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APPLICATION OF SWOT-ANALYSIS METHOD IN FORMING THE STRATEGY OF ORGANIC FARMING DEVELOPMENT IN UKRAINE

This article deals with the problems of development of organic farming in Ukraine and presents substantiation of the main problems of its functioning in Ukraine. It also presents SWOT-analysis of the process of organic farming that identifies principal opportunities and threats, strong and weak points of its functioning and development, chooses the strategy for development of domestic organic farming, which will provide the opportunity to pursue it in the future with the aid of the following strategic means: introduction of certification procedures for organic production in accordance with the EU standards; formation of a legal framework that would regulate functioning of the system of organic farming; development of cooperation of households in rural areas through the system of collaboration of agricultural service cooperatives, etc.

Key words: organic farming, organic products, production of organic food products, organic standards, SWOT-analysis, strategy of development.

Problem statement. At present day stage of development of the globalization processes organic farming is one of the important priorities in developing the food producing complex in general. This kind of farming is a necessity that is dictated and predetermined in the global context.

Analysis of recent studies and publications. An important contribution to the development of the concept of organic farming was made by the Japanese philosopher Mokishi Okada, the German scientist Rudolf Steiner, the French scientist-economist Lemaire Boucher, Ukrainian scientists Ivan Ovsinskyi and Alex Podolinskyi, V. Artysh, O. Dudar, T. Zaychuk, V. Ktysil, L. Sokol, T. Stefanovska, V. Shlapak, I. Shuvar and others engaged in resolving similar problems in state economic science.

Presentation of basic material. Analyzing the system of organic farming, we shall note, that according to the studies of the US Department of Agriculture (USDA) organic farming is a system of production of agricultural products that prohibits or considerably restricts the use of synthetic composite fertilizers, pesticides, growth regulators and food additives in fodder for fattening animals. Such a system is based as much as possible on crop rotation, use of plant residues, manure and compost, legumes and plant manure, organic product waste, mineral materials, mechanical soil cultivation and biological means of pest management in order to increase fertility and improve soil structure, to ensure full power plants and controlling weeds and various pests¹.

We believe that if development of organic farming and organic food production does not become a strategic objective of Ukraine in the next few years, import and shadow domestic production of genetically processed food can destroy the gene pool of the Ukrainian people. Therefore, in this paper we want to emphasize the urgent need for activation of the production of organic products in Ukraine, taking into account experience of the European countries in the production of such products in. Proceeding from the analysis of experience in the functioning of organic production in the European countries we believe that in order to activate similar activities in Ukraine it is first of all necessary to create the legal framework that would regulate functioning

¹ Report and recommendation for the organic farming 2007 (US Department of Agriculture). *Official site of the US Department of Agriculture*. <<http://www.nal.usda.gov/afsic/pubs/USDAOrgFarmRpt.pdf>> (2016, June, 18).

of the system of organic farming since absence in Ukraine's of legislative environment renders it impossible to organize a system of accreditation and standardization of functioning of the certification bodies and prevents positioning of Ukraine as an exporter of organic products in the international market¹.

Ukraine has already taken certain steps to create the required legislative environment for organic farming, having adopted on September 3, 2013 the Law of Ukraine "On the production and turnover of organic agricultural products and raw materials", that outlines the legal and economic principles for the production and circulation of organic agricultural products and raw materials, measures for control and supervision of such activities and aims at ensuring a fair competition and an appropriate functioning of the market of organic products and raw materials, improving key indicators of the population's health, preservation of the natural environment, rational use of soil, ensuring rational use and renewal of natural resources and guaranteeing the consumers' confidence in the products and raw materials labeled as organic².

Another unresolved issue of legislative nature is the absence of legislative acts that pertain to undergoing *organic production certification procedures* by the domestic producers of organic products. We shall note, that the Law of Ukraine of September 3, 2013 "On the production and turnover of organic agricultural products and raw materials" indicates only, that the use of the state logotype and marking organic products (raw materials) for labeling organic products is mandatory, though it does not define a precise procedure for marking and certification. That is why domestic producers undergo the process of organic certification under existing international standards, most often under the effective standards of the European Union.

In the absence of national legislative environment for the certification and labeling organic production certification of organic producers and their products in Ukraine is made in accordance with international standards. In particular, the Ukrainian certification company "Organic Standard" certifies the Ukrainian producers as prescribed by the "Standard for organic production and processing for the third countries", that is equal to the European Union standard.

The state *target rural development program for the period till 2015* plans to attain the share of organic products in total volume of gross output of agriculture up to 10 %, envisages incentives for organic agriculture, standardization of organic farming and the establishment of its certification – though as of today these provisions have not been accomplished.

Another document that focuses on the organic sector is the *Strategy of development of agricultural sector of economy for the period till 2020*, approved by the decree of the Cabinet of Ministers of Ukraine³. Among the top-priority goals in achieving the strategic objectives the strategy indicates also the ensuring of food security of the state through the promotion of organic farming, especially in private farm households and in medium-sized farms.

Thus, Ukraine has a potential comparative advantage in the production of organic products among other European countries. Development of organic farming provides great opportunities for farmers and commodity producers in the sales of organic products in foreign markets. Export of domestic organic products to the European countries can bring quite reasonable profits to the Ukrainian farmers, and those, in their turn, will get resources for the development of agricultural production of both, organic and traditional products, thus increasing supply of domestic goods in the internal market.

1 Щодо напрямів розвитку органічного виробництва сільськогосподарської продукції в Україні. Національний інститут стратегічних досліджень. <<http://www.niss.gov.ua/articles/1292/>>

2 Закон про виробництво та обіг органічної сільськогосподарської продукції та сировини 2013 (Верховна Рада України). Офіційний сайт Верховної Ради України. <<http://zakon4.rada.gov.ua/laws/show/425-18>> (2016, June, 18).

3 Розпорядження про схвалення Стратегії розвитку аграрного сектору економіки на період до 2020 року 2013 (Кабінет Міністрів України). Офіційний сайт Верховної Ради України. <<http://zakon4.rada.gov.ua/laws/show/806-2013-%D1%80>> (2016, June, 18).

The study of the peculiarities of development of organic farming in Ukraine provided the opportunity based on SWOT-analysis to determine the strong and the weak points, as well as the opportunities and threats to its functioning, as shown in Fig. 1. We shall note that carrying out the SWOT-analysis in this case is important not only for its analytical value, but for its preventive value as well, because identification of the opportunities and threats to the development of organic farming in Ukraine must ensure further transformation of the opportunities into strengths and prevent the threats by way of taking appropriate measures for their prevention.

Strong points	Weak points
<ul style="list-style-type: none"> - considerable territory of uncultivated agricultural land; - Low rents; - Favorable weather-climatic conditions for organic farming; - Satisfactory state of ecology of the environment for organic farming; - presence of a considerable number of unemployed village residents which means formation of cheap labor; - knowledge of rural residents in the sphere of farming, which is a prerequisite for ensuring quality of labor; - existing experience in organic farming (domestic and foreign); - Existing demand for ecological products 	<ul style="list-style-type: none"> - Poor financial standing of agricultural enterprises as potential subjects of organic farming development; - poor development of cooperation in rural areas as a potential field of organic farming development; - low level of productivity of rural residents; - low level of motivational factors development; - low investment attractiveness of rural areas and the branch of economy; - low credit rating of the food sector; - underdeveloped system of business planning in agriculture; - presence of close financially powerful foreign entities that reduce competitiveness of domestic products; - underdeveloped management and marketing systems in farming domain; - low level of state support for agricultural development; - low level of development of production and social infrastructure of villages
Opportunities	Threats
<ul style="list-style-type: none"> - Diversification of production in agriculture; - state support of the development of organic agriculture (subsidies); - reducing the tax burden on producers of ecologically clean products; - change in consumers' expectations of the Ukrainian consumers by giving preference to domestic food products; - increase of investment attractiveness of the food complex of the economy; - access to new foreign food markets; - introduction of new production technologies and management practices; - development of tourism in the region that will increase demand for the food products; - development of cooperation of the households in rural areas 	<ul style="list-style-type: none"> - Intensification of agricultural production, rapid growth of low production cost enterprises (non-organic farming); - insufficient awareness of population of ecological products, that causes its underestimation and low demand for such products; - difference in priorities of organic farming in governmental bodies, business circles and population, that can assure achievement of common ultimate goal; - existence of strong competition from western neighboring countries; - inability of farming enterprises to make capital investments to carry on organic farming; - insolvency of population due to the high prices of certified organic food products

Fig. 1. Matrix of SWOT-analysis of the process of development of organic farming in Ukraine [elaborated by the author]

To assess the effect of strategic factors of the environment on the development of organic farming it is necessary to identify factors of the external environment and determine the possibility of their influence on its functioning and classify them by their positive or negative effect. The

matrix of favorable opportunities for the functioning and development of the processes of organic farming in Ukraine (Fig. 2) was constructed on the basis of such assessment.

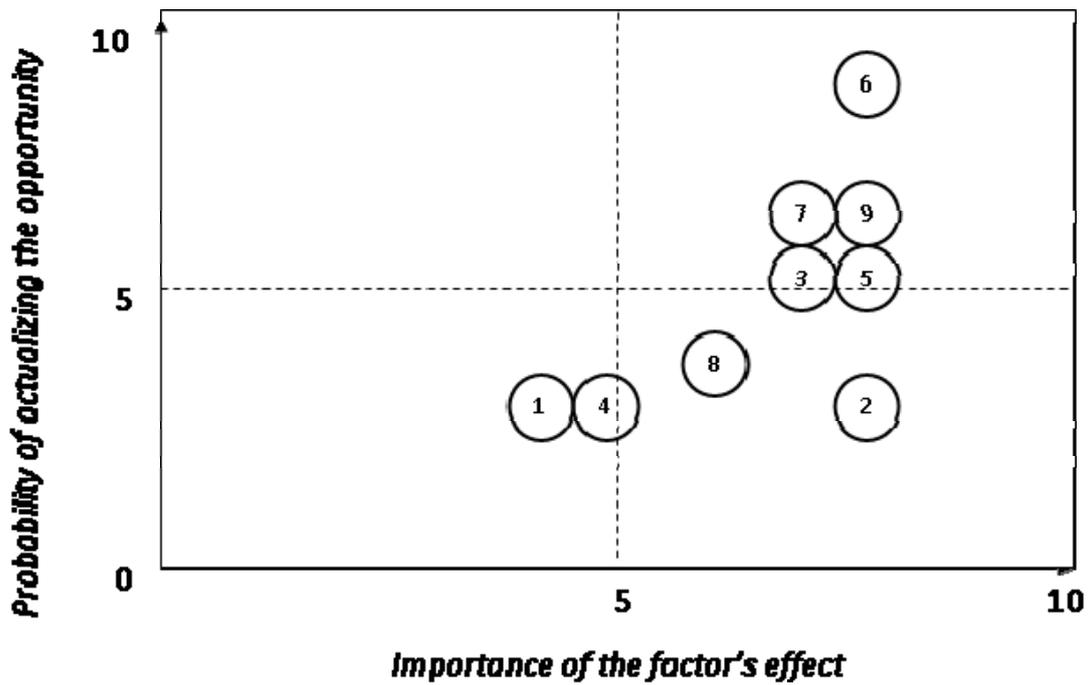


Fig. 2. Matrix of favorable opportunities for development of organic farming in Ukraine

Thus, in the result of construction of the matrix of opportunities for development of organic farming in Ukraine the most favorable will be those shown in the upper right corner of the matrix (Fig. 2), namely, opportunities numbered 3, 5, 6, 7 and 9. These are to be included in the summary table of SWOT-analysis and the main thing is to consider them as feasible directions of the chosen strategy of development of domestic organic farming. Based on the complete analysis of possible threats the matrix of possible threats to domestic organic farming functioning has been constructed (Fig. 3).

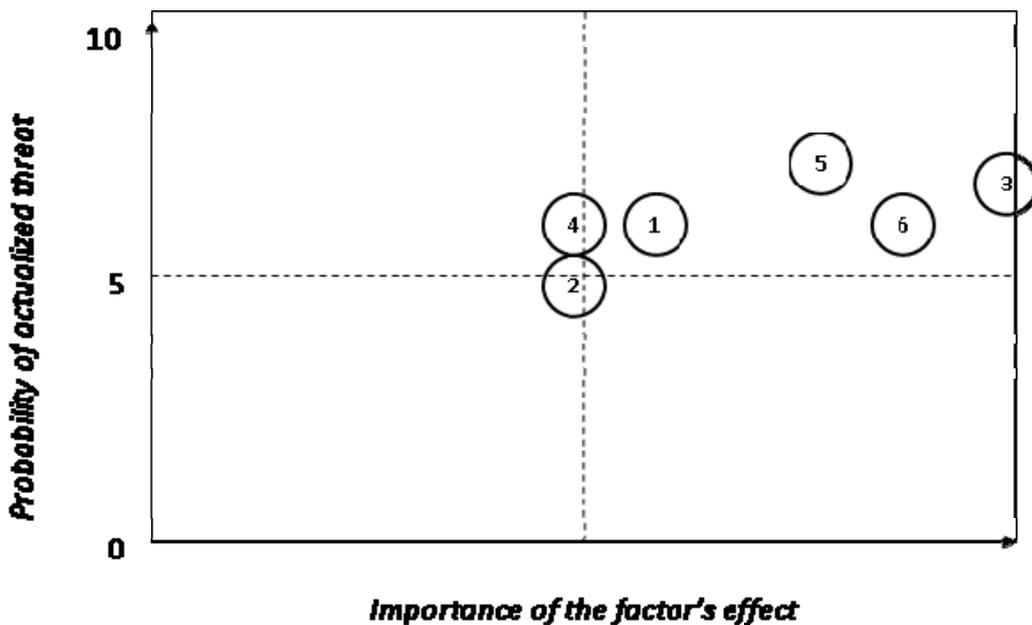


Fig. 3. Matrix of possible threats to the development of domestic organic farming

We believe that all the potential threats shown above in the matrix, such as items: 1-6, should be included in the summary table of SWOT-analysis and considered them as a possible threats to the functioning of organic farming.

To complete strategic analysis of the perspectives of organic farming development in Ukraine it is expedient to show the relationship between the external factors (opportunities and threats) and the potential of the sphere of organic farming (strong and weak points). That is, next step is to draw up the table of SWOT-analysis with SO, ST, WO and WT-strategies, which is shown in Fig. 4.

SWOT-analysis components	Opportunities of external environment	Threats of external environment
	A. Reducing the tax burden on producers of ecologically clean products	a) Intensification of agricultural production, rapid growth of low production cost enterprises (non-organic farming)
	B. Increase of investment attractiveness of the food complex of the economy	b) Insufficient awareness of population of ecological products, that causes its underestimation and low demand for such products;
	C. Access to new foreign food markets	c) Difference in priorities of organic farming in governmental bodies, business circles and population, that can assure achievement of common ultimate goal
	D. Introduction of new production technologies and management practices	d) Existence of strong competition from western neighboring countries
	E. Development of cooperation of the households in rural areas	e) Inability of farming enterprises to make capital investments to carry on organic farming; f) Insolvency of population due to the high prices of certified organic food products
Strong points	SO-strategies	ST-strategies
1. Considerable territory of uncultivated agricultural land	Development of cooperation of the households in rural areas (<i>E</i>)	Rapid growth of low production cost enterprises (non-organic farming) (<i>a</i>)
2. Low rents	Increase of investment attractiveness of the food complex of economy (<i>B</i>) Development of cooperation of the households in rural areas (<i>E</i>)	Increased competition from western neighboring countries (<i>d</i>)
3. Favourable weather-climatic conditions for organic farming;	Increase of investment attractiveness of the food complex of the economy (<i>B</i>)	Facilitation of non-organic farming development (<i>a</i>)
4. Satisfactory state of ecology of the environment for organic farming	Reducing the tax burden on producers of ecologically clean products (<i>A</i>)	Introduction of strict state norms for emissions into the environment (<i>c</i>)
5. Presence of a considerable number of unemployed village residents which means formation of cheap labor	Development of cooperation of the households in rural areas (<i>E</i>)	Difference in priorities of organic farming in governmental bodies, business circles and population, that can assure achievement of common ultimate goal (<i>c</i>)
6. Knowledge of rural residents in the sphere of farming, which is a prerequisite for ensuring quality of labor	Introduction of new production technologies and management practices (<i>D</i>) Development of cooperation of the households in rural areas (<i>E</i>)	Existence of strong competition from western neighboring countries for qualified labor from Ukraine (<i>d</i>)

7. Existing experience in organic farming (domestic and foreign);	Access to new foreign food markets (B)	Difference in priorities of organic farming in governmental bodies, business circles and population, that can assure achievement of common ultimate goal (c)
8. Existing demand for ecological products	Introduction of new production technologies and management practices (D)	Considerable cost of certified organic food products that will reduce demand for such products (f)
Weak points	WO-strategies	WT-strategies
1. Poor financial standing of agricultural enterprises as potential subjects of organic farming development	Introduction of new production technologies and management practices (D)	Existence of strong competition from western neighboring countries (d) Inability of farming enterprises to make capital investments to carry on organic farming (e)
2. Poor development of cooperation in rural areas as a potential field of organic farming development	Introduction of new production technologies and management practices (D) Development of cooperation of the households in rural areas (E)	Rapid growth of non-organic farming (a)
3. Low level of productivity of rural residents	Introduction of new production technologies and management practices, especially methods of workers' motivation (D)	Insufficient awareness of population of ecological products, that causes its underestimation and low demand for such products (b)
4. Low level of motivational factors development		Insolvency of population due to the high prices of certified organic food products (f)
5. Low investment attractiveness of rural areas and the branch of economy	Increase of investment attractiveness of food complex of the economy (B) Development of tourism in the region (B)	Informing population on ecological products (b) Overcoming difference in priorities of organic farming in governmental bodies, farming enterprises and population (c)
6. Low credit rating of the food sector	Attraction of foreign crediting establishments and banks (B)	Shortcomings of legislation in the sphere of organic farming (c)
7. Underdeveloped system of business planning in agriculture	Introduction of new production technologies and management practices with the use of strategic analysis methods (D)	Increased competition from western neighboring countries (d)
8. Presence of close financially powerful foreign entities that reduce competitiveness of domestic products	Facilitation of the development of cooperation of the households in rural areas, use of foreign experience in organic farming (E)	Increase of competition from western neighboring countries, drop in production of organic products (d), (f)
9. Underdeveloped management and marketing systems in farming area	Introduction of new production technologies and management practices (D)	
10. Low level of state support for agricultural development;	Reducing the tax burden on producers of ecologically clean products, subsidizing and agro-crediting the sphere of organic farming (A)	Rapid growth of non-organic farming (a)
11. Low level of development of production and social infrastructure of villages	Development of infrastructure by way of the state support and support of foreign investors (A), (B), (c)	

Fig. 4. Matrix of SWOT-analysis showing relationship of external environment with the strong and weak points of organic farming development

Conclusions. Having analyzed in detail the matrix of SWOT-analysis that shows relationship of external environment with the strong and weak points of organic agriculture, that is,

SO, ST, WO, WT-strategic directions, we consider it to be expedient to choose not the strategy of growth but *the strategy of development of domestic organic farming* that will permit put it into effect in the future by way of the following directions:

1. Introduction of the procedure of organic products certification in conformity with the EU standards, because there is no such procedure in Ukraine, though the Ukrainian certification company “Organic Standard” certifies the Ukrainian producers as prescribed by the “*Standard for organic production and processing for the third countries*”, that is equal to the European Union standard.

2. Formation of the legislative environment that regulates the system of organic farming as the absence of appropriate legislative environment in Ukraine makes it impossible to organize the system of accreditation and standardization of functioning of the certification bodies and prevents positioning of Ukraine as an exporter of organic products in the international market.

3. Development of cooperation of the household farms in rural areas through the system of collaboration of agricultural service cooperatives (ASC) with the higher educational establishments, research and development institutes, leading agricultural firms, international organizations and other enterprises and institutions that have technologies in the domain of agricultural science. Informing the public in a simple and popular form about the opportunities, benefits and mechanism of establishing and functioning of the ASC under the new conditions.

4. Development of the concept of sales promotion (of organic products) that will envisage raising the consumers’ awareness of the harmful effects on health of livestock and crop products produced with the use of the “traditional” technologies, promotion of healthy lifestyles, developing effective ties with traditional distribution channels of product sales, creating new channels for the sales of organic products.

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