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## **Management and Certification Process for Organic Production in Ukraine and Poland**

**Abstract.** A systematic analysis of trends in the development of organic products in Ukraine and Poland was carried out, which showed that the total area of certified ecological lands for the study period from 2006-2016 in Ukraine increased by 1.7 times, and in Poland from 2004-2014 it increased by 12 times. It has been established that the most significant impact on qualitative structural changes in the economic sector is adjustment to European standards that establish a favorable system of agricultural production regulation, marking and inspection of organic products. This is why Poland, while being in the European Union, has a significant advantage over Ukraine. The system of control and certification by the authorized bodies is generalized, as well as the mechanism of financial support for organic agricultural production. The necessity of using the experience of Poland with the purpose of greening agriculture and development of organic agricultural production in Ukraine is emphasized.

**Key words:** organic production, agricultural production, quality, agriculture, control, certification, financial support

**JEL Classification:** Q00, Q17, O13, P32

### **Definition of the problem**

Favorable climatic conditions create opportunities for the transition to organic farming in Ukraine, which could ensure the growth of production of high-quality food products for the country's own needs and for prospective segments of the external market (NISS, 2010).

Nowadays, the main inhibitor of the development of organic production and growing of organic agricultural products in Ukraine is, perhaps, the demand of the domestic food market. Agricultural lands cover two thirds of the entire territory of Ukraine, including arable land - more than 55% (with an ecological norm of 40%).

Violation of the rules of agrotechnics, the use of heavy agricultural machines, unreasonable reclamation and other factors led to the loss of almost 500 thousand hectares of agricultural land over the last 25 years and a 9% decrease in humus content in the soil. Through the inappropriate use of mineral and chemical agents in the production of agricultural products, domestic agro producers have harmed land resources and the people who consume the manufactured goods. The reason for this is that agricultural producers

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neglect the damage done to the environment by taking care only of their own benefits. Moreover, one should not forget about natural factors: water erosion harms 29% of arable land; dust storms in the south of Ukraine affect 10 million hectares of agricultural land. And the development of organic production is constrained by the incompleteness of the legislative and regulatory base which needs to clearly outline the state policy in this area.

The development of ecological agriculture in Poland is a complex ecological system of farming, which is an example of the correct implementation of the concept of balanced development, that has ecological and social significance. The dynamic development of ecological agriculture in Poland during the last decade is caused, first of all, by the increased interest of rural commodity manufacturers to produce organic products. Secondly, consumers want to buy environmentally sound food products on the domestic market and markets of other EU countries. Such significant changes in Polish agriculture took place in 2004, after the country's accession to the European Union and the introduction of a common agricultural policy of the EU (EU CAP), and adaptation of the regulatory base for the regulation of organic agricultural production to European standards.

The accumulated knowledge of conducting organic agriculture in Poland is of scientific and practical interest to Ukraine. Proper analysis of the Polish experience can contribute to its being borrowed and implemented into the fertile Ukrainian black soil, after taking into account the peculiarities of the development of the agrarian sector of the Ukrainian economy.

## **Analysis of recent research and publications**

The study of the formation and development of organic agriculture in Ukraine and Poland, the production of organic agricultural products and food products, and the formation of institutions for environmental methods of agricultural production have been considered in the scientific works of famous Ukrainian scientists: A.S. Antonets (et al. 2010), O.T. Dudar (2013), O.A. Pysmenska (2012), as well as Polish scientists: M. Brzeziński, M. Grzybowska, S. Pilarski (2003), D. Komorowska (2006), B. Pilarczyk, R. Nestorowicz (2010), and others. Their research has formed a system of knowledge that is the scientific basis of contemporary economic views on the problems of the greening of agriculture, which shapes a scientific interest in substantiating the methodological approaches to the development of this innovative direction of management in the agrarian sector of Ukraine and Poland.

The purpose of the paper is to carry out a systematic analysis of the main tendencies in the production of organic products in Ukraine and Poland, in order to study the main problems of its development and determine the future prospects of its evolution.

## **Description of the main results of the study**

Favorable climatic conditions create opportunities for Ukraine to switch to organic farming, which could ensure the growth of high-quality food production for Ukraine's own needs and for prospective segments of the external market.

Due to its climatic conditions, geographical location in the center of Europe and its long-standing agrarian traditions, Ukraine has considerable potential both for the production of organic agricultural products for export and for domestic consumption (Antonets et al., 2010).

Despite the slow pace of organic farming, Ukraine has significant potential in the field of organic agricultural production and holds an honorable 20th place in the world in terms of agricultural land certified for the production of these goods. In 2016, compared to 2006, the area of certified organic land increased by 74%, that is 179166 hectares in absolute terms (Figure 1), which is much less than in neighboring Poland (Table 1).

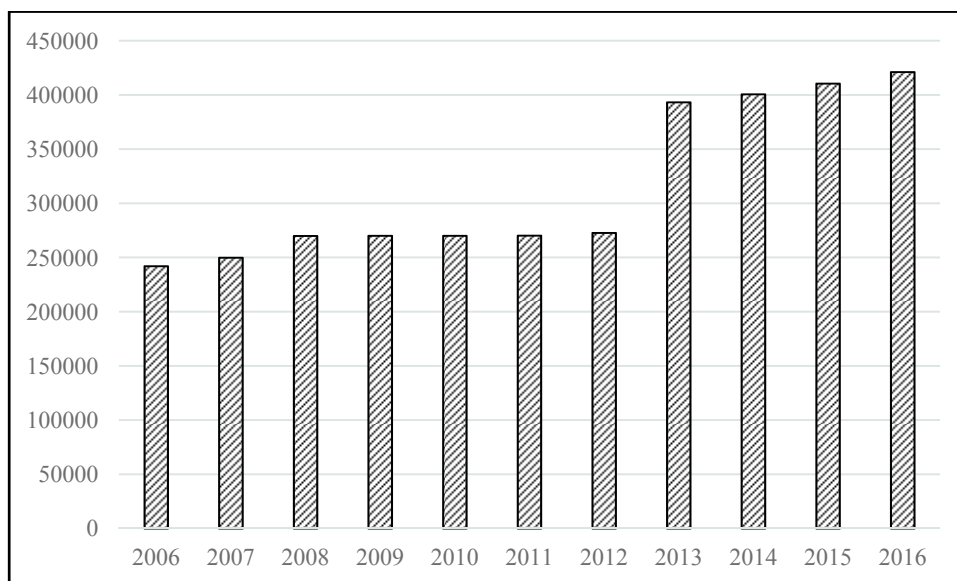


Fig. 1. The area of agricultural land in Ukraine is certified in accordance with organic standards in terms of years, ha

Source: authors' own development based on materials from FiBL & IFOAM (2016) and OFU.

According to the structure of certified organic agricultural land, 76.4% is arable land, 21.3% - pastures, 1.8% - fallow lands and 0.5% - perennials. It should be noted that Ukraine is the world leader in the production of organic honey and holds leading positions in the area of certified land: grains - the fourth place, sunflower - the fifth, oilseed crops - the fifth, vegetables - the ninth place.

Ukraine, having considerable potential in the production of organic agricultural products, its exports, consumption on the domestic market, has achieved insignificant results in developing its own organic production. The share of certified organic areas among the total agricultural land in Ukraine is about 1%. At the same time, Ukraine takes first place in the Eastern European region regarding the certified area of organic arable land, specializing mainly in the production of grain, leguminous and oilseed crops. In addition, 530 thousand hectares of wildlife have been certified in Ukraine (BIOLAN).

Every year, an increase in demand for organic products is attracting market expansion, as well as an increase in the number of farms. In 2006, 80 enterprises were certified as organic in Ukraine, while in 2016 this number was 390 - an increase of 310 enterprises (Figure 2).

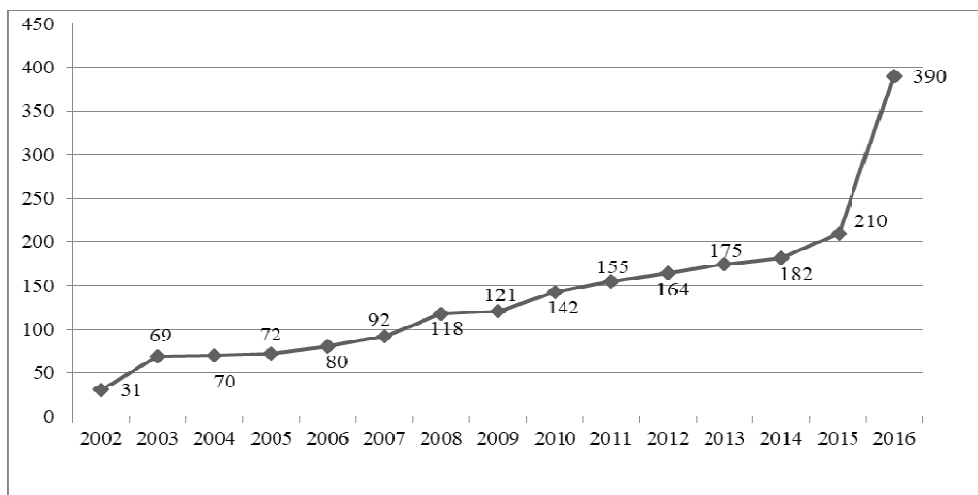


Fig. 2. The number of certified organic farms in Ukraine in 2002-2016

Source: authors' own development based on materials of OFU.

Ukrainian certified organic enterprises, like European ones, have different sizes - from several dozen hectares to several thousand hectares of arable land. In the southern and western parts of Ukraine, as well as in the Poltava region, there is the largest number of enterprises engaged in the production of organic products. Most Ukrainian organic farms are located in Odessa, Kherson, Poltava, Vinnytsya, Transcarpathian, Lviv, Ternopil, and Khmelnytsky regions.

Depending on the target market, Ukrainian producers are certified in accordance with some other standards, in particular: NOP (USA), BioSuss (BioSuisse, Switzerland), Bioland (Bioland, Germany), SoilAssociation (Great Britain), Naturland (Naturland, Germany) (MAPFU).

There are 19 private internationally accredited certification bodies that are included in the official list of certification bodies for Ukraine approved by the European Commission (EU Regulation 1235/2008). From this list, only the certification body "Organic Standard" is a Ukrainian company, whose founders are Ukrainian organizations - key players in the organic sector of Ukraine; all the other certification bodies are foreign, three of which have their offices in Ukraine (LLC "ETKO Ukraine", LLC "ControlUnion Ukraine", Foreign Enterprise "SGS Ukraine"). In addition, one certification authority from Hungary has not yet been included in this list but has its clients in Ukraine (MAPFU).

So, in neighboring Poland, indicators of organic production are growing at a rapid pace (Table 1). An annual Organic Marketing Forum in Warsaw is an important initiative for the development of the Polish internal market. Its purpose is to support closer cooperation in the enlarged European Union and the creation of internal organic markets in Central and Eastern Europe through business meetings between entrepreneurs.

Table 1. Dynamics of organic production in Poland

Period (years)	Indicators		
	Area (thousand hectares)	Number of farm properties (thousand units)	Number of recycling enterprises
2003	61,2	2,3	22
2004	82,7	3,8	55
2005	166,3	7,2	99
2006	228,0	9,2	170
2007	287,5	12,1	206
2008	314,8	15,2	236
2009	367,1	17,1	277
2010	521,9	20,9	283
2011	609,4	23,4	260
2012	661,9	24,1	294
2013	669,8	24,3	325
2014	657,9	24,8	484

Source: authors' own development based on materials from FiBL & IFOAM (2016).

Producers of organic products in Poland receive state aid immediately after attaining several indicators. Firstly, the participation of farmers in food quality control systems which, through continuous monitoring of state agencies, verify the conformity of products with EU standards. According to Polish legislation, the Ministry of Agriculture and Rural Development grants powers to certification authorities, and the Inspectorate of Trade Quality of Agricultural Products overviews both the certification and the farms that have undergone accreditation at the Polish Accreditation Center (Figure 3).

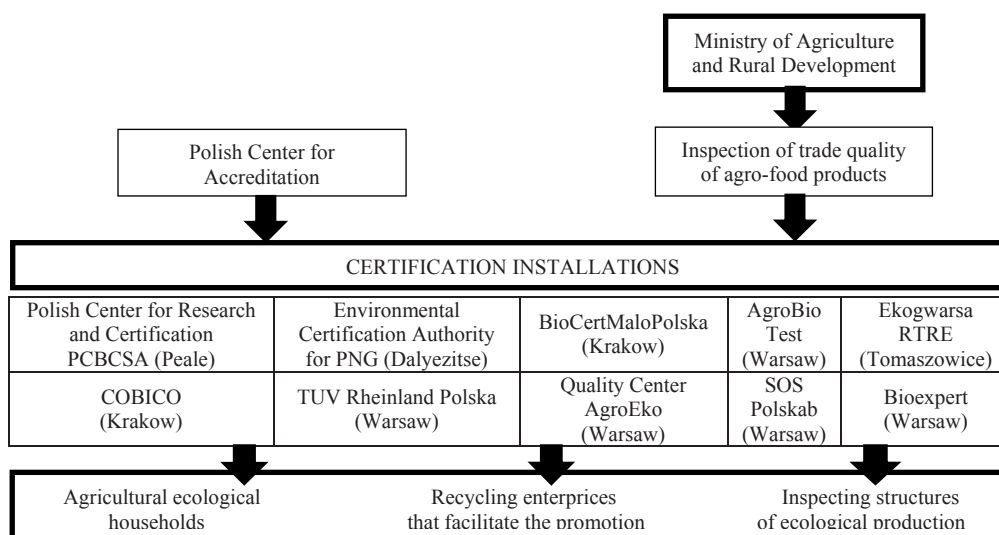


Fig. 3. Scheme of the system of control and certification in the ecological agricultural production in Poland  
 Source: IJHARS (2009). Raport o stanie rolnictwa ekologicznego w Polsce w latach 2007-2008.

Table 2. Payments for organic farming in Poland

Appointment of agricultural land	Payments for the transition to organic agriculture, euro / ha	Payments for organic agriculture, euro / ha
Meadows / pastures	330 PLN	260 PLN
	85 EUR	67 EUR
Arable land	840 PLN	790 PLN
	215 EUR	202 EUR
Areas for vegetable growing	1150 PLN	1300 PLN
	397 EUR	333 EUR
Areas for herbs	1150 PLN	1050 PLN
	295 EUR	269 EUR
Area for horticulture fruit and berries	1800 PLN	1540 PLN
	461 EUR	395 EUR
Areas for other gardening and berries	800 PLN	650 PLN
	205 EUR	166 EUR

Source: FiBL & IFOAM (2016). The World of Organic Agriculture 2016. IFOAM & FiBL: Frick.

Participation in the Quality Control Program brings income to the farmer in the amount of 255 euros per year. Secondly, help is allocated to advertising and information activities. Compensation for up to 70% of advertising and distribution costs for organic products is foreseen. Thirdly, the costs associated with the transition from the usual method of farming to organic are compensated. In this case, the maximum subsidy during the transition period, which reaches 461 euros per 1 ha per year, is received by the farmers of Poland. The smallest amount in subsidies (66 euros per 1 ha per year) is provided for the long-term large-scale pastures certified as organic. Depending on the type of farming and its specialization, the direct subsidization of farms engaged in the production of organic produce is an average of EUR 240 per 1 ha per year (FiBL & IFOAM 2016).

So, for example, Poland has significant support for organic agriculture (Table 2).

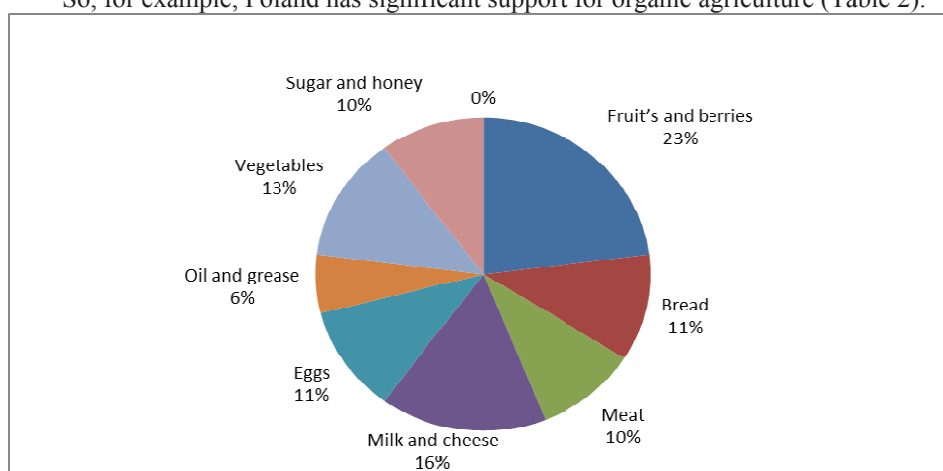


Fig. 4. Forecast of organic product consumption in Ukraine up to 2020

Source: VRU.

Therefore, in Ukraine it would be possible to increase the quantity of organic producers by way of state support (subsidization, preferential lending, subsidies) of this activity, especially in the first three years. An important tool for realizing the potential of organic production is the introduction of certification marks for organic labeling, promotion of the culture of consumption of organic products, and raising the standard of living of the population.

At the same time, there are many agricultural producers in Ukraine who are ready to sell organic products, but they are not able to place them on the market as organic. Some of them certify and sell their products abroad, while others sell in the domestic market, but not as organic production.

In addition, Ukrainian scientists calculated the potential consumption of organic products in Ukraine per person per year by the product type, as well as the potential capacity of the organic food market for the period up to 2020, which is expected to reach 41 billion hryvnias. At the same time, the share of consumption of organic products in the total volume will be 12.9%, and by the types of organic products as shown in Figure 4.

## **Conclusions**

For Ukraine, which has significant areas of high-yielding land, there is a strong possibility to become one of the European leaders in the production of environmentally friendly food products in the nearest future.

The dynamic development of organic farming in Poland is an example of the implementation of the concept of balanced agricultural development, rural areas and environmental protection.

The accumulated positive experience in conducting organic agriculture in Poland is of scientific and practical interest for its use in greening the domestic agrarian sector and helping the development of organic farming in Ukraine.

The targeted financial support in the form of grants for organic producers from the national budget of the country is an equally important stimulating factor.

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