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CONSUMER FOOD MARKET: CURRENT DEVELOPMENT TENDENCIES IN UKRAINIAN REGIONS

Abstract: The processes of development of consumer food market at regional and state levels are examined. The dynamics of consumption and consumption per capita of main food products by Ukrainian population is outlined. Ukrainian regions are ranked by the share of agricultural food production. The dynamics of gross agricultural production in Ukrainian regions in general and across plant and animal products is examined. The factors that impact the production and provision of consumer market of a region and a country in general with food are determined. The paper proves that saturation and capacity of consumer food market depends on the efficiency of socio-economic activity in a region. Therefore, usually, the higher it is, the more goods are produced and the higher wages and final consumption are. The paper suggests the directions of development and organization of functioning of consumer food market across regions.
Key words: food products, regions, agriculture, animal products, crop production, consumer market.
JEL classification: L66, O15, Q18

Introduction

The issue of development of consumer food market in a country and its regions used to be and still remains to be one of the most relevant. It is meant to provide a country and its regions with domestically produced goods and import them only when necessary.

Since the processes at consumer market are the complex economic relations that emerge in the course of providing all society members with food in correspondence with the quality and quantity standards, the state should guarantee the availability, stability and efficiency of the use of food. Indeed, food provision of population of a region is a complex multidimensional phenomenon, which simultaneously combines economic, social and political aspects.

The purpose of the article. The article aims to analyze current development of consumer food market at regional and state levels.

Research results

Currently the level of self-provision of consumer market in Ukraine exceeds 100% by most food products. The only exception is the fruits category, in particular grape and berries. Their provision as of the end of 2017 was at the 84.9 % level and their deficit is covered by imports. Negative balance was formed in 2014: Ukraine lost 20% of grape production with the annexation of the Autonomous Republic of Crimea. In addition to grape, rice production was another essential loss, because over 60% of its crops accounted for the peninsula. However, this market has always depended on imports, domestic production covered the fifth part of the required amounts at most. Therefore, the losses were quickly compensated by increased import.

Production of food in Ukraine exceeds domestic consumption of meat and meat products – 105.4%, eggs – 114%, milk – 103.6%, potato – 101.6% and vegetables – 101.6%. The level of grain production exceeds the needs of domestic market by 290%. This rate shows that Ukraine is one of a few countries in the world that can export more than half of crops.

However, it is worth mentioning that providing the population of a country with qualitative food in the necessary amounts is one of main tasks of agroindustrial sector. Yet the level of food consumption correlates depending on global market conditions, level of domestic prices and personal income and other factors that cumulatively define the producers’ activity and investment priorities and consumer preferences of population. In average, grains consumption per capita is 1549kg, meat - 51.7kg and milk – 200 litres (Figure 1).

The figure shows that the dynamics of consumption of certain food products fell significantly in 1995-2017, while it grew for other products. We should mention that with the reduction of general consumption fund the annual consumption per capita reduces as well.

In particular, annual meat consumption per capita grew strongly from 38.9kg in 1995 up to 56.1kg in 2013. Meat consumption started to fall in 2014 mostly due to sharp decline of hryvnya value and thus sharp growth of meat prices. In 2017, annual consumption per capita was 51.7kg.

Development of milk and milk products market was somewhat more dynamic. Thus, annual milk and milk products consumption per capita fell by 45kg in 1995 - 2000 and amounted to 199.1kg. The growing dynamics had been observed till 2006 and achieved the level of 234.7kg per capita. However, annual milk and milk products consumption per capita fell again later and accounted for 200kg in 2017.

The dynamics of eggs consumption grew from 2000 to 2014. Slight reduction was observed in 2015-2016, and then it grew again and amounted to 273 eggs per capita a year in 2017.

Despite annual large cereal production in Ukraine (wheat, barley, etc), the growth in prices on bread products quickly reduced consumption both per capita and of general fund. If to compare 1995 and 2017, per capita consumption fell by 27.6kg or 2332.1 thousand tons of general fund.

Unlike the consumption of bread products, potato consumption both grew and fell from 1995 till 2017. However, potato consumption per capita grew by 19.6kg in 2017 compared to 1995 and amounted to 143.4kg.

Figure 1: **Dynamics of consumption funds and annual per capita consumption of main food products**

Source: It is made on the basis of information (State Statistical Service of Ukraine 2018b, Available from: http://www.ukrstat.gov.ua/druk/publicat/Arhiv_u/07/Arch_spog_zb.htm;

State Statistical Service of Ukraine 2016, Available from: http://www.ukrstat.gov.ua/druk/publicat/Arhiv_u/07/Arch_spog_zb.htm)

Similar dynamics is peculiar to vegetables and melons and fruits, berries and grape, in particular the growth till 2013, then slight reduction and more growth. Consumption of fruits, berries and grape per capita a year in 2017 was 52.8kg, which is 9.3kg more than in 1995. The consumption of vegetables and melons was 63kg higher in 2017.

The highest level of fish and fish products consumption accounted for 2008 and was 17.5kg per capita a year. However, after the global financial and economic crisis the level of fish consumption went downward up till 2013, when it amounted to 14.6kg per capita, and then further down in 2014 - 2017 due to another exchange rate differences to 10.8kg per capita in 2017.

Dynamics of vegetable oil consumption was similar to consumption of fish and fish products. Consumption level was 11.7kg per capita in 2017. Sugar consumption level has not recovered after 2008. It rather fell each year and amounted to 30.4kg per capita in 2017.

Although we see the reduction of consumption paces by several food products, yet the overall situation in the sphere of food provision of Ukraine is characterized by the growing share of agricultural production in Gross Value Added in the country from 8.4% in 2010 to 12.1% in 2017, the growing gross agricultural production (from 184 940 to 707 792 million UAH in 2010 and 2017 correspondingly) and the growing exports of agricultural production against the imports reduction.

From a regional perspective, the condition of food provision in every region has its specific features (Figure 2-4).

Top-5 oblasts with the highest share in gross agricultural production includes Vinnytska (8.2%), Dnipropetrovska (6.1%), Kyivska (6.0%), Poltavska (5.8%) and Harkivska (5.7%) oblasts.

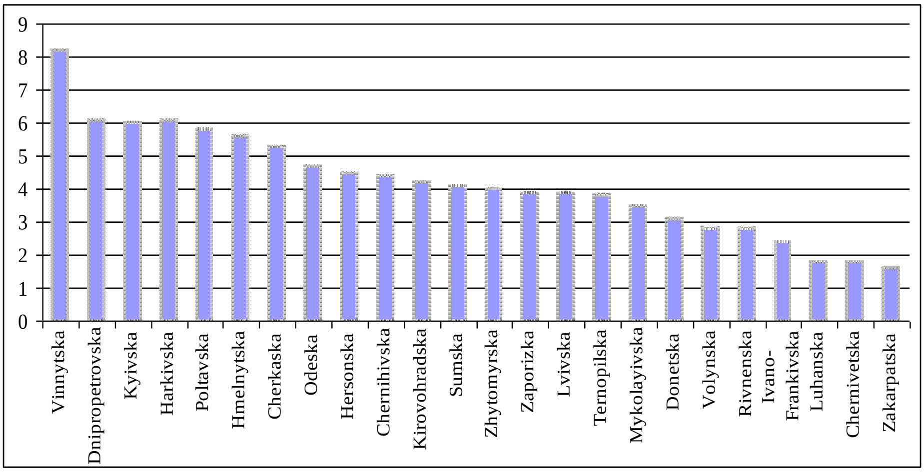

Figure 2: **Rankings of regions by total agricultural production in 2017**

Excluding the temporary occupied territory of AR Crimea, Sevastopol city, and occupied territories of Donetska and Luhanska oblasts.

Source: It is made on the basis of information (State Statistical Service of Ukraine 2018a, Available from: http://www.ukrstat.gov.ua/druk/publicat/Arhiv_u/07/Arch_sg_zb.htm)

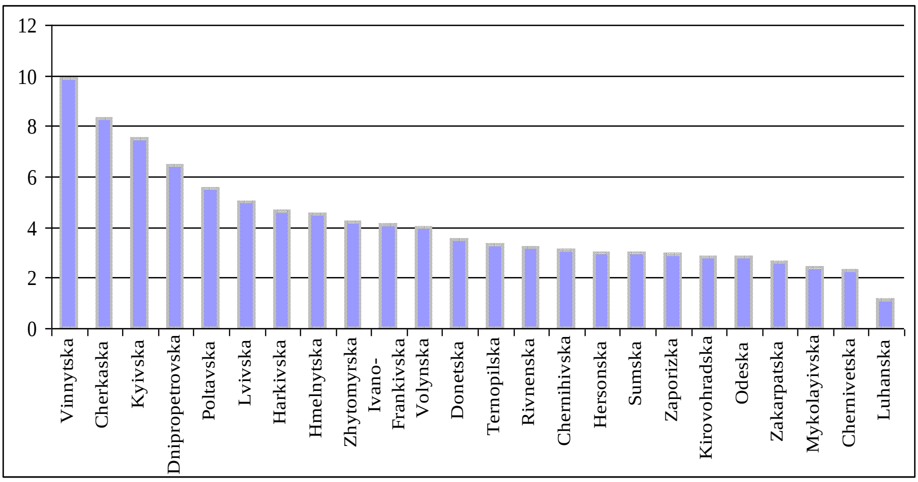

Figure 3: **Rankings of regions by total animal production in 2017**

Excluding the temporary occupied territory of AR Crimea, Sevastopol city, and occupied territories of Donetska and Luhanska oblasts.

Source: It is made on the basis of information (State Statistical Service of Ukraine 2018a, Available from: http://www.ukrstat.gov.ua/druk/publicat/Arhiv_u/07/Arch_sg_zb.htm)

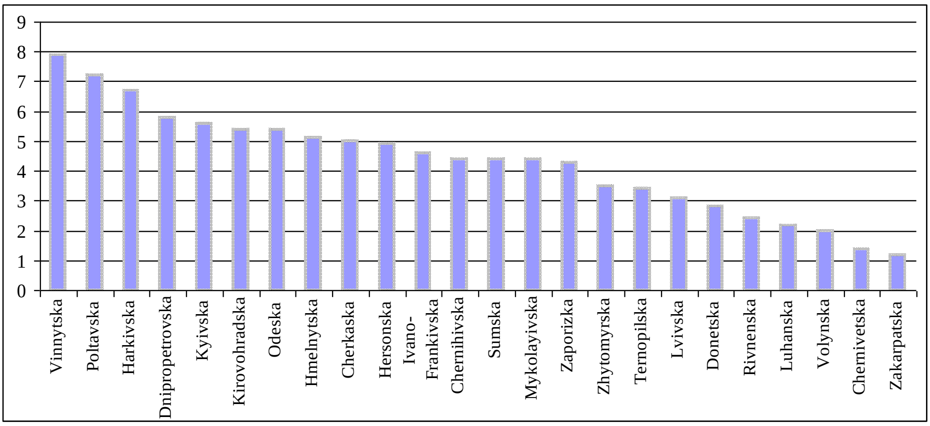

Figure 4: **Rankings of regions by total crops production in 2017**

Excluding the temporary occupied territory of AR Crimea, Sevastopol city, and occupied territories of Donetska and Luhanska oblasts.

Source: It is made on the basis of information (State Statistical Service of Ukraine 2018a, Available from: http://www.ukrstat.gov.ua/druk/publicat/Arhiv_u/07/Arch_sg_zb.htm)

Leading positions in the rankings only partly account for local agricultural producers as far as natural factors remain to be the major ones in securing the grain yield, namely the area of region, agricultural lands at its territory and weather conditions. Thus, it is not the coincidence that Chernivetska (1.8%) and Zakarpatska (1.6%) oblasts contribute the less to national agricultural production – they have small area covered with mountains and forests. For example, if Vinnytska oblast as the leader of agricultural rankings has the 1838.2 thousand ha area of agricultural lands and arable lands, it is 442.6 and 387.7 thousand ha in Chernivetska and Zakarpatska oblasts correspondingly.

From the perspective of regions, which are the main suppliers of animal and crop production at consumer market, the situation does not correspond to general agricultural rankings, because it largely depends on corporative sector – location of large-scale production. Even one large enterprise is enough to make a region the front runner: main production facilities of the giant "Myronivskyi Hliboproduct" are located in Vinnytska oblast (ranked first); holding company "Zolotoniskyi Bekon" put Cherkaska oblast in second place; the company with Dutch investment "Danosha" engaged in pig farming secured the top-10 position for Ivano-Frankivska oblast, which is not agricultural at all.

Vinnytska, Poltavska, Zhytomyrska, Hmelnytska and Lvivska oblasts provide the milk products.

Vinnytska, Poltavska and Hmelnytska are traditionally "sweet" oblasts of Ukraine. They are covered with the largest sugar beet crops and have the largest number of sugar refineries in the country.

Organic production is another element of agriculture that has been gaining increased popularity. Due to high prices (in average 30% more than inorganic analogues), the producers are mostly oriented on foreign markets. However, the supply within the country gradually grows. Kyivska, Hersonska and Harkivska oblasts are the leaders by the areas under organic crops.

The rate of gross agricultural production per capita was 5865 UAH in 2017, which is 1557 UAH more than in 2010. The dynamics of gross production across regions shows that some regions have lower distribution of gross production than the average in the country, and some – much higher (Figure 5).

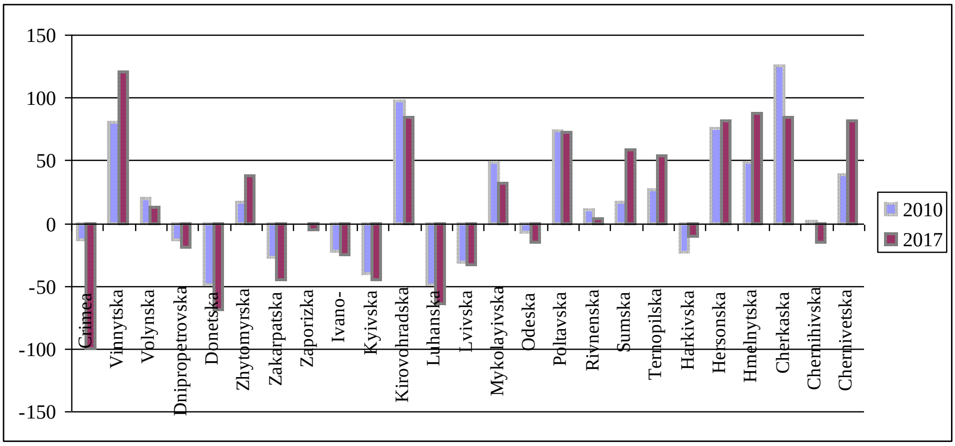

Figure 5: **Dynamics of gross agricultural production per capita, %**

Source: It is made on the basis of information (State Statistical Service of Ukraine 2018a, Available from: http://www.ukrstat.gov.ua/druk/publicat/Arhiv_u/07/Arch_sg_zb.htm)

Figure 5 shows that half of the regions had lower share of gross agricultural production per capita compared to average rate in Ukraine in 2010, namely Donetska and Luhanska (-49.4%), Kyivska (-40.1%), Lvivska (-31.9%), Zakarpatska (-27.5%), Harkivska (-23.8%), Ivano-Frankivska (-22.1%), Dnipropetrovska (-13.2%), Odeska (-7.6%), Chernivetska (1.5%) Zaporizka (-0.4%) oblasts and AR Crimea (-13.8%). The same regions had the lower share of gross agricultural production per capita in 2017 as well: Donetska (-69.0%), Luhanska (-64.6%), Kyivska (-45.7%), Zakarpatska (-45.5%), Lvivska (-33.9%), Ivano-Frankivska (-25.4%), Dnipropetrovska (-19.5%), Odeska (-15.6%), Chernivetska (-15.2%), Harkivska (-10.9%) and Zaporizka (-5.4%) oblasts.

It is worth mentioning that although the oblasts are the same in 2017 and 2010, still the gap in gross agricultural production per capita between regions and average rate in Ukraine was bigger in 2017 than it was in 2010.

The oblasts that had the rate of gross agricultural production per capita almost twice higher than the average in Ukraine in 2017 are Vinnytska

(120%), Hmelnytska (87.3%), Cherkaska (84.5%), Kirovohradska (84.0%), Chernihivska and Hersonska (81.4%) and Poltavska (71.9%). It were the same regions in 2010, but with lower shares, e.g. Cherkaska (124.7%), Kirovohradska (97.4%) and Vinnytska (80.2%). As we can see, the leaders in the branch changed in this period, mostly due to political situation in the country.

If to consider food provision of regions in more detail, in particular in terms of crop and animal production, we can observe the place of regions in the rankings (Figure 6, Figure 7).

The dynamics of gross animal production per capita across regions shows that only two regions had the rate twice higher than the average rate in Ukraine (1641 UAH) in 2017: Cherkaska (4661 UAH) and Vinnytska (4292 UAH) oblasts. Cherkaska oblast was also the leader in 2010 with the rate 4617 UAH, which is 3083 UAH more than the average rate in Ukraine. Instead, in 2017 the least animal production per capita and thus the lowest level of provision with food animal products accounted for Luhanska (282 UAH), Donetska (569 UAH) and Odeska (790 UAH) oblasts. In 2010, the least animal production accounted for the same regions (816 UAH, 846 UAH, 989 UAH correspondingly, which is also almost twice less than average rate in Ukraine at 1534 UAH).

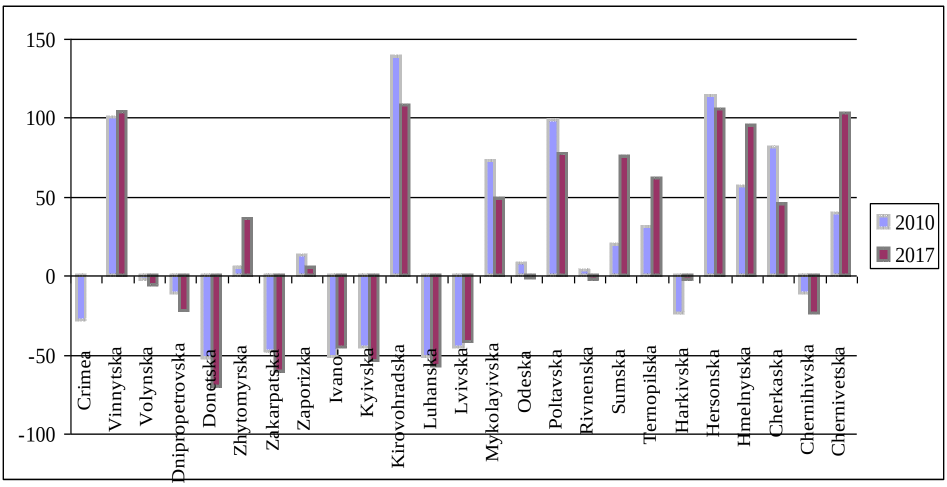

Figure 6: **Dynamics of gross crops production per capita, %**

Source: It is made on the basis of information (State Statistical Service of Ukraine 2018a, Available from: http://www.ukrstat.gov.ua/druk/publicat/Arhiv_u/07/Arch_sg_zb.htm)

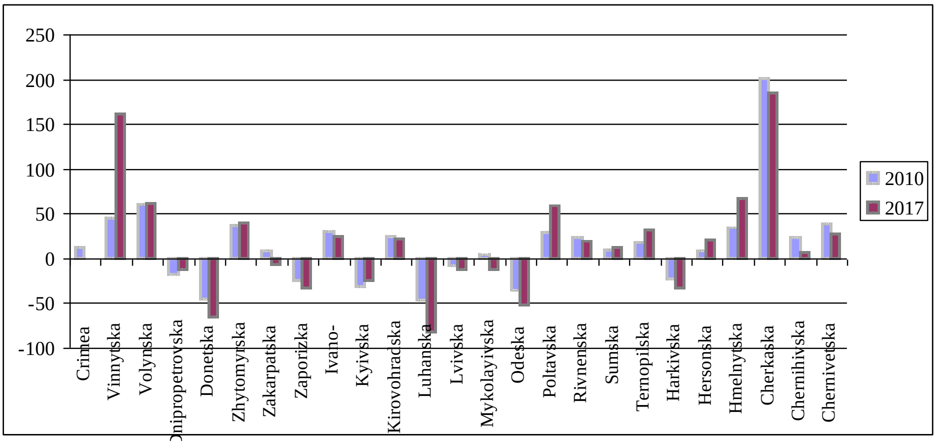

Figure 7: **Dynamics of gross animal production per capita, %**

Source: It is made on the basis of information (State Statistical Service of Ukraine 2018a, Available from: http://www.ukrstat.gov.ua/druk/publicat/Arhiv_u/07/Arch_sg_zb.htm)

Average rate of gross crop production per capita in Ukraine in 2017 was 4224 UAH. The following regions had the twice higher rate: Kirovohradska (8794 UAH), Hersonska (8668 UAH), Vinnytska (8609 UAH) and Chernihivska (8563 UAH) oblasts. The regions with twice lower rates were Donetska (1250 UAH), Zakarpatska (1660 UAH), Luhanska (1793 UAH) and Kyivska (1960 UAH) oblasts. The same structure has preserved since 2010.

Analysis of current condition of consumer market development and its provision with food shows extremely significant differentiation among regions. On one hand, it constitutes a problem, because it shows region's incapacity to provide for itself. On the other hand, it generates interregional cooperation and therefore – it develops food market within the country. As far as not all regions can produce food, they develop other types of economic activity (Popadynets 2012, p. 54).

Getting closer to steady balance at consumer food market in regional perspective becomes possible due to coherent development model, i.e. if the balance between the effective demand and supply of goods and between goods turnover and commodity stock, etc is achieved.

Efficient development of consumer food market requires the systemic complex approach that would be realized in the elements of economic, social and organizational-legal processes, including: development of measures regarding the saturation and balancing of consumer market based on production of goods, development of effective demand and ensuring the balance between consumer demand and goods supply; creation of adequate mechanism of goods and money turnover management that seamlessly combines market relations between economically independent entities of consumer goods market and powerful state regulators in form of the system of economic leverages and incentives; responsibility of all society members and creation of positive activity results for society, movement towards the achievement of social idea (Popadynets 2017, p. 19).

Conclusions

Everything abovementioned allows us to outline the features of the processes at the consumer food market under research and to define the major directions of its development:

– creation of economic mechanism that provides efficient interaction between the entities at regional market of consumer food products and regional governing bodies;

– selection of organizational-economic forms of wholesale and retail trade, financial-credit relations and services and institutional-legal forms of trade and economic intraregional and interregional links;

– forming of the system of regional markets considering the orientation on priority provision of consumers' needs;

– selection of efficient channels of goods movement and forms of spatial organization of consumer market for regions of various types;

– rationalization of trade-economic processes, flows of goods, money and information and development of a region's market infrastructure.

Therefore, consumer food market in Ukrainian regions is the dynamic interaction of all elements of the defined processes. It requires an application of adequate methods of regulation of all socio-economic relations formed in the course of market development.

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