

The development strategies of the farms in Ukraine

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Summary. The peculiarities and determinants, basics and special ways for elaboration and strategy development of farms have been considered in the paper. The necessity for economic, marketing and social criteria when choosing the strategy have been presented. On the basis of SWOT analysis the strategies for farm development taking into account their type and size have been offered: dynamic, existence on the market, exit market and vertical diversification.

Key words: farm, strategy, type of farm, SWOT analysis.

INTRODUCTION

When Ukraine declared the independence its agriculture has undergone great transformation changes from planned and distribution type of economy to market system of farming. The new types of economic activities notably farms which were considered to be the main type of organization and legislation form of economic activities in many countries were formed. But their almost 20-year existence in agriculture of Ukraine became an indicative that they didn't prove to be a leading type of economic activity in Ukraine but still remaining the most perspective one. The reasons for that are many.

Having the goal of efficient operation as well as having the economic and social functions a farm has to choose the relevant operational strategy. Making the evaluation of its own potential and adjusting to the environment the farm can choose one of the alternatives of strategic activities.

Strategy is considered to be a key notion in the theory of strategic management. It is usually treated as a concept of operation and the way of using the existing and potential forces by the enterprise in order to cope with changes taking place in the surrounding but at the same time bringing into effect its own forces [4]. Today the strategy is transforming from the sphere of ideological constructions to the level of direct transformation power ready to act and its social

function is increasing as well as the cost of mistakes during creation and implementation period is rising¹.

RESULTS OF THE RESEARCH

The role of strategic forecasting for farming as a system arises from the necessity of total and final assertion of farming as a form of economic activity, the desire to achieve competitive advantages as to the most important opportunities and dangers that are produced by the surrounding. G. Hamel, C. K. Prahalad² emphasize that a new approach to the strategy requires understanding of what means to compete about the future [3].

The farming strategy should provide methods for farms as an organizational and legislation form of economic activity of how to use their strong sides, how to adapt to changes in the surrounding and at the same time achieving the goal of holding and developing the market. Farming strategy should be aimed at the total assertion of farms on the market and gaining strong positions with no way back.

The elaborated strategy for farming development should:

1. Detect the aggregate strategic goals that must be real;
2. Determine the concrete methods for achieving the strategic goals taking into account the means and the farm's operational experience on the market as well as acquiring them in future;
3. Determine the possibilities and ways for increasing the efficiency of market activity and methods of their achieving;
4. Identify the strategic factors for farming success;
5. Predict the risks and difficulties for farming in future.

¹ Жаліло Я. Економічна стратегія як категорія сучасної економічної науки// Екон. України.- №1, 2005.-с.-19

² Hamel G. , Prahalad C.K. – Warszawa : BusinessmanBook, Business Press, 1999. – S. 20.

When selecting and choosing the relevant strategy for farming development we must take into account:

1. The achieved level of farming development, availability of corresponding means and in the first place farmers' competences;
2. The possibility to increase the resource potential due to the search of appropriate resources both inside and outside the farm.
3. The surrounding in which the farms function is mainly a macro surrounding. That's why we shouldn't take into account such elements as expectations of the society, situation on sales market, competition, economic policy (inflation, tax and customs policies), economic, political and social situation. Elaboration of the strategy for farming development is a rather complex problem that must be adjusted to the already shaped trends and the main strategic directions of countryside development and agriculture. That's why when elaborating the strategic development of farms we must take into account that:

- The period of radical transformation of central planned economy was practically completed; the new economic system that is based on market economy has been set up however the transformation processes in the Ukrainian countryside have not been completed.
- The agriculture is in the critical stage of its development, i.e. in the period of transition from traditional to modern farming methods; in the stage of adaptation to European demands, radical changes in the production technologies and rural way of life.

The suggested strategy of farming development should correspond to three main criteria:

- economic, i.e. to provide the implementation of the farms' strategy as to the increase of profit, decrease of losses, raising the efficiency of economic activities;
- marketing, i.e. increasing the number of farms on the market of foodstuffs, assisting the concentration of farms and differentiation of their activities;
- social, i.e. to be useful for environment, to assist the professional activities, to create new job placements, to improve the working conditions, to raise the cultural and educational level of people employed on the farms.

The elaboration of efficient strategy for separate farm requires the skilful combination of the following elements: mission, goals, implementation methods, monitoring of fulfillment and control [1].

The mission of farms when taking into consideration their essence can be described as a production of sufficient in accordance with the demand of the market amount of high quality products in order to supply the population with foodstuffs.

To our mind, the main strategic goals of farms can be:

- existence of farming as an acceptable and socially necessary type of economic activity;
- growth of the number of farms and expanding their production potential;
- strengthening the positions on the market due to the increase of foodstuff volumes;

- providing the extended recreation of farms and welfare of farmer's family and recruited workers by means of maximizing the financial results;
- socially useful activities as to the region development, local community and society in general.

The evaluation of the farm position on the market is the basis for the elaboration of the corresponding strategy for farm activities. Different methods of strategic analysis can be used for this purpose. Application of SWOT analysis enabled to reveal the strong and weak sides of farms (in the context of five main fields of their activity: production, market, management, finances and marketing) and capabilities and dangers for their functioning (using PRESTCOM method) [7].

When elaborating the strategy for farm development we should take into account the following:

- for small farms – WT position, that is so-called mini-mini position, when weak sides are prevailing and significant dangers are expected in their further development;
- for middle-size farms – ST position, that is a situation when the farm has good conditions basically but significant problems are expected in the further development;
- for large-size farms – SO position, that is possessing quite big potential these farms have good perspectives for further development [6].

It seems like farms will develop in the context of entire agricultural development. Rational approach to the processes of recreation in agriculture will give answer to the question how the agriculture subjected to market mechanisms will develop³. Therefore, only the farms able to compete will remain on the market. Precisely this approach gives the understanding about the necessity to create different strategies for different types of farms (Fig. 1) [2, 5]:

1. Dynamic strategy that means expanding of agricultural production mainly of highly specialized type due to extension of resource potential.
2. The strategy of retaining on the market will be the most appropriate for the stable farms. With this aim they may extend their specialization or occupy the special price on the market that implicates the search of such a production field that will enable them to fight the competition without any extra efforts.
3. For stagnation farms the most appropriate seems to be the strategy of market exit or the vertical diversification of activities by means of combination the agricultural production with other types of activities. They may use the produced output. The other type of entrepreneurial activity is also quite appropriate for these farms.

It is wise to agree with R. Delano who noted that a good farmer in future will be well trained manager of his farm, time and energy aimed at the demands of consumers and the world. Functioning under conditions of high technologies he will introduce necessary innovations and respond to the signals of competitive market. At the same time the future development of agriculture will be the continuation of main development trends in the past and present (application and adaptation of new technologies, cost saving, integration with

³ O. M. Kordoba. – Lviv: Magnolia-2006, 2010. – P. 177.

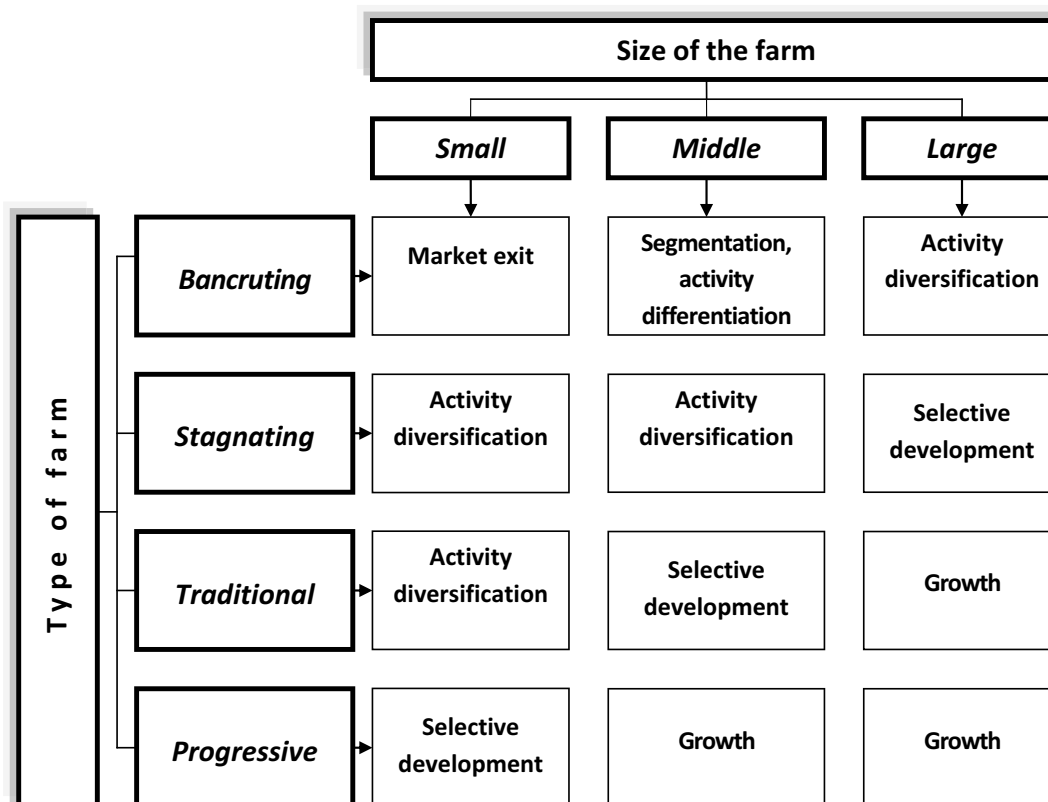


Fig. 1. Matrix of farms' strategy depending on their type and size

other enterprises, partnership between farm and science, concentration of farms and production, specialization, elasticity of activities, desire for success) [2].

CONCLUSIONS.

The further existence of farms as a system may be provided only on the basis of elaboration the strategy of their further development taking into account present conditions, the variety of farm types and in the context of further development of agriculture.

The main strategies of farm development regarding their types should be: segmentation, activity differentiation and diversification, selective development, growth and market exit. The choice of the appropriate strategy should be adjusted to the activity goals and the potential of the concrete farm.

The special problem for farms is land availability. The main limited factor as to further development of farms is land supply situation. It is for this reason that large size farms are the most perspective in Ukraine.

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СТРАТЕГИИ РАЗВИТИЯ ФЕРМЕРСКИХ ХОЗЯЙСТВ В УКРАИНЕ

Аннотация. В статье рассматриваются особенности детерминанты, основы и особенности формирования стратегии фермерских хозяйств. Отмечается необходимость применения экономического, рыночного и общественного критериев выбора стратегии. На основании проведения SWOT-анализа предлагаются стратегии хозяйств в зависимости от их типа и размера: динамические, пребывания на рынке, стратегии выхода из рынка и вертикальной диверсификации

Ключевые слова: фермерские хозяйства, стратегия, тип хозяйства, SWOT-анализ.