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Trends of development of milk processing enterprises

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In the article the state of the production and processing of milk of Cherkasy region is presented, the structure of production of dairy products and channels of its realization by agricultural producers of the region were analyzed, the main factors of the influence on development of milk processing industry and key aspects of the competitive advantages formation of milk processing enterprises were defined.

Dairy cattle breeding – is traditionally an important and integral branch of agriculture, the development extent of which is a sign of the progress of the agricultural sector. Milk processing industry plays an important role in providing milk and dairy products for the population. Today, enterprises on producing and processing milk appeared in difficult situation. A gradual reduction in the number of cows affected production amount and sales of milk, the structure and assortment of dairy products are changed, the consumption of milk and dairy products reduced significantly.

To the problems of industry and its development priorities at different periods adverted domestic scientists: E. Baranichenko, B. Kaminska, L. Pavlovska, O. Prysyazhnyuk, D. Semenda, S. Tkachuk, A. Cherep and others. Some of them focus on the need of using productive reserves of increasing the work efficiency of these enterprises, others – organizational reserves. However, in the present conditions studied problems acquire a new topicality.

Research Methods. To address the posed objectives in article, general scientific methods of scientific knowledge and the study of economic phenomena were used. Theoretical and methodological basis of the research is the work of domestic and foreign scholars and practitioners. In this article, the following methods are used: abstract-logical and economic-statistical, monographic, method of comparison, tabular and graphic methods.

Research Results. Milk and dairy products market – one of the fast growing markets is open for new products and new technologies. During 2000-2005, the amount of dairy products in Ukraine increased by 2.1 times, but it was lower than terms of growth of production sectors of the beverage and tobacco products. In general, in the production of dairy products were involved more than 800 companies. In 2005, the share of dairy products in the total offtake of food industry amounted 14.9%. The annual growth of this sector remained until 2007. In 2008 the amounts of production of most dairy products decreased, or remained at the level of previous year. In the future, there is a negative trend to decrease in the production of dairy products [1].

Among the main factors that caused the reduction of the production of dairy products should be highlighted: gradual increase of imports, permanent restrictions on foreign markets, the decrease of purchasing power of population due to higher prices of dairy products, financial crisis.

From 2007 to 2012, the amount of dairy production decreased by 17.4%. Higher decrease was recorded only in the sector of processing and preserving of fruit and vegetables, as well as in the tobacco industry. In 2010, dairy production decreased by 12% with the total amount of sales 23.1 billion UAH. In recent years the trend of decrease in the amount of production of dairy products remained.

With the gradual reduction of production of dairy products, there are significant changes in the number and structure of industrial enterprises that produce it. In recent years the number of milk processing enterprises in Ukraine is steadily declining. Currently, the number of normally functioning dairy companies reduced to 210 units. Among them, only half can be determined as large. In some regions remained only 1-2 working enterprises. Against the closing of small and medium enterprises, large operators of the dairy market continue to increase the concentration of production. In terms of companies-manufacturers on the share of the largest twenty falls more than 75% of dairy market [2].

Milk processing sector includes several major segments, namely – the production of products from unskimmed milk: cheese, butter, dry milk products, canned milk, casein and ice cream, Table 1.

1. Geographic structure of dairy production

Product type	Regions
Processed runny milk	Vinnytsya, Kyiv (including Kyiv city), Dnipropetrovsk, Kharkiv, Poltava
Fermented milk products	Kharkiv, Kyiv (including Kyiv city), Dnipropetrovsk, Donetsk, Poltava
Butter	Vinnytsya, Zhytomyr, Khmelnytsk, Sumy, Chernihiv
Cheese	Poltava, Sumy, Cherkasy, Zhytomyr, Vinnytsya, Kherson, Chernihiv
Dry milk products	Sumy, Poltava, Kyiv

In Cherkassy region the largest production amounts are observed in the segment of products from unskimmed milk (runny milk and fermented milk products) and segment of cheese (Table 2). A segment of fermented milk products includes the following commonly used product groups: sour cream, kefir, yogurt, baked milk. Products of this segment are produced mainly for domestic sales. Trading group of fermented milk products is excelled by a wide assortment, and is in great demand. Cheese production is oriented both on the domestic and foreign market.

Thus, during 2008 – 2012 in the structure of dairy production of Cherkassy region dominated fat and hard cheeses, fermented milk products, Serum. Thus, the production of fat cheese increased by 725 thousand tons, hard – 208 thousand tons, fermented milk products by 653 thousand tons, serum – by 897 thousand tons.

2. Dairy production by types in the Cherkassy region, thousand tons *

PRODUCTS ASSORTMENT	2008	2009	2010	2011	2012
Dry milk and sour cream	8333	4764	4873	2698	3190
Fresh unfermented cheese and cottage cheese	3225	2370	2400	2478	2947
Products from cottage nonfat cheese	58	101	203	209	–
Products from cottage fat cheese	3167	2269	2197	2269	–
Fat cheeses	21970	2206	22360	20241	22695
Hard pressed cheese	20366	20455	20866	18396	20574
Cheese spread and grated cheese (not in powder)	1587	1561	1494	1845	1971
Milk and cream, condensed sweetened or without sugar	2555	1765	665	561	468
Fermented milk products	12799	8606	7913	7823	13452
Yogurt not flavored without fillers	–	–	–	–	–
Lapped milk and boiled fermented milk not flavored without fillers	–	–	–	103	274
Kefir not flavored without fillers	6096	4633	4553	4063	7249
Baked milk not flavored without fillers	1941	834	783	896	1899
Sour cream not flavored without fillers	2741	1441	1138	1281	2081
Fermented milk products not flavored without fillers	230	273	220	96	249
Yogurt flavored with fillers	1654	1071	818	824	1516
Buttermilk, drink made of buttermilk	137	354	401	560	184
Serum	10451	7284	9201	8962	11348

* Compiled by the author according to the Department of Agricultural-Industrial Development of Cherkasy Regional State Administration

At the same time, a decrease of milk production by 5143 thousand tons is observed, unfermented fresh cheeses and cottage cheese – by 278 thousand tons, condensed milk and cream – by 2087 thousand tons.

For the organized market the high level of milk processing is typical. According to IFCN (International Farm Comparison Network) global average share of income of milk to processing enterprises of the total production is about 60%. In developed countries it exceeds 80%. For example, in the European Union countries more than 95% of produced milk is processed. [3]

In Ukraine the share of processed milk is still much lower compared even with world average index. In 2010, for processing was received 42.1% of produced milk, and the rest was used for own consumption, direct sales or was lost. This level is much better compared to the end of the nineties – a period of revival of the milk processing industry when on processing was received no more than 20-23%

of produced milk. At the same time – much worse than the level of 1990, when nearly 75% of milk from all categories of farms was processed.

In recent years, the demand for raw milk on the part of milk processing enterprises formed under the pressure of deficit and falling of purchasing power of population. Under these conditions a slight increase of sales volume of finished dairy products and total demand for raw milk on the part of the milk processing enterprises is observed. Thus, farmers in Cherkasy region for 2008-2012 sold to processing enterprises – 239.6 thousand tons of milk, which is on 53 thousand tons more than in 2008 (Table 3).

3. Channels structure of milk sales by agricultural producers of Cherkassy region, thousand tons *

Index	2008	2009	2010	2011	2012	Deviation of 2012 to 2008
Sold in total	173	194,2	202,4	209,3	247,7	74,7
Including:						
to processing enterprises, including organizations of consumer cooperation	–	186,6	194,5	201,1	239,6	53
at the market	–	0,3	0,3	0,5	0,6	0,3
To population through the catering system and the bill of wages	–	0,3	0,4	0,4	0,4	0,1
In the bill of land and property shares	–	0,01	0,01	0,02	0,03	0,02
By other channels	–	7,0	7,2	7,3	7,1	0,1

* Compiled by the author according to the Central Statistical Office in Cherkassy region, [4]

The amounts of milk purchase for processing differ significantly depending on the region. Most of raw milk buy milk processing enterprises of Poltava, Vinnytsya and Kyiv regions and Kyiv city. In these regions, the total demand for raw milk is more than 60% of total production. In other regions, this index is much lower.

The most significant factor influencing the development of dairy industry is the external market. Ukrainian dairy market traditionally is directly dependent on global trends now the price situation for producer is positive. Growing of demand for dairy products, increasing of prices on feed component and energy make price reduction in the future unlikely. Despite the rising cost of raw milk at the domestic market, the price of the foreign market will provide a positive economic result [5].

However, due to the current price trend, increase of supply of imported products at domestic market is probable. Thus, Belarus – one of the largest exporters of dairy products in Ukraine, now quite successfully conducts intensification of its own dairy industry, which will allow the country by 2015 to increase export capacity by 45% to 5.5 million tons of milk and dairy products (recalculated as milk) [3].

It should be noted that some dairy producers, in the absence of available raw materials at the domestic market can also increase import of both raw milk and to replace some commodity items by imported dairy products using its own logistic and marketing resources. Under these conditions, taking into account the increase in rivalry, external market factor can also have an adverse impact on the development of domestic dairy industry.

Conclusions. The effective functioning of enterprises of milk processing industry that produce enriched with vitamins and other nutrients products is an important prerequisite for sustainable development of the country economy and provision of its population with food valuable for health. Functioning of such enterprises in market conditions objectively requires strategic orientation and perspectives of adaptation to the constant changes in both internal and external competitive environment, gaining advantages in the production of high-quality, affordable products.

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Annotation

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In the article the state of the production and processing of milk of Cherkasy region is presented, the structure of production of dairy products and channels of its realization by agricultural producers of the region were analyzed, the main factors of the influence on development of milk processing industry and key aspects of the competitive advantages formation of milk processing enterprises were defined. The results of researches confirm that in Ukraine, share of processed milk remains much lower compared to average global index. Functioning of milk processing enterprises in market conditions objectively requires strategic orientation and perspectives of adaptation to the constant changes in both internal and external competitive environment, gaining advantages in the production of high-quality, affordable products.

Keywords*: competitiveness, production volume, dairy production, processing enterprises, the purchasing power of the population.*