

PRODUCTION COMPETITIVENESS ON REGIONAL FOOD MARKETS OF UKRAINE

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ABSTRACT

Competitiveness is the main driving force to the stable prosperity of a country and the increase of its citizens' welfare. Agriculture is an important part of the economy of any country. The processing industries are a powerful driving force for rural development. The necessary prerequisite to ensure food security of any country is the successful development of the food market. In Ukraine approximately 10 thousand companies are involved in the food production. The food industry is among the leaders in terms of foreign direct investment into the industry of Ukraine. Transnational corporations are actively operating in the field of food production in Ukraine. The agro – industrial complex in general and food industry in particular can guarantee a significant increase in GDP of a country and as a result improve its position in the world markets.

KEY WORDS: Competitiveness, regional food market, processing industry, production, food chain, direct foreign investment, food industry.

INTRODUCTION

Competitiveness is the main driving force to the stable prosperity of a country and the increase of its citizens' welfare. The notion "competitiveness" is a term that is used extremely often. It also takes an important place in the official documents on different spheres of activity. The said term is used not only in the relation to the evaluation of the competitiveness level of the whole countries or regions, but also to the separate sectors, branches or enterprises. The ambiguity and complexity of the

interpretation of the mentioned notion leads to the fact that various analyses are conducted for the diagnostics of the processes, tools and factors that influence the increase of competitiveness level. The key factors that determine the competitiveness level of the selected sectors of economy are diagnosed. The factors that mostly influence competitiveness level are researched. But despite of that many unexplored components of the concept mentioned above need to be further researched.

METHODS AND MATERIAL SECTION

The official data of the State Statistics Committee of Ukraine, the analytical reviews of the Ministry of Agrarian Policy and Food of Ukraine, the scientific literature on the topic of study, the research and personal observations of the author became the information base for the article. The research methods used in the work are based on the system of general approaches to the determining of the

production competitiveness at the regional food market. The methodological basis for the research is the main provisions of economic theory, the achievements of domestic and foreign science in the formation of production competitiveness strategies at the regional food market in the context of globalization.

RESULTS

Agriculture is an important part of the economy of any country. It provides us with food, raw materials, labor and is a market for industrial equipment. One of the main functions of agriculture is to supply raw materials for processing industries. The role of processing industries is confined not only to processing agricultural raw materials, they are a powerful driving force for rural development. Firstly, the villagers sell agricultural products to the processing industries enterprises, receiving money for them. Secondly, while working in the processing

industries enterprises, the villagers receive wages, thereby obtaining the means to purchase goods necessary for life (Figure 1). According to some scientists the entire volume of agricultural production is distributed in the following way; 60% goes to the industrial processing, 25% is consumed fresh and the rest is used in the agriculture. Out of the agricultural products that are processed, 85 % goes to the food industry enterprises as raw materials and 15 % - to the light industry enterprises [1].

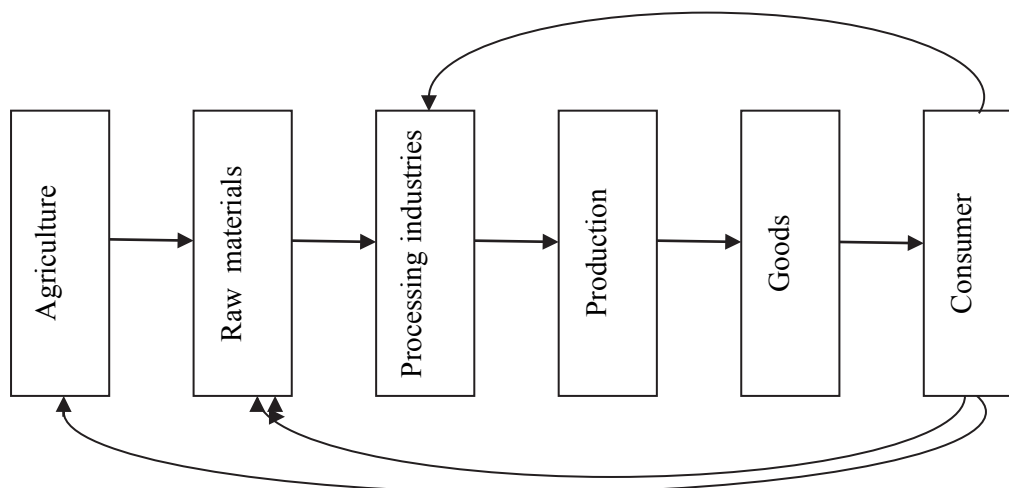


Figure 1. Place of processing industries in the food chain

Source: the author's own development

Let's follow the detailed structure of processing industries of agro – industrial complex of Ukraine according to Figure 2

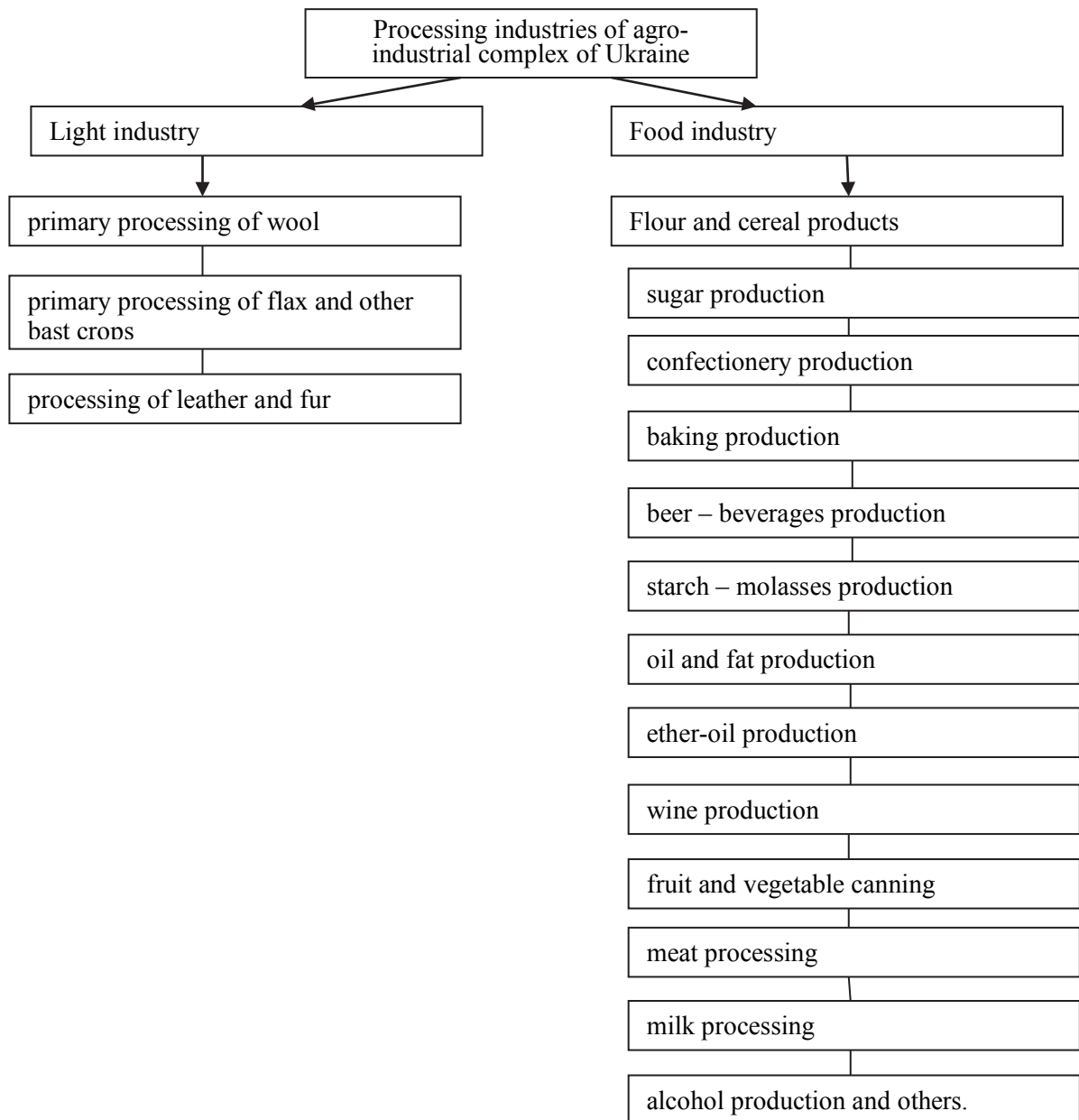


Figure 2. Scheme of processing industries of Ukraine

Source: the author's own development

The necessary prerequisite to ensure food security of any country is the successful development of the food market. The current conditions of functioning and development of market economy in a country require the use of innovative integrated approaches to the restructuring of the economy of the said country. They should provide problem solving of market infrastructure, correlation between sectors of infrastructure and material production, their balanced development and creation of conditions for construction and use of efficient distribution of products in the markets of goods and services [2]. The market of agricultural products of Ukraine is developing quite stable. The following factors point

at it: the upward trend in the production volume of the most important food and agricultural products as well as extraordinary investment attractiveness of processing industries of agro - industrial complex of Ukraine.

The factors that play the most important role in ensuring sustainable development of the food market in Ukraine include: low elasticity of demand, resulting in stable sales volume to end consumers; market and consumer properties of food market objects that have a high level of standardization of commodity parties; competitive situation in the markets of certain types of food wares that are close to a pure competition market or oligopoly; formation

of products distribution channels in the food market that are longer than those that exist in other markets for goods and services; functioning of mechanisms of mutual influence of food market with the related commodity markets. The study of the dynamics of major products and basic foodstuffs production for five years indicate a certain bias in the development of food and processing industries. In particular, the largest development in recent years has become the production of fat cheese, sunflower oil and whole milk products. Herewith, the volumes of grain processing and macaroni production, bread and bakery products have undergone a certain decline [4].

In Ukraine approximately 10 thousand companies are involved in the food production and they are located anywhere where there is a settlement. On the location of food industry centers such factors as raw materials and consumer factors have the greatest influence. Depending on the degree of the influence of the factors mentioned above, there are the following groups of industries:

- oriented on the sources of raw materials, where the enterprises process low-transportable raw materials and have high

rates of costs (sugar, alcohol, dairy, canning, starch and syrup, oil and fat industries);

- oriented on the places of consumption of end products (confectionary, macaroni, beer and dairy industries);
- with simultaneous orientation on raw materials and consumer (flour - cereal, meat, wine, tobacco, liquor – vodka industries) [5].

The share of the food industry in the structure of production of consumer goods is over 50 %, in the total industrial output - over 15 %, and agri-food products - more than 30 %. Food products make up 70% of the total production of consumer goods in selling prices, 63 % - of the total retail turnover and 61% of the personal consumption of goods by the country's population. The food industry enterprises are traditionally one of the most active participants of the concentration process [6].

The food industry is among the leaders in terms of foreign direct investment into the industry of Ukraine. The comparison of direct foreign investment into the industry and processing industries of agro - industrial complex of Ukraine can be seen in figure 3.

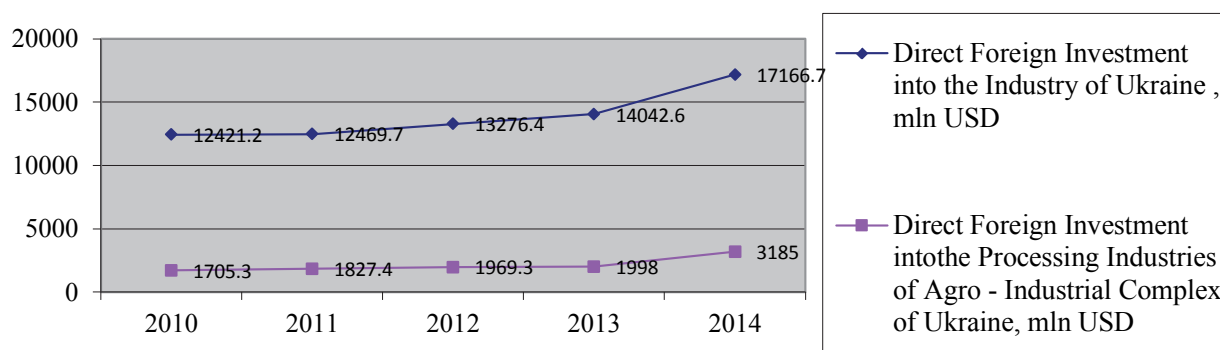


Figure 3. Comparison of Direct Foreign Investment into the Industry and Processing Industries of Agro - Industrial Complex of Ukraine

Source: calculated by the author on the basis of [8]

Most of them are concentrated in the production of soft drinks, beer, oil and fat products, confectionery, that is directly reflected in the processes of concentration [7].

The analysis of the dynamics of food production indicates that they increased on the most of

indicators for the period from 2011 to 2014. There was the decrease on the following types of products: fat cheese, flour and bakery products, sugar, chocolate, soft drinks. The largest drop occurred in the production of sugar and was more than 2-fold (Table 1)

Table 1

Output of the Main Products of Food Industry of Ukraine, from 2012 to 2014*

Products	2012	2013	2014	2014 до 2012, %
Beef and veal, fresh, chilled, frozen, thous. tons	81,8	78,0	88,2	107,8
Pork, fresh, chilled, frozen, thous. tons	210,6	203,3	230,3	109,5
Meat and offal food products of poultry, fresh, chilled, frozen, thous. tons	757,9	766,5	917,0	121,0
Sausage products, thous. tons	292,0	294,0	294,0	100,7
Meat semis, thous. tons	7,9	7,7	8,5	107,6
Natural juices, thous. tons	712,0	761,0	749,0	105,2
Sunflower oil, thous. tons	3177,0	3804,0	3403,0	107,1
Processed liquid milk, thous. tons	890,0	910,0	961,0	108,0
Cream butter, thous. tons	76,7	88,6	94,3	122,9
Fat cheese, thous. tons	178,0	168,0	165,0	92,7
Fermented milk products, thous. tons	474,0	489,0	522,0	110,1
Flour, thous. tons	2596,0	2605,0	2542,0	97,9
Cereals, thous. tons	356,0	365,0	367,0	103,1
Bakery, thous. tons	1763,0	1686,0	1560,0	88,5
Sugar, thous. tons	2586,0	2143,0	1263,0	48,8
Chocolate and other foods containing cocoa, thous. tons	344,0	341,0	331,0	96,2
Soft drinks million dal.	145,0	144,0	126,0	86,9

*Source: calculated by the author on the basis of [8]

The systematic analysis of the functioning of the food industry in Ukraine is particularly important thanks to the following types of concentrations as mergers and acquisitions. Transnational corporations are actively operating in the field of food production in Ukraine. Such a well-known company as «Cargill» invested into the economy of Ukraine 50

million US dollars. One of the world's largest Swiss companies «Nestle» invests into both the confectionery factory "Svitoch" and some other enterprises in Ukraine. Nowadays about 4,500 people work in the company "Nestlй" in Ukraine. The structure of the company «Nestle» in Ukraine is shown in Figure 4

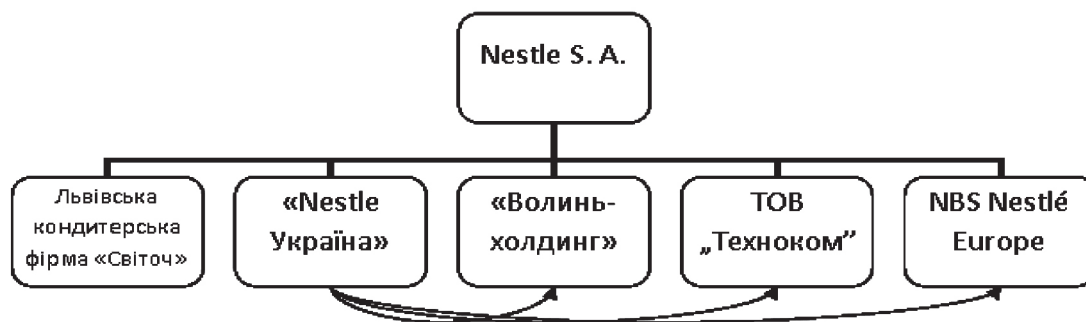


Figure 4. Structure of the company «Nestlй» in Ukraine

Source: the author's own development

Today the company owns 449 factories in 83 countries. The company has 265 000 employees. The products of «Nestlй» are presented on the markets of beverages, confectionery, culinary products, baby and special food, frozen food, ice cream, ready breakfasts, mineral and soda water, and food for pets.

If we talk about positive results of the activity of «Nestlй» in Ukraine, we should first of all mention investment into the economic, increase of the number of jobs and revenues into the budget (Figure 5).

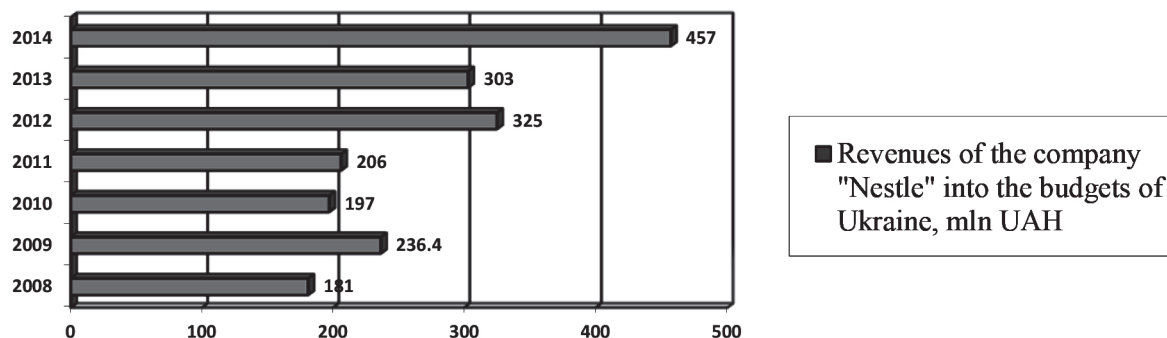


Figure 5. Revenues of the company “Nestl ” in Ukraine into the budgets of all the levels, mln UAH
Source: calculated by the author on the basis of [9]

So the food market of Ukraine is characterized by the following properties:

1. The movement of goods from producers to consumers is through indirect distribution channels, that is with the help of intermediaries;
2. The smooth operation of the channels mentioned above is supported by the producers by offering price discounts to intermediaries;
3. There is the increase of the number of producers who seek to distribute their products through direct distribution channels, that is without intermediaries;
4. The length of the distribution channels that operate in the food market of Ukraine slightly exceeds the length of the same channels that operate in other markets, that is, the movement of food products from the producer to the consumer often occurs with more than one intermediary;
5. Thanks to the large number of intermediaries, the infrastructure of distribution of food products is developed much better than in other markets of Ukraine.

DISCUSSION

Everything mentioned above allows us to distinguish the following problems of successful functioning of agro - food market of Ukraine:

1. Unfair competition in some local food markets;
2. The relations between the segments of agro - food market are not enough developed;
3. Distortions in the infrastructure of agro - food market of Ukraine;
4. The imbalance of interests of producers and distributors of food products;
5. The modification of functions in distribution channels in agro - food markets practically impossible;
6. A large number of failures in the ways the state influences the functioning of agro - food market of Ukraine.

CONCLUSIONS

The food industry takes the leading place in the structure of the national economy of Ukraine. The focus of its functioning is to meet the basic needs of the society members. According to the structure of the sold food products in Ukraine, the prominent place is taken by beverages, dairy and meat products and oil and fat industry. The largest production among the products of the last has sunflower oil. Over the last few years, Ukraine has become a leading manufacturer and exporter of sunflower oil in the world. The agro – industrial complex in general and food industry in particular can guarantee

a significant increase in GDP of a country and as a result improve its position in the world markets.

It is established that approximately ten thousand enterprises are involved in food production in Ukraine and they are located anywhere where there is a settlement. The analysis of the dynamics of food production indicates that they increased on most indicators for the period from 2012 to 2014. There was the decrease on the following types of products: fat cheese, flour and bakery products, sugar, chocolate, soft drinks.

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