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## STRATEGIC MARKETING DEVELOPMENT OF MILK PROCESSING INDUSTRY OF UKRAINE

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**Abstract.** *The article provides a detailed analysis of the milk processing industry in Ukraine. It is indicated about the prerequisites that determine the need for strategic marketing planning of the activities of milk processing enterprises of enterprises. The author singled out the need to study the milk processing industry, which is due to the following reasons: significant market capacity and pace of development; marketing complications regarding the promotion of dairy products and seasonal fluctuations in demand; unstable situation in the industry, which is associated with the unsatisfactory state of the raw material base and the lack of competitiveness of products.*

*It is noted that the basis for the development of the dairy industry of Ukraine, and, in particular, milk processing enterprises, is state support for this industry. It has been proved that in order to maintain the existing market share, milk processing enterprises must apply publicity and sales promotion measures, combining their actions within the framework of the implementation of promotion measures.*

**Keywords:** *milk processing industry, milk processing enterprises, strategic marketing planning, concept of strategic marketing planning, marketing activities.*

**Problem statement.** Studying the state of the milk processing industry in Ukraine is a topical topic. First of all, this is due to the fact that this industry has a large number of manufacturers and is represented by a fairly wide range of products, a high level of competition, as well as marketing efforts made by each of the market participants to maintain their share and win new markets. Enterprises of the industry faced the problem of competition not only within the national but also global market.

The market of milk and dairy products in Ukraine is characterized by complexity and dynamism. The decrease in the capacity of the dairy market is due to the fact that due to unemployment, the number of workers in industry has decreased and former industrial workers living in the pre-entry zone have switched to self-supply with dairy products. In

combination with monopolistically low purchase prices for milk, this led to a decrease in the number of cows in agricultural enterprises and a significant reduction in milk production.

An important component of the structural crisis of the current state of the economy in general and its regions is the low level of knowledge in the field of strategic marketing planning of milk processing enterprises, as well as the technological complexity of the national economy, which is due to a number of reasons, including historical ones.

In this regard, it is very important to study the development of milk processing enterprises for the future.

**Analysis of recent research and publications.** Some aspects of marketing strategic planning in the milk processing industry are reflected in the fundamental research of the classics of I. Wilson, K. Andrew, P. Zeltsnik, G. Mintzberg, M. Porter, A. J. Strickland, A. Thompson, A. Chandler, in the works of foreign scientists I. Ansoff, V. Borisevich, K. Znamenskaya, G. Kandaurova, V. Rokhchin, S. Tyaglov and domestic scientists. Nevertheless, the problem of methodological, methodological and organizational support of marketing activities of milk processing enterprises remains open in the scientific literature, which led to the choice of the topic of scientific work [1-2; 9].

**Statement of the task.** The purpose of the scientific article is to study the prospects for the development of the milk processing industry of Ukraine through the prism of marketing strategic planning.

**Methods of research.** The following research methods were used in the scientific article: in particular, the analytical method – used in the analysis of statistical data characterizing the production of milk and other types of domestic dairy products, the number of milk processing enterprises by different types of processing in Ukraine, the market share of the largest dairy producers, etc.; generalization technique – applied in the characterization of commodity-assortment and sales policy of the largest dairy processing enterprises of Ukraine.

**Presentation of the main material of the study.** At the present stage of economic development, objective prerequisites that determine the need for strategic marketing planning of enterprises are:

- the inability of the market mechanism to ensure the macroeconomic stability of the national economy, to prevent cyclical fluctuations in production, gross income, employment;
- constant growth in the total consumption of the share of public consumption;
- the emergence of more complex forms of interaction between economic entities and entire sectors of the economy as a result of integration processes;
- aggravation of global problems of our time (exhaustion of natural resources, environmental degradation, etc.), which leads to increased public interest in the problems of long-term development;
- the emergence of emergencies (wars, economic crises, natural disasters), which require targeted activities to eliminate the effect of these factors on the development of society.

The object of research in the scientific article was chosen milk processing enterprises in Ukraine, which is due to the following factors:

- Significant market capacity and pace of its development in Ukraine in recent years.
- Marketing complications of product promotion on the one hand, and seasonal fluctuations in demand on the other, require not only an adequate tactical policy of the manufacturer in a particular period of the season or not, but also place high demands on the strategic behavior of the dairy producer: branding, the formation of strategic marketing plans for product promotion, business portfolio management.
- The unstable situation in the industry, which is associated with the unsatisfactory state of its own raw material base and the lack of competitiveness of products.

- Certain problematic aspects of the formation of a marketing strategy that require scientific research and the search for adequate strategic marketing approaches that would increase the efficiency of the dairy business in Ukraine.

The reduction of incomes of the population of Ukraine, the rise in prices for products of industrial production led to an increase in demand for milk and dairy products offered by households and farms on the market. This negatively affects the amount of demand for the products of dairy processing enterprises, which should intensify their communication activities with an emphasis on the quality of the goods offered on the market and their compliance with existing standards, compliance with proper sanitary and hygienic conditions in their production, constantly conduct research on the needs of customers, offering them new goods and looking for new markets.

A significant increase in the cost of fuels and lubricants, the remoteness of dairy plants from the raw material base, the undeveloped structure of procurement points in rural areas, the increase in the cost of raw materials, the depreciation of the Ukrainian currency negatively affects the development of dairy processing enterprises and lead to a reduction in their production.

As for the production of milk and products from it in Ukraine in general, there is a downward dynamic for all types of dairy products.

*Table 1.1*

**Dynamics of production of milk and other types of dairy products by enterprises of Ukraine in 2013-2020, thousand tons [3]**

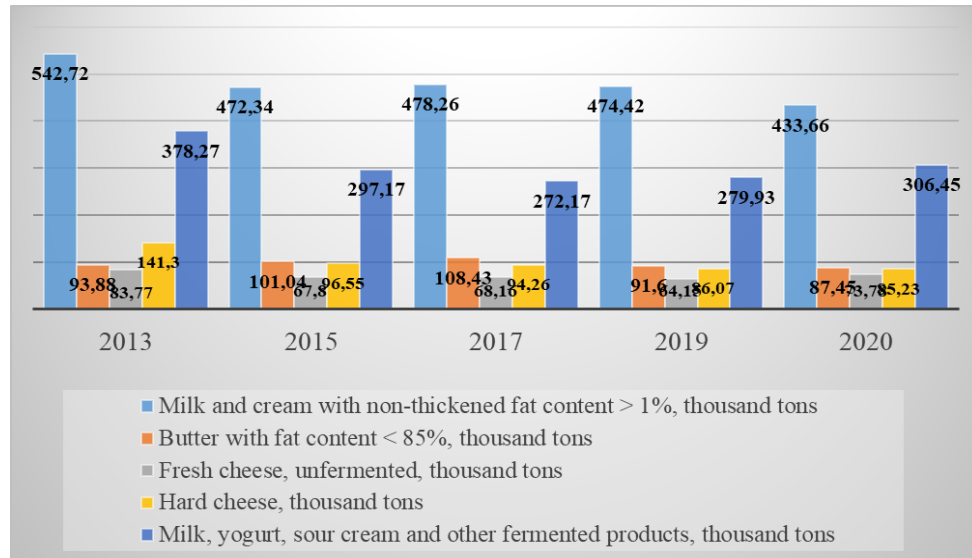
№	Types of dairy products	2013	2015	2017	2019	2020
1.	Milk and cream with non-thickened fat content > 1%, thousand tons	542,72	472,34	478,26	474,42	433,66
2.	Butter with fat content < 85%, thousand tons	93,88	101,04	108,43	91,60	87,45
3.	Fresh cheese, unfermented, thousand tons	83,77	67,80	68,16	64,15	73,78
4.	Hard cheese, thousand tons	141,30	96,55	94,26	86,07	85,23
5.	Milk, yogurt, sour cream and other fermented products, thousand tons	378,27	297,17	272,17	279,93	306,45

According to table 1.1. and figure 1.1. it can be concluded that the production of milk and cream of non-thickened fat content > 1% in Ukraine reached its maximum value for the studied period in 2013. and amounted to 542.72 thousand tons, and the lowest – in 2020 (433.66 thousand tons).

Although in 2015-2019. there was a slight increase in the production of milk and non-condensed cream to 474.42 thousand tons. A similar situation is in the production of butter with a fat content of < 85%, fresh cheese, hard cheese and milk, yogurt, kefir, sour cream and other fermented products. In particular, in 2020 compared to 2013 production of milk and cream of non-thickened fat content > 1% decreased by 20.1%; butter fat content < 85% – by 6.85%; fresh, unfermented cheese – by 11.93%; hard cheese – by 39.68% and milk, yogurt, kefir, sour cream and other fermented products – by 18.99%. This is a demonstrable reduction in the production of milk and various types of dairy products in Ukraine in the period 2013-2020 primarily due to the following reasons:

- reducing milk production by reducing the number of cows in particular;
- gradual increase in purchase prices for the main raw materials – milk;
- low level of capacity utilization as a result of insufficient raw materials;

- a decrease in demand for dairy products due to the insufficiently high purchasing power of the population and the tendency to reduce its number;
- a high level of competition from powerful enterprises equipped with modern equipment and technologies, etc.

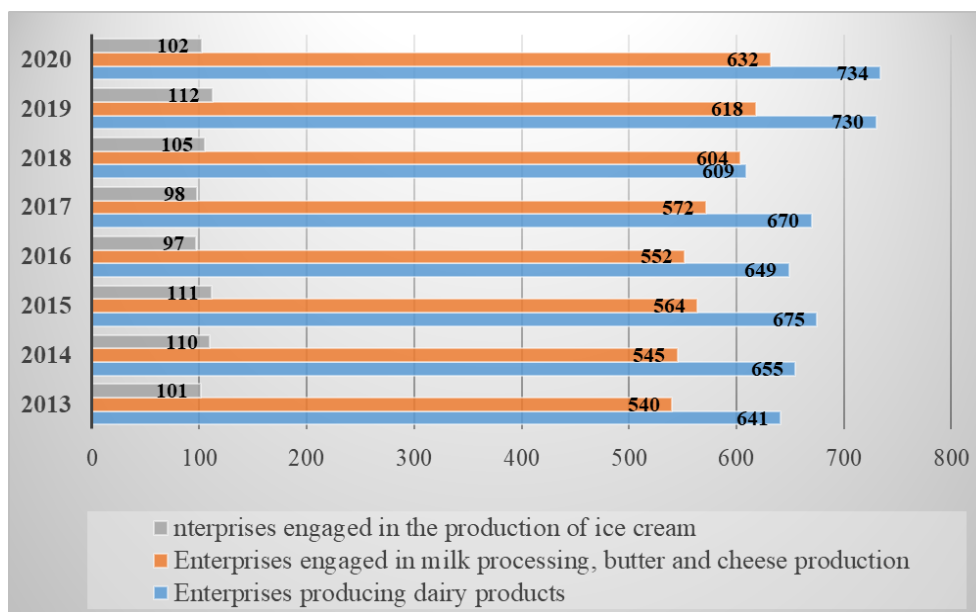


**Fig. 1.1. Production of milk and other types of dairy products by enterprises in Ukraine in 2013-2020, thousand tons [3]**

The general trend in the commodity policy of dairy processing enterprises is the use of a diversification strategy – expanding the range. At large dairy processing enterprises, the assortment includes many commodity items and names, that is, almost the assortment develops both in width and in depth. In this regard, we consider the diversification strategy promising in the near future.

It should be noted that the organization of production and marketing activities of domestic milk processing enterprises is mainly carried out on the basis of solving current problems without focusing on achieving more distant goals. There are many reasons. So far, the enterprises have not completed the processes of reorganization changes. The market situation is so complex and dynamic that the developed marketing strategies cannot be implemented. There are no specialists who can study and even more so predict the situation in the dairy market, and without predicting the long-term prospects for market development, analyzing the needs of customers, assessing the resources and capabilities of enterprises, it is impossible to develop and implement marketing strategies.

The actions of the majority of milk processing enterprises in Ukraine during all the years of reforms were aimed at maximizing current profits. Having a monopoly in the zone of procurement of raw materials, enterprises made every effort to ensure profit by forming low purchase prices. Purchase prices were formed at a level lower than the cost of milk produced in agricultural enterprises. The latter have a tendency to reduce the number of cows and milk production. There were problems with the purchase of raw materials. Analyzing the dynamics of the number of milk processing enterprises in Ukraine, we can talk about its positive trends. Figure 1.2. shows the number of milk processing plants for different types of processing.



**Fig. 1.2. Number of milk processing enterprises by different types of processing in 2013-2020, units [4]**

A detailed analysis of the figure indicates that both the number of enterprises producing dairy products and the number involved in milk processing, butter and cheese production and the number of enterprises producing ice cream have a growing trend. Yes, compared to 2013 the number of enterprises producing dairy products increased by 93 units (14, 5%) in 2020; enterprises engaged in milk processing and production of butter and cheese – 92 units (17.03%); engaged in the production of ice cream – 1 unit (1.0%).

Promising directions for the organization of effective activities of a dairy processing enterprise are determined by a number of objective factors: the optimal combination of the enterprise's specialization with its rational placement in relation to raw materials zones and points of consumption of dairy products; level of technical and technological support of production; availability of innovative and resource-saving technologies; the state of development and the possibility of introducing strategic and tactical measures of pricing policy, the possibility of improving the structure of production and labor organization.

Given the peculiarities of the Ukrainian market with its lack of information and the uncertainty that the war between the Russian Federation and Ukraine brings, very few variables are known in the formation of marketing goals today. Decisions are made in the absence and high cost of the necessary information. Therefore, it will be obvious to make an assumption about the propensity for a short-term strategy regarding the purchase of raw materials from other areas, rather than strategic marketing planning and a tendency to minimize risk. In this view, it is advisable to show the organization of the purchase of milk in the context of individual milk processing enterprises.

So, for 2021 in Ukraine, a total of 8.72 million tons of milk were produced against 9.25 million tons in 2020. At the same time, agricultural enterprises produced 2.75 million tons of milk (0.4% less), households – 5.97 million tons (8.2% less). In 2021, according to the State Statistics Service, processing enterprises received almost 3.2 million tons of raw milk, from which butter, milk and cream (dry and condensed), cheeses, whey, etc. were produced [5].

Again, after Russia's full-scale invasion of Ukraine, in the zone of hostilities and occupation were areas where they produced 42.3% of the shaft of milk. In many affected regions, cow productivity decreased by 15-70% [5].

Market research data indicate that industrial milk production in 2022 and can be reduced by 19.5% – from 2.75 to 2.21 million tons [5]. The decline in the production of raw milk and dairy products in Ukraine will not exceed 17-18%. Accordingly, the flow of raw milk to processing enterprises will decrease.

Therefore, the improvement of the procurement system should be based on the justification of the pricing policy, the process of strategic marketing planning and the construction of effective schemes for the purchase of raw materials, taking into account the location of milk processing enterprises and their distance from milk suppliers. At the internal-regional level, it is advisable to form deliveries taking into account certain approaches and carry out the following measures:

- improvement of the system of material encouragement of quality raw materials to households and introduction of the amount of additional payments for quality improvement;
- development of strategic measures for the procurement of dairy raw materials;
- establishing proper coordination of the activities of individual services and divisions of the enterprise, directing their activities to achieve the general goals of the enterprise;
- establishing integration relations by combining the interests of participants in the agro-industrial and trade chain, creating new integrated marketing-type formations that would include all links between the movement of products from the farmer to the consumer of products;
- improving the system of using marketing strategies for purchasing raw materials by enterprises on the basis of a systematic approach.

Efficient provision of raw materials to dairy processing enterprises and rational use of processing capacities will contribute to increasing the volume of final products, the unit of which accounts for a larger share of profit than the unit of raw materials.

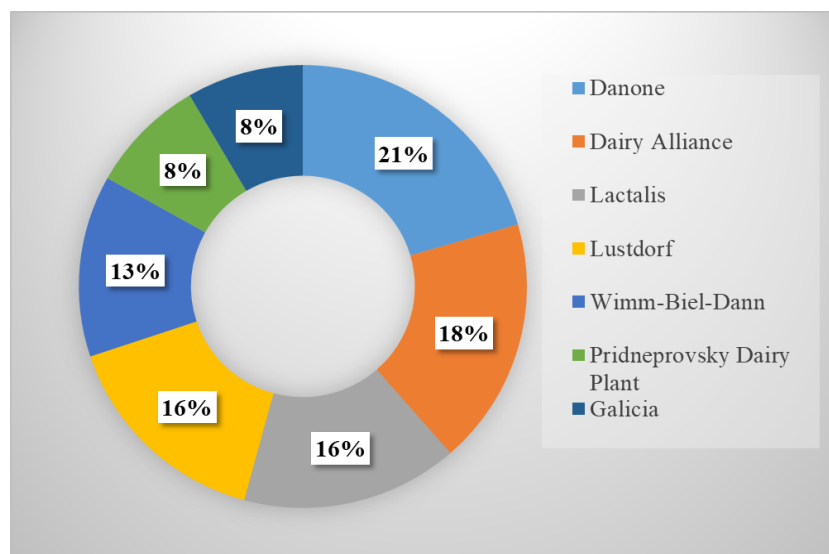


Fig. 1.3. Share of the domestic market of the largest dairy producers in Ukraine in 2019,% [6]

Figure 1.3. provided information on the largest dairy producers of Ukraine according to the results of activities in 2019. From the information provided, it is determined that the largest share of the domestic dairy market is occupied by Danone (13.15%), Milk Alliance (11.19%), Lactalis (9.95%) and Lustdorf (9.8%), while Galicia (+ 22%), Lactalis (+ 21%), Lustdorf (+ 15%).

A detailed analysis of the product and assortment policy and sales policy of milk processing enterprises is presented in Table 1.2.

Studying the demand of consumers for the products of the dairy industry, manufacturing enterprises are changing the range of products produced, therefore, in contrast to the increase in the volume of production from whole milk, the production of low-fat dairy products is reduced, in particular, there was a 60% reduction in the natural weight of cheese and cheese mass.

*Table 1.2*

**Detailed characteristics of commodity-assortment and sales policy of the largest milk processing enterprises of Ukraine [7, p. 74]**

<b>Company name</b>	<b>Main types of products</b>	<b>Geography of sales</b>
<b>“Terra Food”</b> (19 businesses on the territory of Ukraine)	Whole milk products, cheese, vegetable and cream mixtures, butter. Leader – on packaged butter and vegetable and cream mixes market	Covers more than 40 countries, including the Middle East, North Africa, the Balkans, China, the USA and North Korea
<b>“Milk Alliance”</b> (6 enterprises in Ukraine)	Milk, cheese, whole and dairy products	Covers 35 countries, including Arab-Muslim countries and China
<b>“Danone Ukraine”</b> – a division of the French food the Danone Group	Yogurts, curds, baby food	Ukraine
<b>“Almira”</b> (7 enterprises in Poltava region)	Dry dairy products, butter, cheese, spreads, canned milk. Leader in the market of cheese and cheese products in Ukraine (23% of this market), butter and vegetable and cream mixtures (16%)	Covers more than 50 countries, including CIS countries, Africa, Middle East, USA, Mexico, Japan
<b>“Como Group of Companies”</b> (8 enterprises in the territory Ukraine)	Whole milk products, cheese, dry whey	Actively exported products to Russia, now focuses primarily on the markets of China and Kazakhstan

In recent years, there have been significant changes in the organization of trade in milk and dairy products. If earlier most of these products were sold in specialized stores, which was due to the supply by industrial enterprises of products such as milk, cheese, sour cream – in cans and packaged products – in glass bottles and jars, which required refrigerating chambers and receiving containers returned by the population, then in modern conditions, when almost all products enter the retail chain packaged, the specialization of dairy shops gradually lost in the region.

It is worth highlighting the place of Ukraine and milk production in the world. If in the 90s Ukraine ranked 6th in milk production in the world and produced 24.5 million tons of milk, and already in 2020 – about 6.5 million tons of milk, which is accompanied by 32nd place in the world ranking [8].

The analysis of the main indicators of Ukrainian dairy enterprises (Table 1.3 and Fig. 1.4.) indicates that in 2020 there were 192 enterprises that showed the results of their main activities:

Table 1.3

The main indicators of the dairy industry of Ukraine in 1990-2020 [8]

Indicator	1990	2003	2020
Number of milk processing plants, units	643	441	192
Milk production, million tons	24,5	7,0	6,5
Processed milk, million tons	18,0	4,5	3,8
Whole milk products, thousand tons	6430	1230	1010
Butter, thousand tons	441,1	145,3	89,2
Cheese, thousand tons	183,8	167,8	128,6
Milk powder, thousand tons	61,1	19,8	34,1
Condensed milk, thousand tons	166,0	101,4	74,5
Milk consumption per capita, kg	373,0	220,0	185,0

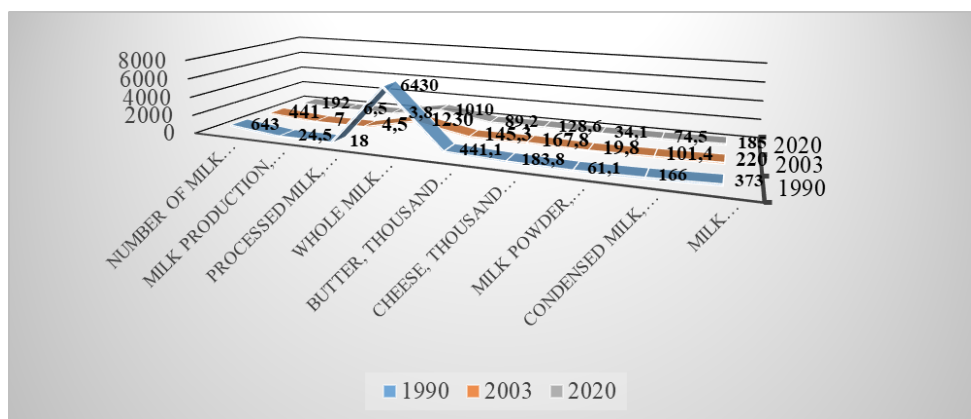


Fig. 1.4. Dynamics of the main indicators of the dairy industry of Ukraine in 1990-2020 [8]

- 1) milk production amounted to 6.5 million tons;
- 2) milk processing – 3.8 million tons;
- 3) products from whole milk (drinking milk, fermented products, fresh fermented milk cheese) – 1.1 million tons (in the 90s it was 6.4 million tons);
- 4) butter – 89, 2 thousand tons (we must remember that here the statistics are doubled, because large companies often buy products from small businesses and repackage under their own brand);
- 5) cheese – 128.6 thousand tons;
- 6) milk powder – 34.1 thousand tons;
- 7) condensed milk – 74.5 thousand tons;
- 8) milk consumption per capita – 185 kg per year.

In turn, Ukraine does not feel very well in the foreign markets of natural dairy products. In 2020 exports decreased by 20% compared to last year (for the same period) [8]. And export figures will continue to decrease due to a shortage of milk. If earlier export was carried out due to the receipt of milk from the population in the spring-summer period, now there is almost no milk from the households of the population. Therefore, at the moment there are no prospects for Ukraine to be competitive in foreign markets. Ukraine can compete only if it produces products with additional value.



The basis for the development of the dairy industry in Ukraine, and in particular milk processing enterprises, is state support for this industry. It is worth mentioning the Concept of the National Program for the Development of the Dairy Industry until 2030.

The implementation of the above-mentioned program requires 90 billion UAH over 10 years (9 billion UAH every year, of which 50% are state support). That is, to increase the production and processing of 1 million tons of milk, it is necessary to invest 750 million euros. Consequently, domestic dairy processing enterprises need to increase production by 4 million tons of milk. In terms of euros to hryvnia - this is almost 9 billion UAH per year.

**Conclusions.** So, summing up all the above, we note that a significant threat to the functioning of dairy processing enterprises is the growing commitment of the population to dairy products purchased in the markets.

This led to the fact that over the past nine years, the consumption of dairy products of industrial production in Ukraine has decreased by 25%, and the “bazaar” over the same period has increased by 79%, which in monetary terms is equivalent to 20 billion UAH per year.

To maintain the existing and increase market share, dairy enterprises should pay great attention to public and sales promotion measures, combining their actions as part of the implementation of promotion measures. We are talking about promoting the consumption of dairy products through their tasting in educational institutions, organizing excursions for schoolchildren and students to dairy processing enterprises with an explanation of the advantages of their products compared to the “bazaar”, conducting an independent assessment of the quality of such products and similar private and farm farms with the dissemination of the results in the press, on radio and television, on the Internet.

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## СТРАТЕГІЧНИЙ МАРКЕТИНГОВИЙ РОЗВИТОК МОЛОКОПЕРЕРОБНОЇ ПРОМИСЛОВОСТІ УКРАЇНИ

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**Анотація.** У статті детально проаналізовано індустрію добродійності України. Зазначено передумови, що визначають необхідність стратегічного маркетингового планування молочних підприємств. Автором виділено необхідність дослідження молочної галузі, що обумовлено наступними причинами: значним ринковим потенціалом та темпами розвитку; маркетингові ускладнення щодо просування молочної продукції та сезонні коливання попиту; нестабільна ситуація в галузі, яка пов'язана з незадовільним станом сировинної бази і неконкурентоспроможністю продукції. Значне зростання вартості паливно-мастильних матеріалів, віддаленість молокозаводів від сировинної бази, нерозвинена структура пунктів заготівлі в сільській місцевості, зростання вартості сировини, девальвація української валюти негативно впливають на розвиток молочних підприємств і призводять до скорочення обсягів їх виробництва.

Детальний аналіз тенденцій розвитку молочної галузі України дозволив заявити про скорочення обсягів виробництва молока та різних видів молочної продукції в Україні в період 2013-2020 рр. та виділити основні причини: скорочення поголів'я корів; підвищення закупівельних цін на основну сировину молочної галузі – молоко; низький рівень завантаження потужностей в результаті недостатньої кількості сировини; зниження попиту на молочну продукцію через недостатню високу купівельну спроможність населення; високий рівень конкуренції з боку потужних підприємств, оснащених сучасним обладнанням і технологіями тощо.

Зазначено, що основою розвитку молочної галузі України, і, зокрема, молокопереробних підприємств, є державна підтримка цієї галузі. Доведено, що для збереження існуючої частки ринку молочні підприємства повинні застосовувати заходи рекламно-збутового просування, поєднуючи свої дії в межах реалізації заходів у сфері просування.

**Ключові слова:** молочна промисловість, молочні підприємства, стратегічне маркетингове планування, концепція стратегічного маркетингового планування, маркетингові заходи.

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