

# REVIEW OF DEVELOPMENT OF AGRICULTURAL PRODUCTION AND FOOD RETAIL INDUSTRY OF UKRAINE

Tatyana Mostenska

**Abstract.** *In the article we consider an agriculture as the supplier of raw material for the enterprises of the food-processing industry, therefore we shall make the short review of an agriculture. The main task that stands before industries of agro industrial complex is the growth of agricultural production, reliable providing of the country by food stuffs and agricultural raw material, association of efforts of all industries of complex for the receipt of high eventual results, to give possibilities of product output of agro industrial complex of Ukraine to the world market.*

**Keywords:** *agriculture production, food retail industry, Ukraine.*

## Introduction

Overcoming of deep economic crisis is related to transition to the markets relations, with the removal of state monopolism and the development of perfect competition in all spheres of agro industrial complex. In basis of market transformations in agro industrial complex the fixed program of privatization, and for agricultural enterprises is the creation of new economic structures on principles of peculiar on property and earth.

Creative and labour activity of man is determined by not only public freedoms and legal protected but also qualities of life the basic index of which is the health of separate man and all society comes forward. And a health depends from the state of health protection and qualities of food state of natural environment, comfort of habitation and workplace, organization of rest and level of public welfare. Principle must operate in all spheres of economic activity: it cannot be effective that harms to the man. That is why managers must take into consideration not only a traditional economic effect but also harm inflicted to nature and health of man.

## Agricultural output

All comparisons in the Ukrainian statistics are made concerning indicators of 1990 as it was the year of the most effective development of a national economy. Apparently, all indicators on agricultural output are inclined to significant fluctuations during the period which is considered (table 1). The state of agricultural production determines manufacturabilities food stuffs. Production of agricultural goods is inclined to considerable vibrations on years, that it is possible to explain by both subjective and objective reasons.

Table 1 Agricultural output

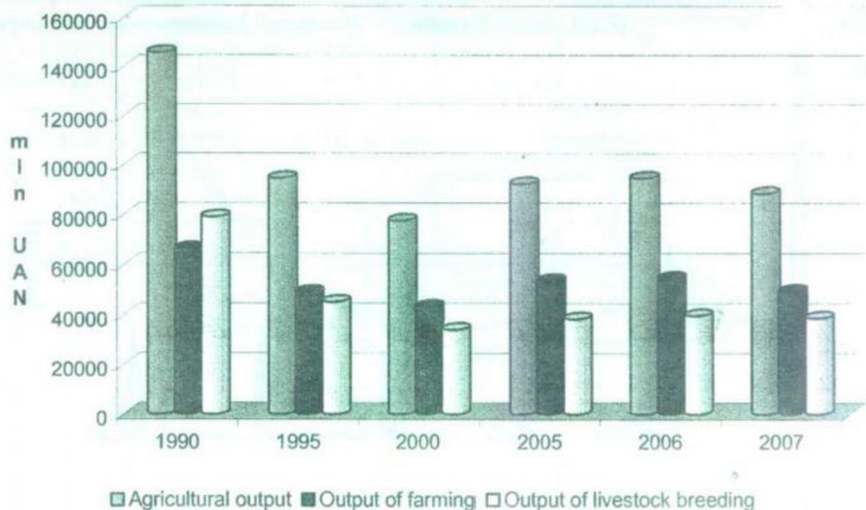
(at comparable prices of 2005; UAH million)

	1990	1995	2000	2005	2006	2007
<b>Agricultural output</b>	<b>145875</b>	<b>94795</b>	<b>77889</b>	<b>92586</b>	<b>94895</b>	<b>88769</b>
<b>Output of farming</b>	<b>66560</b>	<b>49371</b>	<b>43573</b>	<b>53976</b>	<b>54909</b>	<b>49718</b>
Grain crops	21303	13357	10096	16158	14746	12297
Industrial crops	11992	8033	5632	7873	10152	8532
Potatoes, vegetables and cucurbitaceous crops	16607	16676	20811	23062	24172	22249
Fruit, berries and grapes	6238	3835	3566	4220	2905	3546
Feed crops	9097	5150	2535	2208	2055	1853
Other products of farming and change in work-in-progress	1323	2320	933	455	879	1241
<b>Output of livestock breeding</b>	<b>79315</b>	<b>45424</b>	<b>34316</b>	<b>38610</b>	<b>39986</b>	<b>39051</b>
Cattle and poultry	46613	22567	16881	18288	19876	20197
Milk	25023	18029	13325	14552	14089	13011
Eggs	4812	2834	2670	3983	4345	4923
Wool	165	78	16	15	15	16
Other products	2702	1916	1424	1772	1661	1534

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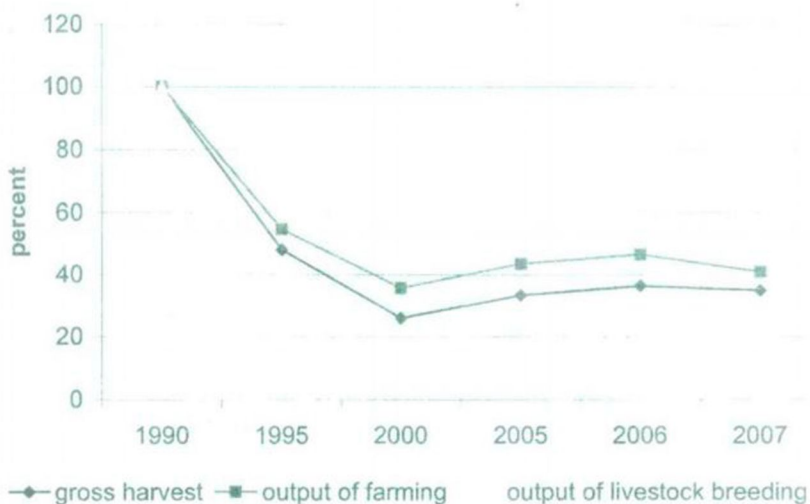
Overcoming of destabilization of agricultural output is possible by reformation. Reformation of economy, privatization processes of privatization and privatization requires the study of experience of functioning of economic structures with the different patterns of ownership. Privatization of the property of enterprises of agro industrial complex is mainly completed. However the search of effective ways of reformation of agro industrial complex of Ukraine lasts.

The crises phenomena which were characteristic for 1993-1997 years considerably worsened the indexes of economic development of all industries of economy. It was reflected and on agricultural production. By swift rates the grants of the state grew short in development of stock-raising, that at first and resulted in the fall-off of production volumes of agricultural goods (fig.1).



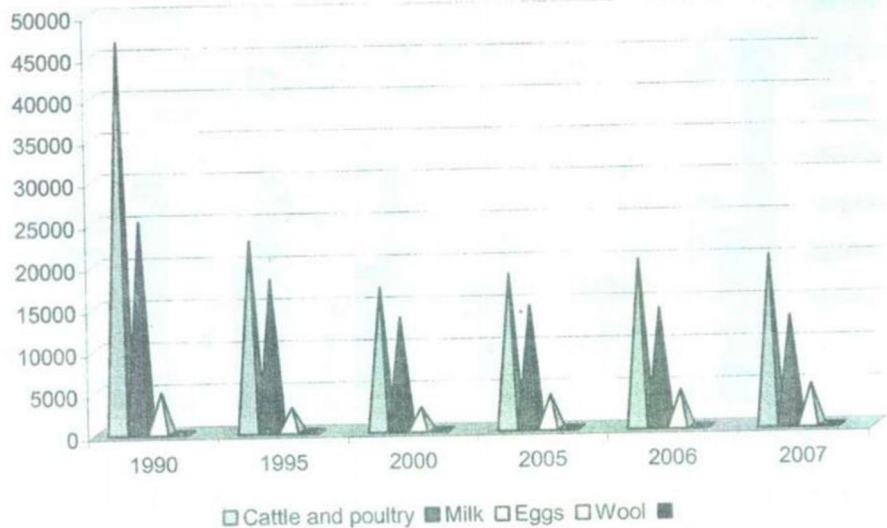
**Fig. 1. Agricultural output**

For the last two years the tendencies of decline of agricultural production volumes are also characteristic (fig.2). Only 2 indexes 1990 years were exceeded in 2007: this production of potato and sunflower (oil-bearing cultures).



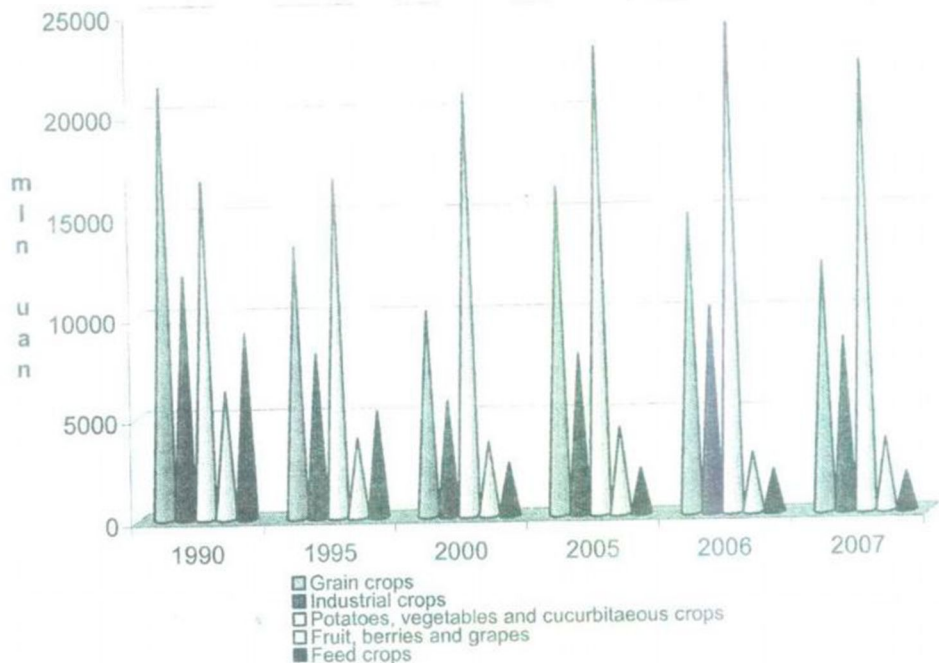
**Fig. 2. Agricultural production indices, by category of enterprises**

The most rapid rates of falling are demonstrated by the livestock breeding (fig.3). More than in 2 times production of meat diminished and almost in two times is production of milk. Reduction of total number of livestock of sheep became the reason of the tenfold diminishing of production of wool (for period which passed after disintegration of USSR).



**Fig.3. Output of livestock breeding**

Output of farming is also characterized by diminishing of volumes in comparable prices. But the rates of falling are in this case slower (fig.4).



**Fig. 4. Output of farming**

It is necessary to notice, that escalating of volumes of output is basically achieved due to intensive development of a private sector. On a background of intensive falling of volumes

of output, large agricultural manufacturers, almost 60 % of the agricultural holdings of the population, give essential increase in volumes of output (fig.5).

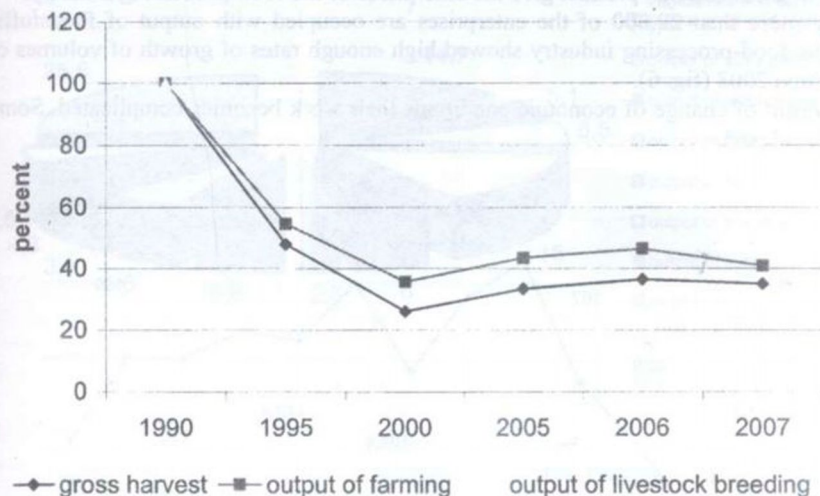


Fig. 5. Agricultural production indices, by category of enterprises

Per capita production of basic agricultural products is submitted by the following figure. By many kinds of products output exceeds domestic requirements of Ukraine. They are: milk, eggs, grain and olive, potatoes, vegetables. Below necessary level is output of meat, fruits, berries and grapes (tab.2).

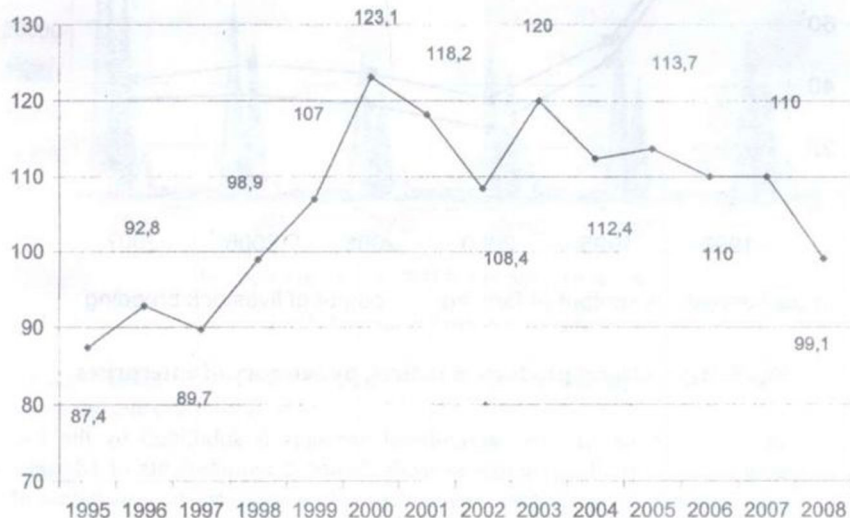
Table 2 Per capita output of basic agricultural products

	(kilograms)					
	1990	1995	2000	2005	2006	2007
Agricultural output, UAH	2811	1840	1584	1966	2028	1909
Output of farming, UAH	1283	958	886	1146	1173	1069
Grain crops	983	659	497	807	732	630
Sugar beet	853	576	268	328	479	365
Sunflower	50	56	70	100	114	90
Potatoes	322	286	403	413	416	411
Vegetables	128	114	118	155	172	147
Fruits and berries	56	37	30	36	24	32
Grapes	16	9	10	9	6	8
Output of livestock breeding	1528	882	698	820	855	840
Meat (slaughter weight)	84,0	44,5	33,8	33,9	36,8	41,1
Milk	472,3	335,3	257,4	291,1	84,0	263,6
Eggs, pcs	314	183	179	277	304	302

In recent years the output of foodstuffs is growing the greatest rates. In industrial production on a share of food production 15 % of total amounts are necessary. Almost 7 % of total receipts in gross national product give the enterprises of the food-processing industry.

Today more than 22,000 of the enterprises are occupied with output of foodstuffs. Since 1999 the food-processing industry showed high enough rates of growth of volumes of output, exception 2008 (fig. 6).

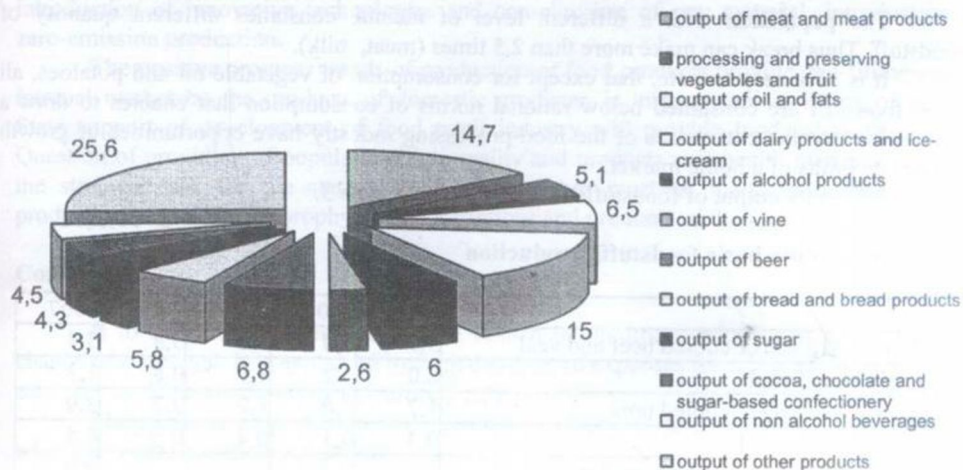
As a result of change of economic conditions their work becomes complicated. Some of them will be closed.



**Fig 6. Output indices of enterprises producing foodstuffs, beverages and tobacco products, percent of the previous year**

In the first quarter 2009 there was a falling volumes of output in comparison with the similar period of the last year, and on result of 5 months - insignificant (up to 1%) increase in indicators of development of the branch.

In 2008 the enterprises of branch turned out finished products for the sum of more than 110 billion grivnas. In this volume of output, the greatest densities - 15 % (more than 16,5 billion) occupies output of milk and ice-cream, 14,7 % - output of meat, 6 and hardly than 6 % - output of vegetable oil, bread and bakery products, alcoholic drinks and beer, there are more than 7,4 % - output of tobacco products (fig.7).



Total output—110305.9 mln UAH

Fig. 7. Structure of output of selected types of products by foodstuffs and beverages

Dynamics of output of separate kinds of products is submitted by the following tables.

Table 3 Output of selected types of products by foodstuffs and beverages

(thsd. tonnes)

	Cheese with high fat content	Flour	Granulated sugar		Wine "Champagne" <sup>1</sup> , mln. dal	Beer, mln. dal	Soft drinks, mln. dal
			total	of which sugar beets			
1990	184	7671	6791	5388	3,7	138	151
1995	73,5	5319	3894	3500	4,8	71,0	37,0
2000	67,5	3076	1780	1552	3,4	108	67,4
2005	274	2943	2139	1900	4,4	238	169
2006	217	2655	2592	2574	4,5	268	176
2007	246	2908	1867	1867	5,4	316	196

<sup>1</sup> Prior to 2002 (inclusive), including sparkling wines

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In Ukraine, in spite of the fact that the level of incomes of the population gradually grows in structure of the population expenditure, an expense for purchase of foodstuffs are great enough.

At reduction in incomes of the population, food expenses fall more slowly and thus their densities in structure of expenses increases.

For Ukraine essential differences in a level of incomes of different groups of the population are characteristic. Remains enough the big break in incomes of the population city and rural, thus the structure of charges also differs.

The population with a different level of income consumes different quantity of foodstuff. Thus break can make more than 2,5 times (meat, milk).

It is necessary to note, that except for consumption of vegetable oil and potatoes, all other foodstuff are consumed below rational norms of consumption that enables to draw a conclusion that the enterprises of the food-processing industry have opportunities of growth within the limits of a home market.

Per capita output of foodstuffs is submitted on a table 3.

Table 3 Per capita basic foodstuffs production

	2003	2004	2005	2006	2007
Fresh (fresh-killed) or cooled beef and veal	3,9	3,0	3,0	3,3	3,4
Frozen beef and veal	2,0	1,2	1,1	0,8	1,3
Fresh (fresh-killed) or cooled pork	1,7	1,6	1,7	2,7	3,9
Frozen pork	0,4	0,3	0,4	0,5	0,5
Fresh or cooled meat and high quality poultry offal	2,7	4,2	5,8	6,9	9,9
Frozen meat and high quality poultry offal	0,8	0,8	1,2	2,1	1,9
Sausages	5,7	7,0	6,6	6,4	7,1
Ready-to-cook meat products (including poultry)	1,5	4,6	3,0	3,2	3,8
Fruit and vegetable juices and nectars	8,4	10,0	14,3	15,9	23,2
Canned natural vegetables	1,9	2,1	3,2	3,4	2,2
Jams, fruit jelly, fruit and nut purees and pastes	1,5	1,3	2,0	1,7	1,8
Non-purified sunflower seed oil	26,3	28,3	29,3	43,2	48,0
Margarine and similar products	5,2	5,9	6,4	6,4	6,8
Skimmed milk	13,5	15,1	18,3	17,5	18,6
Cream	0,2	0,5	0,5	0,3	0,3
Butter	2,92	2,4	2,5	2,2	2,2
Fat spreads and mixtures	...	1,1	1,7	1,7	1,8
Non-fermented fresh cheese and sour milk curd	1,2	1,5	1,8	2,0	2,0
Cheese with high fat content	3,6	4,7	5,8	4,6	5,3
Sour milk products	8,9	9,9	10,6	11,2	11,5
Bread and bakery products	48,8	48,6	48,1	46,0	43,7
Granulated sugar	52,0	45,2	45,4	55,4	40,1
Chocolate and other finished food products with cocoa content in briquettes, plates or bars	4,3	5,1	6,0	6,5	7,1
Sugar confectionery (including white chocolate) without cocoa content	6,1	6,5	6,1	5,2	5,5
Macaroni without filling and heat processing	2,3	2,1	2,2	2,3	2,3
Natural mineral spring waters	1,3	1,6	3,1	3,3	7,0
Natural mineral fizzy waters	16,6	16,3	21,3	24,7	28,3
Soft drinks	26,1	29,6	35,9	37,7	37,1

Positive dynamics of production of food stuffs per capita demonstrate all industries of food retail industry. It is the result of growth of production volumes, it is related to expansion of internal market and output of many producers to the oversea markets. Growth of export potential of industry enables to form positive point-of-sale balance on food products. Possibility of development of enterprises of food retail industry is provided by

introduction of innovative technologies and complex use of raw material, introduction of zero-emission production.

The positive progress trends of production of food products provide gap-fillingness of internal market by the products of domestic producer, is instrumental in filling of budget. State support of development of food retail industry will provide food safety of country. Question of providing of population high-quality and products safe-health man must become the strategic task for the state. Considerable pushes must be made to development of production of goods with prophylactic descriptions and products of the functional setting.

### **Conclusions**

If to speak about prosperity of the branch in conditions of crisis it has the highest chance of a survival. It is explained by high densities of expenses for foodstuff in the common expenses of domestic economy (of farming enterprises).

The decision of problems will promote to effective development of food industry, what now characteristic for her, namely:

- 1) a condition of a raw-material base of the enterprises (unpredictable changes of a policy of the state leads to sharp fluctuations of the agricultural offer on the market);
- 2) reduction of the offer leads to an aggravation of a competition in the raw markets and accordingly to growth of the price;
- 3) carried out our researches testify to very high level of elasticity under the income and cross elasticity;
- 4) decrease in a level of incomes leads to decrease(reduction) in consumption by higher rates;
- 5) in conditions of low incomes in commodity pairs (commodity substitutes) there are practically all foodstuffs;
- 6) by virtue of traditions of consumption the least rates of falling will be characteristic for baking branch, the highest - for meat and dairy.

Development of agriculture and food retail industry in Ukraine has beautiful prospects. It is explained by the natural and climatic terms of country, size of internal market and meant export potential of these industries of national economy.