

# SERVICE CO-OPERATIVES IN UKRAINE: TECHNICAL AND INFRASTRUCTURE DEVELOPMENT

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**Abstract:** The development of agricultural service co-operatives in Ukraine is one of the priority directions of the state agricultural policy. The cooperation of small and medium-sized agricultural producers in the dairy, horticulture, vegetable and grain sectors is the key to not only economic, but also social development of rural areas. Increasing the competitiveness of farmers involves significant investments into infrastructure and technology, while the cooperative model enables farmers to receive high-quality technical and logistic services at affordable prices and with affordable start-up investments.

**Keywords:** SERVICE CO-OPERATIVES, STORAGE FACILITIES, LOGISTIC SERVICE FOR SMALL FARMERS.

## 1. Introduction

Service co-operatives is one of the target group for Ukrainian government's support program in Agriculture (Concept of the Government, 2017). Moreover, 1 billion UAH will be addressed to farmers and cooperatives in 2018 (Cabinet of Ministers' of Ukraine Decree, 2018). Additionally, international projects in Ukraine supported by FAO, Canadian Government and other international organizations push the co-operatives development as the main stimulator of revitalizing rural territories and increasing competitiveness of small farmers (FAO Regional Office for Europe and Central Asia, 2017).

As a result, 2 069 co-operatives were registered in Ukraine by the official statistic, on January 1, 2018 (AgroPortal, 2018). Among them 996 co-operatives are production and 1073 service ones. Therefore, only a half of the registered service co-operatives is active.

Despite all the theoretical evidence of the benefits of cooperation for farmers, there are not so many examples of successful cooperation in Ukraine.

The aim of the research was to study the factors that stimulate and restrict the development of agricultural service co-operatives in Ukraine.

## 2. Materials and Methods

The research was conducted using data of the State Statistics Service of Ukraine, information of the official Government reports, regulations. The research was conducted in the framework of Ukrainian Storage and Marketing Co-operatives Project (2016-2017) and Ukraine Dairy Business Development Project (2017).

The methods of research include survey, interview, and work in focus groups during training and strategy sessions with the members of two grain and five milk co-operatives – participants of the projects.

The results of the research were analyzed with the strategical management approach through the "threshold/unique resources and threshold/core competencies" for service co-operatives, to indicate those of them, which can create capabilities for competitive advantages for a long time perspectives.

## 3. Results and Discussion

The main types of services for members had been identified before the threshold and competitive capabilities of cooperatives were analyzed.

The best type of service to attract members for participation in economic activity of the grain co-operative with the minimum risks for the members and without additional investment (only entrance fee) is economic effect of cost saving due joint purchases. For small grain farmers discount of inputs price can be the crucial motivation to use co-operative service.

For dairy farmers joint purchases are not so important as joint selling – service of collecting, cooling and marketing of milk.

However, the threshold capabilities connected, in this case with the investment into equipment (Table 1).

**Table 1:** Threshold resources and competencies for threshold capabilities of the service co-operatives in dairy and grain sector

Co-operative	Resources	Competencies
Dairy	<ul style="list-style-type: none"> <li>➤ Stationary milk coolers;</li> <li>➤ Milk tanks (automobiles);</li> <li>➤ Milk quality analyzers (Eco-milk);</li> <li>➤ Milk collectors;</li> <li>➤ Administration staff (manager and accountant)</li> </ul>	<ul style="list-style-type: none"> <li>➤ Technical skills in collecting and analyzing milk quality (trained staff and members);</li> <li>➤ Management and accounting skills;</li> <li>➤ Members' responsibility for the quality and volume of milk</li> </ul>
Keys of success to enter the market	<ul style="list-style-type: none"> <li>➤ Investment into equipment and logistic</li> </ul>	<ul style="list-style-type: none"> <li>➤ Responsibility and confidence</li> </ul>
Grain	<ul style="list-style-type: none"> <li>➤ Working capital to pay in advance for inputs by the wholesale prices;</li> <li>➤ Manager and accountant</li> </ul>	<ul style="list-style-type: none"> <li>➤ Skills and knowledge in negotiation with suppliers;</li> <li>➤ Management and accounting skills in co-operatives identity;</li> <li>➤ Members responsibility for the volume of purchase</li> </ul>
Keys of success to enter the market	<ul style="list-style-type: none"> <li>➤ Responsibility and confidence</li> </ul>	

Therefore, at the first stage of the life cycle, dairy co-operatives are more sensitive and they strongly need to be supported to invest into equipment and to enter the market. In modern history of Ukrainian co-operatives development, the first dairy co-operatives were initiated and supported by milk processors (DANONE Ecosystem Fund, 2010-2016).

The next level of services was considered in the process of identification of competitive advantages for grain and dairy co-operatives:

- income growth for the grain farmer due the facilities of the co-operative elevator;
- access to the short-term financial resources by the low price for family dairy farms reconstruction and building;
- professional consulting (in agronomy, farm management, accounting);
- education and training for members, board members, managers and employees – business skills and ethic development;
- advocacy and lobby of farmers' interests at the local and state level; pushing changes in legislation (Table 2).

**Table 2: Resources and Competencies to create competitive advantages for grain and dairy co-operatives**

Co-operative	Unique resources	Core competencies
<b>Dairy</b>	<ul style="list-style-type: none"> <li>➤ Dairy Management System and Milk Laboratory;</li> <li>➤ Demonstration (education) Farm;</li> <li>➤ Found of entrepreneurship development;</li> <li>➤ International projects' co-resources;</li> <li>➤ System of milk collecting according with the standards of safety and quality</li> </ul>	<ul style="list-style-type: none"> <li>➤ High skilled crises managers at the Coop Union level (negotiation with milk processors, logistic, technical service);</li> <li>➤ Educated Boards, managers, accountants;</li> <li>➤ Partnership of dairy co-operatives and joint strategy for the Union</li> </ul>
<b>Keys of success for a long-term period</b>	<ul style="list-style-type: none"> <li>➤ Milk quality, safety and volume</li> </ul>	<ul style="list-style-type: none"> <li>➤ Service quality and efficiency</li> <li>➤ Communication;</li> <li>➤ Transparency</li> </ul>
<b>Grain</b>	<ul style="list-style-type: none"> <li>➤ Co-operative elevator;</li> <li>➤ Certified Laboratory of the grain quality;</li> <li>➤ Railway facilities (in the project);</li> <li>➤ International project's support;</li> <li>➤ Gender Fund.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Professional logistic and marketing;</li> <li>➤ Educated Boards, managers, accountants</li> </ul>
<b>Keys of success for a long term period</b>	<ul style="list-style-type: none"> <li>➤ Members' investment;</li> <li>➤ Network of co-operative elevator;</li> <li>➤ Processing facilities</li> </ul>	<ul style="list-style-type: none"> <li>➤ Service quality and efficiency</li> <li>➤ Communication;</li> <li>➤ Transparency Service quality and efficiency</li> </ul>

#### 4. Conclusions

Agricultural service co-operatives in Ukraine operates in the condition of strong competition in grain and dairy sector. To enter the market and develop the competitive advantages both investment and education are strongly need.

For dairy co-operatives, competitive advantages can be achievable at the second level of cooperation – at co-operative Union. There are only some Co-operative Unions in Ukraine, and in our opinion, it is the main reason why 50% of service co-operatives are not active now. Primary investment into equipment supported by government or international project will not provide the long-term result without education and network development. Quality and safety of milk collecting, cooling and selling, good governance and management, transparency – these core competencies are the keys of success.

Grain co-operatives do not need unique resources to start the economic activity. Nevertheless, investment into infrastructure development (elevator, railway facilities, processing equipment) is the challenge for grain co-operatives. Government has not included grain co-operatives as beneficiaries of support to buy equipment and machinery. Only members' investment can push the grain co-operative development. Education and training, communication and sharing the best co-operatives' practice and business model can stimulate the cooperative development at the grain farming.

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