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## FARM ASSOCIATION AS A SUBJECT OF SOLVING MARKETING PROBLEMS

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### **Козлова Г. Асоціація фермерських господарств як суб'єкт вирішення маркетингових проблем**

*Виходячи з особливостей фермерських господарств як форми господарювання розглядаються їх маркетингові потреби та можливості останніх. Особлива увага звертається на колективне вирішення маркетингових проблем фермерськими господарствами на рівні створених об'єднань – асоціацій фермерських господарств.*

**Ключові слова:** фермерські господарства, маркетинг, маркетингові проблеми, маркетингові можливості, ринкова діяльність.

### **Kozlova G. Farm association as a subject of solving marketing problems**

*Taking into account the specific characteristics of the farm as a form of economic activity, the marketing demands of farms and the ways of their implementation have been considered in the article. Special focus have been made on collective solving of marketing problems when farms are being integrated.*

**Key words:** farms, marketing, marketing problems, marketing capabilities, marketing activities.

### **Козлова Г. Ассоциация фермерских хозяйств как субъект решения маркетинговых проблем**

*Исходя из особенностей фермерских хозяйств как формы хозяйствования рассматриваются их маркетинговые потребности и возможности последних. Особенное внимание уделяется коллективному решению маркетинговых проблем фермерскими хозяйствами на уровне создания объединений – ассоциаций фермерских хозяйств.*

**Ключевые слова:** фермерские хозяйства, маркетинг, маркетинговые проблемы, маркетинговые возможности, рыночная деятельность.

**Setting the problem.** Foreign experience and home practice show that marketing is an essential constituent component of agricultural enterprises' activities when taking into account their market focus that provides them wider opportunities for the development. But the process of introduction and application of marketing concept among the commodity producers in Ukraine has been very slow. That's why the problem of the development of marketing activities under present economic conditions is a question of urgent importance today and with joining the WTO becomes even more vital for Ukraine.

Marketing activities enable farms to become better adaptable to the market economy because marketing is actually very strict organizational type of modern commodity production with a corresponding content that is very important for the improvement of Agro-Industrial Complex. We believe that marketing activities will not only help to combine efforts of different farms, processing and trade enterprises on the stage of

selling the products but also on the stage of defining the type and scope of production, ways of profitable use of production capacity, conditions for products promotion that would meet the demands of the ultimate customer.

**Analysis of recent researches and publications.** The results of different theoretical, methodological and applied aspects of marketing demands and farm potential have been presented in scientific literature. This problem has been studied by such researchers as V. P. Horovy [1], V. K. Zbarsky [2], V. V. Lypchuk [5], P. M. Makarenko [6], L. Yu. Melnyk [7], A. S. Mohnenko [8], A. S. Sholoyko [13] et al. In their works they have substantiated the directions for the development of farm enterprises, agricultural markets and provided their marketing research. At the same time the opportunities for using marketing approach have not been considered sufficiently especially regarding strategic planning of farm activities. Creation of farm

association aimed at meeting the farms' demands requires special approach.

**Setting the task.** The complexity and multi-aspect character of the problem, lack of sufficient theoretical and methodological substantiation of the problem provide no grounds to state that the research has been completed. Creation of profitable markets, lack of material resources and scarce finances for their purchasing and upgrading, lack of conditions for storing and processing the farm products, all these problems have not been resolved yet. This issues have encouraged us to study the demands of farms and also to investigate the potential of the association to solve the problems of these farms.

**Presentation of main materials.** Marketing opportunities of enterprise are determined on the basis of comparison of its strong sides and opportunities that have appeared in the outside surrounding. In other words, all possible combinations forming a pair are being considered and those ones for which the enterprise has enough resources are being separated. [11, p. 152].

Marketing opportunities can be revealed in the process of strategic analysis when strong and weak sides of the enterprise, its opportunities and hazards are being estimated. For all that, the criteria for choosing of marketing opportunities are the high degree of attractiveness and probability of success [3, p. 489].

We agree that marketing opportunities of enterprise must be considered as final stage for the analysis of market opportunities since they are estimated regarding their relevancy as to possibility of actual fulfillment. That is to say, the market opportunity of enterprise which is based on the resources for its practical implementation is the marketing opportunity of the enterprise [9, p. 105].

In addition, the actual task of present day subjects of economic activities under conditions of economic crisis is formation of marketing opportunities of the enterprise as an object of management. Management of the process of formation the marketing opportunities of the enterprise is accomplished by the subject of management. For this, the system of management of marketing opportunities of the enterprise is being developed where the managing subsystem (subject of management) fulfils the determined number of management functions [12, p. 320].

Marketing as an instrument of market activities provides optimal speed for promotion the farm products when the most profitable conditions for their sale and minimum expenses for their storing are correlated and the conditions are preserved for total meeting the consumers' demands. Activities in the field marketing is being related to the search and analysis of market, commodities, consumers, middlemen and competitors.

Marketing activities of farms should be aimed at yielding income and profit from the selling the products and this can be achieved by means of selling commodities at profitable prices for farm producers, having the profitable distribution channels, increasing the amount of selling products and widening the range of products, i.e. it is should be oriented on the demand that is increasing.

The process of formation the marketing opportunities for the enterprise is being accomplished by means of such resources as labor (ability, qualification, responsibility, competence of the personnel), material (units, aggregates, spare parts, etc.), energetic (fuel and oil materials and others), technical (machine fleet, equipment), informational (information about the inside surrounding of enterprise, about the state of subjects of direct surrounding , etc.) [10, p. 312].

Development of farming will still be actual because such form of ownership provides combination in one person the owner of the means of production and labor, and worker and manager. But it is difficult for the owners of farms to solve economic problems connected with the search of sales markets, lack of material resources and lack of finances for their purchasing and upgrading, inability to store and process farm products

When compared to most commodities farm products are as a rule bulky and tend to deteriorate. A large amount of them has its effect on marketing functions that relate to physical manipulation. Bulky products when compared to their value cost usually more when transported and stored. Even more resistible to deterioration products usually go bad faster than industrial products. These characteristics determine measures necessary for marketing of farm products. Bulky products need to be stored in spacious building.

Because of the fast deterioration they need fast loading, delivery, unloading, and may be

special cooling conditions. Control and quality very often become real and expensive problem. That's why the best way for the farmer is a fast sale of their products.

Volumes of farm products varies every year that can be grounded by the reaction of farmers on prices, government measures as well as such factors as weather and illnesses. These changes in the volume of farm products affect the process of products marketing.

Changeability of yearly output on a separate farm is more appreciable than in all farms together. This fact is mainly important for the objects of food marketing that specialize on a several kinds of farm products. That means that dramatic decrease of wheat yield will affect the flour grinding and baking industries but it is not hazardous for processing of fruits and vegetables raw materials.

Changes in farm products supply have significant impact on purchasing prices as well as needs of storehouses and level of processing production capacity that belong to the objects of food marketing. Desire to decrease risks and uncertainty that have been caused by fluctuation of products delivery from farms has been one of driving forces that encourage closer agreements and contract relations between marketing agencies and farms.

Over the last few years the role of transport function of food marketing has been increased. Intensive use of speedy vehicles and cooling practices have resulted in decrease of seasonal factor in supply of fresh products. In spite of the fact that different farms products are produced in different regions the geographical specialization of farm production becomes more profound. Every region is focused on the production of those goods that are most suitable for the resource base of this region. Such kind of specialization has increased the channel for food marketing and raised the importance of its transport function.

In general dependence of farmers on supply from the outside source made their economic well-being dependable on non-agricultural sector of economy.

The other side of the problem is that there is very little difference between the selling price and production costs. Competition in agriculture makes the prices on farm products very close to production costs.

Knowledge of marketing and its problems help the farmer to make important economic

decisions that give answers to the following questions:

1. What to produce and how to prepare the products for sale?
2. When and where to buy and sell?
3. What part of marketing must be accomplished by a farmer himself (herself) or in a group?
4. What can be done for expanding markets?
5. What kind of agreements and measures in marketing are advisable?
6. How to improve the undesirable results?

The whole range of goals, strategies and tactics that help farmer to develop and make decisions concerning production and marketing is the so-called farmer's marketing plan.

Since the farm market belongs to the market of pure competition the farmer should have a clear notion that yielding a profit equal to the profit of other agricultural producers is possible only when the production costs will be decreased.

Decrease of costs per unit of produce can be achieved by the use of more efficient varieties of crops, advanced technologies, reduction of expenses on labor force, farm materials, delivery and sale.

The world experiences have proved that even those subjects that are financially, materially and technically not that well supplied when combined into associations or cooperatives will gain good results in overcoming the mentioned problems.

Setting up associations will increase the professional level of farmers and help to meet their economic interests and paying capacity. Thus, prevailing number of farms don't have sufficient material and technical base and one of the solution is creation of farmers' unions or associations.

Farm as a unit has a right to be a founder or a member of association, corporation, consortium, branch and territorial union, cooperative, joint venture that provides wider production and financial opportunities. [14].

Priority ways of state policy in the sphere of supporting farms in Ukraine are aimed at facilitation the farms in their search of farm markets. Farms that have been set up since January 1, 2004 started paying the fixed farm tax [15].

It is allowed to set up farm cooperatives according to the current legislation. Farms together with other farm producers have a right

to set up farm cooperatives providing services as well as cooperative banks, unions, associations and other organizations and also to be a founder or participant of farm societies [16].

Farm association is a voluntary union of farmers founded on land shares that together do certain kind of farming. The main purpose of farm cooperative is to provide services for its members. They fulfill centralized marketing functions

Marketing functions are separate types or complex of types of specialized activities that are accomplished in the process of enterprise's functioning as a member of market.

Considering the marketing methodology as a market concept of management and sales it is advisable to define four complex functions that comprise in its structure a number of sub-functions.

*Analytical function* : study of the market in itself; study of consumers; study of the firm market structure ; study of commodity; analysis of internal surrounding of enterprise.

*Production function*: organization of production of new commodities; organization of material and technical supply; management of products quality and competitiveness.

*Sales function*: organization of the system of commodity turnover; conducting purposeful commodity policy; organization of service; conducting purposeful selling policy.

*Management function*: planning of marketing activities; organization of marketing activities; information support; control of marketing activities.

Farm Association provides services for its members at production costs price. Allocation of their constant expenses on the larger volumes of output reduces production costs of the products. Besides, association provides conditions for farmers to yield profit not only from production but also on the other stages of products movement (storing, processing, transportation, wholesaling, retailing).

Farm Associations can be set up either on the local level or on the regional or national levels.

**Conclusions.** Proceeding from particular features of farms as a form of business, their marketing demands and possibilities to meet these demands, it is advisable to solve the marketing problems of the farms in a collective way by means of creation the farm associations.

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