

## Legislative and regulatory support of agricultural service cooperatives in Ukraine



Vladyslav Karpenko  
Moscow, 25 September 2015

## The history of the legislation on ASC

### The Law of Ukraine №5495-VI “Amendments to the Law of Ukraine “About agricultural cooperation“

Adopted by the Parliament of Ukraine on November 20, 2012, entered on January 19, 2013

- ✓ Harmonization of standards, definitions, provisions of the Law of Ukraine "On Cooperation" and "About agricultural cooperation".
- ✓ Identify signs for non-profit status of ASC activities.
- ✓ Catalyst of changes.

- **ASC Model Charter (Order of the Ministry of Agriculture Policy and Food №315 on 05.21.2013).**
- **Internal Rules of ASC activities (Order of the Ministry of Agriculture Policy and Food №643 on 10.30.2013).**
- **Systematic scientific-practical commentary to the Law of Ukraine "On Agricultural Cooperation" and the related legislation.**
- **Methodical recommendations on ASC accounting system and analysis.**

## **Non-profit status of ASC activities**

- **The Law of Ukraine "On amendments to the Tax Code of Ukraine and some other legislative acts of Ukraine concerning the tax reform" on December 28, 2014 №71-VIII**

ASC and cooperative union excluded from the list of non-profit organizations

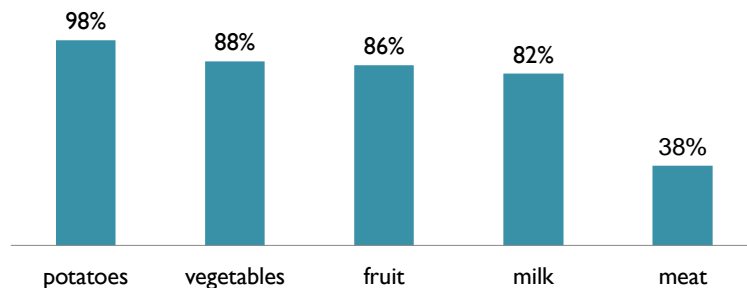
- **The Law of Ukraine "On amendments to the Tax Code of Ukraine concerning the taxation of non-profit organizations" on July 17, 2015 № 652-VIII**

ASC and cooperative union are included in the list of non-profit organizations

## VAT on smallholders goods

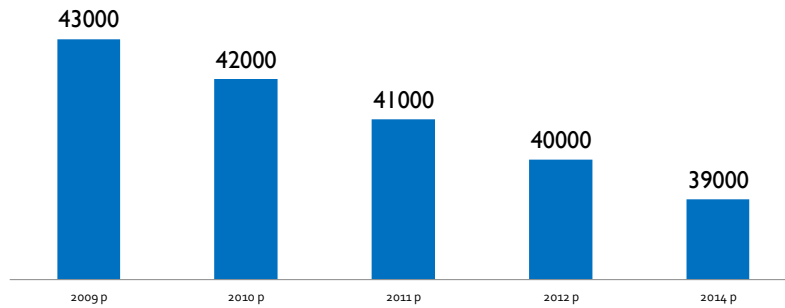
- The input VAT on the smallholders products is not considered
- Studies show that due to the lack of a mechanism taking into the account the input VAT, household farms annually lose 6.5% (milk) to 15% (vegetables, fruit) of income.

## Private household plots and small farmers production



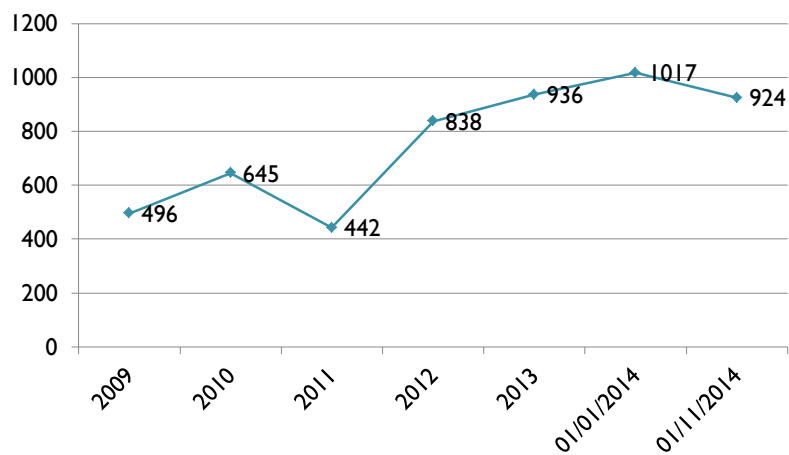
Land Bank of agricultural holdings is 26.7% (5.6 million hectares)

## Number of farms in Ukraine



4.7 million of smallholders (1.2 ha), 39 thousand of farms (102 ha)

## Number of ASC in Ukraine

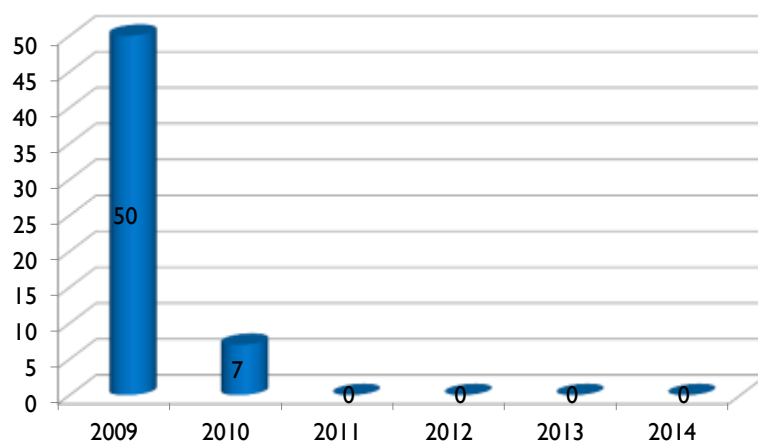


... less than 600 are operating

## ASC financial characteristics

On average, a cooperative provides the services, thous. UAH.	The average size of the share, thous. UAH.	The average fixed assets, thous. UAH
59,4	110,5	102,3

## State support of ASC (mln. UAH)



Examples of ASC development in Ukraine:  
Livestock

Feed production: ASC "Zakhydny"

Service territory - district. Processing - up to 800 tons of animal feed



Examples of ASC development in Ukraine:  
Livestock

Milk production and processing of milk:

- Milk points
- Local milk processing
- Milking in a pasture





## Examples of ASC development in Ukraine: Livestock

### Slaughtering and processing of meat:

- Slaughterhouses
- Meat processing - ???



## Examples of ASC development in Ukraine: Crop production

### Cold Chain: ASC “Shyroke”

- The initiative belongs to the trader.
- Joint procurement of seeds (recommendation and experience of the trader), compliance with cultivation technology - the obligation of the cooperative members.
- Sale: partnerships between the cooperative and the trader.
- 2014 marketing year: 80 tons of cucumbers, 22 tons of beets, 18 tons of carrots, 380 tons of melons.





## Examples of ASC development in Ukraine: Crop production

### Freezing berries / Frigo seedlings preparation

- Diversification of production
- Use of the equipment as possible time



## Examples of ASC development in Ukraine: Crop production

Processing of medicinal herbs,  
honey packaging: ASC «Chysta  
flora»

- Drying and packaging of medicinal herbs (teas, blends) 6.5 tons per year
- Drying and packaging of Fruit and Berry products 7 tons per year
- Preservation of fruits and berries 8.5 tons per year





## Tendencies to the creation /development of agricultural service cooperatives

- "Self-help". Formation of the group, finding markets for products.
- Cooperation with traders / large companies (ASC "Shyroke", Danone, Agrosoyuz). Co-financial assistance for equipment purchasing
- ASC Unions: Oblast (Dnipropetrovsk, Lviv) and rayon levels



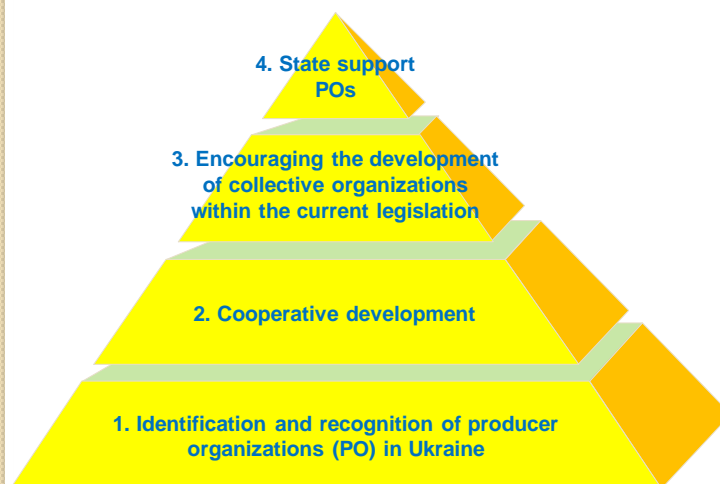
## Tendencies to the creation /development of agricultural service cooperatives

- Transformation of Dairy Cooperatives: cooperative 200 smallholders → cooperative 20 family farms
- Organic farming cooperatives (different models)
- Global GAP Certification

## A single and comprehensive strategy for agriculture and rural development in Ukraine 2015 - 2020

### Subgroup 6.3

*"Promote various forms of producer group organisations and representation, aiming at reducing the production, processing, transportation and export costs, maximising the selling price for agricultural commodities and promoting fair and transparent contractual relationships in the marketing chain in order to establish business practices adapted to global challenges."*



**Provide criteria for determining the PO in the different sectors (the number of producers, the turnover, mission)**

**Thank you for attention**

**Welcome to cooperate**

E-mail: [karpvl@mail.ru](mailto:karpvl@mail.ru)