

PERSPECTIVES OF UKRAINE VITICULTURE AND WINE INDUSTRY IN THE CONTEXT OF GLOBAL CHALLENGES AND EUROPEAN INTEGRATION

ПЕРСПЕКТИВИ ВІНОГРАДАРСЬКО-ВИНОРОБНОГО КОМПЛЕКСУ УКРАЇНИ В УМОВАХ ГЛОБАЛЬНИХ ВИКЛИКІВ ТА ЄВРОІНТЕГРАЦІЇ

Ukraine's wine and grape industry faces challenges due to war, climate change and requirements of European integration. Strategic management is needed to adapt business processes and regulations. This research assesses the industry's state and perspectives, emphasizing strategic management and EU market integration. Key trends include market volatility, EU competition, and war-related production losses. Findings highlight the need for adaptive management, modernization, financial support, and enhanced competitiveness through branding and exports. The study's novelty lies in analyzing global and European integration challenges. It offers insights into adaptive management tailored to economic and geopolitical shifts. Practical significance includes recommendations for state support, investment, and EU regulation alignment to ensure sustainable growth and competitiveness.
Keywords: viticulture and winemaking complex, winemaking, viticulture, wine market, European integration, globalisation, strategy, development, public administration, agriculture.

Розвиток українського виноградарсько-виноробного комплексу як складової національного АПК стикається зі значними проблемами через повномасштабне військове вторгнення, глобальні фактори, такі як зміна клімату та регуляторні трансформації, спричинені європейською інтеграцією. Ці виклики вимагають стратегічних підходів до управління, які об'єднують інституційні, технологічні та бізнес-процеси. Дослідження спрямоване на оцінку стану та перспектив розвитку виноградарсько-виноробної галузі України, наголошуючи на важливості стратегічного управління та інтеграції в європейський економічний простір. Проаналізовано стан виноградарсько-виноробної галузі та динаміку показників виробництва і споживання вина в Україні у 2000-2023 рр. Дослідження визначає ключові тенденції, що впливають на галузь, включаючи нестабільність ринку, зростання конкуренції з боку виробників з ЄС та вплив військових конфліктів на виноградники та виробничі потужності. Отримані результати підкреслюють потребу в адаптивному управлінні, модернізації, фінансовій підтримці та підвищенні конкурентоспроможності за рахунок оптимізації ланцюжків створення вартості, брендингу та диверсифікації експорту. Обгрунтовано, що основними перспективами розвитку галузі у найближчій перспективі стануть гармонізація нормативно-правового середовища, контроль якості виноробної продукції; технологічна модернізація та інноваційний розвиток; диверсифікація ринків збуту та експортна експансія; формування конкурентоспроможних бізнес-моделей та інституційне забезпечення сталого розвитку галузі з акцентом на розвиток кластерів, сценарне прогнозування, розвиток винного туризму та просування національного бренду українського вина. Новизна дослідження полягає в комплексному аналізі того, як глобальні та євроінтеграційні виклики впливають на виноробну галузь України та її стратегічний розвиток. Практичне значення дослідження полягає в рекомендаціях щодо державної підтримки, інвестування в модернізацію та приведення у відповідність до норм ЄС, які є важливими для забезпечення сталого зростання та конкурентоспроможності виноградарсько-виноробної галузі України.

Ключові слова: виноградарсько-виноробний комплекс, виноробство, виноградарство, ринок вина, євроінтеграція, глобалізація, стратегія, розвиток, державне управління, АПК.

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Problem statement. The current stage of Ukraine's wine and grape industry development is determined by a set of global challenges, including war, climate change, instability of the geo-economic environment and transformation of the regulatory framework in the context of European integration. High volatility of market conditions, growing competition from EU producers and the gradual implementation of the EU's Common Agricultural Policy (CAP) require a review of traditional approaches to managing the industry. Of particular relevance is the development of an effective strategic management model that would take into account not only institutional and technological aspects, but also the adaptation of business processes to new operating conditions.

Changes in global climate conditions affect the agrobiological potential of Ukrainian viticulture, necessitating the introduction of adaptive management

mechanisms. At the same time, the European integration course requires an increase in the level of technological culture of production, implementation of sustainable development principles and compliance with international quality standards. This leads to a growing need for financial instruments of state support, development of public-private partnership mechanisms and improvement of the sectoral regulation system at the macro and meso levels.

In the context of the EU market opening, managing the competitiveness of the industry through optimising value chains, improving branding and building the reputation of national products in international markets is of strategic importance for Ukrainian winemakers. The modern management paradigm should be aimed at expanding export potential, diversifying production and using innovative marketing models. Therefore, the development of a

comprehensive management system for the development of Ukraine's wine and grape industry is a key task to ensure its sustainable growth and integration into the European economic space.

Analysis of the latest research and publications. The problem of globalisation of food markets has been comprehensively studied in the works of such researches as O. Dovhal [1], H. Ortina [2], N. Miazina [3], I. Odotiuk [4], B. Supikhanov [5] and others. The issues of development of the viticulture and winemaking complex were studied by such well-known scientists as I. Belous [6], O. Yermakov [7], V. Lahodiienko [8], Yu. Lupenko [9] and others.

The modern world economy and the socio-economic development of mankind are undergoing globalisation transformations, which are manifested in the "erasure" of borders between states in the economic, political, cultural and other spheres. In an effort to take into account the interests of national economies, states must adapt to the requirements of international markets.

Globalisation is the most important real-world characteristic of the modern world system, one of the most influential forces determining the course of development at the present stage. It encompasses the most important processes of socio-economic development in the world, and contributes to the acceleration of economic growth and modernisation. At the same time, globalisation creates new contradictions and problems in the global economy [1].

The issue of studying the impact of globalisation on the global and national economies is a subject of scientific debate among many scholars. The central vector of modern world development is globalisation, under the influence of which the world civilisation, in a fundamentally different quality, has moved to a new format of interaction between the fundamental components of the world economic system – geopolitics, geoeconomics and geostrategy. They are in a state of constant transformation, carry a complex combination of national and international interests, conflicting demands, as well as mechanisms for their provision, implementation and protection [2]. Globalisation can significantly increase the role of agriculture as an engine of growth in low-income countries by creating conditions for agriculture in which production outstrips growth in personal consumption. It also increases the potential for agriculture to improve food security through the creation of large, non-farm, non-market agricultural associations with significant employment potential [3]. The interaction of globalisation and regionalisation, the deep interpenetration of the global and the local, and their synthesis, is leading to the emergence of innovative solutions and structures that implement them. Manufacturers are beginning to realise that their success depends entirely on the originality and identity of the product [4].

The efforts of scientists are aimed at substantiating the theoretical and methodological basis for

establishing the essence and manifestations of global transformations with the determination of their impact on national economies and individual interstate entities. However, the issues of the impact of globalisation and European integration on the wine and grape industry are particularly relevant given the strategic importance of this industry for Ukraine.

The purpose of the article is assessment of the state and perspectives for the development of the viticulture and wine industry of Ukraine in the context of global challenges and European integration.

Presentation of the main results. The twenty-first century is moving the world ever more rapidly into an unknown future, which is most facilitated by the globalisation of all forms of human life, forming a new historical era of global restructuring of the world [5]. The International Monetary Fund (IMF) defines globalisation as a historical process resulting from human innovation and technological progress. It refers to the increasing integration of economies around the world, in particular through the movement of goods, services and capital across borders [10].

Rapidly growing digitalisation, increased online commerce and changing consumer tastes are having an impact on food consumption. Consequently, globalisation processes have penetrated the global food markets, leading to both increased competition and improved quality of final products. The wine market is no exception, which, like any other food market, has been significantly affected by globalisation. These globalisation transformations have a significant impact on the leading sectors of the national economies of the member states of the global economic space.

The key to the economic growth of any country, among other things, is the growth of its export potential and competitive position in global trade. Ukraine has traditionally been considered the breadbasket of Europe, and due to its fertile black soil and favourable climate conditions, it is one of the world's leading crop producers. As such, the country has all the resources to further increase food exports. For example, Ukraine's share in global exports of wheat is 7.9%, corn – 15%, barley – 8.4%, sugar – 1.1%, and sunflower oil – 40.3% [11].

The existing climatic conditions in Ukraine, mainly in its southern regions and Transcarpathia, as well as the production potential, contribute to the development of the viticulture and wine industry, which is a strategically important component of the national agro-industrial complex. It is worth noting that the culture of wine consumption is gradually replacing the culture of spirits consumption, which is a global trend that has shifted consumer preferences during the pandemic. This factor significantly stimulates the domestic market and domestic grape production in Ukraine.

Over the 23 years analysed, the area of vineyards in fruiting age decreased by 3.8 times and amounted to 26.3 thousand hectares in 2023 (Fig. 1). A significant

factor in this was also the temporary occupation of the Kherson region and active hostilities in part of the Mykolaiv region. 63.1% of all planted areas under vineyards are in Odesa region, 14.1% – in Mykolaiv region and 9.2% – in Zakarpattia region, which is due to favourable natural and climatic conditions in these regions for grape cultivation. Another centre of Ukrainian viticulture is the Autonomous Republic of Crimea, which has been under temporary occupation for more than 10 years.

In 2023, the volume of grape production in Ukraine is 244.8 thsd tonnes, which is 5.1% lower than the previous year. Yields, as an indicator of the technological efficiency of grape growing, tend to increase in 2023 to 93.1 centners per hectare, but this is mainly due to a reduction in acreage, along with favourable climatic conditions.

Wine consumption is an integral part of modern culture, gradually replacing the consumption of spirits, and significantly supporting the domestic market and domestic grape production in Ukraine. Ukraine's accession to the EU poses new challenges for the national wine and grape industry, which makes it important to develop a strategy for its development focused on integration into the European space.

An analysis of the wine market in Ukraine shows that the viticulture and wine industry has been severely affected by active hostilities that began after the full-scale military invasion of the Russian Federation on 24 February 2022. Wine consumption in 2023 was at 1113 hl and was mainly driven by wine imports from Italy, France, Georgia, Moldova and Spain (Fig. 2). However, due to the hostilities, reduction of sown areas and partial occupation of the territories

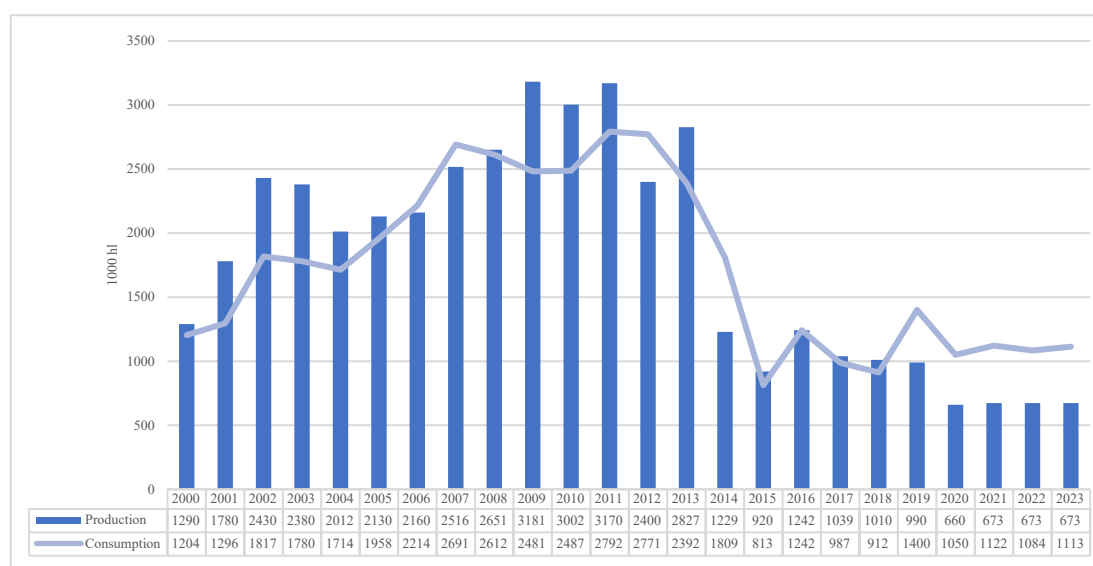


Figure 1. Dynamics of grape production in Ukraine in 2000–2023

Source: based on [12]

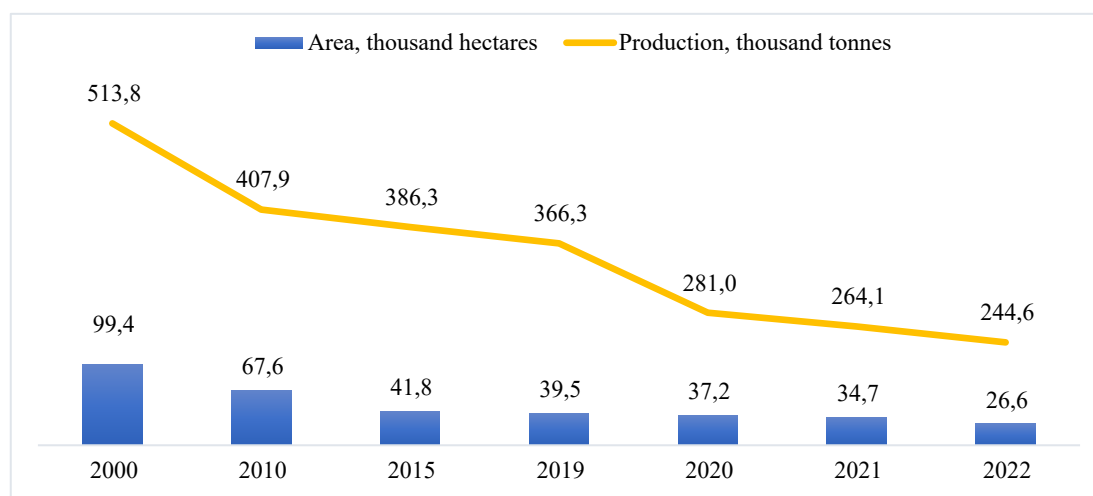


Figure 2. Dynamics of wine production and consumption in Ukraine, 2000–2023, 1000 hl

Source: based on [13]

of Ukraine, wine production volumes are not growing but remain at the same level.

At the same time, Ukraine remains an important player in the global wine market, ranking 28th among the top producers in 2022. The sales structure of Ukrainian products is dominated by the production of natural table wines with a low level of technological intervention. In particular, in 2021–2023, natural wines accounted for an average of 42%, sparkling wines – 25%, cognac – 21%, fortified wines – 6%, and vermouths – 6% of the total volume of wine products produced in Ukraine.

The wine industry is currently experiencing the impact of ambiguous globalisation trends in the global food markets, including, on the one hand, a decline in consumption due to quarantine restrictions and the hospitality industry recession; and, on the other hand, an increase in the share of producers from countries outside Europe, in particular Asia Pacific and the US; growing demand for organic wines; a change in views on the culture of alcohol consumption in favour of wine; expansion of the e-commerce network for food and alcohol products, etc.

On 23 June 2022, Ukraine received the status of a candidate country, and on 25 June 2024, negotiations on its accession to the European Union officially began [14]. One of the components of the screening of Ukraine’s progress towards accession is the approximation of domestic agriculture to the requirements of the Common Agricultural Policy, CAP.

Environmental standards and product quality requirements are among the global challenges facing the Ukrainian agricultural sector in the context of convergence with the EU CAP. The EU imposes strict requirements on the use of fertilisers, pesticides, soil and water protection, and biodiversity conservation. For Ukrainian farmers, this means that they need to invest heavily in modernising their production facilities, implementing sustainability standards and increasing the environmental responsibility of their business. At the same time, non-compliance with these standards may limit the export of Ukrainian products to the EU, which puts additional pressure on producers and requires government support to implement such changes.

Another challenge is the integration into the European system of subsidies and grants, which is a key instrument of the CAP, especially in terms of supporting small farming. Ukrainian farmers often do not have access to a similar level of state support, while their European competitors have unprecedentedly higher levels of support, which creates an uneven playing field. In addition, in order to receive subsidies in the EU, producers must comply with complex bureaucratic procedures and prove compliance with environmental and social criteria. This requires not only changes in production approaches, but also a significant increase in awareness and management

skills in the Ukrainian agricultural sector, which is a challenge given the limited resources and time for adaptation.

Therefore, in the context of European integration, national producers are forced to compete with European ones, which necessitates the management of strategic development of Ukrainian viticulture and winemaking on an innovative basis that will stimulate the approximation of the industry’s development indicators to global standards and best European practices. The digitalisation of production processes, the use of modern technologies and global integration open up new opportunities and challenges for the industry. Innovation activities should simultaneously focus on various aspects related to new types of unique products, optimised production processes, and market and organisational practices.

That is why the revival of the viticulture and wine industry in the context of modern globalisation and European integration trends should be based on an innovative and strategic basis with unprecedented state support.

In our opinion, in the near future, Ukraine will face 5 vectors of development of the viticulture and wine industry in the context of European integration (Fig. 3).

Wine and wine materials market is one of the most promising sectors in the food industry, and in the future, the culture of wine consumption will become more and more widespread. This will be facilitated by the expansion of e-commerce and the development of the wine industry in the New World. The current post-pandemic economic conditions have led to partial localisation in food markets, as countries prioritise meeting domestic demand for

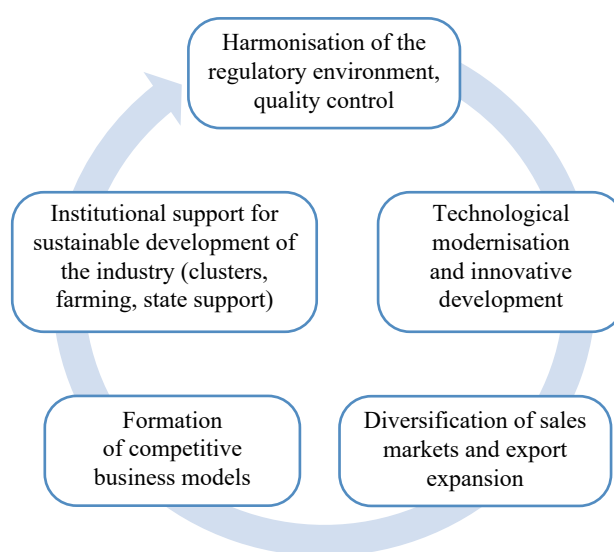


Figure 3. Perspectives of the viticulture and wine industry development in the context of the European integration of Ukraine

Source: developed by the author

food products. However, in the wine industry, the processes of globalisation and trade of the world's leading wine brands in different countries remain dominant. As a result of these trends and a number of internal factors, Ukraine's wine imports are growing rapidly.

The Russian-Ukrainian war has caused large-scale destructive processes in the Ukrainian wine and grape industry, resulting in the loss of significant production capacity in the frontline and occupied regions, destruction of vineyards, reduced export opportunities and deepening financial instability of enterprises. Disruptions in supply chains, labour shortages, and rising production costs amid macroeconomic imbalances have significantly complicated the industry's operations. At the same time, the forced adaptation to the crisis conditions has helped to intensify the search for alternative markets, modernise technological processes and strengthen internal cooperation between producers, which may provide a basis for recovery and strategic rethinking of the sector's further development.

Results and conclusions. The viticulture and wine industry has always been and will continue to be a strategically important component of the Ukraine national agro-industrial complex. Ukraine's European integration opens up new opportunities for the industry, but at the same time poses a number of challenges, including the need to comply with stringent EU standards, adaptation to the new regulatory system and growing competition with European producers. Implementation of sustainable production practices, modernisation of technological processes and strengthening of quality control require significant investments, which is complicated by the effects of the war and macroeconomic instability. In addition, a critical task is to build awareness of Ukrainian wine in international markets and create effective government support mechanisms for small and medium-sized businesses in the industry. Thus, successful integration into the European economic area will depend on the industry's ability to innovate, improve competitiveness and strategic management in the face of global change.

The Ukrainian viticulture and wine industry's entry into the global market of wine should be based on a strategic approach involving all stakeholders with an appropriate level of protectionism and state support for domestic producers.

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