

REMODELING COOPERATIVE SECTOR IN TRANSITIONAL AGRICULTURE: CASE OF UKRAINE

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Market transformation has given an opportunity to revive market oriented cooperatives which existed in Ukrainian agriculture before the forced collectivization. Current results and some future directions of cooperative development in Ukraine are considered in the study. A special attention has been paid to the cooperative sector as a whole system and interactions between its main lines: consumer, agricultural and credit cooperation. It has been emphasized that the new agricultural cooperatives are a special type of business organization. Their main particularity is connected with the non-profit status when the purpose is to serve their members' needs but not to accumulate profit as investor-oriented firms do. The new cooperatives development needs more adequate role of the state to support a perspective sector of the national economy.

Key words: cooperative, profit, development.

Introduction

The aim of the study is the analysis of results and possibilities for cooperative development in agriculture within the process of market economy transformation in Ukraine. The problem occurred because of the stable mental stereotypes of the totalitarian past and the pseudo-cooperative boom in the last years of the Soviet regime which caused a negative attitude to cooperatives among agricultural producers as well as the society as a whole. Thus, the most urgent task was to promote a positive image of market oriented type of agricultural cooperatives and to create a legal framework for their development. New cooperatives, comprised of private farmers, are based on the concept of cooperative enterprises in a market economy and the fundamental principles of cooperation. The study conducted is an attempt to demonstrate that the group actions in agricultural sector are the most effective means to solve its urgent economic and social problems.

The orientation to the radical economic changes in transitional agriculture based on the cooperative idea is the fundamental methodological principle of the study. In this particular aspect the cooperatives are considered as inherent part of market economic system and democratic society. The empirical part of the study is based of the use of statistics, monographic evidence, experts' appraisals and abstract models.

Results

In the context of this study a cooperative organization refers to an organization or business that is owned and controlled by those using its services. Today it is reasonably to state that a cooperative sector of full value is being formed in nation's agriculture which plays an important part in the institutional environment of agricultural producers (Figure). Their formation will be held at democratic conditions "from bottom to top" to suit the international principles of cooperation.

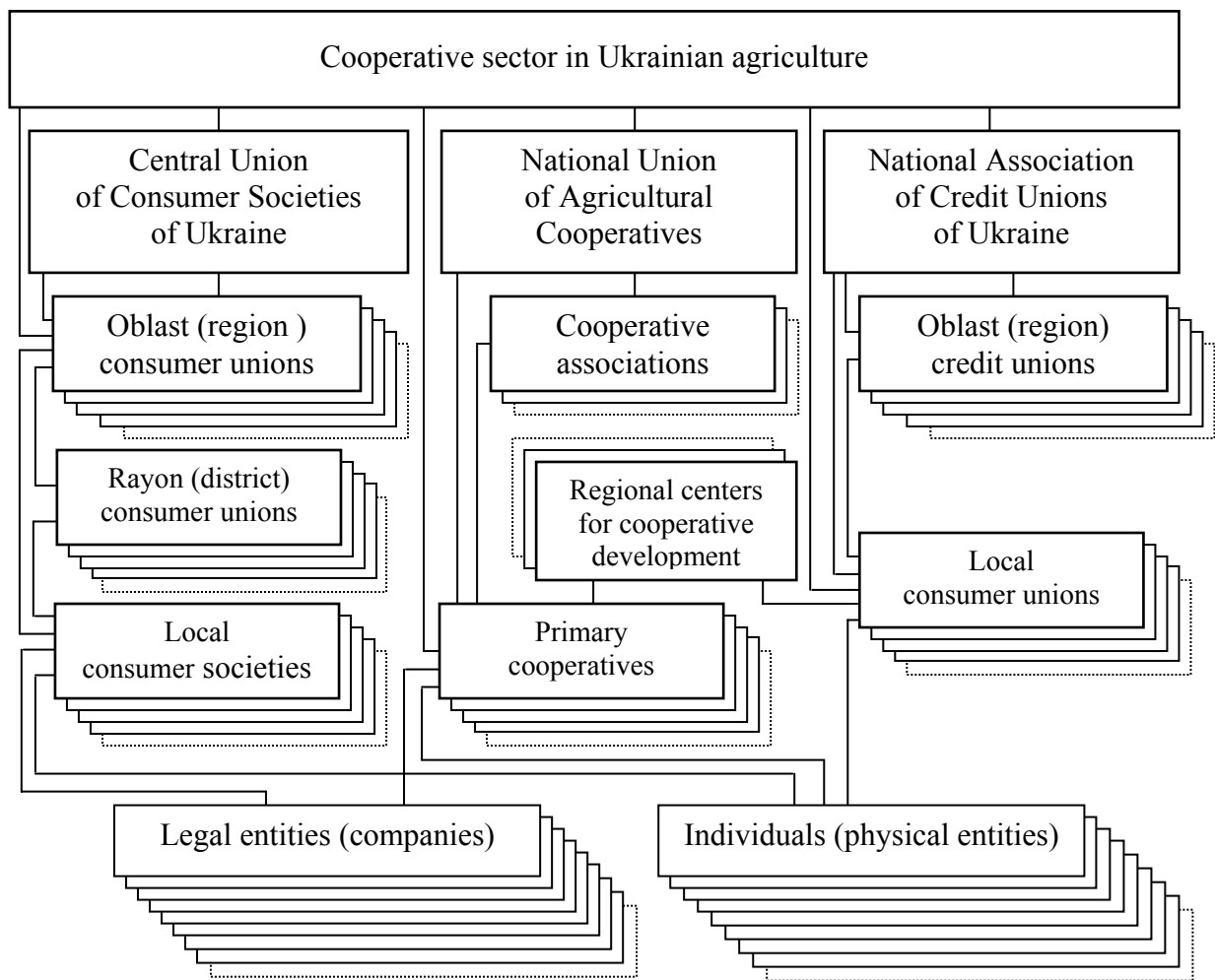


Figure. Organizational structure of cooperative sector in Ukrainian agriculture

In today's Ukraine consumer cooperation has proved most structured. It has its organizations, practically in all administrative oblasts and regions, it sustained membership organization and relatively powerful material resources even despite a sustained tendency for its progressive decline. Having gained the legal grounds for its development in 1997, the agricultural cooperation is progressing dynamically, though it doesn't have a clear-cut structure identical to the system of consumer and credit cooperation. In spite of rapid pace of marketing cooperatives increase in number, their integration into associations and other federal structures are accomplished rather slowly (Гайдуцький et al, 2005). Ukraine credit cooperation is presented by the credit societies and their organizations both in cities and towns. In more recent years the trend has been toward the increase in importance of credit societies for giving loans to small farm producers (Шишута, 2001).

In the agrarian sphere agricultural marketing (Western type) cooperatives represent a special type of enterprises of a corporate (integration) type created by means of voluntary pooling of funds and efforts of agricultural producers (both

individuals and legal entities) being at the same time its owners and clients but incidentally remaining independent economic subjects. This explains nonprofit nature of cooperatives, since they are oriented not to gaining profits (as it is natural with common enterprises), but to qualitative servicing of their client-owners with the aim of securing their profit-making activities through services provided at prices maximally approximate to cost value. Table testifies to an increase of agricultural marketing cooperatives in Ukraine.

Table: Number of agricultural marketing cooperatives by their types

Type of cooperative	2001	2002	2003	2004	2005
Processing	53	86	70	72	70
Purchasing and marketing	153	172	170	162	151
Input supply	9	20	21	19	18
Service	228	314	324	360	322
Multifunctional	384	406	424	446	432
Other	12	39	46	67	68
Total	839	1037	1055	1127	1061

Source: Ministry of Agricultural Policy of Ukraine.

We should take a more realistic view of appearing agricultural marketing cooperatives, for most of them have only been registered and haven't yet started their activities. One more part is functioning with considerable violations of cooperative principals (pseudo-cooperatives) and the other part only formally belongs to cooperatives (quazi-cooperatives). At the same time one can observe an ever growing number of functioning cooperatives which should be classified into three groups: specialized cooperatives, agrotrade houses based on cooperative principals and community-based cooperatives.

Specialized cooperatives concentrate their attention on the exercising of definite functions or on combining several functions within the framework of a single branch. These functions are delegated to them by their client-owners and include storing, processing, marketing farm produce; input supply, technological, information and advisory support. Such cooperatives may unite producers of a similar type (grain, fruit and vegetable, dairy cooperatives). Specialized cooperatives are open to producers of any organizational and legal status.

As a rule agrotrade houses as multifunctional service cooperatives are set up at the district level. They unite agricultural enterprises and large private farms, form large consignments and market the production of their client-owners, supply them with necessary material and technical resources and provide them with information and consulting support (Зіновчук, Климюк, 2003). At the same time they do not shoulder the property rights on the production and resources but they function as market agencies and are paid for services rendered within the limits set by client-owners themselves.

Community-based cooperatives are set by a peasant and small farms for getting services connected with the management of these farms namely the cultivation of

land plots, produce procurement and marketing, utilization of complex machinery, input supply, artificial insemination of animals, information and advisory services. Cooperation, and in due course integration, of rural community cooperatives with agrotrade houses functioning on a cooperative basis appears promising.

Conclusions

The agricultural cooperation is a promising instrument for the economic support of agricultural producers. It envisages the formation of available channels of marketing farm produce, input supply, agroservices, financial and credit support of commodity producers on the most beneficial terms. However, one should pay attention to a particular complexity of the process of establishing cooperative organizations, for neither state nor government can directly participate in the process. Cooperatives can appear and start working only when cooperative members themselves express their desire and accomplish corresponding organizational procedures. Hence, agricultural cooperatives development is a logical stage of market economy system formation.

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PEREINAMOJO LAIKOTARPIO ŽEMĖS ŪKIO KOOPERACIJOS SEKTORIAUS TRANSFORMACIJA: UKRAINOS ASPEKTAS

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Straipsnyje pateikta kooperatyvų dabartinė būklė ir plėtros būdai Ukrainoje. Nauji žemės ūkio kooperatyvai yra ypatingas organizacijos tipas. Pagrindinis jų ypatumas slypi nepelningumo statuse aptarnaujant savo narius, skirtingai nuo firmų, kurių funkcionavimo tikslas - sukaupti pelną. Kooperatyvų plėtra reikalauja adekvataus valstybės vaidmens.

Raktiniai žodžiai: kooperatyvas, pelnas, plėtra.