Roundtable on Agricultural Cooperatives in the CIS Countries and Georgia

Legislation, Viability, Policies and Vision

Dnepropetrovsk, Ukraine, 27-28 November 2013

Summary

Introductory session

The roundtable was opened by David Sedik, FAO Senior Agricultural Policy Officer, who briefly outlined the purpose, as well as FAO expectations of the roundtable. During the introductory session the participants introduced themselves and said a couple of words about the activities of their organizations. The participants from Armenia, Georgia, Moldova and Ukraine then presented short overviews of the state of agricultural cooperatives in each of their countries. The ensuing discussion allowed participants to focus on the major issues relevant to all the countries participating in the roundtable:

- In all countries a transparent, consistent and clear legal basis for the development of individual and family agricultural production and service cooperatives as a form of association has not yet been created. In some countries significant progress has been achieved in this direction (e.g., in Ukraine), but in general these issues are still on the agenda.
- It is not possible for small and medium-sized producers in rural areas to comply with international quality and safety standards for agricultural products. This is mainly due to the lack of funds to ensure compliance with the current requirements for product quality and safety and the inability to resolve these problems on their own.
- Owners of private farms and rural entrepreneurs face an acute shortage of financial and credit resources, partly due to the lack of state support in the sector, a lack of access to commercial loans, and underdevelopment of rural credit cooperatives.
- An inefficient system for supplying material and technical resources, procurement, storage and marketing of agricultural products and services provided by larger commercial and small private farms.
- In most cases, simple machinery is used in agricultural production and manual labour is very common, which means that the workload on rural residents exceeds physiologically acceptable norms. Self-exploitation is a factor, which negatively affects the social situation of the rural poor, and leads to premature aging and disability. Work overload adversely affects the possibility of farmers increasing their educational, cultural and intellectual competencies.
- In light of this, it is particularly important to reduce the burden of heavy manual labour for those working on small farms:
Small-scale agricultural producers lack access to resource- and energy-saving technologies and lack knowledge on global best practices for land use and environmental safety of production. These factors directly affect the competitiveness of their products on the market.

The rural population experiences significant difficulties in obtaining relevant market information and legal, economic and technological advisory services. They have no training opportunities and no access to new technologies and training.

These and other factors are the reasons that cooperatives have still not taken a leading position in the agricultural economy of the countries at the roundtable compared to other countries in Europe and around the World.

Session 1: Legislation

Armenia

National legislation (the Civil Code and the Law on Cooperatives) does not fully regulate the relations, creation, operation and liquidation of cooperatives, and it needs to be improved and added to. In 2014 it is expected that a new Law "On Cooperation" will be passed (a draft has already been prepared).

There was a discussion on the different understanding of cooperation in different countries. The question of terminology was also raised, as even a small group of professionals had a problem finding a common definition of the following concepts: cooperative - producer group – cooperation – service cooperatives. It was suggested that an international conference should be organized to develop a common understanding in these matters, in which leading European experts would participate.

The question of double taxation was also raised, first for a cooperative as a legal entity, and then for individual cooperative members when selling their products through a cooperative. The discussion also touched upon the issue of the difference between services provided by a cooperative and the actual production of goods. In Ukraine, the difference between these two aspects is very clear, while in Moldova it is not so obvious.

Georgia

Georgia currently has a lot of unresolved issues in the area of agriculture, which means there are also issues in terms of cooperation. The current legislation does not clearly separate production and service cooperatives and does not take into consideration the specifics of each of them. Under the current Georgian legislation, a cooperative is a non-profit organization; although they are allowed to make a profit, which is taxed separately.

The law "on agricultural cooperatives" was adopted in July 2013, according to which a cooperative must be registered with the Agency for Cooperative Development. The following are exempt from taxation are: income (until 2017), supply of products between cooperatives and their members (until 2017), dividends, and cooperative property (except land).
Moldova

Moldova has made great efforts to create cooperatives in rural areas. The ICC provided a significant support for these projects. The country has been active in this direction for over 20 years. Initially, cooperatives were founded with an element of grant support, and as a result some were opened only for the sake of purchasing equipment. Farmers have become increasingly aware of the need for cooperation, which is supported by the market conditions as well, as only cooperatives can provide access to markets.

Cooperation requires support from the government in the form of a special program which should include government subsidies and taxes. The creation of cooperatives can be problematic without an initial investment and institutional support. In this regard international donors play an important role in the country. Consulting companies in the agricultural sector must develop capacities based on experience, and foster cooperation in the agricultural and processing sectors. Members of cooperatives must take an active part in their work and they should be interested in the development of their cooperatives. If a member of a cooperative makes a contribution of only $1, that cooperative will never be profitable. Moldova has a problem with double taxation. This situation hampers the development of cooperation.

Ukraine

The new law "On Agricultural Cooperation" was drafted to be as close as possible to the European legislation. After its adoption a model charter of a new agricultural service cooperative was developed and approved by the Ministry of Agrarian Policy, where among other innovations according to the requirements of the new law, service cooperatives have non-profit organization status. It requires the amendment of the existing charters according to the current law. At the same time, the Ministry of Agrarian Policy approved the new rules of operation of an agricultural cooperative, which requires cooperative members to sell some of their products through their cooperative and respectively obliges cooperatives to accept products of its members and sell them on their behalf. The ownership of these product remains with the members of the cooperative.

An agricultural service cooperative can now provide services solely to its members (previously a cooperative could provide up to 20 percent of its services to non-members). It should be noted that until now agricultural service cooperatives have not played such an important role in the agricultural sector in Ukraine when compared to other countries in Europe and worldwide. A little more than 0.3 percent of smallholders and farmers (about 42,000) are members of agricultural service cooperatives in Ukraine. According to the Ministry of Agrarian Policy, about 25 thousand participants actively participate in cooperatives.

According to Ukrainian law, both physical and legal persons can be members of service cooperatives. The main purpose of their activity is to serve the needs of agricultural production of cooperative members, without gaining profit (as they are non-profit by nature). Not-for-profit character is determined by the following features: a cooperative provides services only to its members, members of the cooperative are responsible for the share committed to their cooperative, and services are provided to reduce costs and/or increase the profits of cooperative members.
Session 2: Do we need cooperatives?

Armenia

Most farmers in the country own small plots of land. Cooperation helps to bring together land for joint processing and reduce costs, which positively affects the cost of farm products and raises their competitiveness. A cooperative is a socially-oriented organization that can implement social projects for local communities. However there are cooperatives which do not conduct any active work. It is quite important that cooperatives exist not only on paper, so before creating a cooperative it is necessary to clearly analyse what needs to be done to ensure its sustainability. Each member must participate in cooperative activities and make investments in its development, and this is possible only where the initiative to establish a cooperative comes from the community itself and the farmers feel the need for a cooperative.

Georgia

From an economic perspective, Georgia has no alternative to the cooperative model of agricultural production. The process of allocation of share stock during the land split was somewhat messy and some farmers have several plots in different locations, making it difficult and expensive to till the land. Now many land plots are not tilled at all because they belong to urban residents, who are not very interested in agriculture. Another problem is the process of migration and urbanization. Moreover, a significant part of the population works abroad.

At the same time cooperation is not the only route that agricultural development in Georgia can take and should be supported along with other investments in the agricultural sector. Using the example of the cooperative "friendship", which was presented by the colleagues from Georgia, it is possible to see the main problem points in rural areas; namely insufficient equipment, seed grain and plant protection products, lack of crop insurance, which is a significant problem when you consider the risks associated with the extreme weather conditions in Georgia. Agricultural production is one of the riskiest types of business in the country. Therefore, a comprehensive approach to support farmers should be applied. This applies to both cooperatives and other forms of production.

Moldova

Moldova should focus on developing a legal environment for cooperative activities, and then build up their capacity. The legislative framework still needs to be perfected, there is no clear distinction between types of cooperatives, and there is no clear government strategy for the development of cooperation in the country. However, small producers are actively organizing themselves. For example, Moldovan apple producers agreed on marketing price to processors, and managed this by jointly withdrawing sales from wholesalers to set a better price for themselves. Cooperation is the only chance for Moldova to survive as an agricultural country. It is important that the initiative to cooperate comes not from donors or the state, but from grass roots level.
Ukraine

Economic self-organization of the rural population is a mechanism that ensures the protection of its interests in the process of developing the agricultural sector. Due to the skills of self-organization, cooperatives composed of small and medium-sized farms become the main catalyst for sustainable rural development. This is why these categories of producers are most interested in cooperation in rural areas. Cooperatives should be created primarily by local farmers (initiators of a service cooperatives should be members of a rural community), rather than by donors. Cooperatives are also important for large processing companies, since they can reduce the cost of logistics and resolve the questions of raw material supply (such as milk). A cooperative should have the necessary equipment and motivated members who are keen to participate in its economic activities. Members of a service cooperative should be trained in new production technologies, as well as in the requirements for quality and safety of their products.

Session 3: Governmental policy

Armenia

This year, for the first time, the Ministry of Agriculture recognized the role of farmers' organizations and cooperatives in its strategic development programs. The list of measures to ensure the sustainable development of agriculture in the Republic of Armenia for 2010-2020 focuses on the creation and development of agricultural cooperatives. The government should fully support cooperatives and this should be done by paying more attention to training and support, rather than monitoring and control of cooperatives.

Georgia

In 2013 Georgia has established an Agency for Agricultural Cooperative Development. It has an authority to implement state support measures for agricultural cooperatives, to develop proposals and recommendations to support the development of agricultural cooperatives, to provide consulting, to create a database for the activities of agricultural cooperatives, to grant and withdraw the status of agricultural cooperatives, as well as to organize cooperation with international organizations and cooperative associations in other countries. The Agency and its program are funded from the state budget, grants, and other legitimate financial resources.

The agency is currently implementing four programs: short-term loans up to USD 60 000, investments in farming development up to USD 3 000, a microcredit program up to USD 60 000, and finally another program partly financed by grants, partly by credit, which is still in development. The first program is difficult for the government to control and monitor so cooperatives are often considered to be middlemen for the disbursement of funds among farmers. Programs 3 and 4 will be realized in the future, as running programs need proper monitoring. After the Agency fully starts its operations, and appropriate control over spending will be set, then these programs will be properly launched. The reason for the development of these programs is the slow stagnation of agriculture in Georgia, as the previous government almost ignored rural communities and their needs. Now the current government is trying to revive agriculture. One government program provides incentives for the land cultivation for all owners; as a result the area of arable land in the country has almost doubled.
Moldova

The quality of the milk produced in the country is mostly very low, and almost all high quality milk is exported. Legislation on cooperation has not been amended for ten years. In Moldova, production cooperatives operate within the same legal framework as service cooperatives. There are producer groups (farmer groups) as well. The goal of farm groups is to reduce costs of agricultural production in farms and/or sales of these products for the highest possible prices. To achieve this, they establish business relationships with suppliers and buyers and do not get involved in other activities, such as political lobbying of farmers’ interests, since any non-core activity increases costs. Membership in farmer groups is voluntary. Group members are able to leave the group at any time. At the same time, farmers can put forward their terms and conditions of membership in the group. Farmers, who fail to meet the set standards, are excluded from the group. Now, 10 years after the adoption of the law on cooperatives, a system of subsidies for cooperatives has finally been developed. In Moldova at this stage there are no programs of support for the development of agricultural cooperatives.

Ukraine

At first, the government of Ukraine that came into power after the last presidential and parliamentary elections turned away from cooperatives, although the situation later improved. It became clear that cooperation in villages is the only real way for survival in rural communities. Recently, the regulatory support of agricultural service cooperatives has significantly improved, and the Ministry of Agrarian Policy and Food of Ukraine, and the minister personally, have been paying increased attention to this form of cooperation. Active support is provided by international technical assistance projects, for example, USAID AGROINVEST provides support thorough grant programs. However, in recent years existing government programs for cooperative support have only provided funding on an irregular basis. There is no single program to support agricultural service cooperatives. Today, villagers expect the state to develop public policy, as well as organizational, legal, social and economic framework for enhancing the role of service cooperatives in the sustainable rural development. They expect integrated development of agriculture as a foundation for effective operation and further development of the agricultural market infrastructure aimed at ensuring access of small and medium-sized agricultural producers to material and financial resources, information, technology. They also expect service support for small-scale production and marketing, forming a transparent and predictable market for agricultural products produced by small and medium-sized agricultural producers, along with the creation of new jobs in rural areas, improved social security for the rural population and improved standards of living. Rural dwellers are awaiting help from the government in the form of credits, pilot projects, and organizational centres for cooperatives. In addition, it is important to provide access to new technologies, efficient production, safety and competitiveness.
Session IV: Open Discussion

The participants recommended developing some common terminology in the area of cooperation that could be used in all the countries. They also suggested organizing an extended international conference with the participation of European experts to develop a consensus on this matter. They recommended focusing primarily on the economic efficiency of cooperatives. It is also important to ensure that it is possible to use and exchange the information that has been gathered on cooperatives. To this end it is necessary to create a single information resource on cooperation. A proposal was made to create a regional organization or platform to coordinate efforts for the development of agricultural cooperatives among the countries participating in the round table, which should help to overcome the lack of information on cooperation.

The potential goals of the platform:
- Exchange of information;
- Exchange of experience and best practices;
- Development of family farms;
- Drafting of model documentation for cooperatives;
- Preparation and implementation of international projects related to agricultural cooperatives;
- Standardization of terminology;
- National and international coordination of cooperative development;
- Gathering cooperative statistics;
- Preparation and running international roundtables, conferences, seminars, study tours to farming cooperatives;
- Discussing common problems;
- Discussing achievements and problems to understand their roots and to develop a strategy to overcome them.

Participants noted that in Europe there is a centre of cooperation (COPA-COGECA), whose activities show that such institutions are necessary.

Cooperatives provide an excellent opportunity to control the origin, quality and safety of agricultural products. Cooperatives can help to inform their members and help them to adapt to the requirements of the WTO and HASSP. They can also efficiently receive and manage donor and state funds for agricultural development.

An important aspect is the opportunity to improve the knowledge and skills of cooperative members. Active cooperatives become the centre of development of rural communities and greatly enhance the welfare of each member and the community in general. Participants noted that experience shows that cooperatives need diverse support for about five years to achieve self-sufficiency.

Cooperatives work best when they receive an initial investment and gradually reach profitability. In this way over time members begin to willingly invest their own money in the development of such the cooperative.
Participants requested that the FAO representatives organize an international conference on agricultural service cooperatives and family farming with the participation of European experts.

Conclusions
The conclusions were presented by Zvi Lerman. He suggested the following steps for the development of cooperatives:

- A clear definition of all types and forms of cooperatives and cooperation;
- Optimization of legislation;
- Addressing taxation;
- Donor support to achieve sustainability of cooperatives;
- Creating an atmosphere of trust among members of cooperatives and their leaders;
- Vision: the need to know what to do and where to go;
- Adequate supply of equipment and machinery;
- Finding reliable sources of funding;
- Understanding that there are various forms of cooperatives worldwide, which provide services to both members and non-members (hybrid model).
- Cooperatives are not always necessary. But if markets are not very developed or competitive, producers can create cooperatives to deal with difficult market conditions, and it helps them to work together and to find their place. In Israel, at the time when the country was poor, the system of cooperation was quite advanced. Later with the increasing economic power of the country, cooperatives were no longer needed to such an extent.

The last comments were made by David Sedik. He suggested to the participants:

1. To prepare a publication including each country’s legislation on agricultural cooperation.
2. To plan similar meetings in the future, in conference seminars and roundtables format.
3. To support the coordination of cooperation, this needs to be done for the sake of the future. Coordinators should be nominated in each country that will be responsible for the coordination of this network.
4. If possible, FAO will support information activities on cooperation; namely workshops, seminars and round tables.

Final analysis
Increasing economies of scale is the main positive effect of cooperation, taking into account the sharing of equipment, providing members with seeds, plant protection products, veterinary medicine and so on. A question naturally arises, if the benefits are so obvious, why do we not live in a world of comprehensive cooperation? This question has long been resolved in the agenda of European farmers. In Germany, for example, a farmer may be a member of a few dozen diverse cooperatives.

There are several obstacles to the development of cooperation in the countries represented at the round table. One of them is the lack of unification requests of potential members of a
cooperative, as often the interests and needs of farmers, even those that live in the same communities, can be very different.

Another obstacle to organizing cooperatives is that it is not always possible to start the activities from scratch in the absence of logistics, and human and financial resources. The simplest forms of cooperation (e.g. joint procurement of planting materials and crop protection) can come about by participants combining their financial resources with an immediate savings effect. Cooperation is not for wealthier farmers, as they have to invest money, and also agree on the proportions of such investments.

One important issue is mutual trust between cooperative members. Even an existing cooperative cannot function effectively if its members do not trust each other. In the absence of trust, organizing a new cooperative becomes completely impossible. Former Soviet countries have inherited this lack of trust, as for generations all the issues were resolved using vertical rather than horizontal relationships.

Organizational, human resources for the development of cooperation are very scarce. In other words, a cooperative cannot function without a person or group of persons who invest in their time, energy and intelligence. This group of people must have appropriate knowledge and provide information to properly create and subsequently ensure the efficient operation of a cooperative. In the developed cooperative systems they are highly qualified hired workers, conditions of their employment do not differ fundamentally from employees in private or public companies. All members of a cooperative pose as their employer. In the cooperatives of our countries the issue of recruitment of qualified managers, economists, accountants or lawyers, as a rule, is out of question, or is done only occasionally.

In terms of competition, cooperatives are under pressure from the private sector. In the framework of cooperation of the ICO Dobrobut Gromad and the Danone corporation for dairy projects, one can often see that entrepreneurs that buy milk from communities that have organized dairy cooperatives, when faced with the prospect of losing their market, reduce their margins to a minimum, and begin operating at a loss, only to discourage the members’ interest cooperation. In light of this, appropriate measures should be taken to protect cooperatives. Other examples in Ukraine show that after threats have been eliminated (not only of a cooperative, but of other competitors), businesses compensates for the lost profit, increasing their profit margins again and reducing the purchasing price from the farmers. Such competition is difficult for cooperatives because such private entrepreneurs have already accumulated a safety cushion and can work for a certain period at loss. Furthermore, due of their mentality, entrepreneurs are willing to risk their money to increase their market shares. Businesses create the most comfortable conditions for their customers by offering services, discounts and gifts; but for cooperative, especially in the early stages, this tactic is almost impossible. Potential co-operators are now surrounded by commercial organizations, specializing in supply, marketing and services, so it is very important for cooperatives to get help from the state and donors from the outset, as the first steps are the most difficult.

Agricultural cooperation is a stable, self-perpetuating system; however, the initial grounding of cooperatives without financial and economic support from the government and donors is rather difficult.
Many rather naively believe that if farmers cannot survive without the services that cooperatives can provide them, then cooperatives will sooner or later appear by themselves as a way for farmers to survive. However, practice shows that this is not always true. International experience shows that only the state, and to a lesser extent donors, can create a significant and global push for cooperation. This incentive should be sufficient to outweigh the costs incurred while a cooperative is being set up. An example of such assistance may be found in Canada, where the government encourages cooperation by all means available.

Undoubtedly, government and donor support carries the risk of misuse and mismanagement of funds. Moreover, such support often distorts market mechanisms, creates "perverse incentives" when cooperation is organized only to gain support, and is dissolved when the support stops. Agricultural cooperation is no exception, and many cooperatives disappear when assistance from the state or donors is. Losses, temporary failures, and abuses are to a certain degree inevitable but there is no other way for cooperative structures to develop in the short term.
DAY 2.

Visiting agricultural service cooperatives and a cooperative learning farm

28 November 2013

1. Visiting the village council of Andreevka, Pokrovsy district, Dnepropetrovsk region.

Visiting the Dobrobut Andreevka agricultural service cooperative.

The roundtable participants met with Olga Krimova, the head of the village council of Andreevka, Pokrovsy district, Dnepropetrovsk region. Olga introduced the background and history of the Dobrobut Andreevka cooperative, as well as its role in rural development. The chairman of the cooperative, Antonina Kurylenko, and other active members of the cooperative also attended the meeting. Antonina explained that the cooperative started its operations in March 2010, providing milk collection and cooling services, artificial insemination, veterinary services, fodder conservation, shared grazing and tillage. The cooperative currently has 140 members.

The head of the village council also spoke about the project "Development of dairy cooperatives" developed by the ICO Heifer Ukraine, Danone-Ukraine and Dnepropetrovsk Advisory Service with the support of the Danone Ecosystem Fund, the Department of International Relations, Trade and Development of Canada and Heifer International. In Ukraine, 80 percent of milk is produced by small farms, and is usually not cooled. Milk quality and the health of cows often do not meet standards, which leads smallholdings only being able charge lower prices. Taking into account the needs of Danone in a stable supply of high quality chilled milk from healthy cows, ICO Heifer Ukraine started cooperation with Danone to ensure that cooperatives that received training from Heifer Ukraine can become milk suppliers for Danone factories. Now Danone can control the quality of milk and small farms can collect bulk quantities and sell it at stable and competitive prices, receiving additional bonuses for milk quality. As a result of the project, milk production volumes have increased significantly, milk quality has improved (according to the lab results confirmed by Danone, the bacterial content of milk has decreased three times), and thanks to the fair competition a stable market price for milk has been set.

The total funding for this project allocated to the Dobrobut Andreevka cooperative was USD 155 888. With this money 20 heads of highly productive cattle were purchased, along with 15 sows and 20 ewes. A two-tonne tanker for milk cooling, a digital milk quality analyser and laboratory equipment were bought and a milk collection station was set up. Within this project milk producers attend specialized courses on compliance for the quality of milk and animal hygiene. Also, with the financial support of the project, members of the cooperative renovated and equipped a fitness club, where it is possible to use exercising equipment, play table tennis or join yoga or fitness classes.

The third phase of the project was recently launched in partnership with the Dobrobut Andreevka cooperative. The project will promote and strengthen the capacity of
cooperatives and allow them not only to provide financial benefits for their members, but also to impact government policy and decision-making. The key functions of cooperatives are strengthening the market position of their members, as well as giving them the opportunity to benefit from the growth in production and sales. In addition, cooperatives can reduce market risks, transportation costs, provide access to resources, and increase competitiveness through innovation, quality assurance and food safety. Many cooperatives have expanded their activities and begun to engage in production at all stages, as well as to promote consumer awareness of their products through improved marketing (including branding). Cooperatives also offer beneficial cooperation for those living in remote areas that face difficulties in accessing the market (e.g. product transportation over long distances) and unreliable information (prices are indicated by a trading company).

Cooperatives contribute to increasing profits and employment in rural areas. This project will strengthen capacity by providing training on marketing, entrepreneurship and product quality, among other things. It will do this by paying special attention to the integration of rural youth and minimizing the outflow of young people to cities. The project will also promote the development of social capital in rural areas through awareness of shared values, community mobilization and social projects.

The roundtable participants visited a milk collection point in the centre of Andreevka, which is in a specially equipped trailer. The cooperative collects 2.4 tonnes of milk daily, which is then sold to the Danone-Ukraine factory. Milk quality is monitored at all stages of procurement. Therefore, before the end of 2013 the cooperative procured 633 tonnes of milk with a total value of USD 292 000. For their services the cooperative received a payment of USD 10 518 (in hryvnas). The cooperative also received USD 19 400 in bonuses for quality. These payments allowed the cooperative to purchase a brick building in the village centre, which will be renovated and converted into a milk collection station. Each member of the cooperative earned the equivalent of USD 497 during the first nine months of the Dobrobut Andreevka operations.

Delegates also visited an artificial insemination station, which is run by the cooperative, and got acquainted with its work. Using artificial insemination and quality semen contribute to the improvement of the livestock productivity for members of the cooperative, and also reduces the risk of infectious diseases among animals.

Additionally, Antonina Kurylenko told colleagues from other countries that the cooperative plans to expand its activities to the neighbouring villages and to install additional milk cooling tankers. The cooperative plans to expand the range of its services by offering tillage and fodder conservation. In light of this they are planning to buy a tractor, a baler, rakes and other equipment.

2. **Visiting family the Dobrobut Andreevka members**

Small family farms are an integral part of economic stability and development. The UN General Assembly declared 2014 the International Year of Family Farming. The UN views family farms not only as an economic model, but also as a basis for sustainable food production, as a method for improving social and cultural development, and the basis for the sustainable management of natural resources.
While focusing on the creation of modern, competitive family farms, with the view of protecting the environment, the project will also contribute to the food security of the country. By organizing family farms as a basis for cooperatives, small farmers get easier access to training and resources, and also significantly improve their access to markets. Integrating young people (especially with the use of advanced technologies) will eventually make a significant impact on the sustainability of agriculture, and the next generation of farmers can be trained in Ukraine.

a. The Nikiforenko family farm

The roundtable participants visited a typical Ukrainian household in the village of Andreevka, Pokrovsky district, Dnipropetrovsk region. The family of Mark and Ludmila Nikiforenko and their two children has two heads of cattle (a cow and a heifer calf). The family is a member of the cooperative and sells surplus milk through it, receiving bonuses for quality and fodder from November to February for the loyalty to the cooperative (that is the sales of milk through the cooperative for the past six months). If more money was available, the Nikiforenko family would like to have more cows and to increase the production and the sale of milk.

b. The Orlovsky family farm

The next item on the study tour was the village Bratskoe, Pokrovsky district, Dnipropetrovsk region. Guests from other countries met with Viktor Orlovsky and visited his family farm. Viktor joined the cooperative in May 2011, at which time he had two cows. The Orlovsky family farm now has three heads of cattle and four heifers. Within this project the Orlovsky family received one heifer, some fodder and received trainings and financial support for the reconstruction of the farm (the equivalent of USD 3 500).

Viktor said that during the farm reconstruction, ventilation systems, lighting and water supply were installed, and a milking machine was purchased. The family farm used artificial insemination services provided by the Dobrobut Andreevka cooperative and as well as the conservation of fodder. This winter the family bought 100 tonnes of corn silage. The Orlovsyks participated in training on milk quality and cattle rearing. They use the knowledge they obtained in the daily care of the animals, breeding and feeding.

Viktor Orlovsky has shown that by participating in the project and renovation of the family farm, his family has improved milk quality and increased milk production per head. Before farm modernization, average yields were 2 166 litres per head for first-calvers and 2 660 litres per cow. After modernizing the farm, an average milk yield for first-calvers increased up to 4 622 litres per head and 5 342 litres per cow. Roundtable participants visited the stall and paid attention to the improvements that allowed the farm to upgrade. Average yields are now 20 litres per head per day, and the fat content of milk is now 3.8-4 percent. Milk is sold at a base price of USD 0.35 (UAH equivalent) through the Dobrobut Andreevka cooperative to the Danone - Ukraine factory. The family plans to increase its herd up to 10 cows and to further upgrade the farm premises.
c. The Kurylenko family farm

The roundtable participants also visited a family farm of Vadim and Antonina Kurylenko in the village Bratskoe. Antonina Kurylenko, a mother of three sons, is the head of the Dobrobut Andreevka cooperative. The Kurylenko family farm has seven cows and three heifers, as well as three Jersey calves. The family receives its main income by selling milk.

Before the project started, and before the family farm was constructed, the average monthly income was USD 437. It has now risen to USD 800. Within the project, the Kurylenkos received two heifers, fodder and participated in training. They also took a loan of USD 18 000 (equivalent in hryvna) at a rate of interest of 3 percent. With these funds they were able to build a small farm for 10 heads. The farm was built using new technologies that are unique for Ukraine today. It has a water heating system and a modern manure removal system, which have been designed in line with the latest environmental and health regulations.

A mini tanker for cooling milk was installed on the farm, where the milk from cooperative members of Bratskoe is collected, helping to preserve its quality. One of the conditions for the low-interest loan was that the Kurylenko family would make its farm available for training purposes for those who want to build family farms as a platform for practical study visits (their consent accept visitors).

The Kurylenko family farm currently produces 115 litres of milk per day; the average fat content is 4.0 percent. The milk is sold through the Dobrobut Andreevka cooperative at a base price of USD 0.35 per litre. The maximum milk yield is on average 26 litres per head. When the farm first started operating the average annual milk yield per head was 4 330 litres, which has now risen to 5 393 litres. The Kurylenkos plan to increase their head count to 25 dairy cows.

3. Visiting the Molocharske cooperative teaching farm by the Gospodar agricultural service cooperative

The last item on the agenda was a visit to the Molocharskoe cooperative learning farm, which was built in the framework of the "Cooperative Teaching Farm and Services" project and is an example of a successful cooperation between Danone, Dobrobut Gromad, the Canadian International Development Agency and the Dnepropetrovsk regional council.

During the visit to the farm, the roundtable participants were acquainted with the aims and achievements of the Cooperative Teaching Farm and Services project. The aim of the project is the foundation, development and institutional support of the Cooperative teaching farm to serve as a showcase of the best methods of animal husbandry, milk production and high quality training for cooperative members. The project also aims to increase the incomes of cooperative members through improved farming practices and access to equipment belonging to the union of cooperatives.

1 100 families from 18 villages (Pokrovsky and Apostolovo districts of Dnepropetrovsk region) are participating in the project and are united in eight service cooperatives. The following project activities were carried out:

- Creating a cooperative association and cooperative teaching farm.
– Institutional support for a cooperative and development of services for cooperatives.
– Creating a micro credit program for cooperative members for the construction of small family farms.
– Ensure that the principle of sustainable development through the replication of the project in other regions.
– The learning farm gave the roundtable participants the opportunity to see its role in the project, namely:
  o Modern methods of animal husbandry and milk production.
  o Acting as a training centre for members of the cooperative.
  o Helping to increase the income of cooperative members and assists the development of family farms.
  o Providing high quality and efficient fodder production and conservation.
– The guests also learned about the results of the learning farm’s first year of operation and the whole project:
  o 380 cooperative members participated in 21 trainings on livestock and family farm development.
  o A union of cooperatives provided the following services: 1 632 tons of storage silo, 830 hectares of tilled land, 250 hectares of planting of forage crops and baling 400 tons of hay.
  o Milk produced on the farm is of the highest grade.

The roundtable participants learned that in 2014 there are plans to construct a second hangar at the learning farm for additional 60 heads. Plans also include upgrading the premises for young stock breeding and continuing to build family farms.

The delegates were satisfied with the results of the roundtable and the trip, because as well as discussing the theoretical aspects of cooperation in the village and sharing their experiences, they also get acquainted with the practical results of a cooperative and a cooperative association. Participants saw the life of Ukrainian farmers and understood the importance of the transition from smallholdings to family farms, and the importance of joint projects, where donors, the government and the business work together for the sake of sustainable development and a stable agricultural market.