Abstract
The paper presents analysis and assessment of the current situation with agricultural cooperation and regional agricultural corporations in Ukraine, as well as their development prospects. Today, there is a need for an efficient market infrastructure, capable of ensuring transparent sales of agricultural commodities. This infrastructure may be created by means of producers’ organization. However, the government does not actually participate in the process of facilitating these organizations. The main purpose of the paper is to develop the concept of regional corporations in agriculture, which would facilitate development of competitive agriculture and viable rural sector in general, stimulating the development of marketing infrastructure. The alternative ways of creating the regional corporations were offered as a result of survey of the participants of rural and agricultural markets, particularly managers of agricultural enterprises, as well as experts in various related fields.

Keywords: regional corporation, agricultural market, agricultural transformations, rural areas, agricultural cooperatives.

Introduction
Cooperation and division of labor are businesses’ efficiency factors. On the one hand, their unity in attaining the quantitative and qualitative goals, and, on the other hand, contradictions and preconditions for competition development, urge the participants of this process to find and develop better forms of relations, implementation of innovations, improvements in technologies, flexibility in behavior and search for other forms of adaptation to the changes in the external environment.

Methodology
The main purpose of our paper is to develop the concept of regional corporations in agriculture, which would facilitate development of competitive agriculture and viable rural sector in general, stimulating the development of marketing infrastructure. We have explored the alternative ways of creating the regional corporations by surveying the participants of rural and agricultural markets, particularly managers of agricultural enterprises, as well as experts in various related fields. As a result of our research, we plan to develop the strategy of creation of efficient regional corporations.

The goal of our survey is to obtain answers to the question of whether regional agricultural corporations will result in improvement in profitability of agricultural and other businesses.
Results

With elimination of the state system of contracts for sale of agricultural commodities, the old marketing infrastructure became unable to provide efficient functioning of agricultural market. Though many commercial intermediaries appeared, they did not possess any material and technical basis, and they also used non-transparent schemes of trade in agricultural commodities. So, the need arose for an efficient market infrastructure, capable of ensuring transparent sales of agricultural commodities by agricultural producers, particularly through their various associations. In general, the problem of market non-transparency became very acute in the mid-1990s. In order to solve it, in 1995 President’s edict introduced the agricultural commodities exchange trading, which became the main reason for positive grain price index in 1995. However, later on the activities of commodity exchanges have been cut down.

Since adoption of the Law on Agricultural Cooperation, agriculture of the Sumy Region has not seen active creation of cooperatives, which is sown by Table 1, which describes the transformation processes in Ukraine in general. It’s worth mentioning, that the number of companies is changing. We believe, that the main reasons for that include inefficient operations of enterprises, which cause the need for search for other organizational and legal forms of business; high rates of employee turnover in agricultural enterprises (15-18% each year) facilitate transformations in agricultural practices; according to identified violations, related to property distribution (based on inspections, conducted by the Sumy Regional Agricultural Agency), the solutions concerning the selection of forms of business organizations are being tested for their consistency with the law [1, 10].

Table 1 shows that until today a small percentage of agricultural enterprises turns to cooperative form of business organization. We have all reasons to predict, that in the future business reorganization processes will not stop, because lifting of the ban for sales of agricultural land will revitalize the process of consolidating agricultural enterprises due to purchase of land shares from individual owners. However, continuous transformations in the agricultural sector and bad financial situation in most agricultural enterprises causes the need for more effective agricultural policy and measures, aimed at preventing degradation of Ukrainian rural areas.

In the current year, due to the insolvency problems, 45 agricultural enterprises ceased their operations, 37 of them were declared bankrupt, and in the near future 50 more are expected to be declared bankrupt [2, 4]. We believe, that in this environment the role of state is not only reduced; instead, it should be increased due to one of the most important problems – land management. Each year the area of unfarmed land increases. In 2005, there were 300 thousand hectares of such land in the Sumy Region [2]. Certainly, due to high level of its tillage, there is no need to use this land in agriculture each year; however, it is necessary to control the usage of this land. In the Sumy Region, agricultural lands should be used for cattle breeding, flax growing, forestry etc.
Table 1

Dynamics of organizational and legal forms of business in the agricultural sector of the Sumy Region

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total, including:</td>
<td>470</td>
<td>598</td>
<td>583</td>
<td>577</td>
<td>557</td>
<td>542</td>
<td>520</td>
<td>469</td>
</tr>
<tr>
<td>- state farms</td>
<td>51</td>
<td>11</td>
<td>11</td>
<td>12</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>- collective farms</td>
<td>194</td>
<td>-</td>
<td>-</td>
<td>3</td>
<td>6</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- private companies</td>
<td>-</td>
<td>129</td>
<td>113</td>
<td>116</td>
<td>112</td>
<td>113</td>
<td>120</td>
<td>110</td>
</tr>
<tr>
<td>- public corporations</td>
<td>-</td>
<td>25</td>
<td>24</td>
<td>23</td>
<td>20</td>
<td>20</td>
<td>14</td>
<td>16</td>
</tr>
<tr>
<td>- private corporations</td>
<td>59</td>
<td>32</td>
<td>35</td>
<td>30</td>
<td>26</td>
<td>21</td>
<td>21</td>
<td>23</td>
</tr>
<tr>
<td>- limited companies</td>
<td>-</td>
<td>379</td>
<td>373</td>
<td>365</td>
<td>359</td>
<td>349</td>
<td>325</td>
<td>277</td>
</tr>
<tr>
<td>- joint stock agricultural companies</td>
<td>118</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- agricultural cooperatives</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2</td>
<td>14</td>
<td>15</td>
<td>19</td>
</tr>
<tr>
<td>- other</td>
<td>48</td>
<td>2</td>
<td>7</td>
<td>11</td>
<td>5</td>
<td>15</td>
<td>16</td>
<td>14</td>
</tr>
</tbody>
</table>

Source: [1].

Governmental agencies should perform the role of counselors regarding the use of land shares, initiating the development of tree plantations in agricultural lands, providing for landowners’ compensation of unearned income during several years (15-20 years). Analysis of the results of operations of agricultural enterprises shows that agricultural production cooperatives in the Sumy Region are not very numerous, but their results are better [8].

Forecasts concerning development of agricultural cooperation. Studying the perspectives of the development of agricultural cooperatives, we should mention the priority of actions, aimed at their creation and functioning. First of all, we should pay attention to the legal environment for creation and functioning of cooperatives, which should be improved in certain aspects. Particularly, we should focus on differentiation of agricultural and non-agricultural activities, taxation of income, generated by various economic activities, with different rates and taxation systems; in the environment of large scale agriculture, we should consider the opportunity of entering of other non-agricultural businesses into agricultural cooperatives – besides, these businesses are expected to create other businesses in the “supply – production – processing – sales” chain.

Second, we should consider the role of government in the society’s attitudes towards the agro-industrial complex and rural development issues,
including creation of cooperatives in rural areas. Considerable part of freed agricultural workers in 2000 and 2005 greatly contributed to the number of unemployed, since the law did not urge creation of various rural businesses. Living through similar transformations, particularly in the Eastern Germany, considerable number of rural residents started to work in new multifunctional rural enterprises; it was one of the conditions of their creation and functioning in rural areas [4].

In the existing environment, German agriculture is not described by considerable economic importance, because now rural areas are booming with industrial production. According to statistics, one third of laid employees started to work in new and existing industrial companies, which are mostly located in rural areas.

Governmental agencies should consider the development of industrial units in rural areas as an essential component of rural economy and to form the respective mechanism of its management. For the most part, these units should be represented by cooperatives, created in order to perform processing and storage services regarding agricultural products, providing for the whole complex of managerial services (veterinary, legal, accounting, plant protection, supplies etc.). Service cooperatives are almost absent in rural areas of the Sumy Region.

Based on the existing forms and preconditions of the development of cooperation, we would like to get into more detail regarding functioning of the agro-industrial cooperatives and cooperatives, engaged in providing of informational and consulting services for agricultural enterprises in the field of management (planning, motivation, control, accounting), as well as implementation of certain managerial functions (recruitment of personnel, marketing, veterinary services, plant protection, provision of agricultural technologies).

Obviously, agricultural cooperation, related to the association of enterprises in terms of performing of certain functions, should be aided by the state. We strongly believe that the government should initiate creation of such associations, choosing the conditions for integration of enterprises, based on the private ownership of land. Therefore it will be reasonable to allow sale of land shares by rural residents to efficient landowners, who are ready to make agricultural investments [5, 6].

It should be mentioned, that the issue of land ownership is very critical for the Ukrainian agriculture. On the one hand, land may not perform the function of collateral. On the other hand, at the beginning of 1990s the obligatory state insurance of agricultural crops had been cancelled; at the same time, the system of voluntary insurance of future agricultural crops has not been implemented (these future crops could be also used as collateral). Currently, the efforts are being made concerning development of voluntary insurance of future crops in order to create a liquid collateral for forward contracts. Insurance agents are expected to control future crops in the fields [7, 9].
The organizational and legal form of the association at the regional level should be of corporate nature (for example, “Regional Agro-Industrial Corporation”, “Strategic Alliance for Production and Processing of Agricultural Products”) [9], or “Agricultural Industrial Company”, which existed in the 1980s in Ukraine). The corporation’s organizational structure is shown in Fig. 1.

![Organizational Structure Diagram]

**Figure 1. Organizational structure of the regional corporation**

Source: own research.

This corporation should include (as subsidiaries) agricultural, service and processing enterprises, which are a part of the corporation and are not considered as separate legal entities. However, they have their own bank accounts and are able to enter various agreements with certain limitations, set by the Council of Landowners. Subsidiaries make their own balance sheet and submit it to the Central Accounting Department in order to generate a consolidated balance sheet. Each subsidiary has its own executive body (board, director), which is accountable to the Council of Landowners. Taxes (fixed agricultural tax and others) are paid by the Corporation. Internal settlements between subsidiaries and the Corporation are conducted on the tax free basis.

Creation of cooperatives in the field of informational and consulting services may be initiated by producers themselves or governmental agencies. The government should urge transformation of the functions of regional agencies of agricultural development towards the provision of informational and consulting services for various agricultural producers. Otherwise, regional agricultural development agencies should stop their functioning. Let’s take, for example, organization of accounting, which forms the information basis for making managerial decisions concerning the strategy and tactics of companies’ development. The necessary information, which describes the financial results, is necessary for the agencies, while more complete information is necessary for the producers themselves. However, possessing the information only on the company, it’s impossible to assess its results critically. In this context, one of the
examples of cooperation may be related to the joint ownership on the results of deep analysis of main indicators, which is conducted by the corresponding department of the regional agency on the basis of voluntary submission of more detailed information and which spreads it among the participants. Undoubtedly, comparative indicators point to the most vulnerable places in the system of production costs, sales or supplies, and they are the basis for making certain corrections.

**Conclusions**

Creation of associations of cooperatives at the regional level, aimed at providing the services and products processing, may be implemented due to the initiative of the participants themselves and governmental agencies. Corporations may also include other institutions, particularly financial ones. There is a growing understanding that financial systems in developing countries should be more open for rural population with low incomes. In general, provision of financial services to rural residents is located in a niche, which is not sufficiently integrated into the main financial system. This isolation negatively affects coverage and efficiency of such services. High transaction costs, associated with provision of financial services to rural households (partly because they possess small amounts of money, live in sparsely populated areas and rarely have credit history), are the reason why many representatives of formal financial sector still view microfinance activities as non-profitable. Most rural residents do not have access to formal mechanisms of risk management; as a result, considerable credit risk is shifted to creditors. In this context, attention should be paid to innovative potential of the financial sector, which determines the ability to expand coverage of rural residents with financial services.

**References**


9. Skichko, O. Improving the Banking and Risk Reduction for Regional Clusters // Thesis for Candidate of Science Degree in Speciality 08.10.01 – Allocation of Production Factors and the Regional Economy. – Kiev, 2006.

10. Who will be responsible for the destroying of rural areas? // Rural News. – December 1, 2005. – P. 1.

РЕГИОНАЛЬНЫЕ КОРПОРАЦИИ В СЕЛЬСКОМ ХОЗЯЙСТВЕ

Михайлова Л. И., Косодий Р.
Сумской национальный аграрный университет, Украина

Статья содержит анализ и оценку современного состояния сельскохозяйственной кооперации и региональных сельскохозяйственных корпораций в Украине, а также перспектив их развития. В настоящее время существует необходимость в эффективной рыночной инфраструктуре, способной обеспечить прозрачную реализацию сельскохозяйственной продукции. Такую инфраструктуру можно создать через организации производителей. Однако правительство не осуществляет реального участия в поддержке этих организаций.

Главная цель статьи – разработать понятие региональных объединений в сельском хозяйстве, что будет способствовать развитию конкурентного сельского хозяйства и жизнеспособного аграрного сектора в целом и стимулировать развитие рыночной инфраструктуры. На основе опроса участников аграрных и сельскохозяйственных рынков, особенно менеджеров сельскохозяйственных предприятий, а также специалистов смежных отраслей предложены альтернативные пути создания региональных объединений.

Ключевые слова: региональное объединение, сельскохозяйственный рынок, сельскохозяйственная информация, сельские (аграрные) районы, сельскохозяйственные кооперативы.