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The main directions of improving the economic effectiveness in meat industry in Grodno region

Abstract. A comparative study of the meat processing firms in the Republic of Belarus is performed.. Those situated in Volkovysk region are most profitable and most labour efficient. The difference between the most efficient and the least efficient (they work at a loss) groups of firms is 7.1 percent points in profit margin.

Key words: meat processing industry, production profitability, Byelorussia

There is no agricultural organization in the agricultural sector of economy that has not experienced, to some extent, some crisis phenomena and economic or financial difficulties. For the last 10 years meat industry of the republic has been experiencing serious difficulties connected with the fall of volume of produce processed in the enterprises, moral and physical ageing of equipment, decreasing production profitability level due to many specific features of the market, absence of investments, bad sale market caused by a solvency decrease and other factors.

Animal fattening is the most effectively developed branch where one can mechanise almost all production processes and unite all production stages in one large enterprise. But under the modern conditions it is not rational and profitable for every agricultural enterprise to build a processing workshop. It is easier to create permanent ties with already existing meat processing enterprises securing profitable conditions. Nowadays many suppliers sell their products in small volumes and very often they are situated in a distance from the location of the processing enterprise, so the deliveries have an unstable character that has a negative influence on the work of both agricultural and processing enterprises.

One of the main problems of meat industry is a bad provision of enterprises with raw materials. For the period from 1997 to 2004 the total number of pigs has been reduced by 9%. Partially it is connected with the fact that many farms sometimes have to pay back the credits of goods in the period of sowing and harvesting campaigns in kind, selling the living animals, or they have to slaughter the animals before they reach the necessary weight and because of many other reasons.

The efficiency of agricultural produce processing depends on the extent of using the industrial capacities, which in 2004 made only 38% in the meat processing industry.

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In 2004 meat processing enterprises of our republic got 323,900 tonnes of animal live weight or 96% of what had been delivered in the same period of the last year. The reduction of meat processing volume was admitted by 20 out of 27 meat processing enterprises, or 74.1%, and also in all regions except for the Gomel region (where the index was 100.3%). The growth is observed only in 6 meat processing enterprises. In the first place there is Gomel, where the value of the above mentioned index is 141.4%.

On the whole the dynamics of meat processing volume in 2002-2004 in all regions is shown in figure 1.

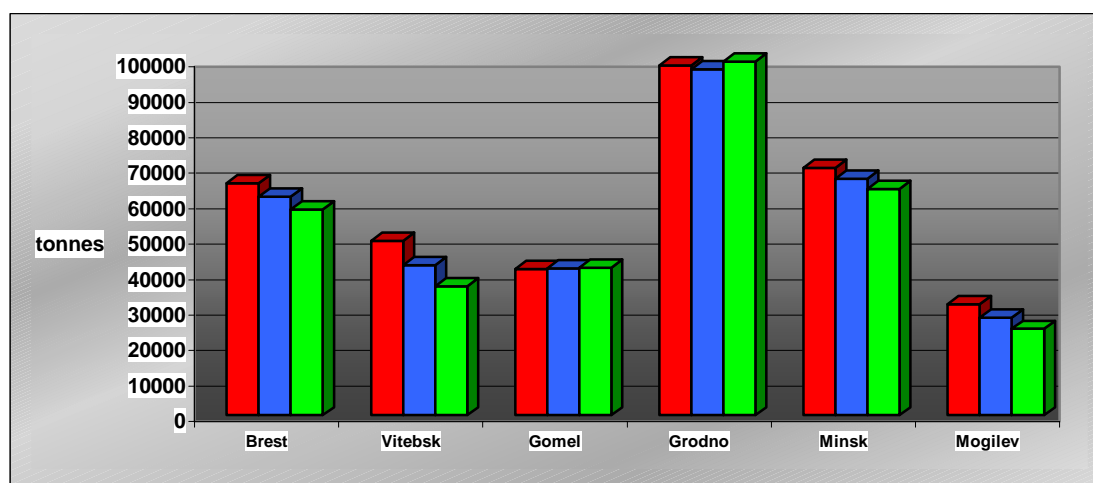


Figure 1. Dynamics of the meat processing volume in all regions in years 2002 – 2004

From the given data one can see that the meat processing volume in the Grodno region is 99,700 tonnes or 42.8% of the whole processing in the republic.

It is necessary to point out the fact that only 60.8% of the total amount of the animal live weight (595,500 tonnes) that was sold by the agricultural enterprises of the republic was taken to meat processing enterprises. The lowest share of industrial processing takes place in the Mogilev region (44.8%) and the highest one in the Grodno region (77.5%).

The production value of 1 tonne of processed animal live weight made up 2366000 roubles in 2004 against 2173000 roubles in 2003, which means a growth index of 108.9%.

In 2004 raw material was processed most effectively by the enterprises of Vitebsk, Minsk and Grodno regions, where the value of production output from 1 tonne of the live weight of animals processed made up 12,090,000; 11,400,000 and 10,973,000 roubles accordingly.

The structure of the sausage articles made in 2004 did not change substantially as compared to the previous year. The highest share in the total volume of sausage production is

taken by the boiled sausages, i.e. 41.8%, the share of smoked articles increased a little (9.7% against 8% in 2003).

The structure of the produced assortment of sausage articles in 2004 is given in figure 2.

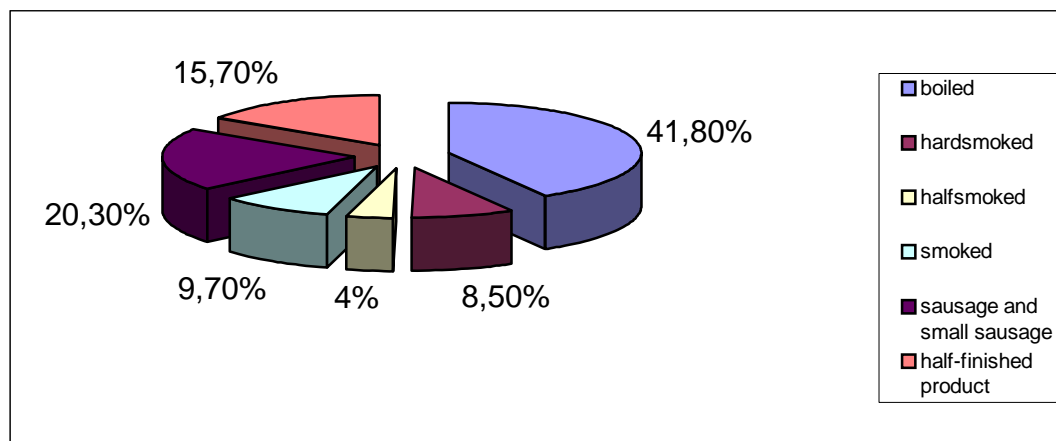


Figure 2. The structure of the produced assortment of sausage articles by meat processing enterprises of the Republic of Belarus in 2004.

Summing up the work of meat industry in 2004 it should be pointed out that the financial situation of meat processing enterprises continues to be tense. In 2004 the enterprises got a profit from the production market in size of 28,075 mln roubles. Nevertheless 5 meat processing enterprises incurred losses of a total sum of 3,708 million roubles. In the conditions of a chronic deficit of raw material, strict pricing policy of the state, inflation and the absence of means for improvement and modernization of production it is very difficult for the enterprises to achieve a growth of the production volume and a high average level. However it should be pointed out that some enterprises manage to work all the time at the high average level. (Table 1) The profitability of the production sold by the meat branch in 2004 was 2.3 %.

Table 1. Profitability of the production sold by the enterprises in the meat processing branch, %

Region	Year				2004 versus 2003, +/-
	2001	2002	2003	2004	
Brest region	6.4	4.3	1.2	-1.2	-2.4
Vitebsk region	4.0	2.8	3.9	0.1	-3.8
Gomel region	11.9	6.6	5.6	3.5	-2.1
Grodno region	8	5.4	2.3	2.7	0.4
Minsk region	4.4	5.4	6.1	5.0	-1.1
Mogilev region	8.5	4.3	3.1	3.5	0.4
All regions	6.9	4.8	3.6	2.3	-1.3

Let us examine the situation in the meat processing works of the Grodno region. With regard to the amount of meat processed the Grodno region takes the 1st place, 30.8% of the

total volume of the animal live weight processed in the republic is processed there. It is represented by 5 meat works, i.e. the Grodno, Lida, Slonim, Volkowysk and Oshmiany meat processing enterprises.

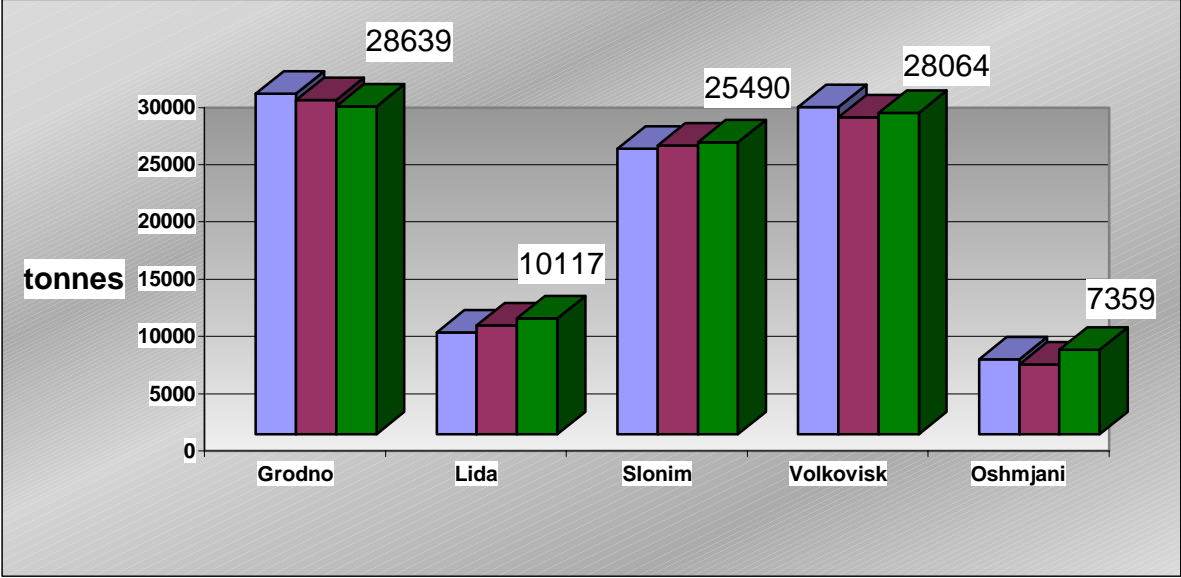


Figure 3. Animal live weight processed in the Grodno region in all the meat processing works (2002 – 2004)

From the data in figure 3 one can infer that the leading place is taken by the Grodno meat processing enterprise (28,639 tones) and the Volkowysk meat processing enterprise yields to it only a little. So in 2004 the processed volume was 28,064 tonnes, that is 1,4% more than in 2003. On the whole the Grodno region meat processing works processed 99,669 tonnes in 2004, that is 2,024 tonnes more than in the previous year.

The productivity of labour shows us the level of influence of the enterprise’s equipment on the productivity. Labour productivity and its improvement are the topical problems now and the rate of production expansion and the satisfaction of demand depend on solving this problem.

From the available data one can infer that the lowest productivity of labour takes place in the Oshmiany meat processing enterprise (22860\$). Volkowysk meat processing enterprise takes the 1st place in ranking of the level of productivity of labour (35630\$) that in its turn influences the profitability of production.

Taking all above-mentioned into consideration let us examine the profitability level in the Grodno region meat processing works in 2004.

On the whole a positive tendency is observed in the Grodno region: as compared with 2003 all the meat processing works had in 2004 a profitable production level. This fact shows

us that in the future an improvement of the meat processing works activity effectiveness in all directions is quite possible.

The industrial meat production in the republic is at the level of 60% and 40% is produced in subsidiary enterprises, but at the same time the industrial meat production in the developed countries is higher than 90%. The level of the main industrial assets wear in the meat processing works is in average about 50%. Their annual replacement is not higher than 3.1%, that is twice or thrice lower than necessary. Only about 15% of the equipment in the enterprises of meat processing industry is able to provide an output competitive in the world market.

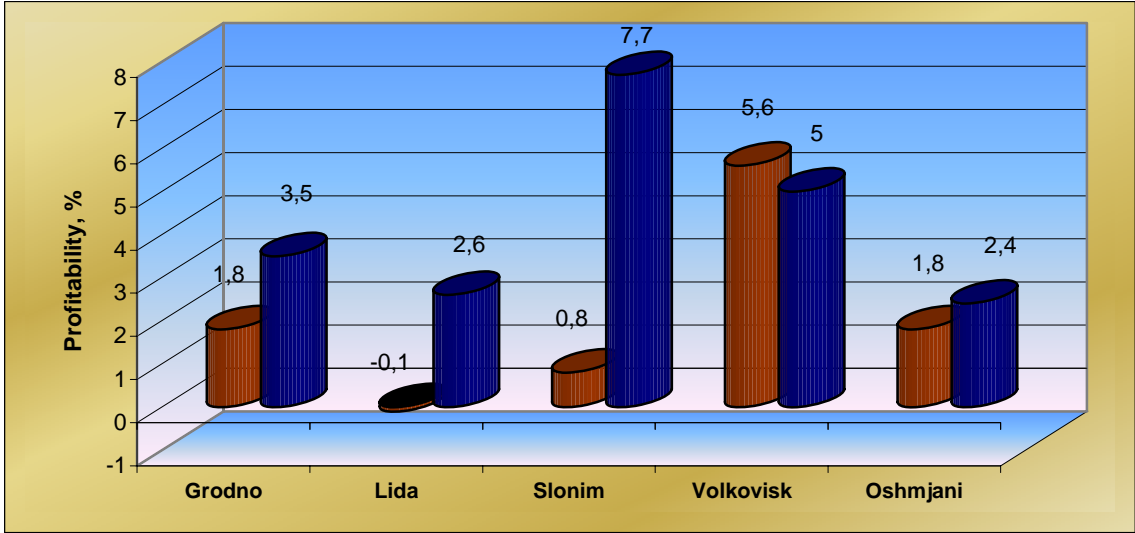


Figure 4. Profitability level in all the meat processing works in the Grodno region in years 2003 and 2004.

Let us examine the factors that influenced the given changes in indices. Let us do it with the help of grouping the meat processing works of the Republic of Belarus. Let us look at the table 2.

The best indices are reached in the third group: the profit from production is in average equal to the sum of 3,187.3 million roubles per firm and year, while the prime cost of production sold by the third group makes up 181.8% of the same prime cost of the first group. The profit of the enterprises in the third group is several times higher which shows more effective work of these enterprises.

Also the enterprises of the third group have the highest productivity of labour and consequently they have the highest wages of 330,978 roubles per month. The enterprises of the third group, which includes the Grodno meat processing enterprise, are all profitable and economically stable, but the further improvement of meat processing effectiveness is desirable.

Table 2. Grouping of meat processing works in the Republic of Belarus

Indices	Groups of enterprises according to the profitability (or loss) indicator level			Difference between group no 3 and group no1, %
	below 1.1	between 1.1 and 4.3	more than 4.3	
Number of enterprises in a group	9	12	6	--
Average profitability level, %	-0.9	2.7	6.2	+7.1
Animal live weight processed, tonnes	8172,0	11929.3	18626.3	227.9
Profit (loss), million roubles	-265.6	1169.8	3187.3	+538.1
Cost of production sold, million roubles	28435.7	42691.3	51698.8	181.8
Average monthly wage, roubles	246776.7	317069.5	330978.8	134.1
Productivity of labour, thousand roubles/day	33630.1	43512.8	56014.4	166.6

So on the grounds of the analysis made we can conclude that at the present stage it is necessary to look for new directions of improvement in meat processing effectiveness, to apply new achievements, to introduce the experience of the developed countries. But for all above mentioned development financial investments of the investors and the state are necessary. They will let the processing industry come to a completely new development level and the production will become competitive not only in the domestic market but in the world market too.

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