Urgency of the research. One of the strategic concepts of increasing competitiveness of the domestic agrarian sector of the economy is development of the integration relations. In view of globalization character of the modern economic relations, the integration in the agrarian sector of the economy has to be based on grocery chains of value creation at all levels of management.

Target setting. The grocery integration is the model of such effective relationship in a global case study.

Actual scientific researches and issues analysis. The scientific works of such scholars as V. Ambrosov, O. Borodi-

na, V. Gusakov, O. Yerankin, M. Zapolskyi, M. Kodenska, D. Krysanov, M. Kropivko, Yu. Lupenko, M. Malik, M. Minen-

ko, P. Sabluk, N. Skopenko, A. Pylypenko and others deal with the problems of effective integration relations' development in the agrarian sector of the economy and its grocery subcomplexes.

Uninvestigated parts of general matters defining. The glossary of grocery integration, the principles of its development, interrelation with production types of agricultural producers, a dichotomy with theories of strategic marketing and management, including value chains are to be defined.

The research objective. The goal of the research is to work out the scientific bases of grocery integration's development in the agrarian sector of the economy of Ukraine.

The statement of basic materials. The essence of grocery integration, its place in system of the integration relations in the agrarian sector of the economy is defined more precisely in the article. The interrelation of grocery integration with value chains is shown. It is proved that production typification of agricultural producers is the basis for the grocery integration.

Conclusions. The product principle of association of enterprises because of various strategy of integration interaction in most cases realizes the modern paradigm of the integration relations' development. At the same time the product structure, unlike branch one, provides orientation of integration formations to the end result for the purpose of technologies improvement, systems of the production organization and its management, sale of finished goods, regulation of economic relationship between participants that do them more competitive in the market.

Keywords: grocery integration; integration relations; production typification; value chain; agrarian sector of economy.

Urgency of the research. One of the strategic concepts of improving domestic agrarian sector competitiveness is integration relations' development. This task is posed in many program documents of sectoral development and organization of research of the National and branch Academies of Sci-
ences of Ukraine as well. Given the globalization nature of modern economic relations, integration in the agrarian sector should be based on product value chains at all government levels.

**Target setting.** Effective relationship model in the world is grocery integration, the methodological bases development of which make up the current and preterm problem of scientific research and studies organization and determine the choice of research topic.


**Uninvestigated parts of general matters defining.** Despite the great number of scientific works the issue of grocery integration methodology is hardly developed. In particular, grocery integration glossary, the principles of its development, the relationship with the production types of agricultural producers, the dichotomy of strategic marketing and management theories, including the value chains should be clarified.

**The research objective.** The goal of the research is to work out the scientific bases of grocery integration's development in the agrarian sector of the economy of Ukraine.

**The statement of basic materials.** The idea of grocery integration originated in the mid 50th of 20th century along with the traditional marketing concept when classical marketing strategies were developed. In 1977, American scientists T. Hopkins and I. Wallerstein exploring the business operations and processes of capital movement within the national and global economy offered combining them into "commodity chain" category [1, p. 128]. With this approach, the focus shifts completely to commodity as a completed product having customer value; all aspects of the supply of materials, production, and sale recede into the background. However, the ideology of commodity chains did not allow companies to analyze the business environment and the individual business processes, assess their impact on the economic activity efficiency and, eventually, come to an understanding on ways to improve the competitiveness of industrial markets.

M. Porter found solution to this problem where he substantiated the "value chain" economic category. According to M. Porter, each enterprise can be presented as discrete but interconnected production functions or "activities" in the development, production, marketing, delivery and after-sales service of products (goods, works or services) [2, p. 70]. The scholar consistently identifies five basic "activities" that form the value chain: internal logistics, production process, external logistics, marketing and external trade, and consumer services [2, p. 75-76]. Then the value chain represents the structure of enterprise costs, taking into account the rate of return or the trading margin. Decomposition and inductive analysis of this circuit allows determining what types of products have a high rate of surplus value are more profitable, compared to other ones, and by what means this profit is generated. Therefore, an enterprise receives a scientific tool to assess the competitive advantage formation. From the standpoint of the end customer, the value chain is a global system, a complex sequence of actions and operations that form the cost of goods (works and services), is the basis of sales prices.

M. Porter’s theory of value chains was subsequently developed and refined by J. Womack, G. Gereffi, D. Jones, R. Kaplinsky, M. Morris, J. Humprey and many other scientists who formed the modern paradigm of the doctrine, brought its applicability both at the enterprise level and at the level of clusters, sectors and global food systems and transnational corporations.

Agri-food value chains are formed in the agrarian sector of the economy, which, as rightly pointed out by O. Borodina, are not only interconnected links of one process, but are mutually beneficial relations between the groups of producers, traders, processors and suppliers as well, which come together in order to improve performance and creating additional value by understanding the overall benefits and equitable distribution of the achieved results [3, p. 75]. Because of T. Andreeva and Zh. Yermakova empirical data a value chain of bakery, confectionery and macaroni production was built.
These chains begin with the grain production by agricultural enterprises include the stage for further storage and processing of flour, bakery, confectionery and pasta, as well as the promotion of finished products through a three-tiered distribution channel to the end customer. Providers of fixed and current assets are taken into account at each stage of the value creation process.

Despite this, the agro-food chain is quasi-integration of economic relations based on the commodity principle, which institutionalize organizational forms of integration. Its structural analysis at the micro level enables to evaluate the vertical and horizontal enterprises’ relations, at the macro level – cross-sectoral and economic relations, and on the mega-level – the international fragmentation of production. Dialectics of agrifood chains of creating value added and customer value, in our opinion, is an objective and methodological basis for grocery integration.

It should be noted that to some extent the grocery agro-industrial integration theory was developed in the US in the early 60th of the 20th century. Thus, G. Stigler and R. Trifon considering vertical integration from a technological point of view, conclude that it is a certain type of product diversification. According to N. Nesheim the main leitmotif of integration development herewith, are changes in the system of distribution of food products and pricing [5, p. 26].

The definition of "grocery integration", in spite of numerous works, is still relatively new in the scientific literature. We believe that the most complete and correct is the definition offered by Belarusian scholars V. Husakov and M. Zapolskyi. Thus, the grocery integration is a combination of the efforts of organizations in the agrarian and other sectors of the economy of any organizational and legal form and ownership to ensure maximum commodity mass movement in a single technological process, reduce costs, increase efficiency and products competitiveness on the basis of deepening specialization, increased concentration and grocery integration, increase in processing and marketing of agricultural products [6, p. 42-43]. A synonym to it is food integration.

According to the classification developed by us integrative relations in the agrarian sector, the grocery integration, on the one hand, is a different type of interaction between economic agents, on the other hand acts as a kind of superstructure over the whole typology of integration. Thus, the grocery integration can be carried out on the micro, meso, macro and mega-level for cooperative or noncooperative association. By the nature of relations it is diversified, including as a result a multi-level associative or agglomerate structure of the cooperative, corporate or holding type is created, based on any of capital movement methods. According to the strategic orientation grocery integration can be complete, partial or quasi; by the degree of interaction between actors it can be tight.

From the standpoint of marketing approach, the decision on food integration is preceded by the issue of strengthening the competitive position of the company by focusing on product and price leadership in the medium and long term. As a result, integrative growth strategy and intensive growth are elected through deeper penetration of the industry product market and sales promotion system.

Grocery integration, built based on the value chains in the strategic management is attributed to full vertical integration, since the interaction encompasses several industrial value added and brings together on different, but related by commodity principle of economic sectors [7, p. 180-181]. Herewith product management structure allows large integrated unit to pay as much attention to a particular product, as many small producers do. As a rule, product management structures are a variety of divisional and holding structures that under transnational corporations are transformed into globally-oriented commodity or matrix forms, adapted adhocractic and network organizations.

On account of grocery integration in the agrarian sector business entities, along with all the benefits of integration relations implementation, have the opportunity to create a highly specialized and diversified export product companies to specialize on-farm units, to achieve optimal size and improve economic efficiency due to the action of scale effect, create their own brands and do outsourcing on their basis; expand the product range, diversify production, increase the control level at all stages of the agrifood value chain, introduce international quality standards, and the like.

Implementation of grocery integration relations in the agrarian sector should occur, taking into account complying with the following basic principles:

- Mutual interest of potential and actual participants and the hierarchy of their interests. Grocery integrated organization can be competitive, and its organizational and economic mechanism can be ef-
Effective and rational only when the participants along the entire value chain creation are mutually interested, consciously gravitate to each other and seek to unite efforts and resources. Then their private interests must give way to the interests of the association, and the distribution of benefits and risks is carried out on the basis of a preliminary agreement.

- Common purpose and motivation of potential participants. Grocery integrated organizations are created only by interested legal persons, which recognize and fairly distribute responsibilities and risks related to organization of such union. The most effective schemes of grocery integration may be developed and implemented only by motivated organizations, namely the integrated formation in its activities must pursue specific economic objectives aimed at the implementation of the interests of the association.
- Proactive leadership. The initiative to create an integrated grocery association must come from the company-integrator, who acts as a leader and performs the functions of organizational and administrative centre.
- The legitimacy. Creation and further activities of any business association are carried out on the basis of current legislation of Ukraine should take into account the rules of competition law and international treaties.
- The continuity of the chain to create value added. The effective functioning of the integrated grocery organizations is caused by the presence of long-term and continuous value chain, from agricultural raw materials to distribution of finished goods.
- Considering social, environmental and economic issues of sectoral and territorial development. Economic activities of grocery integrated units should be carried out on the principles of corporate social responsibility, sustainable development, product quality and waste safety standardization, without harming the environment.
- Homogeneity in the production chain type of subject constitution of value added creation. The agrifood value chain units must be of the same type on production direction, and their sizes together to ensure efficient operation of business units of the next technological processes.

Economic associations’ formation by product feature suggests the need for typification of production of agricultural commodity producers, selection in the national economy of grocery subcomplexes united in the agrifood complex (Fig. 1). The grocery integration in the agrarian sector at the meso and micro levels can occur in the form of economic associations, holding companies, as well as the self-cluster organizations.

In some countries the organizational forms of agri-food integration are product companies are scientific and production associations (Republic of Belarus), as well as professional production associations of agricultural manufacturers (the European Union, Canada).

Development of grocery integration relations stems from the formation of cartels. The first cartel emerged in Germany after the economic crisis in 1873 as a voluntary association of enterprises on the basis of the quoting production volumes, product sales prices, and sales conditions. Corporate trust business consolidation has acquired a wide spread in the US, but then trusts began to turn into holding companies. In the former USSR, as rightly pointed by P. Sabluk, production integration was made, the aim of which was the optimization of raw zones of the processing enterprises, transportation of raw material flows and technological waste processing, improving the use of by-products, and promotion the process of specialization and concentration of the solution of social problems [8, p. 281]. However, here it is worth noting that production agro-industrial integration is not synonymous to the grocery integration, as it was based and carried out on other principles and did not take into account the end-customer satisfaction priority based on the value chain optimization.

Professional associations are kinds of self-organization of citizens and legal entities that are created to realize public interest and the implementation of self-regulatory principles in sector, industry determined by the charter [9]. Ideology of professional production associations is similar to the co-operative form of vertical integration. It is most widely used in countries where the farmers and family farms are basic economic units and the development of civil society level is high enough. Then, to protect their interests and to achieve economies of scale, small farmers create cooperatives (horizontal integration) that specialized on a particular form of agricultural production, which, in turn, enter into various kinds
of cooperative associations. For example, in Denmark corporate consortia by kinds of production are functioning, in Italy – trade associations by type of goods (services), in France – the regional and national industry federations of specialized cooperatives, and so on. The organization and management of professional production associations in the European Union is the responsibility of the Committee of Professional Agricultural Organisations (COPA) and the General Committee for Agricultural Cooperation in the European Union (COGECA). In the agrarian sector of Ukraine professional production associations of product direction is divided into areas of national associations (formed from the former national associations) and voluntary associations. The national food associations include the Association “Ukrtyutyun”, “Ukrmolprom”, “Ukrmyaso”, “Ukrtsukor”, “Ukroliyaprom”, “Agrocomplex”, “Medicinal Plants”, “Ukrzernoproduct”, “Ukrbdzholprom”, “Ukrkonsermovloko”, “Ukrtaploerm”, “Beet growers of Ukraine”, “Greenhouses of Ukraine”, “Agrosnab”, State concern “Ukradvinprom”, “All-Ukrainian Association of bakers” and others.

Exploring the territorial production systems and ways to increase their competitiveness in the context of globalization, M. Porter developed a theory of clusters. According to his definition, the cluster is centred on territorial basis groups of interconnected companies, specialized suppliers of goods and services, companies from related industries and relate to core activities of institutions and organizations carrying out joint activities on a voluntary and competitive basis [10, p. 256]. The core of the cluster is the integrator company which forms the inner cluster infrastructure of specific specialization area. Population farming involved in integration relations of the population, family farms, small farms, cooperatives, which are engaged in agricultural production, as well as participate in the management of cluster entities are placed on the periphery of the cluster. Currently the creation of basic food clusters is justified: milk, cereals, oilseeds, meat, horticultural; regional program of cluster development in Ukraine is developed. The scientists collective of NSC "Institute of agrarian economics" led by Yu. Lupenko, have justified model of mini-clusters for production of rabbit, pork, fruits and vegetables. The main disadvantage and limiting factor in the development of agricultural mini-clusters is its informal nature, which does not allow classifying and registering them as legal entities. However, in our opinion, cluster associations form a theoretical platform for understanding the nature and integration mechanisms, de facto, can exist by issuance of contractual agreements for the production and delivery of certain agricultural products types.
Contract farming is one of the most effective organizational and economic mechanisms to attract small agricultural producers, including private households to grocery integration. In our opinion, contract farming should be understood as a process of farming on a contractual basis between the contractor and the contractant based on pre-signed agreement. Herewith the “production contracting” category should be pointed out as a voluntary, paid production and marketing in due time of agricultural production of particular type, quantity and quality by the contractor on contractant’s demand, which is based on the pre-signed agreement of production contracting.

Production contracting is on the one hand, a simple form of association of industrial interests of the two economy sectors – from agricultural production provision up to its harvesting, on the other hand, forms a strong cooperative-integrative production and marketing relations in the agrarian sector. As a result conducted studies we have developed a conceptual model of contracting production to the co-forms a strong cooperative:

The modern paradigm of integration relations development mainly implements the product principle of enterprises associations based on different strategies of integration interaction. Herewith grocery structure, in contrast to the industry, provides orientation of integration organizations on the result to improve the technologies and production and management systems, sale of finished goods, economic relations regulation between the parties, which makes them competitive in the market.

Currently on product principle a large number of leading agro-industrial companies in the world are created and main domestic agricultural holdings operate. The product orientation enables them to achieve significant economic benefits not only due to the economies of scale and vertical integration law (zero return on all intermediate production), but also by the monopolization of the industry markets, taking advantage of the specialized mass commodity production.

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