

ORGANIZATIONAL AND MANAGEMENT FUNDAMENTALS OF UKRAINE ORGANIC PRODUCTION

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Organic production management fundamentals formation and implementation is the necessary condition for the economy at the sustainable development basis efficient functioning, providing high life quality and environmental public safety. Actual raises the need to manage the agricultural production ecological certification processes is driven by growing demand and incomplete satisfaction of the needs for organic certified products both in the domestic and foreign markets. The aim of the research is to justify recommendations related to Ukraine organic production organizational and management fundamentals through the national certification system for organic production creation and implementation improvement and development. The reasons of existing Ukraine organic production system is imperfect and its effective and efficient functioning in favor of national, the state and territorial communities' interests indiscretion have been identified. Agricultural and food products certification institutional provision as the complex system of organizational, legal, economic and environmental regulation of social relations on the use of natural resources in the field of manufacturing processing and marketing of agricultural products has been determined. The significant role of accounting in the system of control over conformity by the operating rules of domestic organic products production have been determined.

Keywords: ecological certification, organic production, management, accounting.

JEL Codes: M11, Q48, Q56.

1. Introduction

The world economy rapid development and European integration processes cause the need ecologically certified production innovative system formation that will meet the sustainable development concept requirements. The globalization of the economy contributed to the unification and universalization of ecological quality standards for agricultural production. At the present stage ecologically oriented business entities activity stimulates domestic agrarians to modernize their production processes, bringing them to international requirements and standards, expanding the product range with innovative ecologically certified products and strengthening domestic producers competitiveness. The resource potential of domestic organic production diagnostics was carried out by Bezus and Boyko (2015).

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Economic and ecological imperatives of organic production development in Ukraine were explored by Shkuratov (2015) and Dankevych (2016). Yatsenko (2015) and Maslak (2016) offered their own interpretations of international trade in organic products regulation mechanisms. Separate aspects regarding the organic food market in Europe agricultural management were considered Orboi (2012) and Lohr (1998). Bhattacharyya (2013) categorized the organizational change of organic management model, depending on its nature and scope, into two types: transactional and transformational. Applying principles of self-organizing and spreading change by minimum intervention provides facilitative environments that better sustain change by the organic management implementation were analyzed by Karp (2007). However, some aspects of Ukraine organic production organizational and managerial principles theoretical study require additional research. Based on this, appropriate management and organizational principles, audit, accounting and information provision conditions are especially relevant for domestic organic production development.

The aim of the research is to substantiate theoretical and methodological positions and develop practical recommendations on Ukraine organic production organizational and economic principles formation and development. Study object is the processes of organic agricultural production organizational and economic principles formation and development. The subject of the study is a set of organic production theoretical, methodological and practical aspects as the basis for Ukraine economy agrarian sector transition to a sustainable development.

2. Research methodology

Methodological support for the research is based on the principle of theory and practice unity and the system and synergetic approach. The scientific research in the direction of research the possibility of organizational and management fundamentals of Ukraine organic production development has been made during last five years (since 2013). This research is conducted involving methodology: abstract logical to design the organic agricultural production institutional environment in Ukraine; graphical to analyse Ukraine organic agricultural production development indicators dynamics; systematic approach to analyse the possibilities of accounting control system over conformity by the operating rules of domestic organic products production; analysis and synthesis to determine the Ukrainian system of accreditation in the field of organic production development perspectives.

3. Study results

The need to manage the agricultural production ecological certification processes is driven by growing demand and incomplete satisfaction of the needs for ecologically certified products both in the domestic and foreign markets. Organic production is one of the most promising directions for Ukraine agro-food sector development and officially recognized as a priority of the state agricultural policy. Domes-

tic entrepreneurs are increasingly choosing organic standards when transition from traditional to ecologically-oriented production as an alternative to the other standards, the International Environmental Management System ISO 14001 series in particular. Currently, 1% of the land in Ukraine is used for organic production, which makes it possible to export ecologically certified products for 100 million Euros (Federation of Organic ..., 2018). The most commonly used standards for organic production in Ukraine: Organic Regulations (EC) No 834/2007, 889/2008 and 1235/2008 (EU), NOP (USA), JAS (Japan), Bio Suisse (Switzerland), CAAQ (Canada) etc.

There are both quantitative and qualitative changes in consumer preferences the system under society dynamic development process conditions. Consumer ecological needs evolution has formed the appropriate system that directs the production and marketing to meet the identified requirements of society, organically certified agricultural products demand and production stimulation. Organizational and economic principles formation and practical recommendations for the ecologically certified agricultural production development creation are important aspects of transformational transformations within the framework of the transition of Ukraine to sustainable development.

Domestic consumer becomes more cautious and demanding in food products choice. As a result, the number of producers of organic origin products increases. According to the International Federation of Organic Agriculture Movements (IFOAM 2018) definition, organic agriculture combines all systems support ecologically, socially and economically appropriate agricultural products production. However, the existing Ukraine organic production system is imperfect and does not induce effective and efficient functioning of such farms in favor of national, the state and territorial communities' interests, because of following reasons:

- the national certification system for organic production has not been created due to lack of accredited certification bodies for ecological product producers, processes and services ago Ukrainian producers are forced to apply to foreign compliance assessment bodies;
- organic production organizational national regulatory documents are not developed which results that in the sphere of organic products production, processing and marketing relations are still not regulated by the state;
- technical components of organic production according to the components adopted by the EU countries control system are absent or formally exist;
- it is given the opportunity to Ukrainian organic producers to certify products (raw materials) as organic in the EU states member countries (Zakon Ukrai'ny Pro vyrobnyctvo..., 2013), and the only Ukrainian certification structure "Organic Standard" uses the standards of Switzerland;
- in spite of the fact that hat it is export-oriented products with a high value added share, there is no state financial support for organic agricultural products producers; available national organic products producers are certificated by external standards and in the most cases export raw materials, but it is worth focusing on the range of final products. As an example, Holland buys organic raw materials for 500

million euros, as well sells final products at 1.2 billion euros (IFOAM 2018). Germany also has the largest market for ecologically certified products in the EU the capacity of which in 2015 exceeded 8.6 billion euros and globally second only to the US – 35.8 billion euros. The experts of the Research Institute of Organic Agriculture (FIBL) note that the average rate of growth of the ecologically certified products market in EU is 10% per year (Willer, 2017). As for Ukraine, during the research period there is a clear tendency of organically certified lands area increase – from 270.3 in 2011 to 410.6 in 2015 thousand hectares (Fig. 1). The number of organic producers also increases– from 155 (2011) to 210 (2015), so the average farm size – from 1.90 (2011) to 2.25(2013) and 1.96 (2015) hectares.

The realization of ecologically certified production in the agrarian sector possibilities is expedient only under the corresponding institutional, as well as internally corporate responsive environment functioning conditions the development of which will significantly increase the domestic agricultural producers competitiveness, due to the synergistic economic, environmental and social effects, increase their profitability and investment attractiveness, innovation development activation (Chaikin, 2015). This causes the need for the institutional environment of ecologically certified agricultural production proper functioning (Fig. 2).

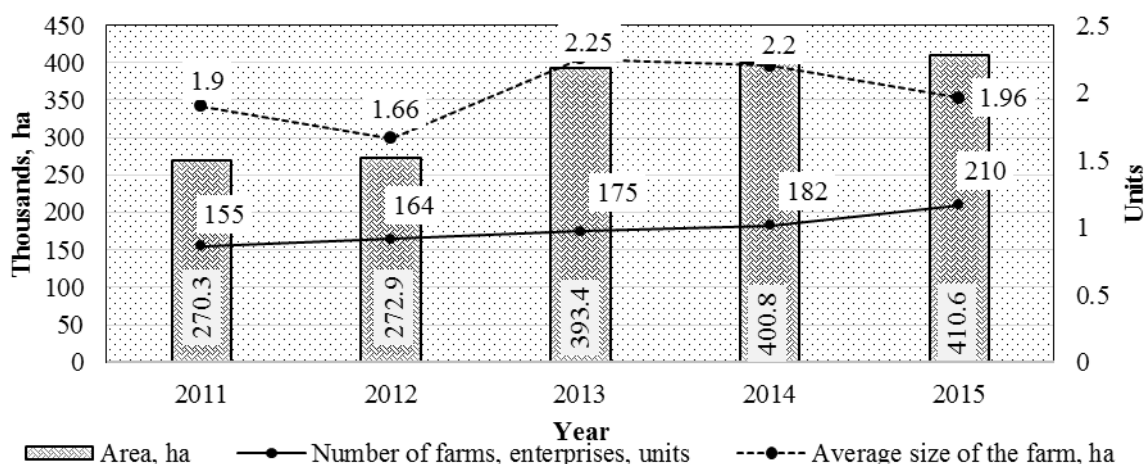


Fig. 1. Ukraine organic agricultural production development indicators dynamics, 2011–2015

The domestic organic agricultural production institutional environment is functioning on the interaction basis of a number of formal and informal both domestic and international institutions. Prior to formal institutions, include certification, ecological audit and monitoring, legal liability, state support bodies etc. Institutions of public control, ecological education and ecologically conscious consumption, environmentally oriented professional self-consciousness, represent informal institutions. Informal institutions take a special place in the institutional environment of ecologically certified producers’ economic activity, in particular, support programs projects and international projects in this area, which ensure the ecological production implementation and promotion, certified products consumption. The active state policy on the organic sector

development contributes significantly to this process. This policy is aimed at legal framework and institutional, organizational, economic, scientific, methodological, advisory, and advisory and educational support improvement. Thus, to implement the stated goal, the Ministry of Agrarian Policy and Food of Ukraine developed three program documents that are oriented on organic agriculture support, namely: Strategy for Agrarian Sector Development “3 + 5” (Strategy..., 2017), Single and Comprehensive Strategy for Agriculture and Rural Development in Ukraine for 2015–2020 (Single..., 2015) and Strategy for improving the management mechanism in the field of use and protection of agricultural land of state ownership and disposal (Postanova Kabinetu Ministriv..., 2017).

The institutional provision of agricultural production ecological certification is a complex system of organizational-legal and economic-ecological regulation social relations concerning natural resources use in the process of agricultural raw materials and food products manufacturing, processing and marketing, which should be considered in the context of system reforms in the field of standardization and certification, quality control and products ecological safety, international cooperation, vertically integrated economic structures development.

First of all, we should highlight the absence of Ukraine system of accreditation of institutions for assessing the conformity of organic products production (subjects of certification). Conformity assessment bodies accreditation is the statement that the conformity assessment body meets the requirements of national standards that are harmonized with the relevant international and European standards and, if necessary, any additional requirements for accreditation in the relevant areas for the performance of a designated conformity assessment activity (Zakon Ukrainy Pro akredytaciju..., 2001). There are relevant legislative acts and National Accreditation Agency of Ukraine, which belongs to the management of the Ministry of Economic Development and Trade of Ukraine, to resolve this issue. Currently, the description of the national accreditation sign has been made and the rules for its application have been defined, the cost of work determination methodology has been developed, Accreditation Council, Technical Committee on Accreditation, Attestation Commission on staff accreditation and appeal committee have been created. It should be noted that legislation of Ukraine allows to certify organic production in accordance with the EU standards.

However, the system of accreditation in the field of organic production is absent. Accordingly, if there is no accreditation body, then there are no establishments for the certification of producers of organic products. As a solution to the problem, it is advisable to start accreditation of conformity bodies for the certification of organic producers in accordance with EU standards. As a solution to the problem, in the absence of, in the opinion of the authorities, all the necessary national regulations, it is advisable to start accreditation of conformity bodies for the certification of producers in the field of organic production according to the EU standards.

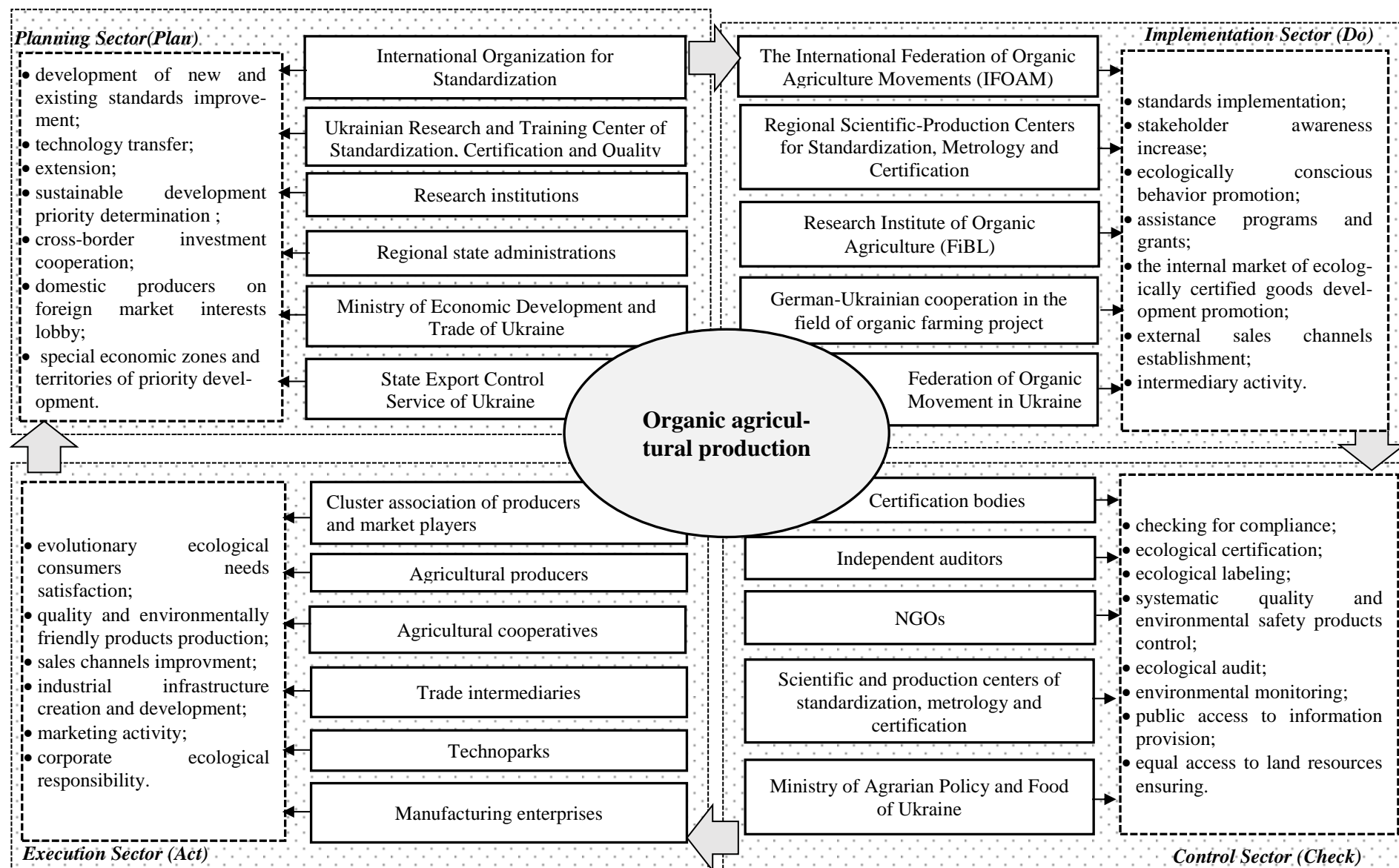


Fig. 2. Institutional environment of organic agricultural production functioning in Ukraine

In accordance with the IFOAM Principles for organic production certification and certification bodies, they are supposed to meet the following criteria:

- the body making or ratifying certification decisions shall be free from any commercial, financial and other pressures that might influence decisions;
- the certification body shall not provide any product or service which could compromise the confidentiality, objectivity or impartiality of its certification process, unless the product/service and certification programs are clearly separated in a manner that ensures that such compromise cannot occur;
- the certification body shall not engage in the marketing of certified products or promotion of individual products and shall have a policy and an appropriate procedure for responding to product inquiries from the trade or consumers;
- the certification body personnel shall have the necessary education, training, technical knowledge and experience for performing functions relating to the type, range and volume of work performed;
- the certification body shall have a documented training policy, including initial and ongoing training, for all personnel, etc. (IFOAM, 2012).

It is possible to use the State Enterprise “State Center for Certification and Examination of Agricultural Products” which belongs to the management of the Ministry of Agrarian Policy and Food of Ukraine and has certificates of accreditation from the National Accreditation Agency of Ukraine, for organic products producers’ certification bodies’ accreditation. This enterprise has experience in certification of business entities in the field of seed and seedling and certification auditors training (agronomists-inspectors), as well as maintains the relevant registers of seed producers and auditors. It is also necessary to carry out accreditation of agrarian universities and extension agricultural services on the right to carry out certification of organic products producers. Regarding to the procedure of organic production certification then for its development could be use a standard, which regulates the requirements for the certification of products, processes and services (Nakaz..., 2014) and as an example, there is an existing certification procedure, issuing and cancellation of certificates for seeds and / or seedlings (Postanova..., 2016).

An assessment and confirmation of compliance of organic products (raw materials) production is carried out by the certification body, which ensures the compliance by producers with detailed rules of production and circulation of relevant organic products (raw materials) established by the state. The certification body should have in the staff or the ability to attract a sufficient number of staff in order to ensure their activity regarding certification schemes and the applied standards and other normative documents. The staff must be competent about the functions that it performs in particular the establishment of the necessary technical findings, development and implementation of policies (Nakaz Nacional'nogo agentstva..., 2014). Certification auditors should carry out the assessment of conformity of organic products and raw materials production (Zakon Ukrainy Pro vyrobnyctvo..., 2013), who work on a permanent basis in a legal entity – a subject of certification. In order to conduct an assessment of compliance, a person submits an application for conversion to organic

products production to the conformity assessment body. The conformity assessment is carried out not later than 30 days from the date of submission of the application for conversion to organic products production.

Certification auditor in accordance with the plan and conformity assessment program, in which the objects are determined, the dates of the conformity assessment, carries out the conformity assessment. Copies of the plan and conformity assessment program are sent to the applicant's address in the term not later than five working days before the beginning of conformity assessment.

Based on the results of the conformity assessment, the conclusion (report) of the certification auditor is drawn up according to which within two days from the date of the completion of the conformity assessment the conformity assessment body decides on the issue or refusal to issue a certificate of conformity.

In the conclusion (report) of the certification auditor, the denomination shall be indicated (surname, name, patronymic – for an individual) and the details of the institution, the conformity assessment of which was carried out, surname, name, patronymic of the certification auditor, details of his certificate, detailed production description, description and the results of activities carried out in the conformity assessment process, conclusions of the certification auditor on the state of production.

Certification auditor may be a natural person with higher education (in our opinion, the degree of “specialist”, or “master”) and at least two years of experience in the agrarian sector, special knowledge in the field of organic products production (in accordance with the program of certification of auditors). However, the new law (Proekt..., 2016) proposes to carry out certification of organic producers not by auditors, but by the inspectors with the first (bachelor) level of education and does not determine where and who will confirm their special knowledge and the need for a special register for them. Certified certification auditors must be involved in the assessment of compliance and it must have at least three auditors with a registered office for accreditation of the certification body.

Organization of training and attestation of certification auditors could be carried out by State Enterprise “State Center for Certification and Examination of Agricultural Products” as an executive body in the agrarian sector of the economy which implements state policy in the field of conformity assessment in the system of Ministry of Agrarian Policy of Ukraine. The re-attestation of the certification auditor is carried out every three years. The Ministry of Agrarian Policy and Food of Ukraine already has an appropriate experience in the preparation of certification auditors (agronomists-inspectors) by the rules determined by the Cabinet of Ministers of Ukraine (Zakon Ukrai'ny Pro tehnicni..., 2015).

Accounting plays a significant role in the system of control over conformity by the operating rules of domestic organic products production. Business entity of organic products production activity should be confirmed by a system of financial and managerial accounting concerning:

- means of work availability (fixed assets, other non-current tangible assets, low-value and high-wear items, animals) specialized for organic production;

- inventories availability and movement, that provide the technological process which meets the organic production requirements;
- formation of expenses for organic products production in the context of economic activities objects and relevant items calculation, as well as unfinished production;
- posting and product movement from the objects of organic production expenditures. When storing organic products (raw materials) in warehouses it should be provided such products identification, its parties and preventing any mixing or exchange with not organic products and / or substances that do not meet the organic production requirements or contamination by such products and / or substances;
- additional costs related to organic products sale.

Transportation of organic products (raw materials) should be carried out only in the appropriate packaging, container or vehicles enclosed so that the replacement of the contents is impossible without seal manipulation or damage. Simultaneous transportation of organic and inorganic products is possible only if appropriate measures are taken to prevent any possibility of mixing or exchange with inorganic products.

4. Conclusions

1. Organic agricultural products market expansion, ecologically certified productions number increase and certified by organic standards of agricultural land areas increase are important aspects of transformational transformation in to the sustainable development transition.

2. Product certification institutional provision is the complex system of organizational, legal, economic and environmental regulation of social relations on the use of natural resources in the field of manufacturing processing and marketing of agricultural products.

3. Despite the fact that that in Ukraine already there are Detailed rules for the production of organic products (raw materials) of plant and animal origin, aquaculture, seaweed, beekeeping, approved state logo for organic products (raw materials) and the procedure for keeping the Register of organic products (raw materials) producers is determined, however, for subjective organizational reasons, accredited institutions for the domestic producers organic products certification of have not been created.

4. The process of organizational preparation of Ukrainian national producers' organic products certification is not so complicated, so we hope that in the near future the Ukrainian consumer will observe the national marking on domestic organic products.

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ORGANINĖS GAMYBOS UKRAINOJE ORGANIZACINIAI IR VALDYMO PAGRINDAI

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Santrauka

Pagrindiniai ekologinės gamybos formavimo ir realizavimo principai yra būtina sąlyga veiksmingam ekonomikos veikimui remiantis tvaraus vystymosi principais, užtikrinant aukštą gyvenimo kokybę ir visuomenės saugumą aplinkai. Atsižvelgiant į didėjančią paklausą ir nepakankamą ekologiškai sertifikuotų produktų tiek vidaus, tiek užsienio rinkose reikalavimų patenkinimą, būtina skubiai tvarkyti žemės ūkio produkcijos aplinkosaugos sertifikatus. Tyrimo tikslas yra pagrįsti rekomendacijas, susijusias su ekologinės gamybos vadybos organizacinių ir vadybinių bazių kūrimu ir įgyvendinimu Ukrainoje per nacionalinę sertifikavimo sistemą, skirtą ekologinės gamybos plėtrai ir tobulinimui. Darbe atskleidžiamos esamos ekologinės gamybos sistemos netobulumo Ukrainoje priežastys, jos veiksmingo trūkumas nacionalinių, valstybinių ir teritorinių bendruomenių labui. Nustatyta institucinė parama žemės ūkio ir maisto produktų sertifikavimui kaip kompleksinė organizacinių, teisinių, ekonominių ir aplinkosauginių santykių reguliavimo sistema, skirta gamtos išteklių naudojimui žemės ūkio produktų perdirbimo ir rinkodaros srityje. Nustatytas reikšmingas apskaitos elementas kontroliuojant, kaip laikomasi dabartinių taisyklių, taikomų vietinių ekologiškų produktų gamybai.

Raktiniai žodžiai: ekologinis sertifikavimas, ekologinė gamyba, vadyba, apskaita.

JEL kodai: M11, Q48, Q56.