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IMPLEMENTATION OF THE COOPERATIVE MARKETING PARADIGM IN THE FARMING ACTIVITY

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Abstract. The globalisation of Ukrainian economy, the distribution of land resources, the diversity of commodity producers and the radical breakdown of property relations have significantly affected the agricultural sector and production volumes. The development of farming in such conditions is accompanied by a set of financial, economic, material, technical, and social problems. This implies the need to introduce a qualitatively new conceptual paradigm of its development. The purpose of the study is to prove the relevance and feasibility of the application of the cooperative marketing paradigm complementary with marketing tools in the in the context off meeting the business interests of farmers. The objectives of the study are: identification of the main directions and trends in the development of farm business; implementation of the service cooperation concept in their activities in combination with marketing tools as well as the substantiation of the prospects of using cooperative marketing for farmers. In the course of the study, the following methods were used: abstract-logical and statistical-economic, analysis and synthesis. The undeniably important role of farms in agricultural production has been identified. It is emphasised that they have a number of competitive advantages, however, currently, they cannot fully use their own potential. Instead, the agricultural service cooperatives will contribute to the establishment of long-term and effective coordinated interaction in the rural society. The application of the radically new management approaches is proposed, the basis of which is the cooperative ideas with the marketing tools. The methodological understanding of the use of cooperative marketing in rural areas is presented and its prospects are proved. It is argued that the concept of cooperative marketing implementation to the agricultural business environment will contribute not only to the emergence of economically strong, competitive business units and the establishment of the favourable business climate, but an increase in the welfare of the rural population

Keywords: farming, agricultural service cooperation, marketing, the cooperative marketing paradigm

ІМПЛЕМЕНТАЦІЯ ПАРАДИГМИ КООПЕРАТИВНОГО МАРКЕТИНГУ У ФЕРМЕРСЬКУ АКТИВНІСТЬ

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Анотація. Глобалізаційні спрямування української економіки, розподіл земельних ресурсів, багатоукладність товаровиробників і радикальний злам майнових відносин суттєво позначилися на аграрному секторі та обсягах виробництва продукції. Розвиток фермерства за таких умов супроводжується комплексом фінансово-економічних, матеріально-технічних і соціальних проблем. Це передбачає необхідність впровадження якісно нової концептуальної парадигми його розвитку. Мета даного дослідження полягає в обґрунтуванні перспективності та доцільності імплементації кооперативного маркетингу в фермерське бізнес-середовище. Завданнями дослідження визначено: ідентифікацію основних напрямів і тенденцій розвитку фермерських господарств; імплементацію в їх діяльність концепції обслуговуючої кооперації в поєднанні з маркетинговим інструментарієм та обґрунтування перспективності застосування для фермерів кооперативного маркетингу. У процесі дослідження було використано методи: синтезу, абстрактно-логічний і статистико-економічний. Визначено беззаперечно важливу роль фермерських господарств в аграрному виробництві. Підкреслено, що вони мають ряд конкурентних переваг, однак, наразі не можуть повноцінно використати власний потенціал. Натомість, використання переваг сільськогосподарської обслуговуючої кооперації сприятиме встановленню довгострокової злагодженої співпраці та ефективної взаємодії в сільському соціумі. Запропоновано застосування кардинально нових підходів у господарюванні, основою яких є поєднання кооперативної ідеї та маркетингового інструментарію. Представлено методологічне осмислення застосування кооперативного маркетингу на сільських територіях і доведено перспективність такого підходу. Аргументовано, що реалізація концепції кооперативного маркетингу в площині фермерського бізнес-середовища сприятиме виникненню економічно міцних, конкурентоспроможних господарюючих одиниць, формуванню сприятливого підприємницького клімату та підвищенню добробуту населення

Ключові слова: фермерська діяльність, сільськогосподарська обслуговуюча кооперація, маркетинг, концепція кооперативного маркетингу

INTRODUCTION

The globalisation of the economy, distribution of the land resources and the radical breakdown of property relations have significantly affected to the development of the agricultural sector and the volumes of production. Existing farms do not have the opportunity to achieve their economic potential these days. This situation has arisen as a result of the changes in the conditions for conducting economic activity, because of the differentiation and diversification of production processes and the emergence of new areas of implementation of entrepreneurial interests. Consequently, the role of cooperation as an opportunity to intensify entrepreneurial initiative is greatly enhanced, especially in combination with the distribution of marketing, which will provide farmers competitive stability and increase their production and profits.

A wide range of scientific developments devoted to the problem of entrepreneurship in the

agricultural sector is discussed in the academic literature. In particular, I. Markina, M. Semych note that an increase in the economic attractiveness is possible only with the complementary coexistence of large, medium and small landowners [1, p. 169-175]. At the same time, L. Prokopets, M. Smola and O. Dolitsoj notice that large and medium-sized agricultural enterprises are currently a priority. However, according to the authors, private farms and households also require special attention [2, p. 12-16]. Undoubtedly, all organisational and legal forms of entrepreneurship in Ukraine should develop under equal conditions. At the same time, it is important to pay attention to the fact that an integral condition for long-term and efficient operation of agricultural enterprises is a high level of flexibility. Therefore, the methodological approach should be based on the assessment of enterprise flexibility, which should take into account their ability to predict global and local

socio-economic transformations and to adequately and timely respond to them [3, p. 3-14]. The strategic goals of the development of small farms in rural areas are outlined in the paper by O. Skydan and G. Sudak [4, p. 33-36].

Modern agricultural enterprises are forced to seek opportunities for development and opposition to the intermediary business, however, in conditions of the fierce competition, this can only be done by pooling efforts, resources and capital, that is, by using the advantages of service cooperation [5, p. 58-64]. Well-known researchers note that the establishment of business environment in agricultural sector is impossible without the use of mechanisms of integration and cooperation of business entities [6, p. 53-60; 1, p. 169-175]. G. Spassky notes that the creation of sales cooperatives allows farms to achieve the same effect as large enterprises, that is to form large products batches, which can be sold without the participation of intermediaries [7, p. 49-59]. The feasibility of the cooperative initiative use for farmers is presented in the works of J. Ramanauskas [8; 9]. Its special role, as well as its essential advantages and opportunities in the confrontation with large-scale business are emphasised by V. Zinovchuk [9, p. 333-346; 10, p. 3-12]. The results of the research carried out are significant and relevant. At the same time, the analysis of the factors affecting the level of development of farming, as well as the identification of their potential opportunities for the use of cooperative marketing requires detailed development.

The *purpose* of the study is to prove the relevance and feasibility of the application of the cooperative marketing paradigm complementary with marketing tools in the in the context off meeting the business interests of farmers. The *objectives* of the study are: 1) identification of the main directions and trends in the development of farms; 2) implementation of the concept of service cooperation in combination with marketing tools into farming activity; 3) substantiation of the prospects of cooperative marketing application.

MATERIALS AND METHODS

In the course of this study, the general scientific and the special methods were used. Using the theoretical generalisation, a scientific search was conducted on the relevance and need of the cooperative marketing paradigm application in the agricultural sector of the economy, based on

the study of works of well-known researchers on this issue.

The empirical study of the Ukrainian farms was carried out, for which the relevant analytical material was collected in the official State Statistics Service. The data was processed, detailed, grouped and systematised by the statistical and economic method, that allowed to determine the level of modern farming activities and to analyse main changes in the farming activities depending on market trends. Application of systematic approach revealed the general asymmetries if the development of farms were identified and it was established that the main reasons for this situation include: lack of financial and credit resources; the shortness of the material and technical sources; technological obsolescence and deterioration of equipment; instability of the legal framework and the economic transitivity. In the course of the study, using the analysis, the economic activity of farms depending on the size of their land use was carried out; the structure of their gross output and the farmer's crop and livestock production were investigated. The detailed exploration showed that the current state of development of farm units is characterised by the inconsistency of indicators and considerable imbalance, which significantly reduces their competitive ability. At the same time, based on the abstraction as well as induction and deduction it was revealed that such decrease in the economic activity is typical for almost all forms of entrepreneurship in the agricultural sector, not only for private farmers. Application of the analysis would be incomplete without further synthesis of the results obtained, because a detailed study should be based on their combination. The synthesis method has revealed that the use of the advantages of agricultural service cooperation in combination with marketing tools will significantly strengthen the role of farmers and their position in the rural economy due to the pooling and sharing the resources and property.

The abstract-logical method helped to argue the prospects and feasibility of the implementation of cooperative marketing in the farm business environment. Unlike the classical approaches that exist for now, the focus of the cooperative marketing will be the priority of the detailed marketing research in order to meet the needs of the target market. On the basis of a systemic-synergetic approach, scientific inquiries

on the methodological foundations of cooperative marketing and the specifics of its application in agribusiness were processed, and it was found that the spread of cooperative initiatives, enhanced by a marketing benchmark, will diversify the range of cooperative activities, which will contribute to improving the living standards of the rural population. The cognition method proved that the implication of cooperative marketing paradigm in agribusiness will serve as a system-forming and stimulating factor for its further development and its extrapolation is a factor of the entrepreneurial potential fulfilment in the modern market space.

RESULTS AND DISCUSSION

According to the Ukrainian legislation, farming is a form of entrepreneurial activity of citizens with the creation of a legal entity who have expressed a desire to produce marketable agricultural products, to process, to store, and to sell it for profit on the land plots provided to them for farming. The number of farms and their agricultural land are given in Table 1.

According to the data in Table 1, 23.3% of farmers used land up to 20 hectares (7.5 ths. units); 30.2% – land of 20-50 hectares (9.8 ths. units), they owned 371.5 ths. hectares of agricultural land. The land area within 50.1-500 hectares was used by 9.3 ths. farmers (18.5%); they had 1.5 mln. hectares or 31.7% of the land. The share of farms with a land size more than 1 ths. hectares was 2.9% (1.9 mln. hectares).

The general structure of agricultural output production by farmers is presented in Table 2. The data given in Table 2 show that the share of farms in the total agricultural output remains insignificant: in 2010 it was 7.3% of the total production and increased slightly over the period 2015-2019 from 9.2% to 11.6%, that is 2.4%. When we analyse the state of crops production by farmers, it can be noted that its share was 9.7% in 2010. It increased only to 11.5% in 2015, that is 1.8% and to 14.1% in 2019, that is 4.4%. The rate of livestock production in 2010 was 1.7%, it increased only to 1.9% in 2015 (0.1%) and to 2.3% in 2019 (0.6%).

Table 1. The economic activity of farmers

Indicators	Number of enterprises		Agricultural lands area	
	Units	% to the total number	Thousand hectares	% to the total amount
Farms with agricultural land, including area	28788	88.7	4749.5	100.0
up to 1.0	95	0.3	0.1	0.0
1.1–3.0	969	3.0	2.2	0.0
3.1–5.0	1200	3.7	5.1	0.1
5.1–10.0	2030	6.4	16.0	0.3
10.1–20.0	3221	9.9	50.0	1.1
20.1–50.0	9816	30.2	371.5	7.8
50.1–100.0	4063	12.5	291.6	6.1
100.1–500.0	5200	16.0	1216.3	25.6
500.1–1000.0	1229	3.8	870.5	18.3
1000.1–2000.0	665	2.0	915.5	19.3
2000.1–3000.0	176	0.5	424.6	9.0
3000.1–4000.0	62	0.2	208.7	4.5
more than 4000.0	62	0.2	377.4	7.9
Farms that did not have agricultural land	3664	11.3	x	x

Note: data are given without taking into account the temporarily occupied territory of the Autonomous Republic of Crimea, Sevastopol and part of the temporarily occupied territories in Donetsk and Luhansk regions

Source: calculated according to the data of Ukrainian State Statistics Service [11, p. 164]

Table 2. The agricultural production by farmers

Indicators, mln. UAH	Years					
	2010	2015	2016	2017	2018	2019
All agricultural production:	34145.9	55009.4	64306.1	63277.2	73181.7	79053.0
crop production	31863.8	52312.9	61528.1	60491.7	70214.1	75809.2
animal production	2282.1	2696.5	2778.0	2785.5	2967.6	3243.8
<i>the farm's share in the total production, %</i>						
All agricultural production:	7.3	9.2	10.1	10.2	10.9	11.6
crop production	9.7	11.5	12.4	12.6	13.3	14.1
animal production	1.7	1.9	2.0	2.0	2.1	2.3

Source: calculated according to the data of Ukrainian State Statistics Service [11, p. 44, 52]

More detailed analysis requires an overview of the production of crops by section (Table 3). The data in Table 3 indicates that the largest share in the farmer's production was on sunflower, that is 19.4% in 2010, increased to 20.3% in 2019 and grain and leguminous crops corresponding to 12.7% (2010) and 15.3% (2019). Fruits and berries production is insignificant (2.1% in 2010 and 4.7%

in 2019). The share of farmers' production of vegetables and potatoes during the study period was only 0.5%.

More detailed analysis of the development of farming in Ukraine requires an examination of the livestock production. The analysis should start by examining the data on the numbers of agricultural animals on farms (Table 4).

Table 3. The agricultural crops production by farmers

The main crops, ths. tonnes	Years					
	2010	2015	2016	2017	2018	2019
grain and leguminous crops	4702.5	7650.2	8880.9	8686.4	10104.9	11489.7
sugar beet	1154.7	618.9	973.4	1105.0	961.2	459.7
sunflower	1208.5	2167.0	2644.3	2365.3	2811.6	3098.9
potatoes	161.3	126.0	120.7	107.4	116.0	94.0
vegetables	211.9	282.5	298.4	272.1	253.0	293.9
fruits and berries	37.0	68.3	95.5	75.5	135.2	99.8
<i>the farm's share in the agricultural crops production, %</i>						
grain and leguminous crops	12.0	12.7	13.4	14.0	14.4	15.3
sugar beet	8.4	6.0	6.9	7.4	6.9	4.5
sunflower	17.8	19.4	19.4	19.3	19.8	20.3
potatoes	0.9	0.6	0.6	0.5	0.5	0.5
vegetables	2.6	3.1	3.2	2.9	2.7	3.0
fruits and berries	2.1	3.2	4.8	3.7	5.3	4.7

Source: calculated according to the data of Ukrainian State Statistics Service [11, p. 80; 84]

Table 4. The number of agricultural animals on private farms

The agricultural animals, ths. head	Years					
	2010	2015	2016	2017	2018	2019
Cattle	95.3	106.3	105.7	106.5	106.3	103.3
Cows	37.4	41.7	39.9	39.2	42.8	42.9
Pigs	294.8	276.1	273.0	238.9	255.4	284.0
Sheep and goats	57.9	43.5	45.0	46.2	43.8	36.1
Horses	3.3	1.6	1.5	1.4	1.1	1.0
Rabbits	0.8	4.3	1.9	1.5	1.6	1.5
Poultry	2878.3	2538.9	2113.9	3177.5	4039.1	4535.2
Beehives, ths.	8.8	5.6	5.3	5.1	5.0	4.6

Source: calculated according to the data of State Statistics Service [11, p. 129; 133]

The figures in Table 4 indicate a small number of livestock in farms. Thus, the share of cattle in 2019 increased only to 103.3 ths. from 95.3 ths. in 2010; cows – to 42.9 ths. from 37.4 ths.; poultry – to 4535.2 ths. from 2878.5 ths. Simultaneously, the number of other agricultural animals on the farms in 2019 goes down comparing to 2010: pigs – to 284.0 ths. from 294.8 ths.; sheep and goats – to 36.1 ths. from 57.9 ths.; horses to 1.0 ths. from 3.3 ths.; beehives – to 4.6 ths. from 8.8 ths.

The livestock production on farms is presented in Table 5. The analysis of the livestock production in 2019 compared to 2010 is characterised by the following indicators: a slight increase in meat production by 0.5% and egg production by 0.3%; increase in milk production by 1.2%. The production of wool decreased by 0.3%. as well as honey by 0.2%. It should be noted that such situation is typical for all livestock industry in Ukraine, not only for farms.

Table 5. The livestock production on farms

The animal production	Years					
	2010	2015	2016	2017	2018	2019
Meat (in slaughter weight), ths. t	47.6	52.3	56.3	58.2	60.0	69.2
Milk, ths. t	112.1	177.4	183.6	194.8	201.8	209.2
Eggs, mln. pcs	78.4	75.5	95.3	89.1	117.2	134.3
Wool, t	128	69	55	55	57	49
Honey, t	215	120	124	111	120	98
<i>the farm's share in the livestock production, %</i>						
Meat (in slaughter weight), ths. t	2.3	2.3	2.4	2.5	2.5	2.8
Milk, ths. t	1.0	1.7	1.8	1.9	2.0	2.2
Eggs, mln. pcs	0.5	0.4	0.6	0.6	0.7	0.8
Wool, t	3.1	3.0	2.7	2.8	3.0	2.8
Honey, t	0.3	0.2	0.2	0.2	0.2	0.1

Source: calculated according to the data of State Statistics Service [11, p. 148; 152]

Thus, the conducted analysis shows that the current farming situation is characterised by inconsistencies and a significant imbalance, which significantly reduces the competitiveness of farms. This is due to the lack of financial, technological, and labour resources, instability of the political and legal environment and the absence of the

state support. A number of extremely difficult problems that have accumulated over a long time can be eliminated only by combining the efforts and resources of commodity producers. After all, cooperation allows farmers to gather their resources and act as a whole. Together, they are able to effectively provide the necessary goods

or services, reduce operating costs and increase members' incomes. Thanks to cooperation, the unstable market becomes more predictable, that benefits members of the cooperative and their communities [12, p. 646-650]. The further development of agricultural cooperatives in Ukraine will depend on two important factors. On the one hand, under the condition of political and economic stabilisation, a significant increase in financial assistance to agricultural cooperatives can be provided from the state and local budgets. This financial assistance is aimed at supporting and developing family farming, which is a means of confronting the monopolisation of the land market and the condition of preserving the rural area as a living environment for citizens. On the other hand, it is vital that cooperatives can obtain and effectively use this financial assistance [9, p. 333-346]. If, at the same time, cooperation is enhanced by marketing tools, that is, will focus on the priority of studying the market situation, needs and demands of consumers and their satisfaction. It will give an opportunity to create a fundamentally new and effective mechanism of interaction between producers and buyers. The result of the proposal will be supply of the high-quality products at affordable market prices through specialised sales centres. Through the suggested measures it could be possible to avoid the intermediary network, which is currently extremely overspread in the agricultural sector of Ukraine.

CONCLUSIONS

1. The current situation in the farming industry is characterised by inconsistencies and a significant imbalance, due to the shortage of the financial, economic, material, technical, and social resources which impacts the economic growth and competitiveness. The cooperative marketing paradigm only can solve the farm's pressing problems. The specificity of this approach for farmers is the ability to combine and fulfil their own purposes while maintaining independence. In the nearest future, the producers will meet growing demand, which will help to increase the potential of the Ukrainian farming industry. As a result, farmers' use of the advantages of a cooperative organisation in combination with a balanced marketing strategy will ensure effective dialogue between the business and the consumer.

2. The prospect of using the proposed approach will be to expand the outline of

the theoretical, methodological and practical understanding of cooperative marketing in the rural areas. After all, conducting entrepreneurial agribusiness activities taking into account the marketing component and based on the qualified marketing research based on consistency, complementarity, transparency and relevance of information will help not only to explore the consumer needs but also to develop effective strategies of their satisfaction. So, the introduction of cooperative marketing and the optimisation of business processes will be facilitated by the fact that they will provide balanced complementary economic cooperation in the producer – processor chain, that will allow the company to receive quality products in time and the producer – consumer chain, which will create the opportunity to buy products directly from the manufacturer.

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