

Cooperatives in post-Soviet Countries

September 25 2015

Across Eurasia there is an immense divide in the development of agricultural cooperatives between the countries of the European Union and those of the post-Soviet region. This gap can be seen in the differences in the spread of cooperatives within agriculture, in government policy and in the enabling legislative environment. The divide is supported by basic conceptual and experiential differences that existed during the socialist period and which continue to exist in modified form between the two parts of Eurasia today.

Service cooperatives

Cooperatives in agriculture are usually created by grassroots farms to overcome market failures, which are manifested in unwillingness of private business entrepreneurs to provide services in areas that they judge unprofitable or, alternatively, in situations where private businesses unfairly exploit farmers through monopolistic practices. Best-practice world experience suggests that service cooperatives provide a very effective way of improving the access of small farmers to market services in both situations. The focus on service cooperatives is fundamental; in market economies agricultural cooperatives are invariably of this type with very few exceptions.

In the post-socialist countries of Eurasia agrarian reform produced tens of millions of small family farms, as well as some large agricultural companies, in place of tens of thousands of large-scale state and collective farms. The situation is no different in Central and Eastern Europe: of the total of nearly 8 million farms in the ten New EU Member States, 4.5 million (58%) are holdings of less than 2 hectares and only 80,000 (just 1%) have 50 hectares and more. In some countries land reforms produced fragmented land holdings. In the CIS countries fragmentation was based on the need for equitable distribution of different land qualities and perennial crops. In the CEE countries it was due to requirements for restitution to former owners and their descendants.

Small farms commonly use agricultural service cooperatives to overcome difficulties of unequal bargaining power with large-scale input suppliers (for machinery, fertilizer, advisory and credit services), processors and middlemen. These difficulties combine to create what is sometimes referred to as “the curse of smallness”, a trap that prevents smallholders from fully exploiting their inherent productivity advantages due to barriers in access to markets. In dealing with a service cooperative, the market effectively deals with a relatively large entity that combines many smallholders into a single negotiating position. Access difficulties imposed by smallness are thus automatically lifted.

Thus, agricultural service cooperatives should be an excellent means for farms in the formerly socialist countries of Eastern and Central Europe, as well as the post-Soviet region, to improve their bargaining power vis-à-vis input providers and processors, thus improving the welfare of the cooperative membership. Though forming and sustaining an agricultural service cooperative is never easy, it is a proven method to improve the sustainability of small

farms in agriculture today, just as it has been in Western Europe and North America for many decades.

Goal of seminar

The goal of this seminar is to assist the Eurasian Economic Commission and its Member Governments to understand different policies in support of the development of genuine agricultural service cooperatives in the post-Soviet region. The seminar is divided into three sessions. The first is an introductory session in which legislation, policies and the development of agricultural service cooperatives are explored for the Eurasian region as a whole—in the post-Soviet space and in the European Union. A discussion follows the two presentations of this session. The second session is devoted to the legislative framework and the development of service cooperatives in three post-Soviet countries, followed by a discussion. The last session is devoted to new approaches to the development of agricultural service cooperatives in two selected post-Soviet countries. This last session is also followed by a discussion.