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Prospects for the Development of Organic Production in Ukraine Under the European Green Deal

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► **Abstract.** The transition to organic agricultural production is a requirement of the time given the deteriorating environmental situation in the world. Currently, Ukraine is one of the most powerful producers and exporters of agricultural products in the world, and the reorientation of organic agricultural production will strengthen and consolidate its position in the world market. The purpose of the research is to perform a comprehensive description of the general state of development of organic agriculture in Ukraine in the context of the new green course of the European Union and to substantiate possible prospects. Research methodology. In the course of the research, the following methods were applied: regulatory and legal analysis (when making a comparison between the regulatory component of Ukraine and the European Union); scientific abstraction (when forming a hypothesis of the further algorithm of organic product development in terms of institutional and practical component); scientific analysis (when assessing the degree of willingness of organic production in Ukraine to implement the conditions defined by the Council of Europe regulations). Research results. The problems of Ukrainian legislation in the sphere of production and sale of organic products are analysed, and the ways and sequence of elimination of the existing shortcomings are outlined for the decision in the EU countries to significantly increase the area under organic production by 2030, the question of the impact of such a decision on the further prospects of development of this field in Ukraine in the long term is raised. Therefore, the market aspect was analysed, reflecting the existing indicators of the market situation of organic food, strengths and weaknesses were identified from the standpoint of production and market. In addition, the key provisions of the Council of Europe resolution on the adoption of the “green course” were assessed. In this regard, the advantages and disadvantages of Ukraine as one of the largest exporters to the European Union countries were established. The opportunities that the country has received for further development of organic agriculture and its efficient functioning have been identified. Elements of scientific originality. The algorithm for achieving the purposes of the Green Deal in

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the European Union, and the degree of willingness of Ukraine in the institutional and industrial aspects to implement the provisions of the adopted resolution. Practical significance. Despite the positive individual changes in organic production in Ukraine, there are serious institutional problems that require immediate and efficient solutions, in particular, in the field of legislation and standardisation of organic products

► **Keywords:** organic production, green course, European Union, agriculture, balanced development, environmental economics

► Problem statement

The European Green Deal is now distinguished as a priority aspect of the European Commission's policy. Its main purpose is a sustainable, climate-neutral Europe by 2050, which is a tool for attracting investment and growth, and increasing investment in environmentally oriented industries, including organic production (European Green Deal, 2021).

In the "green course", the justification of a specific state model of governance is a key factor in the reorientation to a more sustainable food system of society, in particular in the context of strengthening the importance of small farms in the fight against climate change, environmental protection and biodiversity conservation. Organic agriculture is essential for achieving such purposes. Farmers are the first to feel the consequences of climate change and biodiversity loss. After all, the unstable and unreasonable use of intensive agricultural methods remains one of the main causes of biodiversity loss. Organic farms provide a significant contribution to achieving sustainable agriculture of the future (Khodakivska, Shpykuliak, & Suprun, 2017).

According to available data, the EU countries are expected to significantly expand the area under organic production, which will increase the production of organic food on their production, which will determine developments in the global organic market.

Analysis of recent studies and publications. The problems of organic production development in Ukraine were addressed by such well-known scientists as N.V. Zinovchuk (Zinovchuk, & Rashchenko, 2015), V.V. Kyporenko (Kyporenko,

2014), V.I. Lazarenko (Lazarenko, 2018), V.O. Melnyk (Melnyk, 2014), Ye.V. Mylovanov (Mylovanov, 2009), V.A. Savchuk (Savchuk, 2017), P.M. Skrypchuk (Skrypchuk, 2018), V.V. Tarasova (Tarasova, 2010), V.A. Tkachuk (Tkachuk, 2012), N.H. Toma (Toma, 2012), O.I. Furdychko (Furdychko, 2011), O.V. Khodakivska (Khodakivska, *et al.*, 2020; Khodakivska, Kireytseva, & Zhylin, 2020). Giving proper credit to the scientific achievements of these scientists, it should be noted that current changes in the environmental policy of the European Union require substantiation of new scientific approaches to the development of organic production in Ukraine.

The purpose of the research – is to perform a comprehensive description of the general state of development of organic agriculture in Ukraine in the context of the new green course of the European Union and to substantiate possible prospects.

Outline of the main material. In European countries, organic production at the present stage of design has achieved both the development prospects and has become a necessity, especially in the context of meeting environmental requirements.

Organic production in Ukraine in recent years has demonstrated steady growth both in terms of the number of new operators and exports to different countries of the world, especially to the EU, where Ukraine is one of the leaders in the import of organic raw materials. Despite this, the scale of organic production in Ukraine remains insignificant. Thus, the domestic organic market in Ukraine is just beginning to develop, at the present stage for the country there is a necessity to develop new approaches in the aspect of the institutional

component in the formation of favourable conditions for the development of organic agriculture as a foundation for providing its population with quality environmentally safe products.

As for the institutional component, its main factor is the regulatory aspect. As known, in 2014 Ukraine and the EU signed the Association Agreement. And the text of the mentioned agreement addresses the issue of agricultural development, regulated by Chapter 17 "Agriculture and Rural Development", where it is noted that "the parties shall cooperate to promote the development of agriculture and rural areas, in particular through the gradual approximation of policies and legislation (Article 403)". In addition, the prescribed provisions include assistance in the development of modern and sustainable agricultural production, considering the necessity to protect the environment, in particular concerning "the spread of the application of organic production methods and using biotechnologies, including through the introduction of best practices in these areas (Article 404)" (Association Agreement between Ukraine..., 2014).

As it was identified, today the legal framework of Ukraine has several disadvantages, which are manifested by low efficiency in the development of organic production, and the implementation of the provisions specified in the text of the Association Agreement. For example, for a long time, the production and circulation of organic agricultural products in Ukraine were not regulated in the legal field. And this had a corresponding adverse effect on the market of organic products, namely: this market was oversaturated with low-quality products that were labelled as organic or ecological, but did not comply with international organic standards (The world of organic agriculture, 2020). Thus, consumer confidence remains low, which resulted in the loss of market share and the exit of some companies from the market. In this regard, a positive development was the adoption of the Law of Ukraine "On Basic Principles and Requirements for Organic Production, Circulation, and Labeling of Organic Products" of July 10, 2018, No. 2496-VIII (Law of Ukraine № 963-IV, 2003). This Law defines

the basic principles and requirements for organic production, circulation, and labelling of organic products, the principles of legal regulation of organic production, circulation of organic products and the functioning of the organic market, the legal framework for the activities of central executive authorities, subjects of the organic market and the areas of national policy in these areas.

Notably, international cooperation in organic production has gained significant importance, which was facilitated by: the project "German-Ukrainian cooperation in organic farming"; the EU project "Support for the implementation of agricultural and food policy in Ukraine"; Swiss-Ukrainian project "Organic Market Development in Ukraine", implemented by the Research Institute of Organic Agriculture (FiBL, Switzerland) with the financial support of the Swiss Confederation through the Swiss State Secretariat for Economic Affairs (SECO) (until 2018); Swiss-Ukrainian programme "Higher Value Added Trade Development in the Organic and Dairy Sectors of Ukraine", funded by Switzerland and implemented by the Research Institute of Organic Agriculture (FiBL, Switzerland) in partnership with SAFOSO AG (Switzerland) and other international projects and programmes (Legislative regulation of the..., 2021; Department of agricultural development..., 2020). However, despite the adoption of the Law of Ukraine "On the Basic Principles and Requirements for Organic Production, Circulation, and Labelling of Organic Products", a large number of by-laws and regulatory frameworks related to the full functioning of the law have not yet been developed or approved, including procedures for control and registration of both organic production operators and accreditation of certification bodies.

In addition, the Law of Ukraine "On State Control over the Use and Protection of Land" (Law of Ukraine № 963-IV, 2003) provides for mandatory agrochemical certification of land. The result of such certification is an agrochemical passport of the field, and agricultural land, the development of which is performed for state control over changes in fertility, soil contamination with

toxic substances and radionuclides, and rational use of agricultural land.

Thus, the certification of agricultural land results in the key problem of the European organic sector – environmental safety. Quality and safe food is now considered to be the main problem for European citizens. However, over the past decade, the share of ordinary consumers' spending on quality and safe food has been decreasing, which has resulted in lower food prices and, consequently, low incomes for farmers. Organic farming is characterised by a relatively high cost, as organic farmers operate their activities with natural processes and substances without using synthetic products. However, even in European countries with a relatively high level of public awareness, some enterprises apply unfair “rules of the game”, calling their products organic. Although in reality, it does not comply with any standards of organic production.

This problem is relevant for Ukraine, where such producers use the existing gaps in

the legislation, artificially inflating the price of “quasi-organic” products. Considering this, the developed project is designed to solve the existing problem, which Ukraine can use as an undeniable opportunity. According to the product development project, the European Union intends to develop in three areas:

- 1) increase the consumption of organic products;
- 2) increase production and consumption of organic products, allocate 25% of agricultural land for organic farming by 2030, and significantly increase organic aquaculture;
- 3) to ensure sustainable development and increase the role of organic production in solving environmental problems (Communication from the commission..., 2021).

Regarding the consumption aspect, according to official Eurostat data, among the largest consumers of organic products are such countries as Denmark, Sweden, Luxembourg, Austria, Germany, France, and the Netherlands (Fig. 1).

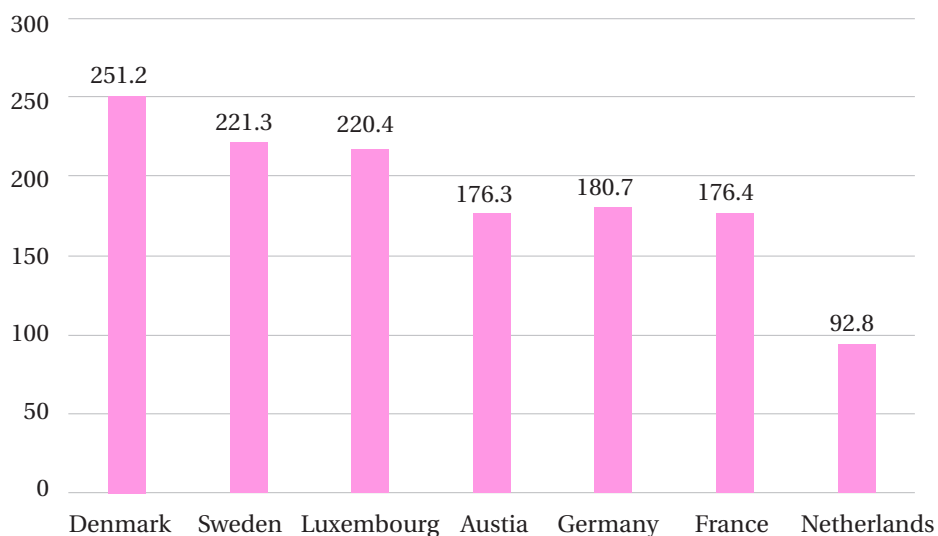


Figure 1. The highest consumption of organic products among EU countries, dollars US per person per year

Source: Based on the authors' data (Eurostat, 2020)

As for Ukraine, according to IFOAM and the Federation of Organic Movement of Ukraine, the volume of the consumer market of organic products in Ukraine in 2020 amounted to 38 million

euros, that is, barely more than 1 euro per person (Federation of Organic Movement in Ukraine, 2021).

According to the analysis of the situation with the development of the organic market in

the EU over the past two decades, it has emerged that by 2020 the growth in consumption of organic

products was more than 2 times ahead of the expansion of land under organic production (Fig. 2).

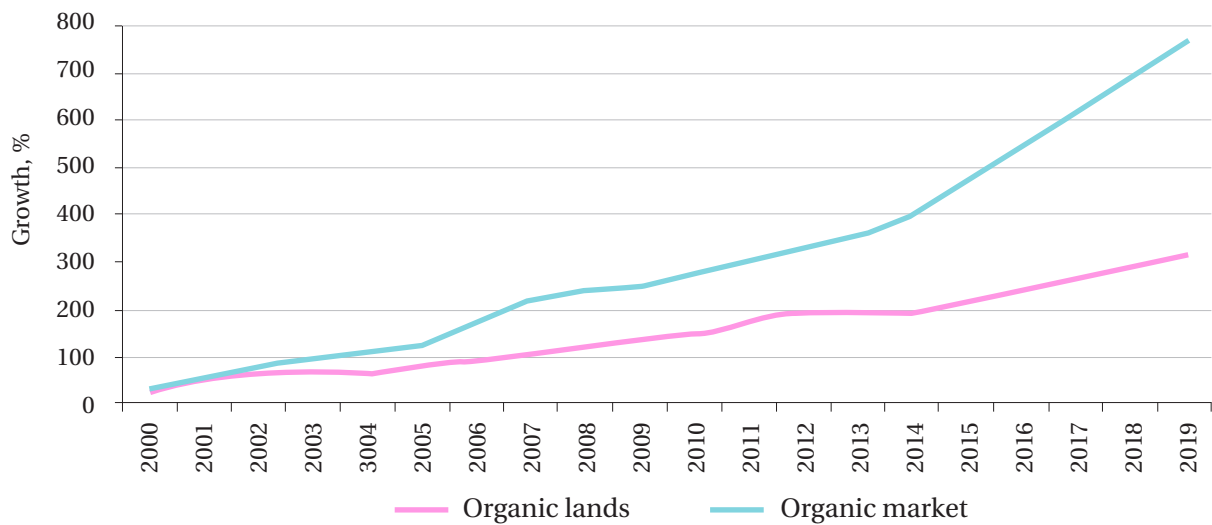


Figure 2. Growth of organic area and retail sales in EU countries in 2000-2019

Source: Based on the authors' data (Federation of Organic Movement in Ukraine, 2021)

Therewith, the detailed situation on the Ukrainian market demonstrated the presence of 597 certified farms. Every year this indicator is growing,

considering the environmental benefits of this way of farming, and economic and market prospects in the context of European integration processes (Fig. 3).

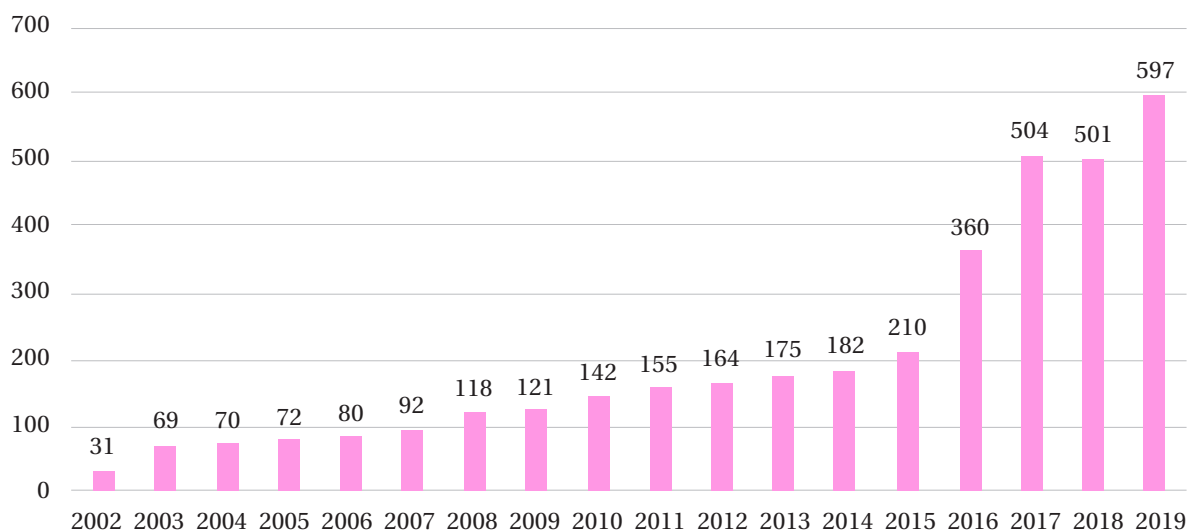


Figure 3. Number of certified organic farms in Ukraine from 2002 to 2019, units

Source: Based on the authors' data (Federation of Organic Movement in Ukraine, 2021)

A significant increase in organic farms may occur in connection with the opening of the land

market in Ukraine. Full owners of the land, recognising the deterioration of natural resources that

belong to them, will have to reorient (at least partially) their production to be less destructive in the environmental aspect.

As it was established, currently in Ukrainian organic agriculture enterprises mostly specialise in the cultivation of grains, legumes and oilseeds, and the production of dairy products. In addition, Ukraine occupies a leading position in the world in terms of honey production. A specific feature of organic agriculture in Ukraine is the concentration of production in its development mainly in fairly large enterprises and holdings specialising in the production of raw materials – grain (corn, soybeans, sunflower, wheat, etc.), vegetables, berries and primary processing products (oilcake).

According to the European Commission, in 2020, Ukraine ranked fourth in the world among suppliers of organic products to this market with a total share of 7.8% (in 2019, it ranked second). Exports of Ukrainian organic products to the

European Union in 2020 decreased by 23.1% compared to 2019, to 217 210 tons. The decline in exports in 2020 was primarily due to a decrease in organic crop yields due to adverse weather conditions.

The main Ukrainian export crops to the organic market of the EU were organic grains (except for wheat and rice), whose exports in 2020 decreased by 44% to 82,900 tons. Despite the recession, Ukraine remained the main supplier to the EU, with a share of 74.4% of total supplies.

In 2020, exports of organic soybeans from Ukraine to the EU increased by 67.8% compared to 2019, to 28.7% (21% of world exports to Europe), organic oilseeds decreased by one-third, to 19 300 tons (14.1%), oilcake – by 9.4%, to 7400 tons (3.2%).

In 2020, Ukraine exported 5.9% more fresh and dried organic vegetables to the EU than in 2019, 15,500 t, while exports of fresh, chilled and dried organic vegetables decreased by 13.2% to 5,400 t (Ministry of Agriculture, 2021) (Fig. 4).

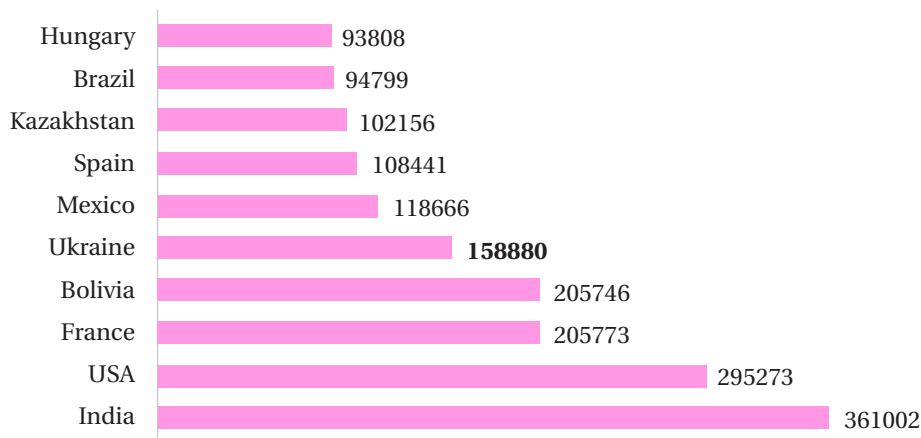


Figure 4: Top 10 countries by areas of organic land in the world, ha

Source: Based on the authors' data (Eurostat, 2020)

Evidently, Ukraine is currently at the initial stage of development of organic production, despite the leading position in exports to the EU countries and a fairly large area under organic production compared to other countries, due to the large area of agricultural land in Ukraine. However, at the present stage, it is impossible to assert that in the coming years the development of organic

production in Ukraine in terms of the area will comply with the requirements of European legislation.

All this is explained by the following factors:

- 1) low level of support for organic production by the state and insufficient promotion of a healthy lifestyle in Ukraine;
- 2) awareness of the population about the features of organic products;

3) low income of the absolute majority of the population in Ukraine;

4) distrust of organic products by consumers and retail chains, conditioned upon a large number of pseudo-organic products and unfair competition of other producers;

5) lack of efficient legislation protecting the rights of producers and consumers of organic products.

► Conclusions

Analysing the situation with the development of organic production in Ukraine, the EU, and other leading countries of the world, it can be stated that in recent years, organic production has begun to play a significant role in providing the population with quality, environmentally friendly food, in particular, children's and dietary food. In addition, a healthy lifestyle is gaining popularity.

Climate change, which is already observed enough, and its catastrophic consequences in the form of floods, droughts, and fires, in particular, in European countries, are additional factors that make paying more and more attention to environmental problems and finding ways to solve them. Hence, the public pressure on the governments of the EU and other highly developed democratic countries of the world is increasing, forcing them to accelerate the adoption of measures to promote green technologies.

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Notably, the growth in demand for organic products in recent years is not compensated by the expansion of the area under organic production in the EU countries. Thus, as it appears, the deficit of organic products in the European and other organic markets becomes an undeniable chance for Ukrainian organic producers to gain a foothold in one of the most dynamically growing markets in the world.

However, it should be considered that the adverse experience of falsification of organic products by domestic enterprises in the past years hurt the Ukrainian reputation in the global organic market. Considering this, it is essential to establish a functional system of monitoring and support for organic producers in Ukraine. Therewith, one of the possible options for such a monitoring system in the current business environment is the establishment of a single digital platform that unites interests at all three levels: state, local, and consumer.

In the context of this monitoring, an essential aspect is the control of integrity both in respect of compliance with the ethical rules of producers who position themselves as organic producers and those who conduct conventional agriculture. After all, conventional business entities, particularly, large producers, have a systemic adverse impact on the environment, using excessive (sometimes even prohibited) chemicals that pollute the soil and transform it into unsuitable for organic agriculture.

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Перспективи розвитку органічного виробництва в Україні в умовах європейського зеленого курсу

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► **Анотація.** Перехід на органічне агровиробництво є вимогою часу з огляду на погіршення екологічної ситуації в світі. Наразі Україна є одним із найпотужніших виробників та експортерів сільськогосподарської продукції в світі, а переорієнтація на органічне сільськогосподарське виробництво дозволить посилити та закріпити свої позиції на світовому ринку. Мета статті – здійснити комплексну характеристику загального стану розвитку органічного сільського господарства України в умовах нового зеленого курсу Європейського Союзу та обґрунтувати можливі перспективи. Методика дослідження. В процесі дослідження застосовано наступні методи: нормативно-правовий аналіз (при здійсненні порівняння між нормативною складовою України та Європейського Союзу); наукової абстракції (при формуванні гіпотези подальшого алгоритму розвитку органічного виробництва в аспекті формально інституційної та практичної складової); наукового аналізу (при оцінці ступеня готовності органічного виробництва України до впровадження умов, визначених регламентом Ради Європи). Результати дослідження. Проаналізовано проблеми українського законодавства у сфері виробництва та реалізації органічної продукції, окреслено шляхи й послідовність усунення існуючих недоліків за прийняття рішення в країнах ЄС про значне збільшення площ під органічним виробництвом до 2030 р., постає питання про вплив такого рішення на подальші перспективи розвитку згаданого напрямку в Україні в довгостроковому періоді. Звідси проаналізовано ринковий аспект з відображенням наявних показників ринкової кон'юнктури органічних продуктів харчування, визначено сильні та слабкі сторони саме з позиції виробництва та ринку. Крім цього, надано оцінку ключових положень резолюції Ради Європи про прийняття «зеленого курсу». У такому контексті встановлено переваги і недоліки України, як одного з найбільших експортерів для країн Європейського Союзу. Визначено можливості, які отримала країна для подальшого розвитку органічного сільського господарства та його ефективного функціонування. Елементи наукової новизни. Сформовано алгоритм досягнення цілей зеленого курсу в країнах Європейського Союзу, а також ступінь готовності України в інституційному і виробничому аспектах до застосування на практиці положень прийнятої резолюції. Практична значущість. В органічному виробництві України незважаючи на позитивні окремі зміни, існують серйозні проблеми інституційного характеру, що потребують негайного та ефективного вирішення, зокрема в сфері законодавства та стандартизації органічної продукції

► **Ключові слова:** органічне виробництво, зелений курс, Європейський Союз, сільське господарство, збалансований розвиток, економіка природокористування