Development strategy of the agricultural enterprise competitiveness in the milk and dairy products market of the Krasnoyarsk territory

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Abstract. In strategic planning it is necessary to assess the current and target market configuration in segments terms in the volume of each of them. Market forecasts and sales figures cover the entire planning horizon of the product and target business strategy. The application of the product business strategy determines the need for marketing analysis of each relevant market segment.

1. Problem

In modern economic conditions, in the opportunities absence by agricultural producers of the Krasnoyarsk territory to promote and sell agricultural products outside the region it is necessary to pay increased attention to the competitiveness of products. The attractiveness of the industry is determined by sufficient profitability for its participants, that is why the combination of competitive forces allows increasing the economic efficiency of agricultural organizations. One of the risk factors in the market is the emergence of new competitors in the industry. At the same time serious barriers for entry into the dairy industry in the Krasnoyarsk territory are:

- commitment to the brand and formed customer preferences;
- control over distribution channels;
- low costs due to economies of scale;
- the amount of required investment.

The new manufacturers have a chance to find their niche only in the presence of professional staff, solid advertising budgets and high-quality raw materials, which are currently quite difficult. Market analysis showed that the dairy market is growing and this trend will continue until 2030. With a realistic forecast the volume of the studied market will increase by 172.06 thousand tons.

Table 1. Growth rates of the dairy market and development forecast until 2030, thousand tons.

| Development forecast | 2018 fact | 2020 | 2025 forecast | 2030 |
|----------------------|-----------|------|---------------|------|
| pessimistic          |           | 523,10 | 563,53            | 607,08 |
According to the expert-analytical center of agribusiness, in the dairy market of the Krasnoyarsk territory during the implementation of the product strategy there is growth in the market volume in just over 2.5% annually with a realistic forecast.

Milk production in the farms of all categories increased by 2.2%, including agricultural organizations by 1.3%. The share of agricultural organizations in total milk production is 49.6%, peasant farms is 3.3%. The largest share in the total volume of milk production falls on Kansk district -10.6%, Uzhur district-8.8%, Nazarovo district -8.2% [1]

The key growth factors in the market of dairy products in the Krasnoyarsk territory are:

- import substitution of products;
- the growing population commitment to healthy lifestyle;
- traditional consumption of dairy products.

These factors are a source of increasing demand for dairy products in the near term, and an additional opportunity to expand the market, which allowed forming a market forecast for the future until 2030.

|      | Realistic | Optimistic |
|------|-----------|------------|
| 2017 | 500.25    | 559.47     |
| 2018 | 535.57    | 674.16     |
| 2019 | 600.06    | 812.37     |
| 2020 | 672.31    | 812.37     |

**Figure 1.** Growth rate of milk and dairy products market, thousand tons.

The potential demand for dairy products was calculated on the basis of the federal law No. 44 "About the consumer basket of the Russian Federation in the whole ", which allowed to conclude that there is a free market niche in the Krasnoyarsk territory market, which can be claimed by increasing the volume of milk and dairy products, thereby not displacing existing competitors.

For calculation of potential demand parameters of dairy products consumption children of 5-15 years and pensioners (women from 55 years, men from 60 years) were also considered. The population by age in municipal districts was calculated based on the demographic structure in the Krasnoyarsk territory as a whole. (table 2).
Table 2. Calculation of potential demand for dairy products in the Krasnoyarsk territory.

| Residence region         | Average annual population, people | Able-bodied population / Pensioners/ Children 5-15 years old | The rate of consumption per year, kg | Demand for milk, tons |
|--------------------------|-----------------------------------|-------------------------------------------------------------|-------------------------------------|-----------------------|
| Krasnoyarsk territory, including | 2 866 490                        | 1 683 906/633 797/311 514                                  | 238,2/218,9/325,2                  | 641 149              |
| Krasnoyarsk              | 1 066 934                         | 115 948/626 765/235 905                                    | 238,2/218,9/325,2                  | 238 642              |

The gap between the existing and the volume of dairy products production in the Krasnoyarsk territory and the existing norms of consumption by the population is 21.9%. The structure of dairy products distribution is shown in figure 2.

Figure 2. Volumes estimation of target product segments, thousand tons.

The absolute leader of consumption in the category of dairy products is drinking milk, in second place - fermented milk products, in the third - cheese, and in the fourth-butter and spreads. The best-selling product is kefir. Every year the demand for yogurt with fruit slices and juice is growing by 40-50%, as well as milk and juice cocktails are actively gaining ground. Of the traditional segments good growth is shown by cheese (hard and processed) - by 15% per year, by cottage cheese products - by 10-12% per year [2].

The geographical boundaries in the commodity market of milk production and dairy products are determined by the territory of the Krasnoyarsk region. The dairy market is represented by two operating segments. The first segment is producers of the federal level ("LLC DANON TRADE", JSC "Wimm-bill-Dann"), whose products are characterized by a wide range that meets all the requirements and consumer preferences of the population. To date a large share of the market is occupied by producers of the federal level. Analysis of sales dynamics from 2015 to 2018 showed decreasing in milk sales to procurement organizations with simultaneous increasing in the share of dairy products sold by enterprises on the market. The second segment is local producers of dairy products, the quality and environmental friendliness of which are not in doubt among consumers. Key agricultural producers are LLC "AgroNik" (Nikolskoye health), APMC "Useful products" (native village), LLC "Plemzavod "taezhny" (Istok). The analysis of organizations activities for the production of milk and dairy products is presented in figure 3.

The following business models operate in the dairy segment: dairies, full-cycle agricultural organizations and mixed-type organizations. According to the business models analysis of the main competitors as a reference model we will take agricultural production and marketing cooperative (APMC) "Useful products". In the eastern group of regions the production of whole milk is more than 120 thousand tons per year, therefore, there is good raw material potential. For the current production
of dairy products, the division "milk production" is maintained and the competence "marketing of dairy products" is added. The current business models are shown in table 3.

Trends in the dairy market indicate that consumers are forced to buy cheaper dairy products based on the decline in real incomes. According to the Ministry of agriculture and trade of the Krasnoyarsk territory, the average price for raw milk of cattle was 23,950.0 rubles [3].

Figure 3. Competitiveness parameters of dairy products.

Table 3. Business models of competitors in the production of dairy products.

| The main players      | Strengths and weaknesses of business models                                                                 | Justification of choice/ opt-out                                      |
|-----------------------|----------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------|
| LLC "AgroNik"         | High margins but strong dependence on suppliers. Significant downtime risks from raw material shortages.      | It is inexpedient as in LLC «Iskra» it is planned to conduct active marketing activity |
| LLC "Sayanmilk"       | The complexity of promoting products through third-party networks.                                          |                                                                     |
| LLC "Plemzavod "taezhny" (Istok) | Savings on marketing, but the difficulty in promoting products through the network. Risks of falling demand. Strong dependence on consumer brand commitment. | Corresponds to the current business model of agricultural organizations |
| APMC "Useful products"| High margins, but dependence on suppliers.                                                                    | The optimal business model to choose as a target, as it does not require the expansion of processing "production of raw materials" |

Competitive products in the market of milk and dairy products should have the following advantage, which is determined by consumers: the optimal ratio of price to quality.

1. Price advantage - the price of products should be lower than the price of the current market leaders due to the presence of own raw material base.
2. The advantage in quality:
   - application of advanced processing and storage technologies caused by technical modernization in production;
   - implementation of total quality control at all stages of production, storage and transportation.
3. Wide range.

To implement the chosen product strategy the organization must possess most of the key competences. When moving to the target business model, it is necessary to maintain the current position, but to expand production capacity, acquire competences in the field of marketing, PR, logistics of cargo transportation, work in automated inventory and supply management systems. The analysis of business models shows the expediency of developing business relations with agricultural producers in the region, using the potential of its own assets in the production areas of basic raw materials and organic products through the production of finished product and its distribution. Expediency in using the potential of own assets in the areas of basic raw materials production and organic growth in the deep processing of agricultural products, strategic alliances in the redistribution of "Wholesale, distribution, sales”.

The development of the competitiveness strategy is an integral part of the strategic management in the agricultural organization. The choice of a target business model will allow organizations to implement strategic alternatives through the production of competitive products successfully [4].

The target business model of a competitive agricultural organization is presented in table 4.

**Table 4. Target business model of competitive organization.**

| Redistribution | Production and purchase of basic raw materials | Primary processing | Deep processing | Wholesale, retail, distribution |
|----------------|-----------------------------------------------|--------------------|----------------|---------------------------------|
| Conversion products | Raw milk Rapeseed Cattle and pigs in living mass Wild-growing raw materials agricultural societies, peasant farming, personal subsidiary plots | Pasteurized milk Cattle and pigs in slaughter weight Dried rape seeds Wild plants in the package | Dairy products Sausage goods Canola seed in package Wild plants frozen, salted | The products under key brand |
| Key customers | Established production Availability of own fodder base Agrotechnology Production asset | Own raw materials, fodder base, technologies Processing technology Warehouse space Production asset | established production of finished products | Retailers, retail chains |
| Existing competencies and their competitiveness | | | | Own sales network |
| Key competencies required for retirement | | | | |
| Development method | Attraction of basic raw materials producers (agricultural societies, peasant farming, personal subsidiary plots) | Using the potential of own assets | Organic growth | Market access Marketing skills and setting up marketing communications Automation of logistics processes Organic growth |
The transition to the target business model requires an integrated approach that can be implemented through the following steps:

- Search and contracts conclusion about intent for the whole milk supply;
- Market research and search for additional sales channels for own dairy products.

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