AGRICoopEratives AND PRODUCER’S ORGANISATIONS: 
CASE OF EU COUNTRIES AND LESSONS FOR UKRAINE

Julius Ramanauskas¹, Jan Žukovskis², Vitaly Zinovchuk³

¹ Prof. habil. dr. Klaipėda University. Herkaus Manto g. 84, 92294 Klaipėda, Lithuania. Phone +37069817677. E-mail juliuss.ramanauskas@gmail.com
² Prof. dr. Aleksandras Stulginskis University. Studentų g. 11, 53361 Akademija, Kauno r. Lithuania. Phone +37069816243. E-mail jan.zukovskis@asu.lt
³ Prof. habil. dr. Zhytomyr National University of Agriculture and Ecology. Stary Blvd., 7. 10008, Zhytomyr, Ukraine. Phone +380962223742. E-mail zinovchuk@yahoo.com

Received 20 08 2017; accepted 20 09 2017

The article substantiates the expediency of creating a mechanism for protecting relatively small farms, which are so characteristic of the countries of the European Union (in particular Lithuania), in their operations at competitive markets. An ideal solution to the problem may be the creation of producers organisations on the basis of an agricultural cooperatives, although this is not an uncontested option for the desired structure-forming way. The aim of the research is to develop objectives and measures to activate formation of farmers producers’ organisations for sustainable agricultural and rural development. The study analyzed the experience of different European Union countries (legal regulations, scientific and statistical sources) in aspects of cooperation and development of producers’ organizations. Organizational leaders, institutional policy-makers and specialists from self-governing organizations were interviewed. Also, this experience was compared to the current experience of agricultural business in Ukraine, the search for ways to transfer the best practices.

Key words: producer groups, producer organizations, agricultural cooperatives, financial support.

JEL Codes: Q01, Q13, Q17.

1. Introduction

The Lithuanian agricultural sector is dominated by small farms, which find it difficult to operate under market conditions. Therefore, in order to acquire competitive advantages, they have to merge into bigger units establishing cooperatives (cooperative associations). The agriculture and rural development documents emphasise that cooperation in agriculture is one of the priority areas. It is stated that it helps to resolve economic and social problems of holdings, contributes to balancing economic relations, increases competitiveness of the agriculture and food manufacturing sector at the international level.

Copyright © 2017 The Authors. Published by Aleksandras Stulginskis University, Lithuanian Institute of Agrarian Economics. This is an open-access article distributed under the terms of the Creative Commons Attribution-NonCommercial 4.0 (CC BY-NC 4.0) license, which permits unrestricted use, distribution, and reproduction in any medium, provided the original author and source are credited. The material cannot be used for commercial purposes.
The aim of the research is to develop objectives in order to activate formation of farmer producer organisations (hereinafter PO) as well as measures for sustainable agricultural and rural development.

2. Methodology

In the paper the analysis of the economic literature and legal documentation on the regulation of agricultural market and cooperative activity of farmers is conducted. A semi-structured interview with the heads and specialists of cooperatives and POs in Lithuania, Poland, Germany, France, Sweden, Italy, Ireland, Latvia was applied. Conversations were not strictly formalised, therefore the atmosphere between the researcher and the respondent was freer. Some of the necessary questions were semi-structured, pre-defined. This way the information about formation and activity experience of cooperatives and POs was gathered. The product sales process, support granted by EU and the country were analysed, PO formation problems, document handling, peculiarities of planning, organising, management, control and accounting were examined.

Research methods: the analysis of online sources, literature and documents, application of analogies, methods of data statistical analysis. Inductive approach is applied analysing data.

The results of the research are used by country’s POs developing operational programmes, National Paying Agency under the Ministry of Agriculture, which will assess, approve prepared operational programmes and control the process.

3. Results of research

Cooperation development in Lithuania

The legal environment for cooperation in Lithuania began in 1993, when the Republic of Lithuania Cooperative Law was adopted, which was later converted to the Republic of Lithuania Law on Cooperative Societies (Cooperatives) and other regulations. After amendment and supplementation of the Law on corporation tax, the Law on the Immovable Property of Enterprises and Organisations, the Law of Road Maintenance and Development Programme in 2003, tax concessions were provided for the agricultural cooperatives, which are not applicable for cooperative associations in other sectors. Financial assistance was granted in subsidised loans until 1997, and the assistance for financing (from the national budget) actually incurred investments was implemented in 1999. In 2001–2004 assistance was granted from the budget of the European Union under the SAPARD programme. The extension of this programme is the EU structural funds granted within the framework of the Single Programming Document 2004–2006, under Lithuanian Rural Development Programme in 2007–2013 and currently under the programmes for 2014–2020. The researchers of the Lithuanian institute of agrarian economics summarised Lithuanian
rural political measures in order to implement the strategy in 1990–2013 by creating an industrial society (Table 1).

Table 1. Supporting efforts for cooperative development in Lithuania

<table>
<thead>
<tr>
<th>Years</th>
<th>Type of support</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990–1997</td>
<td>soft loans for cooperatives</td>
</tr>
<tr>
<td></td>
<td>support for cooperative investment to the agricultural machinery</td>
</tr>
<tr>
<td>1998–2003</td>
<td>support for cooperative investment to the agricultural machinery</td>
</tr>
<tr>
<td></td>
<td>soft loans and subsidies for cooperatives</td>
</tr>
<tr>
<td></td>
<td>financing for education and consultations regarding cooperation issues</td>
</tr>
<tr>
<td></td>
<td>and payment for services of valuers and consultants</td>
</tr>
<tr>
<td></td>
<td>cooperative research funding</td>
</tr>
<tr>
<td></td>
<td>Agricultural Credit Guarantee Fund (ZUPGF) guarantees to cooperative societies</td>
</tr>
<tr>
<td></td>
<td>(cooperatives)</td>
</tr>
<tr>
<td>2004–2013</td>
<td>support for cooperative investment to the agricultural machinery</td>
</tr>
<tr>
<td></td>
<td>support for establishment of cooperatives</td>
</tr>
<tr>
<td></td>
<td>support for producer groups</td>
</tr>
<tr>
<td></td>
<td>support for cooperatives processing products.</td>
</tr>
</tbody>
</table>

Besides the financial assistance, cooperatives are provided with the methodological support, which includes education, training, consultations and research. Agricultural cooperative training programs are prepared, considerable funds are allocated to education, training and consultations every year. Favourable conditions for cooperation are in place. However, new agricultural cooperatives are established quite slowly: only a half of over 440 registered agricultural cooperative associations are operating. This happens for various reasons.

According to the joint research done by the Lithuanian Institute of Agricultural Economics and Arizona State University, the reason of merging to a cooperative is willingness to avoid middlemen and aim to oppose the monopoly of processing companies (especially in dairy business), and the biggest fair is limited financial capacity (Westerlund-Lind, 2011). Only well-structured and economically strong cooperative associations have made use of the financial support. Besides financial restrictions, there are social obstacles: the considerable lack of competent managers, fear to work together, mutual distrust, lack of initiative, reluctance of larger farmers to merge with small farmers.

Currently several trends of cooperation development in Lithuania are most likely: horizontal – cooperatives buying in agricultural production, which have more opportunities in the milk, cattle and cereals sectors; vertical cooperation – of primary agricultural production sector and processing companies – has more opportunities in meat and fruit and vegetables sectors, where the monopoly of processing companies is relatively small. However, cooperation development in Lithuania is not sufficient enough. One of the ways to improve the situation in this area is to promote and support creation of producer organisations.
Producer organisations in the EU Member States

In legal terms, EU producer group or producer organisation is a legal entity, which complies with the determined recognition requirements and is recognised by the procedure established in accordance with EU regulations and national legislation as well as connects agricultural producers and has the right to receive financial support. The recognised producer organisations or producer groups are recorded in the national register. In fruit and vegetables sector, producer organisation means a higher level of recognition and producer group means only a preliminary recognition not longer than for the period of five years, during which the recognition requirements of the producer organisation shall be fulfilled.

Producer organisations operating in different countries varied significantly: there were 14 POs in the Netherlands, which is known by its agricultural production, in 2007, however, average turnover of an organisation was even more than 124 million euros. The farmers of other countries, such as Portugal, Spain, Greece, took a slightly different path: in comparison there were many POs with a relatively low turnover. The average turnover of a PO in EU in 2001 was 10 million euros. It is clear that more and more registered PO in new EU Member States will result in the lower average turnover of a PO. The optimum size of the PO depends on a particular situation. The table 2 provides information on the number of producer organizations in the EU and their annual turnover. In 2010 already were 1599 recognized POs in 23 EU State Members. Estonia, Luxembourg, Lithuania and Slovenia had no recognized POs.

Table 2. Number of producer organizations, their turnover and support in the EU countries (figures are rounded)

<table>
<thead>
<tr>
<th>Countries</th>
<th>Total fruit and vegetable production, mln. Eur</th>
<th>PO fruit and berry production, mln. Eur</th>
<th>PO production concentration (%)</th>
<th>PO number</th>
<th>Average fruit and berry production per one PO, mln. Eur</th>
<th>Support for all PO in 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>440</td>
<td>99</td>
<td>22.5</td>
<td>5</td>
<td>19.8</td>
<td>1.9</td>
</tr>
<tr>
<td>Belgium</td>
<td>1040</td>
<td>436</td>
<td>41.9</td>
<td>15</td>
<td>29.1</td>
<td>30.4</td>
</tr>
<tr>
<td>Denmark</td>
<td>133</td>
<td>50</td>
<td>37.6</td>
<td>35</td>
<td>1.4</td>
<td>1.2</td>
</tr>
<tr>
<td>Finland</td>
<td>220</td>
<td>22</td>
<td>10.0</td>
<td>6</td>
<td>3.7</td>
<td>0.1</td>
</tr>
<tr>
<td>France</td>
<td>5988</td>
<td>2730</td>
<td>45.6</td>
<td>314</td>
<td>8.7</td>
<td>87.2</td>
</tr>
<tr>
<td>Germany</td>
<td>1934</td>
<td>616</td>
<td>31.8</td>
<td>35</td>
<td>17.6</td>
<td>17.9</td>
</tr>
<tr>
<td>Greece</td>
<td>3299</td>
<td>362</td>
<td>10.9</td>
<td>117</td>
<td>3.1</td>
<td>5.2</td>
</tr>
<tr>
<td>Holand</td>
<td>2329</td>
<td>1736</td>
<td>74.5</td>
<td>14</td>
<td>124</td>
<td>60.2</td>
</tr>
<tr>
<td>Italy</td>
<td>9842</td>
<td>2833</td>
<td>28.8</td>
<td>171</td>
<td>16.6</td>
<td>88.8</td>
</tr>
<tr>
<td>Ireland</td>
<td>225</td>
<td>122</td>
<td>54.2</td>
<td>17</td>
<td>7.1</td>
<td>2.9</td>
</tr>
<tr>
<td>UK</td>
<td>1959</td>
<td>1157</td>
<td>59.1</td>
<td>72</td>
<td>16.1</td>
<td>19.7</td>
</tr>
<tr>
<td>Portugal</td>
<td>1806</td>
<td>79</td>
<td>4.4</td>
<td>37</td>
<td>2.1</td>
<td>1.2</td>
</tr>
<tr>
<td>Spain</td>
<td>10403</td>
<td>3814</td>
<td>36.7</td>
<td>526</td>
<td>7.2</td>
<td>116.1</td>
</tr>
<tr>
<td>Sweden</td>
<td>177</td>
<td>79</td>
<td>44.6</td>
<td>7</td>
<td>11.3</td>
<td>2.5</td>
</tr>
</tbody>
</table>
An example of the union of national cooperatives is the milk processing cooperatives of Denmark, Norwegian and Sweden. They, cooperating together, have very modern high-capacity dairy factories able to distribute their products all over the world. The development direction of the national cooperatives is the following: cooperatives of the smaller countries (e. g. Luxembourg) unite into national organisations more actively than those of the major countries (e. g. Germany), which have wide internal market. Hence, despite the differences between countries in history, economy, culture and traditions, the economy becomes more and more uniform because of the effects of globalisation. This suggests that the internationalisation process of cooperatives will increase, the organisational, financial, marketing and other regulations of cooperatives will become similar.

In Poland not only fruit and vegetable PGs and POs are recognized and supported, but also PGs of other agricultural production. Creation and activities of POs have benefits not only for farms of PO members, their households, but also have a positive influence on the development of rural areas, helps the government to implement agrarian policy. POs and PGs are not only economic organizations, but also perform important rural social development functions.

In Germany formulating support and activation policies for POs the following essential objectives are taken into account: 1) increase and maintain quality; 2) motivate and encourage membership in POs; 3) maintain and protect the environment; 4) promote the concentration of supply; 5) improve trade in goods and services (improve market relations); 6) maintain and increase quality; 7) improve management of POs; 8) increase efficiency; 9) skill development and enhancement of the innovation capacity; 10) decrease the quantity of goods at the end of the year; 11) balanced (sustainable, moderate) consumption and preservation of natural resources, especially, water and soil; 12) combating climate change; 13) waste reduction.

There is a large number of POs in France, though their average turnover is just around 5 million euros. The networking of POs should be initiated and additionally supported. A PO with the higher turnaround makes use of assistance provided for operational programmes more successfully, though on average only 2.3%, instead of possible 4.1%, of the realised production value are allocated to the French PO operational funds. A number of POs, a number of their members and the value of production marketed through POs decreased in France because of other sufficiently effective financing measures requiring less administrative control for investments to agricultural holdings (through the structural funds or rural development programme) (Development of agricultural..., 2015).
The history of cooperatives in Sweden started already in the middle of the nineteenth century. After the membership of the EU and the withdrawal of financial support for agriculture as well as opening the borders, the role of country’s cooperatives decreased, because most of them did not survive the shock treatment. The activity of foreign cooperatives in Sweden became particularly strong. In Sweden over 40% of all grown fruit and vegetables are sold through POs. The legal status of the PO is often a limited liability company (Wiatrak, 2015).

Formulating support, activation policies for POs in Italy the following essential priorities are taken into account: 1) cutting costs in manufacturing; 2) investments to the quality improvement; 3) product strategy; 4) territorial marketing; 5) promotion of merger, union and integration between producer groups; 6) research and product innovation; 7) conclusion of long-term sales contracts; 8) optimisation of logistics business; 9) more favourable financing for companies.

Currently there are only two POs in the fruit and vegetables sector in Ireland, one of mushroom growers and another of cultures under shelter. Smaller POs did not last in market because of strong commercial networks. The PO of mushroom growers operates as a public limited liability company. There has been a clear tendency to participate in international POs, in particular in fruit and vegetables sector, where separate growers are from the Great Britain or the Netherlands, that it would be easier to enter the market with higher production volumes. The aim of Ireland is to improve and facilitate the EU rules regarding administration of operational programmes and to promote activities of the international producer organisations. The legal framework for the formation of POs in the milk sector is being developed. It is also planned to form the beef PO under the EU Directive on Common Organisation of the Markets for Agricultural Products (Assessment, 2015).

Cooperated farmers, members of the PO, sale their production more efficiently, buy the production means cheaper than buying them individually. However, its members are obliged to comply with the rules of the legal entity in respect to production statement, realisation and environment protection, to realise all production in possession through the PO (with the exceptions foreseen in the EU Regulation), to pay financial contributions under the statutes in order to create and renew operational fund (Westerlund-Lind, 2011).

The process of merger to such organisation is very complicated and confronts many obstacles. The most important is to overcome psychological barriers, to have positive examples of joint activities, to create possibilities for competent consultations. However, objective and organisational creation of farmers’ formal PO is a must. For example, in Poland it is recognised that POs play an important role in stabilising agricultural and food markets. Polish authors indicate that depending on the goals set out by the particular group, the groups of farmers producers with the organisational legal form may also perform the following functions: organising activities of producers; sales and purchases; searching for customers and ensuring permanent relations with them; gathering and processing information about markets ensuring the necessary transparency; analysis of market situation, planning and foreseeing short-
term and long-term market changes; increasing productive potential; sampling of preferable agricultural product species and variety; increasing the level of specialisation and specialized production volumes; carrying out reasonable changes in production profile; production intensification; support for products and services; matching products to consumer needs (packaging, commercial preparation, standardisation, defining quality characteristics); negotiations; physical good distribution (storage, warehousing, transportation according to principles of logistics, formation of a demanded good quantity); risk-taking and decreasing, applying insurance, guarantees and other measures; executing complex settlements; training (Sposoby …, 2008).

Analysis of PO development process in Lithuania and other post-communist countries shows many relevant and unresolved problems in psychology, economy, organisation, law and consultation arrears:

1) **psychological problems**: mutual distrust between producers; low economic awareness level of farmers and hence insufficient assessment of joint activity benefits; insufficient quantity of positive group activity examples; unsuccessful experience with cooperative activity; unwillingness or failure to perform leadership functions in agricultural activity.

2) **economic, organisational and legal problems**: lack of financial resources to begin a successful agricultural activity; difficulties concluding contracts because a significant number of buyers do not want to conclude contracts with a PG; lack of financial resources to employ specialists even in a part-time position, especially in the early-stage; imperfect legal solutions in respect to the POs of farmers and regulation of their unions and relations with market; lack of systematic proper regulation for distribution of the added value generated in all chain of good development.

3) **organisational advisory problems**: lack of uniform PO advisory methodology; very unequal knowledge and capabilities of consultants.

Many authors emphasize that the negative experience of history in respect of full communitization had a significant negative impact (negative experience of collective farms) (Boguta, 2014, Czapiewska, 2013, Wiatrak, 2015).

Though joint activity creates considerable economic benefits for PO farmers, there are many social obstacles to its development: lack of education and knowledge, traditional evasion of any changes, distrust in potential partners, unwillingness to develop organisational innovations, unwillingness to perform (and it often means to do it without payment) leadership functions or simply lack of skills to perform them. Still low level of merging farmers shows that it is quite complicated to gather numerous producers of one product willing to carry out cooperative agricultural activity. Besides that, there is a lack of leaders, who would do voluntary work organising the group. Currently legal regulatory framework is favourable for the large sales holdings, which already are large market participants. For small and

**Support for PO in the Europe Union**

One of the means in the Lithuanian rural development programme for 2014–2020 is establishment of producer groups and organisations (Annex I of the Treaty on the Functioning of the European Union; Annex I to Regulation (EU) No 1379/2013;

The applicant to receive support is a legal entity, registered in the Register of Legal Entities not earlier than on 1 January 2014 and consisting of not less than 10 members (natural and (or) legal persons, carrying out agricultural activities), complying with the validity requirements and officially recognized as a producer group (organisation) on the basis of business plan.

The supported producer groups (organisations) are those, which carry out trade and (or) marketing activities, with the priority for the organic production farms as well as groups (organizations) uniting livestock farms (Bijmans, 2013).

The maximum possible amount of public support for the first year is 10% of the average annual value of the marketed production. The maximum possible amount of public support for one activity (business plan implementation) year may not exceed 100 thousand euros.

The support decreases proportionally: support for the first, second, third, fourth and fifth activity (business plan implementation) year shall not exceed 10, 9, 8, 7 and 6% respectively, of the annual value of the marketed production of that year. Currently in Lithuania POs may be recognised (the legal framework is prepared) in fisheries and aquaculture, fruit and vegetables as well as mild sectors. The Lithuanian rural development programme for 2014–2020 covers the basic principles of recognition and support for producer organisations in other agricultural sectors, the rules of applying these principles are prepared.

With regard to support, it is necessary to mention that The European Union supports organisations, which have operational funds by financing up to 50% of members’ contributions, however the support shall not be higher than 4,1% of PO documented annual income from marketing fruit and vegetables of its own group, which were produced in the holdings of the organisation members. Operational fund is used to finance approved operational programme and additionally compensate for products not put up for sale.

The PO’s legal status guarantees that financial support will be delivered to agricultural producers and used for the purposes that represent their joint economic interests. The simplicity and transparency of this procedure makes it impossible for the manifestations of corruption that are so characteristic of the countries of emerging democracy, to which Ukraine belongs The country has a great agrarian potential. Its implementation is necessary not only for the economic consolidation of fundamental transformations within the country, but also on a global scale – to strengthen the role of Ukraine in providing the World's sharply growing population with food.

How to make the state support of new Ukrainian cooperatives more effective?

Market transformations in the agrarian sector of Ukraine have already brought tangible results. More than 12% of the Ukrainian GDP and 38% of exports are created in agricultural sector. Ukraine is the World leader in the production and export of sunflower seeds and sunflower oil, No. 2 – in wheat and nuts exports, No. 3 – in the production and exports of barley and rape. The fact, 174 countries in the World are
buying food from Ukraine. However, Ukrainian farmers could even more significantly declare their achievements with the presence of a perfect organizational structure of agriculture and effective use of the state financial support. The problem is not whether the agriculture receives sufficient assistance (its volume is growing steadily), but how to ensure that these funds are received by the final recipients. Consequently, the problem of structural transformations and increasing the effectiveness of the use of financial state support is closely linked in Ukraine. There is no doubt that the organizational structure of a market-type agriculture in Ukraine should be formed on a cooperative basis. This is confirmed by the numerous studies of Ukrainian researchers (Moldavan, 2001, Malik, 2005, Horbonos, 2003, Panteleymonenko, 2008, Ushkarenko, 2009), as well as declared in the program documents of Ukrainian Parliament and the Government (Uchoda…, 2014).

The emergence and development of market-oriented cooperatives in Ukraine became possible after the adoption in 1997 of the Law of Ukraine "On Agricultural Cooperatives" (with subsequent minor changes and additions). Creation of a legal framework for the development of cooperation was optimistic about domestic farmers, especially private family farmers, and became a definite impetus for the broad recognition of the need to support agricultural cooperatives as part of the market transformation in the agricultural sector (Table 3). However, government financial and other assistance, as a rule, was directed at large-scale agribusiness enterprises, which do not participate in such cooperation. The funds allocated for the development of cooperation, compared with the needs for these goals throughout the country were not significant. In addition, there was no effective mechanism for the allocation of these funds and monitoring the effectiveness of their use.

Table 3. The main types of agricultural producers and their cooperatives in Ukraine

<table>
<thead>
<tr>
<th>Type of entities</th>
<th>Years</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
</tr>
<tr>
<td>Agricultural enterprises (all types)</td>
<td>55858</td>
</tr>
<tr>
<td>incl. private farms</td>
<td>40856</td>
</tr>
<tr>
<td>Households (family owned) ,000</td>
<td>4242</td>
</tr>
<tr>
<td>Agricultural market-oriented cooperatives</td>
<td>947</td>
</tr>
</tbody>
</table>


Market-oriented cooperatives in the eyes of society continue to be associated with a small (and therefore secondary) business. Unfortunately, the practice of the first Ukrainian cooperatives did not provide empirical arguments to dispel this myth. New cooperatives have not turned into powerful agribusiness structures, their role in the country's economy is estimated to be negligible, and the initial euphoria of the
cooperative boom has changed wary and even sometimes skeptical attitude of the potential co-operators themselves.

A huge number of cooperatives in Ukraine remain only formally registered, others hardly live, and others work with a significant violation of the fundamental principles of co-operation, or even adapting to the shadow business. It is a fact that many cooperatives were created under international donor programs and ceased to exist immediately after the end of these programs. The possibility of obtaining state grants for the development of cooperatives tends to lead to the appearance of entrepreneurial quasi-cooperative structures that de jure call themselves cooperatives, and de facto have nothing or almost nothing to do with them. In some cooperatives, legal entities and individuals who do not work directly in the field of agricultural production, but somehow associated with it, penetrate into the members of the cooperative under the guise of so-called associate members (the law allows it). For example, processing enterprises, trade intermediary structures, information and consultative institutions, etc. From this it follows that among domestic co-operators there is no clear idea of the nature of the institute of associate membership, which ultimately further exacerbates the organizational problems of cooperative activities.

The lack of financial stability in the country, periodic outbreaks of inflation, and the menacing imbalance of the banking system are factors that hold back the capitalization of agricultural cooperatives, as well as the emergence and maneuverability of free financial resources in the cooperative sector. Cooperatives are virtually devoid of opportunities to start, expand, and diversify their business. The increase of financial risks and the level of uncertainty about financial stabilization explains the extreme caution of investment activity of agricultural producers and the lack of their proper mutual trust.

Thus, the further development of agricultural cooperatives in Ukraine will depend on two important factors. On the one hand, under the condition of political and economic stabilization, it is necessary to count on a significant increase in financial assistance to agricultural cooperatives from the state and local budgets. This financial assistance is aimed at supporting and developing family farming, which is a means of confronting the monopolization of the land market and the condition of preserving the countryside as a living environment for citizens. On the other hand, it is vital that co-operatives can obtain and effectively use this financial assistance.

In this regard, three main tasks become evident. First, agricultural producers need to understand the mission of cooperatives in obtaining financial assistance from the state. The second is that there must be a reliable mechanism for confronting non-targeted distribution of funds. First of all, they can not be available to the business structures which are not owned by agricultural producers. Given the experience of the EU, it is not necessary to limit the beneficiaries of state support to cooperatives only. However, cooperatives should occupy a central place as organizations of agricultural producers. Thirdly, in Ukraine there is a sharp lack of a representative body whose main task would be to identify the true cooperatives, their compliance with the international principles and the economic nature of this unique organization. This is especially true for those cooperatives claiming financial assistance from any source. This
would ensure the targeted use of donor funds and significantly increase the anti-corruption basis for the formation of a cooperative movement. The structure of such body should include representatives of successful cooperatives, reputable public figures and professional experts, including foreign ones. The procedure for monitoring and diagnosing cooperatives should be standardized, transparent and understandable. This requires the experience of the EU countries.
4. Conclusions

1. In some post-communist countries, the notions of PG and PO are used as a name for cooperation between farmers, which means the revival of real voluntary farmers’ cooperative movement. This way re-named farmers‘ cooperative movement is not associated with the compromised forced collectivisation and cooperation of agriculture.

2. The most suitable company form for PO recognition is a cooperative association (cooperative), however PO formation is slowed by the size of cooperatives not ensuring the required turnaround volume traded through them, which would motivate to seek for the support provided for PO in order to develop marketing.

3. Though POs were validated by the Law of the Republic of Lithuania on Agricultural and Rural Development in 2002, there are still only one fruit and vegetables PO and 4 formal fishery POs. PO development is slowed by the relevant and unresolved problems: in psychology, economy, organisation, law and consultation arrears. Besides that, PO formation is slowed by the size of cooperatives not ensuring the required turnaround volume traded through them, which would motivate to seek for the support provided for PO in order to develop marketing.

4. Experience in foreign countries shows that farmers cooperating and becoming PO members dominate market, sale their production more efficiently, buy the production means cheaper than buying them separately.

5. Ukraine belongs to the countries that only enter the «cooperative phase» of the of its agricultural sector development. Implementing the well known Ukrainian agrarian potential and ensuring rural development will largely depend on how effectively the new Ukrainian cooperatives will use the state financial assistance as well as other financial support. To this end, Ukrainian farmers need a clear understanding of the role of their cooperation to get access for the state budget funding, protection from the spread of pseudo-cooperative structures, the establishment of transparent and effective control over the targeted use of allocated resources. This raises interest to the support of agricultural producer organizations in the EU.

References

Assessment of Economic Importance of EU Fruit and Vegetable Scheme to Ireland’s Mush- room Industry. – Prepared by Indecon International Economic Consultants in January 2012. – www.indecon.ie [14 05 2015].


Agricooperatives and producer’s organisations: case of EU countries and lessons for Ukraine

ŽEMĖS ŪKIO KOOPERATYVAI IR GAMINTOJŲ ORGANIZACIJOS: EUROPOS SĄJUNGSOS ŠALIŲ PAVYZDŽIAI IR PAMOKOS UKRAINAI

Julius Ramanauskas¹, Jan Žukovskis², Vitaly Zinovchuk³

¹ Klaipėdos universitetas, ² Aleksandro Stulginskio universitetas
³ Žitomiro nacionalinis agroekologinis universitetas

Pateikta 2017 08 20; priimta 2017 09 20


Raktiniai žodziai: gamintojų grupės, gamintojų organizacijos, žemės ūkio kooperatyvai, finansinė pagalba.

JEL kodai: Q01, Q13, Q17.