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ANALYSIS OF TRENDS IN THE DEVELOPMENT OF DOMESTIC MARKET OF MILK AND DAIRY PRODUCTS

The article analyzes the main trends of modern domestic market in milk and dairy products using basic statistical indicators of the industry. The author analyzes the problems of the domestic market of milk and dairy products and focuses on the critical situation of the industry.

The dairy industry is one of the leading industrial structures of Ukraine. Prospects of development and operation always are extremely important, because dairy products are particularly valuable and irreplaceable food of any person. The share of dairy products is about 15% of total expenditure on food. Unfortunately, in recent years, as well as most sectors of the food industry, the dairy industry is in critical condition (lack and poor quality of raw materials, prices for dairy products, formation of unfavorable world market of dairy products, etc.). The study of the current condition and possible trends of the industry requires a statistical analysis of the main performance indicators of its activity.

The author identifies a few key reasons of negative impact on the industry. Firstly, lowered purchasing power and reduced the de-

mand of the domestic market for milk and dairy products. In the long term prices for dairy products have grown faster than incomes. This led to the fact that in 2011 there was a decrease in production of cheese and fresh dairy by 7.1% (77.8 thousand tons) compared to the previous year; of cheese – by 6.3% (213 thousand tones), dairy products – by 2.6% (477 thousand tones). Therefore, annual consumption of milk and dairy products lowered. Secondly, efficiency of dairy cattle lowered. Despite last year's high prices of milk, the industry is little attractive to business executives. When in May 2012, the average purchase price of raw milk produced in farms totaled 2.6 thousand UAH/ton, in October it reached 3.8 thousand UAH. According to comparative assessment of market experts, the average price of milk in 2014 was 31.1 per ton, which is 61% higher than in the previous period, and the price is higher than in Eastern Europe (22-29) and countries - major producers of milk such as Brazil (29.5), USA, New Zealand (27.1). Milk produced in farms in the domestic market cost much less. During the last year it averaged 1.5 to 2.9 thousand UAH/ton. Howev-

er, even this price situation does not provide the proper level of efficiency. According to official statistics, the profitability of milk production according to the last year will not exceed 10%. These are the results of dairy farming complicate even simple reproduction industry, not to mention its advanced development. Thirdly, demographic reasons cause a rapid reduction in the number of private households. This process is explained as a general decrease in the rural population and the fact that heavy daily work related to cows and milk production is becoming less attractive to rural youth.

Today in Ukraine there are 499 enterprises controlled by the State Veterinary Service, engaged in production of raw milk, finished products and their exports. According to the summary data of spatial distribution, 412 enterprises are engaged in production of raw material and

410 manufacture the finished product. According to experts, the possibility of the domestic producers to access to international markets is determined by their willingness to manufacture with application of international standards. This also determines and competitive advantages in the domestic market.

Ukraine should continue to export its raw milk and dairy products. Given the current situation with their quality, there is the view that exports can be made not only to the EU but also to the Middle East and the CIS countries (Russia, Kazakhstan, Georgia) lacking these products. As the main export is skimmed milk powder and whey powder, it is necessary to provide the expansion of sales of dairy products, which can benefit from its positioning in the CIS markets. Visual ratio of enterprises is analyzed by different activities in terms of spatial distribution.