

**MODERN TRENDS IN THE DEVELOPMENT OF DAIRY INDUSTRY
IN THE REPUBLIC OF KAZAKHSTAN**

**ҚАЗАҚСТАН РЕСПУБЛИКАСЫНЫҢ СҮТ ӨНЕРКӘСІБІН
ДАМУДЫҢ ЗАМАНАУИ ҮРДІСТЕРІ**

**СОВРЕМЕННЫЕ ТЕНДЕНЦИИ РАЗВИТИЯ МОЛОЧНОЙ
ПРОМЫШЛЕННОСТИ РЕСПУБЛИКИ КАЗАХСТАН**

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Abstract. Dynamics of development of dairy industry in Kazakhstan, features of production of dairy products in the country have been presented. The analysis of statistical data testifies the importance of this sector in ensuring the country's food security. The volume of foreign trade in dairy products has been presented. The analytical data presented in the article demonstrates the presence of significant import dependence on various types of dairy products. The presented

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information reveals the role of producers from partner countries of the Republic of Kazakhstan on integration associations in meeting the demand for dairy products on domestic market. The weaknesses of dairy industry of the republic have been revealed and measures taken by the State aimed to eliminate them have been shown. Particular attention is paid to the issue of increasing efficiency of milk processing products, indicating possible ways to strengthen the export potential of the industry.

Аңдатпа. Қазақстанның сүт өнеркәсібінің даму динамикасы, еліміздегі сүт өнімдерін өндіру ерекшеліктері көрсетілген. Статистикалық деректер талдауы еліміздің азық-түлік қауіпсіздігін қамтамасыз етудегі осы саланың маңыздылығын дәлелдейді. Сүт өнімдерінің ішкі сауда көлемі келтірілген. Мақалада келтірілген аналитикалық ақпараттар сүт саласы өнімдерінің әр түрлері бойынша импортқа тәуелділіктің бар екенін көрсетеді. Берілген ақпарат Қазақстан Республикасының серіктес елдерінің өндірушілерінің ішкі нарықтағы сүт өнімдеріне деген сұранысты қанағаттандырудағы интеграциялық бірігу бойынша рөлін ашады. Республиканың сүт саласының әлсіз тұстары анықталып, мемлекеттің оны жою бойынша қолданған шаралары көрсетілген. Сүтті өңдеу өндірісі тиімділігін арттыру мәселесіне баса назар аударылып, саланың экспорттық әлеуетін бекіту жолдары берілген.

Аннотация. Показаны динамика развития молочной промышленности Казахстана, особенности производства молочной продукции в стране. Анализ статистических данных свидетельствует о важном значении этой отрасли в обеспечении продовольственной безопасности страны. Отражены объемы внешней торговли молочной продукцией. Представленные в статье аналитические сведения демонстрируют наличие существенной импортозависимости по различным видам продукции молочной отрасли. Изложенная информация раскрывает роль производителей стран-партнеров Республики Казахстан по интеграционному объединению в удовлетворении спроса на молочную продукцию на внутреннем рынке. Выявлены слабые стороны молочной отрасли республики и показаны меры, принимаемые государством для их устранения. Особое внимание уделяется проблеме повышения эффективности производства продукции переработки молока, указываются возможные пути укрепления экспортного потенциала отрасли.

Key words: agri -industrial complex, milk and processed products, dairy industry, cooperation, import, export, agricultural enterprises, State support, subsidies, investments, innovations, economic integration.

Түйінді сөздер: агроөнеркәсіптік кешен, сүт және оны өңдеу өнімдері, сүт өнеркәсібі, кооперация, импорт, экспорт, ауылшаруашылық мекемелер, мемлекеттік қолдау, субсидиялар, инвестициялар, инновациялар, экономикалық интеграция.

Ключевые слова: агропромышленный комплекс, молоко и продукты его переработки, молочная промышленность, кооперация, импорт, экспорт, сельхозпредприятия, государственная поддержка, субсидии, инвестиции, инновации, экономическая интеграция.

The dairy industry occupies a special place among the food industry branches and plays an important role in ensuring food security, which is one of the main components of the country's economic security. According to the legislation on national security, this component assumes a state of economic security, including agro-industrial complex security, when the state is able to provide physical and economic access of population to high-quality and safe foodstuffs sufficient to meet physiological norms of consumption and demographic growth.

Consumption of high-quality food products in sufficient quantities is one of the main conditions for development of children, as well as for strengthening the health of adult population, preventing diseases and maintaining a favorable demographic situation in general. It should be noted, that food security is a factor in

preserving the integrity and sovereignty of the state and the most important component of demographic policy [1].

That's why, in many countries of the world, guidelines for proper nutrition have been developed, including the consumption of dairy products. In most of the countries, consumption of at least one serving of milk is recommended daily, and in some countries – up to three servings per day. It is also interesting that for a five-year-old child the daily consumption of one glass (200 ml) of whole cow's milk provides requirement for protein – by 21%, in calories – by 8%, and also basic micronutrients [2]. In the Russian Federation, for example, the Ministry of Health has developed rational norms for the consumption of food. At the same time, the recommended rate of consumption of milk and

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dairy products (in terms of milk) in a neighboring country is 340 kg per year per person [3].

The importance of the development of dairy industry makes it necessary to pay special attention to it in the formation and implementation of the state economic policy. At the same time, for stable development of the industry, it may be necessary to allocate substantial financial resources (through subsidies, grants, loans), granting tax benefits to enterprises of the industry, facilitating the

formation of technological chains, etc. But there is a situation in the dairy market of the Republic of Kazakhstan that does not allow to fully solve the problems of ensuring food security and demographic development of the country.

In general, last years in the republic there has been an increase in the total output of food products. Let's consider the dynamics of the development of dairy industry in the table below (tabl. 1).

Table 1 – Volumes of food production in monetary terms, including dairy products, for 2011-2016.

Billion tenge						
Indicator / Year	2011	2012	2013	2014	2015	2016
Food production, including	828,0	865,6	970,1	1 103,5	1 123,0	1 335,4*
production of dairy products	132,8	137,9	161,5	216,4	187,7	211,7*
share of production of dairy products in total food production, %	16,0	15,9	16,6	19,6	16,7	15,9*
Source – compiled according to the data of the Committee on statistics of the Ministry of national economy of the Republic of Kazakhstan (hereinafter referred to as the CS MNE RK)						
* - operational data (for 2016)						

From Table 1 it follows that on average for the period 2011-2016 the share of dairy products was about 17% of food products produced. It should be noted that in 2016, dairy products were on the third position among the food products in monetary terms. The volumes of food products produced in the country according to the data of the CS MNE RK were as follows:

- meat and meat products - 175.3 billion tenge;
- fish, crustaceans and mollusks - 13.5 billion tenge;
- fruits and vegetables - 88.4 billion tenge;
- vegetable and animal oils and fats - 117.3 billion tenge;
- dairy products - 211.7 billion tenge;
- products of the milling industry, starches and starch products - 285.4 billion tenge;
- bakery and flour products - 181.2 billion tenge;
- other food products - 229.4 billion tenge.

As it is seen from the above, the products of the milling industry, starches and starch products and other food products (not belonging to other groups) were located at the first and second positions (in terms of output), their shares amounted to 21.4% and 17.2% of total food production, respectively.

At the same time, the above data show that in this period the peak of dairy products production was in 2014 (the volume of production was 216,431.1 million tenge, the share was 19.6%).

In general, the available data for 2011-2015 indicate the unstable nature of the development of dairy industry (there is an increase and a decline of output in monetary terms).

There are also fluctuations in the physical volumes of production of dairy products over the past years. The corresponding indices both increased and decreased.

In particular, for dairy products in 2011-2013, the value of this index increased from 94.2 to 114.2. Nevertheless, according to the results of 2015, the value of the index of physical volume of production was 103.6. It should be noted that for food products in general, their production index for the period 2011-2015 slightly changed:

- in 2011 – 100,7;
- in 2012 – 102,5;
- in 2013 – 105,6;
- in 2014 – 103,8;
- in 2015 – 100,8.

From this it follows that in the first half of the period, the rate of the development of dairy industry was accelerating, and in the second half, the growth in production went into decline. It is interesting that in 2014, the increase in the physical volume of production of dairy products was not so significant (107.2), as in 2013, despite the fact that in monetary terms the volume of their production increased sharply. This fact indicates that the jump in the total amount of dairy products produced in 2014 was mainly due to the growth of the cost of them. In addition, it follows from the above that, starting from 2012, the pace of the development of dairy industry outpaces the development of the food industry as a whole.

The structure of dairy products produced in the Republic of Kazakhstan for the period 2011-2015 is shown in the table below (tabl. 2).

From Table 2 it follows that the production of cheese and cottage cheese is the most

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successful in the sphere of dairy production. During the period under review, the output of these types of products increased by 71%. At the same time, in 2015 they were produced by 35.5% more than in 2014.

Relatively slow the development of milk production in solid form, as well as production of

butter and dairy spreads (pastes) (18.9% and 13.6% respectively for the entire period). In addition, it should be noted that production of butter and spreads had two decreases over the period under review, compared to the previous year.

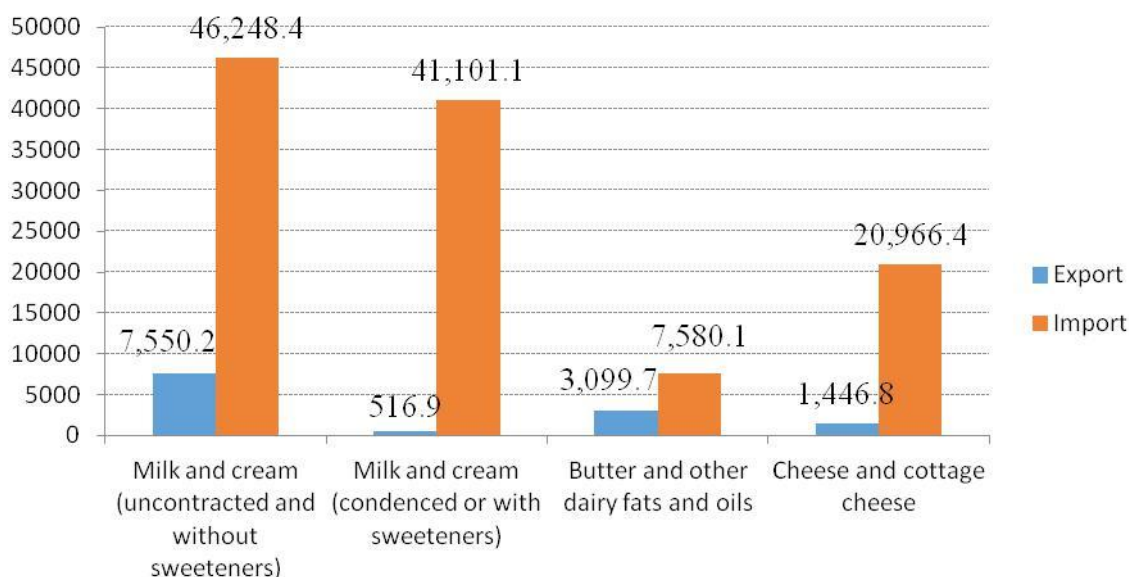
Table 2 – Production of various types of dairy products in physical terms in 2011-2015

Product / Year	2011	2012	2013	2014	2015
processed liquid milk and cream	338,505	372,500	440,347	472,866	453,646
milk in solid form	2,880	1,794	2,402	3,080	3,425
butter and dairy spreads (pastes)	14,577	12,245	14,075	18,794	16,564
cheese and cottage cheese	17,595	19,177	22,120	22,211	30,104
other dairy products	159,185	180,711	207,993	208,247	208,856
yoghurt and other fermented milk and cream	135,744	156,288	180,189	179,790	185,519

Source – Compiled according to the data of the CS MNE RK

Despite the general increase in the production of dairy products, today the analyzed industry does not fully meet the needs of the domestic market. This is evidenced by the fact that a significant volume of dairy products of

foreign origin is being sold in the country. At the same time, the volume of imports of products significantly exceeds the volume of its exports as shown in the figure below (fig. 1).



Source – Compiled according to the data of «KazAgroMarketing» JSC

Figure 1 - Volumes of export and import of various kinds of dairy products for 2015, tons

As it is seen from figure 1, with the exception of butter and other dairy fats and oils, the import of dairy products is many times greater than their exports. At the same time, imports are mainly from the near abroad countries, including from the partner countries of the Eurasian Economic Union:

- milk and cream (uncontracted and without sweeteners) – 58% of total import comes from Russia, 7% from Belarus, 33% from Kyrgyzstan;

- milk and cream (condensed or with sweeteners) – 34% are imported from Russia, 30% from Belarus, 4% from Kyrgyzstan, 9% from Ukraine;

- butter and other dairy fats and oils – 36% from Russia, 13% from Belarus, 7% from Kyrgyzstan and 17% from Ukraine;

- cheese and cottage cheese – 55% from Russia, 5% from Belarus, 7% from Kyrgyzstan, 16% from Ukraine.

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Thus, for all types of dairy products, the main flow of imports to Kazakhstan comes from Russia. At the same time, about a third of imports of milk and cream - from Belarus and Kyrgyzstan [4].

The information above says about lower competitiveness of domestic producers in comparison with foreign producers. In the current conditions of liberalization of trade relations, this circumstance may pose a threat to some dairy enterprises.

The peculiarities of development of the domestic dairy industry can also be attributed to the unstable investment activity of actors in the industry. In accordance with the data of the CS MNE RK, the volume of investment in the production of dairy products was subject to fluctuations, as well as in the food industry as a whole. However, in 2015, the total investment in the production of other food products increased, while for dairy products the level of investment activity declined. It should be noted that according to the data of the CS MNE RK in 2015, the greatest increase in investment was observed in the processing and canning of meat and the production of meat products, as well as fish, crustaceans and molluscs (investments increased by 255% and 181.6% respectively). This indicates a change in the preferences of investors in this year.

At the same time, previous investments in the production of dairy products have contributed to some development of the industry. It should be noted, that certain investments in the industry were also made by companies representing world-famous brands.

So, since 2004 "FoodMaster" company is a part of the international group "Lactalis" (France)

– one of the leaders in the production of dairy products in the world. The group unites over 200 enterprises in different countries of the world. Today the company has a number of factories in the regions of Kazakhstan [5].

In addition, "Danone" also decided to enter the local market and build its own plant, which was put into operation in Almaty region in the village of Bayserke in 2010. The plant is managed by the company - "DanoneBerkut" LLP [6].

Also the innovative activity of the local dairy enterprises can't yet be called quite high. It should be noted that, in general, the share of innovation-active enterprises in the agro-industrial complex (from the number of operating subjects) is lower than the share of innovation-active enterprises in other industries. According to the data of the CS MNE RK, by the end of 2015, this indicator was about 10.5%. At the same time, since 2012, there has been a reduction in the share of innovation-active enterprises: from 13.0% to 10.5%.

Meanwhile, for the introduction of advanced technologies in the agro-industrial complex, grants have been allocated by the state. For example, support in the form of a grant was provided to the domestic company "GlobalTechnologyNetwork" (GTNet) for the implementation of the project to create a symbiotic drink, which is named SIMB-A.

The production of milk necessary for the production of domestic dairy products is also not characterized by stable positive dynamics. In different years both ups and downs of production volumes were observed. In this case, the main type of produced milk as shown in the table below (tabl. 3) is cow's milk.

Table 3 - Amounts of milk produced in the Republic of Kazakhstan, for 2011-2015.

Indicator / Year	2011	2012	2013	2014	2015
Volume of milk produced, thousand tons, incl.	5 232,5	4 851,6	4 930,3	5 067,9	5 182,4
cow's milk, thousand tons	5 197,8	4 815,7	4 890,7	5 020,3	5 141,6
share of cow's milk production, %	99,3	99,3	99,2	99,1	99,2
<i>Source: CS MNE RK</i>					

As can be seen from Table 3, cow's milk volume is almost the entire volume of milk produced. On average, during this period, its share was about 99.2%.

At the same time, it should be noted that not all milk produced is recycled. So, according to the data for 2015, the volume of marketable milk amounted to only 3,560.8 thousand tons or 69.3% of the total volume of cow's milk produced.

Producers of dairy products in the work process use raw materials from various sources: some provide themselves (from their own

farms), others purchase raw materials from suppliers, including from agricultural actors. In the Republic of Kazakhstan, milk is produced both by large and small agricultural enterprises, as well as by individuals who have personal subsidiary plots. At the same time, the figure below (fig. 2) shows that volumes of milk produced differ significantly in the categories of subjects.

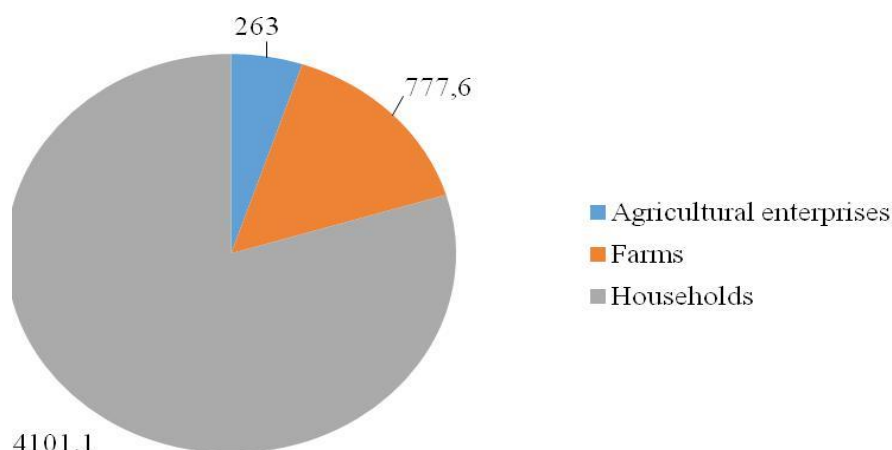
Figure 2 shows that in the indicated year, agricultural enterprises produced about 5.1%, farms – 15.1%, households – 79.8% of the total production of cow's milk. Thus, the petty

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commodity can be called as distinctive feature of the milk production of the republic.

This situation, according to popular belief, does not contribute to the intensive development of the industry. Problems are associated with low production efficiency in small and unorganized farms, the emergence of questions

on the quality of products. Along with this, small-scale farming of the republic causes a low level of genetic potential of cattle. Meanwhile, more than 80% of the livestock of agricultural animals is contained in the personal subsidiary plots [7].



Source – Compiled according to the data of the CS MNE RK

Figure 2 – Volumes of production of cow's milk by different categories of subjects for 2015, thousand tons

The main negative characteristics of the dairy industry can be attributed to the low average productivity of animals. So, in 2015, the average milk yield per dairy cow was 2,321 kg [8]. It should be noted that in some foreign countries this indicator is several times higher (USA, Canada, Denmark).

At the same time, the state takes certain measures to develop both the agro-industrial complex in general and the dairy industry in particular. Significant support of domestic producers is provided by the state budget (through subsidies). For example, according to the report of the Ministry of Agriculture of the Republic of Kazakhstan for 2014, the volume of milk, koumiss and shubat produced and covered by subsidies for the reduction of the cost of combined and concentrated feed, amounted to 276.0 thousand tons. Assistance to local producers also made by development institutions, among them a special role is played by organizations that are the part of the structure of JSC "National Managing Holding "KazAgro".

Good target programs have been developed in Kazakhstan, but without cooperation, using only budgetary funds, they can't be realized [9]. To stimulate it the legislation on agricultural cooperatives is being

improved: the Law "On Agricultural Cooperation" has been adopted. Perhaps, in the future, additional measures will be implemented to support cooperation.

Last year, pilot dairy cooperatives have been set up in different regions, among them APC "Yrys" in the Almaty region, APC "Bozanbai Agro" in the East Kazakhstan region, and APC "Merke Onimderi" in the Zhambyl region. Taking into account foreign experience (example of Fonterra and Arla companies), the association of small producers into large cooperatives can expand their capabilities to solve problems in the field of veterinary security, facilitate the creation of logistics, use of necessary equipment and transport. This can positively affect the performance of enterprises.

Thus, the dairy industry of the Republic of Kazakhstan in recent years demonstrates certain positive development trends. The total volume of production is gradually increasing, which is also facilitated by measures taken by the state and subjects of the quasi-public sector to support the agro-industrial complex. However, today, factors that restrain the development of the industry continue to exist, including small-scale of production, low productivity of farm animals and others, and this gives rise to other

problems, among which there is insufficient production for the country, and low competitiveness of domestic producers. As a result, availability of high-quality dairy products for the population is declining, import dependence on certain types of dairy products arises.

It should be noted that in the conditions of liberalization of trade relations, domestic producers lost some positions in the domestic market. Further development of the industry directly depends on increasing the efficiency of production, including through cooperation, increasing the productivity of animals and the export potential of the dairy industry as a whole. In these areas, there is still a lot of work to be done both by authorized state and quasi-governmental organizations, and by agribusiness entities. Among the priority measures should be stimulation of the creation cooperatives or other organized farms by people who have personal subsidiary plots, as well as increasing the genetic potential of animals and the development of logistics. At the same time, the taxation of created cooperatives (farms) should be minimal (may be during the first few years), and also there are should be programs of granting credits and leasing with preferential terms. Given the current realities, the adoption of these measures is an essential condition for the further development of both agriculture and food (including dairy) industry.

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