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Agricultural Cooperation in Russia: Today and 100 Years Before

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Alexander Kurakin

1. Cooperatives as the alternative to both statism and liberalism

Cooperative scholars and bureaucrats of cooperative international unions often stress that cooperation is a ‘third way’ of economic development, alternative to capitalism as well as to planned economy. Starting from utopias, it then was implemented worldwide in concrete economic organizations with agriculture being the traditional area for cooperation.

According to the International Cooperative Alliance (ICA), “a cooperative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically-controlled enterprise”. Cooperation implies (a) voluntary and open membership, (b) democratic control, (c) members' economic participation, (d) autonomy and independence, (e) education, training and information, (f) cooperation of cooperatives, and (g) concerns for community.¹

It turned out, that cooperatives could easily live inside the frame of capitalism while planned economy usually distort their nature.

According to ICA, about 1 billion cooperative members worldwide provide an annual revenues of about 3 trillion \$ though unequal regional distribution of cooperatives should be taken into account [Dave Grace 2014]. “There are two tribes of business ownership. Despite the focus on stock markets, it is cooperative enterprise that touches the lives of more people... There are three times as many member owners of cooperatives as individual shareholders worldwide” [Mayo 2012, p. 3]. Agricultural cooperation is highly developed in Europe [Bijman et al. 2012], and holds strong positions in the United States accounting “in marketing and input supply for about a third of both total farm sector revenue and input purchases” [Deller et al. 2009, p.16].

2. Cooperative rise in pre-revolution Russia

In the early 20-th century, cooperative movement in Russian peasantry achieved substantial results being the organizational answer to various challenges. Moreover, this period gave birth to the advanced cooperative theory in Russia. Scholars like Chayanov, Tugan-Baranovsky, Bilimovich, Antsiferov, Kotsonis and even late Lenin, who had controversial view of cooperation, admit the importance of cooperation for peasant well-being. Moreover, they pointed out that cooperation in Russia achieved impressive results. Indeed, at the beginning of the XX century Russia was one of the world leaders in the number of coops and their members.

The other interesting point was that it was not only the society, i.e. self-organized movements from below, that launched cooperation, but also the state along with non-peasant cooperative activists played a significant role in embedding cooperation into Russian peasantry. This was especially true referring to credit cooperation. Most of historians and cooperative scholars also agree with that soviet government destroyed the pre-revolution cooperative system and replaced it with state controlled cooperatives: kolkhozes (collective farms or production cooperatives) and consumer societies of *Centrosojuz* (i.e. Central Union).

¹ <http://ica.coop/en/what-co-operative>.

3. Marginalization of cooperatives in modern Russia

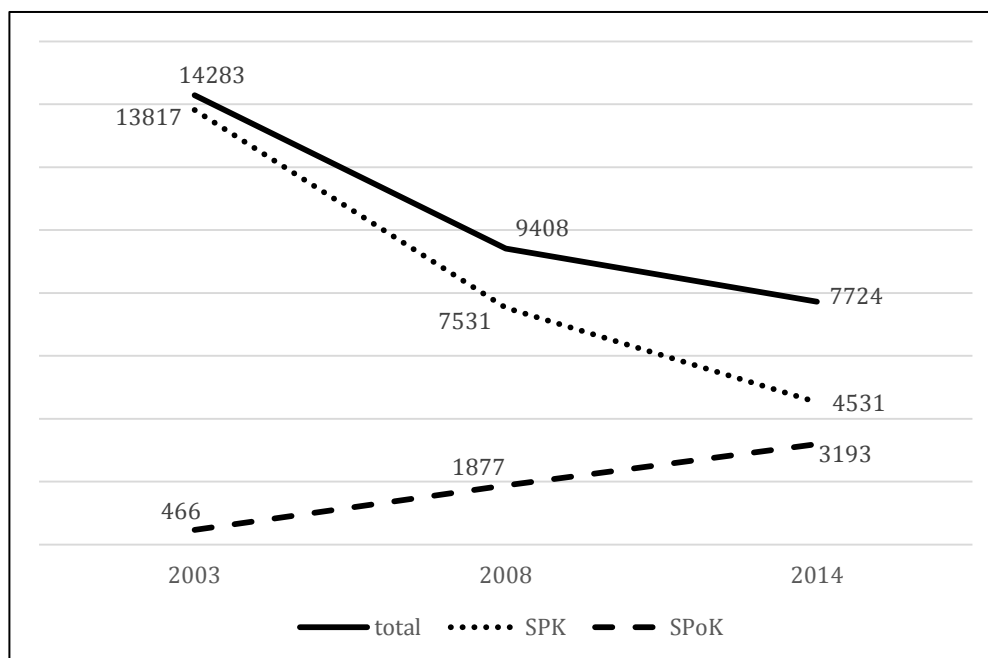
In modern rural Russia, three forms of cooperation exist: (1) production cooperatives (in Russian – SPKs); (2) consumer societies of Centrosojuz; (3) new (post-soviet) consumer cooperatives (SPoK in Russian). The laws ‘On Agricultural Cooperation’ and ‘On Consumer Cooperation’ regulate cooperation in rural areas. Production cooperatives are commercial organizations, while consumer cooperatives and societies are non-profit organizations.

Production cooperatives are direct successors of collective farms. They can be called artels or post-soviet kolkhozes. Their main activity – collective, joint agricultural production. Centrosojuz system of consumer societies also originated within the soviet economic system. Originally, consumer societies engaged in trade in rural areas and procurement of household’s produce. Today trade remains their main activity, though there is little from cooperation in their system of rural stores. Consumer post-soviet cooperatives have no soviet legacy. They include service (supply, marketing, and processing) and credit cooperatives. Western cooperatives served as a model for this type of cooperatives. We focus our attention on production and consumer (except for credit) cooperatives.

Today, in post-socialist Russian agriculture there is little demand from smallholders for cooperation, despite the processes of capital concentration and landgrabbing.

Figure 1 shows the dynamics of cooperative development for 2003-2014 period. The numbers were calculated from the primary data obtained from Rosstat (Russian statistical bureau). The overall amount of coops significantly decreased (almost twofold). This downfall happened due to the decrease in the number of production cooperatives, while consumer cooperatives showed the opposite trend. The trigger for their rise was the so-called national priority project ‘The Development of Agro-Industrial Complex (AIC)’ in 2006-2007.

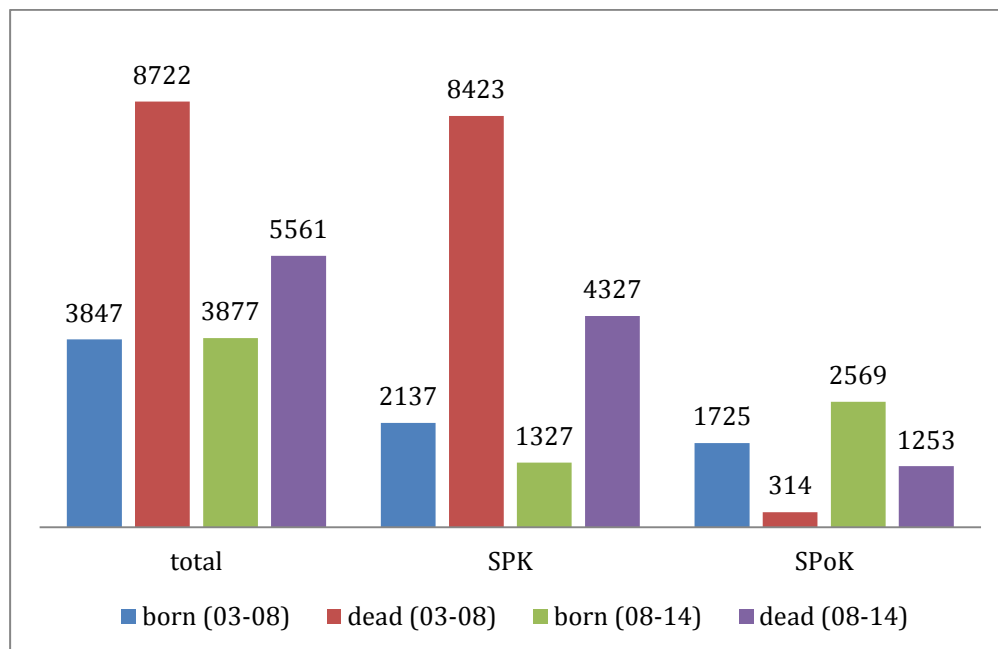
Figure 1. The number of different types of cooperatives



Russian agrarian scholars (as well as foreign scholars studying Russian agriculture) assume that production cooperatives will disappear or at least decrease to a very small group remaining a relic of the soviet collective agriculture.

The rise of consumer cooperatives also has its pitfalls. First, they are quite instable showing a large and increasing death rate (Fig.2). Second, their cooperative nature is often questionable.

Figure 2. The number of established and failed cooperatives for 2003-2008 and 2008-2014 periods



Therefore, Russian cooperation today holds subordinate position in agriculture. The number of cooperatives and their contribution to national agriculture is insufficient to declare a cooperative movement. The government itself admits the marginal status of cooperation.

4. State measures to revive rural cooperation

Despite the bias towards large farms, Russian government attempted to launch cooperation. Those programs did not focus on cooperatives and even on smallholders. Smallholders were the part (and not the biggest one) of those programs and cooperatives were considered as a tool for reviving smallholders. The main tools are credits and subsidies.

2006-2007: National project ‘Development of the Agro-Industrial Complex’

2008, 2012: State Program for Agricultural Development

2015: Strategy for Sustainable Development of Russian Rural Areas up to 2030

State attempts did not show large success. However, many see the state as a last chance to start cooperative movement in rural Russia.

5. Societal background as the primary reason for historical success and today’s failure of rural cooperation in Russia

The general argument is that the overall socio-economic situation in contemporary Russian agrarian sphere radically differs from that in the early 20-th century, leaving little space for cooperatives. The peasant society of the early 20-th century Russia has gone away with its need for cooperation as a

means of survival. Today, urbanization, rural depopulation, and alternatives to non-agricultural income make the issue of cooperation much less acute (9/10 peasants in Imperial Russia and 1/4 today).

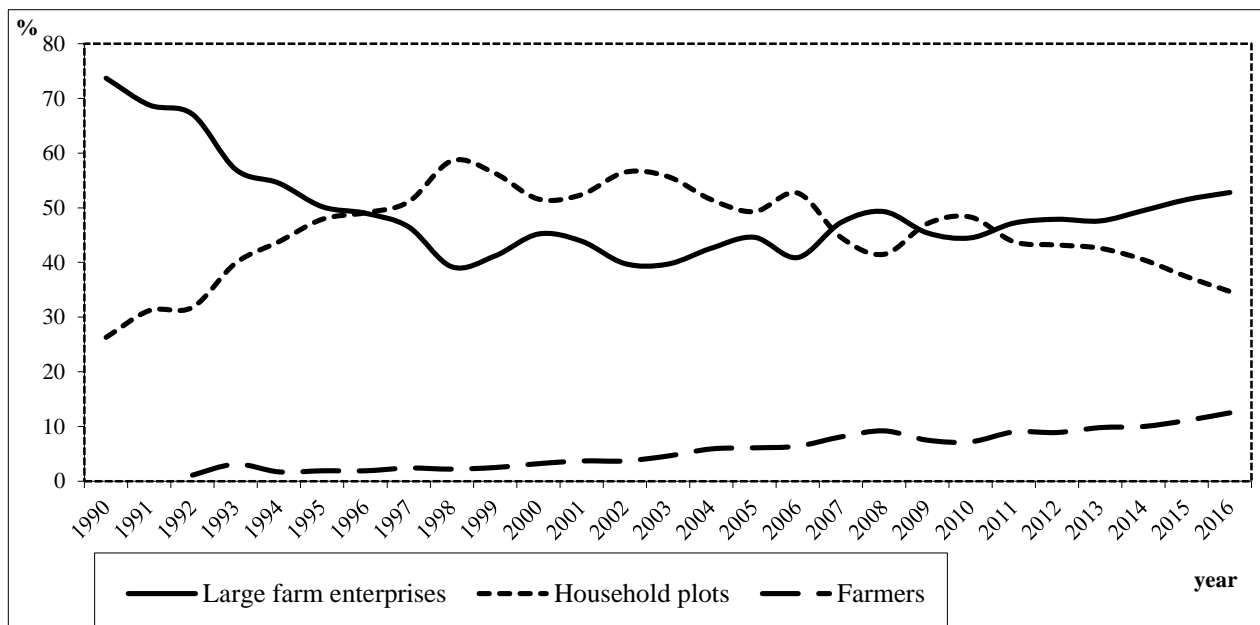
Smallholders lack trust and social capital that prevent cooperation at large, i.e. establishing agricultural cooperatives as well as organizing social and political movements. Cooperatives have a negative image due to both Stalin's collectivization and Gorbachev's Perestroika. Cooperation is positively perceived neither from neoliberal proponents, nor from left-oriented side. Thus, the cooperative movement from below is now almost absent.

The next reason for the depression of cooperatives is the bias towards large farms in Russian agriculture.

The soviet agriculture represents the symbiotic relations between large farms (kolkhozes and sovkhozes) and household plots with the dominance of large farms. In the course of president Yeltsin's decollectivization reforms in the 1990s, a third actor – private individual/family farmers – was added to the Soviet bi-modal agrarian structure (socialist large farms and household plots). The foundation of a large stratum of family farmers was one of the primary goals of the liberal agrarian reforms in 1990s. In reality, the results have been rather modest, as family farmers produce about 10% of agricultural GDP.

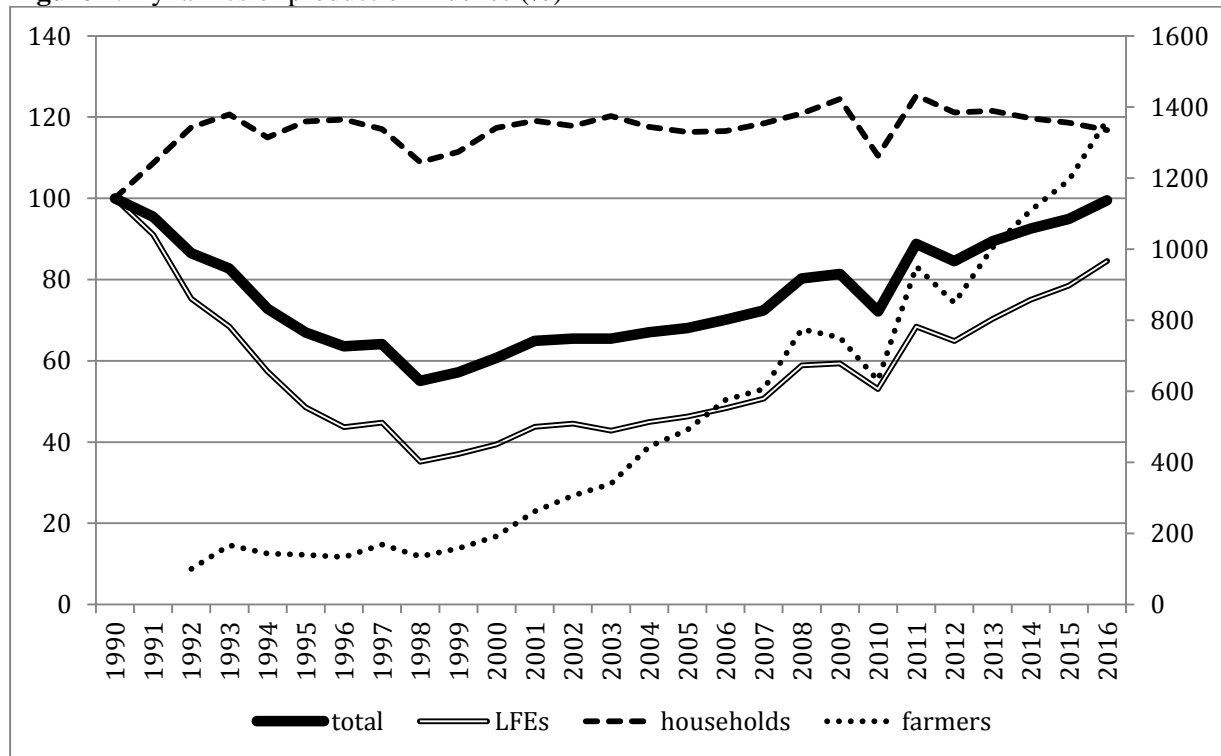
The latest tendencies in Russian agriculture show that its core is switching from household self-subsistence economy towards large capitalist export-oriented enterprises (Fig.3). While the first stage of agrarian reforms resulted in catastrophic decline of LFEs and growth in household production, the new millennium shows the opposite trends: (1) LFEs became a locomotive of agricultural production, and (2) slow but steady growth of individual/family farmers' contribution to the national agriculture.

Figure 3. The share of different types of producers in agricultural GDP



Moreover, Fig.4 shows that in the new millennium family farmers demonstrate the most rapid growth when compare with their starting positions (the right scale indicates figures for family farmers, while the left scale – for the rest of producers). They increased production in 14 times, while LFEs still cannot reach the volumes of 1990. As for households, they increased their production in 20% after liberal reforms started and it seems that they reached their limit.

Figure 4. Dynamics of production indexes (%)



Sources: Russian Statistical Yearbook 2016; Russia in Figures 2017; Agriculture, Hunting and Forestry 2015

Moreover, the recovery of LFEs is complemented with the concentration of production (i.e. LFEs became larger) and with the rise of agroholdings. Within LFEs Differentiation coefficient (revenue ratio of 10% highest to 10% lowest) in 1995 was 70, while in 2008 – 600.6. In 2006, 15.6% of corporate farms held 85% of land occupied by LFEs. In 2006, 0.113% of all agricultural producers held 66.5% of agricultural land and 81.5% of sown land (Uzun 2010; Davydova, Franks 2012). Of course, not all of those LFEs are agroholdings, but 21% of large and medium LFEs were incorporated in agroholdings, which produced 26.5% of LFEs revenue (Uzun 2012).

The Russian specifics in the rise of agroholdings lies in their autonomous development, what contrasts the practice of contractual relations between large and small agribusiness in the Western economies (Barsukova 2016). Even before political confrontation with United States and EU Russian government chose large farms as the engine of agricultural recovery and that decision really led to the rise of agricultural production in the country at large. Sanctions and the state course towards food independence enhanced that trend.

The next reason for cooperative failure is the differentiation in the groups of potential cooperators: family farmers and households. First factor is the tendency of family farmers towards establishing large capitalist export-oriented production. For example, in 1991 to 2013, the average size of a family farm increased over two times. In 2006 4.4% of farms held 64% of land occupied by family farmers; 5 thousand largest farms produced about 1/2 of revenue. In contrast, small farms are vanishing. Figure 5 shows that family farms tend to increase their size and become a normal capitalist producer. In result, the farm number reduced by 40% but the average size of a farm has grown in 2.5 times.

Figure 5. Number and size of family farms

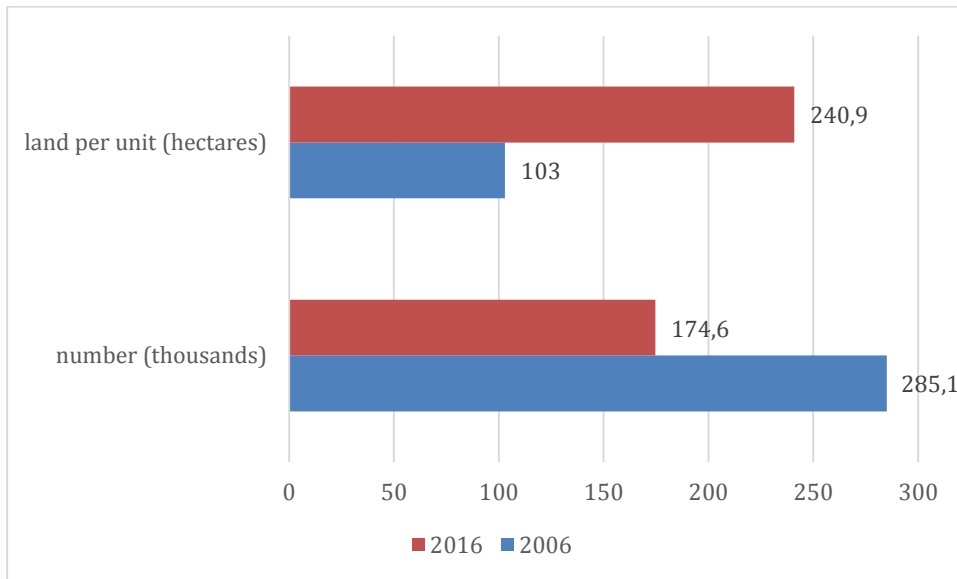
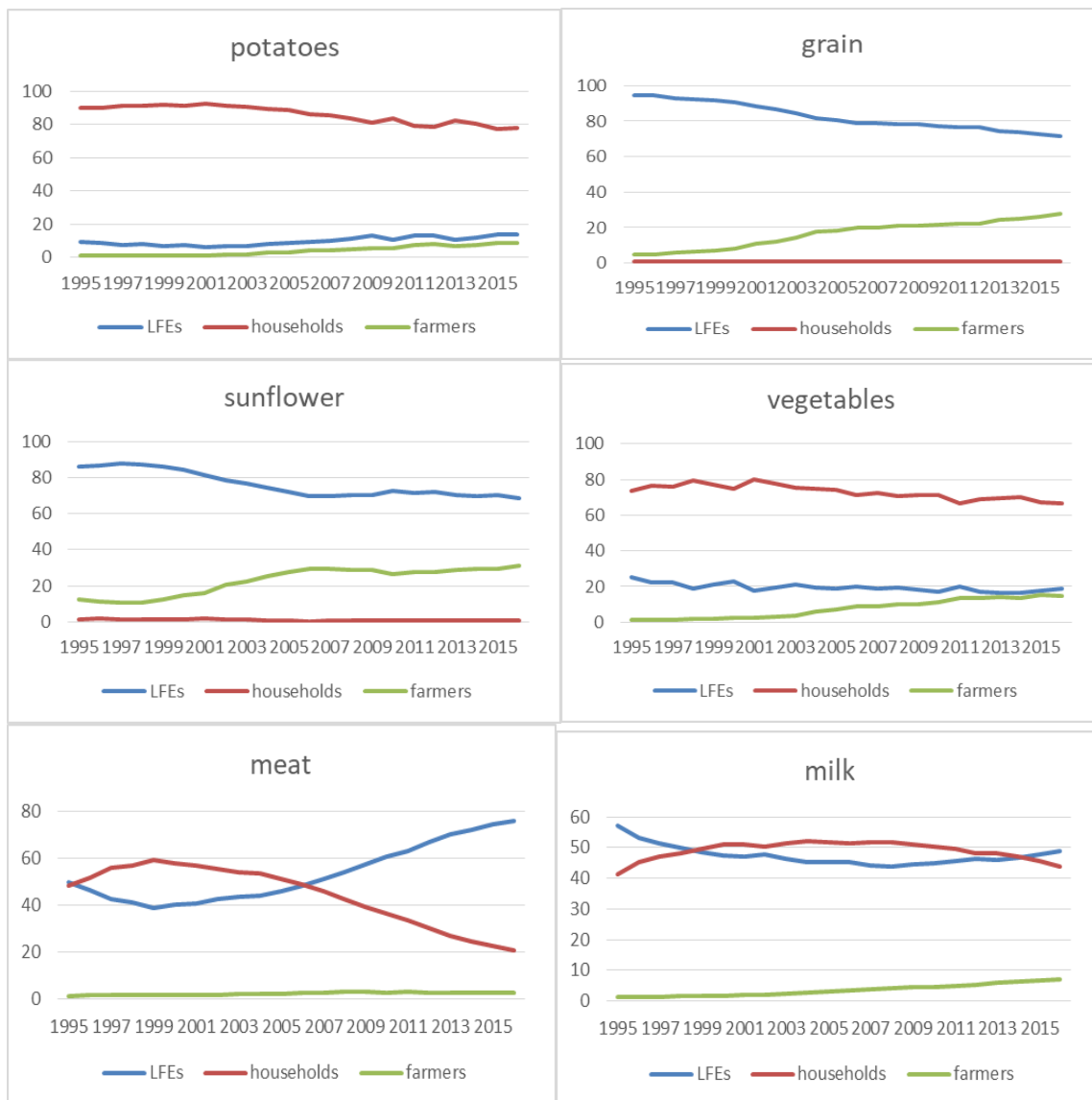


Fig.6 illustrates the export-oriented tendency of family farmers. It shows that they try to compete with LFEs rather with households by engaging in production of grain, sunflower, soya (not shown on the picture) etc. It means that their ideal model is large capitalist enterprise with no chances for cooperation.

Moreover, because family farmers achieved those results on their own, without any substantial help from outside, they do not need any cooperation. Life have shown that they are able to make business alone. In contrast to successful private farmers, a group of them, though being registered as entrepreneurs, do not produce for sale but just for subsistence, and thus does not differ from household producers except from their formal, legal status. According to Uzun (2010), 9% of private farmers are subsistence producers while 38% of them produce food as a market commodity.

Unlike family farmers, the majority of households are still self-subsistence agricultural producers. In 2006-2009, households provided only 24-27% of marketed agricultural produce in Russia, i.e. a significant part of food they produced for self-consumption. In 2014 households sold only 17% of produced potatoes, 19% of other vegetables, 45% of cattle and poultry, 1/3 of milk and 1/5 of eggs (Rosstat 2015). However, we have to keep in mind that households usually distribute a tangible part of that food in their kinship circles. Anyway, it is not a produced-for-market food. A minority of the household producers is rather successful and works commercially. About 15% of households are specialized in agricultural production (the majority of them can be called 'peasants' rather than capitalist farmers).

Figure 6. The sample of crops harvested by LFEs, households and family farmers (%)

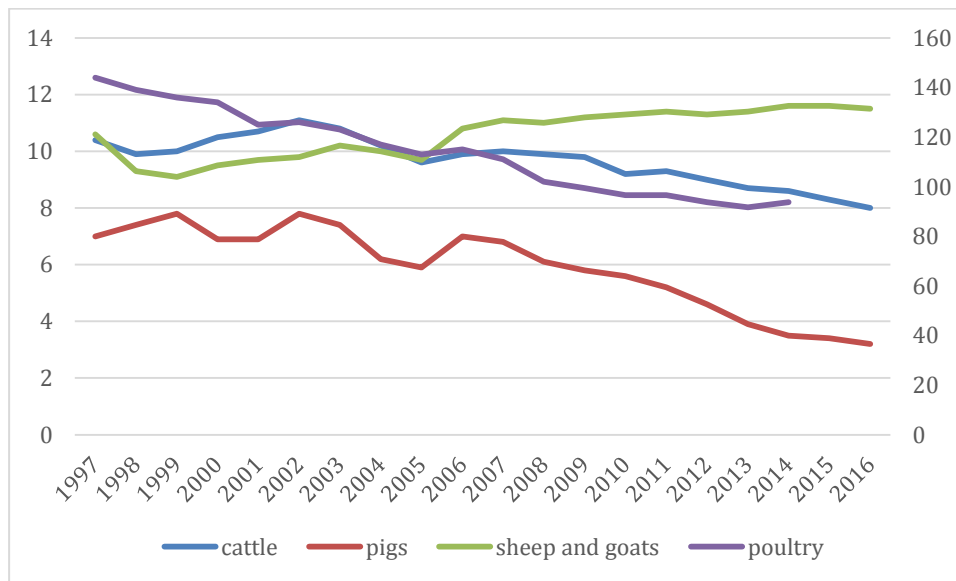


Moreover, the tendency to self-consumption and decreasing role of agriculture for rural dwellers illustrates Fig.7 showing that the number of livestock in households is gradually decreasing (except for sheep, which is due to Caucasian regions). Poultry is presented on the right scale, while the rest animals – on the left.

Those tendencies also imply the shrinking basis for cooperation in the group of households. Those, who are not engaged in agriculture, are not interested in agricultural cooperation of any sort.

However, the potential for cooperation lies between groups of family farmers and households, i.e. small family farmers and market-oriented households.

Figure 7. Livestock in households (mln.)



Thus, the Russian history presents two examples of cooperative development. The first example is cooperative movement at the background of rising capitalism in imperial, tsarist Russia, which eventually was successful. The second example deals with the attempts to restart capitalist society after many decades of planned socialist economy. One cannot say that it is successful.

Our general argument is that the reason of pre-socialist success and post-socialist failure lies in the different social and economic background 100 years before and today. It implies that success and failure only partly depend on government policy. Instead, the outcome rests primarily in objective historical processes.

Imperial Russia was a peasant society with peasants suffered from periodical famines and malnutrition. Furthermore, agriculture was the major occupation in rural areas. Thus, cooperation was a matter of urgency for peasants; it was the issue of survival. Nevertheless, even in that environment cooperation did not emerge entirely from below, as a self-organizing process of the society. A hard work of the state and cooperative activists (mostly from educated classes and cities) launched cooperation. Only when peasants realized that cooperation reflected their vital interests, the massive cooperative movement emerged, i.e. it received support from the peasant society.

This background partly explains why the state efforts in the early 20-th century eventually managed to launch cooperative movement, while the government's attempts today do not have the similar effect. Instead of genuine grassroots cooperative movement, the state efforts today often give birth to the so-called top-down cooperatives.

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