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## CREATING A COMPETITIVE ADVANTAGE BY AGRICULTURAL PRODUCERS BY USING THE PECULIARITIES OF THE REGION'S REPRODUCTION CONDITIONS

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**Abstract.** This article presents the results of a study of a number of individual segments of the agricultural market and corresponding agricultural industries in the Vinnytsia region in order to objectively identify the possibilities of creating and developing a competitive advantage by regional producers by maximizing the use of territorial features of reproduction. For this purpose, several hypotheses were put forward that are as close as possible to the real territorial and economic conditions of this region. As a result, in the course of the analysis of the production and markets of these products in the past, present, forecasting their development in the near future, several separate industries and sub-sectors of the agricultural sector of production in the region were identified, where real producers of this region can definitely create a competitive advantage by effectively using certain features of territorial reproduction conditions.

**Key words:** region, competitive advantages, agricultural production, agri-food market segments, regional producers.

**Introduction.** The territorial factor plays an important role in competitive relations in the agricultural industry. Features of the territorial location, availability of factors of production, demand and supply in the markets of one or another product can contribute to the creation by regional producers of a competitive advantage in various segments of the agro-food market. Usually, the main sources of competitive advantage are low production costs and skillful product differentiation. However, the possibilities of reducing the costs of agricultural producers are limited by the fact that they are very strongly dependent on the prices of products purchased from machine builders, chemical enterprises and other branches of industry. The differentiation of agro-food products has very narrow limits due to its natural properties, the peculiarities of its assessment by the consumer and the inelasticity of demand in terms of price and income.

In these conditions, the search for extraordinary opportunities to create a competitive advantage for industry manufacturers is becoming quite urgent. The use of these opportunities makes it possible to bypass those complex obstacles that exist in the field of cost reduction and product differentiation on the way to increasing competitiveness. This is especially important in conditions when it is necessary to overcome the expansion of importers in food markets. On the other hand, as a result of sanctions by the governments of a number of trading partner countries, the problem of import substitution and food security has worsened. The use of territorial features of production and sales conditions facilitates the

solution of these problems as well. In this regard, it is possible to rely on some provisions of existing theories, in particular, the factor theory, which substantiates the most powerful influence on the specialization of the region and the competitiveness of its producers of the presence and cheapness of certain resources in the region: labor, land and capital (Libanova, 2014: 211). Attention is paid to the territorial aspect of creating a competitive advantage in M. Porter's works as well (Porter, 2005: 34). A number of authors draw attention to the fact that territorial differentiation becomes very important when production costs rise sharply (Tkachuk, Kropelnitskaya, 2007: 80; Shcherbakova, 2010: 140). In such cases, in order to reduce specific costs, it becomes necessary to achieve the effect of scale of production. This explains in many cases the formation of holdings and the territorial expansion of many companies. Note that this phenomenon is also related to the agricultural industry, although agricultural production cannot become as large as companies in many industries. Such a widespread phenomenon in business as diversification in the form of using profits received in other fields for pricing strategies in the main market is also penetrating the agricultural sector (Official website of the Department of international cooperation and regional development of the Vinnytsia regional state administration).

The possibility of creating a competitive advantage in this or that product essentially means the need for the region to specialize in its production. Specialization is a long-term phenomenon. A mistake in specialization can push the region's industry back and threatens with great losses. Therefore, a reliable prediction of its result is required for each variant of the use of territorial features of reproduction and on this basis – specialization. These results depend on changes in the external environment, opportunities to reduce costs, product differentiation, and the size of irreversible losses (Shcherbakova, 2010: 141).

Based on what has been said, the purpose of this article is to identify those segments of the production of agricultural products of the Vinnytsia region, where it is possible to achieve a competitive advantage by using the territorial features of reproduction and, on this basis, the region to specialize in the production of these products.

**Research methods.** To ensure the conceptual integrity of the study, the following methods were used: theoretical generalization, comparison, analysis, and systematization.

**Results and their discussion.** The difficulties that await the agricultural sector in the new conditions were mentioned even before the country's accession to the WTO. These fears were justified. But the external environment has suddenly changed, which creates certain opportunities for farmers, forces us to pay attention to those production and cultural parameters of the national environment that have developed in this territory among its population. Knowledge of this aspect of industry strategy adaptation has been used successfully in the past. In the centrally planned economy of the Soviet period, the propensity and skills to work in agriculture, the knowledge and competences possessed by the rural population of the Vinnytsia region were rationally used. The level of individualism and hierarchy, collectivism and egalitarianism in the labor process were taken into account. In the agricultural sector of the economy of the Vinnytsia region, it is possible to distinguish sub-sectors with their market segments, which received recognition and sustained development in the 20th century until the 1990s. These are hop farming, open ground vegetable growing, poultry farming, sheep breeding, beekeeping, dairy cattle breeding, and beef production.

The production of grain and pork is not included in this list, since their development was at a normal level, that is, they did not stand out against the background of other regions. Based on the unexpectedly formed macroeconomic, political and technological situation, we hypothesize that these sub-sectors can develop and become the area of specialization of the region under the following assumptions:

- there is systematically organized state support for these industries;
- purchase prices are regulated by the bodies of the Ministry of Agrarian Policy and Food of Ukraine;

- a policy of protectionism is carried out in relation to national producers in individual markets;
- the macroeconomic and political situation remains stable (Strategy of balanced regional development of the Vinnytsia region for the period up to 2027).

To these sub-sectors we can add greenhouse vegetable growing and fish farming, for which there are favorable conditions in the region. Based on the specifics of our approach, we can select a few from this set, assessing the state of these sub-sectors according to today's realities, according to past achievements and according to their projected possibilities of what they can correct from the past and what they can achieve in competition using territorial factors.

Hop-making, in fact, was a sub-industry in which the region accounted for the most significant share of production volume throughout the country – up to 80%. The population had a centuries-old experience of hop cultivation. Almost every family set aside a tiny plot for him and provided home (for themselves) year-round brewing. (domestic beer, almost non-alcoholic, was a common drink).

Similarly, in vegetable growing, the population of Vinnytsia has always been distinguished by its thoroughness, knowledge of the business, interest in it, and possessed the skills to work in this field. This is explained by the fact that in the most difficult years, when there was not enough flour and bread even until the middle of winter, vegetables were saved from starvation. The desire for vegetable growing exists even today, and there are enough masters of this business.

Poultry breeding and sheep breeding were a common occupation of many collective farms, the managers and workers of which had the necessary experience in this field. There were not enough pastures for sheep breeding, but, nevertheless, all possibilities were used for their maintenance, sometimes even the meager ones. This was, in fact, a state task, since the wool and skin of these animals were strategic raw materials for providing the personnel of the army.

Milk production was mainly aimed at meeting the needs of the population of the region and ensured the self-sufficiency of the Vinnytsia region in this area. There was no shortage of specialists in dairy farming. The experience of any rural family in keeping and caring for animals was centuries old and was passed down from generation to generation. There was no problem with labor resources in animal husbandry (all farms were staffed with personnel with the necessary qualifications). However, the situation with land resources was difficult. The land was used to the limit, to the last hectare. The priority was grain production. Therefore, there was not enough pasture and fodder for livestock. All industrial products needed for farms were supplied by the state through loan financing at a low interest rate, since it was a centrally-planned specialization, when the state fully took care of the resources.

Today's state of the selected industries is very heterogeneous. Brewing as a sub-branch of specialization for the region has ceased to exist at present. The reasons are objective, market. Those vertically integrated corporations that control the beer market today have their chosen hop producers and bring it to the final stage of processing. They will not let a foreign manufacturer into their value chain, who, moreover, does not have experience in the modern specific market of these products with high quality requirements. It is impossible to justify specialization in the production of hops both today and in the future.

The production of vegetables in the open ground is still carried out in the region, although not on such a scale as in the period of the planned economy. Nowadays, this is not the production of large production units, but of small farms and peasant farms. In such an organizational form and structure, it cannot claim the market status of regional specialization with the realization of all the advantages brought by the territorial peculiarities of reproduction: factor, geographical position, communications, market structure in the region, the nature of demand for the product, the effect of the scale of production. None of these possibilities are fully realized with such an organizational structure of this sub-branch of the agricultural sector in the region. The sub-industry in such a fragmented state will not be able to compete with external competitors. Product storage terms are short, on average half the term until the new harvest. For large retail chains, small suppliers are unattractive. In fact, small producers are limited to part of the local regional market for these products.

Poultry farming is currently represented on the regional market by separate poultry farms. They face the same problems as producers of other segments of the agricultural industry: continuous increase in costs due to the increase in the prices of the products they buy in industrial sectors, the problem with implementation, pressure from external competitors (Vinnytsia regional state administration).

Sheep breeding in the region ceased to exist as a sub-branch of animal husbandry. The income received from sheep breeding, as a rule, does not cover the expenses. Production for the market is insignificant.

Dairy farming experiences a number of problems, the main of which is low profitability, which turns into unprofitability. The high cost of breeding livestock, the constant increase in prices for all types of industrial products that are purchased for production purposes, low purchase prices, which, unlike prices for industrial products, do not grow or grow slowly lead to the fact that the investment attractiveness in this segment is very low, because capital investments pay off in the best case in 12-15 years, there is a high risk of not paying off (Bab'yak, Khorosh, 2016: 125-126).

Beekeeping in the region is a fairly common occupation, the products of which are sold mainly with the help of personal preliminary agreements between the seller and the buyer. Market implementation is difficult, because the buyer is distrustful of the quality of products due to the fact that honey is often falsified. There is no special need for market realization, producers know real honey, and their product does not stagnate. There are no large honey producers and specialized farms. Beekeeping requires more accumulated experience and specific knowledge. All this is passed down, as a rule, from generation to generation. However, there are enough real masters of this business in the region. In many peasant and farm households, beekeeping is a source of additional income. It is difficult to talk about specialization in this area. Most likely, it will remain a secondary occupation of households.

Based on the actual situation in the sub-sectors of the agricultural sector, we must determine in which of them in the future, through the implementation of regional features, it is possible to create a competitive advantage on the market and specialize in the production of one or another type of agricultural products. It is necessary for each segment of agro-food production to consider whether it is possible to realize the advantages of factor supply, the geographical location of the region, the convenience of the transport network, the regional market for this product (its structure, the nature of demand for the product), the organizational culture of the local population in creating a competitive advantage of regional producers.

In this regard, nothing can be added to what has been said about hop farming and sheep breeding. The recovery of these industries is unlikely due to the objective reason of the state of the external environment.

Poultry farming will develop in the form of poultry farms. A major breakthrough and a powerful entry into foreign markets are also possible, but only if the quality of the produced products approaches the level of the quality of domestic birds. In this case, there is an opportunity to occupy a fairly significant share of the national market of these products and increase profitability. It is quite possible to improve the quality: there are all the factor prerequisites for this. Implementation is possible both on domestic and foreign markets due to convenient geographical location (Vinnytsia is located at a short distance from other large cities – regional centers). The transport network is also convenient. However, there is a serious problem in implementation. There are not enough departments in retail chains that sell high-quality poultry products. Buyers usually do not believe in the reliability of information about such products.

Open field vegetable production based on small and small enterprises will not lead to specialization and its benefits. Only large specialized farms are able to successfully ensure the entire production process in this area, especially the stages of processing, storage and sale. It will also be possible to establish a reliable partnership with trade networks on a permanent basis, because they, as a rule, tend to deal only with large organizations. In the conditions of the functioning of powerful

farms, territorial advantages in the provision of production resources, a convenient transport network, factors of the internal market, organizational culture of the local population, and the scale of production are realized.

Greenhouse vegetable growing can take a special place in the specialization of the region and the realization of the territorial location. This is a highly profitable business: the return on investment in it is an average of 3 years. In the Vinnytsia region, there is enough land where you can set up greenhouse production and sell vegetables and greens in large cities located at relatively short distances. In this segment of agricultural production, the advantages of territorial location can be fully realized: both in terms of production resources, and in terms of geographical location, and in terms of the transport network, and in terms of the organizational culture of personnel, and in terms of the use of scale effects.

Dairy cattle breeding and beef production in the region has some factor opportunities for development: there are specialists with the necessary level of education and skills, there are unused land areas. Harvesting fodder is not a problem. A certain level of industrial culture has developed in this area. The regional market is favorable for the development of this production. Access to the markets of neighboring large cities is possible. Achieving the effect of scale is quite possible in a certain time with low costs. However, a big obstacle is the high cost of long-term credit and the low return on investment. The other side of the problem is that currently large agricultural holdings are involved in dairy and beef production, and it is difficult for medium and small organizations to compete with them and achieve the necessary profitability of production. There are no signs that the situation will change for the better in the future. However, this area of production is very attractive for implementation. With proper support from the state, this area may well become a sub-branch of the region's specialization.

Fish farming is a segment of the industry that can attract the attention of regional producers. Aquaculture is currently becoming a fast-growing segment of the food market in many countries. Vinnytsia also has the experience and conditions for creating a system of pond farms. Although currently these farms are not profitable, they have been working in this segment of the market for quite a long time, supplying not only marketable fish, but also fish stocking material (carp fry, crucian carp, white carp). The region has numerous ravines with streams at the bottom. This is a good base for creating a cascade of ponds for breeding and fattening fish. It is possible to create large reservoirs for the organization of real modern fishing complexes.

Pork production occupies an important place in the agricultural industry. In connection with the change in trade conditions, market niches in 19% of the total volume of the pork market and 33% of the beef market are vacated due to unfavorable conditions (Investytsyni portal Vinnychyny). They can be occupied by domestic producers, including those of the Vinnytsia region. However, although there are basic factor conditions for specialization in these sectors of agricultural production, it is not possible to obtain loans for large investments in this production at increased interest rates. Based on the fact that the specialization of the region in this field can be ensured only by large holdings, it is difficult to hope that they will go for these risky investments.

**Discussion.** Thus, greenhouse vegetable growing, poultry farming, open ground vegetable growing, and fish farming are clearly promising segments of the agricultural industry of Vinnytsia region for regional producers. The concentration of funds in these directions can lead to profitable specialization and effective use of the peculiarities of the reproduction conditions in the region to create a competitive advantage. The time of martial law makes it necessary to take into account additional factors, such as the choice of crops and the availability of seeds and fertilizers, the supply of fuel at an adequate price, the possibility of storage and processing.

Dairy production and beef production are attractive. However, the development of these industries, where it is necessary to create large livestock industrial farms and therefore require large funds for long-term investments, is possible only with the support of the state.

**Conclusions.** The obtained results of the research can be used by regional bodies for the development of the agrarian industry and individual enterprises of the industry when entering the market of one or another agricultural product and implementing the strategy of creating a competitive advantage in the region.

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