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COMPETITIVENESS OF UKRAINIAN OILSEEDS IN THE WORLD MARKET

Makhanova Ju.M. (Kharkiv)
Language Supervisor: Chornovol-Tkachenko O.O.

Summary: The article contains investigation of evaluating the competitiveness of the oil industry in Ukraine and determination of its competitive advantages to ensure their effective development. Characteristics of Ukraine's oil branch in the global market are clarified.

Key words: competitive advantages, competitiveness, oilseed, world market.

Анотація: В статті проведено дослідження щодо оцінки конкурентоспроможності олійної галузі України та визначення її конкурентних переваг, спрямованих на забезпечення їх ефективного розвитку. З'ясовано особливості діяльності олійної галузі України на світовому ринку.

Ключові слова: конкурентні переваги, конкурентоспроможність, олійні культури, світовий ринок.

Аннотация: В статье проведено исследование по оценке конкурентоспособности масличной отрасли Украины и определения ее конкурентных преимуществ, направленных на обеспечение их эффективного развития. Уточнены особенности деятельности масличной отрасли Украины на мировом рынке.

Ключевые слова: конкурентные преимущества, конкурентоспособность, масличные культуры, мировой рынок.

Growing oilseeds is an important part of strategy of economic development. During the last decade, there has been a steady trend to expand acreage of oil crops in agricultural enterprises due to their growing utility as compared to other crops. Ukraine is a leader in the production of sunflower seeds, providing in some years 15-16% of its global volume. Production of soybeans and rapeseed has been ignored by farmers so far, but in recent years it has also started to develop dynamically.

Relevance of the topic is also determined by the fact that the way to overcome the crisis, which Ukraine's agriculture is going through today, runs primarily through the production of competitive products for both domestic and foreign markets, which meets the consumer's purchasing power and is also cost-effective for the manufacturer. This can be achieved through an integrated approach to production, processing and merchandising of plants and general implementation of the latest scientific and technological achievements.

In order to assess competitiveness foreign scientists tend to use Relative Export Advantage Index (RXA), Relative Import Penetration Index (RMP) and Relative Trade Advantage Index (RTA) [1, p. 85; 2, p.102]. To assess competitiveness of domestic oilseeds and products of their processing we calculated indices of relative trade advantage to certain types of products, which are major for export specialization of our country. The period selected for investigation (2001 - 2008) makes it possible to trace the dynamics of changes in

competitiveness of certain types of oilseeds and products of their processing during the time indicated.

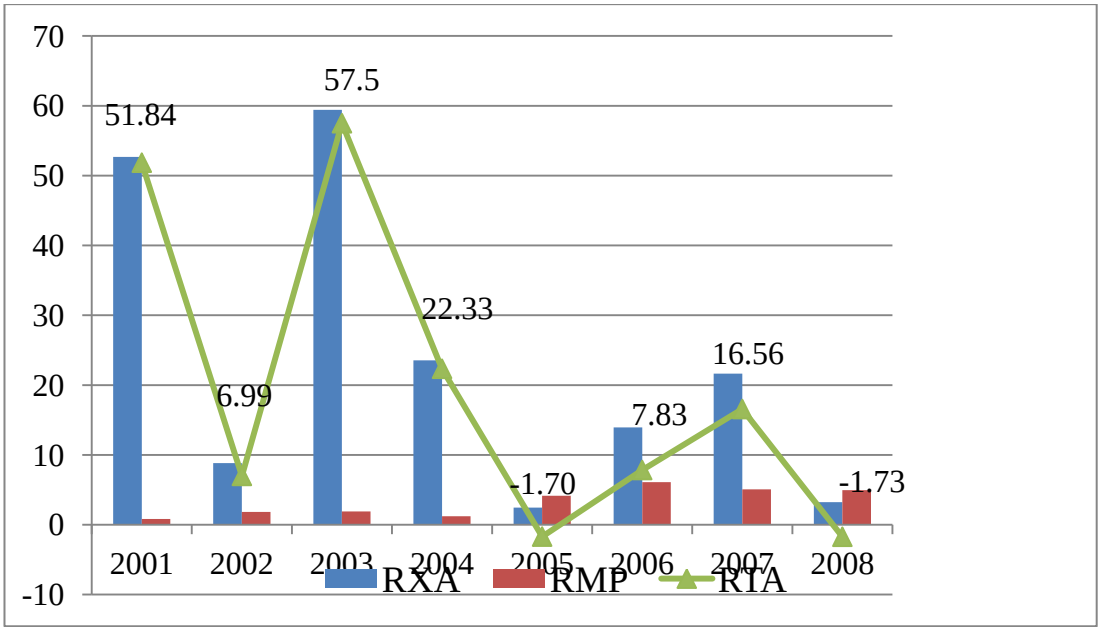

Fig. 1. Comparative analysis of relative competitive advantage indices of domestic sunflower seeds [5, 6].

For many years the most competitive Ukraine's oilseeds were sunflower seeds. Relative trade advantage index for this culture throughout the period under analysis was positive (except for 2005 and 2008). The highest index was observed in 2003 (RTA index was 57.5) and the lowest – in 2008 (RTA index was -1.73) (Fig. 1.).This can be accounted for by high export competitiveness of Ukrainian sunflower and virtually no imports of this crop to Ukraine. However, in recent years, import of high-quality sunflower seeds to Ukraine has increased.

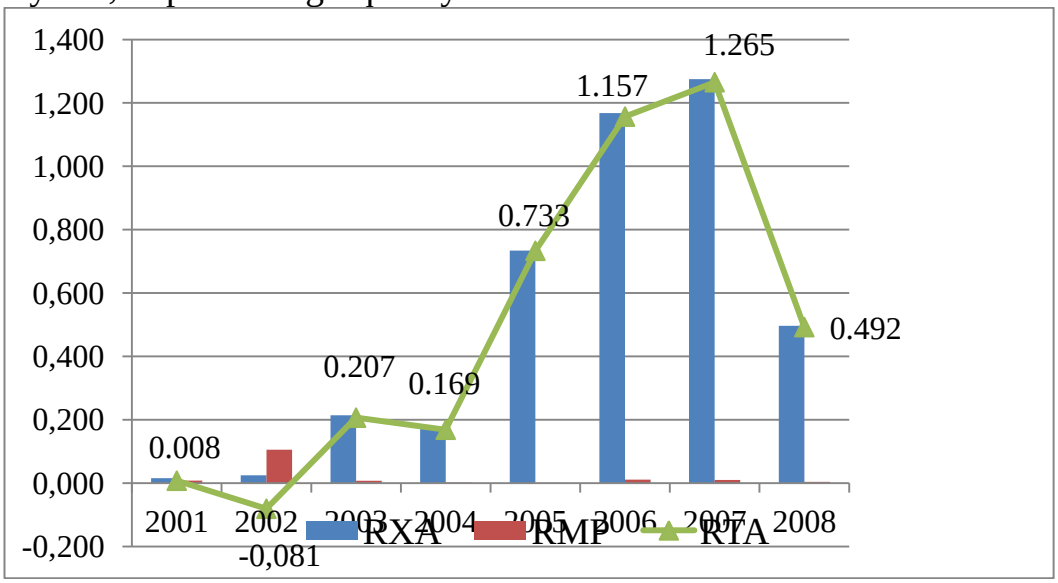

Fig. 2. Comparative analysis of relative competitive advantage indices of domestic soybean seeds [4].

Soybean seeds are also competitive oilseeds in Ukraine, although not quite as sunflower and rapeseed. Relative trade advantage index for soybean seeds during the period was positive (except 2002). The highest index was in 2007 – 1.265, and lowest in 2002 – -0.081. Unfortunately the

competitiveness index decreased in 2008 (0.492) compared to 2007 (1.265) (Fig. 2.).

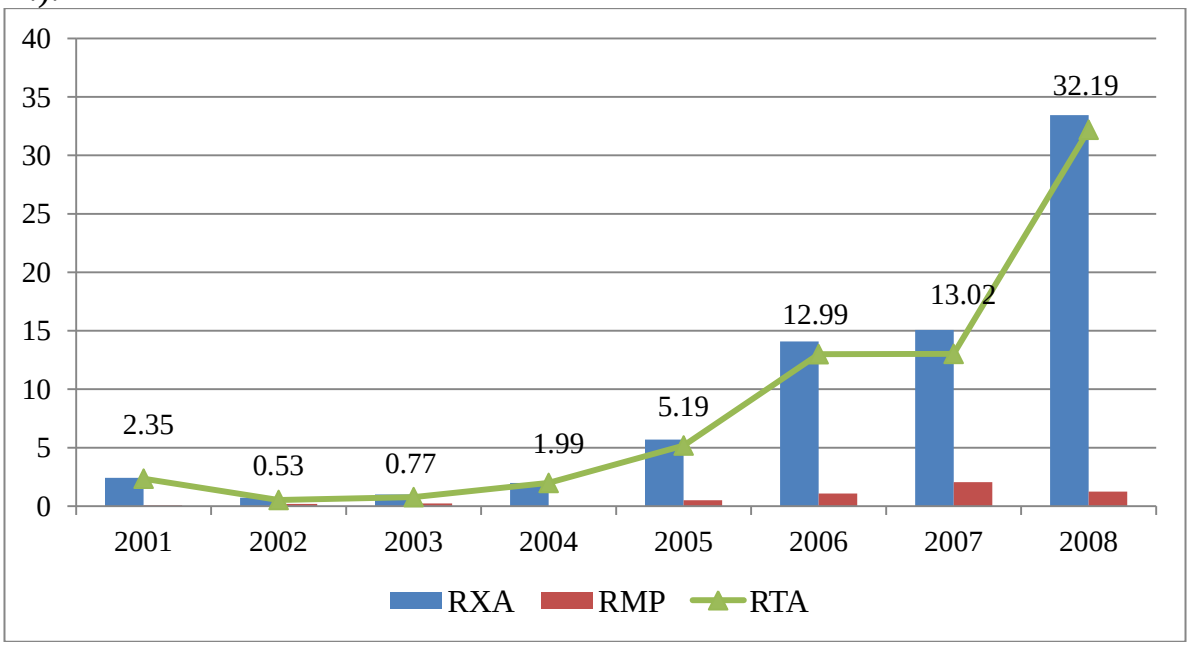

Fig. 3. Comparative analysis of relative competitive advantage indices of domestic rapeseed [5, 6].

In recent years, the competitiveness of Ukrainian rapeseed has significantly increased, which is caused by the growing demand for this kind of product in the world market and increasing its production in Ukraine. Thus, the index of relative trade advantages of rapeseed has grown for the last five years from 0.77 in 2003 year to 32.19 in 2008 (Fig. 3.). This trend results from increasing export competitiveness of domestic rape. To date, the most competitive oilseeds in Ukraine are rapeseeds.

Although oilseed market is competitive, we have to pay more attention to oil and fat production so that Ukraine will not become a raw material appendage. The world demand for vegetable oils continues to grow. The main reason for this is established to be increased consumption of vegetable oils in China and India which was abolished the export tax on vegetable oils and reduced domestic prices [3, p. 23]. Ukraine should continue supporting the trend to increase production of rapeseed and soybeans in the structure of oilseed market and reduce the area under sunflower to science-based volumes, increase its productivity. In 3 - 5 years this will help to increase the production of oilseeds by 1.5 times, which, in turn, will positively affect competitiveness of the industry. The entire amount of produced seed should be processed in Ukraine because the available power processors permit this [4, p. 18].

In addition, rape refers to those plants that can be used for reclamation of radioactive polluted land. This is an important factor for Ukraine, given the consequences of the Chernobyl accident. A specific feature of rape is that only a small portion of heavy metals and radionuclides get into seeds, since almost all of them accumulate in the stems. Rapeseeds from the polluted area can be used for production of oil and subsequent production. Stems with radioactive substances

can be subjected to recycling. Thus, the land of the Chernobyl area can be cleared of radioactive substances with gaining economic benefits [4, p. 18].

With the current indicative prices for high quality rapeseed of 220-360 U.S. dollars in a market economy relations, economies have a stable and reliable source of financial income and considerable potential for improving the logistics support – plant protection, machinery, fertilizers, fuel and lubricants, etc. – by concluding barter agreements. Moreover, increasing production of rape contributes to the introduction of new processing plants, and this in turn results in job creation and effective using of available human resources, especially in rural areas. Perspective is the growing rapeseed for export. At the average price 180 of U.S. dollars per ton and the yield of 1.5 tons per hectare, it is possible to obtain the profit of 1500 USD cash from each hectare. Thus, rape is a profitable export crops.

Research results prove that the main types of oilseeds and products of their processing belong to competitive products. Significant fluctuations in exports of Ukrainian oil crops in different years have been observed. This factor cannot be called positive. This gives evidence to the fact that Ukraine has no permanent segments in the global oil market, the competitiveness of its products is mainly influenced by prices and largely depends on external markets. Therefore, we recommend the following strategy for oil crops sector: maintenance of existing positions and increasing competitiveness by intensifying production. Intensification can be provided by means of implementation of technologies and modernization of the industry's fixed assets, which will improve the yield and quality of oil crops and reduce production costs.

Therefore, to develop its competitive potential, Ukraine should use three main advantages that distinguish it when compared to similar countries: the large size of the domestic market, relatively high level of education of labour force and high potential to innovate.

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