

Development of the organic production in Ukraine: problems and perspectives

Desenvolvimento da produção orgânica na Ucrânia: problemas e perspectivas

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ABSTRACT

This review article examines the legal support and proper state support of organic production in Ukraine, substantiation of the potential and obstacles to the development of organic production, as well as proposals for improving the current legislation. This review also analyzes the modern market of organic products, which, in terms of growing consumer demand for environmentally friendly and safe for human health, is very perspective for Ukraine. The increase in the area of agricultural land allocated for organic production, the number of domestic organic operators, and the ever-increasing volume of exports of organic products to other countries indicate a steady trend of growth and further development of this market. However, it is noted that the need to form the infrastructure of the organic products market still remains important. In addition, the problem of improving the system of standardization and certification of production, processing, storage and transportation of organic products, as well as the introduction of an effective control system over the sale of organic raw materials, are the main challenges to be solved.

KEYWORDS: organic products; agricultural sector; agricultural lands; agriculture; ecologically clean products; agribusiness; food security.

RESUMO

O artigo examina o respaldo legal e o devido apoio estatal à produção orgânica na Ucrânia, comprovação do potencial e obstáculos ao desenvolvimento da produção orgânica, bem como propostas para melhorar a legislação atual da Ucrânia. O artigo também analisa o mercado moderno de produtos orgânicos, que, em termos de crescente demanda dos consumidores por produtos ecologicamente corretos e seguros para a saúde humana, é uma grande perspectiva para o país. O aumento da área de terras agrícolas destinadas à produção orgânica, o número de operadores orgânicos domésticos e o volume cada vez maior de exportações de produtos orgânicos para outros países indicam uma tendência constante de crescimento e desenvolvimento deste mercado. Nota-se que a necessidade de formar uma infraestrutura de mercado própria para produtos orgânicos. Além disso, deve ser resolvido o problema da melhoria do sistema de padronização e certificação da produção, processamento, armazenamento e transporte de produtos orgânicos, bem como a introdução de um sistema eficaz de controle sobre a venda de matérias-primas orgânicas.

PALAVRAS-CHAVE: produtos orgânicos; setor agrícola; terras agrícolas; agricultura; produtos ecologicamente limpos; agronegócio; segurança alimentar.

INTRODUCTION

The attention of the world community to organic products is steadily growing. The organic market has been one of the most dynamic food markets in the world for about two decades and is becoming a popular alternative to consuming traditional products (KUNDILOVSKA et al. 2019). This attitude is due not only to human concern for the environment but also to their care for their own health. Moreover, we can see that Ukraine does not stand aside from this trend today. Ensuring the environmental component in Ukraine's agricultural sector is an important prerequisite for strengthening the country's food security (SHKURATOV et al. 2015). The proclamation by the Constitution of Ukraine of a person, his life, health, and safety as the highest social value presupposes and determines the necessity, formation, and development of an organic

direction in agriculture, which we can consider as an integral part of the state agro-industrial policy.

Organic agriculture is a promising area of agricultural production characterized by a number of economic, social, and environmental benefits. Today there are great prospects of organic production in Ukraine: growth of its share in agricultural products, wide opportunities for expansion of domestic and foreign markets, and the presence of objective factors (climate, soil, cheap labor, etc.). However, at the same time, there are still obstacles to the functioning and development of organic production in Ukraine. Some aspects can be highlighted, such as the lack of sufficient legislation, insufficiently justified economic parameters for diversification of business entities in agriculture, and the underdeveloped infrastructure of the organic products market. This research aims to collaborate with these highlighted aspects by presenting a review of the current state, potential and obstacles to the development of organic production in Ukraine, as well as providing proposals for improving the current legislation of Ukraine regarding organic production.

MATERIAL AND METHODS

The information base of the research was the scientific works of Ukrainian and foreign scientists on state regulation of organic agricultural production, the current legal framework of Ukraine, international legal documents, official policy documents of the executive authorities of Ukraine and local government and official materials of the Research Institute of Organic Agriculture (German: Forschungsinstitut für biologischen Landbau, in short: FiBL). In addition, the study also used materials from the Ministry of Agrarian Policy and Food of Ukraine, the State Statistics Service of Ukraine, the International Federation of Organic Agriculture (IFOAM), the International Center for Organic Agriculture of Central and Eastern Europe (Ekoconnect), the Federation of Organic Movement of Ukraine, the Association of Organic Producers "BIOLan Ukraine", as well as some ancillary information from the Internet.

Based on the conditions of the study, the systematic research method was used to systematize the process of searching for articles in the literature. The co-authors have already used this method in their earlier articles (FEDCHYSHYN 2020, IGNATENKO 2020), as well as other scientists (DA VEIGA DIAS et al. 2015, TSYLYURIK 2017, KURMAN 2018a). The purpose of this method is a critical review of publications on a specific problem. Search for information includes the definition of search strings and databases, which will be selected. At the same time, this or that literature is included in the review or excluded from it according to predetermined criteria, and the quality is also assessed. Scientific and review articles were accessed through four search platforms (Web of Science®, Google Academic®, Index Copernicus®, and Scopus®). Articles were selected, organized, and standardized. Using software (electronic catalogue of the library of Yaroslav Mudryi National Law University, Zotero) that organizes bibliographies and bibliographic references, it was possible to separate responses for each search. The search criteria in all the above-mentioned databases were settled for the years between 2010 and 2021, using the keywords: "agriculture", "organic", and "government support".

Further, the search was widened to the combinations of these words, for example: "government support for organic producers", "organic land plots" and "agricultural organic production" and other related terms. Articles published before 2010 were excluded, as well as articles related to other topics not relevant to the study. Of all the databases, 85 articles were found. First, abstracts were read, and those that did not meet the purpose of this study were excluded. After reading the abstracts, 40 articles were selected, as they met the initial criteria and were read in full. In the final selection, literature reviews were excluded.

The methodological basis of the study was a set of philosophical, general, and special legal methods of scientific knowledge (KULYNYCH 2011, LISOVA & SHARAPOVA 2020, SENYSHYN 2021). Using the synthesis method, which was also used in articles by BERLACH (2010), MYLOVANOV (2018) and LUSHPENKO (2020), the content of the basic concept of "organic agriculture" was clarified, as well as obstacles and prospects for developing national organic production. The method of materialist dialectics, also used by KUTARENKO (2015) and KUNDILOVSKA et al. (2019), allowed us to consider agrarian relations for the creation of organic agricultural products in development and the relationship with its regulatory mediation. The method of comparative analysis was recommended by SKOROHOD (2020) and BILOTKACH (2022) in their researches. Therefore, this method was used to compare indicators of development of organic agricultural production in Ukraine with world indicators and the EU countries in particular. Economic and statistical methods helped to study and generalize trends and patterns of dynamics of the efficiency of the organic sector in the world and Ukraine (GALAT 2021, MALOKHLIB 2021). The complex analysis method, the same as SHOR (2018) and HRYHORIEVA (2019), was used primarily to study the peculiarities of the regulations on state support for producers of organic agricultural products. As it was used by SHKURATOV et al. (2015) STATIVKA (2017) and, the formal-legal method made it possible to

reveal the content of normative prescriptions in the sphere of organic production. The modeling method was used in the construction and modification of legal norms proposed for amendments to the current legislation of Ukraine. The named method was also used in the works of DUKHNEVYCH (2016) and DEYNEHA (2017). The empirical basis of the study consisted of laws, bylaws of Ukraine and other countries on the production and marketing of organic products. The integrated use of these methods has contributed to complete, objective, and comprehensive research.

RESULTS AND DISCUSSION

General characteristics of the market of production and circulation of organic agricultural products

Agriculture is one of the most promising sectors of the economy and the basic component of the agrarian sector of Ukraine (LISOVA & SHARAPOVA 2020). The prospects of Ukraine as an agrarian state are simply incredible, and therefore organic farming has a unique potential. Organic agriculture has become a hot issue in debates linked with environmental protection, health foods, sustainable natural resources, and social welfare (AKRAM et al. 2022). Furthermore, organic production belongs to the CSA (Climate Smart Agriculture) system, which aims to ensure food security, adapt, and mitigate the negative impact on the environment.

According to the Law of Ukraine, "On Basic Principles and Requirements for Organic Production, Circulation and Labeling of Organic Products", organic production is a certified activity related to the production of agricultural products, including all stages of the technological process, namely primary production (including harvesting), preparation, treatment, mixing and related procedures, filling, packaging, processing, regeneration and other changes of products state), which is carried out in compliance with the legal requirements in the field of organic production, circulation and labeling of organic products (Article 1).

Scientists usually associate the essence of organic agriculture with preserving and increasing soil fertility, increasing yields through the use of crop rotation, organic fertilizers, special plowing, and other agronomic measures. Therefore, chemicals, pesticides and agrochemicals, plant growth regulators, and antibiotics are considered unacceptable (SHEPITKO et al. 2016). According to Ukrainian experts, organic agriculture is a balanced system of agricultural production carried out by certified economic entities with maximum use of biological factors to increase agro-technological productivity, providing environmentally, socially and economically efficient and transparent agricultural production to meet market needs (MYLOVANOV 2018).

According to the representative of economic science KUTARENKO (2015) stated that the, "organic agriculture is a system of agricultural production that minimizes or completely eliminates the use of artificial fertilizers, pesticides, genetically modified organisms, growth regulators and chemical feed additives, based on the use modern varieties of plants and animal breeds, crop rotations, crop residues, manure, legumes, green manures, biological methods of pest control, mechanical cultivation of soils, and meets documented and officially approved special standards". However, according to KURMAN (2018a), this definition considers only the production and economic component of this activity and reduces organic agriculture only to production methods, to the use of certain techniques. Thus, the author rightly considers the proposed definition simplified.

It is also worth noting that an integral part of organic agricultural production is organic farming. Its peculiarity is that it is aimed at the production of organic products of plant origin and is inextricably linked with the use of agricultural land (TSYLYURIK 2017). According to DEYNEHA (2017), we must agree that organic farming is a sustainable form of agriculture which improves the environment and resources. At the same time, in recent years, due to the development of organic crop production, the value of land as an object of real estate has tended to increase. This is manifested in ever-increasing prices for agricultural land, which has long been used for organic farming.

KULYNYCH (2011) draws attention to the fact that lands that will be assessed as suitable for organic farming should be recognized as an object of special legal protection. Therefore, this scientist proposes to consider agricultural land as certified under the requirements of growing organic products, which are in a state of constant certified monitoring by the consumer through a system of certification organizations to ensure compliance of organic land quality with organic and environmentally friendly products.

For Ukraine, the development of the market of organic products is a priority in accordance with such legislative acts:

- the National Economic Strategy for the period up to 2030;
- the Strategy for the development of exports of agricultural products, food and processing industries of Ukraine for the period up to 2026;

- the Strategy for the development of the agricultural sector of the economy for the period up to 2020;
- Medium-term plan of priority actions of the Government until 2020;
- the Concept of development of farms and agricultural cooperation for 2018-2020.

In all these acts, it is proclaimed to stimulate the increase of the area of agricultural lands on which organic agricultural products are grown and/or produced and to stimulate the transition of farms to the production of organic products.

The development of the organic direction is promising in terms of commerce and the opportunity to improve and restore the condition of soils in Ukraine. The same position is also held by Melania NESMACHNA (2022). Organic market experts confidently state that Ukraine has all the prerequisites to become an organic hub for the European market. Over the past ten years, organic production has increased significantly. The area of organic agricultural land has increased from 270 thousand hectares in 2009 to 468 thousand hectares in 2019, is 1.1% of the total area of agricultural land in Ukraine (HERASYMENKO et al. 2020).

The organic sector in Ukraine is mainly export-oriented since 80-90% of products are sold abroad (BAZALUK et al. 2020). Ukraine now ranks 20th in the world and 12th in Europe in the area of land occupied by organic agriculture (TROFIMTSEVA 2019). At the same time, Ukraine strengthens its position on the world market every year, which testifies to the positive dynamics of such development. It should be noted that in 2020 there were 722 operators of the organic market, 544 of which are certified organic producers. We observe a positive trend: organic producers have increased almost seven times compared to 2006 (80 certified operators). A significant increase was recorded during 2018 (501 certified operators) and in 2020, indicating Ukrainian producers' interest in engaging in organic production (Figure 1) (MINISTRY OF ECONOMY OF UKRAINE 2021). In the context of European states, Ukraine occupies not the last positions. At the same time, we can state that with such a resource potential as our state has, it should occupy a leading position.

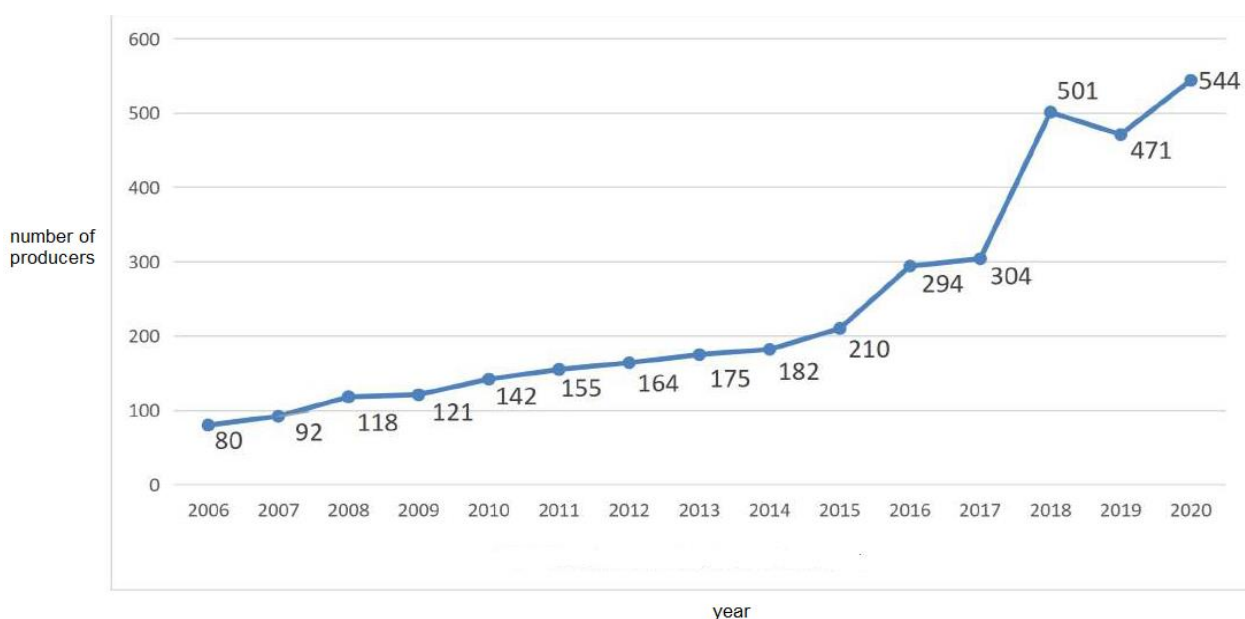


Figure 1. Dynamics of the number of organic producers in Ukraine. Results were compiled from official statistics provided by the Ministry of Economy of Ukraine.

Analysis of the geographical map of organic producers in Ukraine shows that most Ukrainian farms engaged in the production of organic products are located in the south - Odessa, Kherson regions, in western Ukraine - Zakarpattya, Lviv, Khmelnytsky regions, as well as in Kiev, Vinnytsia and Kharkiv regions (FIBL 2016). In particular, it is connected with various international projects aimed at the production of organic products in Ukraine. Farms that choose this area receive financial assistance and cooperate with foreign companies.

According to the Federation of Organic Movement of Ukraine, in 2016 the volume of the domestic market of consumption of organic products increased 1.2 times compared to 2015 and almost 18 times compared to 2009, amounting to 21.2 million EUR. Moreover, in 2020, the domestic organic market of Ukraine grew by 3% (IFOAM 2021). These data indicate a rapid pace of development of the domestic market of organic products. Accordingly, 7,850 tons of organic products of own production worth about 709 million

UAH (Ukrainian Hryvna - currency of Ukraine) were sold on the domestic market in 2020. (Equivalent to USD 25.1 million at the National Bank of Ukraine exchange rate as of December 31, 2020).

Despite the slight growth of the market, Ukraine remains the lowest level of consumption of organic products per capita in Europe. For products of own production this indicator makes about 50 Eurocents. The average per capita consumption of organic products in the EU is 84 EUR.year⁻¹. Among European countries, the following leaders can be identified: Switzerland (103 EUR), Sweden (47 EUR), Germany (38 EUR), France and the United Kingdom (27 EUR) (SKOROHOD 2020).

We can conclude there are objective reasons that hinder the development of the domestic consumer market. These include:

- unsatisfactory economic situation of the population;
- insufficient consumer awareness of organic products;
- low level of state support;
- insufficient legal support, and so on.

Nevertheless, the organic trend in Ukraine is becoming more widespread and this is due to the export orientation of producers. The production of organic products is mostly export-oriented, as about 89% of producers work according to a standard equivalent to the EU Council Resolution NOP (USA) and Bio Swiss (Switzerland). The other 11% are focused on both domestic and foreign markets and work according to the standards developed by the International Public Organization of Organic Producers "BIOLan" (AGRAVERY 2017).

As for the volume of exports of organic products, there is an active growth. According to the study of the organic market, exports of organic products from Ukraine in 2020 amounted to 204 million USD. In terms of value, exports increased by 7.9%, although exports decreased by 30% and amounted to 332 thousand tons, compared to 469 thousand tons in 2019.

The main European consumers of Ukrainian organic products are the Netherlands, Germany, Switzerland, Italy, the UK, Austria, Poland, Czech Republic, France, Hungary, Romania, Belgium, Bulgaria, Lithuania, and Denmark (SENYSHYN 2021). According to the results of 2019, Ukraine ranked 2nd among the largest countries exporting organic products to the EU (MALOKHLIB 2021). The main export products are cereals, oilseeds, berries, mushrooms, nuts, fruits. In addition, sunflower meal, flour, sunflower oil, sunflower meal, apple concentrate, birch sap is also exported (GALAT 2021).

In recent years, the geography of Ukrainian organic exports has expanded and key importing countries have changed. In general, if exports to European countries amounted to more than 85% in previous years, then in 2020 it decreased to 73%. At the same time, the share of exports to North America (the USA and Canada) expanded to 24%. In addition, exports to Asian countries, including China, Vietnam, India, and Japan, are expanding, and the first deliveries of organic products to the Republic of Korea and Myanmar have taken place (BILOTKACH 2022).

Public organizations and projects that focus their activities on various areas of this agricultural production system play a significant role in developing the Ukrainian market of organic products. For example, the Federation of Organic Movement of Ukraine, the Union of Organic Agriculture Participants "Naturproduct", the Association of Organic Agriculture and Horticulture, the association "BIOLan Ukraine" are functioning successfully today.

In order to conduct research, promote the production and consumption of organic products in all regions of the country, it is planned to establish Centers for Organic Agriculture. Today such centers are actively working in Dnipropetrovsk, Poltava, Zaporizhzhia regions.

For a long time in Ukraine there are many international projects aimed at the development of the organic movement. Thus, in 2005 the first project "Development of the Organic Movement in Ukraine" was implemented. It was funded by the Swiss State Secretariat for Economic Affairs and implemented by the Research Institute of Organic Agriculture (Switzerland). This project was continued several times from 2012-2016 and 2016-2018. Furthermore, from 2011 to 2016, the AgroInvest technical assistance project (funded by the United States Agency for International Development) operated in Ukraine.

In 2016, two German-Ukrainian cooperation projects "Advising Ukraine on Agricultural Trade - under the Full and Comprehensive Free Trade Agreement between the EU and Ukraine" and "German-Ukrainian Cooperation in Organic Agriculture" were launched, supported by the Federal Ministry of food and agriculture of Germany. This project as well as the EU project "Support to the implementation of agricultural and food policy in Ukraine" and the Swiss-Ukrainian program "Development of trade with higher added value in the organic and dairy sectors of Ukraine" continue to operate until the end of 2023.

Key participants in the organic market of Ukraine are named in the Figure 2.

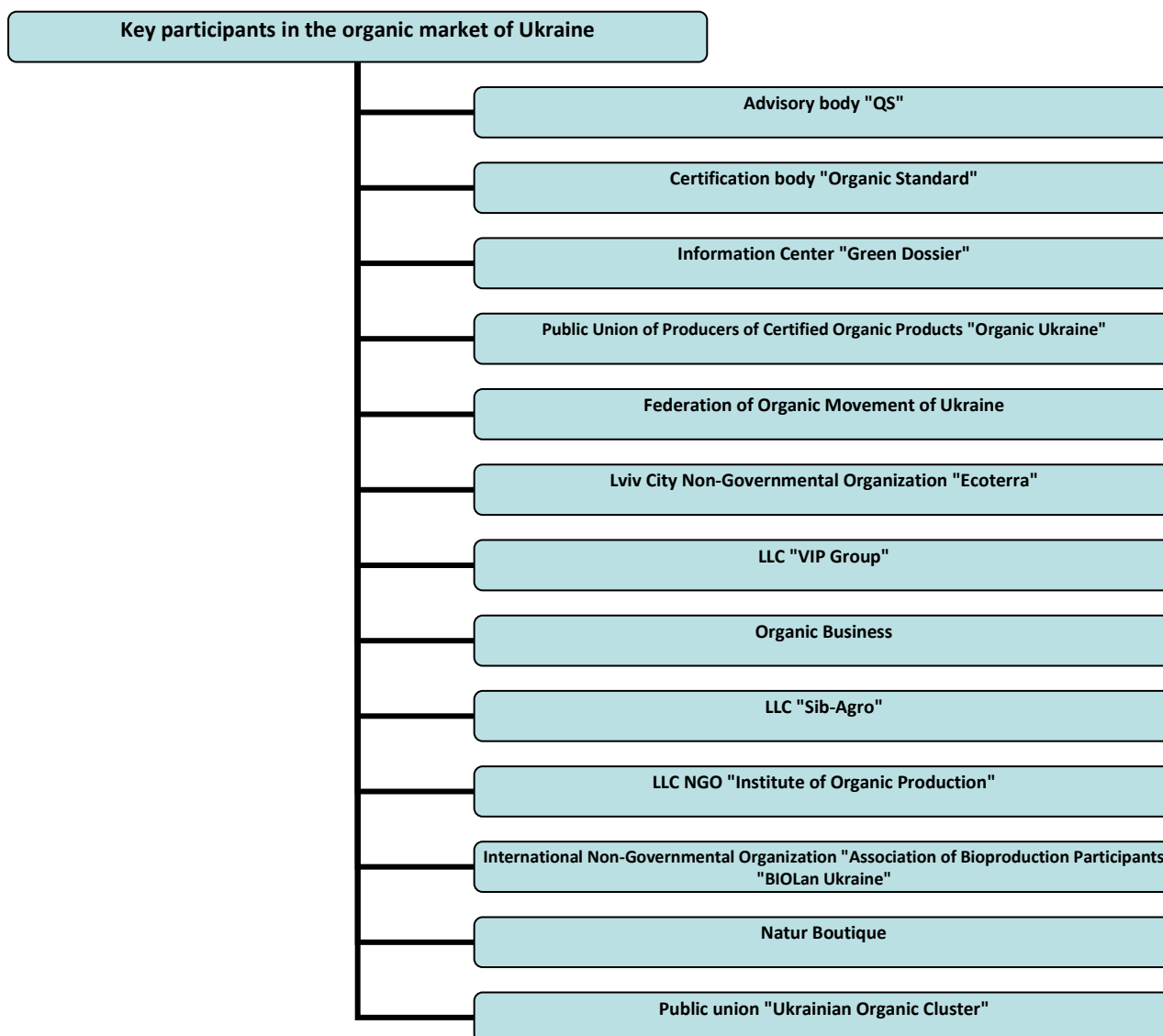


Figure 2. Key participants in the organic market of Ukraine.

Potential and obstacles to the development of organic production

In general, the strategic goals of the development of the organic sector of the Ukrainian economy are:

- identification and implementation of the main directions of the state policy of development of organic agriculture, aimed at ensuring the ecological safety of the agricultural sector of the economy;
- improving the quality of agricultural products;
- preservation and improvement of soil fertility;
- protection of the natural environment and preservation of biodiversity;
- creation of favorable conditions for balanced development of rural areas.

The advantages of organic production are significant compared to traditional agriculture: 1) there are commercial benefits, such as greater profitability through lower costs and higher revenue; 2) reducing the negative factors that harm the environment and human health; 3) production in the organic economy of such important eco-services as biodiversity conservation, local landscapes, as well as reduction of carbon emissions (FIBL & BIOINSTITUTE 2013).

As an agrarian country, Ukraine has great potential for developing organic agriculture. A wave of interest in Ukrainian land is already rising, including from foreign investors, who are attracted by the unique ratio of the following favorable conditions for the development of organic agriculture:

- anthropogenic pollution is not continuous throughout Ukraine. There is still a share of lands is relatively "clean", the level of pollution of which is much lower than in Western Europe;
- Ukraine has the highest employment in Europe in agricultural production (18% of workers), as well as relatively low wages, which can be attributed to the competitive advantages of the newly created industry;
- export attractiveness due to the proximity to the European Union market;
- the possibility of expanding the domestic market, as the actual area of organic agricultural land is not

inferior in size to most European countries, and domestic consumption of organic products per capita lags far behind the European average;

- the possibility of accumulation of large tracts of land by concluding agreements on land (lease, emphyteusis, joint activities);
- low level of land rent payments.

In this regard, we believe that the development of domestic brands of certified organic products, their promotion on the national market, as well as exports to foreign countries is a strategically important task. However, despite the significant prospects for the expansion of this area, the domestic market has a number of obstacles that hinder the development of organic agriculture. For example, according to KURMAN (2018b), the development of organic agriculture in Ukraine is constrained by a number of factors, which in terms of origin can be divided into external and internal. The scientist includes to the first group of such factors: 1) legal; 2) economic and social; 3) objective and natural; 4) organizational; 5) psychological. In general, agreeing with the proposed differentiation, we note the need to emphasize a group of institutional and managerial factors designed to ensure the development of organic production. As ARIKOV (2008) concludes, "the problem of stabilizing agro-industrial production and ensuring development based on sustainability is becoming increasingly important, and its solution is directly related to the effectiveness of management decisions and the state in the agri-food sector". According to BERLACH (2020), "uncertainty of structural and functional construction of administrative and legal regulation does not allow to properly apply the organizing and coordinating influence of the state in the process of certification, labeling, accreditation and promotion of organic agriculture in Ukraine".

Based on the notes reported above, we can group the obstacles that hinder the development of organic agriculture into three major groups: socio-psychological, institutional-legal and financial-economic:

- socio-psychological (Figure 3);
- institutional and legal (Figure 4);
- financial and economic (Figure 5).

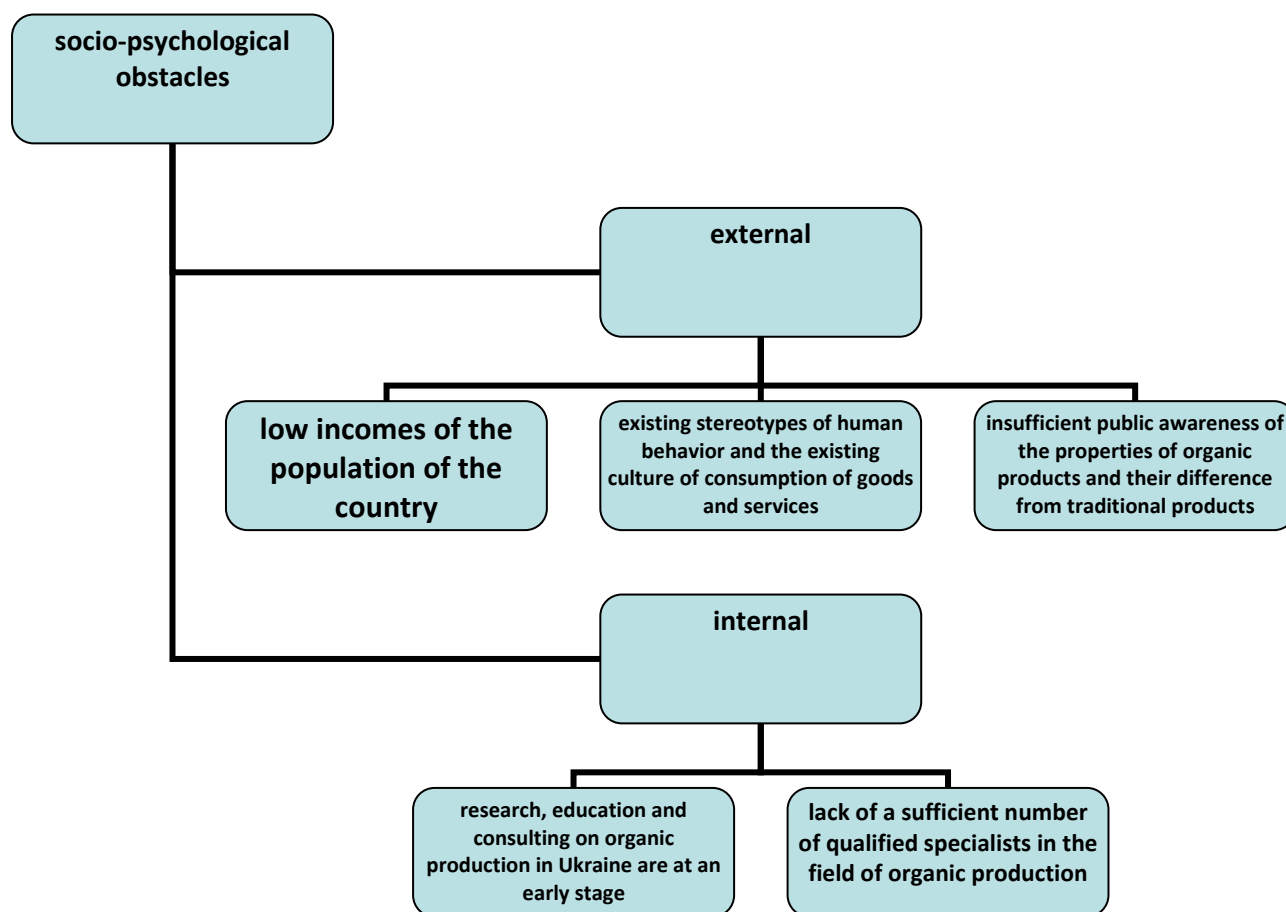


Figure 3. Socio-psychological obstacles that hinder the development of organic agriculture.

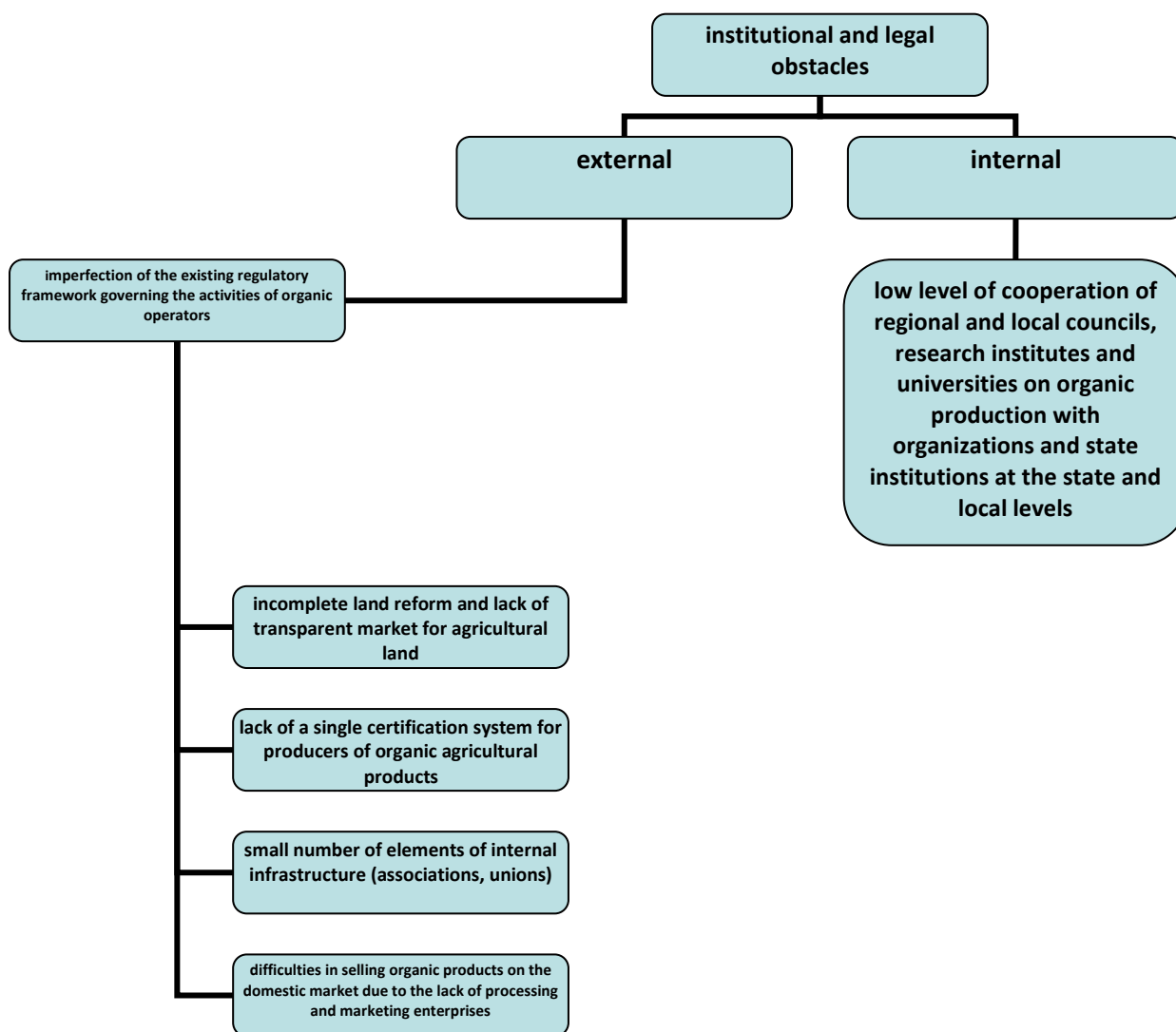


Figure 4. Institutional and legal obstacles that hinder the development of organic agriculture.

Solving these problems will allow to form an effective infrastructure of the organic market and improve state regulation of organic production, which, as a result, will ensure the environmental safety of agriculture, improve product quality, preserve, and improve soil quality, environmental protection, and biodiversity, create favorable conditions for balanced development of rural areas.

Legal support of organic production

The production and circulation of organic agricultural products in Ukraine have not been regulated for a long time. This situation has negatively affected the market for organic products; in particular, consumer confidence has been undermined by the presence of substandard products labeled as organic. Adopting the Law of Ukraine "On Production and Circulation of Organic Agricultural Products and Raw Materials" on January 9, 2014 was a positive shift in this direction. Unfortunately, it is not valid today. Instead, the Law of Ukraine "On Basic Principles and Requirements for Organic Production, Circulation and Labeling of Organic Products" has been in force since 2019 (VERKHOVNA RADA OF UKRAINE 2018). This Law regulates relations in the field of organic production, circulation and labeling of organic products that are produced, are in circulation, imported into the customs territory of Ukraine or exported from it in the customs regime of export. It does not apply to the production and circulation of products intended for own consumption, perfumes and cosmetics and medicines, hunting and fishing products removed from the natural environment.

Also, the issues of organic production are regulated by the Resolution of the Cabinet of Ministers "On approval of the Procedure (detailed rules) of organic production and circulation of organic products" (CABINET OF MINISTERS OF UKRAINE 2019). This regulation defines detailed rules for: crop production, animal husbandry (including specific requirements for organic poultry and beekeeping), mushroom growing, aquaculture, seaweed production, food and feed, and procurement of organic flora. In addition, it establishes the features of the application of exceptions, the conduct of parallel and simultaneous production, storage, transportation and labeling of certain types of organic products.

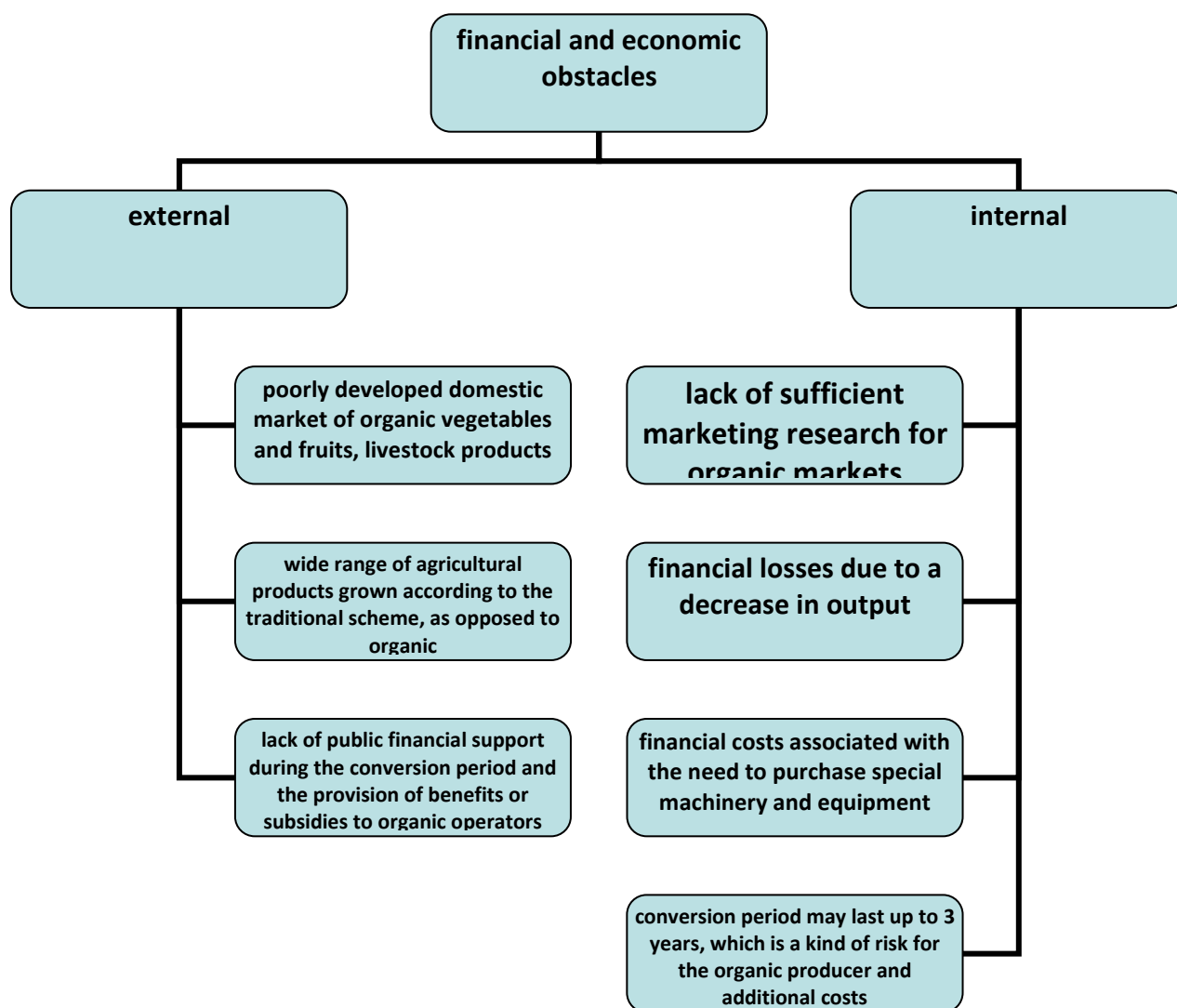


Figure 5. Financial and economic obstacles that hinder the development of organic agriculture.

In 2020, a number of important bylaws were adopted. In particular, the resolution of the Cabinet of Ministers of Ukraine "On approval of the State Register of operators engaged in production in accordance with the legislation in the field of organic production, circulation and labeling of organic products, the State Register of certification bodies in organic production and circulation of organic products, the State Register of Organic seeds and planting material" (CABINET OF MINISTERS OF UKRAINE 2020b). Furthermore, it determines that: the register of operators is formed on the basis of information from certification bodies; the register of certification bodies is formed based on the application of the enterprises, establishments and the organizations which have passed accreditation in NAAU; the register of organic seeds and planting material is formed on the basis of information from the operator who carries out the production and/or sale of organic seeds and/or planting material.

The resolution of the "On approval of the Procedure for certification of organic production and/or circulation of organic products and amendments to the resolution of the Cabinet of Ministers of Ukraine dated October 23, 2019 № 970" (CABINET OF MINISTERS OF UKRAINE 2020a) regulates the mechanism of certification of organic production and/or organic circulation products, issuance of a certificate, its duplicate, and form.

Also, there were adopted such regulations:

- The procedure for maintaining a list of foreign certification bodies;
- Procedure for confirmation of special knowledge of the inspector on organic production and/or circulation of organic products in the field of organic production;
- About the statement of the state logo for organic production;
- The list of substances (ingredients, components) that are allowed to be used in the process of organic production and which are allowed to be used in maximum permissible quantities;
- Procedure for consideration of appeals against decisions of certification bodies.

In addition, with the assistance of key players in the organic market and in partnership with the Ministry of Economic Development, Trade and Agriculture of Ukraine, the "Guidelines for the application of legislation in the field of organic production, circulation and labeling of organic products" were developed.

It can be argued that since 2019, legislation aimed at improving the existing state regulation of organic production has been actively implemented. We also know of several other draft regulations that are expected to be implemented soon. Among them: the draft order of the Ministry of Economy "Requirements for material and technical base and other infrastructure facilities necessary to perform the functions of certification of organic production and/or circulation of organic products", draft order of the Ministry of Economy "Procedure for reporting by certification bodies on certificates issued by them", draft order of the Ministry of Economy "Procedure, periodicity of declaration and submission of consolidated materials on the volume of organic products put into circulation by the certification bodies of the Ministry of Economy and the State Food and Consumer Service".

However, the presence of regulatory gaps results legal problems in defining: 1) organic production as a management system, 2) business entities engaged in organic production, 3) rules of organic production and circulation of organic products, 4) the procedure for certification of organic production, 5) state supervision over the activities of organic market operators, and 6) requirements for organic production and circulation of organic products. All these problems do not allow agricultural producers, who have decided to carry out production on organic management principles, to carry it out effectively.

State support for organic production

The success of agribusiness development in the field of organic agricultural production largely depends on the quality of legal support, economic feasibility for both producers and consumers and proper government support for such production. All this should be considered as a single system, the main elements of which are the producer, consumer and the state as a whole (IGNATENKO 2020). So today, many people want to engage in organic production in Ukraine and invest in its development, but they need government support, especially during the conversion period. However, another problem in developing and forming organic production is the lack of proper state support. Furthermore, the formation of organic production involves significant financial costs. Thus, according to the certification company "Organic Standard", the cost of the certification procedure is from 30 to 120 thousand UAH (1 to 4 thousand EUR) per year (FOAM 2021).

The experience of foreign countries shows a clear dependence of the level of development of the organic market on the amount of state support. The world practice of financial support for the development of the market of organic products has two main approaches:

- American - provides funding for the scientific sector, consulting, certification, and marketing of organic products;
- European - aimed at subsidizing producers of organic products.

In the countries of the European Union, the cost of this procedure is partially or fully covered by subsidies for the certification procedure. In Austria, for example, the maximum subsidy is 700 EUR.year⁻¹ and the maximum grant is five years. In Spain, the maximum subsidy is 3,000 EUR.year⁻¹, the state reimburses from 60 to 100% of the certification cost. In Germany, producers are provided with an average of 40 EUR.ha⁻¹ per year for producers, who use less than 15 ha of organic land plots and 530 EUR.ha⁻¹ per year for those ones, who use more than 15 ha of organic land plots. Moreover, in Denmark, certification costs are generally financed from the budget if local producers certify products in accordance with Danish organic regulations and EU Standards. However, there is still no such practice in Ukraine, requiring some initiatives for the years to come.

While Ukraine is introducing state support for organic producers, making plans to increase the area under organic production, and still planning to harmonize Ukrainian legislation with the EU norms on consumer protection, the EU is significantly strengthening the latter's role.

As for the state support in ensuring the exercise of the right to organic production, according to Article 8 of the Law of Ukraine, "On Basic Principles and Requirements for Organic Production, Circulation and Labeling of Organic Products", state support may be provided to operators under national and regional programs at the expense and within expenditures of budget programs aimed at supporting the development of agricultural producers. Furthermore, state support may be provided to operators within the framework of national and regional programs at the expense and within the scope of expenditures under budget programs aimed at supporting the development of agricultural producers. This version of this article of the law is generally consistent with the requirements for state support enshrined in the WTO Agreement on Agriculture, which since 2008 is a part of the national agricultural legislation of Ukraine and should be applied to regulate public relations for organic production, circulation, and labeling (DUKHNEVYCH 2016).

Since the law does not define the legal forms, content, methods, and mechanism of such support, these issues are the subject of scientific research in the agrarian law literature. In particular, according to HRYHORIEVA (2019), it is expedient to introduce comprehensive state support for the development of organic production in Ukraine, which will include production support, namely: start-up support (transition subsidy, reimbursement of certification costs, soft loans), as well as current (preferential taxation, expanding the state order for organic products, promoting the construction of supply chains, support for research and education). Agreeing and generally supporting this approach, we should also note that the complexity implies that state support measures should include not only support for organic producers but also other participants in the agricultural market. First of all, we are talking about consumers of organic agricultural products, because despite all the benefits of organic agricultural products, such products are not available to the general public. This is due not only to its high cost (prices for domestic organic products are 15-50% higher than traditional (LUSHPENKO 2020), but also the lack of necessary information and consumer interest.

The system of state support for organic agricultural production involves "consistency, predictability of results, the connection of support measures not only with each other, but also in general with the state's economic policy, focusing on long-term rather than temporary economic results" (PODTSERKOVNYI 2013). At the same time, the law should regulate financial support and other types of state support, including staffing of organic production, information and advisory support for organic producers by involving the institute of advisory, social advertising, and more.

Thus, state support for the development of organic agricultural production is systemic and manifests itself, for the most part, as interconnected blocks (Figure 6).

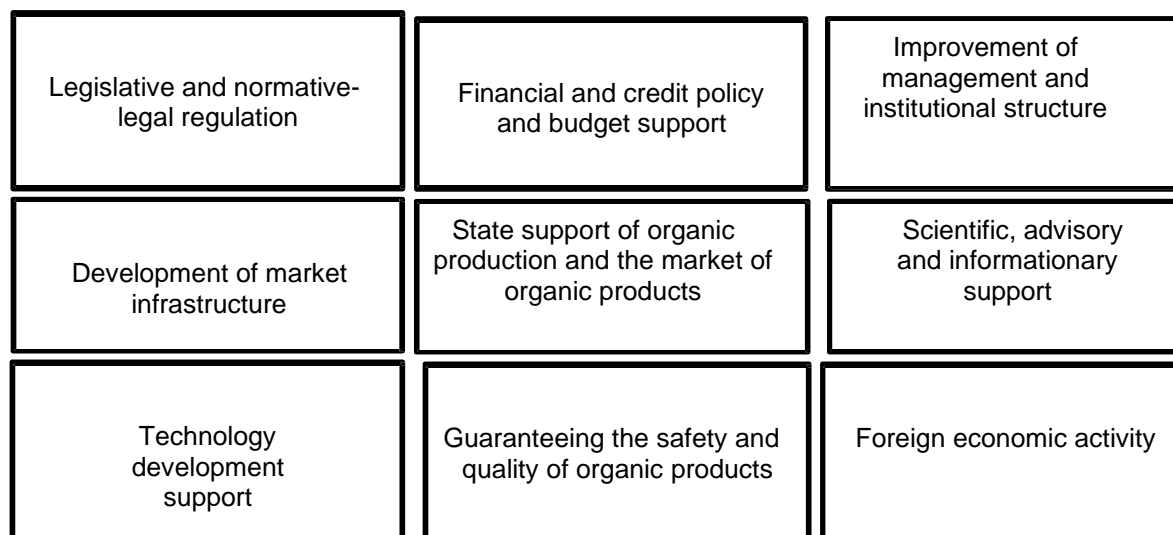


Figure 6. Ways of state support for the development of organic agricultural production.

Finally, in 2021, support for Ukrainian organic producers was introduced not only at the regional, but also at the national level. Amendments to the Law of Ukraine "On State Support of Agriculture of Ukraine" and other laws of Ukraine on the functioning of the State Agrarian Register and improving state support for agricultural producers provide for the launch of three areas of state support for organic producers.

Thus, in 2021, the government allocated 50 million UAH for state support of producers of organic agricultural products, which were directed as follows:

- 1) budget subsidy per unit of cultivated land (1 hectare) - in the amount of 5 thousand UAH, but not more than 100 thousand UAH per one operator (total amount of UAH 30 million);
- 2) budget subsidy for the maintenance of cattle, identified and registered in accordance with the law as of August 1 of the current year - in the amount of 5 thousand UAH per 1 head of cattle (total amount of UAH 15 million);
- 3) partial reimbursement of the cost of certification of organic products - in the amount of 30% (excluding value added tax), but not more than 20 thousand UAH per business entity (total amount of 5 million UAH).

Such state support is intended to pay approximately 300 producers per unit of arable land, the subsidy per head of cattle provides for the payment of 3,000 heads, and about 300 producers will be able to reimburse the cost of certification.

It should be noted that regional support for organic producers is provided only in some regions of Ukraine, among which the first were Lviv and Poltava regions. Thus, for 2019-2020, within the framework of the regional program in the direction of financial support in the form of partial reimbursement of the cost of certification of organic production entities, producers of Lviv region received support in the amount of - 306 thousand UAH. Furthermore, in the Comprehensive Program of support and development of agriculture in the Lviv region for 2021-2025 (LVIV REGIONAL COUNCIL 2021) at the expense of the regional budget, a new direction of support in the form of a budget subsidy per unit of arable land of organic farming is additionally planned. In general, financial support for organic producers of the Lviv region in the amount of 500 thousand UAH is planned for 2021.

Also, in Poltava Region, measures were taken to support organic production under the Program of development and support of the agricultural complex of Poltava region in priority areas for the period up to 2027 aimed at implementing the Development Strategy of the Poltava region for 2021-2027 (DEPARTMENT OF AGRICULTURAL DEVELOPMENT OF POLTAVA REGIONAL STATE ADMINISTRATION 2021). The main measures to support producers of organic products in this Program are:

- compensation in the amount of 50% of the costs incurred in connection with the conduct and confirmation of the conformity of production of organic products (raw materials) and obtaining a certificate of conformity in crop production, animal husbandry, and processing of agricultural products. Such compensation can be granted irrespective of the types of agricultural activity and the types of processed products during the transitional period. After such a period, it is provided only to business entities that have a net income (revenue) from sales of products (goods, works, services) for the last year up to 10 million UAH, who owned and/or used up to 300 ha of agricultural land, but not more than 100 thousand UAH per one business entity;

- compensation of up to 50% of the costs incurred for the purchase of permitted for the use of plant protection products and fertilizers for all producers of organic products, but not more than per 100 hectares of agricultural land;

- compensation in the amount of 40% of the cost of supplied organic products to children's preschool, school, medical and social institutions of the region on the terms of tender procurement.

At the same time in the Poltava region there is a tendency to increase the number of organic enterprises. Thus, if 12 economic entities carried out or started activities to produce organic products (raw materials) three years ago, today there are already 28 of them in the region.

It should be noted that the type of support in each region is slightly different: from the program to reimburse the cost of certification to reimbursement of interest on loans. Equally important is that most programs do a third percent, and some positions are marked more declarative level.

The combination of state and regional budgets can significantly strengthen the position of organic producers, especially small and medium enterprises. Currently, Ukrainian producers can receive an average of 500 to 1,500 EUR per enterprise from regional budgets (in some regions) as compensation for certification. At the same time, their competitors in the EU receive several hundred euros in compensation per hectare. Of course, European farmers also have some restrictions on compensation, but such support has been provided in EU countries for more than ten years.

However, changes are also taking place in the EU. In particular, the main event is the adoption of a new EU agricultural policy for the period 2021-2027, in which from 400 billion EUR it is planned to allocate up to 30% to the so-called "eco-schemes", which include organic production. Nevertheless, the EU is not limited to supporting farmers on the way to their goal - 25% under organic production by 2030 and expands the range of activities (SHOR 2018).

The main financial and economic measures for implementing state support for the development of organic agricultural production in Ukraine should include: subsidizing interest rates on loans, subsidizing part of the costs of production and crop insurance for organic producers, preferential lending and taxation, as well as improving mechanisms for regulating regional markets (FEDCHYSHYN 2020).

In addition, the effective functioning of organic production requires state support not only in the field of regulation and budget support, but also in improving management and institutional infrastructure. According to the Concept of the program of development of organic production in Ukraine, it provides:

- 1) creation of the main and regional centers for the development of organic production;
- 2) improvement and development of the infrastructure of institutions (unions, associations, civil society organizations);
- 3) establishing relations with local governments and implementing joint projects, joining forces for the development of organic production.

With these three components, Ukrainian private certification bodies will be able to compete effectively with foreign ones. At the same time, it is necessary to create a proper system of control over compliance with certification requirements.

In Ukraine, organic products' sales and marketing system still needs additional attention. This can be done through a network of procurement points, agricultural exchanges and markets, specialty stores, special places in wholesale agricultural markets and even direct sales of organic products from producer to consumer.

The development of production is impossible without the use of the latest inventions of Ukrainian and foreign science. Therefore, the state should encourage and stimulate the breeding of new organic plants and animals, production of fertilizers that meet standards, introduction of energy and resource-saving technologies, improvement and invention of innovative equipment that will allow better processing, transportation and storage of organic products.

In addition, the state must guarantee the safety and quality of organic products. This area of activity includes:

- setting clear standards and requirements for organic agricultural products;
- improving the system of state control over the quality and compliance with standards of organic products, in order to protect the rights of consumers;
- harmonization of national quality standards with international ones;
- introduction of a national certification system and labeling of organic agricultural products and food products.

In addition to the above state support, it is worth highlighting foreign economic activity. The main areas of foreign economic activity in the field of organic agricultural production include:

- 1) expansion of the sales network on foreign markets of organic products, producing products that meet the requirements of EU legislation and undergo international certification and control systems;
- 2) reducing the number of imported products and raw materials of organic origin that can be produced in Ukraine (thus protecting the national producer);
- 3) improving the ecological image of Ukraine in the international market of organic agricultural products, focusing on the ecological concept of modern agricultural production.

In Ukraine, sufficient attention is paid to implementing the concept of environmentally friendly production due to the country's intentions to obtain the status of a member of the European Union, whose legislation is characterized by strict regulation of the production and circulation of organic food. At the same time, the level of state support for the development of organic agriculture should guarantee its profitability and competitiveness in both domestic and foreign agricultural markets. But despite this circumstance, the financing of the support of the agro-industrial complex is still in poor condition.

Summing up the analysis of the legislative provision of state support for organic agricultural production, it is worth agreeing with A. Stativka, who notes that due to the uncoordinated state agricultural policy, organic production has not become a priority for Ukraine's agricultural sector. The reason for this is the imperfect regulatory framework, particularly in terms of state support for producers of organic agricultural products (STATIVKA 2017).

Therefore, stimulating the development of organic agricultural production requires a comprehensive approach. At the state level, the implementation of all incentives requires considerable effort and material support, leading to this issue's complexity.

CONCLUSION

The presence in Ukraine of favorable natural and climatic conditions for the cultivation of agricultural plants and land that can be used for organic production, indicates the significant potential of Ukraine in this area. However, building and realizing the potential of the Ukrainian market of organic products requires implementing a set of measures to improve the activities of this agricultural production sector.

Another important task for the government to regulate organic farming is to ensure stable operating conditions for organic market facilities, ensure consumer interest in organic agricultural products and improve its quality to ensure competitiveness.

The state must take the main steps to intensify the organic movement. At the same time, individual producers need to take measures to maintain the image of organicity and sustainable development through the introduction of innovative technologies, ensuring further growth of organic production from its own raw materials, organization of sales cooperatives, control, and accounting in accordance with European standards.

Among the further actions, it would be worth proposing a more intensive entry into the world organic market, which will provide new markets for the national organic producer. Furthermore, through the support and established regulation system of organic production products, the latter may be of interest to foreign customers. Also, state regulation of organic production should consider the need to maintain high-quality organic products, attract innovative technologies and increase public interest in organic products.

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