

## **ESSENTIAL PROBLEMS OF DEVELOPMENT OF MEAT SECTOR IN AGRICULTURE IN UKRAINE**

Currently, Ukraine's economy transforming under the influence of the integration process: mostly sectoral production transforming into a single production process. Thus, different in organizational and legal nature agro formations create a single agro-industry, which main task is to ensure food security and create export potential of raw materials and food. An important component of agriculture is farming which gross output unit, according to A.P. SabSuk, creates the conditions for the production of more than a dozen units in other sectors of the economy [1]. Analysis of research and practical papers suggests that one of the most important components of Ukraine agriculture is a grocery subcomplex which effectiveness consists of interconnected and balanced activity of integrational complex system "primary production - processing and marketing of finished product - consumption".

Based on the above, there is a need to study the essence of meat sector in agriculture as an economic entity, its structure, its current state, the functioning and opportunities for improving its efficiency since the results of its activity, primarily affecting the level of providing the population of Ukraine with meat and meat products.

Analysis of scientific papers confirms the existence of different points of view of scientists for determination the category of "meat sector". In our opinion, the meat sector is a complex integrational system "meat production - processing and marketing of meat products, including export-import - consumption" that interconnects and balances joint work of various sectors of the economy of Ukraine. Availability of technological and functional relationships in the meat subcomplex leads to the development of integration by combining the economic interests of producers of raw materials, procurers, spheres of processing, storage and marketing of meat products, as well as consumers.

To determine the functioning of meat producing subcomplex and opportunities of improving its efficiency it is necessary to consider its structure, starting with the

first component of the system - live- stock, that is production of beef, pork and poultry.

Political and economic instability of the last two decades adversely affected the livestock industry in Ukraine. Adopted in 1990s of transition from the concept of large-scale to small-scale production negatively affected the status and further development of animal husbandry, which can be seen in Table 1.

Dynamics of livestock and poultry in Ukraine for the period 1990-2010 years

Table 1

Years	Cattle, thousands of heads	% to previous year	Pigs, thousands of heads	% to previous year	Poultry, millions heads	%, to previous year
1990	25194,8	97.73	19946.7		255.1	
1991	24623,4	96.36	19426.9	97.39	246.1	96.47
1992	23727,6	94.64	17838.7	91.82	243.1	98.78
1993	22456,8	96.22	16174.9	90.67	214.6	88.28
1994	21607,3	90.22	15298	94.58	190.5	88.77
1995	19624,3	90.82	13945.5	91.16	164.9	86.56
1996	17557,3	89.47	13144.4	94.26	149.7	90.78
1997	15313,2	87.22	11235.6	85.48	129.4	86.44
1998	12758,5	83.36	9478.7	84.36	123.3	95.29
1999	11731,6	91.87	10083.4	106.38	129.5	105.03
2000	10626,5	90.66	10072.9	99.9	126.1	97.37
2001	9423,7	88.68	7652.3	75.97	123.7	98.1
2002	9421,7	99.97	8369.5	109.37	136.8	110.59
2003	9108,4	96.68	9203.7	109.97	147.4	107.75
2004	7712,1	84.67	7321.5	79.55	142.4	96.61
2005	6902,9	89.51	6466.1	88.32	152.8	107.3
2006	6514,1	94.37	7052.8	109.07	162	106.02
2007	6175,4	94.8	8055	114.21	166.5	102.78

2008	5490,9	88.92	7019.9	87.15	169.3	101.68
2009	5079	92.5	6526	92.96	177.6	104.9
2010	4826,7	96.82	7576.6	109.33	191.4	107.26
2011	4739,5	98.19	8039.6	106.11	202.1	105.59

This state of livestock associated primarily with loss-livestock production. Thus in 2010, unprofitable beef production is 35.9%, unprofitable pork production is 7.5% and meat production was also unprofitable with the index 0.5%. This result of activities in affected livestock has become a steady tendency of reducing the number of cattle and increasing the number of pigs in 2005-2006 and 2009-2010 (Table 1).

Steady tendency of reducing beef production and the unstable situation in pork production have led to a significant increase in demand for poultry, which enhanced the poultry market and was the result of changes in the structure of meat production in general. The increase in poultry production is achieved through its industrial production. The main factors are short operating cycle, the development of marketing infrastructure, improving of veterinary care, programs of quality control. Poultry production is more attractive than other types of meat production because the cost of feed to produce 1 kg of poultry is lower. Thus, for poultry feed conversion is 2-3:1, for pigs - 4-6:1. This fact causes a steady increasing tendency of poultry production. Analysis of theoretical and practical works on the development of domestic livestock could determine the main causes that negatively affect the development of animal husbandry in Ukraine:

- lack of investment attractiveness of the production of beef (required significantly more time to achieve conditioned weight than in production of pig or poultry);

- change in structure of the distribution of livestock between agricultural enterprises and private farms in favor of the latter;

- no material interest for breeding farms to grow high-quality young animals.

In order to stabilize and develop animal husbandry, its formation as a competitive industry requires a significant differentiation subsidies in livestock. Producers must be paid extra for sold cattle herds of good quality, for available breeding animals. According to Parhomtsya M.K. and Putsenteylo P.R. the priority of beef production is creation and restoration of fattening complexes in sugar-mill and distilleries. [3] It is also necessary to establish processing forage to obtain full feed using vitamin and mineral supplements and biological additives of domestic production, to create favorable conditions for bank capital in the agricultural sector. Should be applying more stringent protectionist measures against imports of poultry because, despite the low purchase price for domestic fowl (in comparison with other types of meat), the price of imported poultry meat is even lower [4].

An important part of meat producing subcomplex is meat processing and selling meat products, including export-import. Production structure of meat industry consists of more than 3,500 companies, mostly privately owned. The main types of industrial enterprises is meat-processing and packing factories which combine primary and secondary meat processing. Along with them there are meat processing plants refineries, factories and smoked sausage shops, where private households are suppliers of raw material, in terms of reducing the supply of domestic raw materials, it is easier for large businesses to find alternative sources of supply (direct import procurement, procurement through the official reserve etc.). A characteristic feature of these businesses is that they have developed system of distribution and logistics, and most of them have their own raw materials.

Expert appraisal meat industry specialist suggest that the type of production and product range is dependent on the capacity, allocation of raw materials and markets [8]. Activity of meat industry enterprises dependent on specific features, such as: complex structure of production which characterized by the heterogeneity of technology and logistics, limited lifetime of meat raw materials and finished products; uneven loading raw meat processing production, a wide and unstable range of finished meat products'

which depends on the current demand, the structure of existing materials and depends on the necessity of rational use of resources (using different technological operations

from the same amount of raw materials can be produced products of different quality and different amount).

In recent years, through the use of innovative technologies there is a gradual change in the structure of (the meat processing which shows up in increasing in the production of finished products and semi-finished products and a reduction in meat production. If in 2000, according to the State Statistics

Committee in Ukraine produced 175 thousand tons of sausages, in 2008 this index rose to 322 tons, due to the economic crisis in 2009-2010 index of sausages producing fell (in 2010 was produced 270.1 tons of sausages). Over the past two years, more than 45% of domestic meat cutting plants have stopped production others used only 15-30% of their production capacity. This situation caused by increased prices for material costs (during the last two years prices for the transport services rose by 21%, for water - 29%, for gas - 35%) and insufficient size of the domestic resource base. Producers had to satisfy lack of raw meat by imports. It should be noted that in the structure of meat import the largest part is taken by the poultry (58.8%). pork share - 38.1%. and frozen beef - 1.6%. To produce the sausage, beef and pork are needed in the proportion 30% to 70%. Poultry is only required for the production of cooked sausages and in amount from 5 to 10% of raw meat. [5] Thus, based on the analysis of imported and own raw meat can be confirmed that beef is a strategic resource for domestic producers of sausages.

All the above mentioned changes in the production of meat and meat products couldn't but effect on such an important component for meat cutting plants as exports of Ukrainian meat which consists of sausages and canned meat. If exports sausages in 2001-2004, was quite stable and was almost 100 tons, then since 2005 it has fallen significantly and 2010, the Ukrainian meat cutting plants exported sausages of almost 200 tons. This is due to the fact that the basis of sausages export are smoked and dry-cure sausages, and the fall in export in 2009 caused by increasing domestic demand for "expensive" sausages.

The development of meat industry depends on the selling system of meat raw materials and finished products. Nowadays the main features of such system are:

the lack of guaranteed sales of products, large number of intermediaries, and rules of cooperation with suppliers of meat products created by modern commercial enterprises that create the effect of monopoly.

The market cannot exist without the intermediaries, but the overall trend for Ukraine is that the number of agents exceeds reasonable limits: almost 60% of meat is selling to trade intermediaries. The main reasons that caused such number of intermediaries are: small farmers could not sell their products on a food markets, destroyed system of storage of agricultural surpluses, the unwillingness of producers to implement their products.

On the other hand, large retail chains are creating such conditions for cooperation in the market of meat and meat products, which contribute to its monopolization. Firstly, a lack of subscriptions received by commercial enterprises meat products and delay refund after its implementation. Secondly, setting an extra charge for meat and meat products. Thus extra charge for pork at retail in United States is only 4% the ratio between retail and wholesale release prices for pork in Ukraine is almost 50%. Considerable extra charge for meat reduces demand and more than 10% meat returned to meat cutting plants due to expiration of shelf life. Utilization of the returned product is made with their own funds, and this leads to increasing production cost. Nowadays, agricultural raw materials producers are not satisfied with prices, processors are not satisfied with extra charge of retailers and buyers are not satisfied with the rising prices. Ukraine has considerably less trading area per buyer than in EU countries, so increasing the number of traders will exacerbate competition, which may lead to lowering retail prices for meat and increasing demand.

The global economic crisis caused a significant rise in prices for raw meat, which affected on the production profitability of meat products and limited amounts of its production, and the sharp drop in welfare in Ukraine affected the amount of consumption of meat. The price index for consumer goods and services in 2008 was 122.3%. the most expensive were meat and meat products (34%). Further reduction of welfare provoked decreasing demand for meat products and it affected on the amount of its consumption. The analysis of meat and meat products

consumption for the average Ukrainian in 2000-2010 indicates a tendency to increase the consumption of meat in 2001-2008 and in 2008 it achieved the level of 50 kg. This is the best index for a given period, but it is below the normal physiological human needs in meat products and lower than the level of consumption in 1990 (68 kg).

Nowadays the lower consumption level of meat and meat products (in 2010, meat consumption was almost 49 kg) caused by the economic inaccessibility of this product to the population of the country due to low personal income. So for Ukrainian citizens with the lowest incomes actual foodstuffs consumption is about 2/3 of the physiological norm, and consumption of meat is less than half of the physiological norm of nutrition. This problem may be solved by the elimination of significant differentiation in incomes of the population.

**Conclusion.** Due to the significant problems in the meat sector the effective ways of solving them must be found. It could be an effective public policy that focused on providing the country's population and national meat cutting plants with local produced meat. Improving the current system of state regulation includes: improving actual normative acts considering the requirements of international organizations, improving normative acts of standardization and certification of animal husbandry products; regulation of the procedure of bankruptcy and reorganization of enterprises, organizing support to producers of beef and pork, providing cheap 5-10-year loans (3 interest or even interest-free) for producers of beef and pork. creating a single state land bank, which would satisfy the financial needs of farmers on favorable terms, with certain obligations, changes in social policies to reduce income differentiations of the population.

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