

UDC 65.321.8:631.15 (477)

Vasylyna Orysia

PhD in Economics, Associate Professor

Department of Economy

Lviv National Environmental University

ORCID: 0000-0003-2124-3792

ADVANTAGES OF COOPERATION IN THE ORGANIC SPHERE

Summary. *Small forms of farming in the countryside provide about 60% of the gross production of domestic agricultural products. World experience convinces that during the period of negative economic and social trends in social development, the unification of joint efforts of people always gave the first impetus in the given direction. Lack of real social guarantees and economic support of the state, lack of own financial resources cause low efficiency of organic agricultural production. An additional complication, which is quite often not realized even by the farmers themselves, is the constant decrease in the yield of agricultural crops due to soil depletion.*

The mechanism of cooperation is an effective element in the process of reproducing the potential of peasant farms. The current market trends, namely the increased demand for organic agricultural products, it is logical to assume that the creation of cooperatives that would specialize in the procurement and sale of organic products can become an active factor in rural development.

The influence of the basic principles and advantages of the development cooperative movement on the development of organic agricultural production is investigated. Cooperative principles are a condition for harmonizing the interests of the participants of the cooperation and determine the general direction of development of the cooperative movement. Features of the domestic

market of organic products were considered. The state and trends of organic cooperatives development in Ukraine are analyzed. Practical approaches to improvement of the directions of achievement of effect with the cooperation of commodity producers of organic products are offered. The problems of development of cooperation in Ukraine with consideration of theoretical and practical aspects of management, distribution of cluster type of production of organic products are outlined. The purpose of the article - is to study the importance of the main principles and advantages of the development of the cooperative movement in the development of organic agricultural production.

One of the main reasons for the formation of a cooperative association of farmers is strengthening the positions of its members on the market, creating competitive advantages of their products.

Key words: *cooperative, agricultural cooperative, organic production, organic products, cluster.*

Statement of the problem. The constantly growing demand for high-quality products of the organic sector in many countries of the world gives Ukraine the opportunity to become an active participant in the world market of organic products. For the effective activity of producers of organic products, it is necessary to develop a perfect system of its sales and implementation. It is necessary to coordinate the interests of agricultural enterprises through the mechanism of cooperation to increase their effective functioning. Cooperation in the agricultural sector of the economy is gaining relevance due to: the inability of small and medium-sized entrepreneurs and farmers to compete on the market in Ukraine; monopolization of agricultural business; lack of long-term plans and programs, responsibility of officials at all levels for the state of the agricultural sector before the population of the state, access to adequate financial resources; not an effective legislative and regulatory framework; globalization of the world economy and, as a result, the mentality of the

population, warnings of changing the course of the state, etc. there is a catastrophic reduction of the rural population and population migration against the background of the monopolization of land resources by holdings and various organizations not only from the agro-industrial sector.

Analysis of recent research and publications. Recently, the problems of the development of organic production and organic agriculture have been considered by such scientists as V.I. Artysh, L.M. Boyko, V.E. Dankevich, V.T. Dudar, N.V., T.O. Zinchuk, I.H. Kirylenko, M.I. Kobets, D.G. Legeza, O.V. Skidan, O.V. Ulyanchenko, O.V. Khodakivska, O.M. Yatsenko. The work of V.V. Zinovchuk [8], P.V. Pivovara, V. Andriychuk, M.B. Chizhevska [3], Yu.V. Ushkarenko [7] is devoted to the development of the cooperative movement in Ukraine. Despite this, this problem is not sufficiently solved, and the selected research directions are relevant and timely.

Formulation of the purpose of the article. The main purpose of this article is to study the importance of the main principles and advantages of the development of the cooperative movement in the development of organic agricultural production.

The main material. One of the most popular and common methods of association in agriculture is cooperation. It can be applied to the organic market, but despite the many years of history of the cooperative movement in Ukraine, this form still has many shortcomings and omissions. In order to effectively apply the principle of cooperation in the organic environment of Ukraine, it is necessary to understand the basic principles of cooperative work and learn from the mistakes of farmers in the field of cooperation. The reasons for such processes in the world and in Ukraine are: globalization, historical, demographic and socio-economic. According to statistics, as of January 1, 2022, the current population of Ukraine was 41,167.3 thousand people. At the same time, it is important to note such a negative trend, for example, the population of Ukraine decreased by 421,000 people during the year. The UN stated that by 2050, the

number of Ukrainians could decrease to 35 million. The war, the lack of a transparent state policy regarding the agro-industrial sector of the economy and work in general, the inability to take cheap loans, the growth of monopolies of all types in the countryside as to land resources and means of production led to extremely negative factors of population migration and impoverishment of the rural population. An extremely small segment of the population that wants to engage in agriculture mostly focuses on ecological and (or) organic land use, cultivation of niche crops, gardening, berry growing, nut growing, etc. One of the interesting areas of cooperative development is organic products, which are no longer a luxury in many countries, and mainly to unite small certified producers to achieve their goals. The growth of consumption of organic products in the world is 8-11%, this is the most promising direction of agriculture.

Global trends in agribusiness are focused on creating shared value, as company policies and actions that increase the organization's competitive ability, while improving the environmental, social and economic conditions of the communities and territories where they operate. The levers of implementation of such direction in traditional and organic agro-industrial production are:

- increasing productivity in supply chains;
- organization of clusters in united territorial communities, districts and (or) in the region;
- supply of products and services needed by consumers in an effective, ethical and reasonable manner from the point of view of environmental protection [7];
- cooperation - as a business with the formation of academic and research institutions, public experts, professional unions, suppliers and other organizations according to the stage of their "life" cycle.

Organic production is carried out in compliance with laws, directives and regulatory documents. That is, it will take 2-3 years from the idea to the status of organic production, depending on the quality of the land plot and the methods of

its previous use. A feature of the introduction and implementation of organic production is the adaptation of legislative and regulatory documents of Ukraine and EU directives through the declared course on European integration. The chairman of the board of the Federation of the Organic Movement of Ukraine Yevhen Mylovanov notes that in Ukraine there are more than 400,000 hectares of agricultural land under organic certification. Over the past 10 years, the export of Ukrainian organic products to EU countries has remained at a consistently high level, which is estimated at tens of millions of euros, and we export most actively to the Netherlands, Germany, and Great Britain. These are cereals, legumes, oil crops and wild plants - berries, mushrooms, nuts. In addition to the mentioned, there is a great prospect of growth in the sector of products with a higher added value, including processing: cereals, concentrates, juices, vegetable oils. The export of traditional and organic products is growing in the country. Every year the situation changes, the demand for certain products changes, it is clear that globalization is taking place, which does not give Ukraine chances in the agricultural sector, mostly there is a demand for cheap raw materials or for high-quality products with highly organized logistics, etc [6]. We can confidently state that Ukraine has carried out a significant export of fruit and berry products. The share of agri-food products in the total export of Ukraine decreased from 45 to 41% in 2021, retaining the leadership in its product structure. But at the same time, Ukraine exported a record number of frozen berries. According to the results of 2021, Ukraine ranks fifth in the volume of berry exports among the largest exporters of this product in the world. And these are Poland, Germany and the Czech Republic. This is reported by the Ukrainian Club of Agrarian Business. During the 2021 Ukraine exported 21.4 thousand tons of berries, which is 43% more than last year. At the same time, the revenue is 44 million hryvnias.

The main importing countries of Ukrainian berries:

- Poland (53%),

- Germany (11%),
- Czech Republic (11%).

The main products of this product group were walnuts, frozen fruits and berries, apples and pears, and their total share in the export of horticultural products reached almost 92%. The increase in the value of exports of apples and pears turned out to be the most noticeable - more than twice. The peculiarity of organic production is that production at all stages - logistics, storage, processing, packaging - is under appropriate supervision, for this there is a monitoring and supervision system: for example, it is possible to track not only how tomato juice is made, but also how it is grown every tomato that gets there. In Ukraine today there is one domestic certification organization and one and a half dozen foreign ones, all of them are private and work in accordance with the requirements of the European Union. The mentioned organizations and manufacturers of organic products are moving forward much faster than legislation and official bodies. Now we have reached the stage when it is necessary to harmonize our laws with the EU legislation as much as possible: a significant part of the by-laws on the regulation of the development of the organic sector has already been adopted, but the legislative process needs further improvement.

Cooperative principles are a condition for harmonizing the interests of cooperative members and determine the general direction of development the cooperative movement. In addition, these same cooperative principles in a complex distinguish cooperative organizations from other public and economic associations, banking institutions that function in a market economy. Cooperation is formed by members of society consciously, with a defined target. Because all people can function qualitatively only in relationships with other people. In general, it can be stated that society is a single cooperative system, where people can choose the expediency of joining a specific cooperative based on their own purposes, desires and momentary impulses or by choosing one of the

possible alternatives. At the same time, cooperation provides an opportunity to expand the scope of realization of the interests of individual individuals, thus people cooperate to meet those needs that cannot be met individually [2]. In the process of cooperation, individuals have personal motives, and the intensity with which they continue to contribute to formal efforts is a function of their satisfaction or vice versa. If their motives are not satisfied, they weaken their efforts or leave the system, and the given system, in their opinion, is considered ineffective. Ultimately, "the only measure of the effectiveness of a cooperative system is its survivability, that is, its ability to continue to offer sufficient incentives to satisfy individual motives in the pursuit of a group purpose [3]. Cooperative organizers should ask themselves several questions before joining. First, you should ask yourself - why are we doing it, what do we want to achieve? Second, what resources do we have at the start? Thirdly, what tasks will we set to achieve the purpose and how will we monitor the effectiveness of our actions? The latter is very important, precisely because of improper monitoring of results, associations do not develop, do not have the ability to see the result of work, determine the main indicators of success and see problem points. With a cooperative approach, it is important to be realistic — you need to realistically assess financial capabilities, human and other resources. Often when cooperative is creating or already during its work, people put forward mythical proposals, and if there is no real data and understanding, then you can spend a lot of resources and not achieve a result. The ability to respond quickly is also an important factor. Often, cooperatives miss out on profitable and promising projects or opportunities because they needed immediate work. Therefore, it is important that the cooperative always has basic documents ready, so that there is an understanding of the priority of activities and openness, thus, you can always react quickly to new opportunities.

There are universal principles of cooperation. It is important not just to follow them formally, but also to really feel them, let them pass through you -

that is when you can claim the effectiveness of work, and not just the existence of a formal association:

1. Voluntary membership is one of the key principles.
2. Democratic governance — participants must be aware of all decisions made.
3. Membership in economic activity — it is necessary to periodically change people at the decision-making level.
4. Autonomy and independence.
5. Education, professional training and informing of members of the cooperative.
6. Cooperation between cooperatives, but exclusively on a democratic basis, so that no one dominates, controls and coerces.
7. Care for the community in which the cooperative operates.

Clusters, as well as cooperatives, are a generally accepted global practice. There are many common features between these forms, but what distinguishes a cluster from a cooperative is that it is multi-level. If the essence of a cooperative is the union of producers, then for a cluster it is only the first level. It is then joined by producers of input resources, processors and distributors of products. And another very important element is integration relations with authorities, banks, certification bodies, specialized mass media, development agencies, universities, advisory services. That is, a cluster is a union of all those who work for the development of the agricultural sector [1]. The strength of the cluster is that it includes all the major players in the market, each of which has its own benefit from participating in the cluster. If we talk about farmers, in particular producers of organic products, then being a member of the cluster, they will definitely get better cooperation with the authorities, because a representative of the authorities must be present at every meeting of the members of the cluster, so there is an opportunity to discuss all problems. Another benefit is economies of scale. In this case, the cooperative principle works — the more of us, the

more profitable it is to purchase resources. Working in a cluster, it is also possible to jointly order market research on various topics, conduct training and apply for grants. Clusters contribute to the development of logistics infrastructure and the training of specialists together with universities. It is important to understand that a cluster is not an organizational and legal form, it is a mechanism and principle of work. In the world, clusters work in different "official" status. In the European Union, for example, the form of association prevails. In France, 100% of clusters are associations, in Germany - 67%. An interesting example is the example of Norway - there the clusters work without the status of a legal entity at all, but at the same time 70% of their budget is formed with state support - the funds are allocated to specific projects within the framework of the cluster's work. Popular forms are also limited liability companies and public organizations. The cluster is managed by the Board of Directors or the Supervisory Board. This body includes one representative of each member of the cluster, there is a president, a vice-president, who are periodically re-elected. The board has influence over the management team — as a rule, it is the general manager and 1-2 of his assistants. If the cluster has been operating for a long time and works on several projects, then each of these projects can have its own manager with assistants [1].

Insights from this study and perspectives for further research in this direction. There is a gradual tendency to increase the number organic certified farms and expanding the area of agricultural land suitable for the production of such products. At the same time, the Ukrainian market of organic products is underdeveloped. The demand for these products in European countries exceeds the available supply, and therefore gives Ukrainian producers the opportunity to become an active participant in the market of international trade in organic products.

The obstacle to this is that that small-scale producers with their own products remain outside the main procurement and sales chains of commodity

supplies as both domestically and on the foreign market. Numerous evidences and figures show that in traditional agricultural production, cooperation is a success factor for small and medium-sized farmers. It is worth noting that cooperation is possible at the level of regions, settlements, while branch associations in the areas of: berries, nuts, apples, etc. will and have the prospect of solving unifying issues and do not contradict cooperation - on the contrary - protect its interests. For example, prospects next year confirm the trend that ukrainian gardeners start the next year without a clear idea of the development of the industry even in the short term. Moreover, this applies to many issues: limited financial resources, difficulties in establishing sales of products, unfavorable price situation in the ukrainian market.

In addition, despite significant industry efforts, it was not possible to achieve a reduction of the VAT rate for producers to 7%. However, ukrainian and international markets do not stand still, and we will have to respond to their challenges. In recent years, ukrainian exporters managed to gain a foothold in the European Union market and gradually expand the geography of sales, but a new wave of competition with world industry leaders, especially in terms of price and product quality, cannot be avoided.

Literature

1. Кластерна організація аграріїв: зволікати не можна об'єднуватися. *Агробізнес сьогодні*. 24 листопада 2015. URL: <http://agrobusiness.com.ua/agro/ekspertna-dumka/item/8193-klasterna-orhanizatsiia-ahrariiv-zvolikaty-ne-mozhna-obiednuvatysia.html>
2. Безус Р.М., Дуброва Н.Р. Кооперативний рух в органічному агровиробництві. *Молодий вчений*. 2016. №12. С. 346-350.
3. Чижевська М.Б. Фінансова кооперація як складова інституціональної грошово-кредитної системи. *Науковий вісник Полтавського університету споживчої кооперації України. Економічні науки*. 2008. № 1. С. 218-222.

4. Чи потрібна кооперація в органічному секторі економіки? 2019. URL: <https://platformorganic.com/chi-potribna-kooperacija-v-organichnomu-sektori-ekonomiki>
5. GREEN PAPER: Promoting a European framework for Corporate Social Responsibility. *European Commission*. 2001. URL: [Ehttps://ec.europa.eu/commission/presscorner/detail/en/DOC_01_9](https://ec.europa.eu/commission/presscorner/detail/en/DOC_01_9)
6. Милованов Є. Значення органічного сільського господарства у системі розвитку сільських територій. *Вісник Львівського національного аграрного університету. Серія: Економіка АПК*. 2018. № 25. С. 87-98.
7. Ушкаренко Ю., Чмут А., Соловійов А. Переваги кооперативної взаємодії під час виробництва та експорту органічної продукції. *Підприємництво та інновації*. 2020. 11-2. С. 44-50. doi: <https://doi.org/10.37320/2415-3583/11.25>
8. Зіновчук В.В. Організаційно-правові засади становлення сільськогосподарської кооперації в Україні. *Вісник Житомирського національного агроекологічного університету*. 2012. № 1(2). С. 3-12. URL: [http://nbuv.gov.ua/UJRN/Vzhnau_2012_1\(2\)_3](http://nbuv.gov.ua/UJRN/Vzhnau_2012_1(2)_3)

References

1. Klasterna orhanizatsiia ahrariiv: zvolikaty ne mozhna obiednuvatysia (2015). URL: <http://agro-business.com.ua/agro/ekspertna-dumka/item/8193-klasterna-orhanizatsiia-ahrariiv-zvolikaty-ne-mozhna-obiednuvatysia.html>
2. Bezus R.M., Dubrova N.P. (2016). Kooperatyvnyi rukh v orhanichnomu ahrovyrobnytstvi. *Molodyi vchenyi*, 12 (39), 646-650.
3. Chyzhevska M.B. (2008). Finansova kooperatsiia yak skladova instytutsionalnoi arkhitektoniky hroshovo-kredytnoi systemy. *Naukovyi visnyk Poltavskoho universytetu spozhyvchoi kooperatsii Ukrainy: Ekonomichni nauky*, 1, 218-222.
4. Chy potribna kooperatsiia v orhanichnomu sektori ekonomiky? (2019). URL: <https://platformorganic.com/chi-potribna-kooperacija-v-organichnomu-sektori-ekonomiki/>

5. GREEN PAPER: Promoting a European framework for Corporate Social Responsibility (2001). *European Commission*. URL: https://ec.europa.eu/commission/presscorner/detail/en/DOC_01_9
6. Mylovanov Ye. (2018). Znachennia orhanichnoho silskoho hospodarstva u systemi rozvytku silskykh terytorii. *Visnyk Lvivskoho natsionalnoho ahrarnoho universytetu. Ekonomika APK*, 25, 87-98.
7. Ushkarenko Iu., Chmut A., Soloviov A. (2020) Perevahy kooperatyvnoi vzayemodii pid chas vyrobnytstva ta eksportu orhanichnoi produkcii. *Pidpryyemnytstvo ta innovatsii*, (11-2), 44-50. doi: <https://doi.org/10.37320/2415-3583/11.25>
8. Zinovchuk V. V. (2012). Orhanizatsijno-pravovi zasady stanovlennia silskohospodarskoi kooperatsii v Ukraini. *Visnyk Zhytomyrskoho natsionalnoho ahroekolohichnoho universytetu*, 1(2), 3-12.