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**EXPORT AND IMPORT ACTIVITY OF THE WINE INDUSTRY:
TENDENCIES, CURRENT RISKS**

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The article studies state of wine industry's export-import activity, analyzes tendencies, which provide to reveal peculiar regulations and main modern risks, which are necessary to be considered for appropriate level of the sector export capability. Export-import activity of wine industry is analyzed; capacity dynamics and market openness degree are estimated. It has been proved that regulatory impact on the winemaking and wine industry development has to be based, on the one hand, on the work with consumer, forming his national awareness of the domestic production from wine industry, and on the other hand, on the country import restructuring. Development of the wine industry state support in Ukraine, considering the world experience, is an important step to form the market of grape and its products, which is characterized with losing tendency. The revealed tendency concerning import price prevail over export, requires special measures for contraction. The main tools to fight with European wine producers for Ukrainian consumer to increase quality, creative, budgets increase for direct access to consumer via winery tasty rooms, tourists' involvement to vineyards and productive capacities, including to the tourist routes. Therefore the main purpose is necessity for native consumer's upbringing, wine culture growing, to teach to make considerable choice, but not a choice in favor of foreign container.

Keywords: *export-import activity, wine industry, market capacity, degree of the wine market openness.*

Introduction. Considering the European integration processes in Ukraine, special attention is given to the system of actions to extend sales markets of the domestic production, to form new market segments, to search new approaches to increase native producer's competitiveness. Export-import activity efficiency growing, clear state policy concerning regulatory mechanisms to provide export capacity of the wine industry, are important tools to protect native wine producer from aggressive expansion of the foreign wine production.

Analysis of the resent research and publications. Problems to form and to provide export potential of the wine industry, international economic activity efficiency increase, gained special urgency in Ukrainian economy [1-3]. In this regard, the export-import activity control becomes a lever to form and to provide an appropriate level of wine sector export potential.

A number of native scientists, such as A. Avidzba [4], B. Burkynsky [5], V.Kucherenko [6], O. Harkusha [7], T.Mostenska [8] dealt with problems of the wine industry.

Export and import activity has great impact on the state and development of the wine industry. Under conditions of the fast changes in environment and active integrational processes, uncertainty level is increased, market mechanisms obtain modern qualities. It leads to activization of those factors, which become risks and even can be threatens for the wine industry. Although scientists are greatly interested in the problem of wine industry development, questions to reveal modern risks in the export-import activity, tendencies and specific nature of their impact on wine industry, to define abilities and strategies of their consideration for export capacity level provision in the Ukrainian wine industry, have not been solved yet.

Previously unsettled questions. Wine industry development in Ukraine was always associated with development of economy in general. Winemaking went through ups and falls during different times of its development. However it always remained a traditional high profitable branch in the agricultural complex in Ukraine. This field filled state budget for 10–12%, its production was in demand both in Ukraine and abroad.

However current stage of the given field development is characterized with deep crisis state. That is why, it requires systematic assessment and effective measures at all controlling levels.

Transformation of the agricultural complex is one of the significant tasks in Ukrainian economy reforming, because only qualitative changes are able to provide its competitiveness growth at the global. The above tasks are related to the wine industry.

Considering the above material, it is relevant to study export-import activity of the wine industry, to reveal modern tendencies and to distinguish new risks for wine industry.

Formulation of the object in the article. The main object of the research is to reveal main tendencies of the wine industry export-import activity and to define modern risks and their impact regularities to investigate contraction measures and possible prevention of negative consequences.

Results and discussions. Wine growing and wine industry, being the strategic sector for economy of Ukraine, is experiencing the most difficult period in its whole history and is requiring considerate and systematic policy of control and qualitative changes: one the one

hand, state's participation, and on the other hand – scientific approach, with obligatory technological updating through modernization of the technological equipment and production.

Ukrainian winegrowers and wine producers have to prove their production competitiveness under conditions of formation of Association Ukraine-EU, competitiveness growing at the global market, economy globalization continuation etc. The competitiveness at the internal markets for winemaking enterprises is a direct and logical continuation of the proper competitiveness degree at the internal market, the fundamental of which includes high quality of production, price compliance and tools to bring production to the final consumer. It requires new technologies, high productive sorts, productivity and production quality increase, producing process and sales markets diversification, exploration of innovations, native production promotion to the external markets and many other factors, without which it is impossible to develop the given sector.

Ukraine has a potential to develop sector, to produce wide assortment of goods and to increase national product competitiveness. The results of the carried out benchmarking on wine industry enterprises' activity efficiency [9] show that current level of technologies and personnel motivation methods in the winemaking sector does not let to increase essentially labor productivity and efficiency to use material resources. However, the research show that most Ukrainian winemaking enterprises in the international comparison have growing effect of the scale, i.e. the production amount increase and production realization has to assist growing of their activity efficiency. It points the perspectiveness of the wine industry development in Ukraine. Today the effective market mechanisms with appropriate regulatory impact of the state are able to provide the proper level of the wine industry competitiveness.

In general, the wine industry market in Ukraine is divided into viticulture and winemaking of wine materials, on the one hand, and wine production on the other hand. That is why, almost all wine producers in Ukraine legally and structurally subdivide processes into production of the agricultural goods (grape and wine materials) and alcohol production (wine).

One of the significant peculiarities of the wine production market is high sensitivity to the market conjuncture fluctuations and direct dependence on living standards and population's ability to pay.

Integral index of the internal wine market development is capacity, defined by the wine production amount, which is suggested to consumers within the market environment in Ukraine (theoretically, market capacity is equal to the sum of national production and import amount minus export production amount).

An important index to analyze export ability of the wine industry is a market opening degree (MOD) concerning international, interregional trade, calculated as percentage of the sum of total amount of production import to the market from other regions (other countries) to the total amount of the market (market capacity). If: $MOD < 40\%$ – the state's territory is territorial (geographical) market boundaries; $MOD > 40\%$ – is a feature of the state market openness and can require additional study concerning foreign sellers', suppliers', producers' impact on position, which is taken by economy economic entities at this market [10].

According to the Ukrainian classification of foreign trade activity goods (UCFTAG), wine industry is included to the group 22 “Alcohol and alcohol free drinks and vinegar” [11]. Wine production includes wine of fresh grapes, natural strong wine, champagne, sparkling, effervescent, vermouths, brandy, wine must and other wine material, cognac, other alcohol drinks made of grapes, fruit and berries [12].

Table 1 demonstrates capacity and degree of the wine market openness in Ukraine during 2011-2015.

Table 1. Capacity and degree of wine market openness in Ukraine during 2011-2015

Indexes	Years					2015in % to:	
	2011	2012	2013	2014	2015	2011	2014
1. Wine production, thousand dal	17003,9	12510,6	11602,7	6061,9	6506,2	38,3	107,3
2. Import	5252,7	3601,4	3822,0	2733,9	2333,8	44,4	85,4
<i>in % to the production</i>	30,9	28,8	32,9	45,1	35,9	X	X
3. Export	3777,9	4816,8	6392,4	4541,0	6123,4	162,1	134,8
<i>in % to the production</i>	22,2	38,5	55,1	74,9	94,1	X	X
4. Balance	-1474,8	1215,4	2570,4	1629,8	3789,6	-257,0	232,5
5. Market capacity (1+2-3)	18478,7	11295,2	9032,3	4254,8	2716,6	14,7	63,8
6. MOD, % (2/5)	28,4	31,9	42,3	64,2	85,9	X	X

Source: [13]

According to data, wine production amounts are described with clear reducing tendency. According to data of Federal State Statistics Service of Ukraine, in recent years (2011-2015) grape wine production has been decreased by 62%, reaching the production amount in 2001. Such fall is caused by imbalance of the reproduction processes in the sector. The highest rate of the production fall was in 2011. The total amount of the produced wine goods was reduced by 43%. Then tendency was kept. In 2014 in relation to 2013 the wine production amount in Ukraine was two times decreased. It was caused by crisis in the economy of the country and occupation of Crimea. The given situation has a negative impact on the sector development and on the social policy. If 2014 absolutely failed – minus 43% due to the data of State statistics service, the first half of 2015 indexes was improved (3049 thousand dal versus 2590,9 thousand dal in 2014). However that deceptive improvement is related to the fact that several Crimean companies have established production in the constinental part of Ukraine. The total rate of production remains low. Today sparkling wine production is the only one segment, which demonstrates growing process. According to the data of State statistics service of Ukraine, during 6 months in 2015, sparkling wine was produced 10% more than during the same period in 2014. The reason is that continental enterprises used niche in time, formed in the absence of Crimean producers.

The export-import policy in wine industry is characterized by the negative dynamics (fig. 1).

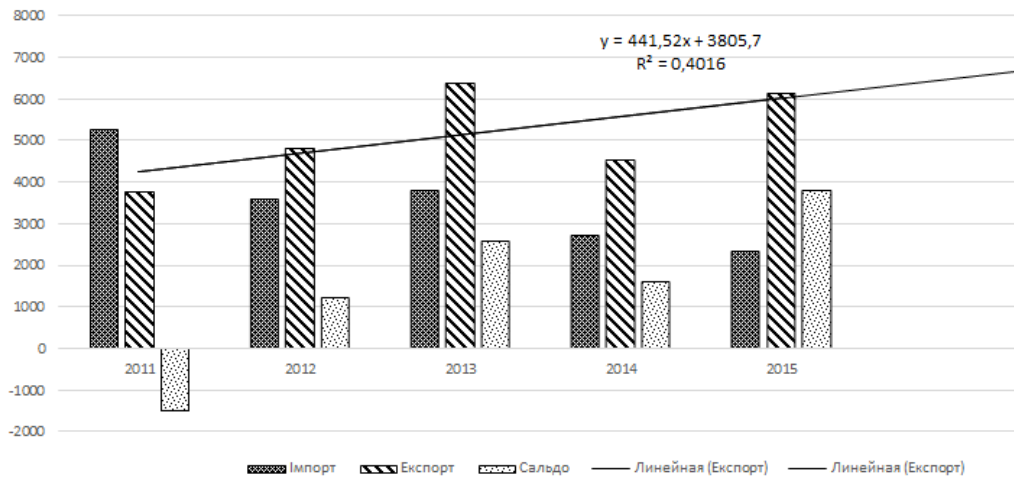


Fig. 1. Dynamics of export-import activity in the wine industry of Ukraine during 2011-2015 [13]

The import of wine in Ukraine in 2015 was shortened by 41,2% – to 56,7 million dollars. The largest importers of the Ukrainian wine production in 2015 were Russian Federation – 29,4 million dollars, Georgia – 3,3 million dollars, Azerbaijan – 1,3 million dollars, Germany – 1,3 million, China – 0,7 million dollars. With grape wine import reducing into Ukraine, more favourable conditions occur for native producers to realize own production, abilities to substitute the lost amounts of supply to Russian Federation (1,6 times versus 2013). It is proved by achievements of wine producers from Kherson region in 2014 versus 2013 was shortened by 14%.

In 2015 Ukraine exported natural grape wine (commodity item) for 38,2 million dollars, that 6,1% less than in 2014. The data from the table show positive balance in 2012 in the amount of 1215,4 thousand dal and at the same time negative balance in monetary terms – 58869,5 thousand US dollars, that prove price advantages of import over export. Price for 1 dal of wine production import to CIS countries in 2012 was 12,37 US dollars in relation to the price for export 11,21 US dollars, i.e. we can see price reducing by 10,3%. At the same time one can observe keeping of the positive balance reducing dynamics to 1 629,8 thousand dal in 2014 and to 3 789,6 thousand dal for 2015 and negative balance in the monetary terms. Price for 1 dal of the wine production of the total import in 2014 was 37,63 US dollars in comparison with price for export 8,79 US dollars, i.e. we can see the price reducing 4,3 times in comparison with 2,5 times in 2012. Positive balance in 2014-2015 is explained with import amounts prevail over import. Price for 1 dal of the wine industry production by import from Europe in 2014 was 48,44 US dollars in comparison with export 31,42 US dollars, i.e. we can see price reducing in 1,5 times. Such state of the export-import activity in wine industry requires investigation of measures to counteract the expansion of the foreign wine production to the internal market. It places native wine production and

winemaking under a real threat реалъну. The mentioned tendencies point to the market capacity decrease in the wine industry. At the same time market openness degree is being increased (fig.2).

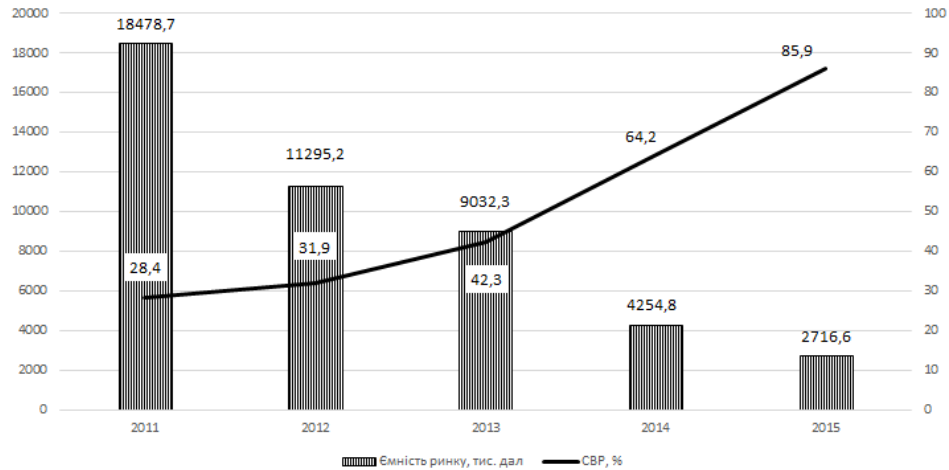


Fig. 2. Dynamics of wine market capacity and openness degree in Ukraine
 Source: individual calculations (data in the table 1)

Further reducing of the wine industry production export to Russia will have negative impact on the wine industry development as a result of political situation aggevation and tension growing in relations. It should be noted that Russian market in 2015 consumed 69,1% of the whole export of grape wine from Ukraine, in 2014 - 84,3% of the whole export, and in 2013 was 89,4%. Loss of this market is a serious challenge for producers [14].

However, Ukraine has great opportunities to increase export of the grape wine. In recent years its supplies to EU countries reached 6,5% of the whole export (2011), however in 2014 they were 3,1%. In 2011–2014 Ukraine annually supplies 30-43 t of vermouth and another grape wine, with addition of plant or aromatic extracts (code 2205), and a share of perspective Chinese market in this position was increased from 3,3% in 2013 to 27,2% in 2014, and by amounts – from 18,8 to 108,4 t. However, there is no question of Ukrainian breakthrough to Europe. There are several reasons. One of them consists in the fact that unlike French, Italian, Austrian wine, Ukrainian wine does not have history, presitige and recognition for European consumer. The second and the main reason is consumer’s and horeka-service and trade workers’ patriotism: one can hardly imagine sommelier of the restaurant in Spain or France, who does not suggest the guest regional wine, but proposes Ukrainian one. In our country there is an opposite situation: European wine will be more available with fees cancellation, and our consumer, accustomed by the soviet times to the fact that any label in foreign language is a key to quality, will select imported wine. It does not mean that it will be better than Ukrainian one, but it is not important, the main thing: “Made in Europe” (unlike the Europeans, for whom “Made in Ukraine” does not say anything). Considering Ukrainian horeka-service, the European tendency of commitment to

the regional product is not significant for us: if there is Ukrainian wine in Ukrainian restaurants, it is located below wine list. Even through in Ukraine there are great number of wonderful wine, which do not yield and exceeds often European ones.

Conclusions and directions for further research. Considering the above, Ukrainian wine and grape market is in stagnation with tendency to the state deterioration. The reason of this is low level of producers' profitability, especially of small and medium-business, related to the licenses cost increase, low yields of vineyards, high cost of production promotion to the market, transaction cost, cost which are results of the market mechanism imperfection and economic process insufficient state regulation by the economic processes at the Ukrainian enterprises. Detachment of the enterprise from global markets and absence of the long-term development strategy essentially cause growing of transaction cost, which provide stability of the enterprise in their short-term struggle for production sales market.

Unfortunately, with openness and insecurity of the European wine market will be more available, because part of consumers, who were not able earlier to let purchase imported wine, will refuse native production in favour for European one. As a result, the Ukrainian product result can be fall down, that in its turn will sharpen the fight between European wine producers for Ukrainian consumer: increase of the quality, creative, increase of budget to the direct access to consumer through firm testing rooms, involvement of tourists at the vineyard route. The goal is the same: to bring to people the problem how important and respected work of wine producers and wine grower is, how difficult and respected work of wine producers and wine grower is, to tell them about wine and to increase culture of wine drinking, to teach drinking and wine understanding, to give opportunity to make sure that there are specialists in Ukraine, and the result of their hard work, must be appreciated. The native customer has to make consciousness choice, but not to choose in favour of the foreign label.

Systematic storing of imbalances in the international trade will assist build-up of the import-dependent internal market and producer's displacement. Import dependence is the biggest threat of the financial stability of the state, mechanism of inflation index and it strengthens the devaluation pressure on hryvnia.

Thus, the country import dependence by the separate groups assists food problem worsening and requires its increase owing to import restructuring. The import restructuring is possible owing to the concentration on goods, which embody the leading global technologies and with proper decrease of standardized goods and service import, which Ukraine is able to produce individually (individually or in the cooperation with leading world producers). It will allow to increase incomes to the state budget and to fasten production rates.

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ЕКСПОРТНО-ІМПОРТНА ДІЯЛЬНІСТЬ ВИНОРОБНОЇ ГАЛУЗІ: ТЕНДЕНЦІЇ, СУЧАСНІ РИЗИКИ

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У статті досліджено стан експортно-імпоротної діяльності виноробної галузі, проаналізовано тенденції, на основі чого виявлено характерні закономірності та основні сучасні ризики, які необхідно враховувати для забезпечення належного рівня експортної спроможності галузі. Проведено аналіз експортно-імпоротної діяльності виноробної галузі, дана оцінка динаміки ємності і ступеню відкритості ринку.

Доведено, що регуляторний вплив на розвиток виноградарства та виноробства слід зосереджувати, з одного боку, на безпосередній роботі із споживачем, формуючи його націоналу свідомість і обізнаність з вітчизняною продукцією виноробної галузі, а з іншого – на реструктуризацію імпорту країни. Розвиток державної підтримки виноробної галузі України з урахуванням світового досвіду є важливим поштовхом для формування

ринку винограду та продуктів його переробки, який характеризується тенденцією до втрати. Виявлена тенденція щодо цінової переваги імпорту над експортом, звичайно, потребує особливих заходів для протидії. Основними інструментами боротьби з європейськими виноробами за українського споживача є підвищення якості, креатив, збільшення бюджетів на прямий доступ до покупця через фірмові дегустаційні зали, залучення туристів на виноградники та виробничі потужності, включення в туристичні маршрути. При цьому головною метою стає необхідність виховання вітчизняного споживача, підвищення культури вина, навчання роботи усвідомлений вибір, а не вибір на користь іноземної упаковки.

***Ключові слова:** експортно-імпортна діяльність, виноробна галузь, ємність ринку, ступінь відкритості ринку вина.*

ЭКСПОРТНО-ИМПОРТНАЯ ДЕЯТЕЛЬНОСТЬ ВИНОДЕЛЬЧЕСКОЙ ОТРАСЛИ: ТЕНДЕНЦИИ, СОВРЕМЕННЫЕ РИСКИ

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В статье исследовано состояние экспортно-импортной деятельности винодельческой отрасли, проанализированы тенденции, на основе чего выявлены характерные закономерности и основные современные риски, которые необходимо учитывать для обеспечения надлежащего уровня экспортной способности отрасли. Проведен анализ экспортно-импортной деятельности винодельческой отрасли, дана оценка динамики емкости и степени открытости рынка. Доказано, что регуляторное влияние на развитие виноградарства и виноделия следует сосредоточивать, с одной стороны, на непосредственной работе с потребителем, формируя его национальное сознание и знание отечественной продукции винодельческой отрасли, а с другой – на реструктуризацию импорта страны. Развитие государственной поддержки винодельческой отрасли Украины с учетом мирового опыта является важным толчком для формирования рынка винограда и продуктов его переработки, который характеризуется тенденцией к утрате. Обнаруженная тенденция ценового преимущества импорта над экспортом требует особых мер для противодействия. Основными инструментами борьбы с европейскими виноделами за украинского потребителя является повышение качества, креатив, увеличение бюджетов на прямой доступ к покупателю через фирменные дегустационные залы, привлечения туристов на виноградники и производственные мощности, включение в туристические маршруты. При этом главной целью становится необходимость воспитания отечественного потребителя, повышение культуры вина, научения делать осознанный выбор, а не выбор в пользу иностранной упаковки.

***Ключевые слова:** экспортно-импортная деятельность, винодельческая отрасль, емкость рынка, степень открытости рынка вина.*