

ЕКОНОМІКА ТА УПРАВЛІННЯ НАЦІОНАЛЬНИМ ГОСПОДАРСТВОМ

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**FORMATION AND DEVELOPMENT
OF ORGANIC PRODUCTION
OF THE UKRAINIAN MARKET**

**ФОРМУВАННЯ ТА РОЗВИТОК РИНКУ
ОРГАНІЧНОЇ ПРОДУКЦІЇ В УКРАЇНІ**

Urgency of the research. The organic production market over the past decades is extremely promising as demand for real food has increased. The urgency is caused by the problem of providing the population with ecologically safe products and the need for operation of the organic production market.

Target setting. The intensive technological development and the environment pollution endanger the further human development and lead to the necessity of reproducing approach usage for solving environmental problems. Partial reduction of environmental pollution is possible through organic production.

Actual scientific researches and issues analysis. The following scientists have made a great contribution to the problems concerned the development of organic production market in Ukraine: Chychkalo-Kondratska I. B., Cuzmenko O. B., Tovmashevskya, O. A. Pearson D. and others

Uninvestigated parts of general matters defining. This problem above has already been researched in many papers. But in spite of this, the possibilities of adapting foreign experience to create a competitive organic production market in Ukraine are understudied.

The research objective is to determine the peculiarities of the formation and prospects for the development of organic production market, as well as to make a comparative analysis of organic market trends in Ukraine and other countries, to highlight the experience of state support of this market in these countries.

The statement of basic materials. The article contains the factors that describe priority of organic production development in Ukraine and the reasons that restrain it. The suggestions on effective development of organic production in Ukraine under conditions of economic changes are presented.

Conclusions. For the effective development of organic production in Ukraine a set of measures should be introduced, including legal, regulatory, financial, advisory support and improvement of control tools.

Keywords: organic production market; organic production; market development.

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Актуальність теми дослідження. Ринок органічної продукції протягом останніх десятиліть є надзвичайно перспективним, оскільки зріс попит на екологічно чисті продукти харчування. Актуальність зумовлена проблемою забезпечення населення екологічно чистою продукцією та необхідністю функціонування ринку органічного виробництва.

Постановка проблеми. Інтенсивний розвиток технологій, забруднення екології ставлять під загрозу подальший розвиток людства і призводять до необхідності застосування відтворювального підходу у розв'язанні екологічних проблем. Частково зменшити процеси забруднення навколишнього середовища можливо за допомогою органічного виробництва.

Аналіз останніх досліджень та публікацій. Значний внесок у дослідження проблем стану та розвитку ринку органічної продукції зробили такі вчені, як Чичкало-Кондрацька І. Б., Кузьменко О. Б., Томашевська О. А., Пірсон Д. та ін.

Виділення недосліджених частин загальної проблеми. Незважаючи на велику кількість робіт з цього питання, можливості адаптації зарубіжного досвіду до формування конкурентоздатного ринку органічної продукції в Україні недостатньо вивчені.

Постановка завдання полягає в тому, щоб визначити особливості формування та перспективи розвитку ринку органічної продукції, провести порівняльний аналіз тенденцій ринку органічної продукції України та інших країн, висвітлити досвід державної підтримки даного ринку в цих країнах.

Викладення основного матеріалу. У статті розкрито фактори, які дають пріоритет для розвитку органічного виробництва в Україні та причини, що його стримують. Наведено пропозиції щодо ефективного розвитку виробництва органічної продукції в Україні в умовах ринкових трансформацій економіки.

Висновки. Для ефективного розвитку органічного виробництва в Україні слід запровадити комплекс заходів, включаючи правову, регуляторну, фінансову, консультативну підтримку та вдосконалення інструментів контролю.

Ключові слова: ринок органічної продукції; органічне виробництво; розвиток ринку.

Urgency of the research. The organic production market is extremely promising and dynamic in most countries of the world in the last decades, as consumer demand for clean and safe food has increased significantly. The relevance of the research is due to the problem of providing the population with eco friendly products and the need for the functioning of the organic production market.

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Target setting. An intensive technology development, population increase and environmental pollution endanger the further development of mankind, leading to the need for reproductive approach usage for solving natural ecological problems. Partially reduce those processes, that negatively affect the environment, resource potential and product quality is possible through organic production.

Actual scientific researches and issues analysis. A great contribution to the problems concerned the development of the organic market in Ukraine has been made by the following scientists: Chychkalo-Kondratska I., Kuzmenko O., Tovmashevska, O. and others.

Uninvestigated parts of general matters defining. But, despite the large number of papers on this issue, the possibilities of adapting foreign experience to create a competitive organic market in Ukraine are not sufficiently studied, and this is the reason for choosing a research direction.

The research objective is to determine the peculiarities of the formation and prospects of the market development for domestic organic products, to make a comparative analysis of trends in the development of the organic market in Ukraine and in other countries, to highlight the experience of the state support in these countries and the possibilities of its adaptation to the current realities of Ukraine.

The statement of basic materials. The modern scale usage of natural resources and environmental pollution has led to an aggravation of the contradiction between the growing needs of society and the possibilities of nature. Consumers are interested in a healthy, full-fledged meal. Moreover, there exists the importance of a direct contribution to the safety of the natural environment; therefore the production of organic products is a modern world trend while the growing demand for organic products continues to be one of the strategic directions of agricultural development.

The development of organic food in Ukraine is in an active stage of formation; the area of lands devoted to organic farming has almost doubled in the last 10 years. True to the Studies of the Federation of Organic Movement of Ukraine there were 80 certified organic farms in Ukraine in 2006, and the total area of lands occupied by organic agriculture amounted to 242 thousand hectares. In 2016 there were 390 certified organic farms in Ukraine, and the total area of lands occupied by organic agriculture amounted to 411.2 thousand hectares (about 1% of agricultural land). 335 thousand hectares of them were occupied by arable crops.

Agrarians mainly grow cereals, oil seeds and legumes on these lands. Vegetables and fruit are cultivated there, too, but in small volumes. Having such areas and providing proper diversification, it is quite possible to develop not only organic crop production but also animal husbandry. As in many other countries in the world the amount of organic farming varies from few tens to several thousands of hectares.

More than 80% of the output is directed to export. Today, the countries of the European Union are the main importers of Ukrainian organic products. The geography of exports is gradually expanding. Ukrainian organic products have also been exported to the USA, Canada and Japan recently. The countries of the Middle East, such as the United Arab Emirates, begin to be interested in Ukrainian certified organic products.

The research done by Federation of Organic Movement of Ukraine showed that the modern domestic consumer market for organic products began to develop in 2000. For the last 10 years it has increased from 400 thousand euros in 2006 to 21.2 million euros in 2016 (0.5 euros per one resident of Ukraine) [1].

In order to determine the key characteristics of demand for organic products, there were interviewed the supermarket consumers in the three large towns of Cherkasy region regarding the level of awareness and readiness to buy the organic products, where 548 people took part.

On the basis of the received data the consumers have been divided by the degree of organic products consumption into the following groups: "a weak consumer" "a moderate consumer" "an active consumer". Below it is the ratio interviewed by age to the total number of participants, the degree of readiness to buy the product and the level of monthly income (Tab. 1-3).

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Table 1

The ratio of interviewed by age to the total number of participants, %

Index	till 22 years	23 - 40	41-60	60+
Weak consumer	35	30	31	4
Moderate consumer	8	36	49	7
Active consumer	9	32	53	6

Table 2

The ratio of interviewed by the degree of readiness to consume the product to the total number of participants, %

Index	Uninformed	Informed	Interested	Wishful	Intended to buy
Weak consumer	32	13	30	20	5
Moderate consumer	22	16	19	25	18
Active consumer	10	25	28	18	19

The analysis of primary marketing information has showed that the main consumers of organic products are women in the age range of 25-50 years with an income level of "average" and "above average".

Table 3

The ratio of interviewed by the level of monthly income to the total number of participants, %

Index	Low	Below the average	Average	Above the average	High
Weak consumer	58	12	12	11	7
Moderate consumer	14	34	35	10	7
Active consumer	6	12	44	27	11

It is worth to mention a low consumer awareness about organic food, its benefits and labeling.

An important component of the organic products market is the successful formation of distribution channels. Supermarkets tend to dominate the distribution of food in most developed countries. For example, in the UK, four chains account for around 80% of sales, whereas in Australia only two supermarket chains control a similar percentage of the market [2]. In big cities of Poland, they have made up specialized local markets, where consumers can purchase organic food directly from farmers or processing enterprises. In France, there has been an increase in the market share of specialized stores recently. In addition now special "organic" restaurants and cafes appear in the US and Europe. Another specific modern feature is a quick development of infant food organic market [3].

On average, the price on organic products in Ukraine is 2-2.5 times higher than the price on conventional food products; in the countries of the European Union the difference is 20-30%. The reason is explained by small volumes of production, which do not allow saving on the production level and paying high labor costs. However, the organic nature of products is the very thing on the market used by most producers of eco friendly food.

The study of current situation on the basis of SWOT-analysis has enabled to investigate strengths and weaknesses as well as opportunities and threats of the development of organic production in Ukraine (Tab. 4).

The arguments given above lead to the conclusion that, there are strengths in the development of organic production in Ukraine. At the same time there are also weaknesses and threats, which restrain it. One of them is a lack of the governmental policy and the support and development program for organic production. In Europe, this development became possible due to agrarian policy reforms based on sound state support [4], which is effective in the development of production and marketing of organic food products, which ultimately contributes to improving the quality of life of the population.

If studying the state support in other developing countries, following examples should be mentioned. In 2016, Sri Lanka launched the "Toxin Free Nation Program", a 3-year plan that lays down ten areas of action to phase out toxic chemicals from Sri Lankan agriculture through a step-by-step process. In India, the Federal government launched the PKVY program that allocates 40 million of euros in organic support measures. The support of organic agriculture in the Philippines is fully with a na-

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tional organic program that includes support measures such as subsidies for certification, organic substances development and provision, or research support and capacity building. In Armenia, the government started the “Organic Agriculture Support Initiative”. This EU-funded project combines a range of support measures to boost national capacities and policies in favor of organic agriculture.

Table 4

SWOT-Analysis of development organic production in Ukraine

Strengths	Weaknesses
<ul style="list-style-type: none"> - favorable climatic conditions for production; - high fertility of soils; - availability of free production capacities; - ability to produce new products and diversification of activity; - high profitability of organic products; - cover and maintenance of lands; - protection of the natural environment; - increase in employment and development of agricultural sector; - current demand for real foods; - positive influence of the organic products on the public health; - low level of rental payments. 	<ul style="list-style-type: none"> - lack of governmental policy, support and development program for organic production; - lack of preferential credits for organic products; - low level of state support for scientific research in organic production; - underdeveloped management and marketing system of foreign and domestic investments; - low level of foreign and domestic investment; - low purchasing power of the population; - limited financial resources for the development of enterprises; - lack of awareness of potential consumers about the organic products; - inefficient system of credit support.
Opportunities	Threats
<ul style="list-style-type: none"> - creating the image of Ukraine as an exporter of high quality organic products; - increased investment appeal of the agricultural economical sector; - development of processing industry with the purpose of revenue organic production; - the use of new advanced technologies and equipment of agricultural production; - the use of the innovative potential of agricultural science for the modernization of material and technical basis; - expansion of the basis of investment provision of innovative activity through preferential loans; - increased demand for organic food on the world market. 	<ul style="list-style-type: none"> - demographic and social crisis of rural areas; - lack of systemic structural reforms in Ukraine; - Outflow of skilled professionals from Ukraine; - rising energy costs raise the cost of production and lower profitability; - instability of the national currency; - environmental degradation in agriculture and in the system of renewal of soil fertility; - lack of international certificates about the compliance of quality of agricultural products with international standards; - unstable pricing policy on fuel and energy carriers.

The development of organic agriculture is also on the agenda in China. The government plans to invest around 187 million of euros in 2016-2020 in new farmers training, with a focus on organic and sustainable agriculture. For example, in April 2016, the city of São Paulo decided that till 2026, 100% of the two million school meals offered in the city should be organic [5].

At the beginning of 2014, the Law “On the Production and Circulation of Organic Agricultural Products and Raw Materials” came into force in Ukraine. Its goal is to improve the health standards of the population by means of the consumption of organic products. The law has not been completely implemented yet. There is a number of inaccuracies, contradictions and inconsistencies.

In December 2015 the government adopted the national organic logo. The usage of the logo is voluntary. It can be used for organic products export and the processing of raw materials. No product has been marked with a national organic logo so far. Nevertheless, the organic logo of the EU is recognized and often used by many organic producers and processors in Ukraine. The majority of organic products for the domestic market are certified according to the EU organic farming legislation.

The urban population in country is great, but it's neither employed nor endowed. The development of organic farming can lead not only to ecological benefits, but also can reduce unemployment and poverty rate.

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Organic agriculture can also play a role in future accumulation and development of social capital. Organic farming provides farmers, rural communities and consumers possibilities for joint actions; the creation of an organic movement; and the building a consumer-driven, trust-inducing certification system. Such systems have proven to decrease the cultural gap between rural and urban citizens and, thereby, promote societal cohesion [6].

The following steps are very important for the development of organic farming in Ukraine under current conditions of market economic changes:

- Adapting of national laws to European quality standards [7];
- The state support (subsidies or grants) [8];
- Organizing indicators of official statistics that would provide objective official information about the state of organic production;
- The whole marketing and controlling mechanism of organic products' quality and certification has been adopted;
- Informative companies regarding taking food and promotion of organic food have been organized in Ukraine;
- National clusters of organic farming should be created (positive changes already exist: in 2017 the Ukrainian Organic Cluster Public Union was created).

Conclusion. Under modern conditions organic farming can be defined like a strategic vector of the national economy development. The formation of organic production in Ukraine is characterized by positive trends in increasing the number of enterprises operating in this area, the area of organic agricultural lands and also in the volume of domestic consumer market. Unfavorable factors that very negatively affect the profits of organic farming are the following: lack of institutional providing, state financial support, and low awareness of the population due to organic products advantages as well as innovative passivity of farmers.

The analysis of the work shows, in countries where the organic products market has been formed and nowadays is being actively developed, the numbers of organic producers are also still increasing first of all because of the state financial support. By contrast with these countries in Ukraine neither financial assistance nor compensation for the introduction of organic production and the receipt of certificates are foreseen.

For the effective development of organic production in Ukraine, a set of measures should be implemented, including legal and regulatory support, appropriate incentive mechanisms and financial support, research and advisory support, and control instruments improvement.

In addition, it is also highly recommended to create a statistic development of the sector mentioned above. It allows the national statistical system act on the economic environment and consumer demands, according to the proved statistical information about the organic production.

Finally, realization of given above suggestions will provide the development of the organic market in Ukraine and make the position of Ukrainian organic articles competitive in the world market.

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