

# Problems of Formation Conditions for the Development of the System of Agricultural Consumer Cooperatives in Russia

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**Abstract** — The article deals with the problems of forming a system of agricultural consumer cooperatives in the Russian Federation. Currently, the situation is characterized by slow development of cooperative forms of management. The study identified the main reasons that negatively affect the development of agricultural cooperation: the fragmentation of rural producers and cooperatives; the lack of sales markets and logistics chains for the sale of products; the lack of agricultural land suitable for farming; imperfect regulatory and legislative support; lack of effective support programs; high competition from medium and large businesses. For the functioning of the system of agricultural consumer cooperatives in Russia, it is necessary to: review the current legislation regarding the distribution of profits among members of the cooperative, create programs to support agricultural producers formed taking into account the specifics of the region and the maximum concentration of production, consider the possibility of transferring to project financing.

**Keywords** — cooperation, agriculture, functioning, development, agricultural consumer, assistance.

## I. INTRODUCTION

The current situation in politics and economy dictates its own rules, increasingly in favor of the state. Currently, special attention is paid to the development of agriculture. As the research shows, all branches of the Russian economy interact directly or indirectly with the agro-industrial complex. The development of many sectors of the economy depends on the agro-industrial complex and the role of the agricultural sector in the socio-economic development of the country is constantly increasing [1–3].

In the modern economy, the priority direction in reforming the agro-industrial complex is the development of cooperative relations and, first of all, effective rural consumer cooperation, that is, cooperation based on the voluntary Association of

small business entities in cooperatives for processing, storage, marketing of products, and logistics. This is due to the fact that the development of agribusiness requires the creation of an adequate management system aimed at reducing production costs, increasing profits and, consequently, increasing its efficiency. This process is closely related to the rational use of land and other agricultural production resources, that is, to obtain the maximum yield of quality products at the lowest cost [4]. In this regard, the intensification of agricultural production requires solving problems in the conduct of this type of business, organizing promising forms of financial support and clear regulatory guidance.

## II. RESULTS AND DISCUSSION

The cooperation begins its long history in European countries and continues its activity at the present time [5]. The basis for the successful operation of the cooperative is represented by small forms of management, which include peasant (farm) farms. The "five" countries with the highest concentration of farms include: Romania, Poland, Italy, Spain and Greece with the number of organizations 3422.0 thsd, 1410.7 thsd, 1145.7 thsd, 945.0 thsd and 685.0 thsd, respectively. The smallest number of organizations of this form of business was registered in Estonia – 16.7 thsd.

The role and place of peasant (farm) farms in agriculture is increasing. This is confirmed by: increasing the acreage and agricultural land, livestock, and upgrading the fleet of cars.

By A.V. Chayanov in his writings talked about the fact that the co-op allows farmers to combine only the part of production, which gives him an advantage over smaller ones. The cooperative itself acts as an addition to the peasant economy, serving it [6].

The number of peasant (farm) farms in Russia in 2016 was 210.3 thsd, with the total number of organizations of small forms of management equal to 2754.6 thsd. Due to the difficult economic situation in the world, the number of organizations is decreasing. Most experts emphasize that the main problem of the functioning of farms is difficulties with

the sale of products. This leads to financial difficulties and the inability of farmers to meet their obligations.

Fig. 1 shows the dynamics of the number of agricultural enterprises (farms) in foreign countries in the period from 2010 to 2013.

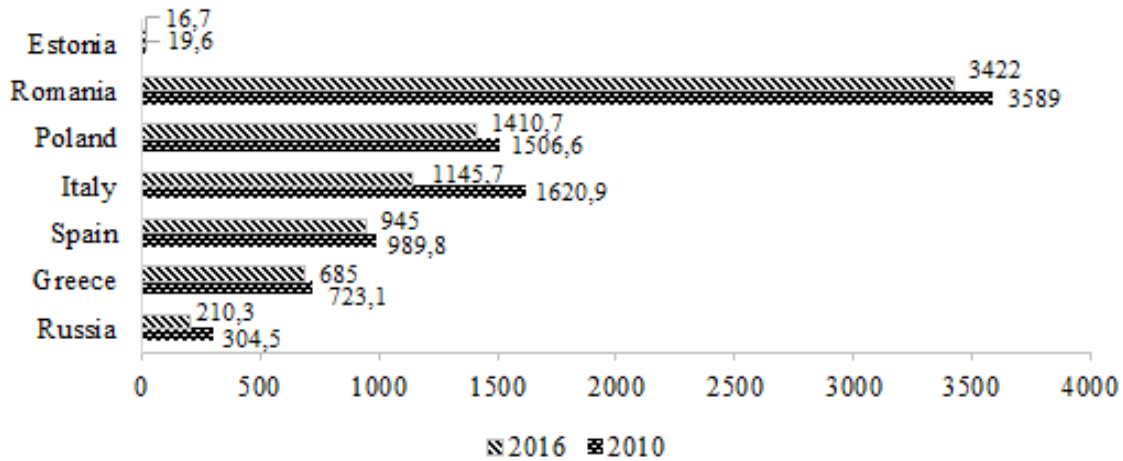


Fig. 1. Number of agricultural enterprises (farms)

According to statistics, small businesses that are potential participants in cooperation are represented by 31.0 % of the population's farms and 12.5 % of peasant (farm) farms in 2018. Despite the growth of the share of large and medium-sized organizations in the structure of agricultural products, 43.5 % were produced in the personal subsidiary farms of citizens, sole proprietors and peasant (farm) economy in 2018 (table 1).

development is related to cooperation. A large share of the production of main types of agricultural products in Russia belongs to medium-sized and large agricultural organizations that provide part or all of the production process, or there are effective logistics chains for the sale of products.

The specifics of agricultural production imply a competent logistics organization. The solution of many problems of IFH

Figure 2 shows the structure of production of the main types of agricultural products by category of farms. The share of peasant (farm) farms in the structure does not exceed 40%, and the population's farms – less than 10%.

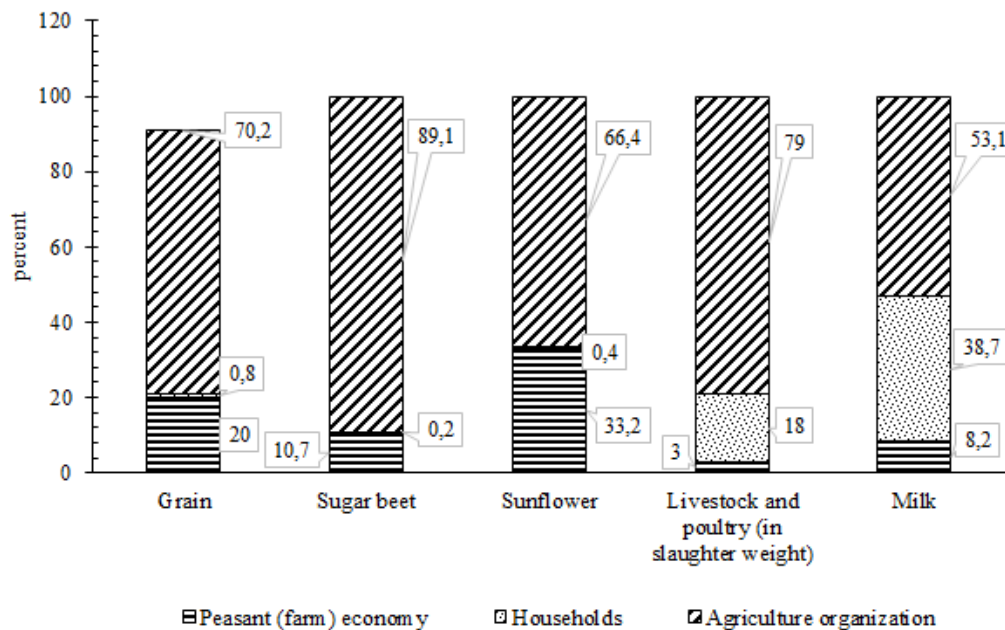


Fig. 2. Structure of production of main types of agricultural products by category of farms in 2018

One of the problems of developing small businesses is the lack of organized sales channels. In some regions of the Russian Federation, there are specialized fairs for the sale of agricultural products, but the preference for participation in them is given to medium-sized and large organizations, including agricultural consumer cooperatives.

The cost of transporting products often increases the sales price. As a whole, the system of agricultural cooperatives levels the relative prices of products produced. Since it does not have a leader in the region, there is no separate organization that could control the functioning of the entire market of products, thereby making products available not only to members of cooperatives, but also to consumers from outside.

This approach to pricing will allow each individual member-shareholder to save part of the profit for the development of their economy. All this indicates the demand for agricultural consumer cooperatives.

According to state registration on January 1, 2020, on the territory of the Russian Federation was 5742 agricultural consumer cooperatives, including 1199 supply-domestic, 1501 – processing, 849 credit and 2193 cooperative engaged in other activities (service, gardening and cattle-breeding cooperatives).

In comparison with 2010, their number has decreased by 905 cooperatives (table 2). During the analyzed period, there was a decrease in supply and sales cooperatives, credit cooperatives – 17.1 and 3.9 %, respectively. The number of processing cooperatives has increased to 1.501 in 2020. The largest share in the structure is occupied by cooperatives engaged in other activities 31.2 %, the smallest – supply and sales (20.9 %).

The organizations of this form of ownership work in the production and processing of agricultural products, in trade, in the financial and credit sphere and unite people who run personal subsidiary farms, farmers and other residents of rural areas.

However, the spontaneous closure of agricultural consumer cooperatives, which began during the years of perestroika, continues to this day. So, according to the Ministry of agriculture, only half of those included in the database have been working since 2013. The main mass of cooperatives that stop their activities are those that previously received state support. The main reasons for closing cooperatives are not following the cooperative principles of adaptation, emergence, holism and decomposition

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principles of adaptation, emergence, holism and decomposition [7].

TABLE I. STRUCTURE OF AGRICULTURAL PRODUCTS BY CATEGORY OF FARMS<sup>А</sup>

indicator	2000	2015	2016	2017	2018
Farms of all categories including:	100	100	100	100	100
agriculture organization	45.2	54.0	55.1	55.2	56.5
households	51.6	34.5	32.5	32.4	31.0
peasant (farm) economy	3.2	11.5	12.4	12.4	12.5

<sup>А</sup> Collection: Agriculture of Russia, 2019

As a result, shortcomings in the organizational, informational and methodological support of the cooperative movement are aggravated, since the success of the cooperative depends on the contribution of each member to the final results of its activities and its evaluation. The system of agricultural cooperatives should exist as a whole.

When allocating state support, priority types of agricultural consumer cooperatives, their specialization, regions, and needs are not always taken into account. Currently, there is a chaotic formation of agricultural consumer cooperatives. In our view, the organization of cooperative activities should depend on the type of rural areas in the Russian Federation. There are 4 types of rural territories:

Type 1. Regions with mainly agricultural specialization of rural areas, favorable natural and social conditions for its development. It includes:

- Regions with intensive agriculture and relatively dense large-scale settlement.
- Regions with extensive agriculture and relatively sparse rural settlement.
- Republics of the Volga region and the Urals with intensive agriculture.
- The republics of the North Caucasus and Siberia with extensive traditional agriculture.

TABLE II. NUMBER AND STRUCTURE OF EXISTING AGRICULTURAL CONSUMER COOPERATIVES<sup>А</sup>

Indicator	2010	2015	2016	2017	2020
Total agricultural consumer cooperatives, including:	6647	4416	4511	5839	5742
Supply and sales	2528	1501	1709	1410	1199
as a percentage of the total	38.0	34.0	37.8	24.1	20.9
Processing	630	526	531	1032	1501
as a percentage of the total	9.5	11.9	11.8	17.6	26.1
Credit	1244	1147	1005	1381	849
as a percentage of the total	18.7	26.0	22.3	23.6	14.8
agricultural consumer cooperatives engaged in other activities	2245	1242	1266	1203	2193
as a percentage of the total	33.8	28.1	28.1	20.6	31.9

<sup>А</sup> according to the state registration data

Type 2. It includes regions with a multi-functional rural economy, suburban agriculture, and favorable social conditions for rural development.

Type 3. Regions with unfavorable social conditions for rural development and extensive areas of socio-economic depression. It includes:

- Regions with the most unfavourable social conditions for rural development.
- Regions with relatively poor social conditions for rural development.
- Regions with a combination of unfavorable social and natural conditions for rural development.

Type 4. Regions with weak focal development of rural areas and unfavorable natural and climatic conditions for its development. This type includes:

- Hotbed development Regions with predominance of extractive and forest industries.
- Sparsely populated northern territories.

For the development of the system of agricultural consumer cooperatives, it is advisable to determine the most favorable types of rural territories, calculate their specialization and the need to create an organization of this form of management.

The need should be defined as the limit on the concentration of production in various branches of agriculture, up to the point of refusing to cooperate in some of them, which can most successfully run a separate farm. This will allow using the advantages of large-scale production where such advantages really exist and are necessary.

After conducting analytical studies, it is planned to develop a plan by regional agencies to implement actions to create a system that takes into account the specifics of the region and the economy.

The level of development of cooperation in the agricultural sector of Russia is at an average level. There is a constant decline in the number of agricultural consumer cooperatives. Out of more than 5 thousand registered consumer cooperatives, just over 3 thousand work. They can not fully provide small and medium-sized businesses in rural areas with the necessary volumes of harvesting and processing, stable markets that are monopolized by large commercial structures that assign the main share of profits to agricultural producers [8].

Currently, great importance is attached at the Federal level to the development of agricultural consumer cooperation as one of the most important catalysts for the development of rural territories [9]. In 2019, the Ministry of agriculture of the Russian Federation developed a Federal project "Creating a system for supporting farmers and developing rural cooperation". This project is aimed at financing from the Federal budget of business entities involved in SMEs in the agro-industrial sector. The amount of funding for 2019–2024 is 37.4 billion rubles. Target indicator – 126.7 thousand citizens involved in SMEs in the agro-industrial sector.

The measures defined in the project include:

- Conducting accelerated competitive procedures for the selection of grantees

- Working with cooperatives to obtain subsidies.
- Approval of the competence centers' activity programs.
- Development of a sub-program for the development of agricultural cooperation in the region.

The main measure of state support is grants, which are implemented at the expense of the "single" subsidy. Thanks to grant support, production volumes are growing. Concessional lending has become an important support tool. The number of peasant (farm) farms that received grant support in priority areas of funding is shown in table 3.

According to table 3, it can be concluded that the number of farms that received grant support is decreasing.

Despite the growth of state support, small businesses cannot compete with large businesses. The solution too many problems is related to cooperation. In recent years, the development of agricultural cooperation has slowed down. The role of cooperatives in servicing the country's agro-industrial complex remains extremely insignificant. In the regions, the vast majority of agricultural farmers and farm owners are not members of any cooperative [10].

A large number of producers and consumers of agricultural products are currently interested in developing agricultural cooperation. Small and medium-sized businesses face a big problem of selling products, as mentioned earlier, and competition in the market. Despite the fact that the necessary legislative measures of state support are available for the development of cooperation, agricultural cooperation is not developing sufficiently [11]. Imperfection of the legal framework is one of the most significant problems for the functioning of the system. The law "on agricultural cooperation" provides for the distribution of profits among members of the cooperative in proportion to their economic participation, which deprives members of an economic incentive to conduct activities [12].

To receive grant support, small business entities must have been operating for at least 5 years. In turn, the grant is granted to peasant (farm) farms or to a citizen of the Russian Federation planning to register a farm.

TABLE III. PEASANT (FARM) FARMS THAT RECEIVED GRANT SUPPORT<sup>a</sup>

indicator	2017	2018
Peasant (farm) farms that develop family livestock farms that have received grant support as part of the implementation of measures for the development of family livestock farms on the basis of peasant (farm) farms, units	724	717
Farms of novice farmers that received grant support as part of the implementation of measures to support novice farmers, units	2582	2353

<sup>a</sup>. Collection: Small and medium-sized businesses in Russia, 2019

The areas of implementation of financial support include the acquisition of non-current assets, construction and repair, and repayment of debt on loans.

The areas of support for agricultural consumer cooperatives include reimbursement of part of the cost of purchasing property, machinery and equipment. There is a need to expand the areas of grant spending.

At present, the issue of shortage of agricultural land has become more acute for farms. To solve this problem, it is advisable to introduce measures for agricultural land reclamation into the support package, which will increase the productivity and stability of agricultural production and soil fertility by means of integrated reclamation in the conditions of climate change and natural anomalies. This program can be included in the plan for developing a system of agricultural cooperatives, taking into account the specifics of the region and the type of rural territory.

### III. CONCLUSION

Despite the positive developments, the development of cooperation in the country is extremely slow, which is associated with certain problems. The conducted research allowed identifying the necessary measures that will contribute to the formation and development of a system of cooperation [13–15]. It includes:

- improvement of programs of subsidized state support, including grant support;
- elimination of inaccuracies in the legal framework related to the distribution of profits among members of cooperatives;
- identification of favorable types of rural territories for conducting business, establishing their specialization and the need to create organizations of this form of management;
- setting a limit on the concentration of production in various agricultural sectors, up to the point of refusing to cooperate in some of them, which can most successfully run a separate farm;
- development of plans for the implementation of actions to create a system of agricultural consumer cooperatives, taking into account the specifics of the region and farming.

Agricultural consumer cooperation allows its participants to ensure competitiveness in the market of goods and services, and helps to reduce socio-economic depression in the region.

When implementing the proposed programs, agricultural cooperation can get an impetus for development.

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