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Agricultural cooperation in a system of agrarian relationships

Introduction

Reforms in Agrarian Sector of Ukraine changed models of economy. A model of farming began to develop since 1991 year in Ukraine. However, nowadays a lot of famers cannot keep optimal conditions of production for effective management due to their finance and economic instability. World practice shows that an agrarian cooperative is a main condition of effective farming.

There are many native scholars and foreign researchers investigated the importance of development of agricultural cooperation all over the world and in Ukraine as well.

Literature background

There are classical scholars, who investigated the problems of agricultural cooperation: S. Bulgakov, M. Tugan-Baranovsky, O. Chayanov, E. Slutsky, M. Ziber and others. Between the modern economists, who developed main directions of agricultural cooperation are: L. Moldavan, V. Feschenko, I. Vinogradova, N. Galomsha and others.

At the same time, in spite of importance of this question and big attention of many well-known scholars, some aspects are not enough studied yet. Therefore an importance and necessity of the development of agricultural cooperation in Agrarian Sector of Ukraine under condition of multi-structure economy influence on choice of this topic and importance of examine/research.

The aim of the study

So, the aim of investigation is theoretical summarizing which need practical application of theoretical learning of organization of agricultural cooperation in the system of agrarian relationships.

Methods of the study

Methodological basis of the study are general scientific methods, which show a development of agricultural production and agricultural cooperation. In the research are used ways of abstractedly logistic methods: the method of abstraction, analysis and synthesis, induction and deduction, analogy and comparison. In analytic study of valuation of development of agricultural cooperation and competition of agriculture of Ukraine are used methods of comparative analysis, statistical methods, table description of information.

Main text of the study

Englishman Robert Ouen is considered to be a father of cooperation, and his followers (English Rochdel weavers) as progenitors of consumer's cooperation. They grounded rules and principles of cooperation. Namely from them begins a history of cooperation and first consumer's cooperation. Particular contribution to cooperation was made by German cooperator Raiffaissen, who is considered like a forefather of credit cooperation and founder of first agricultural credit institution. In his work "Credit institution like a way of struggle with poverty" he described main rules of credit institution existence [Chayanov 1989, pp. 103–116]. Cooperatives began to appear and develop in different countries as in agriculture so in other branches of economy and nowadays agricultural cooperation is an important step at the development of Ukrainian agriculture. In accordance with L. Moldavan, "a role of agricultural cooperatives plays a big importance for effective work of agricultural producers. Under the information of international cooperative society, there are about 700 million cooperatives in the world at the different branches of economy, among them the big importance plays namely agricultural cooperatives. In Europe cooperatives realize more than 60% of gross agricultural products. The first one from them are Scandinavian countries (80%). Japan and China are considered to be the world leaders in cooperation. They realize through cooperatives more than 90% of gross agricultural products".

Ukraine like agrarian country, has also own cooperative history, which began from 1860 year – beginning of cooperative activity and appearance of first consumer's co-operatives and loan institutions [How to make... 2010, p. 7]. Big importance at a work of scientific theory belongs to such scholars like: M. Tugan-Baranovsky, O. Chayanov, E. Slutsky, M. Ziber and others.

A theory of agricultural cooperation is a main part of theory of rural economy. In accordance with O. Chayanov, small peasant farms have not a possibility to freely develop under conditions of capitalistic way of production, if they do

not join to agricultural cooperatives. O. Chayanov said that cooperation is the most profitable form of business for peasants, because it has all advantages of big and small business in agriculture.

Among advantages of small business are:

- wholesale purchase of means of production are more profitable purchase cooperation;
- possibility of receive credit credit cooperation;
- sales of products on more profitable condition sales cooperation;
- processing, drying of products production cooperation;
- purchase of necessary agricultural technique machine cooperation. Among advantages of big business are:
- there are not big transportation costs, which connected with a big territory;
- farmers and peasants are not wage earner and due to this fact they produce an agricultural production on higher quality.

So, an agricultural cooperative is first of all a union of farmers or peasants, the aim of which is to increase earned incomes of own members or decrease their expenses. A beekeeper wash a can very clean after taking some honey from beehive and bring a honey in this can in agricultural cooperative. So, he joins with his can to other beekeepers and build a cooperative system.

A cooperation influence on:

- effective organization of production process of business;
- improve a quality of production, due to fixed standard of production in accordance with market demand in cooperative;
- decrease expenses of members of cooperative, due to purchase one agricultural technique for all members of cooperative, there is a possibility to use agricultural credit on more profitable conditions etc.;
- cooperative uses a new achievements in science and technique, light a work of members of cooperative;
- cooperative organizes a distribution and a system of sales of agricultural production;
- cooperative increases marketable surplus of farms due to decrease expenses of members of cooperative and increases their income because it gives a possibility to produce more agricultural production.

A problem of agricultural cooperation in Ukraine in the period of XIX–XX century was mainly examined in theoretical and applied aspects by scholars. Mostly all the scholars, who investigated the problems of farm examined a problem of agricultural cooperation.

The first scholar who studied an importance and effectiveness of cooperation for farms in native literature was Russian scholar O. Chuprov. He shows like small farmer would have "all the advantages of big business in agriculture" under condition of joining agricultural cooperative in his work "Small farming, its need, and its political significance".

M. Tugan-Baranovsky approved motives of peasants and farmers, who join cooperative and show particular significance of cooperation for farming. The scholar said that namely cooperation creates a new type of farming, where small agricultural producer could be competitive on the market [Tugan-Baranovsky 2008].

S. Bulgakov, studying the conditions of existence of small farms, in his work "Capitalism and farming" he emphasizes that one from the main directions of development of agriculture should be agricultural associations and cooperatives, because the lack of money and bankroll do not give a possibility to small farms for further development [Bulgakov 2006, p. 578].

Ukrainian scholar M. Ziber was a staunch defender of big landownerships and big farms. He proved an effectiveness of building of agricultural cooperatives. In accordance with M. Ziber, agricultural cooperation has all the advantages of big business [Ziber 1900].

An important stage in the development of a theory of rural economy was a classification of cooperatives. Some variants of classification were proposed by scholars, which based on different principles: in dependence of kind of activity A. Kaufmann marked out money, commodity, consumers'. O. Antsyferov divided all the cooperatives on two groups: consumers' field and production field [Vinovradova 2003, p. 79]. E. Slutsky divided cooperatives on consumers', production, credit, purchasing and sale [Slutsky 2007, pp. 299–310]. M. Tugan-Baranovsky classified cooperatives from easy to complicated and show nine groups: credit, consumers', housebuilding, purchasing, sale, processing, production subsidiary artel, work artel and production artel [Tugan-Baranovsky, pp. 408–415].

The most ponderable classification of cooperatives was proposed by O. Chayanov, which was described at his basic work "Main ideas and forms of organization of agricultural cooperation". He didn't only mark out existent forms of cooperation but also established main principles of activity of every type and stated a theoretical basic of cooperation [Chayanov 1989]. Well-known economist grouped not only some kind of cooperation, but also marked out four category of cooperative:

- category of economic process (machine company, land-improvement and water company etc.);
- category of biological process (pedigree cattle unions, selective companies, control companies etc.);
- category of mechanical process of preprocessing (threshing companies, butter-making companies, potato companies and others);

• category of economic operation (purchasing companies, sale companies, credit companies, insurance companies) [Chayanov 1989, pp. 43–44].

In accordance with O. Chayanov, the most important role plays credit cooperation, because lack of money don't give a possibility to small farms to develop and after that create: purchasing cooperation, sale cooperation, processing cooperation, which connected with sales.

O. Chayanov examined the effectiveness of functioning of every type of cooperative and connected theoretical aspects of cooperation theory with practical activity of cooperative. He marked out 6 main types of farms and marked out reasons due to which farms could not cooperate at his work "main ideas and forms of organization of agricultural cooperation". According to O. Chayanov namely peasant type is easier join to cooperative.

M. Kondratjev also studied problems of cooperation. He placed emphasis namely on agricultural cooperation, thinking that it plays an important economic role and influence on increasing of production facilities.

Particular stage of development of agricultural cooperation in Ukraine in the period of XIX–XX century was connected with the name of native scholar M. Levitsky. He described organization approaches of artel production in agriculture at his work "Artel Agreement". M. Levitsky like other Ukrainian scholars saw in artel not only economic organization, which based on joining some members but also a development of small farms¹.

Agricultural cooperation doctrine is an important part of theory of rural economy organization, due to this point, scholars placed high emphasis on agricultural cooperation in the period of XIX–XX century.

A main aim of native science and practice was to create a theory of rural economy in general at that time.

Due to small farm existence since hundred years and it's a basis of agriculture of National Economy now, agricultural cooperation should take a base value Nowadays when a development of economy of Ukraine mostly depends of the results of agrarian sector. In accordance with information of Statistic Committee Derzhkomstat of 2009 year agricultural lands take 71% from which 6560 thousands hectares belong to personal subsidiary plots, number of which are 4612 thousands units and 4298 thousands hectares agricultural lands belong to farmers, number of which are 41 906 thousands units. Personal subsidiary plots are main producers of agricultural production in Ukraine today. They produce 55% of gross agricultural production. Native agricultural producers have a big potential, which is not yet realized due to some reasons. One from them is a lack of money. So, the significance of agricultural cooperatives is "Union" under

¹V.M. Feschenko, *Ukrainian cooperative thought in the period of XIX–XX century*, http://www.ukrcoop-journal.com.ua/

condition when peasants and farmers join with a task to combine their efforts for tillage, joint purchase or use technique etc. This fact demands a special emphasis on investigation an agricultural cooperation and uses it in practice.

Agricultural cooperation regulates in Ukraine by such acts of law: laws of Ukraine "About Agricultural Cooperation" and "About Cooperation", Land Code and Commercial Code. A law "About Agricultural Cooperation" determines legal, organizational, economic and social conditions of cooperatives in agriculture. Individuals and legal entities could join in agricultural cooperatives in accordance with a law of Ukraine "About Agricultural Cooperation". To individuals, who produce agricultural products, belong mostly personal subsidiary plot. To personal subsidiary plot belongs economic activity of individuals on land to two hectares. Main target of their economic activity should be a satisfaction of own needs through production, processing, selling of agricultural production; possibility of realization their surplus on market and providing a service in rural green tourism [Law of Ukraine... subsidiary plot, p. 143].

Farmers belong mostly to legal entities, who involved in agriculture business and their effective development mostly depends on participation in agricultural cooperation. Farming is a form of an entrepreneurship of citizens with being a legal entity [Commercial code... p. 63], who wants to produce commodity agriculture output, make processing and sale with an aim of profit, earning on the land for farming in accordance with the law "About farming" [Law of Ukraine, p. 218].

Farming is a form of an entrepreneurship and according to classification of Commercial Code of Ukraine and it is a small business in agriculture. There are some differences between farming and personal subsidiary plot:

- farming is a form of an entrepreneurship the aim of which is profit earning.
 Personal subsidiary plot produce agricultural production for satisfaction of
 own needs. Realization of surplus on market belongs to their earned income.
 In accordance with the law [Law of Ukraine... subsidiary plot, p. 143] only
 individuals involved in personal subsidiary plot, because this kind of activity
 not belong to entrepreneurship unlike farming;
- in accordance with the law "About farming" farming is obliged to create legal entity unlike personal subsidiary plot, who are individuals;
- difference in agricultural land. Personal subsidiary plot could use not more than two hectares [Law of Ukraine... subsidiary plot, p. 144]. For farming could be used 100 hectares [Law of Ukraine... farming, p. 225];
- faming could be organized by persons, who has not less than 18 years old. It differs from personal subsidiary plot. There are no age limitation;

 farming creates new places of work and provide an employment of rural population because of entrepreneurship. Personal subsidiary plot is a family private practice and uses for production mostly family labor.

Farming plays an important role in development of agriculture as well as personal subsidiary plot, because they produce the bigger part of agricultural production. Most amount of cattle breeding production (meat, milk) and some kinds of plant (potato, maize etc.) produced by them in accordance with the information of Statistic Committee Derzhkomstat in the period of January – September 2019 year. Their part is: 98.5% of potato, 91% of vegetables of open soil, 37% of spring culture². So, personal subsidiary plot belongs to main producers of agricultural production, most of which are produced for market sale. The land personal subsidiary plot could be subject of business undertaking in agrarian sector under conditions of effective organization own activity and effective use.

Among main directions of entry personal subsidiary plot in small business are:

- transferring from personal subsidiary plot to farming by increasing own agricultural lands (rent, to receive land free of charge in property in accordance with Land Code of Ukraine, purchasing), registration of farming and organizing production, processing and sale of agricultural production like entrepreneur;
- joining of personal subsidiary plot in agricultural cooperatives;
- organizing other small agricultural companies.

We consider that State should support formation and development of these forms of economy in agriculture because of farming and personal subsidiary plot play an important role in the development of agrarian sector and national economy. In spite of agrarian sector of Ukraine has a big prospect of competition on world market due to participation of small forms of economy in gross agricultural production.

There are some problems, which negative influence on agrarian sector which follow on decreasing of quality of native soil. There are some social problems, among them are:

- decreasing of employment in agriculture;
- low level of salary;
- it is not enough developed infrastructure in agriculture;
- no conditions for development business undertakings and agricultural cooperatives;
- weakly developed production, credit sale and other cooperation;
- not enough quantity of work places in rural territory;
- low level of domestic conditions of life.

²http:/agroua.net/news/news 314444.html

These reasons influence on one hand on low level of baby rate in village, on other hand on flow-out of young people overseas in order to earn more money. Decreasing a quantity of rural population influence on decreasing of small business in agriculture and decreasing of agricultural production (that part, which belongs to personal subsidiary plot) and also disappearance of Ukrainian villages. Usually in this case there are nobody to work on agricultural land, use heavy agricultural technique, which mostly don't need human labor. For Ukrainian agrarian sector it's a negative situation because of:

- it is impossible to provide organic farming;
- increase quantity of unemployed in the country due to rural population need some work;
- flow-out "killed" technicians abroad.

The State should provide some measures for improving such situation, which would influence on development of Ukrainian village and increasing rural population. Among them are:

- State support of development of agricultural attendant cooperatives (processing, sale, supply, service etc.), who concentrate its activity on service agricultural and other production of cooperative members. Their target is not in profit earning;
- guaranty conditions of expansion of activity field in the village for enterprising in agriculture and in other branches;
- guaranty a legislative base for cooperative development and new forms of economy in agriculture;
- procurement in increasing of level of income and improvement of social welfare of rural population;
- development programs of agricultural cooperation;
- decreasing administrative barriers and procurement in development of small enterprises through limitation of authorities of controlling units as to control an economical activity:
- development an infrastructure and informational service in agriculture.

So, agricultural cooperation should promote an effective development and increasing of competitiveness of national agrarian sector. The law "About agricultural cooperation" classifies cooperatives on two kinds: attendant and production. To attendant cooperatives belong cooperatives, which provide a complex of services of agriculture attendant in accordance with the law "About agricultural cooperation". There are: processing, sale of cattle breeding, plants, fish, and forest products. The target of attendant cooperatives is not a profit earning, but is providing some service to own members. Among them are:

• processing cooperatives, which provide a processing of agricultural raw materials (bread, macaroni, vegetable, meat, dairy, fish etc. production);

- storage sale cooperatives, which provide some storage, storing of goods, sale and marketing etc.;
- supply cooperatives should purchase and supply means of production, material and technical resources, which are necessary for production and processing of agricultural products, production of raw materials and supply it to agricultural producers;
- service cooperative which organize technological, transport, land-improvement, repair, building, ecological works, make a veterinary service, tribal work etc.

Production cooperative is a joining of citizens on member terms with a target of join production and other activity, which is based on own labor activity and joining property share holding, participation in management and revenue sharing according to their labor activity. Production cooperatives are cooperatives, which concentrate their activity on agricultural production. In production cooperative should join personal subsidiary plots. In accordance with the law "About agricultural cooperation", production cooperatives make their activity on an enterprises basis with a target of profit earning article 2, point 2 [Law of Ukraina... agricultural cooperation]. Commercial Code of Ukraine article 107, point 4 determines that income of production cooperative based on coming from economic activity and should direct on paying duties [Commercial Code of Ukraine, p. 60]. It means that in case of joining of personal subsidiary plot in production cooperative, which activity do not belong to business undertakings in accordance with the law "About personal subsidiary plot" [Law of Ukraine... subsidiary plot, p.143] and they shouldn't pay taxes because they produce agricultural production for own needs and surplus of it sale on market, but in case of joining in cooperative they should pay agricultural tax in accordance with Tax Code article 301.

In case of joining farmers in agricultural cooperation (mainly service cooperative), who are entrepreneurs and legal entities according to the law "About farming", article 1, point 1 [Law of Ukraine... ferming, p. 218], they should:

- pay agricultural tax like farmers according to Tax Code article 301;
- pay profits tax from "cooperative profit" [Law of Ukraine... agricultural cooperation].

Maybe there is an answer for question why there are not developed production cooperatives in Ukraine. However, world practice of agriculture shows that agricultural cooperative is the most effective form of agricultural business. In accordance with L. Moldavan, European and American peasants (individuals) and farmers sale main part of agricultural production namely through cooperatives.

Farmers sale 70% of grain through cooperatives in France. Quarter of farmers sale their grain and oil cultures in big lots through three main cooperatives

of Canada, namely in 20 countries³. In Germany through agricultural cooperative was sold agricultural production on 44.5 milliard euro in 2008 year. The part of this agricultural cooperative was 52% in agrarian sector of Germany. In accordance with information of German Farmer Alliance, 34 9000 farmers, who work on more than two hectares, participate in agricultural cooperatives. European farmers sale more part of their production through agricultural cooperatives. The biggest dairy European cooperatives in 2008 year sale: Nestle on 18.5 milliard euro, Danone on 10.7 milliard euro, Lactalis on 9.3 milliard euro, Friesland Campina on 8.9 milliard euro, Arla on 6.9 milliard euro, Unilever on 4.5 milliard euro, Parmalat on 3.7 milliard euro, Bongrain on 3.6 milliard euro, Muller on 2.3 milliard euro, Nordmilch on 2.3 milliard euro⁴.

So, nowadays it is necessary to develop a system of agricultural cooperation, which in a big importance especially for personal subsidiary plot, who produce main part of agricultural production. A development of agricultural cooperation depends on State support, namely in a legal system of development of agricultural cooperation in Ukraine. We think that the activity of production cooperative should be recognized by legislative rules as an economic activity the target of which is first of all in join economic activity of agricultural producers. Wellknown economists and scholars maintained that a target of agricultural cooperative not in earning profit, but in service own members. In accordance with O. Chayanov, cooperative is organized on collective approaches economic activity of group of persons, who should serve only the interests of this group and only this group. Cooperative is very useful even I case when it have no profit, but salary income of members would grow [Chayenov 1989, pp. 29–40]. According to M. Tugan-Baranovsky, cooperative is an economic company of some persons, which has a target not to receive the biggest profit, but increasing salary income of its members or decreasing expenses due to collective farming [Chayenov 1989, p. 25]. On our mind the target of agricultural cooperative should be common economic activity, which influence on increasing salary income of its members and decreasing their expenses. Every member of cooperative (farmer or individual) in depends on received incomes should pay taxes independently according to the legislation. Changes in the law "About agricultural cooperation" that production cooperative makes its activity not with a profit target but with a common economic activity would promote development of agricultural cooperation in Ukraine.

³L. Moldavan, *Agrarian sector: it is a time tochange orientation in development*, http://dt.ua/articles/60696

⁴http://www.situationbericht.de/

General situation of agrarian sector of Ukraine and ways of increasing of competitiveness of Ukrainian agricultural production are shown in SWOT-analysis (Table 1). This method is based on strategic balance, which is called SWOT-analysis. It is means: S (strength); W (weakness); O (opportunities); T (threats). So, in Table 1 author shows factors of competitiveness of national agrarian sector, which indicate the level of influence on development of object of economic management and group by positives or negatives figures. In that way a strategic balance is a combination of factors, which negatively or positively influence on object of development. A method of SWOT-analysis is a complex approach and its use for estimation of competitiveness of Ukrainian agriculture. It gives a possibility to evaluate market situation, possibility of use foreign experience of economy activity and work out main strategic direction and its father development⁵.

Table 1SWOT-analysis of Agrarian Sector

SWOT-analysis of Agrarian Sector	
S 1. Development of organic agriculture. 2. Good nature and climate conditions and fertile land. 3. There are territory for production and export clean agriculture production.	W 1. Not developed agricultural cooperatives. 2. Weakly developed an infrastructure of agrarian sector. 3. Social problems in rural territory. 4. Low level of government regulation and agricultura support. 5. Problems with land receiving for farming and personal subsidiary plot. 6. Weak collaboration farmers with scholars. 7. Incomplete legislative for effective farming. 8. No information as to free land for rent as in state sector as well in private sector.
O 1. Forming strength producer and exporter of agricultural production. 2. Development an information service in agriculture. 3. Participation in international sales with organic agricultural production.	T 1. Using by national farmers in farming of different pesticides, herbicides etc., which worses soil conditions. 2. There are latifundiums, who take key positions at the market.

Source: Proposed by author.

⁵N.E. Galomsha, Competitiveness of ukrainian agriculture, http://www.nbuv.gov.ua/portal/Soc_Gum/inek/2010 4/67.pdf

Conclusions

So, one from the main direction of development of Ukrainian farming is joining them in agricultural cooperatives, collaboration with scholars as to using scientific work and innovation technologies in agriculture, increasing organic and ecologic agricultural production. State support is an important factor of competitiveness like abroad. There are conducive legislation for development the branch, some grants for farmers.

One from deterrent factors of creation agricultural cooperatives is less of knowledge of rural population about advantages of agricultural cooperation. Organization of information and outreach work among rural population should be organized by local authorities. It helps rural population make their choice wittingly in favour of cooperation. Main role in this process should play on the one hand State and one the other hand is advisory service.

So, a development of agricultural cooperation should be main part of General State Complex Program of Development Rural Territory since nowadays till 2015 year.

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Spółdzielczość rolna w systemie stosunków agrarnych

Streszczenie

W opracowaniu zbadano ważność spółdzielczości rolnej dla pomyślnego rozwoju małych form gospodarowania i efektywnego działania sektora rolniczego Ukrainy. Określone zostały podstawowe drogi rozwoju małych form gospodarowania w warunkach połączenia producentów rolnych w rolnicze spółdzielnie. Uzasadniono ważność rozwoju na Ukrainie produkcyjnych spółdzielni jako zespołowej formy gospodarowania.