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116. Current state of the alcohol industry in Ukraine

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Introduction: Food industry is the main part of light industry of Ukraine. During the period of market economy reform in the food industry as well as in the alcohol industry, there are some changes that do not always have a positive effect. Therefore it is important to assess the current state of the alcohol industry and perspectives of its development.

The field of alcohol in Ukraine is a very profitable business. Today there is a monopoly state enterprise «Ukrspirt» on this market. Alcohol is used in more than 150 industries. The raw materials used for the production of alcohol are molasses, defective sugar, corn and potatoes. Most alcohol in Ukraine is produced from the sugar industry waste. The leading manufacturers are situated in Cherkasy, Vinnytsa, Kyiv, Chernihiv and Zhytomyr regions.

Resources and methods: Important changes in the alcohol have been done during the last two years. Alcohol plants that had been part of the group «Ukrspirt» were transferred to state-owned enterprises «Ukrspirt». Total thirty-eight alcohol plants have been transferred to SE «Ukrspirt» for today. [3]

At the moment alcohol is used for the production of liquor–vodka products. Hence, there is greater demand for grain alcohol. Up to 33 businesses throughout alcohol industry work in this area today.

Results: The alcohol market has lots of problems concerning the illegal production. The most effective way to fight illegal alcohol market is strengthening the protection of legitimate production. Manufacturers must use a variety of decal, holographic stickers. Also another problem for the official market of alcoholic beverages is a gradual decrease in the consumption of alcoholic beverages or replacement of legal vodka on home–brew.

Profitability of SE «Ukrspirt» in the first half of 2013 varied on the level of 14.4 % in decalitre of alcohol. In monetary terms, it is 15.6 UAH per decalitre or 1.56 UAH per liter.

Speaking about the performance of the SE «Ukrspirt» in 2012 a profit was about 120 million UAH. The company profitable if to compare with the concern «Ukrspirt» debt which was more than 1 billion UAH. Before each company was a legal entity and all alcohol plants competed with each other who would sell cheaper. Therefore we can assume that SE «Ukrspirt» is overcoming crisis.

At present the production potential of the alcohol industry in Ukraine is about 60 million dal of alcohol a year but the load of these enterprises is only 30 - 35% because of the moral and physical deterioration of equipment; not always competitive price for products in global markets and limitations of markets.

Sale of alcohol products is an important indicator of the alcohol industry. During the last few years sales of vodka and liquors have decreased. Sales of low alcohol drinks and brandies increased.

The price of products has a significant impact on sales of alcohol products. Total for 2011 – 2013 years, there is a tendency of growth of prices for alcohol containing products. The most are expensive cognac and brandy, the average price of which is 50.85 UAH per liter as of October 1, 2013. The second place is occupied by vodka and other strong alcoholic drinks. As of October 1, 2013 average cost of a liter of this type of product was 17.4 UAH. The cheapest among alcohol-containing products is ethyl alcohol and its average price for October 1, 2013 was 130.2 UAH/L.

As for export and import of alcohol products it should be noted that the share of imports of alcoholic beverages in the structure of imports of food products in January - July 2012 was 12.5%. The analysis of Ukraine's foreign trade in alcoholic beverages indicates a positive balance in trade in beer and alcoholic beverages with alcohol content of less than 80%. [2]

Over the next two years it is planned to restructure 29 alcohol plants. These plants will be engaged in the production of bioethanol and give about 360 thousand tons per year, which will significantly increase the level of energy independence. This will reduce energy imports mainly in light oil.

Since 2016 SE «Ukrspirt» and several private companies are planning to sell an alcohol to customers for the amount of about \$ 350 million per year. By 2014 SE «Ukrspirt» will be ready to produce 150 thousand tons of bioethanol per year. [1]

Conclusions: Concerning everything mentioned above, it can be highlighted that alcohol industry can be revived. In addition, the state has chosen the right way of development: the future – for alternative energy sources.

References

1. The Ministry of Economic Development and Trade of Ukraine. [Electronic source]. - Available with <http://www.me.gov.ua/>
2. The State Statistical Committee. [Electronic source]. - Available with <http://www.ukrstat.gov.ua/>