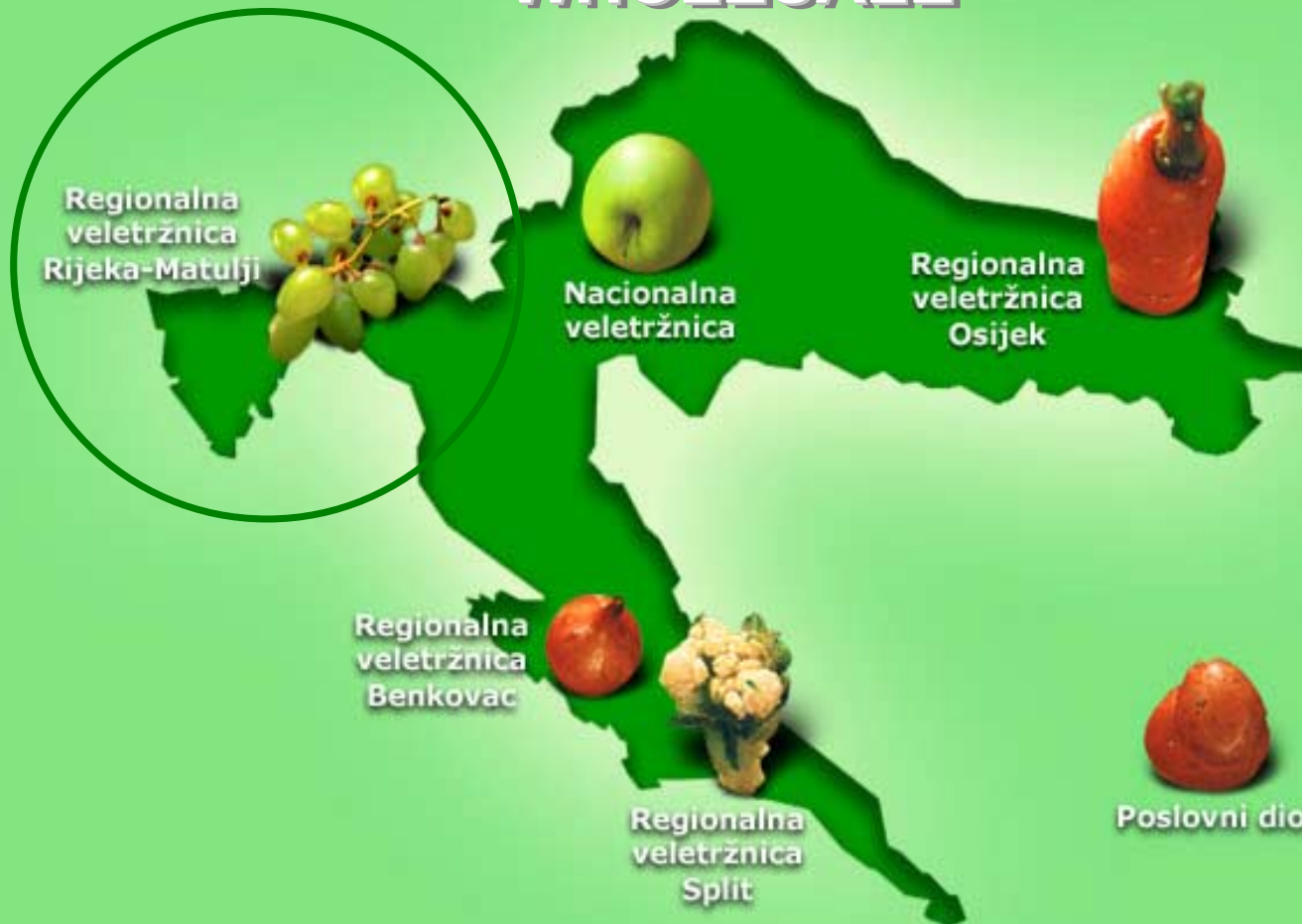


Veletržnica WHOLESALE





Veletřžnica WORKSHOP

of the

Central European Initiative Wholesale Market Foundation



Regional wholesale market Rijeka - Matulji

Regional wholesale market company Rijeka-Matulji (RVRM) is one of the six markets constructed in Croatia with support of FAO, Central European Initiative, European bank for reconstruction and development and Croatian government.

Project objective – general



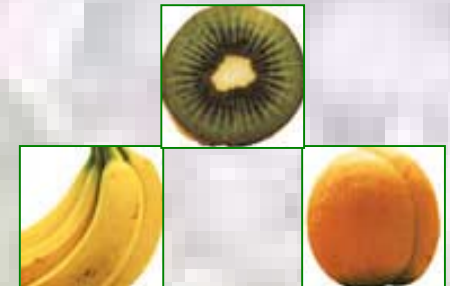
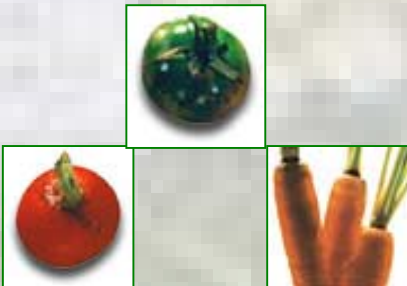
The project main objective is to develop a market-driven distribution system for fresh agricultural products (domestic and foreign) in line with west European practice and to promote the handling and grading of fresh products to international standards.



Regional wholesale market Rijeka - Matulji

To achieve this main objective it was necessary to fulfil following objectives:

1. establish a single and highly visible purchasing centre (wholesale markets) for buyers of fresh products
2. promote year-round supply of fresh products to domestic consumers and selected export markets
3. promote quality improvement through the sizing and grading of products and through price differentiation
4. improve the hygiene control of fresh produce through developing and applying legal and grading system of products



Project objective for the RVRM

Regarding all goals which were set for the National program in our case we hard to create and construct a first ever made wholesale market in our county. Primarily RVRM is build for redistribution of fresh products because Primorsko-goranska county is consumer orientated with a negligible agricultural production. The whole county is mainly industry orientated with the largest port capacity in the country, the oil refinery, shipyards and other manufacturing industry.



RVRM history

In April of 1997, after a year of preparations, RVRM was established like a joint stock company, with a fundamental capital of 370.000,00 Kn or 50.000 Euro. The fundamental capital was three times higher than the legal minimum (15.000 Euro) and this was a sign of a great interest that local government and private sector have for the construction of a new and modern wholesale market.

Members founders at the beginning were ten; both public and private. (Table 1.) The founders capital was divided in equal proportions; 50/50. Dividing capital in equal proportions was very important from our point of view, because:

- 1- The main goal of the private capital is to force management to operate market as a profitable company,
- 2- The main goal of the public capital is to create a legal framework in order to eliminate illegal trade around the wholesale market.

In comparison to European wholesale markets, this was also a new approach in the organisation of the wholesale market, because from what we have seen around Europe, all markets there, are public companies without or with a small percentage of private capital. The reason for this is simple; markets are profitable if tenants pay higher rents to the market company. Private shareholders with the greatest interest are mainly wholesalers, aware of that, and it is very hard to attract them to invest their capital in greater amounts. For that reason and in order to be more attractive to investors, we had to set a different price for boxes who are occupied by shareholders (wholesalers).

TABLE 1.

No.	Shareholder	Amount	%
Public			
1.	Municipality of Matulji	10.000,- E	20%
2.	City of Rijeka	7.500,- E	15%
3.	Primorsko-goranska county	7.500,- E	15%
Private			
4.	Tržnice Rijeka d.d.	5.000,- E	10%
5.	Voćarsko vinogradarska stanica d.d.	5.000,- E	10%
6.	Trgovačko Opatija d.d.	5.000,- E	10%
7.	Šime Šarčević	3.500,- E	7%
8.	Brodokomerc d.o.o.	2.540,- E	5%
9.	Dunato Holding d.o.o.	2.540,- E	5%
10.	Cvjećarstvo d.d.	1.500,- E	3%
TOTAL		50.000,- E	100%

RVRM's fundamental capital today is 1.768.824 E and has twentyfour shareholders. Current proportion of founders capital is 73% public and 27% private. This smaller private proportion is a clear sign that without a strong institutional support aimed to eliminate illegal trading, private investors will avoid investing in market companies.

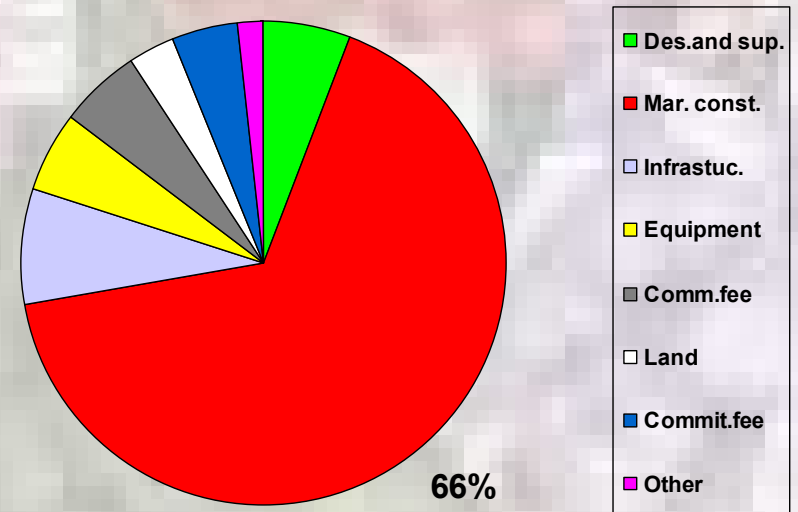


Project costs

The total project costs estimation, including physical and price contingencies, was estimated at 3.150.000 E, but with a good management and high competition on international tender we succeeded to end project for 2.922.500 E.

Amount of 2.922.500 E was spend as follows:

• Design and supervision	171.000 E
• Market construction	1.900.000 E
• Infrastructure	230.000 E
• Equipment	145.000 E
• Communal fee	165.000 E
• Land	85.000 E
• Commitment fee	126.500 E
• Other	100.000 E
TOTAL	2.922.500 E



Construction of the market was appointed through an international tender, following EBRD rules, to the GP KRK d.d., our regional construction company. The Market construction works started the 4th July in 2000 and after nine months was finished (end of April 2001). Market was opened for consumers in May 2001.

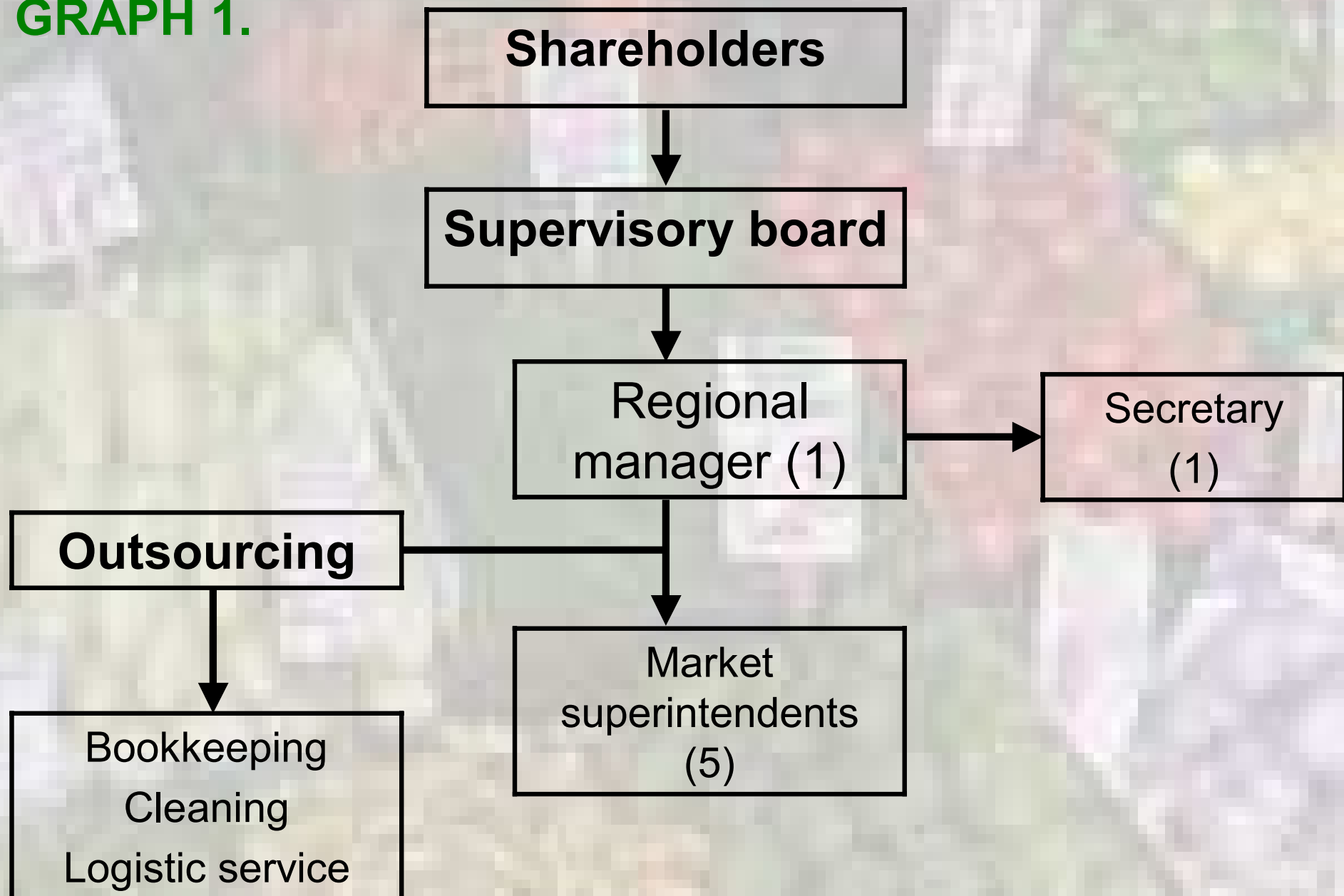


Management structure (GRAPH 1.)

The organisation structure of our company is very simple and even smaller than was predicted by EBRD feasibility study. The main reason for that is the need to reduce costs.

Because of that Regional manager has a very wide range of duties and responsibilities. Furthermore, every employee also has several duties in line with his position in the company. Some duties on accurate cost analysis have been assigned to specialised outside companies.

GRAPH 1.



RVRM in numbers (PICTURE 1.)

Total area of the market	10.500 m ²
Open area farmer market (64 parking places)	2.000 m ²
Wholesale market (hall)	2.400 m ²
Stands (boxes) 26	1.692 m ²
Entrance gate	12 m ²
Communal disposal	150 m ²



Services

Public scale (open 24 hours)	50 T
Logistic service forklifts	available on the market
Forwarder office	one
Custom office	open june 2003

Service are very important for the wholesale market because operators need these Services in order to be efficient in terms of costs and time needed to sell and manipulate goods and products on the market.

Occupancy and market rental policy

From the start of operations on the new wholesale market occupancy was high; 22 boxes or 82% of available space were assigned to wholesalers from our and other regions.

Today 25 boxes are occupied and fifteen companies are currently present on the market.

Tenants (current situation)	Numbers of boxes under lease
1. Gomolava-šped d.o.o. Zagreb	3
2. Tatjana d.o.o. Rijeka	2
3. Poljoprivredni zadružni centar Istra Pazin	2
4. Pam promet – trgovački obrt Matulji	2
5. Trgovački obrt Maki Rijeka	1
6. Lucus d.o.o. Rijeka	1
7. Lovor trade d.o.o. Jurdani	1
8. Livio commerce d.o.o. Poreč	2
9. Poljoprivredna zadruga Kapela Josipdol	1
10. Jelenko d.o.o. Ogulin	2
11. Fructus d.o.o. Velika Ludina	1
12. F.E.M.I. voće d.o.o. Bakar	2
13. Con sors d.o.o. Dražice	3
14. Demetra voće i povrće – trgovački obrt Matulji	1
15. Arvum d.o.o. Mune	1
TOTAL:	25

Rental policy

General criteria of our rental policy are:

- Rent is calculated on the area of boxes (m²)
- Rents are linked to inflation index
- Rental invoices are payable one month in advance
- Deposit of one months in advance should be deposited

Market hall

As mentioned above rent prices are as follows:

Shareholders	9,25 Euro/m ² monthly + VAT
Non shareholders	11,25 Euro/m ² monthly + VAT

In addition, tenants have to pay electricity, water and telephone consumption which is distributed among tenants one calculation.

This rent price includes some costs which are paid by the market company such as; public lighting, cleaning of the market, waste disposal, communal fee, marketing (market promotion) and 24 h surveillance.



Green market - farmers

Daily rent 16,40 Euro + VAT

Contract for longer period 14,80 Euro + VAT

On the open area farmers have the possibility to use electrical currency costs are divided to users on precise calculation.



Public scale

One weight 6,80 EURO + VAT

Two weight 10,30 EURO + VAT

The main users of our public scale are transport companies from our region because of a good position of the scale (near important state roads) and a very attractive price.

Business plan – Turnover assumptions



Turnover in business plan was calculated on two basis:

- 1- population growth and fulfilment of their needs in year 2013 (in our Region)
- 2- consumption per capita

The FAO study predicted that in the year 2013, our region will consume 79.200 tons of fresh fruits and vegetables. FAO predicted that in the year 2013 some 47.500 (60%) will be traded through the wholesale market.

To create a more realistic basic data for business plan, the management estimated that some 20.000 thousands tons or (25%) of further consumption will be distributed through the new wholesale market. Currently, this quantity represents some 40% of the regional consumption which is nowadays 46.000 tons.

Precocious estimation made by management had turned out right and is in line with the current European situation where wholesale markets are losing their position toward gate distribution. In Croatia as well, the great distribution in the last two years had a high rate of expansion.



First Year Experience

Market revenues

Currently market revenues are 60% of the projected amount (cca. 450.000 E) in business plan and they are enough to cover current expanses but they leave very small margin to cover liabilities and implement other activities in the first place marketing and promotion.

Market turnover

During the first year of trading on the market turnover reached some 11.500 tons or 50% of business plan projection because of next reasons;

- lack of legal framework for wholesale markets
- lack of institutional support from local and government level
- high level of illegal trading, direct results of above mentioned reasons
- rapid development of great distribution chains (national and international)
- completely new location

It is very important to underline that our market and other markets in Croatia didn't have projected turnover mainly because of non sufficient institutional support. Illegal markets and traders are still present and this undermine Regional markets revenues and capability to fulfil their liabilities in respect to financial institutions.



The FUTURE development

Due to an increase in the activity of the Wholesale market and wishing to create better conditions for the wholesalers, the Wholesale market, with the Municipality of Matulji, has bought off an additional area of 7.368 m² to be used for the realisation of the second stage construction of the Wholesale market.

The new premises are aimed to:

- Give a logistic support to the actual trading hall
- Ensure better working conditions to the customs officers, especially during custom clearance and control of the imported goods
- Guarantee a good supply to retail chains by building a logistic platform as an indispensable prerequisite
- Offer a suitable cooling facilities (two range 0-4, 4-8 Co) to store other products like wine, dairies, etc.,

Such a diversified offer would diminish the operational risk of the wholesale Market and turn it into a distribution centre for all sort of agricultural produce.

The wholesale market rolls in supporting the small farmers

In the developing strategy of the Regional market Rijeka-Matulji, joint stock Company, is well defined the need to co-operate with the local farmers by giving them a support to establish an assembly point for their produces. There are two good reasons to persevere in this intent:

1. As it will create an organised channel for direct farm produces buying off and for their marketing like, sorting, calibrating, packaging, labelling etc.,
2. It would decrease the space for illegal trade and other forms of "grey economy"

Being led by these strategic goals, the Wholesale market together with the firm Demetra, the Primorsko-goranska county, and the Centre for mountainous agriculture has started a project whose achievement should be to form an Assembly station by the end of next year.

Another, very good initiative coming from the Regional Wholesale market and the Municipality of Matulji is the constitution of a co-operative under the name of Agroliburnia with the duty to stimulate and give incentives to the agricultural production on the territory of Matulji.

The Wholesale market Management is engaged in the project as consultant and project manager. The co-operative should start production next year on a surface of 1,5 hectare, and their produces with a particular trademark shall be placed on the local market.

CONCLUSION

It is of the greatest importance to close at once all illegal markets and to stop every form of illegal trading. In such a way, Regional markets will immediately be able to reach revenues and turnover high enough, to service financial Institutions primarily EBRD.

Also this action will be a clear sing to private investors to invest their capital In market companies.



Bruno Frlan

Manager of the Regional wholesale company Rijeka-Matulji

Thank you for your attention !

