as the term of delivery, according to Incoterms 2020, there are no additional shipping costs for the exporter except for export formalities [19].

The estimated selling price on the domestic market of Ukraine is 8 040 UAH per ton. Aggregate costs for the sale of wheat flour of 1<sup>st</sup> grade on the territory of Ukraine - 14% of the contract value at domestic prices.

Costs associated with obtaining wheat we must also consider to evaluate the effectiveness of the export operation. We listed them below in Table 3.4.

*Table 3.4*

## Costs associated with milling (% to internal price)

Costs of maintenance, operation, repair of production facilities, etc. (C1)	10%
Raw material costs (C2)	15%
Labour costs (C3)	12%
SRC charges (C4)	22% from labour costs

*Source: calculated by author based on internal data of LLC "Volynagroproduct"*

Therefore, based on the above data, we calculate the efficiency of the new export operation (Table 3.5).

Table 3.5

## Determining the effectiveness of the export operation

#	Indicator	Calculation	Result
1	Quantity, tons	-	560
2	Price per agreement, EUR/ton	-	382
3	Contract price, EUR	$OP=Q*P$	$382 * 560 = 213\ 920$
4	Foreign exchange rate, UAH/EUR	-	27,56
5	Production cost, UAH	$PC=Domestic\ price * (C1+C2+C3+C4)$	$8040*560*(0,1+0,15+0,12+(0,12*0,22)) = 1\ 784\ 751,36$
6	Additional costs related to the export of goods, UAH	$Cexp=(Contract\ price*Loading\ price + Transportation\ price)*Forex\ rate$	$213\ 920*27,56 = 5\ 895\ 635,2$
7	Costs related to the sale of goods in the domestic market, UAH	$Cd=Domestic\ price*Domestic\ cost\ of\ sales$	$8040*560*0,14 = 630\ 336$
8	The sales price on the domestic market, UAH/ton	-	8040
9	Effect of operation, UAH:		
	-sale on the foreign market	$Eexp=Contract\ price-(PC+Cexp)$	$5\ 895\ 632,2 - 1\ 784\ 751,36 = 4\ 110\ 880,84$
	-sale on internal market	$Ed=Domestic\ price-(PC+Cd)$	$4\ 502\ 400 - (1\ 784\ 751,36 + 630\ 336) = 2\ 087\ 312,64$
10	Effectiveness of operation, per 1 UAH		
	-sale on the foreign market	$Cexp=Contract\ price/(PC+Cexp)$	$5\ 895\ 632,2 / 1\ 784\ 751,36 = 3,3$
	-sale on internal market	$Ced=Domestic\ price / (PC+Cd)$	$4\ 502\ 400 / (1\ 784\ 751,36 + 630\ 336) = 1,86$

*Source: calculated by the author*

Based on the results of the calculation, we can concluded that an alternative export operation is much more advantageous since the export efficiency is 3.3 compared



to the same indicator of two of the past contracts. In this case, export activity for the enterprise is promising and will help it to increase the income from foreign economic activity and subsequently help with achieving the main goal of an enterprise: receiving an as high return as possible on each hryvnia of costs.

### **CONCLUSIONS TO PART 3**

The key to the success of the enterprise is a well-balanced and well-grounded strategy for its development. To overcome the negative impact of environmental factors that impede the development of the export activity, enterprises encounter the need to make effective management decisions. Effective foreign economic activity contributes to the reproduction of the country's export potential, enhancing the competitiveness of Ukrainian goods in world markets, the formation of a rational structure of exports and imports, ensuring the economic security of both enterprise and Ukraine.

LLC “Volynagroproduct” is an enterprise with a high level of export costs and comparably low export price. Such companies we can typically characterize by low operating export performance and higher costs associated with the supply of raw materials. Accordingly, they must carefully regulate their own resources. The main export approaches for the company is to improve operating efficiency and profitability; quality improvement - only in those areas where it is too important for the foreign consumer.

Measures that affect the profitability of the exporting company include cost reductions directly due to prolonged delivery times of either exported products or changes in the quality of customer service. Among other offered measures: Consistent placement of orders, shipments, inventory will increase labour efficiency while ensuring no downtime; developing innovative services to improve competitiveness, sales growth and productivity; concentration on the main activities and use of external logistics companies for certain types of services; mechanization and automation of processes, including process controls.

However, described above measures are lightweight and mainly oriented on short term results. The main issue that negatively affects the international activity of



LLC “Volynagroproduct” is constantly understated the price of flour export to countries in which enterprise has already established its presence. The obvious solution is to enter a new market.

After evaluation of geographical remoteness, political risks, business environment risks and other factors, we have chosen Romania as a new market. The country is relatively geographically close; the political situation is stable. Also, Ukraine has already established working economic connections with Romanian companies.

During the foreign trade operation, LLC “Volynagroproduct” applies a direct method, which we can characterize by the duration and stability of relations. It is also important to assess demand and manage resources and stocks to improve efficiency. The set of actions includes the collection and analysis of data on competitors, administration of orders, determining the required size of stocks. It will be extremely important to monitor the use of available resources directly involved in the export activity of LLC “Volynagroproduct”.

Under the terms of the new contract, LLC “Volynagroproduct” plans to conclude an agreement with Romanian company Cerealcom Dolj in 2019. We proposed an alternative export operation to justify the changes. During the calculation of the competitive letter, a new price for the product was determined. Since the current contract price was € 340 and the average price of 382.3, it was quite reasonable to reset a price closer to the average in order to receive fair compensation for the production of goods. Based on the results of the calculation, we can conclude that an alternative export operation is much more advantageous since the export efficiency is 3.3 compared to the same indicator of 2.0 of the previous contracts. Agreeing to offered conditions, LLC “Volynagroproduct” will be able to experience in full the benefits of trade on the external market.

## CONCLUSIONS

Based on the carried-out work in the final qualifying paper, we can make the following conclusions:

1. Foreign trade relations play a major role in integrating our economy into the world economy. We should note that in the implementation of foreign economic activity, there are many problems associated with the management system, and therefore the main task of the state is to provide businesses with normal conditions for carrying out foreign economic activity.

Both international and domestic flour markets were analysed. We observed the following tendencies for the period of analysis:

- there is a gradual increase in the population's needs for food compared to their production volume, and hence an increase in the growth of aggregate demand for food products and an increase in prices for them;
- population growth in the Asian region, migration from risky regions due to adverse political and economic conditions, are among the most important factors in the formation of the food market, generating demand and stimulating global trade in grain products, and flour in particular;
- over the past three years, world trade in flour has remained relatively stable and averages around 14 million tons annually. At the same time, the average weighted prices for wheat flour remained minimal over the past five years, but with a slight growth trend

In the context of globalization, SMEs are becoming an important sector of the economy with significant innovation, production and export potential. Strengthening the position of SMEs is a consequence of weakening the effect of the scale, changes in the strategies of large business development and implementation of state support programs for SMEs.

During the implementation of the second section, we were acquainted with the main activities of the limited liability company "Volynagroproduct" and examined its

financial and economic characteristics. The assessment of the financial position of the company identified some indicators that it would be advisable to increase, such as liquidity and solvency coefficients, together with indicators of return on capital and financial independence. Improving these components of financial and economic activity will allow the company to be more profitable.

It is also possible to see a tendency of growth of gross profit, which has increased by one third, and this confirms the expansion of enterprises activity. Such indicators of economic activity of the enterprise as the indicator of net profit margin increased in 2018 compared 2017 in almost 4 times, indicating that expansion of activity has a positive effect on the company's financial statements. The analysis of the financial activity of the enterprise showed that the enterprise has in possession the necessary production resources, which allow functioning properly and satisfying the needs of consumers.

2. The analysis of the external environment made it possible to determine the tendencies of development of the markets in which the products of LLC "Volynagroproduct" are present. In addition, after identifying strengths, weaknesses, opportunities, and threats with the help of SWOT analysis, we identified the ways to further ensure and potentially improve the overall performance of the enterprise. Thus, a possible threat to the activity of the company is the allocation of insufficient funds for market research, because of which there is a mismatch of the existing range of services to market needs. We can also say about the military-political situation in the country and the unstable world economic situation, which the enterprise cannot influence, but they directly affect the activities of the organization. Strengths of LLC "Volynagroproduct" consist of a strong technological base of production and good reputation in foreign markets, which are certainly components of the potential success of the enterprise during the export activity.

In the second part, we estimated the effectiveness of export activities based on the export operation. We discovered that the company works in the environment with high competition and does not have enough influence on the market to set its own rules. LLC "Volynagroproduct" uses the strategy of price leader, what stipulates, that enterprise



organizes its international activity at a price that is lower than average on the market to attract new customers. Also, the partner countries, in which LLC “Volynagroproduct” conducts international activity is mainly geographically remote from the place of production, which causes high prices of transportation as well as increased risk of ruining goods. Considering previously mentioned facts, and results of the effectiveness estimation of export operation, we can conclude, that difference between activity on the foreign market and domestic market is not that significant and do not provides sufficient incentive to continue conducting foreign economic activity.

3. In the third part, we have proposed measures to contradict the negative factors that we identified in the second part of the qualifying work. To overcome the negative impact of environmental factors that impede the development of an export activity, enterprises encounter the need to make effective management decisions. These decisions concern, in particular, the enterprise management system, optimization of logistics costs, and improvement of the monitoring system and other components of the export activity of the enterprise.

We proposed an alternative export operation to justify the changes. During the calculation of the competitive letter, a new price for the product was determined. Since the current contract price was € 340 and the average price of 382,3, it was quite reasonable to reset a price closer to the average in order to receive fair compensation for the production of goods. Based on the results of the calculation, it can be concluded that an alternative export operation is much more advantageous since the export efficiency is 3,3 compared to the same indicator of 2,0 of the previous contracts. Agreeing to offered conditions, LLC “Volynagroproduct” will be able to experience in full the benefits of trade on the external market.

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# APPENDICES

## Appendix A

### Which countries export Wheat or meslin flour.? (2017)

TOTAL: \$4.4B





Source: [3]

Appendix B

# Which countries import Wheat or meslin flour.? (2017)

TOTAL: \$4.4B



Source: [3]

Appendix C

**Statement of financial position****as at 31<sup>st</sup>** December of respective year

<b>Caption</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>Assets</b>					
<b>I. Non-current assets</b>					
Intangible assets:	2	1	4	7	10
initial value	11	11	15	18	27
accumulated depreciation	(9)	(10)	11	11	17
Construction in progress	179	129	447	214	484
Fixed assets:	8,546	9,271	25,987	33,344	32,671
initial value	17,408	19,498	41,072	100,142	101,275
accumulated depreciation	(8,862)	(10,227)	15,085	66,798	68,604
Investment property:	-	-	-	-	-
initial value	-	-	-	-	-
accumulated depreciation	-	-	-	-	-
Long-term biological assets:	-	-	-	-	-
initial value	-	-	-	-	-
accumulated depreciation	-	-	-	-	-
Long-term financial investments:			-	-	-
associated companies	-	-			
other financial investments	1,000	1,000	1,000	1,000	1,000
Long-term trade accounts receivables	-	-	-	-	-
Deferred tax assets	-	-	-	-	-
Goodwill	-	-	-	-	-
Deferred acquisition costs	-	-	-	-	-
Outstanding balance in centralized insurance funds	-	-	-	-	-
Other non-current assets	-	-	-	-	-
<b>Total Section I</b>	<b>9,727</b>	<b>10,401</b>	<b>27,438</b>	<b>34,565</b>	<b>34,165</b>
<b>II. Current assets</b>					
Inventory	-	-	23,699	23,068	28,281
Raw materials	8,306	11,183	19,374	17,187	25,681
Unfinished goods	-	-	-	-	-
Finished goods	3,220	1,146	1,046	2,608	2,342
Merchandise	28	9,114	3,279	3,273	258
Current biological assets	-	-	-	-	-
Reinsurance deposits	-	-	-	-	-
Debt guarantees received	-	-	-	-	-
Trade accounts receivables for	16,365	17,420	17,566	13,041	14,543



goods and services					
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*Continuation of appendix c*

<b>Caption</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Other accounts receivables:			-	11,362	827
on advances issued	-	-			
with tax authorities	1,604	167	3,648	2,080	18
including income tax	-	-	1,610	1,334	-
on accrued income	-	-	-	-	-
on internal settlements	-	-	-	-	-
Other current receivables	53	31	42	46	1,767
Current financial investments	-	-	-	-	-
Cash and their equivalents	4,912	7,175	1,189	859	7,346
Cash in tills	2	7	4	5	1
Bank accounts	4,910	7,168	1,185	854	7,345
Prepayments	9	14	20	8	28
Reinsurer's share of insurance reserves	-	-	-	-	-
including in:	-	-	-	-	-
reserves for long-term liabilities	-	-			
loss provision of due payments	-	-	-	-	-
unearned premium reserves	-	-	-	-	-
other insurance reserves	-	-	-	-	-
Other current assets	-	220	-	892	1,603
<b>Total Section II</b>	<b>34,488</b>	<b>46,456</b>	46,164	51,356	54,413
III. Non-current assets held for sale and disposal groups	-	-	-	-	2
<b>Balance</b>	<b>44,224</b>	<b>56,871</b>	<b>73,602</b>	<b>85,921</b>	<b>88,580</b>
<b>Liabilities</b>					
I. Equity					
Share capital	7,869	7,869	18,900	18,900	18,900
Contributions to unregistered capital	-	-	-	-	-
Revaluation reserves	-	-	-	-	-
Additional capital	-	-	1,597	1,597	1,596
Emission income	-	-	-	-	-
Accumulated exchange differences	-	-	-	-	-
Reserve capital	-	-	-	-	-
Retained earnings	1,362	3,235	9,586	9,707	14,724
Unpaid capital	-	-	-	-	-
Capital withdrawn	-	-	-	-	-
Other reserves	-	-	-	-	-
<b>Total Section I</b>	<b>9,231</b>	<b>11,104</b>	30,083	30,204	35,220
II. Long-term liabilities					
Deferred tax liabilities	-	-	-	-	-
Retirement obligations	-	-	-	-	-

*Continuation of appendix C*

<b>Caption of financial statements</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Long-term loans from banks	-	-	-	-	-
Other long-term commitments	-	-	-	-	-
Long-term provision	-	-	-	-	418
Long-term provision for labour costs	-	-	-	-	418
Targeted funding	-	15	-	7	7
Charity	-	-	-	-	-
Insurance reserves, including:	-	-	-	-	-
reserve of long-term liabilities;	-	-	-	-	-
loss provision on due payments; (At the beginning of the reporting period)	-	-	-	-	-
reserve of unearned premiums; (At the beginning of the reporting period)	-	-	-	-	-
other insurance reserves	-	-	-	-	-
Investment contracts;	-	-	-	-	-
Prize Fund	-	-	-	-	-
Total Section II	-	15	-	7	425
III. Current liabilities					
Short-term loans from banks	33,000	35,000	41,590	39,355	29,530
Debt notes issued	-	-	-	-	-
Current accounts payable:					
for long-term liabilities	-	-	-	-	-
for goods, works, services	-	-	901	7,775	3,969
settlements with tax authorities	1,151	655	29	85	1,493
including income tax	-	-	-	-	220
insurance settlements	77	88	89	125	94
personnel expenses	190	238	222	266	346
advances received	-	-	-	5,338	6,830
according to the settlements with shareholders	-	-	-	-	-
internal settlements	-	-	-	-	-
insurance activity	-	-	-	-	-
Current collateral	-	-	-	-	-
Deferred income	-	-	-	-	-
Deferred commission income from reinsurers	-	-	-	-	-
Other current liabilities	537	360	688	2,766	10,673
Total Section III	<b>34,993</b>	<b>45,752</b>	43,519	55,710	52,935
IV. Liabilities related to non-current assets held for sale and disposal groups	-	-	-	-	-
V. Net Asset Value of Non-State Pension Funds	-	-	-	-	-
<b>Balance</b>	<b>44,224</b>	<b>56,871</b>	<b>73,602</b>	<b>85,921</b>	<b>88,580</b>

*Continuation of appendix C*

**Statement of comprehensive income of LLC “Volynagroproduct”**

**for 12 months that ended on 31<sup>st</sup> December of the respective year**

<b>Caption</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>I. FINANCIAL RESULT</b>					
Net income from sales of products (goods, works, services)	69,454	83,429	112,690	129,161	173,674
Net earned insurance premiums	-	-	-	-	-
Premiums, gross amount	-	-	-	-	-
Reinsurance premiums	-	-	-	-	-
Change in unearned premium reserve, gross amount	-	-	-	-	-
Change in the share of reinsurers in the reserve of unearned premiums	-	-	-	-	-
Cost of sales (goods, works, services)	(61,198)	(71,100)	(99,562)	(115,703)	(151,638)
Net losses incurred on insurance claims	-	-	-	-	-
Gross profit	8,256	12,329	13,128	13,458	22,036
Gross loss	-	-	-	-	-
Income (expense) from changes in long-term liabilities provisions	-	-	-	-	-
Income (expenses) from changes in other insurance provision	-	-	-	-	-
Change in other insurance reserves, the gross amount	-	-	-	-	-
Change in the share of reinsurers in other insurance reserves	-	-	-	-	-
Other operating income	7	605	1,354	7,244	4,479
Income from change in the value of assets that are measured at fair value	-	-	-	7,164	-
Income from the initial recognition of biological assets and agricultural products	-	-	-	-	-
Administrative expenses	(3,090)	(3,892)	(2,544)	(4,834)	(4,895)
Distribution expenses	(263)	(293)	(416)	(3,276)	(3,658)
Other operating expenses	(1,684)	(996)	(3,766)	(1,941)	(2,081)
Expenses on changes in the value of assets that are measured at fair value	-	-	-	-	-
Expenses on initial recognition of biological assets and agricultural products	-	-	-	-	-
Operating profit	3,226	7,753	7,756	10,651	15,881
Operating loss	-	-	-	-	-
Income from participation in capital	-	-	-	-	-
Other financial income	11	-	-	-	-
Other income	2	-	-	-	-
Income from charity	-	-	-	-	-
Financial expenses	(754)	(5,262)	(7,316)	(9,259)	(9,434)

*Continuation of appendix C*

<b>Caption</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Losses from participation in capital	-	-	-	-	-



Other expenses	(70)	-	(152)	(1)	-
Profit (loss) from the impact of inflation on monetary items	-	-	-	-	-
Financial result before tax: profit	2,415	2,491	288	1,391	6,447
Financial result before tax: loss	-	-	-	-	-
Income tax expense (income)	(1,073)	(618)	(38)	(390)	(1,241)
Profit (loss) from discontinued operations after tax	-	-	-	-	-
Net financial result: profit	1,342	1,873	250	1,001	5,206
Net financial result: loss	-	-	-	-	-
<b>II. COMPREHENSIVE INCOME</b>					
Revaluation (revaluation) of fixed assets	-	-	1,597	-	-
Revaluation of financial instruments	-	-	-	-	-
Accumulated exchange differences	-	-	-	-	-
Share of other combined income of associates and joint ventures	-	-	-	-	-
Other comprehensive income	-	-	-	-	-
Other comprehensive income before tax	-	-	1,597	-	-
Income tax related to other comprehensive income	-	-	-	-	-
Other comprehensive income after tax	-	-	1,597	-	-
Total income (the sum of lines 2350, 2355 and 2460)	1,342	1,873	1,847	1,001	5,206
<b>III. ELEMENTS OF OPERATING EXPENSES</b>					
Material costs	52,694	55,187	67,777	96,183	109,781
Salary expenses	5,372	2,426	6,597	7,180	8,043
Deductions for social events	1,953	5,840	2,621	2,560	1,774
Amortization	1,403	1,526	1,673	1,513	1,971
Other operating expenses	1,075	1,580	1,133	2,017	2,587
Total	62,497	66,559	79,801	109,453	124,156

**Договір купівлі-продажу № 464/2019****CONTRACT № 464/2019**

м. Луцьк

14 серпня 2019

Lutsk

14<sup>th</sup> of August, 2019

**Товариство з обмеженою відповідальністю «Волиньагропродукт»** (у подальшому тексті як **«Продавець»**), Україна, в особі пана **Маковецький В.М.**, генерального директора, який діє на основі визначених статутом фірми повноважень, з однієї сторони **та ÜÇEL SİLO LLC** (у подальшому тексті **«Покупець»**), Туреччина, в особі генерального директора фірми, пана **Hayrettin Sakaci.**, який діє на основі визначених статутом фірми повноважень, з іншої сторони, уклали між собою договір про наступне:

**Company LLC “Volynagroproduct”**, Ukraine, represented by **Mr. Makovetskiy V.M.**, General Manager, acting on the basis of the authorities, stipulated by the company statute, hereinafter referred to as a **“Seller”**, on one hand, and the company **ÜÇEL SİLO LLC**, Turkey, represented by General Manager **Hayrettin Sakaci**, acting on the basis of the authorities, stipulated by the company statute, hereinafter referred to as the **“Buyer”** on the other hand, have concluded the present contract as follows:

**1. Предмет договору**

- 1.1. Продавець продає, а Покупець купує пшеничне борошно 1 гатунку (у подальшому тексті як Товари), яка поставляється під час терміну дії договору згідно з узгодженими кількостями та цінами на умовах, перелічених в даному Контракті.
- 1.2. Постачальник зобов'язаний передати Покупцеві за цим Договором Товар обсягом 560 тонн.
- 1.3. Термін поставки не пізніше 01 листопада 2019 року включно.

**1. Subject of the Contract**

- 1.1. The Seller undertakes to sell and the Buyer to buy wheat flour of 1<sup>st</sup> grade hereinafter referred to as “Goods”, delivered during the time of the contract validity according to the agreed range, quantity and prices, indicated in the Appendices, on the terms, mentioned in the present Contract.
- 1.2. The Supplier is obliged to transfer to the Purchaser under this Agreement the Goods in the amount of 560 tons.
- 1.3. Delivery time is not later than November 1, 2019, inclusive.

**2. Умови оплати**

- 2.1. Покупець здійснює оплату шляхом банківського переказу на розрахунковий рахунок Продавця.
- 2.2. Валюта платежу –долар США.
- 2.3. Банківські витрати повинні бути оплачені наступним чином:
  - витрати на послуги банків в країні Покупця оплачуються Покупцем;
  - витрати на послуги банків в країні Продавця оплачуються Продавцем.

**2. Payment terms**

- 2.1. The Buyer makes payment by bank transfer to the bank account of the Seller.
- 2.2. The currency of the payment is USD.
- 2.3. Expenses for the banking service are to be paid as follows:
  - expenses for the banking service in the country of the Buyer are paid by the Buyer;
  - expenses for the banking service in the country of the Seller are paid by the Seller.

**3. Якість та упаковка товарів**

- 3.1. Якість товарів, які продаються, повинна відповідати вимогам та стандартам, які є визначеними у країні продавця. Упаковка товарів, які поставляються, повинна надійно

**3. Quality and packing of the goods**

- 3.1. Quality of the Goods for sale should comply with the requirements and standards, indicated in the country of the Seller. The packing of the Goods, ready for the delivery,

забезпечувати їх цілісність та первинність якості та форми як при їх перевезенні, так і при зберіганні. Упаковка товарів відповідає експортним вимогам та діючим у країні покупця нормам.

3.2. Продавець повинен вжити всіх необхідних заходів для того, щоб товари були акуратно упакованими та завантаженими у транспортний засіб.

3.5. Прийом товарів по кількості проводиться згідно з відповідними даними, вказаними у специфікації (рахунку). Прийом товарів по якості здійснюється згідно з вимогами щодо якості, які є засвідченими у даному договорі.

3.4. Продавець надає з товаром наступні документи, але не раніше отримання 100% оплати:

- CMR;
- інвойс;
- якісне посвідчення із зазначенням дати вироблення;
- сертифікат відповідності;
- сертифікат походження;
- сертифікат здоров'я;
- пакувальний лист;
- копію вантажної експортної митної декларації.

3.5. Якісні показники Товару повинні відповідати наступним:

- вологість, макс. – 15,0%;
- натура, мін. – 160 г/л;
- білок, мін. – 10,6%;
- клейковина, мін. – 25,0%;
- число падіння, мін. – 160 сек.;
- сміттєва домішка, макс. – 2,0%;
- Ріжки, фузаріоз – не допускається.

Інші показники згідно ДСТУ 46004-99.

Відповідність Товару, переданого за даним Договором, вимогам щодо якості має підтверджуватися аналізною карткою виданою лабораторією відповідного зернового складу.

#### **4. Базисні умови поставки, процедура прийому**

4.1. Товар постачається на умовах СРТ-Самсун морським контейнером (Інкотермс в редакції 2010 р.). Для підтвердження відвантаження Продавець відправляє Покупцеві скан-копії документів.

4.2. Товар вважається зданим Продавцем і прийнятим Покупцем: за кількістю місць і вагою - згідно з накладною, за якістю відповідно до якісному посвідченню

should provide their integrity and priority of the quality and the shape as during the transportation, so as during the storage. The packing of the Goods corresponds to the export requirements and valid regulations in the country of the Buyer.

3.2. The Seller should take all the appropriate measures to provide careful packing and safe loading into the truck.

3.3. The acceptance of the Goods as for the quantity is made according to the appropriate information, mentioned in the Appendix (invoice). The acceptance of the Goods as for the quality is made according to the requirements to the quality, confirmed in the present Contract.

3.4. The Seller provides the Buyer, with each party of the goods, with the following documents but only after receipt of 100% of the payment:

- CMR
- Invoice
- Certificate of quality with the indicated date of production
- Certificate of conformity
- Certificate of origin
- Certificate of health
- Packing list
- Cargo customs declaration copy

3.5. Qualitative indicators of the Product should correspond to the following:

- humidity, max. - 15.0%;
- nature, min. - 760 g / l;
- protein, min. - 10.6%;
- gluten, min. - 25.0%;
- a number of falls, min. - 160 sec.;
- garbage impurity, max. - 2.0%;
- Harsh, fusariosis - not allowed.

Other indicators according to DSTU 46004-99 Compliance of the Goods transferred under this Agreement with the quality requirements shall be confirmed by an analytical card issued by the laboratory of the corresponding grain composition.

#### **4. Terms of Delivery, Acceptance Procedure**

4.1 Delivery terms – CPT-Samsun by a container (in the edition of Incoterms-2010). As confirmation of shipment, the Seller sends the Buyer scanned copies of the documents.

4.2 The goods are considered to be delivered by the Seller and accepted by the Buyer: in the number of places and weight-according to the waybill, in quality-according to the certificate of quality of the manufacturer.

4.3 The Parties agreed that the appropriate



виробника.

4.3. Сторони погодили, що Вантажодержувач Товару може бути сам Покупець або третя особа, про що зазначається в специфікаціях і в інвойсах при попередньому повідомленні Продавця Покупцем. В такому випадку Товар, прийнятий Вантажодержувачем від Продавця на умовах цього Контракту є поставленим належним чином, причому всю відповідальність за дії або бездіяльність Вантажодержувача несе Покупець.

## 5. Зобов'язання сторін

5.1. Продавець зобов'язаний повідомити Покупця у письмовій формі (поштою, факсимільним повідомленням, телеграмою) про дату поставки заздалегідь, але не пізніше, ніж за 5 робочі дні до такої дати.

5.2. Продавець зобов'язаний надати можливість Покупцеві отримати право власності на Товари. Право власності не має бути обмеженим правами жодних інших осіб.

5.3. Продавець та Покупець зобов'язуються зберігати комерційну таємницю стосовно комерційних відносин, політики ціноутворення, документації та всієї отриманої інформації, запобігати розголошенню вищевказаної інформації будь-яким третім особам навіть після будь-якого припинення контрактних відносин між сторонами.

## 6. Ціна та загальна вартість

6.1. Ціна за одиницю товару зазначається в рахунках та специфікаціях, які є невід'ємною складовою частиною даного договору.

6.2. Загальна вартість договору 190 000,00 доларів США (сто дев'яносто тисяч доларів США, 00 центів).

## 7. Відповідальність сторін

7.1. За невиконання або неналежне виконання інших зобов'язань за даним договором обидві сторони несуть відповідальність згідно з чинним законодавством України.

## 8. Діюче право та арбітраж

Consignee of the Goods can be Buyer or the third person as stated in the specifications and invoices with the prior instruction to the Seller by the Buyer. In such case, the Goods accepted by the Consignee from the Seller under the Contract are delivered properly, and all responsibilities for the activity or inactivity of the Consignee is born by the Buyer.

## 5. Obligations of the parties

5.1. The Seller is obliged to notify the Buyer about the dispatch readiness of the Goods in the written form (by email, fax or by post) in advance, but no later than 5 working days before the mentioned date.

5.2. The Seller is obliged to make it possible for the Buyer to get the ownership right for the Goods. The ownership right shouldn't be restricted by the rights of any other persons.

5.3. The Seller and the Buyer are obliged to keep confidential all the information as for the commercial relations, pricing policy, documentation and all the received information, which he has received from the Buyer, to prevent the disclosure of the above-mentioned information to the Third Parties even after the contract relations between the Parties are already over.

## 6. Price and total value

6.1. The unit price of the Goods is indicated in the invoices and in the Appendices, that are integral parts of the present Contract.

6.2. The total value of the contract is 190 000,00 USD (one hundred and ninety thousand US dollars, 00 cents).

## 7. Responsibilities of the parties

7.1. For the violation or inappropriate fulfillment of other obligations in the present contract, both Parties carry the responsibility according to the Ukrainian legislation in force.

## 8. Law in force and arbitration

8.1. Даний договір підлягає правовим нормам та законам України.

8.2. Обидві сторони домовились про те, що всі розбіжності, які можуть виникнути у зв'язку з дією, чинністю, виконанням або інтерпретацією даного договору чи його окремих пунктів (розділів), підлягають урегулюванню шляхом переговорів.

8.3. У випадку неможливості вирішити правову суперечку протягом 30 днів з моменту її виникнення, зацікавлена сторона володіє правом передати її на розгляд до компетентного арбітражного суду.

8.4. Єдиним компетентним арбітражним судом щодо даного договору вважається Міжнародний комерційний арбітражний суд при Торгово-промисловій палаті України, м. Київ.

8.5. Обидві сторони домовились про те, що розгляд правової суперечки здійснюватиметься судом у складі з 3 (трьох) арбітрів, які призначаються згідно діючих постанов регламенту Міжнародного комерційного арбітражного суду при Торгово-промисловій палаті України.

8.6. Правове слухання справи та розгляд правової суперечки здійснюються на базі діючого регламенту Міжнародного комерційного арбітражного суду при Торгово-промисловій палаті України.

8.7. Слухання справи, а також оформлення всієї документації здійснюються українською мовою.

## 9. Форс-мажорні обставини

9.1. Жодна з двох сторін – учасників даного договору не несе відповідальності за повне або часткове невиконання своїх зобов'язань, якщо воно стало наслідком таких (форс-мажорних) обставин, як повінь, пожежа, землетрус, інші природні катаклізми, воєнні дії, які виникли після укладення даного договору або якщо з початком дії даного договору були введені обмеження (ембарго та інші обставини вищої сили) урядами країн – учасників даного договору. Якщо одна з таких обставин безпосередньо впливає на виконання обов'язків, згідно із встановленими даним договором термінами, то ці терміни виконання зобов'язань пересуваються відповідно до часу, протягом якого діятимуть такі обставини.

9.2. Сторона, для якої виникли форс-

8.1. The present contract is subject to the legislative regulations and laws of Ukraine.

8.2. The Seller and the Buyer will make every effort in order to settle all disputes and disagreements, which can arise on the validity, execution or interpretation of the present Contract or its separate clauses, in a way of mutual negotiations.

8.3. Should the Parties fail to reach an agreement on the disputable issue during 30 days, the Party concerned is entitled to pass it for the consideration to the competent Arbitration Court.

8.4. The only competent Arbitration Court as for the present Contract is considered to be International Arbitration Court by the Chamber of Commerce and Industry.

8.5. Both Parties have agreed on that the consideration of the disputable issue will be held by 3 (three) arbitrators, appointed according to the valid regulations of the International Arbitration Court order by the Chamber of Commerce and Industry.

8.6. Audition of the case and trial of the dispute are accomplished on the basis of the International Arbitration Court order in force by the Chamber of Commerce and Industry.

8.7. The trial, so as an issue of all the appropriate documents are made in Ukrainian.

## 9. Force majeure circumstances

9.1. No of both Parties from the present Contract is entitled to the complete or partial non-fulfillment of their obligations, if it occurred as a result of such force majeure circumstances like fire, flooding, earthquake, other natural phenomena, military operations with the present contract already in force or because of the restrictions by the governments of the member-countries (embargo and other circumstances of the superior power) in the contract in force. If one of such circumstances directly influences the fulfilment of the obligations according to the terms, fixed by the present contract, these terms of the obligations fulfilment are prolonged as to the period of such circumstances validity.

9.2. The Party under such force-majeure circumstances should immediately notify the other Party in the written form about the commencement and getting of such

мажорні обставини, повинна негайно та у письмовій формі повідомити іншу сторону про виникнення та початок дії таких обставин.

9.3. Незалежними доводами наявності та дії вище вказаних форс-мажорних обставин вважаються посвідчення, які видаються Торговельними Палатами у країнах Продавця або Покупця.

## 10. Інші умови

10.1. Даний договір набуває чинності з моменту його підписання уповноваженими представниками з обох сторін і діє до моменту повного виконання обома сторонами взятих на себе зобов'язань.

10.2. Всі додатки, зміни або доповнення до даного договору вважаються його невід'ємною складовою частиною, але вони є дійсними лише за умови їх редакції у письмовій формі та підписанні обома сторонами.

10.3. Права та обов'язки Покупця за цим контрактом можуть бути передані третій стороні лише за умови попереднього письмового дозволу Продавця.

10.4. З приводу всіх інших питань, які не є урегульованими даним договором, обидві сторони керуються нормами матеріального права України.

10.5. Продавець та Покупець сплачують усі кошти, податки та збори, які пов'язані з виконанням даного договору відповідно на територіях свої країн.

10.6. Сторони однозначно визнають юридичну силу як діючого договору, так і доповнень, змін чи додатків до нього, які виникли під час факсимільного зв'язку між ними.

10.7. Даний договір складений у двох примірниках як англійською та українською мовами. Даний договір складається із 6 (шести) сторінок.

10.8. У разі виявлення розбіжностей між українською та англійською версіями договору, українська версія має перевагу.

10.9. Уся, пов'язана з даним договором, переписка ведеться українською, російською або англійською мовою.

10.10. Термін дії даного договору складає 3 (три) роки з моменту його укладання.

10.11. Сторони домовилися, що додатки до контракту та специфікації, підписані обома сторонами, надіслані за допомогою факсимільного зв'язку або електронною

circumstances into force.

9.3. Reports, issued by the Chambers of Commerce and Industry in the countries of the Seller or Buyer are independent arguments of existence and force of the above mentioned force-majeure circumstances.

## 10. Other terms

10.1 The present Contract gets into force from the moment of its signing by the authorized representatives from both parties and it is valid till complete execution by the Parties of their obligations.

10.2. All Appendices, Amendments or Additions to the present Contract are considered its integral part, but they are valid only issued in the written form and signed by both Parties.

10.3. The Buyer has no right to transmit his rights and obligations as for this contract to a third party, without the preliminary written authorization of the Seller.

10.4. As for all other items, not foreseen by the present Contract, both Parties are ruled by the regulations of the Ukrainian material law.

10.5. The Seller and the Buyer cover all the expenses, taxes and fees on the basis of the present Contract correspondingly on the territory of their countries.

10.6. The Parties confirm the legal validity as the Contract in force, so as Appendices, Amendments or Additions to it, sent to each other by fax.

10.7. The present Contract is issued in English and Ukrainian. It consists of 6 pages.

10.8. If there are any discrepancies between Ukrainian and English versions of the present Contract, Ukrainian version has the priority.

10.9. All correspondence as to the present Contract is made in Ukrainian, Russian or English.

10.10. The duration of the contract is 3 (three) years from the moment of its signing.

10.11. The parties have agreed, that Appendices to the present Contract and Specifications, signed by both Parties and sent by fax or e-mail, have the same legal validity, as the original copies



поштою, мають силу оригіналу.

### 11. Юридичні адреси сторін

#### ПОКУПЕЦЬ:

Назва компанії  
**ÜÇEL SİLO LLC**

#### БАНКІВСЬКІ РЕКВІЗИТИ:

Банк: ISBANK  
Філія Turkiya  
в/р 26004013100800  
S.W.I.F.T.-Code : ISBKTRIS

Генеральний директор

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/ 14.08.2019 / **Hayrettin Sakaci**

#### ПРОДАВЕЦЬ

Назва компанії  
**Товариство з обмеженою  
відповідальністю «Волиньагропродук»**

ЄДРПОУ: 31602941  
ІПН: 316029403052

#### БАНКІВСЬКІ РЕКВІЗИТИ:

Банк : ПАТ "Райффайзен Банк Аваль"  
в/р: 26002437798  
МФО: 380805  
SWIFT: AVALUAUK

Генеральний директор

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/ 14.08.2019 / **Маковецький В.М.**

### 11. Parties details

#### BUYER:

Name of the company  
**ÜÇEL SİLO LLC**

#### BANKING DETAILS:

Bank: ISBANK  
Filial Turkiya  
Account -Number 26004013100800  
S.W.I.F.T.-Code : ISBKTRIS

General Manager

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/ 14.08.2019 / **Hayrettin Sakaci**

#### SELLER

Name of the company  
**LLC "Volynagroproduct"**

EDRPOU: 31602941  
ITN: 316029403052

#### BANKING DETAILS:

BANK: PJSC "Raiffeisen Bank Aval"  
Account: 26002437798  
MFO: 380805  
SWIFT: AVALUAUK

General Manager

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/ 14.08.2019 / **Makovetskiy V.M.**