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## **INTERACTION OF RAW MATERIAL AND PROCESSING ENTERPRISES OF SMALL AND MEDIUM FOOD BUSINESS**

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At the stages of economic development of Ukraine and strengthening of globalization in the world, the range and variety of types of food products has expanded, production has diversified. There is an example: if in the nineties of the last century, almost 90% of the supply of bakery products was provided by industrial enterprises, today this indicator does not exceed 30% [1].

Together with transformational changes in society, the food preferences of the population are also changing. An actual trend of recent times in the country and the world is the increase in the share of consumption of food products produced not far from the place of residence.

The assortment is diversified. Today, MSME enterprise provides the largest share of bakery and flour products. Thanks to the policy of decentralization, small and medium-sized businesses have a special role in the uplifting of communities. The effectiveness of the activities of small and medium-sized producers is facilitated by established relationships between processing enterprises and suppliers of raw materials. The behavior of MSMEs in the food sector is shaped by changes in consumption patterns, competition and the business environment [2].

Regionally, the placement of production of agricultural raw materials for processing MSME enterprises – manufacturers of bakery and flour products is uneven, which is related to climatic, urban, social factors, crop cultivation traditions, and management activities.

Value chains must take into account food security, achieve social, economic or environmental results [3].

Therefore, the involvement of related participants of the value-added chain (VAC) programs in the production and processing of products will contribute to increasing the employment of the population, optimizing areas of value-added chains.

Analysis of the activities of MSME enterprises allowed identifying the following options for cooperation, using the example of the production of bakery and flour products:

1. Vertically integrated production complexes involve cooperation with suppliers of raw materials on the terms of contracting, subcontracting, franchising, and association. That is, small enterprises are free from dependence and expand the boundaries of cooperation with several subjects of economic activity. The company, along with the supply of basic raw materials, uses the information base of consumers, establishing partnership relations with customers.

2. Association – a voluntary alliance of individuals or legal entities to achieve a common goal on the basis of mutually beneficial cooperation while preserving the independence, legal and property independence of its members. Settlements between suppliers of raw materials and processing enterprises take place within the association at preferential prices as well as exchange of information, free rental of capacities.

3. Work on the terms of the client's raw materials, that is, the processing company receives payment for processing services. On the one hand, the profit remains with the customer, on the other hand, the processing company receives regular orders.

4. Cooperation within the united territorial community. In particular, the processing of agricultural enterprise waste at MSME facilities within the community, for the needs of agricultural producers, processors or the community.

5. Production of agricultural raw materials according to preliminary orders of small and medium-sized processing enterprises in the medium term (example – cultivation of mint for ingredients, suitable varieties of wheat for grinding into flour). At the beginning of the marketing year, the agricultural producer forms a package of orders and, accordingly, the seed fund in advance.

6. Territorial cluster within the community or region. Decentralization in Ukraine is the basis for clustering. A necessary element of the cluster is the availability of a raw material base as an element of food security and priority processing of agricultural products at the place of their production. These are additional revenues to local budgets, providing urgent needs of communities.

7. Creation of a processing unit on the basis of an agricultural enterprise, with the involvement of intellectual, scientific and other resources.

The association of MSME producers on mutually beneficial terms will contribute to increasing the efficiency of their work, to the strengthening of territorial communities, and to the growth of revenues to local budgets. It is advisable to use the following forms of cooperation:

- the involvement of MSME enterprises in the structure of vertically integrated complexes and holdings as a division with wide autonomy (franchise). As an example, the distribution of orders for the production of a certain batch of food products under one's own trademark at the capacities of MSME enterprises. Large trade networks have their own and involved agricultural production in the regions of Ukraine, and also involve processing enterprises, including MSMEs, to fulfill orders. The advantages of such associations are expansion of sales markets, almost constant employment of the population. Disadvantages are possible price dictation, administration and the danger of regulation of economic activity, the need to coordinate economic steps and the impossibility of making independent operational decisions. MSME enterprises should insist on transparency of working conditions and prevention of unfair competition;

- cooperation of MSMEs-suppliers of agricultural raw materials and processing enterprises-producers of bakery and flour products. The advantages include the saving of resources and transport costs, the ability to refine non-standard goods of agricultural producers, the use of not only the raw materials included in the primary recipe, but also analogues. As an example, the production of marshmallow filling for cakes based not only on apple pectin, but also on currants, currants and other ingredients; quick return of working capital. Disadvantages include dependence on specific partners, strict adherence to technological discipline;

- territorial cluster where MSME producers are involved in the territorial development program of the community, which includes, for example, promotion of products in schools, clubs and involvement of territorial communities in promotions, provision of products for local events. The benefits include job creation. Assistance from the community, in particular in terms of subsidized or free rent of premises. Involvement in the sale of products of local outlets on preferential terms. Disadvantages – possible non-priority of certain MSME production in terms of territorial cluster development;

- creation of MSME enterprises based on the infrastructure of recreation areas. In particular, enterprises carry out orders for medical sanatoriums, restaurants, and hotels. The possibility of winding up and expanding the business according to demand («high», «low» season).

The advantages are the constant availability of orders and the employment of staff, selective benefits, the possibility of promoting one's own brand. Disadvantages – possible non-priority of certain MSME-production;

- association of MSME enterprises based on schools, clubs, language courses and clubs, driving courses. Involvement of MSME enterprises in the relevant events of associations. The advantages are availability of orders and employment of staff, disadvantages – insufficient independence and mobility of enterprises, dependence on the wishes of external managers;

- B2B format as fulfillment by MSME enterprises of orders from cafes, restaurants, and other public catering establishments. The volume of sales of products in the B2B format is 30-40% of the total turnover of MSME products;

- on-line ordering and promotion of products. There is a lot of competition between small and medium-sized businesses and individuals. Sales are mainly focused on the low and medium segment of products. During the 2020-2021 pandemic period, online sales are growing significantly;

- functioning on the basis of health and initiative groups based on interests (for example, serving the events of health groups, charitable organizations, «characters», vegans, yoga fans, etc.);

- MSME enterprises of the street food sector, including by order of the city authorities or united territorial communities;

- food festivals, exhibitions, competitions, tastings, which contribute to the expansion of sales markets, popularization of own trademarks and brands;

- an association of MSME enterprises by industry or territory, to protect the rights of producers, promote the necessary changes in legislation, promote the attraction of investments, etc.;

- association of MSME producers aiming at ensuring the necessary volume of product exports.

The necessity of today are measures and means to support the population and increase the efficiency of the work of MSME manufacturers. Effective cooperation with agricultural producers will ensure the reduction of non-productive costs in the chain of added value of products, increase the efficiency of production and contribute to the expansion of product markets.

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