

2.8. INNOVATIVE MARKETING TECHNOLOGIES FOR CONDITIONS OF ORGANIC PRODUCTION

Environmental friendliness is a global trend, which today manifests itself in everything from the rapid spread of electric vehicles and furniture from recycled materials, to the cultivation of food products "by the old-fashioned methods" – without the use of pesticides and chemical fertilizers. Such agricultural products are called "organic." In modern conditions of development, one of the promising areas of agriculture is organic production and the market, which is formed on its basis. The latter is considered in the world as a promising, high-tech, largely innovative direction, which stimulates the sustainable development of rural areas, has a positive effect on human health, reduces direct and indirect anthropogenic stress on surrounding ecosystems and increases natural biodiversity. And for world players, this is an opportunity to differentiate their exports by supplying organic value-added and non-food products to the market. However, the development of the market for environmental products in Ukraine, despite worldwide recognition, is proceeding at a very slow pace. The formation of this process is affected by a number of reasons, among which it is necessary to highlight the partial (not complex) use of marketing tools¹.

The term "ecological (organic, biological) production" and its interpretation were given and deciphered in the EU directive "Common European Agreement on Organic Production of Agricultural Products No. 2092/91 of June 24, 1991." However, from June 1, 2009, a new directive No. 834/2007, which defines:

- basic norms of ecological farming, such as: a complete ban on the use of modified seed, cloning and irradiation, synthetic and chemical means of tillage and plant protection in farms producing organic products;

- basic norms of ecological animal husbandry, such as: the use of only ecological feed, the non-use of synthetic additives, growth stimulants and gene technologies. The obligatory free grazing of animals in the summer and the ban on tethered livestock are also stipulated;

- labelling of organic products, which includes a mandatory logo. This labelling clearly indicates that 95% of the ingredients of the product were of organic origin, and the packaging of the product eliminates the change in its content without disclosing it.

In addition to creating a favourable legislative framework for increasing the consumption of organic products, it is necessary to develop this market, consumer demand and, accordingly, popularize organic products among the population and improve the tools for their promotion on the markets².

Advanced European countries are actively developing the production of organic products and intensify their market promotion³. Although there is no reliable data on the superiority for the health of organic products over conventional products so far. Today, the market for organic products is one of the fastest growing segments of the global market for agri-food products. For example, in 1999, the global area of certified organic agricultural land amounted to 11 million hectares, and in 2017 this figure increased to 69.8 million hectares (Fig. 1) (in 2016 - in the world under the production of environmentally friendly products 57.8 million hectares were occupied, that is, over the year, the amount of organic land increased by 20%).

¹ Babenko, V.; Perevozova, I.; Mandych, O.; Kvyatko, T.; Maliy, O.; Mykolenko, I., (2019): World informatization in conditions of international globalization: factors of influence. *Global. J. Environ. Sci. Manage.*, 5(SI): 172-179. DOI: 10.22034/IJHCUM.2019.05.SI.19

² Kulish L.P. (2019): Rozvytok konkurentospromozhnoho orhanichnoho vyrobnytstva v Ukraini [Development of competitive organic production in Ukraine]. *Investytsii: praktyka ta dosvid - Investment: practice and experience*, no.1. pp. 42-46.

³ Sevidova, I. O. (2018): Priorytetni napryamy realizatsiyi eksportooriyentovanoyi stratehiyi ahrarynymy pidpryemstvamy [Priority directions of development of agrarian enterprises in modern conditions]. *Ekonomika ta derzhava - Economy and state*, no. 2, pp. 46—49, available at: <http://www.economy.in.ua/?op=1&z=3980&i=10>

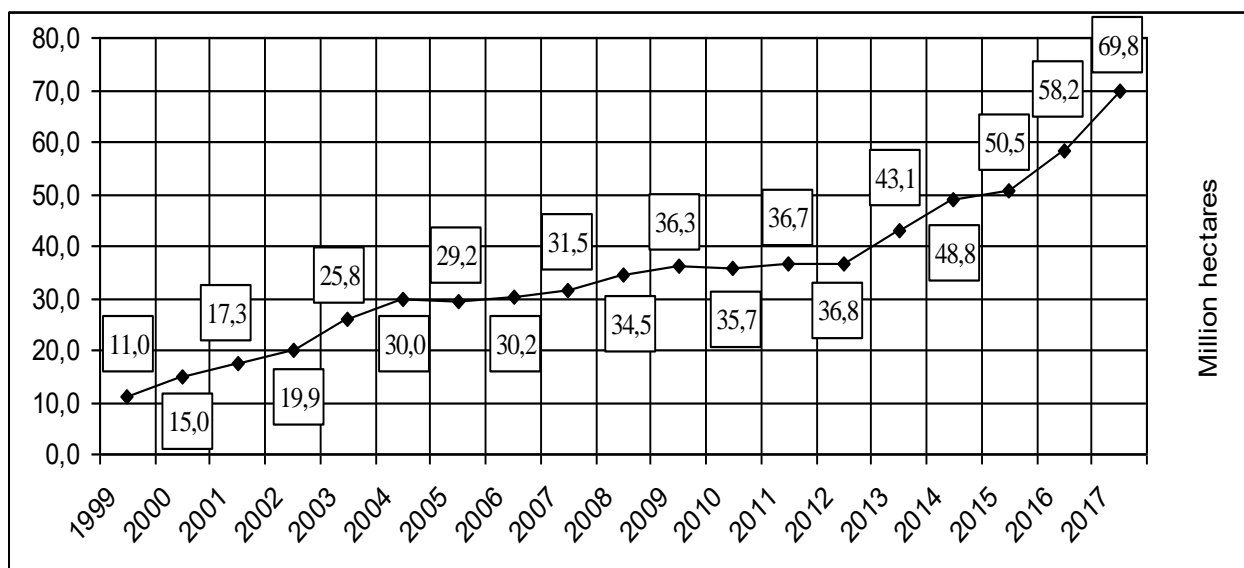


Fig. 1. Growth of the organic agricultural land 1999-2017 *

* Source: FiBL-IFOAM-SOEL-Surveys 1999-2019

The three leading countries with the largest number of certified organic farmland are Australia, Argentina and China (Fig. 2).

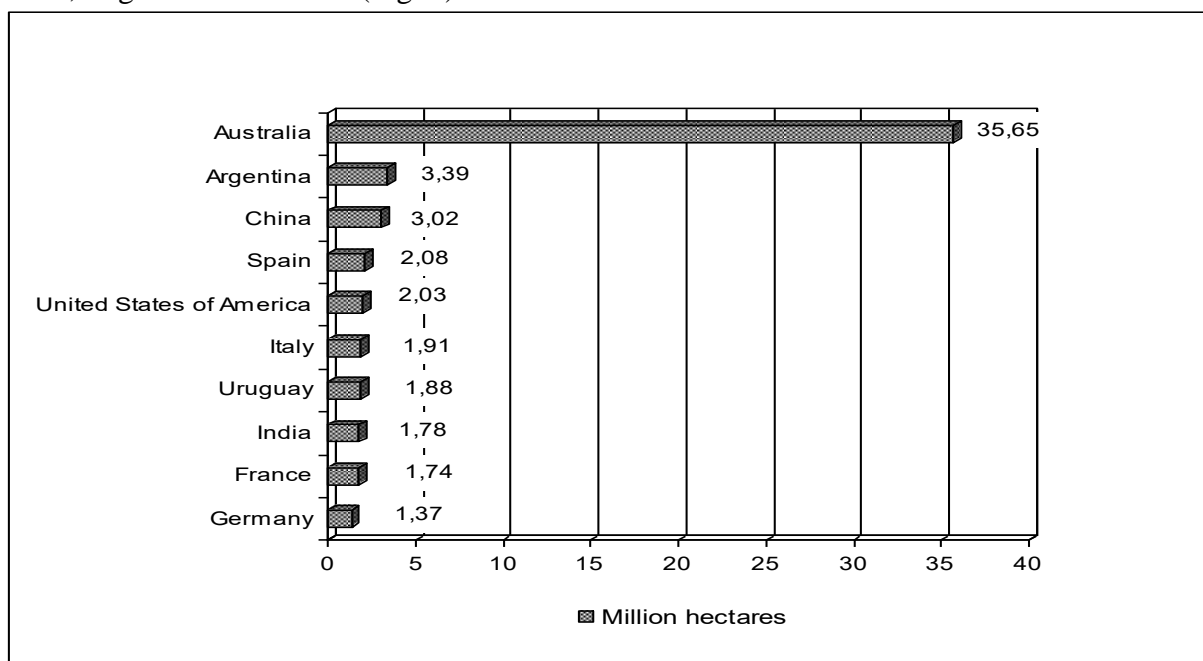


Fig. 2. The 10 countries with the largest areas of organic agricultural land, 2017 *

* Source: FiBL survey 2018

In terms of the share of organic land in the overall structure of farmland, the leaders Liechtenstein – 37.9%, Samoa – 37.6%, Austria – 24.0%, Estonia – 20.5%, Sweden – 18.8%, Sao Tome and Principe – the leaders in the share of organic land in the total structure of farmland 18.0%, Italy – 15.4%, Latvia – 14.8%, Switzerland – 14.4%, Uruguay – 13.0%, Czech Republic – 12.2%, Finland – 11.4%, France – 10.0% and Slovakia – 10.0%.

An organic approach, while capable of leading to improved local food security, opens up more opportunities for trade and increased wealth. When uncertified organic production can increase productivity and provide greater ecosystem stability in the face of increasing extreme weather events, which naturally enhances the well-being of smallholder farmers in the most vulnerable countries, certification of organic farms allows them to enter new markets and benefit

from higher product prices. When switching to certified organic production, the number of positive effects increases. These include raising the level of education of farmers and revitalizing local communities. In turn, the need to manage ecosystems as a whole leads to a more efficient use of shared resources and helps to increase the level of agro-management. The cooperative form of organization characteristic of organic farms facilitates a more active exchange of knowledge and experience, facilitates interaction with administrative institutions, and leads to lower production costs, as well as certification costs, which is especially important for small farmers.

In some cases, the higher added value of organic products stimulates national governments to more actively promote the output of products on foreign markets. This leads to a gradual improvement of infrastructure, and then to increased trade in foreign and domestic markets, contributing to the growth of farmers' welfare and food security, both in producing countries and in food-consuming countries. At the same time, the importance of regional markets is growing: improving infrastructure opens up new opportunities for trade at the regional level, which is extremely important for small developing countries suffering from “high barriers” in developed markets. Thus, an increase in trade in certified products due to positive infrastructure effects can also contribute to an increase in trade in uncertified products, opening up new opportunities for increasing income and increasing food security. In the case of certified products, due to the complexity and high cost of certification procedures and the need for scientific and consulting support, accesses to markets and support from the state or large distribution networks are critical, at least at the initial stage.

The number of countries producing organic agricultural products is gradually increasing in the world. In 1999, organic farming was practiced in 77 countries, in 2017 this figure increased to 181 (Fig. 3). It should be noted that in only 93 countries of the world, organic agriculture has legal regulation.

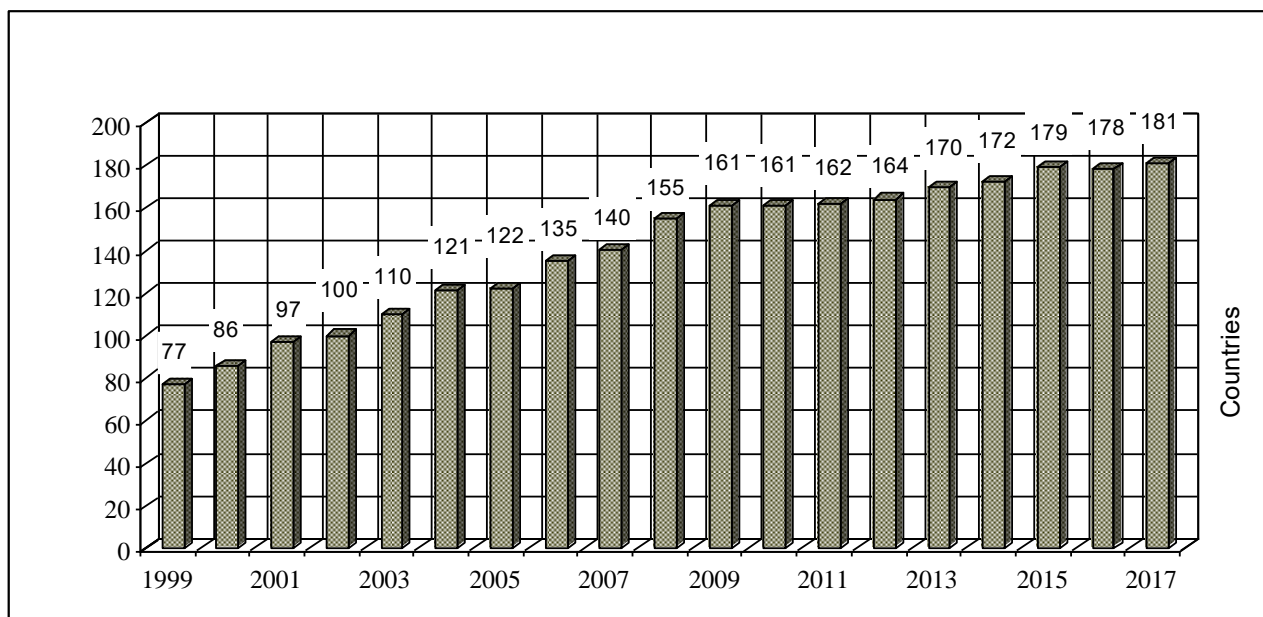


Fig. 3. Development of the number of countries with data on organic agriculture 1999-2017 *
 * Source: FiBL-IFOAM-SOEL-Surveys 1999-2019

Ukraine ranks 20th in the world and 11th in Europe in the total area of agricultural land certified as organic. Over the past 5 years, their area has increased by 54% and currently stands at 426 thousand ha, of which 48.1% are used for growing grain (7th place among countries producing organic grain crops). More than 16% is occupied by the production of oilseeds (5th place in the world): 4.6% - legumes (7th place): 2% of farmland is occupied by the production of vegetables (10th place): and 0.6% of land - under the fruit [3]. Over the past few years, Ukraine has become an important supplier of organic products to the Western market, in particular to the EU countries. The

prices of ecological products on the shelves of European stores are higher by 20-25% of their analogues of traditional production. The development of the agricultural sector in Ukraine is mainly due to exogenous factors. According to the commercial service of the US Embassy in Ukraine, the average return on investment in organic agriculture is about 300%, which makes it one of the most attractive areas for investing in the Ukrainian economy. An additional incentive is the constant increase in the demand for organic products in the EU countries, which stimulates exports. The largest importing countries of Ukrainian organic products, according to Organic Standard (2017): are the Netherlands (100 thousand tons): Germany (50 thousand tons): Great Britain (40 thousand tons): Italy (30 thousand tons): Austria (14 thousand tons): Poland (7 thousand tons): Switzerland (6 thousand tons): Belgium (3 thousand tons): Czech Republic (3 thousand tons) and Bulgaria (2 thousand tons). The main products of Ukrainian export are wheat (80 thousand tons): corn (74 thousand tons): soybean (17 thousand tons): barley (12 thousand tons): sunflower (12 thousand tons): spelled wheat (8 thousand tons): apples and concentrate (5 thousand tons): millet and millet (4 thousand tons): rapeseed (4 thousand tons): frozen blueberries (4 thousand tons)[3]. About 80% of organic products produced in Ukraine are exported. Over the past few years, Ukraine has established itself in foreign markets as a confident organic player to be reckoned with. The main products of foreign trade in 2018 were cereals and oilseeds, legumes, wild berries, mushrooms, nuts and herbs. In 2017, organic producers exported organic honey for the first time. In 2018, its export volumes amounted to 300 tons. The volume of exported frozen raspberries has also grown - 400 tons (2018.) And the first Ukrainian producer of organic sugar "Deaddens Agro" sent 800 tons of sugar to the European market last year. In total, in 2018, Ukraine delivered abroad more than 70 different organic products. More and more manufacturers are ready to sell not only raw materials, but also semi-finished products, as well as deep processing products. But, unfortunately, today Ukraine is still perceived in European markets as a raw materials appendage, and not as a country that can present a high-quality organic product. Therefore, in order to find their foreign customers, Ukrainian companies must take an active part in exhibitions, study the tastes and needs of foreign consumers, and collaborate with the media.

The organic market is one of the fastest growing markets in the world. The annual increase in organic production is about 10-20%, which confirms the trend towards sustainable agricultural development and the understanding by most countries of the advantages of this type of agriculture.

Organic producers are supported by EU countries at all levels, which determines the development of production proposals. Studies show that today in Eastern European countries the sales of organic products remains at a lower level compared to Western European countries. In countries of Eastern Europe, there is insufficient capacity for processing organic agricultural products, which are exported in large volumes to other countries. According to analysts, in the near future we should expect stable growth in sales of organic products and an increase in its share in the food market in all countries of Western and Eastern Europe. There are several main trends in the development of the market for environmentally friendly products. The global market for organic food is developing more dynamically compared to the market of inorganic "mass" products. The fastest growing segments of the organic market are "fruits and vegetables", as well as "milk and dairy products". The growth in sales of organic products indicates that today the buyer is willing to pay more for a high-quality organic product. According to the Ministry of Agriculture of Switzerland, from September 2017 to August 2018, 46.7 thousand tons of organic vegetables worth € 340 million were sold in the country. This is 7 % more than a year earlier. The drop in consumption of conventional vegetables was 3%. Although prices for organic products were on average 49% higher.

The largest share of the organic market (13.3% of the total food market) is today in Denmark. In total, there are 2.9 million organic producers in the world. Their largest number in India is 835 thousand, in Uganda - 210.4 thousand, in Mexico - 210 thousand operators. In Ukraine, the number of organic producers is also increasing every year. So, for example, in 2016, there were 426 organic operators in the country, at the beginning of 2019 - 617 (Table 1).

Table 1. The dynamics of the development of organic production in Ukraine for 2016-2019

<i>289 thousand ha - the total area of organic agricultural land</i>	
2016	426 organic operators
2017	504 organic operators
2018	588 organic operators
14.03.2019	617 organic operators

Most of all organic operators are engaged in organic crop production. Of the 617 operators, 324 are engaged in crop production. The majority of Ukrainian producers are certified in accordance with organic EU standards, which are used both for export and in the domestic market. Many are certified by the US National Organic Program (NOP). The most common certificates among organic operators in Ukraine are Bio Suisse (Switzerland); Bioland and Naturland (Germany); COR (Canada); Soil Assosiation (Great Britain) and KRAV (Sweden).

Ukrainian organic producers are increasingly considering the possibility of selling branded products, because companies that produce a “recognizable” product can rely on higher product margins [2]. The law “On basic principles and requirements for organic production” is in force in the country, according to which for unscrupulous manufacturers and sellers who mark their products as organic, without having the appropriate authority, a fine of 30 thousand UAH is provided - for legal entities - and 19 thousand UAH - for individuals. The law is primarily aimed at developing the domestic market. But because of how much we are able to streamline and bring our legislation and the domestic market to European standards, a national reputation depends.

The Ukrainian domestic organic market began to take shape in the late 2000s, and the first organic-labelled products appeared on the shelves of retailers in 2008. Today, the main sales channels for domestic organic products are still retail chains or specialized stores in large cities. And the biggest problem of the domestic market remains low consumer awareness of organic products, their benefits and production features. An important factor is the low purchasing power of the population. Therefore, Ukraine today also needs to take active steps in promoting products on the market. Ukrainian producers of organic products have minimal support from government agencies; they also lack production capacities and financial resources for the active development of this industry. As a rule, in Ukraine, the production of organic products, as in developed countries, is carried out by private entrepreneurial structures. Given the situation is argued that the interest of these entities in the production of environmentally friendly products is to obtain additional profit¹.

In Ukraine, organic products belong to the premium segment, their main consumers are representatives of the middle and upper class, that is, about 20% of Ukrainians. The most active consumer of these products is the population aged 25-45, with higher education, with an average and high income level. The main motives for buying and consuming organic products are health benefits, lack of artificial ingredients and preservatives, natural taste and safety.

There are certain risks and advantages in any business area. Organic farming is no exception. The advantages of this type of business include:

- you can sell organic products much more expensive, because demand really exceeds supply, especially in the EU countries, England, Switzerland and the USA. Understanding the growing demand also allows attracting investments in organic business in Ukraine;
- marketing chains and distribution channels do not work well enough, so now you can easily form a high price due to the fact that the market is only emerging;
- high prices compensate for the low financial return from growing crop rotation crops needed to return nutrients to the soil;

¹ Kvyatko, T. M. (2014): Ahromarketynh yak skladova pidvyshchennya efektyvnosti diyal'nosti vitchyznyanykh sil'hosppidpryyemstv [Agromarketing as a warehouse for efficient business activities of foreign companies]. Naukovyy visnyk LNUVMB - Scientific Bulletin of LNUVMB, no 1 (1): pp. 213-218.

- systemic planning of organic business creates the opportunity to avoid future costs of combating environmental pollution, rapid climate change, as well as additional purification and rehabilitation of both the farmer and his family, and each buyer of organic products, while creating long-term financial opportunities to buy organic products are more expensive than the rest;
- during natural breeding, animals receive a natural balanced diet and enough space for life in comparison with the bulk of animals that are raised in closed conditions, intensively stimulating growth and reproduction;
- organic business is real and fully protected by law in most countries of the world, including to a certain extent in Ukraine. The finished product or a batch of raw materials can be labeled as organic only if the clear requirements that are established for organic production are met;
- organic farming protects the health of farmers and society. Numerous studies indicate the relationship between pesticides and diseases;
- the organic agricultural system, which dispenses with the purchase of synthetic fertilizers and pesticides, significantly reduces the dependence of farmers on agricultural concerns;
- now the market of organic production and organic products is formed by professionals who understand the importance of modern agricultural technologies, business and marketing innovations and have sufficient experience to accelerate the development of the agricultural sector.

The risks should include¹:

- small batches of goods and the fragmented quality of each batch do not allow to establish an effective system of buying / selling in the domestic, and even more so in the foreign markets;
- Ukraine's small experience and distrust, as well as the unstable political situation in the country, do not allow traditional farmers to use "profitable" technological schemes already developed by organic farms and organic experts;
- prices / cost / of organic products include not only the costs of their production as such, but also depend on a number of other factors that do not play a role in pricing traditional products. These are conservation of biodiversity and deliberate environmental protection, restoration of soil fertility and a large percentage of manual labor. Speed of life and speed of decision making - What to buy? Organic or traditional food? - do not allow through the package to convey the full depth and value of the organic product;
- an unstable land market and a decrease in pastures lead to great risk and even the inability to create a holistic organic farm as a full-fledged resource-efficient organism;
- additional regulation creates resistance in business, and in Ukraine also a corruption component. Moreover, additional checks and analyzes cost money, which also affects the development of organic business;
- there is no long-term scientific evidence that organic products are indeed more beneficial to human health;
- the organic farmer is very dependent on the system of organic preventive methods, because most biological products and technological maps are aimed at the stable and long-term creation of a strong plant or animal and healthy ecosystem;
- the agricultural market is full of offers of traditional agricultural technologies, and there is very little information about organic methods, it still finds itself a stable place in the stream of motivational calls for a businessman to make one or another choice.

The organic approach is more sustainable than traditional systems based on mechanization and abundant fertilizer application. This is true not only for the least developed countries, but also for developing countries, where the use of organic methods can lay a stable foundation for the long-term development of agriculture. The role of government in ensuring the transition to sustainable agricultural practices remains key. It is also necessary to use marketing tools for the development of the Ukrainian organic market:

¹ Sevidova, I. O. (2018): Formuvannya stratehii na osnovi naukovykh doslidzhen' z vykorystannyam instrumentariyu nekooperatyvnoi teorii ihor [Formation of strategy based on scientific research using the tools of non-cooperative game theory]. *Efektivna ekonomika - An efficient economy*, no 3., pp. 35-45.

- Organization of a broad PR-company to increase public awareness of the benefits (economic, social, environmental and health) of organic production and organic food;
- Development of agricultural cooperation to establish joint marketing of organic products;
- Creation of a national system of certification and quality control of agricultural organic products, organic certification bodies of all forms of ownership;
- Creation of a national guarantee system that meets the requirements of the legislation of the EU and other countries;
- Establishment of mutually beneficial partnerships between producers of organic products and other operators of the agricultural market.

Today, Ukraine has every chance to become one of the main players in the international market for organic products. However, Ukrainian producers of this product should also not underestimate the work of marketing services, since it is they who, with the help of various marketing tools, are called to turn a potential client into a real consumer (client). Between productions, that is, the creation of value, and sales, there is a necessary and important stage, namely, the study of markets and its niches, as well as attracting customers (consumers of a product or service). It is the implementation of this phase that the marketing services are responsible. And the need to create competent and professional marketing services should be recognized by Ukrainian agricultural and agro-industrial enterprises. In particular, those who work in niche segments, for example, in the production of organic products.

References:

1. Babanova, L.V. (2006): *Marketynhove upravlinnya konkurentospromozhnistyu pidpryyemstv* [Marketing management of enterprise competitiveness]. Monograph. Donets'k: Don DUET, p. 294.
2. Babenko, V.; Perevozova, I.; Mandych, O.; Kvyatko, T.; Maliy, O.; Mykolenko, I., (2019): World informatization in conditions of international globalization: factors of influence. *Global. J. Environ. Sci. Manage.*, 5(SI): pp. 172-179.
3. Church A.H. (1980): *The science and practice of management*. – New York, 535 p.
4. Eilon S. (1971): *Management control*. – Boston: Harvard Business School Press, 207 p.
5. Kracnoruts'kyi, O.O. (2015). Determinanty rozvytku cytem rynkovoho rozpodilu produktsiyi ahrarnykh pidpryyemstv [Databases of the development of the market of market for the production of agricultural enterprises]. *Visnyk HNTUSG. Ekonomichni nauky – Bulletin of HNTUSG. Economic science*, No 162, 20–31.
6. Kulish L.P. (2019): *Rozvytok konkurentospromozhnoho orhanichnoho vyrobnytstva v Ukrayini* [Development of competitive organic production in Ukraine]. *Investytsii: praktyka ta dosvid - Investment: practice and experience*, no.1. pp. 42-46.
7. Kvyatko, T. M. (2014): *Ahromarketynh yak skladova pidvyshchennya efektyvnosti diyal'nosti vitchyznyanykh sil'hosppidpryyemstv* [Agromarketing as a warehouse for efficient business activities of foreign companies]. *Naukovyy visnyk LNUVMB - Scientific Bulletin of LNUVMB*, no 1 (1): pp. 213-218.
8. Kotler, F. (1990): *Osnovy marketinga* [Fundamentals of Marketing]. M.: Progress, p. 736.
9. Sevidova, I. O. (2018): *Formuvannya stratehii na osnovi naukovykh doslidzhen' z vykorystannyam instrumentariyu nekooperatyvnoyi teorii ihor* [Formation of strategy based on scientific research using the tools of non-cooperative game theory]. *Efektyvna ekonomika - An efficient economy*, no 3., pp. 35-45.
10. Sevidova, I. O. (2018): *Priorytetni napryamy realizatsiyi eksportooryentovanoi stratehii ahrarnymy pidpryyemstvamy* [Priority directions of development of agrarian enterprises in modern conditions]. *Ekonomika ta derzhava - Economy and state*, no. 2, pp. 46—49, available at: <http://www.economy.in.ua/?op=1&z=3980&i=10>
11. Voychak, A.V. (1998): *Marketingoviy menedzhment* [Marketing Management]. K.: KNEU, 268 p.