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THE ROLE OF INNOVATION IN THE DEVELOPMENT OF ORGANIC PRODUCTION

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Abstract

The article considers the features of organic production, stages of formation and introduction of organic products in domestic and foreign markets. The benefits for producers of organic production and the current state and prospects of development of the market of organic products are given. It is noted that the purpose of ecologically oriented innovative activity of enterprises is the introduction of ecologically clean waste-free and low-waste technologies. Innovative measures are proposed for a set of internal and external factors that affect the eco-innovation activities of enterprises.

Keywords: organic production, innovations, eco-innovations, certification, organic market, organic products.

Introduction. Organic production is a holistic system of management and production of food products and for use for non-food purposes, the purpose of which is to obtain organic products at all stages of production and which takes into account the requirements for growing, production, processing, certification, labeling, transportation, storage and sale of organic products, aimed at improving the basic indicators of public health, environmental protection, ensuring the rational use and reproduction of soils and other natural resources. Organic production involves the certified activities of operators in accordance with the law.

Production carried out by the operator of organic production is considered organic only after obtaining a certificate for the production of organic products in accordance with the rules of organic production [1].

In the current conditions of the spread of globalization processes, the agricultural sector of Ukraine must move to an innovative model of development in order to ensure the competitiveness of both domestic agricultural products and the country as a whole. This is especially true in today's conditions, when agriculture lags behind the innovation lag from other sectors of the economy. This hinders the development and introduction into production of resource-saving technologies and equipment, reduces the quality of labor potential and leads to deterioration of the environmental situation, further pollution and destruction of agricultural land. To solve these problems it is necessary to use environmental innovations that provide a high level of environmental safety of production, products and services while strengthening the competitive position of production, preserving the natural environment. In the developed countries of the world, it is due to new knowledge and the introduction of innovations in agriculture that a high level of benefit is obtained, without disturbing the ecological balance of the environment [2].

Literature review. Fundamental researches of theoretical-methodological and practical aspects of ecologically oriented innovative activity of enterprises belong to such domestic scientists as V. Bozhkova, S. Ilyashenko, T. Karpishchenko, L. Melnyk, D. Panteleychuk, O. Prokopenko, L. Fedulova and others. Most developments have an applied orientation.

Among foreign researchers in the field of environmental innovation can be identified such as: P. James, M. Middinski, R. Kemp, A. Reid, K. Renings, K. Fassler, T. Foxon, T. Zwick, etc.

Main part. Today, the greening of agriculture is becoming a priority problem that can be solved by moving from traditional to organic farming. Based on the principles of health, ecology, care and justice, organic agriculture provides: increasing the prestige of the state in the agricultural sector; revival of the agro-industrial complex of Ukraine; increasing the market of environmentally friendly food and raw materials for the food industry; growth of exports of agricultural products; preservation and natural reproduction of fertility of agricultural lands; creation of favorable conditions for ecologically safe development of rural territories and social sphere of the village, improvement of well-being of peasants; harmonious combination of ecology with the economy, which corresponds to the concept of environmental policy of Ukraine.

The formation of the organic market is no less interesting than the current state and prospects [3].

Consider the main stages and moments of formation of organic production: 1994 - The International Dossier Information Center International Charitable Organization is registered. The organization promotes the principles of sustainable development in society, their integration into national policies and government programs through the dissemination of objective environmental and social information to the media, local communities, government and business, thus involving them in practical action. 1996 - The first organic enterprise was registered - PE "Agroecology". This year is considered the initial year for the introduction of organic production in Ukraine and the year of establishment of Agroecology. 1997 - An agreement is signed between the governments of Ukraine and Switzerland on technical and financial cooperation. Thanks to this agreement, it is possible to develop technical assistance projects, in particular, for the development of organic agriculture in Ukraine. The Swiss State Secretariat for Economic Affairs has been providing ongoing support to Ukraine in the field of organic production and organic market development since 2004. 2003 - The first documentary video in Ukraine about organic production, in particular about organic farming "Where the city ends" was released. 2004 - The Association of Bioproduction Participants "BIOLan Ukraine" is registered. The organization was established to protect the interests of producers of organic products. Priority areas are the creation of a network of organic producers in Ukraine, the formation of the domestic market of organic products, the development of legislation and regulatory framework for organic production in Ukraine. 2005 - The Federation of Organic Movement of Ukraine is registered. The organization aims to comprehensively promote the values and worldview inherent in the supporters of the global organic movement, increase the efficiency of agricultural production with the simultaneous development of safe for nature and man technologies, promote the development of the organic movement in Ukraine. 2007 - The Ukrainian certification body “Organic Standard” is registered, which is accredited and included in the official list of certification bodies recognized in the European Union, Switzerland, Canada, and many post-Soviet countries [3].

Also in 2007, the first organic products of Ukrainian production appeared in retail chains. 2008 - Opening of the first specialized store "Natur Boutique". 2009 - The first All-Ukrainian Fair of Organic Products took place and for the first time Ukrainian organic products were presented at BioFach (20th anniversary International Exhibition of Organic Production BioFach in Nuremberg (Germany)). 2011 - The first sub-regional survey "green economy" for Armenia, Moldova and Ukraine.

UNEP (United Nations Environment Program), in collaboration with governments, national and international organizations working in the fields of agriculture, food production and economic development, launched a sub-regional initiative in 2010 to review the Green Economy. 2013 - The Union of Producers of Certified Organic Products "Organic Ukraine" is registered The activities of the Union "Organic Ukraine" are aimed at consolidating Ukrainian certified producers of organic products for the development of the organic market in

Ukraine, the formation of a wide range of quality local food to fully meet the demand of the population. The study provides a package of proposals for policy reforms, investment and capacity-building measures to facilitate the transition to a green economy. In addition to conducting research, the initiative envisages further work aimed at the transition to a green economy, in particular, consultations for such a transition and promotion. 2014 - The Law “On Production and Circulation of Organic Agricultural Products and Raw Materials” and the Official Opening of the First National Pavilion of Ukraine at BioFah came into force. The main legislative act in the field of organic market regulation, which in 2019 was replaced by the Law of Ukraine "On Basic Principles and Requirements for Organic Production, Circulation and Labeling of Organic Products". For the first time, state support for organic production is included in the state budget. 2015 - Organic production is named one of the priority areas of agricultural development [3].

2016 - Launch of the organic portal OrganicInfo. The work of the target information web portal, which aims to promote organic production and organic food, has started. The State logo of Ukraine for labeling of organic products was presented. 2017 - National Pavilion of Ukraine at the BioFach exhibition for the first time The National Pavilion of Ukraine at the BioFach exhibition is supported by the Ministry of Agrarian Policy and Food of Ukraine, and the organic sector of Ukraine is represented at the level of Deputy Minister. "Ukrainian Organic Cluster" is registered. The Public Association "Ukrainian Organic Cluster" was established, which unites producers of organic products from all over the country. 2018 - Presentation of the first official video "Organic in Ukraine" The first official video was created by PLAN C at the request of business representatives of the Ukrainian organic sector and initiated by the Ministry of Agrarian Policy and Food of Ukraine. Video production was made possible by the support of the Swiss State Secretariat for Economic Affairs (SECO) under the Organic Market Development in Ukraine project (implemented by the Research Institute for Organic Agriculture (FiBL, Switzerland)) and the Western NIS Enterprise Fund, funded by the US government. through the United States Agency for International Development (USAID). 2019 - Ukraine became one of the top 5 suppliers of organic products to the EU [3].

Strengthening the domestic market of Ukraine, producers can also improve their products and increase exports by increasing international demand for organic agricultural products. In Ukraine, there is already an awareness of these priority needs: in recent years, the authorities are taking steps to intensify educational activities of interested experts and public organizations, small farmers are gradually beginning to feel the interest of the state, and consumers are getting new tools to reasonably influence the market. According to the leading certification body "Organic Standard", the main organic products (by volume) exported by its customers from Ukraine were corn, wheat, soybeans, barley, spelled wheat, sunflower, millet, rapeseed, blueberries (frozen), oats, millet , lupine, apples (fresh), buckwheat, mustard, elderberry (fruit), pumpkin seeds, birch sap, flax, flakes, rye, walnut (kernel), sea buckthorn (frozen), blackberry (frozen), dog rose (frozen), coriander, peas, elderflower (frozen), strawberries (frozen), cranberries (frozen), apple concentrate, hawthorn (frozen), sunflower meal, durum wheat flour, cranberries (frozen), chokeberry (frozen), chamomile (dried), hemp, raspberries (frozen) and sunflower oil. 11 largest countries-importers (by volume) of Ukrainian organic products3-the Netherlands, Germany, Great Britain, Italy, Austria, Poland, Switzerland, Belgium, the Czech Republic, Bulgaria and Hungary. Ukrainian producers also export to the United States, Canada, Australia and some Asian countries [4].

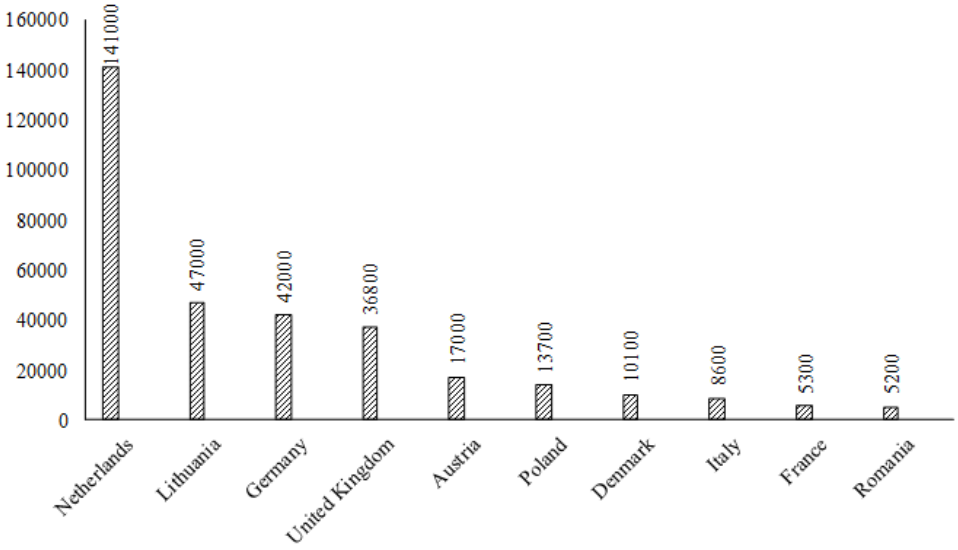

Fig. 1. Top 10 countries-importers of Ukrainian organic products, 2019, tons [11]

Ukraine ranks second (out of 123 countries) in exports of organic products to the EU, according to a report by European countries. This is two steps higher than the year before last, so Ukraine increased its exports by 27% to more than 337 thousand tons. This is 10% of all agricultural products that were imported into Europe.

The Ministry of Agrarian Policy and Food of Ukraine has initiated and developed a new version of the draft Law in the organic sphere in cooperation with

local and international partners, aiming at harmonization with EU organic legislation. This draft Law "On Basic Principles and Requirements for Organic Production, Circulation and Labeling of Organic Products" was registered in the Verkhovna Rada of Ukraine under No. 5448 of November 24, 2016 [6]. The draft law, finalized by the Committee on Agrarian Policy and Land Relations of the Verkhovna Rada of Ukraine, was adopted in the first reading (April 19, 2018) and is awaiting further consideration. Benefits for producers of limited production: direct economic benefits for farmers, traders and producers from the products themselves (for example, higher prices and / or reduced costs):

- economic benefits for society -employment (throughout the value chain)
- economic benefits for society -increase in exports (eg organic and direct economic benefits for producers from the sale of public goods and services (eg biodiversity conservation and landscape care, or capture-oriented pricing mechanisms for carbon emissions)
- long-term benefits from increasing natural capital, especially from soil improvement
- reducing costs for society (eg water purification and medical care)
- increasing social capital (eg cooperation between farmers, pride in doing something valuable, increasing trust in value chain, as well as deeper understanding between consumers and producers).

The transition to organic agriculture causes a number of uncertainties, which are related to four factors that provide parameters for modeling:

- the required level of investment (for certification and production);
- effective profitability (which is likely to increase over time);
- access to markets and prices (which depend on product and demand),
- the need for labor (which has a positive impact on job creation and a negative - taking into account costs and wages).

By producing organic products, we protect the environment, improve product quality and safety, grow modern and traditional technologies to control diseases, weeds and pests, improve soil properties, reduce water and air pollution, increase production efficiency. The advantages of organic production are shown in Figure 2.

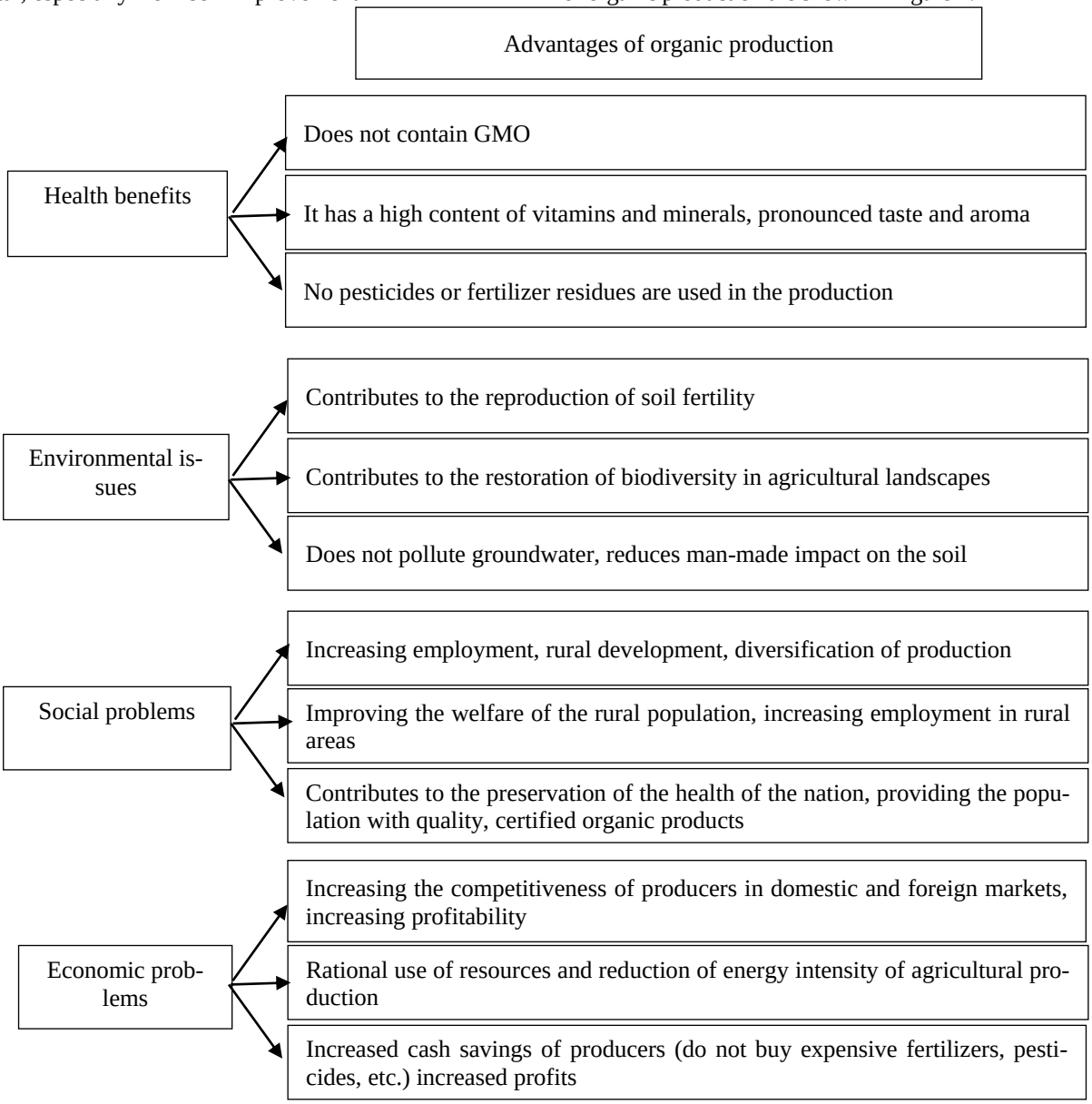

Fig. 2. The main advantages of organic production [12]

Effective farming cooperatives can support local and export markets, stimulate production efficiency and facilitate local logistics (eg drying, storage, sorting, pre-treatment and final processing) (EaP-GREEN, n.d.). This can be done by exchanging information on local and export markets, facilitating access to the necessary agricultural resources, and through financial mechanisms such as grants and loans to support organic farming cooperatives. Some steps in this direction have already been taken, it is worth continuing this activity. Ecosystem services and reducing the impact of organic agriculture are associated with improving soil quality, reducing emissions, and improving water quality. Policies can support these benefits by introducing fiscal mechanisms that support these services (eg, payments for ecosystem services), as well as penalties for actions that harm the environment (ie, the polluter pays principle).

A reliable domestic market for organic products reduces producers' dependence on exports and provides the market with organic goods that are geographically closer. Internal market development may include investing in more cost-effective certification (with clear labeling and quality control), educating consumers about the benefits of organic products, partnering with private companies to invest in market creation, supporting cooperatives to ensure more stable supplies to the market (as described above) and, where possible, government-led supplies. The goal is to provide a supply chain that is reliable for both producers and consumers (as well as for intermediaries such as storeowners) [5].

It should be noted that the introduction of eco-innovations in agricultural enterprises is carried out simultaneously with traditional production, as they are aimed at improving or creating new products, a significant update of production technologies. At the same time, the transition to renewed production requires additional costs (finance, time, energy, etc.), which can be found only with effective management of agricultural production [6]. It is obvious that in the future, companies that will make balanced development the leading idea of their activities will gain a competitive advantage in both domestic and foreign markets. However, most entrepreneurs are in no hurry to implement eco-innovation, citing the fact that the activities of balanced development or development of the market of "green goods" puts them at a disadvantage compared to their competitors, production on the principles of balanced development requires new equipment and processes, and consumers, in turn, will not be able to pay more for environmentally friendly goods. According to the results of our research, the introduction of eco-innovations in organic agriculture is negatively affected by many factors [7].

It is necessary to create a favorable environment for the introduction of eco-innovation in organic agriculture, which provides for the implementation of such measures. Creation of the legal framework, in particular the main law on organic agriculture, inspection and certification of organic products; using eco-innovations (subsidies, grants, tax benefits, etc.)

- promoting venture entrepreneurship;

- creating an effective institutional infrastructure that includes certification institutions, associations of organic producers and the relevant trade network;

- ensuring the development of innovation infrastructure, creating regional innovation;

– development of a strategy for integration into existing international structures to facilitate access to foreign markets for organic agricultural products;

– establishment of information and consulting support and competent advisory agricultural services;

– establishment of cooperation between producers of eco-innovative products and organic products;

– formation of innovative and ecological culture of society: support of scientific publishing houses, scientific and popular science publications, expansion of educational programs , raising the level of educational and scientific process, greening of education, etc. Thus the introduction of eco-innovative techniques and technologies in the agricultural sector, and especially organic farming, will contribute to: improving the environmental situation; rational use of natural resources; formation and education in all subjects of economic relations of ecological consciousness; infrastructure development of the entire cycle of organic production (from producer to sales network); development of infrastructure in the field of services (consultations, consulting, tourism, etc.); improving the quality of products and life of the population.

The purpose of ecologically oriented innovative activity of enterprises is the introduction of ecologically clean waste-free and low-waste technologies, installation of treatment facilities, production of ecologically clean products. A number of factors that contribute to the development of innovations or prevent their implementation influences the development of innovations in the field of environmental management. They, in turn, should be divided into two groups: factors of external and internal influence. External factors of influence are factors whose influence on the development of innovations in the field of eco-management the environment of the organization carries out. These include the level of economic growth, the political situation in the country, national and international legislation, tax policy, the availability of external sources of funding, scientific and technological progress, the environmental situation in the country and international environmental security programs. Internal factors are factors that affect the development of innovation within the internal environment of the enterprise. These include the goals of the organization in the direction of environmental measures; level of provision with internal sources of financing; availability of environmental safety specialists and relevant structural units [8].

Under the factors of eco-innovation, activities of enterprises define a group of internal (endogenous) and external (exogenous) factors that influence the process of creating new ideas and solutions aimed at reducing the pressure of the enterprise on the environment. In the scientific literature, in addition to theoretical external factors that stimulate the formation of innovation and eco-innovation, competition, consumer expectations, legal regulation (including in the field of environmental protection), achievements of science and technology

and economic and social progress and, as a rule, changes in the environment. Internal factors influencing the creation of environmental innovations in the enterprise include environmental awareness and aspirations of managers, voluntary commitments, environmental policy of the company and all factors influencing the functioning of the management system in the enterprise. The influence of external and internal factors on the eco-innovation activities of the enterprise is shown in Fig. 3.

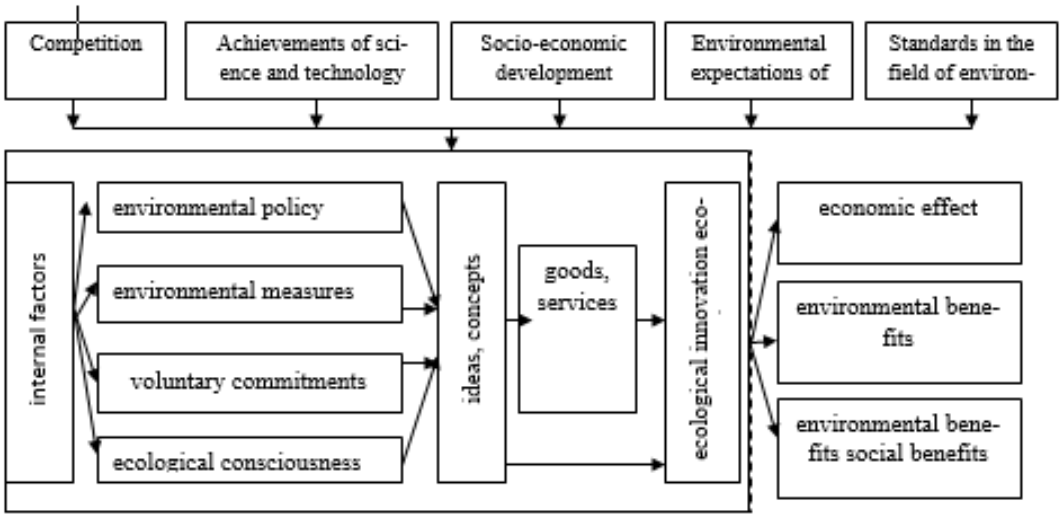

Fig. 3. Influence of external and internal factors on eco-innovation

After analyzing the impact of factors on the eco-innovation activities of enterprises and conducting a survey, it should be noted that the crucial role in achieving positive results of the implementation of environmental innovations by external factors are the requirements for environmental protection. 11.2% of the surveyed enterprises in industry and 6.2% of the surveyed companies in the services sector within the Volyn region chose it as the most important factor. The study showed that the most effective endogenous factors that determine the emergence of eco-innovation in enterprises are formalized management systems and environmental policy. Therefore, there is a need for continuous improvement of environmental aspects of management, which are the basis for the functioning of these systems. However, there are a number of reasons that hinder the introduction of environmental innovations. The reasons for the insufficient development of the organization of environmental activities and environmental management in production include: the lack of a stable economic base of enterprises; limited financial resources of enterprises; narrow focus on the definition and understanding of environmental activities in the modern concept of enterprises; lack of focus on improving the quality of the natural environment and resource conservation at all levels of management; free disposal of waste and access to the raw material base [9].

When evaluating and choosing options for economic, technical, technological and organizational solutions, preference should be given to those that are the best not only in economic, but primarily in environmental criteria and indicators. Among certain types of environmental innovations should be noted the production of environmentally friendly products. Organic or organic production means the production of products without the use of GMOs, herbicides, fungicides and other chemicals.

Important national organizations in the field of organic agriculture are the Federation of Organic Movement of Ukraine, the Union of Producers of Organic Certified Products "Organic Ukraine". Consulting and public organizations (such as Ques, VIP Group, Sib-Agro, IBO "Green Dossier", NGO "Ecoterra" (Lviv) and others) provide assistance to small and medium producers of organic products and enterprises in Ukraine in the distribution information, as well as in the development of new organic production facilities and supply chains at the national and regional levels. The Organic Standard certification body disseminates information on requirements, standards and technical data on organic products (Ministry of Agrarian Policy and Food of Ukraine). The number of organic entities in Ukraine, from producers to retailers, is growing every year, as is total organic production. The current Agriculture and Rural Development Strategy for 2015-2020 emphasizes the need to "adapt the regulatory framework in the field of organic production, promote equality with major markets, and promote organic agriculture, in order to meet the growing global demand for organic products and make their own contribution to solving environmental problems "(Ministry of Agrarian Policy and Food of Ukraine). This strategy includes an overview of the sector, policy and regulatory documents, highlights key issues and strengths, and proposes policy options for reform. This strategy was initiated and developed by the Ministry of Agrarian Policy and Food of Ukraine in cooperation with local organic market participants and international partners. Experts of the organic priority of the Strategy began their work in May 2017 in the Office for Support of Reforms at the Ministry of Agrarian Policy and Food of Ukraine [4].

The slow and one-sided development of organic production in Ukraine is caused by the following factors: -incompleteness of creation of the legislative and normative-legal base which would outline the state policy in the field of organic production; -dominance of exports and underdevelopment of the domestic market of consumption of certified organic products and organic food; -mostly 1-2 types of organic agricultural products of raw material type are produced and exported, mainly grain and oilseeds; - mainly large agricultural enterprises are involved in the production of organic products, while the transition of small and medium-sized farms to the organic method of management is quite limited; -production of livestock products according to organic standards is still absent, there is only information about the intentions of some agricultural producers to start this type of business; -wholesale and retail trade in organic consumer products are still underdeveloped; -reduction of soil fertility, the spread of soil erosion [10].

Therefore, it is necessary to bring the legislation of Ukraine in line with the current acquis communautaire of the EU, to continue joint work on the implementation of projects related to the introduction of environmental innovations in the agricultural and other sectors. Conclusions and prospects for further research. Eco-innovative activity of enterprises aimed at improving relations with the environment and is determined by external factors (exogenous), which include: competition, socio-economic development of the region, environmental expectations of consumers, environmental legislation and internal - environmental awareness and aspirations of managers, voluntary communication, the company's environmental policy and the management system in general.

Conclusions. Ecologically oriented innovation activity in the agricultural sector is associated with the development and implementation of resource-saving technologies, the search for renewable energy sources, the gradual development of waste-free production and the production of environmentally friendly agricultural products.

The main obstacles to the further development of this sector are political and economic instability in the country, low awareness of the benefits of organic agriculture among farmers and potential consumers in general, and, finally, the underdevelopment of the domestic market for organic goods. Organic goods, including foods such as yogurt, cereals, honey and ice cream, are usually sold at a premium to cover investments. This surcharge often makes it impossible for domestic consumers to purchase such products, which reduces the production of organic products, thus preventing Ukrainian agricultural producers from switching from conventional to organic production. Another obstacle is obtaining organic certification. In Ukraine, many small farmers traditionally work on organic technology, but do not try to obtain international certification. There are also logistical and infrastructural barriers to growth, such as a lack or lack of access to the organic market.

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