

WHOLESALE FOOD MARKETS IN THE LIGHT OF RECENT ECONOMIC DEVELOPMENTS

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ABSTRACT

The given paper is dedicated to the determination of the economic essence of wholesale food markets, which play an important role in local, national and international food distribution chains. The main functions of these markets, considered also as an essential part of any agricultural marketing system, are defined by author. The classic model of the wholesale food market is considered in the paper. The ways of the development of wholesale food markets throughout the world place are determined.

[*Keywords:* customers, equilibrium price for produce, food distribution chains, market infrastructure, wholesale food market, wholesale market network]

GENERAL

The recent international wholesale conference, held in Palma de Mallorca, Spain, from 14th until 17th September 2010 under the theme “A Global supply to meet demands of all kinds”, opened the big issues on the future of wholesale markets. The main debates between speakers and panelists at this conference focused on the need to define the essential role that wholesale markets play in the modern international economic conditions, as well as to see the possible contribution of wholesale markets to consumer healthy habits as an important challenge. Acknowledging the current trends in the wholesale market sector and opportunities present in the current global economic climate, the delegates from 30 countries recognized the need for wholesale market management to be strategically focused on ensuring the excellence, innovation and professionalism abound in the supply of market infrastructure [1].

Taking into consideration all these facts, we dedicated the given essay to the development of a better understanding of the economic essence of wholesale food markets, which play an important role in local, national and international food distribution chains.

Wholesale food market should be mentioned as a location where a large number of professional traders can regularly trade together in order to sell a wide range of goods that are similar in type to buyers who require goods of different quality, quantity and price. Through the combined efforts of the participating wholesalers, the market will act as a mechanism for taking large quantities of foods from producers, manufacturers and importers, and immediately subdividing these consignments into smaller lots, to be sold to customers requiring supplies on a regular basis sometimes daily. By the way, these markets can positively influence the eventual price paid by the consumer, as healthy competition encourages the price to fall and the quality to improve.

It goes without saying that wholesale food markets have to perform the following functions cost-effectively: physical exchange of produce; sorting of produce on the basis of standard criteria, thus facilitating sales; formation of equilibrium price for produce; exchange of information between suppliers and buyers; and hedging (or price fluctuation risks).

The recent scientific research [2] allowed us to confirm that classic model of the wholesale food market is usually characterized by the following: unlimited number of market participants and free competition among them; completely free access to certain economic activities by all members of the market; complete mobility of production factors and unlimited freedom of the capital movement; availability of information of the entire market for each participant; wide range of goods; each participant of free competition cannot directly impact the decision of another using noneconomic methods; prices are

established based on free economic competition; the absence of a monopoly (which exists when a specific person or enterprise is the only supplier of a particular commodity), a monopsony (a market form in which only one buyer faces many sellers) and state regulation.

The characteristics and dynamism of wholesale markets are highly variable from one country to another. Some markets have become popular because of the quantities of products that they sell, the quality of the goods they sell or just historical context, which many wholesale markets are famous for.

For this reason it is important to keep in mind that the development of wholesale food markets throughout the world place in two different ways.

The first way involves the construction and creation of a wholesale food market system through the financial support of the state. In this process, the state launches the first wholesale market using state funds and conducts intensive development of the whole system. A vivid example of this method is the Mercasa state enterprise in Spain which includes an entire network of wholesale food markets (more than 20 food supply units throughout the country) [3] that not only supply goods to millions of the Spanish population but also export products everywhere on the planet. Mercasa includes more than 7 million square meters of space with a total of 23 fruit and vegetables wholesale markets, 17 fish wholesale markets, 3 flowers wholesale markets, 7 slaughterhouses and meat markets, as well, as facilities for the manipulation, treatment, storage and distribution of food products. The annual turn-over generated within this Spanish national wholesale market network is already more than 15,000 million € [3].

The second option involves attracting funds for creating wholesale food markets through both the state and interested stakeholders of wholesale market (public-private partnership). An example of this process is the creation of the Wholesale Market Munich, known as the market of many markets. It consists of a wholesale market hall, four permanent food markets, one wholesale flower market, a gardening hall, 41 street and farmers' markets and the abattoir. Occupying an area of some 435,000 m², 400 importers and wholesalers handle some 140 different types of product from 83 countries to the value of over 2,0 billion € [4].

Generally, modern wholesale food markets provide a facility for professional sellers and buyers to meet and develop trade links on a regular and convenient basis. A market is a social and commercial interaction between suppliers and their customers, and a successful market is a busy place that generates market information and an easy comparison of product range and price.

CONCLUSION

The findings of this research indicated that in the light of recent economic developments wholesale markets are especially useful in countries where agricultural products such as produce and meat are scattered, helping to better organize producers in order to overcome logistical problems together. In essence, wholesale markets help to organize these scattered producers in countries in which groups, cooperatives or other entities are non-existent. Many representatives of small and medium business underestimate the role of wholesale markets as the way of survival for small and medium trade in the competition with supermarkets. However, these wholesale markets give small shops the ability to compete with supermarkets, potentially saving the smaller business from bankruptcy.

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