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## **ORGANIC FARMING IN UKRAINE – STATE, PROBLEMS AND PERSPECTIVES**

*ROLNICTWO ORGANICZNE NA UKRAINIE – STAN, PROBLEMY I PERSPEKTYWY*

**Key words:** organic agriculture, processing, tendencies, certification, export, internal market, factors, perspectives, governmental support

*Slowa kluczowe:* organiczne rolnictwo, przetwórstwo, tendencje, certyfikacja, export, rynek wewnętrzny, czynniki, perspektywy, wsparcie państwowe

*JEL codes:* Q180

**Abstract.** The purpose of the article is to identify the main problems related to the development of organic farming in Ukraine. In the course of the research, the existing approaches to understanding the essence of organic agriculture, its advantages over traditional production as well as the current state of the industry are analyzed. The main tendencies of organic agriculture development in the country are revealed against the backdrop of global trends, the peculiarities of the formation of Ukrainian organic agricultural products' export and its domestic market are studied. The main factors affecting them are grounded and the prospects for the development of organic agriculture in the Ukraine and ways of achieving it are substantiated. Particular attention is paid to the necessity of the regulatory and supportive role of the government, especially in the conversion period. Also, the need for a wider understanding of organic products, its usefulness and benefits in production, by the population and producers, are addressed.

### **Introduction**

The development of the production of organic agricultural products in the world came into being by people's desire to consume natural and safe food for the human body. Humanity has also come to the conclusion that such a direction of agricultural development can contribute positively to the preservation of environmental quality [Gorobchuk 2018]. Most people in the Ukraine, where mortality far outweighs birth rates and the average life span is relatively low in comparison with the rest of Europe and the world, also seeks to lead a healthy lifestyle and consume quality and safe food. At the same time, according to American experts, the potential capabilities of the country in this regard are among the largest in Europe and in the world as a whole [GEF 2018]. However, the results of the analysis of the current state of affairs show that the domestic organic products' market in the Ukraine is clearly underdeveloped. The scale of development of the organic farming sector is clearly not in line with existing opportunities. The export of organic products produced in the Ukraine are predominantly raw materials. Therefore, the purpose of this article is the identification of trends in the development of organic agriculture in the Ukraine, defining their features and systemizing the main causes of organic agriculture's low pace and how to overcome them.

### **Material and methods of research**

Research methodology is based on traditional methods for economic research. In particular, the general-scientific dialectic approach to the phenomena being studied in the course of study is used, especially with regard to the identification of trends in the development of organic agriculture in the world and the Ukraine and the establishment of causal relationships between them. Widely, in the course of the study, methods of analysis and synthesis are also used, espe-

cially – when identifying and systematizing the main reasons that hinder the process of organic farming in the Ukraine.

The sources of necessary factual data for this study are materials from official statistical publications and research institutions, such as IFOAM – The International Federation of Organic Agricultural Movements), FiBL – The Swedish Research Institute for Organic Agriculture, the author's own long-term observations, publications of scientists and practitioners, which to some extent deal with these problems. These publications contain the main bulk of the actual data used during the study, since officially established statistics on organic farming in the Ukraine are not yet available.

## Research results

According to IFOAM's definition, “organic agriculture is a production system that supports the health of soils, ecosystems and people. It depends on ecological processes, biodiversity and natural cycles that are specific to local conditions, avoiding the use of non-renewable resources” [EDC 2016].

Consequently, organic farming is carried out with minimal use of chemical agents, without the use of genetically modified organisms and provides the production of environmentally safe products, maximally close to natural quality and preserves the state of the environment. Compared to traditional agriculture, organic has its advantages: economic – potentially higher profitability due to lower costs for chemicals; ecological – reduction of the technogenic load on the environment and preservation of its valuable qualities; social – raising the quality of life of the population by improving its nutrition, raising the employment level.

Today, the global organic food market, rising annually by 10-15%, has reached more than EUR 75 billion. According to IFOAM, the total area of land used for organic production is almost 37 million hectares, and the total number of employed in this area is 1.8 million farmers [Kovalenko 2018]. According to FiBL, traditional leaders, according to organic crops area, are Australia (22.7 million ha), Argentina (3.1 million ha), the USA (2.0 million ha), Spain (2.0 million ha), China (1.6 million ha), Italy (1.5 million ha), France (1.4 million ha), Uruguay (1.3 million ha) and India (1.2 million ha) [Kryvenko 2018]. In the EU the area of land occupied by organic production is 11.1 million ha (121% to 2010). This accounts for 6.2% of all cultivated agricultural land [EDC 2016]. Most organic producers are in India (547,591), Uganda (188,625) and Mexico (169,570); the leaders of the organic market are the United States (EUR 21 billion), Germany (EUR 6.6 billion), and France (EUR 3.7 billion) [Willer et al. 2014]. On average, every inhabitant of the planet spends about EUR 8 per year on organic products, incl. residents of Switzerland – EUR 221, Luxembourg – EUR 164, Denmark – EUR 162 [EDC 2016]. Thus, the main factor determining the development of organic agriculture is solvent demand, which is formed predominantly in countries with a high level of economic development and with a population, which not only believes in the usefulness of such food, but is also able to pay a higher price for it.

Trends in the increase of organic production are also observed in the Ukraine, which belongs to the group of 20 countries with the largest areas of certified land [Kovalenko 2018].

In the Ukraine, the legal principles of organic agriculture are defined by the Act on “The Development and Circulation of Organic Agricultural Products and Raw Materials” of September 3, 2013. According to the Resolution of the Ukrainian Cabinet of Ministers dated August 31, 2016, No. 587, detailed rules for the production of organic products (raw materials) of vegetable origin were approved. Recently, in the Ukraine, the bill No. 5448-d “On Basic Principles and Requirements for Organic Production, Circulation and Marking of Organic Products” was adopted, which allows enterprises to sell goods with an organic state logo without a corresponding certificate [AgroDay 2018a].

Today 17 certification bodies are accredited at an international level, which are included in the official list of certification bodies in the organic sphere for the Ukraine in accordance with EU Regulation 1235/2008 (as of 14.12.2017) [Gorobchuk 2018]. Among them, there is one Ukrainian certification body, "The Organic Standard", which is the leader of organic certification in the Ukraine. Certification takes place in accordance with Council Regulation (EC) №834/2007 – the most common organic standards in the Ukraine, Bio Suisse (Swiss private standards), NOP (National Organic Program, USA), JAS (Japanese Agricultural Standard) and so on. Since 2015, most of certification bodies operating in the Ukraine participate in the Ukrainian Platform in the European Council of Certification Authorities (EASC).

Currently, the cost of certification of annual crops in the Ukraine for farms with an area of up to 20 hectares is UAH 9-10 thousand, production of multicomponent products – UAH 25 thousand altogether (it is about EUR 280-310 and EUR 780 accordingly) [AgroDay 2017].

In terms of organic land area, the Ukraine ranks 11<sup>th</sup> in Europe and 20<sup>th</sup> in the world [Latifundist.com 2018]. In the structure of certified agricultural land, 82% constitutes arable land. About 12% – pasture. Under perennial plantations – 2%. About 60% of the crops are wheat, barley, sunflower and corn. The rest of the area is allocated for pea, rape, buckwheat, soya, rye, oats, sorghum, millet, mustard, sugar beet, esparset, etc. [Kurkural.com 2018]. In addition to these traditional cultures, farmers grow organic spelted, elderberry, blueberries, sea buckthorn, wild rose and chamomile [Kurkural.com 2018]. There is 300 thousand ha of certified area under wild plants. The Ukraine is among the TOP-10 producers in the world for areas under cultivation of organic crops, oilseeds and vegetable crops, as well as organic potatoes. The Ukraine has 75% of European organic buckwheat, 70% millet, 28% sunflower and a quarter of corn crops. By area of organic buckwheat and sunflower, the Ukraine is the European leader and in the world – 49% and 26% [Kurkural.com 2018].

From 2002 to 2018, in the Ukraine, the number of farms producing organic products has increased by 10-fold [AgroDay 2018]. Based on information gathered from 17 certification bodies, there are 426 organic market operators in the Ukraine, 294 of which are producers, the rest – traders, processors and purchasers of so-called wildlifecrops [Gorobchuk 2018].

To a certain extent, the production of organic products in the Ukraine constrains its high cost [AgroDay 2018d]. Therefore, a significant part of manufactured organic products in the Ukraine (about 80%) is exported abroad [Najda, Zapsha 2015]. Raw products are of main interest to Europeans [AgroDay 2018c]. 1% of the Ukrainian land, engaged in organic cultivation, allows to export environmentally friendly products worth up to EUR 100 million [Ulanchuk et al. 2017, p. 869]. Export items are cereals, oilseeds, berries, blueberries, birch sap, pumpkin seeds, mustard and apple concentrate [EDC 2016].

According to domestic market volume, the Ukraine ranks 25<sup>th</sup> in Europe – a hectare of organic land gives the Ukrainian domestic market €50. At the same time, more than 95% of Ukrainian citizens want to consume organic products, although only 5% of them know what they represent, how they are made and how to find them in store [AgroDay 2018b]. The development of the Ukrainian organic product domestic market lags behind its potential. In general, the share of organic products in the Ukrainian market does not exceed 0.1%. In 2016, orgproducts sold in the Ukraine equaled an amount of € 21 million, which is roughly equivalent to € 0.5 per person [Krivenko 2018]. In the Ukraine, 86% of the population has never bought or consumed organic products [GEF 2018]. Although, according to research, more than 60% of the population are ready to buy these products [MHAU 2018].

The main factors hindering the development of organic agriculture and its market in the Ukraine are the following: external – low demand for products, distrust in organic food, undeveloped organic material processing, lack of a developed organic product market; competition from producers of traditional products and by foreign producers: lack of necessary governmental support, an underdeveloped system for organic product certification, lack of organic food

advertising; internal - lack of proper experience and qualifications; underdeveloped research, the education and counseling system; high cost of organic products; low crop yields in the organic sector; the need for a long transitional period [MHAU 2018].

In France, for a transitional period of five years, the state grants a grant of EUR 200, per hectare [Najda, Zapsha 2015, p. 201]. In Germany producers of organic products receive EUR 30-35 per ha of governmental support [UNIAN 2018]. In some Western countries pre-school, educational and medical institutions are obliged to buy 70% of organic products [Krivenko 2018].

By 2020, the Ukraine plans to increase the share of organic produce in gross agricultural production to 3% [UNIAN 2018]. To do this, the following is necessary: the creation of appropriate conditions for attracting investment in this sector, an increase of scale of production, the creation of additional processing capacity, the development of inter-enterprise cooperation, the adaptation of international experience, the creation of a strategy for the development of the organic market in the Ukraine; raising awareness of the public concerning the benefits of organic products, and of producers – regarding the benefits of organic production.

The transition of agricultural commodity producers to organic farming methods can only be possible when, the benefits of organic production over traditional ones, which exist more likely to society as a whole, than for a particular producer, can be realized. Therefore, state support in the form of preferential loans, subsidies, subsidies and procurement of organic products to medical, preschool and educational institutions is needed for the development of the branch.

## Conclusions

The pace of organic agriculture in the world is high, although insufficient, mainly due to the relative high cost of organic products. The main factor stimulating the development of organic agriculture in the world is the solvent demand for organic products. The Ukraine's potential in the development of organic agriculture is one of the largest in the world, however, the level of development of this branch is still too low. The domestic market of organic products is underdeveloped and the export of organic products is mainly raw materials.

The basis of organic agriculture is management with the use of a certified minimum level of chemicals, which implies the production of environmentally safe products, similar to that of natural product quality and preservation. It also implies the improvement of the environment and expresses economic, environmental and social benefits over traditional agriculture, in spite of a relatively high cost of manual labor, a relatively high cost of production and a need for an economically ineffective long transitional period. .

The legislative base for the development of organic agriculture in the Ukraine has been developed at a minimum. The normative base is also provided by 17 existing certification bodies. The pace of development of organic agriculture in the Ukraine is quite high: over the past 15 years, the number of organic producers has increased tenfold. Now the country ranks 11<sup>th</sup> in Europe and 20<sup>th</sup> in the world in terms of organic land area, in the East European region – and takes first place in terms of certified area of organic arable land. The share of organic products in the Ukrainian market does not exceed 0.1%, the modern domestic consumer market for organic products in the Ukraine is only about EUR 0.5 per person. Therefore, a significant part of manufactured organic products in the Ukraine (about 80%) is exported abroad. 1% of land in the Ukraine, borrowed under organic, allows to export environmentally friendly products amounting to EUR 100 million, which mainly covers raw materials.

The main factors hindering the development of organic agriculture in the Ukraine are external and internal. Both require active participation of the government in the development of the branch. For the development of organic agriculture in the Ukraine, the following is

necessary: financial resources in the form of investments, available loans and governmental subsidies, especially for the conversion period; stimulation of creation of additional processing facilities for industrial processing of organic agriculture products; adaptation of international experience to Ukrainian conditions and the development of strategy and programs for the development of the Ukrainian organic market; the creation of favorable conditions for attracting investment in organic agriculture; the promotion of public awareness concerning the positive features of organic produce and of producers – regarding the benefits of organic production.

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### ***Streszczenie***

*Celem artykułu jest określenie problemów związanych z rozwojem rolnictwa organicznego na Ukrainie. Podsumowano istniejące podejścia rolników do zrozumienia istoty rolnictwa organicznego i jego zalet w porównaniu z tradycyjnym rolnictwem. Przeanalizowano aktualny stan branży, ujawniono główne tendencje rozwojowe Ukrainy na tle trendów światowych. Scharakteryzowano czynniki wpływające na ukraiński eksport organicznych produktów rolnych i ich rynek wewnętrzny. Uzasadniono perspektywy rozwoju rolnictwa organicznego na Ukrainie i sposoby ich osiągnięcia. Szczególną uwagę zwrócono na potrzeby regulacji wspierania roli państwa, przede wszystkim w okresie konwersji, a także na potrzebę informowania społeczeństwa i producentów produktów organicznych o ich korzyściach i przewagach w produkcji.*

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