

Bread to the People

The St. Petersburg market should be a food distribution firm's dream. According to a recent financial report, it is supply and not demand that continues to be the bottleneck in getting bread to the people.

So why isn't the food distribution industry growing as swiftly as a water balloon hooked up to a fire hose? The problem is lack of cash. The TransAtlantic Trading Company (TTK) has grown rapidly since being founded in 1993, satisfying the high demand for food in St. Petersburg. In 1996, however, it reached a bottleneck and could not summon enough cash to buy in bulk and at bulk prices from its suppliers. TTK had to break loose from the lack of capital to take advantage of the market. On its own, it wasn't finding the solutions to its problem. Financing and Streamlining Food Production in St. Petersburg

Winrock's Farmer-to-Farmer Program, funded by the U.S. Agency for International Development, helped remedy this situation by sending expert volunteers in finance and food services to St. Petersburg. The two food service industry experts were sent to advise the TransAtlantic Trading Company, one of the largest distribution firms in the city. John Marenic has a background in consulting for food distribution services. Jack Harris is a financial and accounting consultant. Both have considerable experience in advising private firms both in the U.S. and overseas.

After a 2-week visit, Marenic and Harris wrote a detailed business plan that covers the next 6 years for TTK and its subsidiary, Volkhov Cold Storage. One of the most important functions of the business plan was to clarify the requirements and profits between TTK and Volkhov Cold Storage. The business plan functioned as a grant proposal to several funds to which TTK was applying for credit, particularly the U.S.-Russian Investment Fund of St. Petersburg.

If TTK receives the amount of credit recommended by Marenic and Harris, it may look forward to increasing sales 100 percent, with pre-tax revenue by 500 percent in the next 6 years.

Since its establishment in 1993, TTK has benefited from an unusually close American partnership. The TTK owners and their American partners are related by family connections. TTK President Mike Bardash is an American citizen of Russian heritage. He had connections with Nathan Katz, another American with Russian roots, who decided to aid his Russian relations. Katz's son-in-law, David Levy, provides help with the involvement of his New York-based firm, MSH International, which is invested in TTK so heavily it has 90 percent ownership.

"When we started, we had practically nothing; just one car, one stall to sell drinks, and no connections with quality stores or suppliers," says director Vladimir Michailov. "Thanks to the Americans, we didn't have to take out a Russian loan at excessively high rates. Marenic and Harris clarified our problems and gave us possible solutions, which were sent to the American partners. The report gave reasons to continue their support, and ideas of where to grow."

Another important result of the FTF volunteer's work was to coax out of the suppliers a better deal for TTK. Marenic and Harris attended negotiations with international trading companies. Their presence made a big difference in the supplier's receptivity to TTK's needs. "[Having the Americans with us] made us seem more professional, more of a business with international connections and a future that Danish and Irish supply companies can take seriously," says Mikhailov.

Negotiations already have resulted in TTK's first line of credit and closer relations to their Irish suppliers.

Perhaps the most important aspect of the volunteer's work is that they will continue to keep an eye on TTK in the future to keep the firm on course. This continued relationship proves to be one of Farmer-to-Farmer's most beneficial aspects. Marenic and Harris, already experts in their field, continue to volunteer and are becoming expert on the complexities of business in Russia and other countries of the former Soviet Union, thereby providing continued and up-to-date guidance to TTK.