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PROSPECTS OF DAIRY INDUSTRY IN UKRAINE

The current status and features of the functioning of the domestic milk market. The condition of production, distribution, consumption of milk and dairy products during the period from 1990 to 2011. Investigated trends and prospects of the dairy market. Proposed measures to improve the situation in the industry.

Key words: food market, food, dairy industry, dairy market, exports and imports.

The main problem. The dairy industry has a leading position in the food industry of Ukraine, as dairy products play an important role in alimentation of the Ukrainians and at the same time it is an important component of an individual variety of goods food industry. In Ukraine, for decades the consumption and production of milk and milk products was traditionally high, but during the last twenty years it has significantly decreased due to the development of the crisis in the dairy industry. The growing shortage of raw materials in the country, rising prices for milk and dairy products when the demand reduces, the quality of raw materials deteriorates and there is a lack of infrastructure of the food market and the formation of unfavorable world market of dairy products, these and other reasons prompted the decline of the domestic dairy industry and, consequently, the development of the dairy market has stalled.

Analysis of recent research and publications. The value of the dairy industry in the economy of Ukraine and the importance of milk products in the everyday ration of the population account for increased attention to academics for their further development.

Distinguishing parts of the main problem. Constant organizational and legal conditions change of farming in the dairy industry requires further analysis and case studies.

The purpose of the article. The main purpose of the article is an analysis of the dairy industry in Ukraine, separation of positive and negative trends, taking place in this area and outlining the prospects of the dairy market and ways to improve the state of the industry.

The main content. Dairy market is an important part of the food market as dairy products and ice cream consume about 97% of the adult population, and in terms of implementation they take the first place among other foods. The developed milk and milk products market is able to supply population with the goods corresponding by an optimal way with the lowest cost, but its successful operation depends on the state of the dairy industry. It should be noted that in the current economic conditions the development of the domestic dairy market has slowed considerably. According to the State Statistics

Committee of Ukraine the volume of milk production during 1990-2011 reduced by more than a half, if in 1990 24,508.3 tons of milk were produced, so at the end of 2011 the volume of milk produced by all categories of the farms was only 11,086.0 tons. Dynamic of milk production in Ukraine is shown at Fig. 2.1.

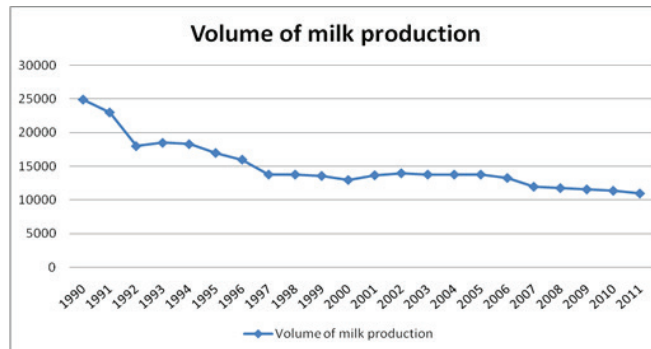


Fig. 2.1. Dynamic of milk production in Ukraine during 1990-2011

This negative situation is mainly due to a sharp decline in milk production farms, which at that time cut them more than 8 times. Analyzing the output of milk farms, it should be noted that there is something better speaker output is rising, then falling during the period, but still higher compared to 1990. Another negative trend in the dairy market in Ukraine is to reduce the number of cattle, which in turn provokes a permanent reduction in milk production. For example, in 1990 in Ukraine in all categories of farms, there were about 8 million 378 thousand cows, and at the end of 2012 this figure fell by more than three times and was only 2 million 554 thousand cows. During the period under review there was a reduction in livestock equally as on farms and in households. Such a dramatic loss of interest in keeping dairy animals may be explained by the constant of appreciating feed, electricity, equipment, fuel and lubricants, the lack of state support for dairy farming, negative demographic situation, which is manifested in an annual reduction of rural, low profitability of milk production and other factors. Also, it should be noted that the general trend in reduction of cattle in Ukraine there are areas that for a long time kept its lead in terms of cattle. These regions are leaders Vinnitsa, Poltava, Khmelnytsky, Lviv and Chernihiv regions.

The largest number of cows at the end of 2012 held in Vinnitskaya area - 173 thousand units, Lviv - 152 thousand units and the Khmelnytskyi - 150 thousand units. Positive phenomenon in the dairy industry is a steady growth in productivity of livestock farms. So, for twelve years, intensification of production (2000-2012 years) the average milk yield per cow has increased almost three-fold. However, if we compare the performance of cows in Ukraine with an average udoyamy milk in developed countries, it becomes clear how little progress has made the domestic dairy industry for twelve years. While in Ukraine at the end of 2012 the average milk yield per cow

was 4676 kg, Israel - 13,000 kg, U.S. - 8431 kg, of Denmark - 7344 kg, and in Germany - 6281 kg.

Despite the negative trend of decline in milk production in Ukraine are a group of dairy products whose production is increasing every year. Thus, the production of liquid milk processed from 2003 to 2012 increased by 264 thousand tons, or 41%. The situation with cream fat content of 8% of their production during the same period increased from 9.9 tons to 36.1 tons, it is possible to talk about the growth of production by 3.6 times.

Analyzing the production of dairy products, it must be said that their output during the 2003-2012 biennium has not significantly changed. At the end of 2003, the volume of these products amounted to 427 thousand tons in 2008, compared to 2003, production increased by 25% and amounted to 532 thousand tons, followed by a gradual decline in production until the early 2012 year while analyzing the 2012 it should be noted that the volume of production increased by 15 tons over the previous year.

Also, in Ukraine there was an interesting situation with the production of cheese. Production of cottage cheese and cheese unfermented increased from 2003 to 2006 by 62% since 2006 to 2011, inclusive output gradually fell and reached at the end of 2011. mark of 78.5 thousand tons, which is 14.7 thousand tons less than the amount in 2006 Since 2012 cheese production expanded by establishing new positive trend. The same is true of the fatty cheese whose production grew from 2003 to 2005 inclusive, but since the beginning of 2006 and in our time - constantly falling.

Greater degree of decline in milk production was reflected in the production of butter, which is output from 2003 continuously reduced. A slight increase in oil production is observed only in 2005, when it increased to 4 tons over the previous year, in 2010, which recorded growth in production of 4.7 tons and in 2012, when output oil rose to 11.9 tones from the previous year. Overall, from 2003 to 2012, the volume of oil production decreased by 35% or 48.4 thousands of tons. Analyzing the dynamics of production in the dairy market, consider market segmentation by type of dairy products in 2012, which is presented in Fig. 2.2.

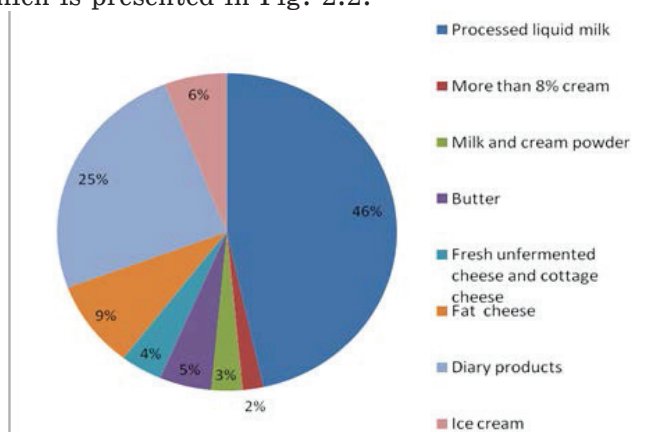


Fig. 2.2. Production of major groups of dairy products in Ukraine in 2012

As the diagram shows, in 2012, Ukraine produced the highest rate belongs dairy milk processed liquid, whose share in the total dairy products is 47%. This group of dairy products always prevails over the other, because drinking milk consumed almost the entire population and statistics show that every year more and more fully. The second largest volume of production occupies dairy products, which owns 25% of the total milk produced products. In third place are the cheeses, the total share of 11% of the total of this group of milk. And fourth, of course, takes the ice, taking 6% of the total production.

Analyzing the market of milk and milk products consider it necessary to note another trend - in recent years domestic dairy production decreases and the consumer market increasingly filled with imported products, which makes domestic producers to seek new ways to enhance their competitive position. To analyze this situation we consider the main indicators of Ukraine's foreign trade milk and dairy products that are listed in Table 2.1.

Table 2.1.

**Main foreign trade indicators of milk and dairy products
of Ukraine during the 1995-2011**

Indicators (thousands of tons)	1995	2000	2005	2008	2009	2010	2011	2011 in % till 1995
<i>Production</i>	17274	12658	13714	11761	11610	11249	11086	64
<i>Import</i>	58	50	112	234	455	273	257	443
<i>Export</i>	1420	1100	1901	1140	919	956	964	68
<i>Trade balance</i>	1362	1050	1789	906	464	683	707	52

The information shows that during the 1995-2011 biennium production of milk and all dairy products fell by 36% and Ukraine moved from 10th to 17th place in the world ranking of milk. In turn, imports of products during the same period increased by almost 4.5 times. On the one hand the growth of imports of dairy results in expanding the range of products on the market and improve its quality, as evidenced by an improvement in living standards, but on the other hand, the expansion of imports adversely affected our food security, as domestic producers can not stand the competition with importers of food close its production and withdraw from the market. Considering the export dairy note that Ukraine in world trade of dairy products losing ground.

Analyzing the trade balance of Ukraine, it should be noted that despite the significant increase in imports and fall in exports in recent years, the balance at the end of 2011 remains positive, although it accounts for only 52% of the balance in 1995. Also, it should be noted that to the overall decline in milk production, a decrease of consumption of milk and milk products by about 3.4 % per year, while in Europe the figure is growing every year. Information on the volume of consumption and milk production per capita is shown in Fig. 2.3.

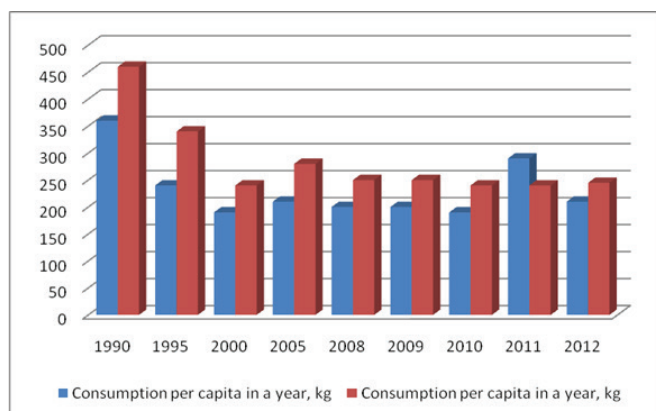


Fig. 2.3. Dynamics of production and consumption of milk and dairy products per capita in Ukraine during 1990-2012

So, if as of 1990 the consumption of milk and milk products per capita was 373 kg per year, at the end of 2012 it was only 215 kg, which is 42% less than in 1990 and 43% less rational consumption norms milk one person per year.

In our opinion, the main reason for the reduction of consumption of dairy products in Ukraine is:

- Poor quality of domestic products;
- Low income;
- Steady increase selling prices of dairy products.

Given the decline in demand for milk products in the domestic market, domestic producers have to seek new markets. Unfortunately, at this time virtually the only Ukrainian market for dairy products is Russia, which is aware of such export monodependency Ukraine, often arranges her "Milk War". It would be nice if the Ukrainian producers managed to enter the global market, where for a long time dominated by the favorable trend of continuous increase in demand for milk, but to realize this idea of Ukrainian dairy producers should urgently improve the quality of products, and government – to conclude new treaties.

Analyzing the structure of consumption of dairy products by 2012, it should be noted that among the dairy "Leaders consumption" is cream (90%), yogurt (82%), cheese (82%), less – Butter (67%), cheese home (63%) and fermented baked milk (60%) and others.

Over the period the production of goods per capita has always prevailed in consumption, exclusion was only in 2011, when the level of domestic production could not cover the sharp jump in demand for goods.

Exploring the implementation of dairy products, especially note that all milk and dairy products coming from entities for the implementation of direct links and on sale in markets subject to veterinary – sanitary examination.

According to the order № 49 of the Ministry of Agrarian Policy of Ukraine from 20.04.2004, the implementation of raw cow's milk from farms (farms) entities regardless of ownership on sale can be done only in the markets for these conditions:

- Compliance dairy farm veterinary and sanitary requirements in accordance with legal regulations ;
- The availability of veterinary document ;
- Available for each batch of milk waybill with an indication of milk quality parameters (temperature, purity , density , pH , somatic cell , the mass of fat , etc.). Milk when exiting the economy should have a temperature no higher than 6 ° C, and upon arrival at the place of trade - not above 10 ° C;
- Terms of milk should not exceed 12 hours from the time of milking ;
- Raw milk, which is sold in the free market must not be below the 1st grade on all counts in accordance with GOST 3662-97 «Whole cow's milk. Requirements of the procurement».

In implementing the raw milk market should observe the following mandatory requirements:

1) Sales of milk only in special places for study after state laboratory of veterinary- sanitary examination of the market.

2) The place of sale must be provided with water, soap, towels, table with water-resistant coating that is easy to wash and disinfect.

3) Persons who sell milk must have personal medical books, provided sanitary clothing (white robe and scarf) and observe good personal hygiene.

4) The driver must have a sanitary passport of the vehicle and your personal medical book.

5) Containers of milk during transportation are sealed. It should also be noted that the sale of milk and milk products outside the market this piece of legislation is strictly prohibited.

Analyze sales volumes and average selling prices for dairy farms. To do this, consider Fig. 4 and Fig. 5. According to Fig. 4 shows that the peak decline on agricultural production came in 2004, when volumes fell by 89% compared to 1990 Since 2008 there is a slow but steady build-up in sales of dairy products, which tells us about the gradual withdrawal farm crisis.

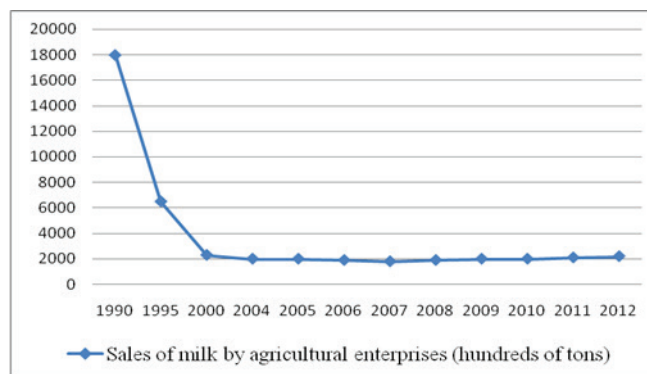


Fig. 4. Dynamic of milk sales by agricultural enterprises during 1990-2012

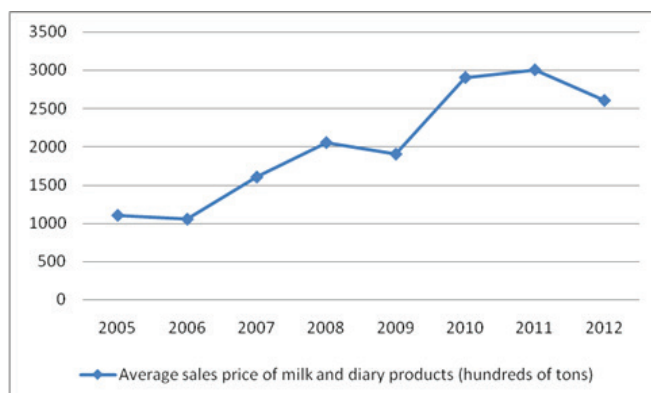


Fig. 5. Dynamic of average sales price of milk and dairy products during 2005-2012.

Despite the poor quality of raw materials and reduction in income, the prices of dairy products from 2005 to 2012 increased by 136%. There is an inspire trend growth, the biggest jump in prices was recorded in 2010, when prices rose by 56% over the previous year.

After analyzing the current state of the dairy market, we want to point out that despite some crises are present in the domestic dairy industry; milk market has huge growth prospects. First of all, by increasing the number of cattle and increase their productivity. Ministry of Agrarian Policy and Food of Ukraine has the task to run until 2015 to increase the number of cows to 2.72 million goal. Increase productivity of the herd to 5.66 thousand kg / year, and bring the volume of milk to 15.4 million tons per year. To perform the tasks necessary to direct the efforts of the authorities at all levels in the development of large-scale production and support of private farms.

Conclusions and recommendations. Based on the analysis carried out by us, we offer the following basic measures to improve the functioning of the market in milk and milk products:

- Development of standards for dairy products, which meet European requirements and standards for the implementation of such enterprises;
- Assistance in law of agricultural service cooperatives;
- Establish a network of information support milk and milk products;
- Improvement of the financial asset and of concessional lending milk and agricultural production enterprises for the purchase of equipment to modernize production;
- Promoting concentration of dairy production in the most favorable for the natural geographical and socio-economic conditions of the area;
- Rationalization of public subsidies and subsidized milk producers;
- Strengthening of state control over the safety and quality of dairy products in order to increase consumer confidence in domestic products and to stimulate demand;
- Development of measures to stimulate exports of dairy products by improving the quality and diversification of markets in order to avoid the threat of dumping investigations and more.

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ПЕРСПЕКТИВИ РОЗВИТКУ МОЛОЧНОЇ ГАЛУЗІ В УКРАЇНІ

Резюме

Розглянуто сучасний стан та особливості функціонування вітчизняного молочного ринку. Проаналізовано стан виробництва, реалізації, споживання молока й молочної продукції протягом 1990-2011 рр. Досліджено тенденції та перспективи розвитку молочного ринку. Запропоновані заходи щодо покращення ситуації в галузі.

Ключові слова: продовольчий ринок, харчова промисловість, молочна галузь, молочний ринок, експорт, імпорт.

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ПЕРСПЕКТИВЫ РАЗВИТИЯ МОЛОЧНОЙ ОТРАСЛИ В УКРАИНЕ

Резюме

Рассмотрено современное состояние и особенности функционирования отечественного молочного рынка. Проанализировано состояние производства, реализации, потребления молока и молочной продукции в течение периода с 1990 г. по 2011 г. Исследовано тенденций и перспективы развития молочного рынка. Предложенные меры по улучшению ситуации в отрасли.

Ключевые слова: продовольственный рынок, пищевая промышленность, молочная отрасль, молочный рынок, экспорт, импорт.