

# Agricultural cooperation as a factor in sustainable rural development

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**Abstract.** The efficiency of production in the agriculture domain directly affects the socio-economic development of the country, the rural areas. Recently, agricultural cooperation has been held high regard among all the factors of sustainable development of the agricultural production. That allows achieving financial stability of an agricultural enterprise, increasing the labor productivity in it, and reducing production costs. On the other hand, it promotes the development of rural settlements and employment there; therefore, conducting research in the agricultural cooperation field is so relevant. The purpose of the research is to study the development of agricultural cooperation in Russia and identify the problems that hinder the cooperative movement development; and suggest the main directions for further development in the field of cooperation over the country. A variety of methods have been used to study the processes and phenomena in the field of organizational and economic relations, such as analysis and synthesis, reliance on systemic and logical approaches to study the trends in the development of agricultural cooperation, besides using the graphic interpretation of theoretical information and the empirical data. This work takes into consideration the granting support for cooperatives. In addition, it defines the main problems and conditions of the cooperatives' effective performance and suggests directions for further development of cooperation.

**Keywords:** Grant support, cooperative movement, material and technical base, consumer cooperative, problems, production cooperative, agricultural cooperation

## 1. Introduction.

Rural areas occupy a significant part of the territory of Russia and the potentials of theirs are very diverse. The efficient and rational use of the natural, economic and demographic potentials ensures its sustainable development. Currently, 37.2 million of the country's population live in the rural areas (that is a quarter of the total population), 54% of them are employable. In the domain of agriculture, the average nominal wage was 31.283 rubles in November 2020, which is 63% of the value of total activities.

The main field of work in the rural areas is agriculture that provides the population with food and raw materials for the processing industry. Thus, the sustainable development of rural areas depends on the growth in the volume and the efficiency of the agricultural production, achieving full employment, and raising the standard of living of the rural inhabitant, As well as the rational use of the agricultural land.

In most developed countries, agricultural development is closely related to sustainable rural development. In the USA and Canada, the strategy of sustainable growth of rural areas has been chosen as the official policy [1].

Agricultural cooperation is distinguished among the many factors of sustainable rural development. It contributes to the increase of agricultural production, the growth of employment in rural areas, and raise the standard of living of rural inhabitants. Small businesses can organize a collective procurement



through cooperatives, which allows them to reduce the prices of resources and decrease the cost of manufacturers [2].

## 2. Materials and methods

The research materials are scientific works of local and foreign scientists, in the field of agriculture cooperation and sustainable development of the rural areas, etc. The methods that have been used in this research are analysis and synthesis, reliance on systemic and logical approaches to study the trends in the development of agricultural cooperation, besides using the graphic interpretation of theoretical information and the empirical data.

## 3. Results and discussion

The theoretical foundations for cooperation development go back to the eighteenth and nineteenth centuries. At that time, scientific works by foreign economists such as J. Bellers, R. Owen, A. Saint-Simon, C. Fourier, F.G.Schulze-Delitzsch, and others were devoted to cooperative ideas. A.V. Chayanov, who was the principal theoretician and practitioner of cooperation in Russia, believed that the cooperative allows the peasants to unite a part of production, which gives an advantage over small-scale production; moreover, the cooperative itself serves the peasant economy and works as an addition to it.

Cooperation not only affects large agricultural organizations, but also small forms of management (peasant (farm) and personal subsidiary plots), which let them strengthen their competitive position. At the same time, the agricultural consumer cooperatives themselves are considered as small forms of management.

These days, many economists emphasize the necessity of consumer cooperative development; although, the productions cooperatives have not exhausted their potentials and still have growth prospects with a commitment to the principles of cooperation.

The cooperation is developing slowly in Russia, despite the fact that it completely meets the interests of the agricultural producers. The cooperatives provide only 1% of all the services the small businesses require. In foreign countries, the indicator reaches 50% in individual industries, and Scandinavian cooperation covers 100% of the milk and meat sales, which produced by local livestock breeders.

Nowadays, cooperation is developing successfully in many countries such as Germany, France, the Netherlands, the United States, where it has become the main form that unites the agricultural producer, in order to achieve access to materials and credit resources in addition to the possibility of selling the agricultural products [3, 4, 5, 6, 7].

The agricultural consumer cooperatives have been the most developed in our country [8], they have helped the agricultural producers without losing their independence, to transfer part of those functions that itself is problematic.

The agricultural cooperation in Russia is developing in undulating, which is associated with certain support measures by the state. In 2006, the priority national project "Agro-industrial complex development" was approved; as a result, the numbers of consumer cooperatives increased sharply. At the same time, the decision to create cooperative organizations has been made "above" not as an initiative by the commodity producers themselves. Thus, about 35% of the 2.5 thousand created cooperatives were listed only on paper.

Between 2012 and 2016, the number of cooperatives in the country was decreased annually, in 2016 the number reached 14.289 of them (Figure 1), which means, the number has been decreasing by 19% over the five years.

The data of the Russian Ministry of Agriculture indicate that just over 60% of the registered consumer cooperatives actually functioning. Almost 400 thousand members are involved in the activities of these cooperatives

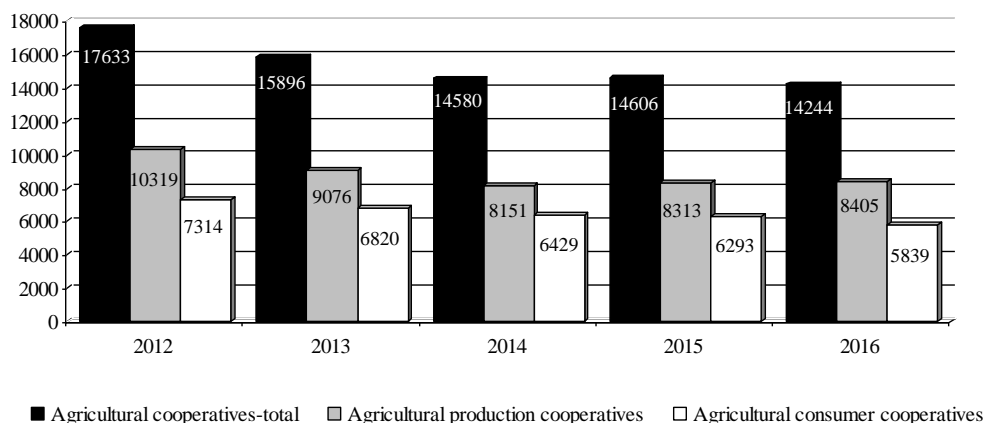


Figure 1. Agricultural cooperatives in Russia, 2012-2017

The structure of agricultural consumer cooperatives in the country is shown in Figure 2.

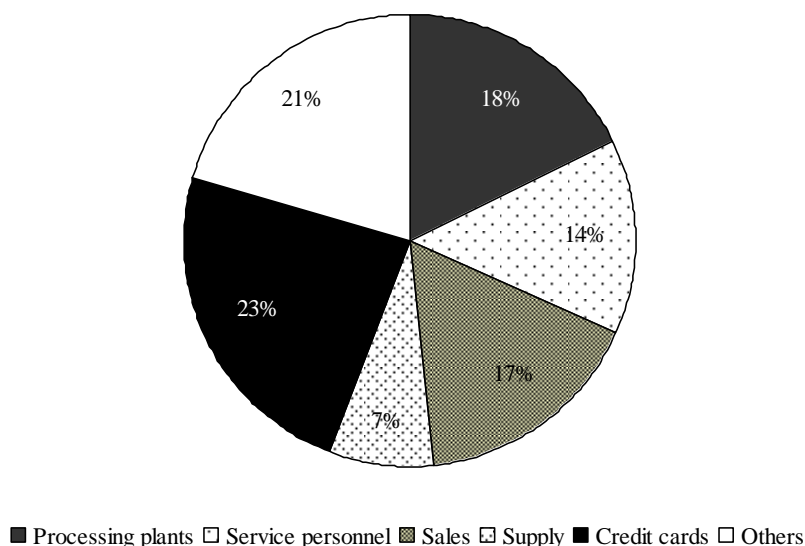


Figure 2. The structure of agricultural consumer cooperatives in Russia as of January 1, 2017

The largest share in the structure of agricultural consumer cooperatives is accounted for by the credit (23%). The processing cooperatives occupy 18%. The supply cooperatives have the smallest share - 7%. Some of the consumer cooperatives do several functions at once (for example, supply and marketing, service and marketing), that is why they are classified as agricultural consumer cooperatives and occupy 21% of the structure.

The Lipetsk region is the pioneer in this field, the number of registered cooperatives there reached (846 units) and operating cooperatives (711 units) by 1 January 2017 [8]. The greatest development in the region was received by credit cooperation, supply, sales, they account for 73%.

At the same time, the consumer cooperation has not been developed in some other constituent entities of the Russian Federation (Murmansk and Magadan regions, Yamalo-Nenets Autonomous Okrug, Kamchatka Territory).

Currently, the next stage of the agricultural cooperation development in Russia is observed. According to the task plan that has been made by the Ministry of Agriculture of the Russian Federation for 2016-2017, 1500 consumer cooperative should have been created all over the country. In total, by 1 September 2017, 740 cooperative organizations were registered; the plan was fulfilled by 49%. Half of

them are supply and marketing cooperatives (371 units), 36% are processing (266 units), 8% are service cooperatives (65 units), and 5% are credit cooperatives (38 units).

Figure 3 shows the structure of created agricultural consumer cooperatives in 2016-2017.

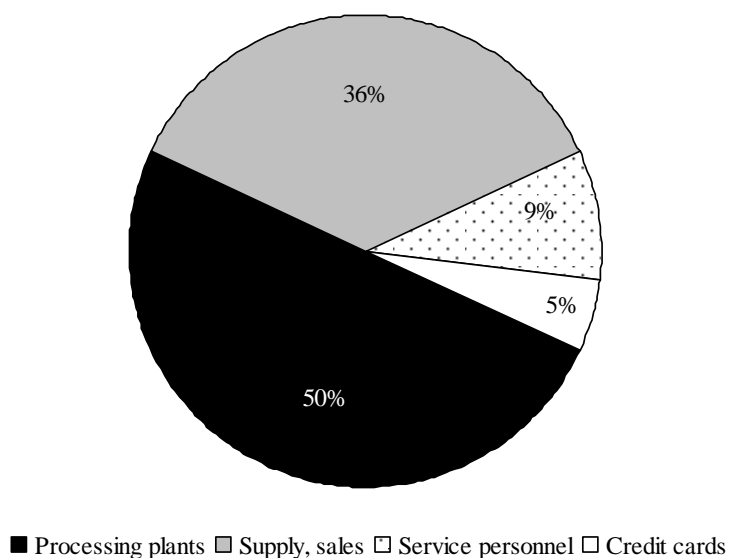


Figure 3. Structure of established agricultural consumer cooperatives for 2016-2017 in Russia

The Lipetsk region, the Republic of Tatarstan, and Bashkortostan have occupied the leading positions among the regions of the country - almost 20% of all registered consumer cooperatives were created in this period.

According to the Unified Register which was compiled by the SME Corporation, by 1 January 2021, 2252 agricultural cooperatives were created (2060 consumer cooperatives, 192 industrial cooperatives) between 2018-2020 all over the country.

Figure 4 shows the dynamics of newly created agricultural cooperatives for 2018-2020.

In 2019, 903 cooperatives were created in Russia (840 consumer cooperatives, 63 industrial cooperatives) it was the largest number of created cooperatives in a year. In 2020, 610 cooperatives were registered across the country (27% of the total number of agricultural cooperatives created over the period under review).

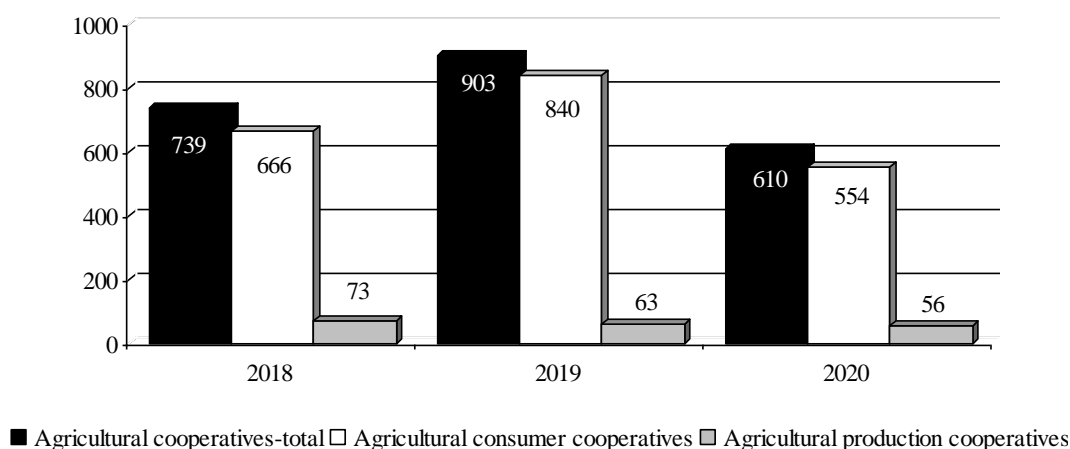


Figure 4. Newly created agricultural cooperatives in Russia, 2018-2020

Despite the positive shifts in the agricultural cooperation of the country, it still develops extremely slowly, which is associated with certain problems:

- In fact, more the 30% of the cooperatives in the country are virtually inactive and exist only on papers.
- Annually, there is continuing to decline in the total number of agricultural consumer' cooperative (especially, credit cooperatives)
  - The insufficient governmental support for the institutions that responsible for the cooperative system development.
  - The weak cooperatives' standing, because of the support that received not only by agricultural cooperatives but also by competitors (large storage and wholesale facilities - logistics centers).
  - The rural residents have a poor knowledge about the cooperative movement [9].

Frolova O. A. and Agafonova E. A. [10] has highlighted a remarkable problem defined as an imperfection of legislation norms, which requires the following clarifications:

- Setting a deadline to pay for the shares by the outgoing member of the cooperative.
- Setting deadline of the settlement with incoming members of the cooperatives.
- Organizing the procedure of distribution profits in full.

Some problems do not allow agricultural consumer cooperatives to raise their economic efficiency:

- The changing macroeconomic market conditions.
- Rising the prices of monopolistic enterprises.
- Extreme lacking of financial and credit resources;
- The impact on cooperatives of municipal, regional and federal authorities.
- Increasing the pressure on the cooperatives by the regulatory authorities.

Finding solutions for these problems would accelerate the development of the cooperative movement [11]. The Ministry of Agriculture of the Russian Federation has set the goal, which implied systemic development of cooperation. Thus, the cooperatives receive support in the form of grants. This type of support has been available since 2015.

The maximum amount of the grant is determined independently by the constituent entities of the Russian Federation, and should not exceed 70 million rubles for each cooperative. At the same time, the total amount should not exceed 60% of the costs that will be spent on the material and technical base development of the cooperative organization. Aid is available for processing and marketing cooperatives operating for 12 months by the date of registration, including agricultural producers in an amount of at least 10. The share of transactions on the processing and marketing of agricultural products, wild fruits, berries, and mushrooms in the revenue of the cooperative organization, must be at least 70%.

More than 1.8 billion rubles were allocated from the budgets of all levels to grant support in 2015 - 2016. The average amount of the grant was 7.3 million rubles, with the development of 18 months. In addition, 252 cooperatives took part in this trend of support.

The amount of funding for grant support increased and reached 1.9 billion rubles in 2017, the federal budget allocated 1.5 billion rubles of the total, while the constituent entities of the Russian Federation allocated 0.4 billion rubles.

Which means, cooperatives reimburse 60% of their costs from the federal budget, 20% - from the regional budget, and the remaining 20% - independently, from their own funds. Consequently, cooperatives reimburse 60% of their costs from the federal budget, 20% - from the regional budget, and the remaining 20% - independently, from their own funds.

The institutions for the development of cooperation that have been established throughout the country provide information and organizational support for agricultural cooperatives. They disseminate the best practices for creating and developing cooperatives; furthermore, they organize offsite meetings and prepare the business plans and the guidelines for cooperation.

#### 4. Conclusion

In recent years, agricultural cooperatives have been created throughout the country, which allows the small agricultural producers to enhance their competitive standing in the market. The most successful

developing cooperation is in the Lipetsk region, this experience can be adopted by other constituent entities of the Russian Federation.

Fulfilment of certain conditions will improve the functioning of agricultural cooperatives in the future. These include:

- Each member of the cooperative must receive economic benefits.
- All the members of the cooperative must constantly participate in its activities.
- The head of the cooperative must be professional management personnel.
- All the accounts of the cooperative must be carried out in a timely manner, and its activities must be transparent [12].
- The cooperative must have property assets and laboratories that determine the quality of products.
- The availability of the transport and logistics markets.
- Supporting cooperatives by the regional authorities.

Currently, the Ministry of Agriculture of the Russian Federation recognized the development of cooperation as a priority task. At the same time, we cannot solve all the cooperation problems only by grant support, but also it needs to be complemented by other measures, which makes it possible to create infrastructure development cooperation.

In the future, it is necessary to enhance the popularization of the cooperative movement ideas, in purpose to increase the cooperative literacy of rural residents, and achieve the development of the export cooperatives concept and its support tools.

Now it is important to coordinate the efforts of the regional authorities and the cooperative community to revive the traditions of Russian cooperation. It is necessary to give a new impetus to the small businesses and the agro-industrial complex, through the cooperative movement development, which makes achieving sustainable development of rural areas possible.

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