

PECULARITIES OF THE DEVELOPMENT OF WINERY ENTERPRISES UNDER UNCERTAIN ECONOMIC CONDITIONS IN UKRAINE

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Abstract

Conceptual provisions on the development of wineries in conditions of economic uncertainty are presented, which include: determining the adaptability, balance and effectiveness of the development of wineries; use of integrated assessments of balance as a basis for assessing the effectiveness of enterprises, which allows you to objectively develop directions for choosing a development strategy in accordance with business process indicators. It was proposed a scientific and conceptual approach to the development strategy of wineries in conditions of economic uncertainty, which, in contrast to the current, is based on the results of differentiated assessment of the level of development of wineries for different types of business processes in economic uncertainty and allows a reasonable choice of development strategy and identify a set of relevant strategic alternatives. Thus, for each winery should be defined tactical tasks for managing the development of wineries, based on certain coefficients of difficulty for the development of certain types of business processes of the winery. The integration of wineries development strategies with the strategic priorities of economic development in conditions of instability is presented in the matrix. Based on the presented matrix, it is determined that at the current level for balanced development of wineries development management priorities that meet the development strategy in conditions of economic uncertainty should be: overcoming the limited entry of domestic wine products into the domestic market, increasing international competitiveness and entering world markets; improving the quality of wines and ensuring a clear classification of their types and relevant technical requirements; improving the resource base for winemaking, streamlining the current regulatory framework; optimization of excise taxation; vertical integration of the industry; promoting the differentiation of approaches to regulating the activities of wineries in accordance with their size, insurance of crops and mutual funds, management of the varietal structure of vineyards, etc.

Key words: wineries, regulation, strategy, development, mechanism, efficiency, economic uncertainty

INTRODUCTION

Winemaking is one of the leading branches of the Ukrainian food industry. Domestic producers have a long tradition of making quality wine, which is valued not only in the domestic market but also worldwide. In turn the activities of wineries are marked by negative trends that threaten not only its effective functioning, but also opportunities for development. During the analyzed period 2012-2019, the production of wine materials decreased by 52%; production of natural grape wines by as much as 80.5%. In turn the share of own production in the retail trade network

decreased (still wines - by 10.7 percentage points; sparkling wines - by 8.7 percentage points); the level of export of grape wines decreased rather quickly than imports; a situation is typical when the size of wine production is significantly reduced, and the level of their consumption is relatively stable, etc. [12]. Identified negative trends are influenced by a combination of factors, the main of which are: reducing the size of the area planted with grapes and increasing their liquefaction; annexation of Crimea, as a result of which the technological potential for growing grapes and a set of enterprises for bottling wine was lost, which significantly

reduced the demand for domestic wine products in Odessa and Mykolaiv regions. Inconsistency and insufficient level of quality of wine material; reduction of the purchasing power of the entire population and significant loss of the market in the area of the anti-terrorist operation; imperfection of the instruments of the state policy of development of the enterprises of viticulture and winemaking concerning excessive taxation, disorder of operating permitting and technical requirements, etc. Theoretical, methodological and practical aspects of the development of wineries in conditions of economic uncertainty have found wide representation in the scientific works of domestic economists, among whom are V. Vlasov, I. Belous, V. Kucherenko, O. Garkusha, L. Nekrasova and others. In turn, the threatening trends that have developed today in the activities of wineries, indicate the low effectiveness of the implementation in economic practice of basic research results, which require the implementation of further research. In this context, the purpose of the article is to substantiate the scientific and applied principles of formation and implementation of strategic vectors of development of Ukrainian wineries in conditions of economic uncertainty.

MATERIALS AND METHODS

The study is based on the use of methods of systematic, comparative, retrospective,

statistical, factor analysis, expert evaluation, analysis and synthesis. The information base of the study consisted of legal documents of the Ministry of Economic Development, Trade and Agriculture, official statistics from the resources of the State Statistics Service of Ukraine, research results and materials contained in scientific works of domestic and foreign scientists and economists, as well as author's research data.

The main empirical studies were conducted in the south of Ukraine, in such regions as Odessa, Mykolaiv and Kherson regions, where the main industrial viticulture is concentrated.

RESULTS AND DISCUSSIONS

The production of grape wines usually differs from other branches of the alcoholic group of goods (production of vermouth, vodka, cognac and others). Not being a leader in the introduction of modern innovative technologies for production, management and marketing tools, advertising and sales promotion, this segment of alcohol products has always been stable and highly developed in conditions of economic uncertainty. However, domestic wineries are going through a difficult period of their development, which is evidenced by the results of the analysis of indicators of wine production (Tables 1 and 2).

Table 1. The main indicators of development of the wine industry for 2012-2018

Indexes	2012	2013	2014	2015	2016	2017	2018
Area of vineyards, thousand (hectares)	71.0	71.0	67.6	69.0	67.9	67.1	44.2
Yield, (centner per hectare)	50.9	66.0	60.3	75.6	67.2	85.8	98.6
Gross harvest of grapes, (thousand tons)	415.2	468.7	407.9	521.8	456.0	575.4	435.6
Production of wine materials, (thousand decaliters)	26,597.0	31,113.0	30,675.0	25,067.0	23,048.0	28,269.0	15,074.8
Production of grape wines, (thousand decaliters)	21,050.0	23,102.0	29,611.0	17,003.9	12,510.6	11,602.7	6,061.9
Production of sparkling wines (thousand decaliters)	5,792.0	5,760.0	6,025.0	5,446.6	5,464.2	5,222.0	6,258.5

Source: based on official data from the State Statistics Service of Ukraine.

Based on the existence of tendencies to reduce the size of domestic alcohol production and reduce the market of the food industry in

general, the dynamics of the wine industry is much contradictory.

It is determined that high-quality wine materials contribute to the production of natural high-quality wines. However, the current state of viticulture and winemaking is critical, as evidenced by the following indicators: the total area of vineyards in Ukraine tends to decrease, national wine producers are in fierce competition with existing foreign competitors significantly reduce supplies in the national market.

However, even in the conditions of destruction of old vineyards, domestic winemakers are working towards the establishment of new ones. In 2018, 527.2 hectares of vineyards were planted in Ukraine: 137.5 hectares in Odessa, 184.2 hectares in Mykolaiv region, 25.3 hectares in Kherson region, and 18.5 hectares in Zaporizhia region [8].

Table 2. Volumes of grape processing and wine materials production in Ukraine for 2012 –2018

Year	The area of vineyards		Crop capacity (Yield)		Gross harvest of grapes		Grape processing		Production of wine materials	
	thousand hectares	rate of change, %	centner per hectare	rate of change, %	thousand tons	rate of change, %	thousand tons	rate of change, %	thousand decaliters	rate of change, %
2012	71.00	-	50.50	-	360.00	-	437.00	-	31,088.00	-
2013	71.00	100.00	50.86	100.71	415.20	115.33	386.00	88.33	26,597.00	85.55
2014	71.00	100.00	66.00	129.77	468.70	112.89	421.00	109.07	31,113.00	116.98
2015	67.60	95.21	60.30	91.36	407.90	87.03	418.00	99.29	30,675.00	98.59
2016	69.00	102.07	75.60	125.37	521.80	127.92	354.00	84.69	25,067.00	81.72
2017	67.90	98.41	67.20	88.89	456.00	87.39	330.00	93.22	23,048.00	91.95
2018	67.10	98.82	85.80	127.68	575.40	126.18	425.00	128.79	28,269.00	122.65

Source: based on official data from the State Statistics Service of Ukraine.

A significant part of the structure of harvesting from vineyards is occupied by Odessa region, where the largest areas of plantations are concentrated - more than 26.3 thousand hectares (60.5% of the total area of vineyards in the country), where in 2018 from the total area of plantations was grown 296.70 thousand tons of grapes (63.5% of the total

harvest of Ukrainian grapes).

As the Odessa region occupies a significant share in the structure of harvesting the entire harvest from vineyards in Ukraine, it is also a leader among other regions in the size of processing grapes into appropriate wine materials (Table 3).

Table 3. Dynamics of grape processing into wine materials by regions of Ukraine in 2017-2019

Regions	Processed grapes, t			Growth rate 2017-2019, %
	2017	2018	2019	
Ukraine, in total, including:	270,850.2	274,051.9	124,226.6	45.87
in percent	100	100	100	100
Mykolaiv region	82,189.7	98,076.6	20,973.9	25.52
share in total	30.35	35.78	16.88	x
Odessa region	150,994.6	142,944.2	83,452.1	55.27
share in total	55.75	52.16	67.18	x
Kherson region	33,382.0	29,693.6	14,926.5	44.71
share in total	12.32	10.84	12.02	x
Other regions	4,283.9	3,337.5	4,874.1	113.78
share in total	1.58	1.22	3.92	x

Source: based on official data from the State Statistics Service of Ukraine.

The share of Odessa region in grape processing increased from 55.75% in 2017 to 67.2% in 2019, namely by 11.5%. Thus, the structure of grape processing into relevant wine materials in all regions of Ukraine in

2017-2019 has changed significantly: the share of Mykolaiv region has decreased significantly (1.8 times), Kherson region - has not changed (only decreased by 0.3%), while the share of Odessa region makes it the leader

- 67.2%. The share of other regions of Ukraine in the processing of grapes into wine materials has increased almost by 2.5 times - from 1.58% in 2017 to 3.92% in 2019, (2.34%).

On the basis of situational analysis of the factors of adaptability, efficiency, balance and relevant problems of development of wineries identified key areas of its development: gradual balancing in the field of sorting the structure of grapes in accordance with certification requirements for winemaking products and vineyards; increase in sales of domestic wines on the domestic market and for export; increasing the efficiency of viticulture and grape processing technologies; segmentation of the industry by different types of wines, growth in the production of wines with a controlled name, vintage and aged ordinary wines; improvement of technical, tax and administrative regulation of wine enterprises; increasing the level of adaptability of wineries to seasonality and fluctuations in purchasing power to increase the level of balance of enterprise development, etc. [1].

Quite changing transformational management conditions in which wineries operate are primarily the search and justification of strategic directions of their development, which could be provided by the implementation and adaptation of development measures of wineries to exogenous and endogenous factors, as well as features of their operation. Under such circumstances, among the relevant areas is the socio-economic growth of enterprises, making them attractive for investment, allows it to meet the growing demand for wine products, it is one of the key factors in changing the market value of business [2].

This determines the importance of wineries to develop their own strategic models of development, adequate to modern conditions of economic uncertainty and able to provide

positive socio-economic dynamics in the long- term strategic perspective.

Taking into account the results of the study, a scientific and conceptual approach to the development strategy of wineries in conditions of economic uncertainty is proposed, which, in contrast, is based on the results of a differentiated assessment of the level of development of wineries in different types of business processes in conditions of economic uncertainty.

It allows to make a reasonable choice of a comprehensive development strategy and identify a set of relevant strategic alternatives [5, 11].

The presented approach allows to define and substantiate the basic (universal or corporate) strategy of development of domestic wineries, which determines the main direction of their development in conditions of economic uncertainty.

The basis for making decision on the choice of an effective strategy is determined at the stage of evaluation of the level of balance of the development process for the relevant types of business processes (sufficiently balanced, insufficiently balanced, balanced and unbalanced development), which corresponds to the gradation of coefficients of balancing the development of domestic enterprises in conditions of economic uncertainty.

To implement the presented alternatives for the choice of strategies for the development of wineries in conditions of economic uncertainty, the author proposes strategic goals for development, which are systematized by the relevant types of business processes and selected areas for their evaluation (Table 4).

Achievements presented in Table 4 strategic goals for development need to be translated into the plane of calculations of certain indicators of development, taking into account the peculiarities of economic activity and the achieved level of balance of development of wineries [6, 7].

Table 4. Strategic development goals of wine industry enterprises grouped by types of business processes

	Type of business processes	Strategic goals
Production and technological business processes	Purchase and supply of champagne wine materials	Rationalization of wine procurement processes and increasing the efficiency of inventory and cost management at different stages of the production process
	Purchase and supply of champagne wine materials	Implementation of programs to optimize production processes in order to increase the efficiency of economic resources and reduce the loss cycle
	Production of champagne wines (actually the process of champagne) Quality control	Reducing the level of material and labor intensity of production Reducing the level of product losses in the production process and increasing the efficiency of losses on raw material processing and production
Financial business processes	Storage in the warehouse of finished products, forwarding and shipment Development of budgets	Improving the efficiency of production capacity, taking into account the factors of bad seasonality and the peculiarities of the production cycle
	Organization of balancing resources, results and costs	Improving the efficiency of the use of advanced capital and losses
	Cash flow management	Optimization of cash flow management taking into account the seasonal nature of business activity
	Formation of a rational financing policy	Increasing the share of stable sources of financing in the capital structure of the enterprise
Marketing business processes	Optimization of the composition and structure of capital and assets Assessment of the level of solvency	Ensuring a balanced policy of borrowing and increasing financial stability Increasing the mobility of assets and reducing their illiquid part
	Storage in the warehouse of finished products, forwarding and shipment	Improving the efficiency of sales policy taking into account the factors of seasonality of "production". "Demand", "losses" and "cash receipts"
	Formation and implementation of sales policy	Improving the efficiency of sales activities
	Organization of advertising and information activities	Optimization of advertising and information activities and marketing activities taking into account the peaks purchasing activity
	Research of competitors' activity, nature and degree of competition in the industry	Development of effective competitive strategies taking into account the peculiarities of competition in the industry
	Research of consumer needs and identification of demand for products	Increasing the level of consumer loyalty to their own brand, taking into account fluctuations in market conditions and living standards

Source: developed by the authors.

Thus, for each winery should be defined tactical tasks for managing the development of wineries, based on certain coefficients of difficulty for the development of certain types of business processes of the winery. Integration of wineries development strategies with strategic priorities of economic development in conditions of instability is

presented in the matrix (Table 5). Based on the presented matrix, it is determined that at the current level for balanced development of wineries development management priorities that meet the development strategy in conditions of economic uncertainty should be: overcoming the limited entry of domestic wine products into the domestic market,

increasing international competitiveness and entering world markets; improving the quality of wines and ensuring a clear classification of their types and relevant technical requirements; improving the resource base for winemaking, streamlining the current regulatory framework; optimization of excise

taxation; vertical integration of the industry; promoting the differentiation of approaches to regulating the activities of wineries in accordance with their size, insurance of crops and mutual funds, management of the varietal structure of vineyards, etc. [3, 4, 6].

Table 5. Matrix of strategies for ensuring the development of Ukrainian wineries in conditions of economic uncertainty

Level	Basic strategy of enterprise development		
	Growth	Stabilization (limited growth)	Abbreviation
Balanced	Enterprise strategies Intensive growth strategies (all varieties); integrated growth strategies (all varieties); diversified growth strategies	-	-
	Regulatory priorities Stimulating access to foreign markets; stimulation of organic winemaking; increase in excise tax rates, reduction of infrastructure assistance	-	-
sufficiently balanced	Enterprise strategies intensive growth strategies (all varieties); integrated growth strategies (progressive, reintegration); diversified growth strategies (centralized diversification strategy, horizontal diversification strategy)	Enterprise strategies intensive growth strategies (market penetration strategies, product development strategies); market protection strategy (support of the achieved level of market penetration); market rationalization strategy (reorganization of strategic zones)	-
	Regulatory priorities stimulating access to foreign markets, stimulating the domestic demand; strengthening of technical requirements; stimulation of scientific activity (selection work); stimulating the vertical integration	Regulatory priorities stimulating domestic demand; stimulation of scientific activity; stimulation of insurance and mutual insurance, increase of requirements to quality of wines, promotion in on foreign markets, optimization of varietal structure of viticulture, tax privileges for winegrowers	-
insufficiently balanced	-	Enterprise strategies intensive growth strategies (market penetration strategies); market protection strategy (support of the achieved level of market penetration); market rationalization strategy (limitation of presence in unpromising markets)	Enterprise strategies market protection strategy (support of the achieved level of market penetration); market rationalization strategy (limitation of presence in unpromising markets); reduction strategies
	-	Regulatory priorities stimulating domestic demand; promoting the compliance of wine quality with international standards; stimulation of insurance and mutual insurance, optimization of the varietal structure of viticulture, tax benefits for winegrowers for VAT, increase of the special part of the excise tax for reduction of its rate as a whole; stimulating of vertical integration	Regulatory priorities Public investment in the development of vineyards, tax benefits for growers for VAT; increase of the special part of the excise tax for reduction of its rate as a whole; increase in excise duties on strong alcoholic beverages of non-winy origin, direct grants to enterprises
Unbalanced	-	-	Enterprise strategies reduction strategies (strategy of "harvesting", "cutting off excess", cost reduction); liquidation strategies (rehabilitation, sale of the enterprise, bankruptcy)
	-	-	Regulatory priorities Nationalization of wine enterprises, stimulation of vertical integration, state monopoly on wine products, state investments in development

Source: developed by the authors.

CONCLUSIONS

The changing transformational conditions of the domestic economy, in which Ukrainian wineries operate, first of all require the search and justification of priority areas of sustainable development, which would be able to ensure the implementation and adaptation of winemaking development goals to changing external and internal environments and specific features of their operation. Thus, considering the above, in the process of forming a model of development of a winery in conditions of economic instability to adhere to the following key provisions: dynamic growth of equity will be balanced, provided that it is proportional to the growth of sales of wine products. [9, 10]. However, it is sometimes difficult to meet such a requirement, because the growth of equity and sales growth are not balanced in the time lag, and therefore the development of wineries may change every year. Therefore, it is necessary to enter into the model the initial sales, the initial amount of paid-in equity, the absolute amount of dividends received or the share of capitalized profits that companies plan to direct to sustainable production development, as well as other additional capital. This will accordingly allow to balance the initial state of operation of the winery with the future growth of key performance indicators; development of a model for the development of wineries should be based on the principle of dynamism, which requires coordination of the pace of improvement of various indicators (sales of wine products, liquidity, solvency, financial stability, turnover, etc.).

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