

OUTLOOK OF INVESTMENT OPPORTUNITIES IN OIL AND FAT INDUSTRY IN UKRAINE

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Food security of Ukraine has always been one of the priority targets of the state agrarian policy. Ukraine is able to hold a leading position in the world food markets, though the development of production and export potential of produced food is impossible without substantial growth of its competitiveness. All these require enhancement of production efficiency, innovative development of sectors of the national economy, sufficient involvement of investments, in particular by the companies of oil and fat industry of Ukraine.

Despite recessionary trends in the global and national economies, in the last decade oil and fat industry of Ukraine has been sufficiently attractive for investors, and it is rapidly increasing production rates reflecting a sustainable demand for its products in the domestic and global food markets. Traditionally, in the global market there is a demand for Ukrainian sunflower seed, rapeseed, soybean seed and sunflower oil. Powerful production and export capacity of oil and fat industry as well as the state policy of industry's protectionism are the key factors that promote high investment attractiveness of oil and fat enterprises.

Production and processing of oil crops are important components of the strategy of economic development of Ukraine's agricultural sector. As oil crop seed is a feedstuff for oil and fat industry, there is a tendency towards sustainable growth of cropping areas of oilseeds because of their higher profitability compared to other crops.

Table 1

Sunflowerseed and Products: World Supply and Distribution,
Thousand Metric Tons

Production	Oilseed			Meal, Sunflowerseed			Oil, Sunflowerseed		
	2013	2014	2015/	2013/	2014/	2015/	2013/	2014/	2015/
	/14	/15	16	14	15	16	14	15	16
	MY	MY	MY	MY	MY	MY	MY	MY	MY
Argentina	2,1	3,2	2,5	0,9	1,1	1,3	0,9	1,2	1,2
Russia	9,8	8,4	9,2	3,6	3,3	3,5	3,6	3,4	3,5
Turkey	1,4	2,2	1,0	1,0	0,8	0,7	0,8	0,73	0,6
Ukraine	11,6	10,2	11,3	4,7	4,3	4,6	4,8	4,4	4,7
European Union	9,1	9,0	7,6	4,1	4,2	3,8	3,2	3,2	2,9
Other	7,7	7,7	7,6	2,6	2,4	2,4	2,2	2,1	2,1

During the last 10 years there was been a tendency towards the increase of harvested areas and production of oil crop seed under relatively stable yielding capacity. Thus, in 2011-2015 harvested areas of sunflower and soybean increased by 300 and 500 hectares respectively, gross yields of sunflower and soybeans totaled more than 150% from the rate of 2011. In the same period rapeseed harvested area decreased by 37.5%, but its production decreased only by 14.3% due to increase of the yielding capacity [1].

There are three groups of oil seed processing enterprises that operate within oil and fat industry. The first one is represented by the specialized companies producing vegetable oil - oil and fat (vegetable extraction) plants or industrial complexes. They can produce other oil and fat products as well. The second group includes small companies producing oil of two types – oil mills that are departments of plants for

which vegetable oil production is not the main activity and oil mills that operate independently. The third group consists of manufacturers of fat products different from vegetable oil - margarine and soap factories and industrial complexes.

Ukraine holds a leading position in the global production of sunflower seed providing in some years up to 20% of the world's total seed production. Besides, Ukraine is one of the leaders of the global exports of seed and products of sunflower processing. Traditionally, there is a demand for soybean seed, rapeseed and meal of all oil crops in the foreign market.

Global trends of consumption of food (growth of population) and non-food use of oilseeds (feeds and biodiesel), which is causing the problem of internal meeting individual needs, stimulate replacement of soybean and palm oils for sunflower in many countries of the world, including North Africa, India and Iran, which is a powerful indicator for investors to invest in oil and fat industry of Ukraine.

However, in Ukraine there are some factors that hinder realization of the potential production and export capacity and enhancement of economic efficiency of enterprises of oil and fat industry: extensive development of production and processing of oil crop seed and the problem of innovative development. Oil and fat industry is not provided with advanced domestic technologies and equipment that is caused by both objective and subjective reasons [2]. It is necessary to implement advanced technologies of oilseed production, technical renovation of the enterprises, equipment upgrading, introduction of energy-saving technologies, improvement of the complex oil crop seed processing. It is essential to note that oilseed production should be performed in accordance with science-based principles of farming and rational environmental management.

Generally, domestic researchers are forecasting future growth of oilseed production up to 15 million metric tons, including soybeans up to 5 million metric tons, rapeseed - 2 million metric tons, and maintaining sunflower production at the rate of 8 million metric tons. Thus, competition in the domestic commodity market will grow. Such development may result in gradual rise of product prices, but the level of prices will greatly depend on the situation in the world market. In 2014-2015

marketing year capacity of the domestic market of oilseeds will not be less than \$6.5-7 billion.

Favorable soil and climatic conditions for the cultivation of the major oilseed crops in Ukraine and in Vinnytsia region in particular ensure significant production and export potential of oil and fat industry in Ukraine. To enhance investment attractiveness of oil and fat industry it is necessary to improve organization of production and processing of oilseed crops.

Analysis of dynamics of the global and domestic markets of oilseed crops, vegetable oil and other oil and fat products shows that there is a tendency towards the increase of their capacity, and enhancement of their investment attractiveness for both internal and external investors. Therefore, there are viable prospects for further development of oil and fat industry in Ukraine and Vinnitsa region.

References

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