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Application of SWOT-analysis method in forming the organic farming development strategy as a basis of success of the food industry in Ukraine

Introduction

The end of the 20th century was marked by the urgent need for the formation of the new philosophy of humanity that would dramatically differ from the anthropocentric principle of development and be oriented towards the maximum preservation of the natural resources and minimization of interventions into the biosphere.

Consequently, following the generally accepted tendencies, the concept of sustainable development that calls for the maximum leveling of the existing disproportion in the triad "environment-society- economy" is becoming widespread in Ukraine. We shall note, that the transformational upheavals have not left the agri-food sphere of the economy. The problems of green farm production caused by farming intensification, deterioration of the population food patterns provoked by consumption of low quality products and chemically contaminated food require an arduous search for the alternative methods of farming management. To this end an effective mechanism of transition to the model of the sustainable development of the food sector, taking into account the existing agri-food potential, is introduction of organic farming in Ukraine.

That is to say comprehension and introduction of the new paradigm of development of the national agri-food system of Ukraine with stimulation of organic farming will help to overcome the negative tendencies of the environmental degradation.

This in its turn will facilitate supply for the population of high quality and safe food products, development of rural territories, boosting competitiveness of the national farming products in the domestic and world markets.

The SWOT-analysis method was taken as the basic methodology in this article, which will provide the opportunity to outline the key solutions

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and threats, strong and weak points of organic farming development, specify strategy of its development or characterize major trends of functioning.

The main objective of the article is to prove the need for development of organic farming in Ukraine using the SWOT-analysis method for defining the key opportunities and threats, strong and weak sides of its functioning and development, which will help to choose a strategy of domestic organic farming development in Ukraine and in the future provide the opportunity to introduce it using the clear cut and effective strategic trends.

1. Analysis of recent studies and publications

At present day stage of development of the globalization processes organic farming is one of the important priorities in developing the food producing complex in general. This kind of farming is a necessity that is dictated and predetermined in the global context.

An important contribution to the development of the concept of organic farming was made by the Japanese philosopher Mokishi Okada, the German scientist Rudolf Steiner, the French scientist-economist Lemaire Boucher.

Thus, for example, one of the founders of ideology of the new forms of farming, more specifically organic farming, was the Japanese philosopher Mokishi Okada, who wrote in his works that agriculture has to accomplish the following missions: to offer food products that not only sustain human life, but improve human health as well; be economically profitable for the producer and for the consumer; to produce products in quantities sufficient for satisfaction of the needs of the growing human population; not to disturb biological balance of nature, be environmentally safe; to use sufficiently simple, stable and accessible methods and means of farming.

The European researchers – a German scientist Rudolf Steiner, a French scientist-economist Lemaire Boucher studied, predominantly, the methods of organic farming. Thus, they considered Biointensive Mini-Farming, Biodynamic Agriculture, EM-technologies (Effective Microorganism Technologies) LISA – Low Input Sustainable Agriculture), etc. as the alternative methods of agriculture. These models, according to their studies, are based on the deep understanding of the processes taking place in nature, aim at the improvement of the structure of soil, reproduction of its natural fertility and facilitate formation of environmentally stable cultivated lands. Organic farming is attributed exactly to such systems of agricultural production.

The problems of development and functioning of organic farming in the national science are the target of the research of such scientists as I. Ovsinsky and A. Podolinsky, V. Artysh, O. Dudar, T. Zaychuk, V. Kysil, L. Sokol, T. Stefanovska, V. Shlapak, I. Shuvar and others. They

placed a great focus on the legislative regulation, particularly, on the state support of organic farming in Ukraine. They regarded the state special comprehensive programs of organic farming as the main element of ensuring the state support of such farming.

In the meantime there is a need for the detailed system studies in the field of the promising trends of organic farming development, outlining major problems of functioning of such farming in the agri-food system of Ukraine and laying emphasis on the clear cut trends in the functioning of domestic organic farming and agriculture in general.

2. Theoretical and methodological foundations of the study of the category “organic farming”

Analyzing the system of organic farming, we shall note, that according to the studies of the US Department of Agriculture (USDA) organic farming is a system of production of agricultural products that prohibits or considerably restricts the use of synthetic composite fertilizers, pesticides, growth regulators and food additives in fodder for fattening animals. Such a system is based as much as possible on crop rotation, use of plant residues, manure and compost, legumes and plant manure, organic product waste, mineral materials, mechanical soil cultivation and biological means of pest management in order to increase fertility and improve soil structure, to ensure full power plants and controlling weeds and various pests [*Report and recommendation for the organic farming 2007, 2007*].

Analyzing the range of diverse interpretations regarding the subject of research in organic farming it is worthwhile to make a note also of the definition of this notion by the National Organic Products Standard Board of the USDA that is somewhat different from the above said definition. Organic farming is a system of ecological management of agricultural production that supports and improves biodiversity, biological cycles and biological activity of soil. It is based on the minimal use of non-natural (artificial) raw materials and substances and on the farming methods that revive, support and improve ecological harmony [*National Organic Standard Board Recommendations, 2015*]. According to this definition the guiding principle for the organic farming is the use of materials and technologies that improve ecological balance in the natural systems and promote establishment of the stable and balanced agro-ecosystems. To this end the main objective is optimization of “health” and productivity of soil fauna, plant and animal world and human society.

According to the International Federation of Organic Agricultural Movements (IFOAM) “Organic agriculture includes all agricultural systems that promote the environmentally, socially and economically sound

production of food and fibers". These systems respecting the natural capacity of plants, animals and the landscape aim harmonize agricultural practice and the environment. Thus, according to such statement organic agriculture adheres to the principles, which are implemented within local social-economic, climatic and cultural settings [Organic Agriculture and Food Security, 2002].

Proceeding from the above, as we see it, the most adequate in its essence the definition of organic farming can be regarded as a system of agricultural management of agro-ecosystems based on the maximal use of biological factors of enhancement of soil fertility, agrotechnological measures for plant protection as well as accomplishment of a complex of other measures ensuring ecologically, socially and economically expedient production of agricultural products and raw materials.

As we see, preservation and enhancement of soil fertility is the key element in the introduction of organic farming technologies.

3. Problems of organic farming development in Ukraine

Transition of Ukraine from the ordinary (intensive) technologies of agricultural production to organic farming is a rather long lasting process and is accompanied by certain risks and the necessity to solve a range of the problems that should be combined into three groups: social-psychological, institutional-legal and financial-economic problems.

The social-psychological problems of organic farming technologies introduction in Ukraine are represented, first of all, by the low level of knowledge of the population and producers in the field of organic farming; insufficient level of ecological awareness of the population (primarily of rural population) and the low technological culture of agricultural production at all levels starting from the private rural household right to the large agrarian associations. This group of problems includes also the lack of relevant educational courses in the theory and practice of organic farming in the educational establishments of various levels of accreditation. Aside from the lack of education and ecological awareness there is also observed unwillingness to overcome the persisting stereotypes that have been formed in the long lasting period of intensification of agriculture, and the low level of innovative activity of the managers and the state administrative structures.

The institutional-legal problems of organic farming introduction in Ukraine include: absence of appropriate legislative and regulatory framework, first of all, of the basic law on organic farming and certification of organic products approved in accordance with the requirements of international legislation; absence of the effective national system

of certification and control of organic farms and products they produce; absence of the appropriate domestic infrastructure; necessity of integration in the international structures (EU, IFOAM) and ensuring access of organic products to the external markets; necessity of appropriate information support.

The financial-economic problems of organic farming introduction in Ukraine include the following: lack of marketing research in the organic products markets; risks connected with possible changes in the organic products market situation in the rather long (2–4 years) period of conversion; financial losses caused by the reduction of the volumes of organic food production; absence of financial support from the state in the period of conversion and grants or subsidies for the organic food production, etc.

We are convinced that if development of organic farming and organic food production does not become a strategic objective of Ukraine in the next few years, import and shadow domestic production of genetically processed food can destroy the gene pool of the Ukrainian people. Therefore, in this paper we want to emphasize the urgent need for activation of the production of organic products in Ukraine, taking into account experience of the European countries in the production of such products in. Proceeding from the analysis of experience in the functioning of organic production in the European countries we believe that in order to activate similar activities in Ukraine it is first of all necessary to create the legal framework that would regulate functioning of the system of organic farming since absence in Ukraine's of legislative environment renders it impossible to organize a system of accreditation and standardization of functioning of the certification bodies and prevents positioning of Ukraine as an exporter of organic products in the international market [*On the trends of development of organic production of farming products in Ukraine*, 2012].

4. Legislative base of production of organic agricultural products and raw materials in Ukraine

Ukraine has already taken certain steps to create the required legislative environment for organic farming, having adopted on September 3, 2013 the Law of Ukraine „On the production and turnover of organic agricultural products and raw materials”, that outlines the legal and economic principles for the production and circulation of organic agricultural products and raw materials, measures for control and supervision of such activities and aims at ensuring a fair competition and an appropriate functioning of the market of organic products and raw materials, improving key indicators of the population's health, preservation of the natural environment, rational use of soil, ensuring rational use and renewal of natural resources

and guaranteeing the consumers' confidence in the products and raw materials labeled as organic [*On production and turnover of organic farming products and raw materials*, 2013].

Another unresolved issue of legislative nature is the absence of legislative acts that pertain to undergoing organic production certification procedures by the domestic producers of organic products. We shall note, that the Law of Ukraine of September 3, 2013 „On the production and turnover of organic agricultural products and raw materials” indicates only, that the use of the state logotype and marking organic products (raw materials) for labeling organic products is mandatory, though it does not define a precise procedure for marking and certification. That is why domestic producers undergo the process of organic certification under existing international standards, most often under the effective standards of the European Union.

In the absence of national legislative environment for the certification and labeling organic production certification of organic producers and their products in Ukraine is made in accordance with international standards. In particular, the Ukrainian certification company „Organic Standard” certifies the Ukrainian producers as prescribed by the „Standard for organic production and processing for the third countries”, that is equal to the European Union standard.

The state *target rural development program for the period till 2015* plans to attain the share of organic products in total volume of gross output of agriculture up to 10%, envisages incentives for organic agriculture, standardization of organic farming and the establishment of its certification – though as of today these provisions have not been accomplished.

Another document that focuses on the organic sector is the *Strategy of development of agricultural sector of economy for the period till 2020*, approved by the decree of the Cabinet of Ministers of Ukraine [*Resolution on approval of the Strategy of development of agricultural sector of economy for the period till 2020*, 2013]. Among the top-priority goals in achieving the strategic objectives the strategy indicates also the ensuring of food security of the state through the promotion of organic farming, especially in private farm households and in medium-sized farms.

Thus, Ukraine has a potential comparative advantage in the production of organic products among other European countries. Development of organic farming provides great opportunities for farmers and commodity producers in the sales of organic products in foreign markets. Export of domestic organic products to the European countries can bring quite reasonable profits to the Ukrainian farmers, and those, in their turn, will get resources for the development of agricultural production of both,

organic and traditional products, thus increasing supply of domestic goods in the internal market.

5. Construction of a matrix of SWOT-analysis of the process of development of organic farming in Ukraine

The study of the peculiarities of development of organic farming in Ukraine provided the opportunity based on SWOT-analysis to determine the strong and the weak points, as well as the opportunities and threats to its functioning, as shown in table 1. We shall note that carrying out the SWOT-analysis in this case is important not only for its analytical value, but for its preventive value as well, because identification of the opportunities and threats to the development of organic farming in Ukraine must ensure further transformation of the opportunities into strengths and prevent the threats by way of taking appropriate measures for their prevention.

To assess the effect of strategic factors of the environment on the development of organic farming it is necessary to identify factors of the external environment and determine the possibility of their influence on its functioning and classify them by their positive or negative effect. The matrix of favorable opportunities for the functioning and development of the processes of organic farming in Ukraine (Fig. 1) was constructed on the basis of such assessment.

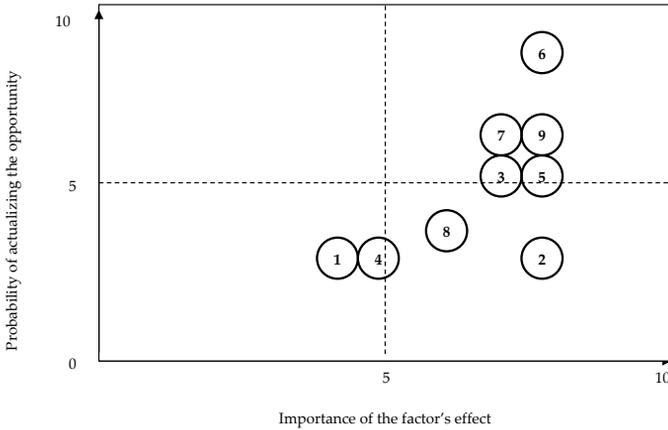
Table 1. Matrix of SWOT-analysis of the process of development of organic farming in Ukraine

Strong points	Weak points
<ul style="list-style-type: none"> – considerable territory of uncultivated agricultural land; – Low rents; – Favorable weather-climatic conditions for organic farming; – Satisfactory state of ecology of the environment for organic farming; 	<ul style="list-style-type: none"> – Poor financial standing of agricultural enterprises as potential subjects of organic farming development; – poor development of cooperation in rural areas as a potential field of organic farming development; – low level of productivity of rural residents;

Strong points	Weak points
<ul style="list-style-type: none"> – presence of a considerable number of unemployed village residents which means formation of cheap labor; – knowledge of rural residents in the sphere of farming, which is a prerequisite for ensuring quality of labor; – existing experience in organic farming (domestic and foreign); – Existing demand for ecological products 	<ul style="list-style-type: none"> – low level of motivational factors development; – low investment attractiveness of rural areas and the branch of economy; – low credit rating of the food sector; – underdeveloped system of business planning in agriculture; – presence of close financially powerful foreign entities that reduce competitiveness of domestic products; – underdeveloped management and marketing systems in farming domain; – low level of state support for agricultural development; – low level of development of production and social infrastructure of villages – imperfect legislative environment
Opportunities	Threats
<ul style="list-style-type: none"> – Diversification of production in agriculture; – state support of the development of organic agriculture (subsidies); – reducing the tax burden on producers of ecologically clean products; – change in consumers' expectations of the Ukrainian consumers by giving preference to domestic food products; – increase of investment attractiveness of the food complex of the economy; – access to new foreign food markets; – introduction of new production technologies and management practices; – development of cooperation of the households in rural areas – existing demand for ecological products 	<ul style="list-style-type: none"> – Intensification of agricultural production, rapid growth of low production cost enterprises (non-organic farming); – insufficient awareness of population of ecological products, that causes its underestimation and low demand for such products; – difference in priorities of organic farming in governmental bodies, business circles and population, that can assure achievement of common ultimate goal; – existence of strong competition from western neighboring countries; – inability of farming enterprises to make capital investments to carry on organic farming; – insolvency of population due to the high prices of certified organic food products

Source: Own elaboration.

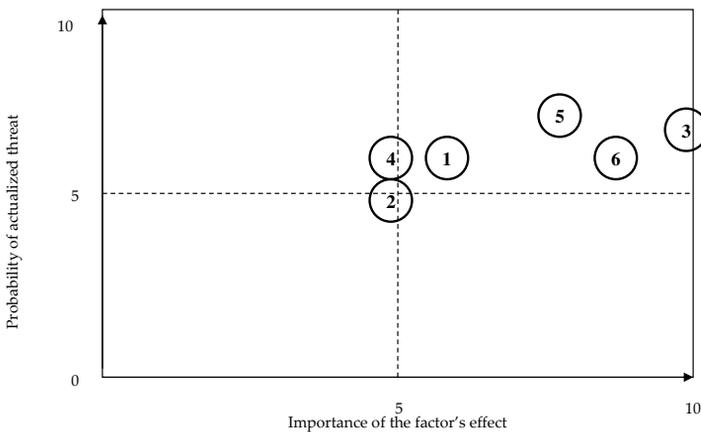
Figure 1. Matrix of favorable opportunities for development of organic farming in Ukraine



Source: Own elaboration.

Thus, in the result of construction of the matrix of opportunities for development of organic farming in Ukraine the most favorable will be those shown in the upper right corner of the matrix (Fig. 1), namely, opportunities numbered 3, 5, 6, 7 and 9. These are to be included in the summary table of SWOT-analysis and the main thing is to consider them as feasible directions of the chosen strategy of development of domestic organic farming. Based on the complete analysis of possible threats the matrix of possible threats to domestic organic farming functioning has been constructed (Fig. 2).

Figure 2. Matrix of possible threats to the development of state organic farming



Source: Own elaboration.

Table 2. Matrix of SWOT-analysis showing relationship of external environment with the strong and weak points of organic farming development

SWOT-analysis components	Opportunities of external environment	Threats of external environment
	A. Reducing the tax burden on producers of ecologically clean products	a) Intensification of agricultural production, rapid growth of low production cost enterprises (non-organic farming)
	B. Increase of investment attractiveness of the food complex of the economy	b) Insufficient awareness of population of ecological products, that causes its underestimation and low demand for such products;
	C. Access to new foreign food markets	c) Difference in priorities of organic farming in governmental bodies, business circles and population, that can assure achievement of common ultimate goal
	D. Introduction of new production technologies and management practices	d) Existence of strong competition from western neighboring countries
	E. Development of cooperation of the households in rural areas	e) Inability of farming enterprises to make capital investments to carry on organic farming; f) Insolvency of population due to the high prices of certified organic food products
Strong points	SO–strategies	ST–strategies
1. Considerable territory of uncultivated agricultural land	Development of cooperation of the households in rural areas (E)	Rapid growth of low production cost enterprises (non-organic farming) (a)
2. Low rents	Increase of investment attractiveness of the food complex of economy (B) Development of cooperation of the households in rural areas (E)	Increased competition from western neighboring countries (d)

3. Favourable weather-climatic conditions for organic farming;	Increase of investment attractiveness of the food complex of the economy (B)	Facilitation of non-organic farming development (a)
4. Satisfactory state of ecology of the environment for organic farming	Reducing the tax burden on producers of ecologically clean products (A)	Introduction of strict state norms for emissions into the environment (c)
5. Presence of a considerable number of unemployed village residents which means formation of cheap labor	Development of cooperation of the households in rural areas (E)	Difference in priorities of organic farming in governmental bodies, business circles and population, that can assure achievement of common ultimate goal (c)
6. Knowledge of rural residents in the sphere of farming, which is a prerequisite for ensuring quality of labor	Introduction of new production technologies and management practices (D) Development of cooperation of the households in rural areas (E)	Existence of strong competition from western neighboring countries for qualified labor from Ukraine (d)
7. Existing experience in organic farming (domestic and foreign);	Access to new foreign food markets (B)	Difference in priorities of organic farming in governmental bodies, business circles and population, that can assure achievement of common ultimate goal (c)
8. Existing demand for ecological products	Introduction of new production technologies and management practices (D)	Considerable cost of certified organic food products that will reduce demand for such products (f)
Weak points	WO-strategies	WT-strategies
1. Poor financial standing of agricultural enterprises as potential subjects of organic farming development	Introduction of new production technologies and management practices (D)	Existence of strong competition from western neighboring countries (d) Inability of farming enterprises to make capital investments to carry on organic farming (e)

2. Poor development of cooperation in rural areas as a potential field of organic farming development	Introduction of new production technologies and management practices (D) Development of cooperation of the households in rural areas (E)	Rapid growth of non-organic farming (a)
3. Low level of productivity of rural residents	Introduction of new production technologies and management practices, especially methods of workers' motivation (D)	Insufficient awareness of population of ecological products, that causes its underestimation and low demand for such products (b)
4. Low level of motivational factors development		Insolvency of population due to the high prices of certified organic food products (f)
5. Low investment attractiveness of rural areas and the branch of economy	Increase of investment attractiveness of food complex of the economy (B) Development of tourism in the region (B)	Informing population on ecological products (b) Overcoming difference in priorities of organic farming in governmental bodies, farming enterprises and population (c)
6. Low credit rating of the food sector	Attraction of foreign crediting establishments and banks (B)	Shortcomings of legislation in the sphere of organic farming (c)
7. Underdeveloped system of business planning in agriculture	Introduction of new production technologies and management practices with the use of strategic analysis methods (D)	Increased competition from western neighboring countries (d)
8. Presence of close financially powerful foreign entities that reduce competitiveness of domestic products	Facilitation of the development of cooperation of the households in rural areas, use of foreign experience in organic farming (E)	Increase of competition from western neighboring countries, drop in production of organic products (d), (f)
9. Underdeveloped management and marketing systems in farming area	Introduction of new production technologies and management practices (D)	

10. Low level of state support for agricultural development;	Reducing the tax burden on producers of ecologically clean products, subsidizing and agro-crediting the sphere of organic farming (A)	Rapid growth of non-organic farming (a)
11. Low level of development of production and social infrastructure of villages	Development of infrastructure by way of the state support and support of foreign investors (A), (B), (c)	

Source: Own elaboration.

Proceeding from the obtained results of SWOT-analysis we establish that the organic farming in question as the basis for development of present day food sector of Ukraine has a number of strong points and opportunities in the organic food markets. In particular – a considerable area on uncultivated agricultural lands; favorable natural-climatic conditions for conducting organic farming; a considerable number of unemployed rural residents, which is a prerequisite for the formation of cheap labor and other strong points. As to the opportunities, here we can name the following: diversification of manufacture in agriculture; reduction of the tax burden on the producers of ecologically clean products; introduction of the new production technologies and management methods, etc. Bearing in mind the comprehensive analysis that reflects interrelation of the external environment with the strong and weak sides of organic farming development in Ukraine (Fig. 4) our objective is to offer concrete strategies of organic farming development in Ukraine provided that the weak points and threats are taken into account, which will ensure competitive positions for the organic products. We find it expedient to choose not the strategy of growth, but *the strategy of domestic organic farming development*, detailing it as *the strategy of focusing*, that is, laying emphasis on the separate target market segment (the so-called “middle class”) that the organic products will be focused on; *the strategy of introduction of innovations*; *the strategy intended to work on the level of the niche segment of the agrarian market* – organic farming products and *the strategy of the most commercially viable products production*.

6. Conclusion and identification of strategic directions of development of state organic farming

Having analyzed in detail the matrix of SWOT-analysis that shows relationship of external environment with the strong and weak points of organic agriculture, that is, SO, ST, WO, WT-strategic directions, we consider it to be

expedient to choose not the strategy of growth but *the strategy of development of state organic farming* that will permit put it into effect in the future by way of the following directions:

1. Introduction of the procedure of organic products certification in conformity with the EU standards, because there is no such procedure in Ukraine, though the Ukrainian certification company „Organic Standard” certifies the Ukrainian producers as prescribed by the „*Standard for organic production and processing for the third countries*”, that is equal to the European Union standard.

2. Formation of the legislative environment that regulates the system of organic farming as the absence of appropriate legislative environment in Ukraine makes it impossible to organize the system of accreditation and standardization of functioning of the certification bodies and prevents positioning of Ukraine as an exporter of organic products in the international market.

3. Development of cooperation of the household farms in rural areas through the system of collaboration of agricultural service cooperatives (ASC) with the higher educational establishments, research and development institutes, leading agricultural firms, international organizations and other enterprises and institutions that have technologies in the domain of agricultural science. Informing the public in a simple and popular form about the opportunities, benefits and mechanism of establishing and functioning of the ASC under the new conditions.

4. Development of the concept of sales promotion (of organic products) that will envisage raising the consumers’ awareness of the harmful effects on health of livestock and crop products produced with the use of the „traditional” technologies, promotion of healthy lifestyles, developing effective ties with traditional distribution channels of product sales, creating new channels for the sales of organic products.

Thus, ecological agriculture is a method of farming that restricts dependence of a specific farm on the external costs by way of stimulation of biological natural processes. Proceeding from the above said we can state, that organic farming in the sphere of agrarian production of Ukraine is a practical realization of the principal provisions of the sustainable development concept.

The study that was conducted, that is, construction of the matrix of SWOT-analysis of the organic farming development process in Ukraine, has shown that the Ukrainian market must be interested in propagation of ecologically clean products. Resolution of the first priority problems described in this article is a strong contribution to the introduction and development of domestic organic farming.

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Application of SWOT-analysis method in forming the organic farming development strategy as a basis of success of the food industry in Ukraine (Summary)

At present day stage of development of the globalization processes organic farming is one of the important priorities in developing the food producing complex in general. This kind of farming is a necessity that is dictated and predetermined in the global context. The main task of this article is analysis of development problems of organic farming in Ukraine. Methodological basis of the study is using of SWOT-analysis of the process of organic farming that identifies principal opportunities and threats, strong and weak points of its functioning and development, chooses the strategy for development of state organic farming. Having analyzed in detail the matrix of SWOT-analysis that shows relationship of external environment with the strong and weak points of organic agriculture, that is, SO, ST, WO, WT—strategic directions, we consider it to be expedient to choose not the strategy of growth but the strategy of development of state organic farming.

Keywords

organic farming, organic products, production of organic food products, organic standards, SWOT-analysis, strategy of development.

