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THE MAIN CHALLENGES OF ESTABLISHING EXPORT RELATIONS OF FOOD INDUSTRY ENTERPRISES OF UKRAINE IN THE CONDITIONS OF MARTIAL LAW

Anastasiia Bobokalo^{1*}, Nataliya Kuznetsova²

¹*ISMA University of Applied Sciences, Latvia*

²*Cherkasy State Business-College, Ukraine*

**Corresponding author's e-mail: nastia.love5213@gmail.com*

Abstract

The work is devoted to the study of the problems of establishing export relations of food industry enterprises of Ukraine in the conditions of martial law. The volume of sales of food products outside the country was analyzed and the reasons for the change in this indicator were determined. Also, the main challenges that affected the field of logistics in the food industry of Ukraine were determined.

Key words: *logistics, logistics activity, inbound logistics, outbound logistics, export, import, food industry.*

Introduction

After the full-scale war, a new phase of testing began for Ukrainian business. Many domestic food producers were forced to temporarily stop their business and look for various options for restoring and continuing their activities. Difficulties with freight transportation prompted an immediate transformation and optimization of business processes. One of the key challenges Ukrainian companies had to face was the reformatting of logistics, because it contributes to the effective development of the enterprise due to the choice of logistics strategy, the formation of the logistics system and the implementation of the logistics process at the enterprise.

Overview

Logistics activity refers to the process of planning, implementing, and controlling the efficient and effective flow and storage of goods, services, and related information from the point of origin to the point of consumption in order to meet customer requirements. It encompasses various functions such as transportation, warehousing, inventory management, packaging, and

information management, all aimed at ensuring the smooth movement of goods and services through the supply chain [1].

Martial law was reflected in the production of a large number of food companies, which lost the ability to supply their products to other regions of Ukraine and abroad. On the example of the PrJSC MHP, which is the largest producer of chicken in Ukraine, in March 2022, the Russian occupiers destroyed MHP products worth about 230 million UAH [2]. Ukraine's largest warehouse for storing frozen products was damaged. In addition to MHP, it was also used by other large retail chains.

The war also affected the French food and beverage manufacturer Danon, specifically its production facilities in Ukraine, which are represented by two plants – LLC “Danon Dnipro” (Kherson) and PrJSC “Danon Kremez” (Kremenchuk). According to the director of operations and procurement of Danone in Ukraine, Ivan Khanas [3], the loss of control over the Danone plant in Kherson was the most difficult challenge, because it was the most modern and highly efficient plant in Ukraine for the production of dairy and sour milk products of the modern category. Fortunately, in a short period of time, before the full occupation of the city, the company managed to remove 600 tons of dairy products from the warehouse and donate them as charity to the needs of the citizens.

The organization of logistics activities usually consists of the processes of inbound and outbound logistics traffic. Inbound logistics is the process of moving goods from suppliers to a warehouse, then to a production facility for manufacturing products. Inbound logistics may include raw materials, tools, components, office equipment, and inventory. Outbound logistics is the process of moving finished products from warehouse stocks and delivering them to customers [4]. Therefore, it can be noted that warehouses are essential components of logistics operations, enabling businesses to optimize inventory management, streamline supply chain processes, reduce costs, and enhance customer satisfaction.

In order to establish the right logistics, companies usually use the services of special organizations that focus their activities on transportation. The management of one of the most famous logistics companies in Ukraine, ZAMMLER GROUP noted that currently exports exceed imports, including in terms of transportation costs, which was not the case for a long time. Everything that was in warehouses or from those enterprises that are currently working is being taken out. However, the volume of work is currently 20-30% of the pre-war level. The main problem of importers today is the lack of warehouses. Companies cannot take out containers because recipients have nowhere to place them. It is difficult to find warehouses not

only in Romania and Poland, but also in western Ukraine. In addition, there is a lack of vehicles that can pick up goods from ports, and foreign drivers do not want to go to Ukraine [5].

This situation is confirmed by the data of the State Statistics Service of Ukraine. During the analyzed years, the indicator “Volume of food products sold outside the country” acquired the highest value in 2022, which is 69.93% and 98.9% higher than in 2021 and 2023 in accordance (tab. 1).

Table 1

Volume of food products sold outside the country
(million UAH, excluding VAT and excise)

| Industry | 2021 | 2022 | 2023 |
|------------------------------|-------------|-------------|-------------|
| Manufacture of food products | 14653,3 | 24900,4 | 12519,1 |

Formed on the basis of data [6]

Ukrainian enterprises faced the main challenges that affected the areas of logistics:

- blocking of Ukrainian ports and changes in logistics routes for export and import;
- insufficient readiness of the infrastructure, both in Ukraine and in Europe, which leads to long queues at the borders;
- HR issues such as loss of human capital and labor mobilization;
- high prices for energy resources or their shortage;
- power outages, which have the greatest impact on warehouse logistics;
- loss of production capacity and capital assets due to hostilities.

Enterprises that reoriented themselves in time at the beginning of the war and began to master new export routes, were able to adapt to difficult business conditions. According to Viktor Berestenko, President of the Association of International Freight Forwarders of Ukraine, adaptation is one of the essences of logistics that cannot stop, because a stop is the absence of trade and exchange of goods, practically the absence of consumption, which in the modern world is equal to the absence of life [7].

Conclusions

In summary, the following can be noted:

1. Ukrainian food industry enterprises need to actively establish export relations to ensure stable export of products to foreign markets despite military conflicts.

2. Inability of warehouse infrastructure to hold large volumes of goods due to limited capacity and increasing instability in warehouses due to the possibility of armed conflicts and acts of terrorism, making it difficult to ensure security for personnel and goods.

3. In wartime, food industry enterprises need to actively use diplomatic and trade channels to develop new export routes and find new partners.

4. An important aspect of establishing export relations in wartime is the diversification of export markets, which will reduce dependence on one direction and increase resistance to economic turbulence.

5. The development of infrastructure and logistics connections is an important factor for the successful establishment of export relations of food industry enterprises in the conditions of war, as it will allow ensuring fast and efficient delivery of products to foreign markets.

6. State support and the creation of a favorable investment climate are key to supporting the export efforts of food industry enterprises in wartime, which will increase their competitiveness in the international market.

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