UDC 334.734: 338.439:637.5

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INSTITUTIONAL FOUNDATIONS OF COOPERATION AND INTEGRATION OF MANUFACTURERS OF MEAT PRODUCTS

Statement of the problem. Features of activities of agriculture necessitate continuous deepening of the relationship between market participants, which perform the functions of a production-commercial chain or provide basic process of procurement, consulting and other services. Farms are closely integrated into the various economic spheres, because, on the one hand, this product is an important element of the production of several industrial enterprises, on the other hand, is a consumer goods produced by enterprises of the first sector of agriculture (fixed and current assets, used in the process of agricultural production). Thus, agricultural cooperation and integration are the increasingly important. Features of these processes depend primarily on production line of enterprises. Considerable attention is given integration and cooperation between producers of meat products. Meat processing companies interested in designing optimal crude base, and producers of raw meat – a stable and efficient marketing of their products. Under these conditions, there is a need in the formation of the institutional framework, finding the optimal form of integration and cooperation, the mechanism of interaction between market entities ors meat industry in terms of their association.

Analysis of recent research and publications. The issue of cooperation and integration of farmers widely studied by scientists, particularly noteworthy work of V.Y. Ambrosov, O.D. Hudzynskyj, V.V. Zinovchuk, O.V. Krysalnyj, M.A. Krut'ko, I.I. Lukinov, P.M. Makarenko, V.Y. Mesel-Veselyak, L.V. Moldovan, P.T. Sabluk, O.O. Tomlin etc.

Describing the preconditions of development of agro-industrial integration, Makarenko P.M. notes, that "at the present scale of agricultural production there is little coordination between them and trade, hindering increase of efficiency of agriculture, introduction of progressive forms of organization of production, bringing the finished product to the consumer. Agroindustrial integration leads to combine efforts and resources into a single production process is highly specialized and fully developed sectors of production, processing, storage and marketing of agricultural products" [3, p. 4].

Tomilin O.O. considers service cooperatives a manifestation of vertical integration in intersectoral collaboration and argues, that "the basis for the functioning of organization-legal productions structures horizontal and vertical types are cooperative. At cooperation fixed and circulating capital used together, distributing it to a lot of finished products, herewith the cost per unit decreases". We support the point of view of the scientist that agroindustrial integration and cooperation have a similar goal, but believe that the institutional bases of these forms of business combinations are different [5, p. 40].

In the opinion of M.A. Krut'ko, "deserves attention cooperation of all members of agricultural production and trade within the area in the such integrated systems, as agrofirma. They really fit into the market economy transition period, their activities to allows avoid price pressure on crop and livestock from processing enterprises and trade with simultaneous achieving an efficient outcome"[2, p. 153]. This legal form as a agrofirma really provides the integration and cooperation of labor in the chain, "the production-processing-selling". Currently on the market there is a large number of agrofirms, but their integration mechanisms are imperfect compared to the integration and cooperative agricultural farm. Processing complexes and procurement items, which make up the structure of agricultural companies, are not able to provide a complete production-selling cycle, therefore such companies are turning to other market subjects for processing products, its sales, delivery and so on. Thus, organizational and economic mechanism of agrofirms also needs improvement.

Interactions between enterprises of meatprodukt subcomlex explores a number of researchers, including [1, 8]. Yakimets V.V. comes to the conclusion to cooperatives of producers in this sphere primarily for the improvement of mechanism of creating of value added: "in a market economy cooperation is a complex mechanism, whose work includes not only receive products, but its processing, storage and sale. However, the development of cooperative groups in Ukraine will buy raw materials from agricultural producers at fair pricesto process within the cooperative and sell to the end user. This created added value allocation, given the contribution of all participants of the technological chain. The main reason is to allow producers to expand production as cooperatives allow producers to adjust this difficult, but very necessary and effective mechanism" [8, p.366-367].

Consequently, cooperation and agroindustrial integration are important elements of managing agricultural enterprises and in particular meatprodukt subcomplex at both the enterprise and national levels. Despite the large number of papers on the subject, the question of optimal form associations of undertakings in this field is still open, so identifying the institutional foundations of integration and cooperation of agricultural producers of meat products is relevant.

Formulation of the problem. The aim of the study is to identify the conditions that necessitate the integration and cooperation of agricultural producers of meat, definition of the institutional foundations of these processes with the identification of their strengths and weaknesses.

The main material of the study. Agroindustrial integration and cooperation include joint efforts of all members of industrial and commercial chain to achieve the business objectives of both local and global social. For business purposes can include achieve the effect of synergies, scale, outsourcing, formation of guarantees the rise and sales and so on. The main global purpose is to increase the competitiveness of domestic agriculture, and social – to ensure food security.

In the market of meat and meat products plays a key role direction of integration and cooperation entities, which envisages cooperation on production and processing of raw meat. The current level of integration between the manufacturing and processing sector can be assessed as weak, as evidenced by indicators of the structure of channels of meat (Fig. 1).

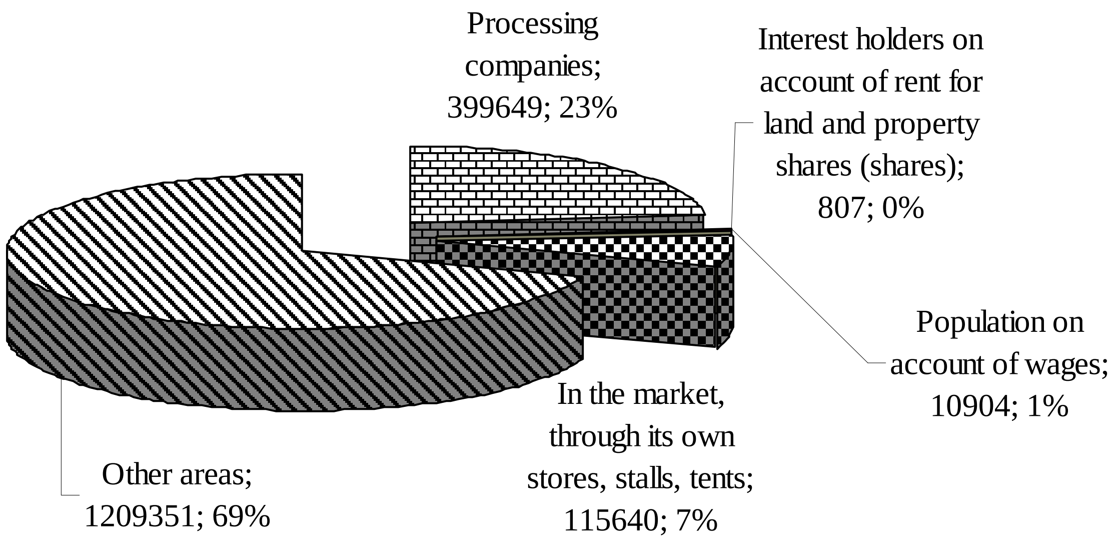

Fig. 1. Indicators of the structure of livestock and poultry (live weight) in all areas of economy of Ukraine, 2012

Source: constructed by the author according to [4]

In 2012, the farms of Ukraine of all forms of property sold 1736351 tons of livestock and poultry live weight, which is 3 % higher than in 2011. The average sales price was 13456,9 UAH / ton, which is 12,4% higher than the 2011. Share of products sold to processing companies was only 23 % (39969 tons), while the selling price was the highest compared to other sales channels – 14513,4 %. These trends are negative and indicate about imbalances relations between producers and processors enterprises. In regions of Ukraine can be traced uneven trend. Thus, in the Poltava region the largest share of livestock and poultry is sold to processing companies – 29451 tons, or 69,9 %. Also, a significant portion of the product is sold to processing companies in Kirovohrad region – 69,2 % (13023 tones), but the total volume of cattle in this area is one of the smallest in Ukraine – 188336 tons smallest is the sale of livestock and poultry processing plants in Crimea – 2,1 % (2494 t) in this region is dominated by other sales channels – 92,5 %.

Within these industries meat direction as cattle and pigs can trace other parameters (Fig. 2).

Cattle realized in 2012 to the processors enterprises in the amount of 118086 tons, or 63,8 % over the average price of 12840,7 UAH / t. Total sales of the product for the period amounted 184972 tones, which is 0,3 % less than in 2011, the average selling price was at the same 12556,4 UAN / t. The lowest is proportion of sale of the cattle to population – 304 tons, or 0,2 %. The closest relationships beef cattle and processing industry in the Lviv and Ivano-Frankivsk regions, in these regions in accordance 93,3 % (6221 tons) and 86,6 % (1538 tons) of cattle was applied to processing plants. As for pig industry, the average in Ukraine 55,7 % of pigs selling to processing plants, including in Poltava region – 77,2 % (16462 tons), the Kiev region – 74,1 % (10725 tones) – the highest indicators. Least – 4,4 % (49136 tons) was selling in the poultry at processing plants, while 91,6 % (1034324 tons) realized at other channels. In Chernihiv region to processing enterprises realized 91,5 % (4025 tons) of poultry.

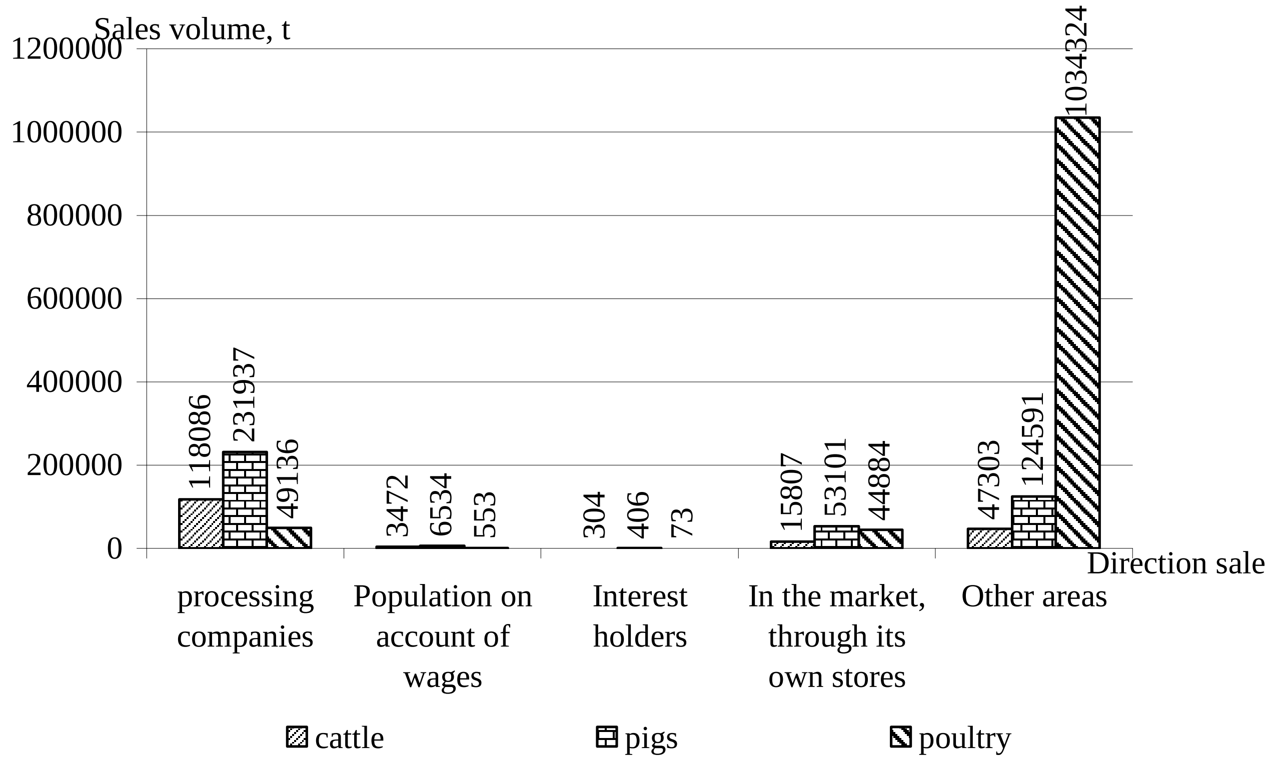

Fig. 2. Indicators of the structure of livestock and poultry (live weight) by types of farms in all areas of Ukraine, 2012

Source: constructed by the author according to [4]

Thus, the imbalance of intereconomic relations between production and processing sector in the meatproduct subcomplex primarily affect to the price competitiveness of producers and their effectiveness, therefore for producers of meat products is necessary deepening relationships.

Association of the market of meat and meat products can take place in the form of agroindustrial integration and cooperation. These forms of association have a similar goal, but different institutional bases of operation. Some scientists consider [5-6], that cooperation is a form of vertical integration and is transient in nature. So, Tomilin O.O. says, that “preponderance of service cooperatives, in compared with other associations is that it enables to move from simple forms of cooperation to more difficult. Integration reduces costs associated with the study of market conditions, investment. The main goal of integration is to increase the volume of goods and services due to the efficiency of economic activity on an international scale” [5, p.41].

We think that service cooperatives and agroindustrial integration is inherently contradictory forms of association of producers. The main difference in this case is found in the organizational and legal aspects, namely: cooperation involves association of independent entities, which do not lose their legal status, while at agroindustrial integration the participants should create a new entity.

In the current market conditions in the national market is dominated by the formation of integration, and cooperative movement is only beginning to quicken. Integration and cooperation of producers has features depending on the sector of agriculture. So, in the meatproduct subcomplex a cooperatives hardly occurs, mainly in this area are created by large-scale vertically integrated structure (Fig. 3).

When creating a cooperative may perform all functions specified in this scheme, or one or more of them. It depends on the scale established cooperative, specialization and diversification level of its members and their needs. In an integrated structure for the most part all of these functions are integrated into the management and organization of the production process, covering all stages of production and while generally providing closed production cycle.

Each of these forms of business associations has its own advantages and disadvantages which determine the institutional bases of operation (Table 1).

Thus, we can conclude that for producers of meat products is now more prominent than agroindustrial integration of cooperatives. The industry most effectively developed in the structure of diversified holdings that form their own food base, parallel develop livestock and crop production, as well as other industries, including processing and have their own distribution network. However, the activity of these structures has a number of drawbacks, particularly associated with the restriction of competition in the agricultural market, management complexity, low flexibility to variability of the environment and social aspects of business.

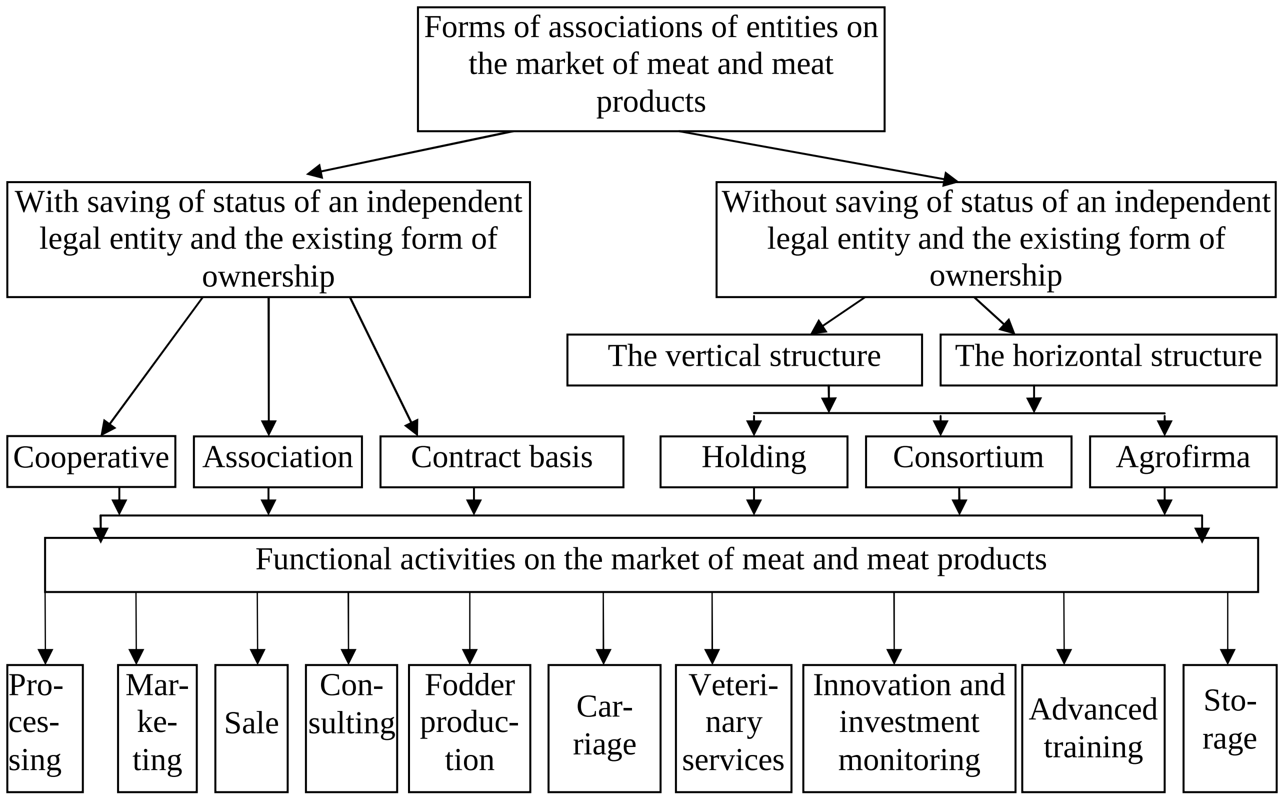

Fig. 3. Forms of association of manufacturers of meat products

Source: Developed by the author

Table 1

Advantages and disadvantages of the institutional foundations of cooperation and integration of producers of meat products

Forms of association	Advantages		Disadvantages	
Cooperation	Providing economies of scale of production synergies effect, partial independence from government grants	Save a legal status and current form of ownership, ensuring the formation of a strong institution of property; participation in management and making economic decisions; effect of outsortsing; government support, particularly in the framework of the Ministry of Agrarian Policy and Food of Ukraine "Native village"; advantage of social interests over economic.	A significant relationship between union members	Inadequate mechanism of justification sized enterprises-members of cooperatives and redistribution of income; competitive operation only on the condition large-scale operations; the need for rapid response to market conditions due to the specific characteristics of meat products; ineffective controlling of management functions.
Integration		Cost reduction due to transfer pricing; opportunity of corporatization by establishing of Joint Stock Company; effective coordination of all functions on the market of meat and meat products; integrated management system; perfect logistics and minimize transaction costs; availability of conditions for sustainable development with the sector of plant.		Limitations of the Antimonopoly Committee; complexity of management; significant dependence on major strategic plan developed by senior management; low flexibility and adaptability to changes in the external environment; advantage of economic interests over social.

A cooperation producer of meat today is rare. For the most part dominated milk cooperatives. However, the meat industry is promising in terms of creating service cooperatives, since the direction of association provides independent producers and can perform all the necessary functions.

Conclusions and further research. Agroindustrial integration and cooperation of producers of meat products – a form associations of entities that provide deeper relationships within the functions of production, processing, preparation, selling, marketing and more. The necessity of market subject in the industry is determined primarily by imbalances in relationships between production and processing sector, the percentage of sales of livestock and poultry processing plants is much lower than potentially possible.

The institutional foundations of integration and cooperation are quite different, common aspects with a desire to improve the competitiveness and efficiency of economic activities, obtaining synergies and scale. The main difference lies in the organization and functioning of the economic mechanism of agricultural unification, including cooperative involves maintaining legal status of its members. Integration patterns now essentially dominated by cooperatives, which are created in the meat sector, but cooperation is a promising direction of deepening ties between producers.

Prospects for research in this area are as justification of the organizational structure of multifunctional cooperative on market of producers of meat products.

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Samoilyk Y.V. INSTITUTIONAL FOUNDATIONS OF COOPERATION AND INTEGRATION OF MANUFACTURERS OF MEAT PRODUCTS

The purpose of the study is to identify the conditions that necessitate of integration and cooperation of producers' meat products, definition of the institutional foundations of these processes with the identification of their strengths and weaknesses parties.

Methodology of research. The methodology of research is based on a *systems approach* to form the institutional foundations of development and functioning of integrations and cooperatives units on the market of meat and meat products. The main methods were used during the process of research. Among them are: the *abstract and logical* method for forming the purpose and objectives of the study, hypotheses; *analysis and synthesis* to assess trends in the relationship between producers of meat and meat processing enterprises; method of *comparison* to identify similar and different trends in the relationships between actors of different sectors of meat sector, as well as the strengths and weaknesses of integration and cooperation of producers of meat products; *generalization* to substantiate the institutional foundations of integration and functioning and cooperative agricultural formations; *graphical* for forming of schemes and diagrams, which reflect trends of interaction of meat producers and meat processing enterprises.

Findings. As a result of the analysis of the relationship between the subjects market of meat and meat products it has been proved that need their union is determined primarily by imbalances in relationships between production and processing sectors, the percentage of sales of livestock and poultry on the processing enterprises is more lower than of potential. The institutional foundations of integration and cooperation are quite differing with the common aspects herewith a desire to improve of competitiveness and efficiency of economic activities, obtaining of effects synergies and scale of production. The main difference is in the organization and economic mechanism of function these agricultural associations.

Originality. The methodological foundations of substantiation the advantages and disadvantages of integration and cooperation of producers of meat products from the institutional point of view were acquired further research.

Practical value. The results of study can be used by market entities of meat and meat products in the process of acceptance of management decisions according to the integration and cooperation.

Keywords: agricultural integration, cooperation, interrelationships, meat and product sub complex, the institutional basis, organizational and economic mechanism.