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**MANUFACTURE OF MILK AND DAIRY PRODUCTS IN A REGION:  
STATE AND PROSPECTS****ВИРОБНИЦТВО МОЛОКА ТА МОЛОЧНОЇ ПРОДУКЦІЇ В  
РЕГІОНІ: СТАН ТА ПЕРСПЕКТИВИ****Mushtai V.A./ Мухтай В.А..***c.e.s., as.prof. / к.е.н., доц**Sumy National Agrarian University, Sumy, st. G.Kondratieff 160, 40021**Сумський національний аграрний університет, Суми, вул. Г.Кондратьєва 160, 40021*

**Abstract.** *The work emphasized the need to solve the problem of creating a balanced agricultural production and proved that the dairy industry, like most food industry branches, is in a crisis situation today. It is determined that this situation is due to certain factors, in particular, there is a shortage and poor quality of raw materials, a rise in prices for dairy products, which clearly outstrips the growth rate of household incomes, the absence of a favorable market situation for dairy products, etc. In order to mitigate the impact of identified factors and ensure the profitability of agro-industrial enterprises, modernization is proposed in the direction of business development, the introduction of innovative technologies in production, as well as the development of social infrastructure and development of rural areas.*

**Key words:** *food products, dairy industry, consumption, dairy products, dairy industry, raw material base, quality of raw materials, market, supply, solvent demand, consumption norms.*

**Introduction.**

The dairy industry is one of the leading places in the structure of the country's economy. Given the fact that dairy products are extremely valuable and irreplaceable food for any person, and her condition, functioning and further development are always extremely relevant. We believe that today it is very important to give the characteristics of the current state of the milk and milk products market in the Sumy region, more precisely, the effectiveness of its formation and functioning, which determines the provision of the population of the region with high quality dairy products at the expense of mainly domestic sources, which in the future will lead to a gradual reducing dependence on foreign producers and improving the structure and dynamics of their consumption.

**Basic text.**

Solving the problem of creating a balanced agricultural production in any country suggests that the first task in this regard is to ensure the so-called "food safety", which, in turn, is a guarantee of society's survival. This goal is realized through the provision by the state of its own food of the proper quality [1, p. 601].

The analysis of the situation on the regional market of milk and dairy products in the last period makes it impossible to draw definitive conclusions. Analyzing the production of milk for the period from 2010. to 2016, it was established that the structure of regional production does not exceed 4.0% and varies from 3.72 to 3.99% during the research period (table 1).

**Table 1****Milk Production for 2010 - 2016**

(at the end of the year; thousand tons)

Years	Sumy region	Ukraine	Percentage of regional production, %
2010	430,5	11248,5	3,83
2011	418,5	11086,0	3,78
2012	427,3	11377,6	3,76
2013	427,3	11488,2	3,72
2014	427,1	11132,8	3,84
2015	417,6	10615,4	3,93
2016	414,6	10381,5	3,99
Average annual growth, thousand/ton	-2,7	-144,5	-
Average annual growth, %	-0,5	-1,0	-
Deviations, +/- (2016-2010)	-15,9	-867,0	-

*Source: compiled by the author on the basis of [2,3]*

Thus, the average annual reduction in milk production in absolute and relative terms in the oblast and in Ukraine was 2.7 thousand tons or 0.5% and 144.5 thousand tons, or 1.0%, respectively.

Investigating the dynamics of milk production in terms of categories of farms in the region, it is possible to argue that the negative dynamics in the reduction of milk production is due to the decrease in milk production in the private sector (households) in the total volume of production of this product. Thus, the volume of milk production in farms of all categories in 2016 in comparison with 2010 decreased by 15,9 thousand tons (3,7%), but in agricultural enterprises the volume of production increased by 40,4 thousand tons. or 28.3%. In the private sector, milk production, by contrast, declined by 56.3 thousand tons, which is 19.6%. Despite the situation, the economy of the population still retains a large share in the overall production of milk in the Sumy region. This, of course, affects the quality of the raw material, because it involves the use of manual labor, difficulties in both production and marketing. In particular, in 2016, the share of milk production by agricultural enterprises amounted to 44.2%, and households - 55.8%, which is less than in 2010 on 11v.p. Consequently, since farms produce 55.8 - 66.8% of milk, its production in this sector is undoubtedly the determining factor.

At the present stage of the development of a market economy, the problem of agricultural production and the formation of prices for it is of exceptional importance. The conditions of competition lead the agricultural enterprises to seek ways to ensure the profitability of their activities, one of the main is the creation of an actively operating system of sales [4, p. 54].

In 2015, from all categories of agricultural producers in the Sumy region, 190.7 thousand tons of milk and dairy products were received from processing enterprises, which is for 120.2 thousand tons less compared to 2010. Share of agricultural enterprises in 2015 in volumes of realization amounted to 146.4 thousand tons or



76.8%, the total population of the households sold 40.7 thousand tons, or 21.3%.

There are a number of problems in the country that hinder the progressive development of the dairy industry. Among them, first of all, the reduction of the raw material base and the unsatisfactory quality of raw materials - milk entering the processing should be indicated. The reason is insecurity of the conditions for keeping cows, which leads to the emergence of animal diseases, as well as the lack of primary processing (cooling) of milk in most private farms and many agricultural enterprises.

With a decrease in production during the research period, the implementation of milk and dairy products by agricultural enterprises in the Sumy region has a general tendency toward positive direction. In particular, the annual milk realization increases by an average of 3.1 thousands tons, or by 1.6%.

In our opinion, the reason for this situation should be considered not only to increase the level of domestic economic use, but also to increase the scope of raw material processing - milk production and increase the scope of unofficial realization of milk and dairy products.

Over the past five years, the purchase price of milk from agricultural enterprises in Ukraine has nearly equaled the average milk price in the EU. At the same time, the price in Europe increased by an average of 3% and mainly due to an increase in the purchase price, while in Ukraine the price increased by an average of 5% [5, p.66].

As a result, the increase in the cost of production of one centner of milk in agricultural enterprises of the Sumy region, the price of milk sales in 2016 against 2011 increased by 2328.0 UAH / t or 79.5%, and amounted to 5256.5 UAH / ton, which is less than the average price level in Ukraine for 205,3 thousand UAH. or 3.8%. At the same time, the average annual growth rate of average prices for milk sales in both the oblast and the country as a whole is almost 12% (table 2).

**Table 2**

**Average prices for milk and dairy products**

Years	Ukraine	Sumy region	Relation, %	Deviations, +/-
2011	3041,6	2928,5	96,3	-113,1
2012	2662,2	2371,5	89,1	-290,7
2013	3364,0	3144,7	93,5	-219,3
2014	3588,4	3342,4	93,1	-246,0
2015	4347,0	4059,3	93,4	-287,7
2016	5461,8	5256,5	96,2	-205,3
Average annual growth, thousand/t	484,0	467,4	-	-
Average annual growth,%	11,7	11,6	-	-
Deviations, +/- (2016-2010)	2420,2	2328,0	-	-

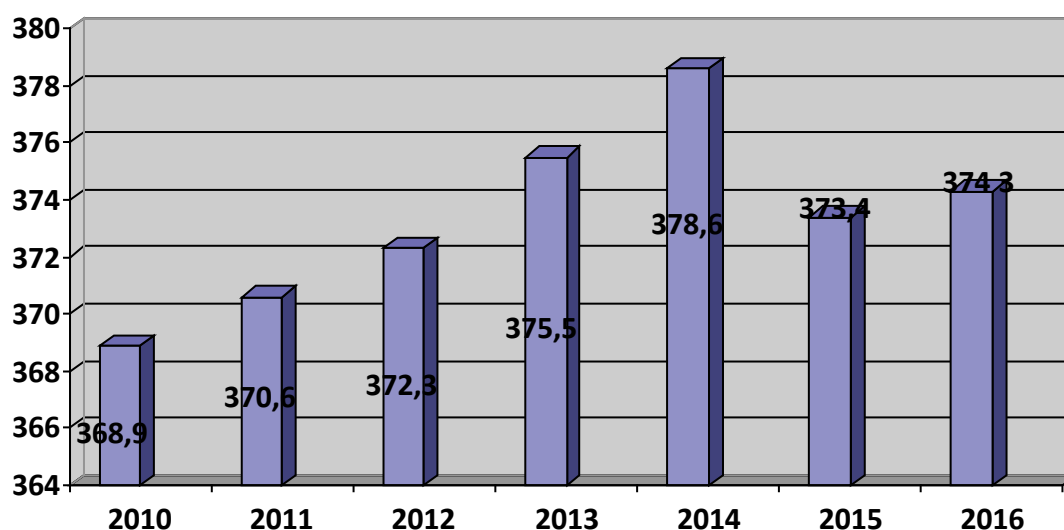
*Source: compiled by the author on the basis of [2,3]*

Despite the high last year's purchasing prices for milk, the industry remains little attractive for managers. Milk, produced in households, cost in the regional market much cheaper than that produced in agricultural enterprises. During the last year for



milk it was possible to get an average of 3.5 to 4.3 UAH / liter. However, even such a price situation does not provide the proper level of efficiency of the industry. According to official statistics, the profitability of milk production is projected to not exceed 10% for the next year [6]. Such results and forecasts of dairy cattle breeding complicate even the simple reproduction of the industry, not to mention its expanded development in the long run.

In addition to the factors mentioned above that impede progressive development, the factors of negative influence on the formation of supply in the market of milk and dairy products in the region should include reducing the solvent demand of the population and increasing sales prices for dairy products. Over a long period of time, prices for dairy products grew faster than household incomes. This led to a decrease in the volumes of production of cream butter in 23,6%, fatty cheeses - 18,3%, including cheeses - 3,2% and other dairy products in comparison with the previous year. Consequently, the annual consumption of milk and dairy products has become smaller in comparison with 2013 and 2014, for which this indicator was the highest. It was established that the level of consumption of dairy products in the Sumy region (in terms of milk) per capita in dynamics does not correspond to the normative indicator (fig. 1).



**Fig.1 Consumption of milk and dairy products in the Sumy region per capita, kg**

*Source: compiled by author based on [3]*

In particular, in 2014, the level of consumption of dairy products was 99.6%; in 2015 - 98.3%; in 2016 - slightly increased compared to the previous year and amounted to 98.5% of the rationale of consumption, which is 380 kg / year.

### **Summary and conclusions.**

Thus, among the main factors that slow down the development of both domestic and regional markets for milk and dairy products, one should distinguish: reducing the livestock population of the dairy herd; reduction of milk production; Inappropriate quality of milk and raw milk and dairy products, in particular, obsolete production technologies (the equipment of most farms and dairies requires immediate



renewal and modernization), which in turn leads to an increase in production costs; non-compliance of domestic norms and requirements concerning the quality of milk and dairy products with European ones. At the same time, all this happens against the background of reduction the solvency of the population.

We believe that the decrease of the degree of influence of these factors is possible provided that the efforts of representatives of the government, science and business are combined with the definition and implementation of strategies for the further development of the dairy industry. At the same time, for the stable development of the food market, the milk market in particular, it is necessary to accelerate the processes of reforming the agrarian sector of Ukraine, which directly influences the development of the food market of the Sumy region. Essential modernization is needed in the direction of developing entrepreneurial activity both in the city and in the countryside, the introduction of innovative technologies in production, ensuring the profitability of commodity producers, as well as the development of social infrastructure and development of rural areas.

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**Анотація.** В роботі акцентовано увагу на необхідності вирішення проблеми створення збалансованого сільськогосподарського виробництва та доведено, що молочна галузь, як і більшість галузей харчової промисловості, на сьогодні знаходиться в кризовому стані. Визначено, що таке становище галузі обумовлено певними факторами, зокрема має місце дефіцит та низька якість сировини, зростання цін на продукцію молокопереробних підприємств, які явно випереджають темпи зростання доходів населення, відсутність сприятливої кон'юнктури ринку молочних продуктів тощо. З метою послаблення впливу виявлених факторів та забезпечення прибутковості підприємств агропромислового комплексу запропоновано здійснення модернізації в напрямі розвитку підприємницької діяльності, впровадження інноваційних технологій у виробництво, а також розбудови соціальної інфраструктури та розвитку сільських територій.

**Ключові слова:** продукти харчування, молочна галузь, споживання, продукція молокопереробних підприємств, молочна промисловість, сировинна база, якість сировини,



ринку, пропозиція, платоспроможний попит, норми споживання.

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