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Diversification trends of the supply of Ukraine' sugar-mills

Summary. The evaluation of the production efficiency of sugar beets and sugar in Ukraine for the period of 2001–2015 was made. The preconditions of negative changes in the sugar branch were studied. A polynomial model which describes the yielding capacity level of sugar beets in Ukraine in 1913–2015 has been worked out; the prediction of sugar beet yield for the year of 2017 has been made and its increase by 28% is expected. Diversification trends of the supply of sugar-mills which will favor the efficiency enhancement of sugar beet production have been explained. The ways of the efficiency enhancement of sugar beet production to ensure stable business development in the branch which requires active government support of producers have been identified.

Key words: sugar beets, sugar, beet pulp, molasses, defecate, biogas, bio ethanol, production cost, price, production efficiency

Problem definition

Current state of sugar beet production and sugar branch of Ukraine explains the necessity to create conditions to ensure efficient sugar beet production and their processing for sugar. However, the factors of the efficiency enhancement of the branch businesses are not coordinated well or they are not used to due extent, which makes economic situation at sugar market more complicated due to its over- or under-production and a low level of producers' efficiency does not provide extended reproduction.

The importance of the output of sugar and sugar beet production consists not only in the source of the production of the important foodstuff – sugar. A market of alternative fuel kinds based on the use of sugar and starch-bearing agricultural crops and processed products is created across the world. As the problem of supplying our country with power-carriers becomes urgent, it is expedient to speed up and diversify the manufacture of alternative fuel kinds, in particular, bio ethanol and biogas. The challenges of the development of the sugar beet production should be clearly determined at a national level – the use of sugar beets and the products of their processing for the manufacture of alternative fuel.

The issues of production and consumption of alternative kinds of fuel are discussed in the works of P. Sabluk, H. Kaletnik, M. Kodenska, M. Royik, M. Yarchuk. However, the issue of diversification trends of the supply of sugar-mills needs additional studying.

The purpose of the research is to ground diversification trends of the supply of sugar-mills which will facilitate both competitive power of the output and the rebirth of the branch of sugar beet production

Research methodology

Such practices as system analysis and logical generalization were used in the process writing this paper to study preconditions of negative changes in sugar beet production and sugar branch; comparative analysis – to analyze statistical information; economic-mathematic modeling – to work out a polynomial model which describes the level of sugar beet yielding capacity in Ukraine; settlement-constructive – to determine the indicators of economic efficiency in sugar beet production; monographic method proved the necessity to diversify branch output.

Results of the research

At present sugar beet production and sugar branch of Ukraine are in a difficult situation. Due to the lack of circulating assets and proper logistics sugar-planting companies are not interested in growing sugar beets, and sugar-mills do not have enough sugar raw materials. The output of sugar production in Ukraine depends on the gross harvest of sugar beets, their yielding capacity and the sown area under this crop.

One of the ways to increase the efficiency of sugar beet production in Ukraine is to follow production technologies of growing sugar beets, their main elements are plant nutrition and pest management (pests, diseases and weeds); the latter together with soil-climatic conditions favor the yield increase and its harvest volume per hectare (Table 1).

The yield increase of sugar beets resulted from the development of arable farming and better observance of the technologies. In 2001 producers applied 90 kg of acting substance (as) of mineral fertilizers per hectare, then in 2015 – 274 kg, i.e., three times more¹. Close direct correlation between the amount of mineral fertilizers applied and the root yield was determined. The correlation coefficient is 0.93. Recently special attention has been paid to the protection of sugar beets from pests and diseases which decrease their productivity considerably. In 2001, 8.9% of sugar beet area before harvesting was protected from diseases (mainly cercosporosis), in recent years all the field have been protected. Sugar beet fields were better protected from weeds as well. In 2001, 65.9% were treated with herbicides, and then in recent years every sugar beet field has been treated with herbicides three times.

¹ Application of mineral and organic fertilizers under agricultural crops in 2015: Statistics Bulletin, State statistics committee of Ukraine, Kyiv 2016.

Table 1. Production efficiency of sugar beets in Ukraine

Indicator	Year						2015 in % to	
	2001	2011	2012	2013	2014	2015	2001	2014
Sown area of sugar beets, th ha	970,3	532,4	458,4	279,8	331,0	237,4	24,5	71,7
Harvested area of sugar beets, th ha	853,1	515,8	448,9	270,5	330,2	237,0	27,8	71,8
Sugar beet production, mln t	15,57	18,74	18,44	10,79	15,73	10,33	66,3	65,7
Yield, t/ha	18,26	36,33	41,08	39,89	47,65	43,58	238,7	91,5
Sugar content, %	15,17	16,63	16,11	16,26	17,05	17,63	–	–
Sugar harvest, т/га	2,77	6,04	6,62	6,49	8,12	7,68	277,3	94,6
Total production cost 1 t of sugar beets, UAH	134,2	380,4	371,5	388,9	422,0	581,0*	432,9	137,7
Average marketing price of 1 t of sugar beets (without VAT), UAH	136,2	519,2	430,0	399,6	497,0	737,3*	541,3	148,4
Rate of return of sugar beets, %	1,5	36,5	15,7	2,7	17,9	26,9*	–	–

Source: data of the State statistics committee of Ukraine (Crop production of Ukraine: Statistical Bulletin of the year of 2015, State statistics committee of Ukraine, Kyiv 2016. Basic economic indicators of agricultural production at agricultural enterprises: Statistics Bulletin of the year of 2011, 2012, 2013, 2014, State statistics committee of Ukraine, Kyiv 2012, 2013, 2014, 2015); NASB "Ukrtsukor" (My.M. Yarchuk: Work of the sugar mills of Ukraine when processing sugar beets in 2014, Proceedings of the international scientific-technical conference of sugar producers of Ukraine, devoted to the memory of academician I.S. Hulyi, Sugar of Ukraine 2015, s. 10–40); 2013, 2014, 2015 – excluding temporarily occupied Autonomous Republic of the Crimea and city of Sevastopol, part of the ATO area.

*previous data.

As to soil potential, peculiarities of climatic conditions, a sugar belt was determined by the Institute of bio energetic crops and sugar beets of Ukraine's NAAS. The most favorable zone for sugar beet cultivation, where 55–60 t/ha can be harvested, is western regions of Ukraine – Volyn, Ivano-Frankivsk, Lviv, Rivne, Ternopil and Khmelnytsk. The less favorable zone, where 50–55 t/ha can be harvested, includes Vinnytsia, Zhytomyr, Kyiv, Poltava, Sumy, Kharkiv, Cherkasy and Chernihiv regions. The area where only 45–50 t/ha can be harvested is Kirovohrad and Chernivtsi regions. The rest of the regions, where sugar beets are grown and which are not included in a sugar beet belt, are unfavorable for sugar beet production because of their soil-climatic condition².

Thus, Ukraine's agrarian policy has to take into account and to respond to the consequences, associated with the country's membership in WTO, and to support both the concentration of sugar beet cultivation in the proper regions and sugar beet farms.

Recently, integrated companies in the sugar branch have been created; they participated in the season of sugar beet processing of 2015-yield, as a result 75.7% of sugar was produced to the total production. Production concentration of sugar raw material in powerful specialized companies makes it possible to grow sugar beets using intensive technologies which in turn results in the increase of yield and gross output.

² My.V. Royik: Beets, XXI vik-RIA TRUD–KYIV, Kyiv 2001.

In Ukraine at the beginning of the 90ties there were 192 sugar-mills with total capacity 509.7 th t of sugar beet processing per day, in 2001 – 147 sugar-mills with total capacity 339.0 th t, and in 2012 – 63 sugar-mills with total capacity 255.4 th t. It is worth mentioning the years when 192 sugar-mills of Ukraine were built: before 1860 – 58 sugar-mills, 1860–1900 – 66 mills; 1901–1940 – 24 mills; 1941–1996 – 44 sugar-mills³. In recent years the number of working sugar-mills for sugar beet processing has been reduced by four times. And the sugar output at Ukraine's sugar-mills increased from 11.4% in 2001 to 14.68% in 2015 (Table 2).

Table 2. Indicators of sugar beet processing and sugar production in Ukraine

Indicator	Year						2015 p. in % to	
	2001	2011	2012	2013	2014	2015	2001	2014
Procured beets at the mills, mln t	15,15	17,79	17,55	9,22	15,11	9,91	65,4	65,6
Processed beets, mln t	14,57	17,36	17,17	9,06	14,81	9,72	66,7	65,6
Beet loss in storage, %	3,8	2,38	2,15	1,70	2,02	1,85	–	–
Sugar produced from beets, mln t	1,33	2,33	2,14	1,26	2,05	1,43*	107,5	69,8
Produced sugar, t/ha	1,56	4,52	4,77	4,66	6,22	6,03*	386,5	96,9
Production coefficient	0,7230	0,7898	0,7869	0,8071	0,8071	0,8172	113,0	101,3
Duration of sap extraction, days	42,6	70,71	76,67	61,04	81,46	68,2	160,1	83,7
Number of working mills	147	77	63	38	48	36	24,5	75,0
Average daily amount of processed beets per 1 sugar mill, th t/day	2,71	3,12	3,38	3,62	3,75	3,75	138,4	100,0
Sugar output, %	11,40	13,46	12,95	13,35	14,04	14,68	–	–
Sugar content in molasses, %	2,24	1,87	1,79	1,76	1,73	1,73	–	–
Mill coefficient	0,7808	0,8329	0,8275	0,8364	0,8439	0,8506	108,9	100,8
Operation term of sugar mills, days	47,6	75,14	80,68	64,80	84,90	71,8	150,8	84,6

Source: data of the State statistics committee of Ukraine (Statistics Annual Book of Ukraine of the year of 2014: State statistics committee of Ukraine, Kyiv 2015); NASB "Ukrtsukor" (My.M. Yarchuk: Work of the sugar mills of Ukraine when processing sugar beets in 2014, Proceedings of the international scientific-technical conference of sugar producers of Ukraine, devoted to the memory of academician I.S. Hulyi, Sugar of Ukraine 2015, s. 10–40); 2013, 2014, 2015 – excluding temporarily occupied Autonomous Republic of the Crimea and city of Sevastopol, part of the ATO area.

*previous data

³ On legal support of the development of sugar beet complex and the measures of its improvement: Parliament publishing office, Kyiv 2005, s. 15.

Within the year of 2015 sugar-mills of Ukraine received 9.91 mln t of sugar raw material or less by 34.6% compared with 2001, they processed 9.72 mln t of sugar beets and produced 1.43 mln t of sugar or 6.03 t/ha which does not satisfy the need of the internal market of Ukraine to its full scale. The difference between the duration of a technological process and that of sap extraction was 3.6 days per mill, i.e., that was idle time for each working mill. At some mills, stations of sap-extraction, defeco-saturation and product units work below their production capacity, which results in 1.73% of sugar in molasses (2001 – 2.24%). However, automation level of some technological units has been improved which has positive impact on operation indicators of sugar mills. Unfortunately, the difference between mill coefficient and operation coefficient – 0.0334 (2001 – 0.0578) – is high in the branch; and it confirms large losses of beets and sugar when rot beets are received, stored, transported to the sugar mill⁴.

It has to be mentioned that 25 sugar mills which operated in 2015-season consumed natural gas for their production needs. Total consumption at these mills was 214.4 mln m³ of natural gas, and natural gas consumption per 1 t of processed sugar beets was 34.07 m³ comparing to 34.4 in 2014. The share of fuel and power in processing production cost of 1 t of sugar beets is about 38%, and its share in sugar production cost is 27%. It encouraged sugar mills to look for alternative kinds of fuel to substitute natural gas⁵.

According to the statistics of the National association of sugar producers of Ukraine “Ukrtsukor”, at the beginning of operation season-2015 some renovation work concerning the preparation of the systems for using furnace fuel oil was carried out at several sugar mills; a number of sugar mills started their operation with total or partial substitution of natural gas. In 2015 sugar mills consumed 15.6 th t of pellet, 6.1 mln m³ of biogas, 13.2 th t of peat, 68.5 th t of bituminous coal for their operation needs. It made it possible to substitute 100 mln m³ of natural gas with alternative fuels during the operation season⁶. As the average price of 1000 cubic meters of natural gas is UAH 6600, cost cutting is UAH 660 mln⁷.

The power balance of a sugar mill shows that 85–90% of the total fuel consumption goes for the manufacture of heat energy for technological needs, and 10–15% – for the manufacture of electric power, lime and carbon dioxide. So, a significant way to reduce specific consumption of fuel-power resources is to reduce heat power consumption for sugar beet processing.

⁴ Ibidem.

⁵ My.M. Yarchuk: Work of the sugar mills of Ukraine when processing sugar beets in 2014, Proceedings of the international scientific-technical conference of sugar producers of Ukraine, devoted to the memory of academician I.S. Hulyi, Sugar of Ukraine 2015, s. 10–40.

⁶ Ibidem

⁷ Decision of the National board which exercises public regulation in the spheres of power engineering and communal services “The establishment of price ceiling of natural gas for industrial consumers and other business entities” of August 27, 2015 № 2229 [electronic resource], Access mode: <http://www.nerc.gov.ua/index.php?id=147115>

The developed world and European Union countries make great efforts to replace traditional kinds of fuel with bio-fuels. Thus, the EU directive RED (Renewable Energy Directive) 2009/28/EU establishes the use of 10 % of renewable energy in transport and 20% of renewable energy in the structure of gross energy consumption to 2020 as mandatory parameters⁸. Ukraine is obliged to consider the European standards concerning the use of biofuels in the context of its entry to the European Energy Community. Therefore, the country has the obligation to bring the biological component in motor fuel up to 10% by the year of 2020.

The necessity to diversify the supply of sugar mills is defined not only by high dependence of the country on power resource import, but also by the need to have reserve capacities to process the surplus of the produced output taking into account a cyclic and risky nature of sugar beet production. Based on a polynomial model which describes the yielding capacity level of sugar beets in Ukraine in 1913–2015, the prediction of sugar beet yield has been made and its increase by 28% is expected (Figure 1). So, the pre-conditions for the introduction of bio fuel exist in Ukraine, namely, by means of output diversification of the sugar branch.

The European Union countries are interested in bioethanol import from our country. Every year the bioethanol market is growing by 3% in Europe, this is a significant potential for Ukraine to increase export⁹.

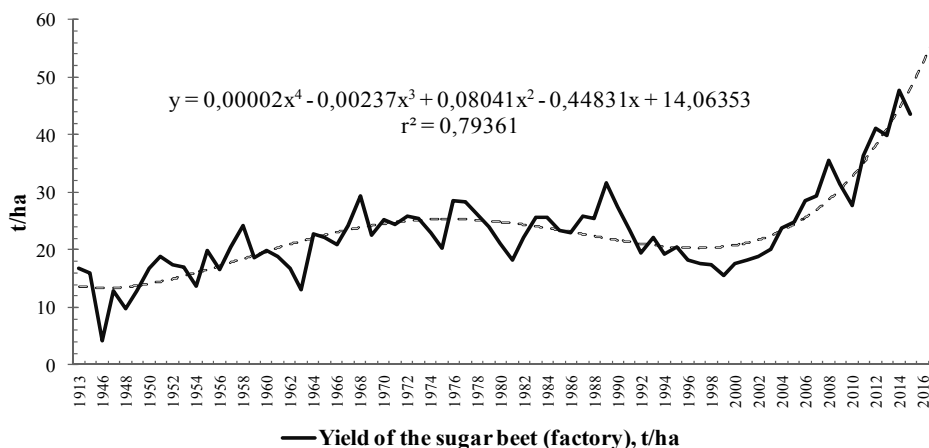


Figure 1. The dynamics of the sugar beet (factory) yields in Ukraine by the years

Source: our calculations.

⁸ Directive 2009/28/EC of the European Parliament and of the Council of 23 April 2009 on the promotion of the use of energy from renewable sources and amending and subsequently repealing Directives 2001/77/EC and 2003/30/EC [electronic resource], Access mode: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:140:0016:0062:EN:PDF>

⁹ G.M. Kaletnik: The perspectives of bioethanol production in Ukraine, Agricultural equipment and machinery, 2009, nr. 2, s. 50–55.

Hence, the development of commodity policy and the extension of product range of sugar mills is one of the most promising and efficient ways which will facilitate the efficiency enhancement of sugar branch companies. The intensification of this trend is possible in the conditions of total and rational use of raw materials which come for sugar manufacture, and also in the conditions of complex processing of by-products of sugar production (Table 3).

Table 3. Diversification trends of sugar mill output

Processed output of sugar beets	Consumption
Sugar	– technical purposes
	– consumption by population
	– consumption in food industry
Beet pulp	– to feed animals with fresh, sour, granulated beet pulp
	– silage
	– manufacture of pectin glue
	– manufacture of biogas (electric power, organic fertilizers)
Molasses	– processing for spirit, glycerin, dry yeast
	– manufacture of animal feed, cleaning of dry beet pulp
	– separation to get sugar
Defecate	– animal feed enrichment
	– manufacture of bio ethanol
	– manufacture of fertilizers, building material
Bio ethanol	– admixture to gasoline

Source: our proposition.

The importance of sugar beets is not limited to the manufacture of sugar. When sugar beet is processed, beet pulp and molasses are produced. Beet pulp is used to feed animals and to manufacture pectin glue, used in textile production. Molasses is widely used in animal feed manufacture. It is raw material for spirit/alcohol production as well as glycerin, good yeast for bakery industry¹⁰.

Taking into consideration the world experience as to the use of sugar raw material to produce alternative fuel, it would be expedient to use it at sugar mills of Ukraine. It is possible to set up the production of bio ethanol from sugar beet processed products, and that of biogas – from beet pulp. The use of sugar beets and their processed products to manufacture other items in addition to sugar makes them competitive compared with other agricultural crops.

¹⁰ P.T. Sabluk, M.Yu. Kodenska, V.I. Vlasov: Sugar beet production of Ukraine: problems of rebirth, development trends: a monograph, NNTsIAE, Kyiv 2007.

The production of bio ethanol is possible by using several schemes. The first option is to set up the workshop for bio ethanol manufacture at the sugar mill. The mill produces sugar with help of traditional technologies, and bio ethanol – from molasses. The second option is to produce bio ethanol from syrup. This practice can be used at alcohol-producing plants situated near sugar-mills. Another way to manufacture bio ethanol envisages the manufacture of sugar and bio ethanol from molasses and syrup. In this case two processes are combined at the mill, and correspondingly, its productivity increases and production cost of the output decreases. The optimal practice is the construction of combined workshops at sugar-mills and alcohol-producing plants; during sugar beet harvesting season they will manufacture bio ethanol from processed products, and in-between season (shoulder period) – from grain wastes of headed grain crops or corn.

At present processing, storage and utilization of beet pulp present a problem for the majority of sugar mills in Ukraine. The economic conditions of running business in the regions of sugar beet processing and the availability of sugar beet processing companies affect the solution of this problem. The main promising trends in the consumption and utilization of beet pulp are: valuable fodder for cattle, pectin concentrate and pectin glue, biogas with further manufacture of electric power. One of the potential ways to create demand for beet pulp is its use as valuable fodder for cattle.

Alongside with this, a considerable amount of biogas will be consumed by sugar mills for their own needs, however, if proper equipment is used, then the remaining power can be sold to other consumers according to “green tariff”. It is possible to use units for simultaneous manufacture of electric power and heat, and also special equipment for biogas cleaning and using it as traditional fuel for vehicles and other agricultural machinery.

Among other kinds of alternative fuel sources for the companies of the sugar branch and sugar mills in particular, the use of biogas is the most economically advisable and acceptable one. However, producers face some difficulties in introducing biogas units, namely, large initial investment expenses (it costs UAH 200 mln to build and put into operation a biogas unit with power capacity equal to 2.25 MVt); low credit activity in the sugar industry; the necessity to get a license to produce biogas; the lack of standard documentation for design, construction and operation of biogas units, etc. The lack of building code for biogas reactors is a legal problem.

Conclusions

The increase of operation efficiency of sugar beets and sugar is possible through the output diversification of sugar mills of Ukraine. Besides, sugar beet production should be concentrated in the most favorable regions for this crop, whose soil-climatic conditions ensure high indicators of the yield and quality of the root beets. The increase of sugar beet productivity will satisfy the needs of sugar in the internal/domestic market, and it will result in the output diversification of sugar mills as well. In addition to sugar, it is expedient to produce heat and electric power, bio ethanol and biogas at the sugar mills.

Supply diversification of the sugar mills will allow:

- to set up the manufacture of ecologically clean alternative fuel – bio ethanol, biogas, and also that of electric power according to “green tariff”;
- to create jobs;
- to increase business profits;
- livestock production will receive additional fodder;
- to decrease the dependence on fuel import and to guarantee food security of Ukraine.

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