

THE PROBLEM OF DAIRY INDUSTRY DEVELOPMENT AND ITS REGULATION TO ENSURE FOOD SECURITY OF UKRAINE

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Анотація. *Присвячено розробці теоретико-методичних засад регулювання розвитку молочної промисловості, а також практичних рекомендацій щодо напрямів удосконалення моделі регулювання з метою забезпечення продовольчої безпеки України. Було визначено склад детермінант, що впливають на формування моделі регулювання розвитку галузі. Визначено тенденції розвитку підприємств молочної промисловості України. Проведено комплексний аналіз поведінкоутворюючих факторів на ринку виробництва і реалізації молочної продукції та здійснено динаміку структури ринку. Здійснено ідентифікацію міжорганізаційних конфліктів на ринку молочної промисловості, що дозволяє не лише ідентифікувати причини деструктивності галузі, а й виявити приховані процеси на ринку.*

Ключові слова: *молочна промисловість, продовольча безпека, галузевий розвиток.*

Abstract. *Thesis researches the development of theoretical and methodological principles in managing the development of dairy industry as well as develops practical recommendations as for the ways to improve the regulation model aimed at ensuring an efficiency of the competitive environment. There had been determined the set of determinants that influence the formation of the market/branch regulation model. There had been determined the tendencies for the development of dairy industry enterprises in Ukraine. Complex analysis of the behavior-formation factors on the manufacturing market and market for dairy products, as well as the dynamics of market structure had been made. There had been made the identification of inter-organizational conflicts on the market of dairy industry, that allows not only to identify the reason for destructiveness within the brunch, but to reveal the hidden processes on the market.*

Reference words: *dairy industry, food security, branch development.*

Development of the food market is an important component of regional, national and world economy. Food provision to the population has always been the important matter of national, economic and food safety of the country. Functioning efficiency as well as quality and volumes of consumption determine the level and the quality of population lives. World tendencies, such as increase in population, urbanisation, increase in income per person force to increase the volume of milk production and cattle, correspondingly, which is impossible without the constant development of farming which adapts its structure and forms to the world tendencies. The rate of growth of the dairy industry clearly demonstrate the economic and social development of any country as well as its agriculture.

the development of dairy industry is a strategic prerequisite for the development of national economy. Strategy implies the simultaneous development of the following branches along with dairy industry: development of agriculture; stockbreeding; farming; development of rural arrears; food specialisation of rural arrears; ensuring workplaces; satisfaction of consumer need; consumption of milk following the standards. Therefore the issue of regulation of the development of dairy industry aimed at ensuring food security solves both, economic and social problems of national economy.

The development of dairy industry of Ukraine is an integral part of the development of national economy, which is stipulated for by the two peculiarities which are historicity and multi-staged background of the branch. The first peculiarity implies that cattle housing is usual for rural territories in Ukraine for satisfaction of own needs and for processing. Multi-staged background of the branch implies the dairy raw material manufacturing on individual farms; milk collection, milk processing, manufacturing and selling the own agricultural products. On the other hand, the multi-staged background of the branch may also imply that it consists of butter and cheese production, tinned milk production as well as products from milk creams.

Food security issue is paid adequate attention on the national as well as on the international level. A range of world international institutions provide for the regulation of the food security. These include Food and Agriculture Organization (FAO), United States Department of Agriculture (USDA), European dairy products association etc., Food security is usually evaluated by the integral indexes of food security and starvation. Despite the significant regulation of the food security on the international level, we also may emphasize the negative tendency, which shows that together with an annual increase in food production and raw material, and considering the fact that these volumes are not substantiated, which means that there is an overproduction which leads to excess, the part of starving population also increases. This overproduction leads to negative consequences of global relevance: constant accumulation of food wastage, wastage after the manufacturing process, wastage after manufacturing raw materials, which results in significant economic, ecological and resource wastes with further adverse social effect.

The current level of food security in Ukraine does not exceed its threshold. Dairy industry is currently very well supplied with raw materials for ensuring the sufficient level of dairy products for the population, though Ukraine has lost its world export capacity. In accordance with FAO statistical data and reports, Ukraine holds its 6th place in the world on dairy products. Considering the potential of the 1990, Ukraine lost its leading positions.

Apart from that, Ukraine is starting to face the other pressing issue on the national level which influences the level of food security – the quality of food. According to the Law of Ukraine «On food security» the basic foodstuff, milk, in particular, is the main source of micronutrients, proteins, and fats. And national domestic food does not meet the standards, contain preservatives and impurities which are banned by the legislation of the developed European countries. Undoubtedly, the systematic consumption of such food causes harm to people's health. The above stipulates for the relevance of the study and mainstreams the issue of dairy industry regulation aimed at ensuring the food security.

On the base of the authors questionnaire the paper presents the following hidden processes: purchase mispricing of the dairy raw materials; difference in prices for the finished product and raw materials; cost price for raw materials manufacturing; inefficient subsidies for housing cattle and for the milk received; poor motivation of the workers; absence of price differentiation for high-quality raw material; manipulations of the processing industries and intermediaries; price-fixing of the manufacturing enterprises; price discrimination; absence of contract regulation; influence of seasonality on the manufacturing sphere only; absence of market for finished products in the rural territories.

The above issues form the background for the formation of latent vertical conflict which covers the market participants of different levels, that is, it influences the industry in general. There had been built the conflict scenarios, which consists of three components: interest, subject of the conflict, and real situation. There had also been singled out the main participants of the conflict: intermediaries; farm; large-scale enterprise on milk production; milk processing industry; individual farms; village society. We have to emphasise, that the question of dairy industry interest is its efficient functioning and development. The subject of the conflict: low raw material price; poor state support to the milk production sector; raw material low quality; reduction of milk production; subsidy support; real state: decrees in level of food security. Economic interests, which are presented in the built scenario of the vertical conflict in dairy industry serve to the self-interests of each participant. There is no trade-off, and we also observe the absence of common interest, which could improve the development of dairy industry and competitive environment. Such behaviour and strategic decisions lead to the worsening of conflict situation and transfers into the latent situation. The further situational judgements over this conflict on the state level does not improve the situation in the brunch.

Under the conditions of uncoordinated actions on the common market somebody's winning will alternate with somebody's losing. Therefore we assume that the interests of all levels must be united by one strategy, which is suggested in the third part of the research, and this is the scientific conceptualisation of the development strategy for the dairy industry.

According to the author, the unique strategy for the development of dairy industry has to consist of the national development strategy; strategy of branch development; regional development strategy and development strategy for competitive environment. It has to be emphasised that such development regulation appears functional under comprehensive ideology, that is, under common development vector of such regulation, acceptable for all market agents. The more agents share this ideology, the more chances these regulations have to be approved by the society. Ideally such ideology has to be supported by all the agents groups, and this appears to be the only criteria of the regulation policy. The above strategy has to become the

only option and the only objective of the branch development, which efficiency directly depends on coordination of its components.

Regulation of the competitive environment for dairy industry has to proceed from the dialectical interrelations of categories, such as «organisational behaviour», «competitive environment», «market dynamics», «state of the market», with the consideration of purpose of competition regulation. The latter, in turn, have to be based on different levels (consumers, manufacturers, state), determined by the influencing character of competition upon the behaviour of market participants and functionality/disfunctionality of competitive environment. Each component shall be realised as a separate subsystem with inherent peculiarities of structure, functions and existing norms, which reflect the development process as the system of market interrelation. For the simulation of the efficiency in dairy industry regulation, there had been suggested the matrix of the organisational behaviour which allows to substantiate the most acceptable type of development and regulation under different conditions. Specific state of competition responds to the stage of market development, that is, the “conflict stage” with its destructive influence on the industry leads to poor development without the execution of regulative policy and modification of competitive environment.

We assume that the overall mechanism of competition influences upon the mechanism of regulation for the development of dairy industry is realised through:

1) peculiarities of market state; 2) stage of realisation of market functions; 3) mechanism for market functioning.

The main institutional changes which will result in development of dairy industry are based on the principles of decentralisation, state arbitrary, development of rural societies and territories, competitive policy of the country.

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