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Poltava State Agrarian Academy

**MANAGEMENT OF THE 21ST CENTURY:
GLOBALIZATION CHALLENGES**

monograph

In edition I.A. Markina, Doctor of Economic Sciences, Professor



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HARMONIZATION OF MARKETING MANAGEMENT IN PROVIDING OF THE ORGANIC PRODUCTION DEVELOPMENT

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Over the years, there is a sharp increase of the negative impact of society economic activity on the state of environment. Particularly relevant issue of rational and sustainable use of natural resources is presented in the agricultural sector, which is the most sensitive contact zone in the system of mutual economic and environmental interests of humanity. For many years the destructive effect on the environment increased in agriculture. This necessitated fundamentally new vision capabilities ensuring the environmental and economic balance in the agribusiness.

Problems in the field of agriculture and improvement of its competitiveness can be addressed through effective strategies and mechanisms for innovation. Such innovation strategy, in our opinion, should be the ecologization marketing strategy of agriculture that ensures high quality of life, national security, environmental protection and high technical level of agricultural production in Ukraine.

This marketing strategy is capable of ensuring principle of unity for economic and ecological processes in the management of agricultural production and promote radical restructuring of the relationship of the production process from the environment.

Works of local researchers Reshetnikova [12], Kudenko [6] and others are devoted to the issue of developing marketing strategies for transformational period.

Research of Prokopenko [11], Hromushyna [3], Shkuratov [14], Melnyk and Egorova [7], Kalinichenko, Havrysh and Perebyynis [5] and other scientists are devoted to the issue of the formation of the economic mechanism of environmental regulation of agricultural production and environmental protection.

Economic approaches to improve the mechanism of production and consumption of environmentally friendly products are also considered in the works of Patyka et al. [10], Mishenin and Yarova [9] and others.

Despite the potential of natural resources, favorable climatic conditions, as a result of certain socio-political and environmental factors there is the decrease in agricultural production and a significant deterioration of its quality [3].

Ecological and economic crisis in the agricultural sector, in our opinion, can be caused by the following problems:

- degradation, pollution and land exhaustion;
- loss of natural and assimilative capacity of natural resource potential of agricultural production;
- imperfection of agricultural products standardization;
- imbalance between the production process and the environment;
- lack of government regulation, regulatory and legislative framework of ecological and economic relations entities;
- non-compliance with modern requirements and technical base for the development of new technologies for the production of agricultural crops;
- lack of understanding in society priorities of environmental preservation and sustainable development benefits.

In recent years the market environment with operating economic actors is changing significantly: growing its degree of uncertainty, there are unmeasured risk factors [1].

Marketing in the agricultural sector and the development of environmentally oriented marketing meet the requirements of social responsibility agricultural production, development of economic management mechanism on environmental and economic grounds, and is an integral part of environmental and ecosystem management in the agriculture [15].

In our opinion, adaptation of marketing processes based on environmental requirements is essential for the effective implementation of marketing in agriculture. Thus it is not just a one-time use innovation to achieve instant benefits but the continuous, detailed planned strategic innovative development, which is based on methods of ecological and economic management. Just through environmentally oriented marketing strategy the contradiction between the economic interests of producers and preservation of the environment, that is ensuring of environmentally safe life conditions, can be solved [4].

Table 1

**Factors of positive and negative motivation for agricultural enterprises to adopt environmental marketing strategies
[Autor’s study]**

Factors of positive motivation	Factors of negative motivation
Cost savings due to conservation of resources	Imperfect legislation concerning to rules and regulations for production of “clean” products
Reduced costs for risks of environmental charges	Lack of clearly defined development strategy with appropriate information and legal support
Improved natural resource and market potential.	Lack of state support for producers of ecologically safe products and control system links all product life cycle
Improving the overall image of the company	Lack of economic instruments to encourage the production of ecologically clean products
High competitiveness of environmentally safe products	Risks of crop losses and lack of Compensation associated with the production of ecologically clean products
The emergence of new environmental needs (need for environmental safety), environmental interests and culture of the population	Speculative price premium processing enterprises and traders, because of which agricultural producers of organic products loses a significant amount of money as a result of its implementation, and the bulk of the profits remain in the sector of processing and trade

The emergence of environmental marketing is the result of increasing consumer demands for quality and environmentally cleanliness of the products they buy, its impact on human health and environment [9].

With forming of ecologization strategies for agriculture production we propose use of the key strategic categories: mission statement, goals and objectives; strategic analysis of macro and micro factors; choice of priority strategic directions, forming tools for the implementation of this strategy; assessment and monitoring its implementation.

The process of developing a ecologization marketing strategy should be began with identification of key industry issues: economic, political, social, technological and environmental, which need strategic analysis. Formation of the mission and goals has to be made only after a detailed analysis of strategic problems occurring

in the industry and its external surroundings.

The main purpose of environmental marketing at national and regional levels is to create conditions for economic entities in which they are interested in maintaining and restored natural resources while implementing innovative approaches in their work [8].

We have attempted to summarize the positive and negative factors motivating agricultural producers regarding the use of environmental marketing (Tab. 1).

At the entity level environmental marketing main goal is to develop economic organization and economic mechanism of agricultural enterprise using its main components: planning, promotion (motivation), organization management, control and so on. It is necessary to orient production to meet the environmental needs of consumers [7].

Table 2

**Criteria for effective state regulation of agricultural production
[Autor’s study based on 16]**

Types of criteria of state regulation	Essence and efficiency features
Self-sufficiency of food	Self-sufficiency ratio is defined as the ratio of total volume of domestic food production to the volume of its domestic consumption. To support sovereignty state is to reduce dependence on imported food, especially for those products that can be produced on its territory
Trends related to population income	Criterion takes into account the trend of slowdown in revenue growth of agricultural enterprises in relation to other economic sectors. It is one of the criteria for support of agricultural production of the state. State regulation is intended to support the current level of prices.
Development of the social sphere	Recognizes the trend of decline in the share of the agricultural sector in national economies of the developed countries and Ukraine in particular. This is reflected in the disappearance of entire rural landscapes. It is one of the criteria which points to the need of state support for Ukrainian village, because it allows to keep rural way of life.
Environmental criteria	The most important criterion for state intervention in the development of agricultural production. Factors of negative effects are becoming increasingly visible environmental degradation indexes. Negative externalities should be regulated by the state.

The objective of environmental marketing for agricultural producers is assistance to reducing the burden on the environment in the planning, coordination and control of all management operations.

We believe a significant role in the elimination of negative factors in the market belongs to the state.

The effectiveness of state regulation of agriculture in the market depends on the

criteria that were formed for a long time and that can be divided by priority (Tab. 2).

Component part of formation of ecologization marketing strategy is analysis of macro- and micro-surroundings, analytical assessment of its parameters and adjustment of marketing strategy in accordance with the dynamic changes in the environment [6].

From the above information be noted that there is quite a lot of negative factors motivating agricultural producers of ecologically clean products, the main of which is the inefficient functioning of the market of environmentally safe products and its slow development in Ukraine [2].

Economic management methods in the ecologization of nature management should include the creation of economic conditions that would encourage land users to achieve better results in their work.

The state should perform important functions to stimulate agricultural growth, social protection, rise of quality of life. This priority role of state regulation of agriculture in any case does not reduce the importance of market self-regulation. Mechanisms of state actions should focus on supporting private initiatives aimed at the development of new technologies, stimulate innovative activity in rural areas [14].

Economic instruments include promotional leverage, the use of preferential taxation and credit, and price incentives of environmental activities.

Environmental management tool provides certification and labeling of ecological products, which prove that they comply with the identified facility specific regulations. The process of certification and standardization should be conducted according to international standards, adapted to the conditions of Ukraine [13].

Ecological and economic tools, in our opinion, are the part of an environmental marketing and include:

- production of ecologically safe agro products and its environmental positioning;
- pricing taking into account environmental costs;
- development of ecologically safe products market, which is based on international standards for ecological agricultural production;
- distribution of ecologically safe food products;
- establishment of Information and Communication promoting agrarian food products.

Formation of strategy of environmental marketing in the agricultural sector, in our opinion, is the integration of all administrative functions that also contribute to the ecologization of agricultural production, allocation, planning and forecasting of business initiatives for investment basis, which is linked to production, formation and stimulate demand for ecosafety agro products, and agricultural products and ecosystem services.

Environmental marketing involves environmental awareness; formation of environmental needs, social responsibility, marketing strategy, marketing management, environmentally focused market research, environmental and

economic tools of marketing management in manufacturing environmentally safe agricultural products (product, price, distribution, promotion system).

Table 3

Economic management methods of agricultural production
[Author’s study based on 3]

Economic incentives	Economic sanctions
Providing favorable short- and long-term loans to implement projects of ecologically safe and economically effective technologies	introduction of compensation for losses related to the impact on the environment
Partial or complete exemption from income tax in the case of funds for the purchase of ecologically safe fixed assets	Increase and differentiation of the range of payment systems for the irrational nature management, above-limit usage of natural resources, and environmental pollution to uneconomical levels for the agricultural entities
Preferential taxation and crediting for agricultural enterprises producing ecologically safe products and environmentally friendly production	differentiation of the land tax depending on its quality of locality
Encouraging employees of enterprises producing ecologically clean products and compliance with environmental legislation (soil fertility, quality standards of production, improvement of environmental parameters)	Comparison of the factors of positive (gain on disposal of waste benefits tax credit benefits, price increments) and negative motivation (payment for excessive use of natural resources, fees for excess pollution, waste disposal fees, fines, additional tax) expressed in environmental costs
Development of the possible variants for refund of damages related to crop shortfalls in the production of ecologically safe products	

Combination of environmental, economic instruments at state regulation of environmental and economic components is important in implementing of the ecologization marketing strategy for agricultural production.

Implementation of environmental marketing in practice will help to identify new market niches, empower diversification of agricultural enterprises. The production of environmentally friendly and safe products can generate additional revenue, because these products are of higher quality. Environmental marketing can act as an effective instrument for economic development mechanism and to be the basis for environmental security of the national economy.

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