Harmonious development of integration and cooperation in agriculture as a factor in ensuring food security

A N Adukova*, R Kh Adukov and R V Zakharov

Federal Research Center of Agrarian Economy and Social Development of Rural Areas – All-Russian Research Institute of Agricultural Economics, 35, building 2 Khoroshevskoe highway, Moscow 123007 Russia

* E-mail: a@adukova.ru

Abstract. The development of consumer cooperation in agriculture is one of the main conditions for solving many existing problems, including food security. However, in Russia this is not taken into account to the proper extent. So, for a quarter of a century after the Federal Law No. 193-FZ "On Agricultural Cooperation" adoption, it was not possible to significantly increase the share of agricultural products processed and sold through consumer cooperatives. At the same time, the integration processes in the industry are going on actively, that indicates the stimulation of property monopolization and the concentration of production in it. This hampers the solution of the food security problem, the development of consumer cooperation in the industry, the growth of employment and income in the countryside, and the solution of other important problems. The article substantiates the expediency and ways how to harmoniously combine integration and cooperation processes in the industry, as well as the principles that should be followed for this.

1. Introduction

In the leading countries, consumer cooperation is an integral part of the mechanism for ensuring food security and the development of rural areas. In Russia, the situation is somewhat different. Despite the fact that Federal Law No. 193-FZ "On Agricultural Cooperation" was adopted back in 1995, consumer cooperation did not become a significant factor in increasing the competitiveness of peasant agriculture, private household plots and other small forms of business, as well as strengthening their positions in the agri-food market.

Judging by the number of consumer cooperatives, we can conclude that the picture is favorable in this area. So, at the beginning of 2020, there were over 5.7 thousand of them in the industry.

However, the number of cooperatives is only one of the indicators of consumer cooperation development, and, moreover, a secondary one. In this regard, other indicators - the number of members and the share of consumer cooperatives in the processing and sale of agricultural products - assumed as more important. According to them, achievements in Russia are more than modest: at the beginning of 2019, only 2.0% of peasant agriculture were registered as members of consumer cooperatives [1]; the share of agricultural products processed and sold by these cooperatives did not exceed 1.0% [2].

In contrast to consumer cooperation, integration processes in the industry, the main carriers of which are large agricultural holdings, are proceeding at a high pace. Some of them are among the world's largest landowners, possessing about 1 million hectares of farmland or more [3]. In developed
countries, however, there are none. Thus, B. Gates, the largest private landowner in the United States, owns only 100 thousand hectares of farmland.

Due to the specificities of the agrarian policy in Russia, large agricultural holdings are provided with priority budgetary support within 75-80% of its total mass. This is done despite the fact that the role of agricultural holdings in agricultural production is not so high. So, according to Rosstat 2019 annual report, their share was 31% in crop production, and 37% in livestock production from total value of all agricultural organizations.

Thus, in the industry, contrary to the cooperation of small farms, the monopolization of property and the concentration of production are stimulated.

2. Materials and methods
The article uses data from Rosstat, the Federation Council, as well as the results of researches published by famous scientists on the topic under consideration. When preparing the article, monographic, abstract-logical and expert research methods were used.

3. Results and discussion
Considering that the monopolization of the economy is undesirable from all points of view, to counteract this phenomenon tough measures are being taken in developed countries. Unfortunately, this is not the case in Russia. Moreover, despite the following circumstances:

1. The higher the degree of property monopolization and concentration of production in agriculture, the higher the unemployment rate in the countryside and the lower the income of the population, that leads to reinforcement of depopulation in rural areas [4].

2. The concentration of livestock increases food security risks, including environmental, sanitary and epidemiological.

3. Monopolization of property in the industry impedes its development.

It does not follow from the above that there should not be large agricultural holdings in Russia, they exist in many countries, including developed ones. The features of the recent is that they create conditions for both large and small farms. For example, more than 60% of agricultural products produced by national producers in European Union are processed and sold through consumer cooperatives.

In connection with the above, it is important to validate the principles in the industry for harmonious development of integrated and cooperative formations. For this purpose, first of all, it is necessary to identify the main reasons that impede this process. The study of this problem has shown that there are more than two dozen of them. Among them are insufficient budgetary support to peasant agriculture, private household plots and other small formations in the industry; mutual distrust of agricultural producers and others.

The development of principles for combining cooperative and integration relations can be summarized as justifying measures to eliminate the reasons that prevent this. Therefore, in order not to repeat ourselves, they are not listed by us.

The above mentioned principles assume the elimination of the monopoly of integrated formations in the face of large agricultural holdings and the leveling of economic conditions in the industry, including by strengthening the economy of peasant agriculture, private household plots and other small forms of business, thereby creating more favorable preconditions for their development and ensuring food security. The principles formulated by us in the course of the study including the mentioned are reflected in Table 1.

| No. | Principle | Condition of compliance with the principle |
|-----|-----------|------------------------------------------|
| 1   | Prioritizing the interests of the rural 1. Prohibition of activities leading to a decrease in the quality of life of villagers, the exposure of rural areas. |

Table 1. Principles of rational combination cooperative and integrated formations in agriculture.
| Community | 2. Adoption and observance of minimum standards for population density in rural areas. |
| --- | --- |
| 2 Protecting the interests of agricultural producers | 1. Abandoning the practice of using agriculture as a donor for other spheres of economy.  
2. Taking into account that agriculture is a strategic sector, and its role will constantly increase. |
| 3 Territorial delimitation of cooperative and integrated formations | 1. Concentration of consumer cooperatives and their members, first of all, small-scale farmers, in the nearest zone to human settlements, including large cities.  
2. Concentration of integrated formations away from settlements in order to use high-performance equipment, and so that livestock complexes cannot worsen the quality of life of the population. |
| 4 Product demarcation between cooperative and integrated formations | 1. Specialization of consumer cooperatives and their members represented by small-scale farmers mainly in the production of milk and dairy products, vegetables and other perishable products.  
2. Specialization of integrated formations mainly on products that require large areas, as well as associated with significant environmental costs. |
| 5 Equality of responsibility to the budget | 1. Prohibition of registration of integrated formations in offshore areas (especially in foreign ones).  
2. Abolition of taxes on consumer cooperatives in agriculture. |
| 6 Equality of social responsibility | 1. To carry out budget support of integrated formations taking into account their social role.  
2. Consumer cooperatives and small farms to provide more budgetary support because of their social role. |
| 7 Equality of environmental responsibility | 1. Development and control of compliance with the soil fertility standard for each land plot.  
2. Development and control of compliance with standards of production technologies environmental cleanliness. |
| 8 Deregulation measures | 1. Strengthening antitrust measures in agriculture, including a ban on hindering the development of small farms.  
2. The introduction of a ban on agricultural holdings to further increase the area of land in their ownership.  
3. Establishment and phased implementation of reasonable restrictions on such areas, assigning them only to individuals. For this purposes, to adopt and enforce of the relevant law, taking into account the experience of antitrust activities of the USA, where such law was adopted the century before last (in 1890).  
4. Ensuring unimpeded access of consumer cooperatives serving small farms to all trading platforms, including chain stores. Allocation for these purposes at least 15% of the retail space without any conditions that infringe on the interests of the listed manufacturers.  
5. Legislative limitation of the commission charged by the named stores for the use of their retail space for the specified manufacturers, providing for large fines for its violation.  
6. Liberation of agricultural and food markets from Russian and foreign dealers (profiteers).  
7. Ensuring unlimited access to these markets for consumer cooperatives.  
8. The return of credit financial institutions status to agricultural |
credit consumer cooperatives and, in this connection, cancellation of the supervision by the Central Bank of the Russian Federation, which was introduced in 2013 and has led to additional financial and labor costs increase for these cooperatives.

| Level | Description |
|-------|-------------|
| 9     | **Leveling the conditions of activity (rules of the game)**<br>1. Elimination of priority budget support for large agricultural holdings practice.<br>2. Differential budgetary support to equalize the profitability of the main products.<br>3. The calculation of budgetary support should be carried out taking into account the bioclimatic potential of the territory, the type of product, the payback period of investments, the distance to the regional center and the social role of the agricultural producer. |
| 10    | **Quotas for agricultural production**<br>To ensure healthy competition in the market and the competitiveness of the small farms, to set quotas for the production of agricultural products so that small farms can reach amount for at least 30% of the gross volume and value in the industry. |
| 11    | **Providing government contracts to consumer cooperatives**<br>1. Provision of state orders (contracts) for the production of agricultural products and foodstuffs to small farms and consumer cooperatives created by them.<br>2. Granting, as a matter of priority, to the small-scale farmers and the consumer cooperatives they created, state orders for supplying their products to budgetary institutions. |
| 12    | **Promoting the development of consumer cooperatives infrastructure**<br>Taking effective measures to develop the infrastructure of consumer cooperatives created by the small-scale farmers, including facilities for agricultural products and food processing and selling. These include the policy of exempting the listed formations from taxes, granting them loans with a zero rate for the creation or acquisition of joint processing enterprises and retail outlets with further transfer of properties to the consumer cooperatives. |
| 13    | **Guaranteeing a minimum market niche for consumer cooperatives**<br>Bringing the share of consumer cooperatives serving small farms in the volume of processing and sale of agricultural products and food to at least 30%. Such share of the "social" or "people's" economy formations (meaning by it the share of agricultural production falling on farms whose personnel work only or predominantly for themselves) of agricultural products and food market will provide healthy market competition, will increase the social orientation of agricultural policy with all the consequences that that entails. |
| 14    | **Compliance with cooperative principles**<br>1. Granting members of consumer cooperatives the right to distribute the profit received by these cooperatives, including distributing it among themselves, at their discretion.<br>2. Refusal to endow consumer cooperatives with the status of an enterprise, since they are part of the farms of their members. In this regard, the abolition of taxes on consumer cooperatives in agriculture.<br>3. Removal of the ban on membership in consumer cooperatives for state and municipal employees. |
| 15    | **Rational use of funds for the development of small businesses**<br>1. Abolition of agencies and other institutions for the development of small and medium-sized businesses.<br>2. The assignment of their functions to the relevant government bodies.<br>3. Direction of the funds saved due to this to support small businesses |
16 Comprehensive support for small businesses

Strengthening state financial, informational, legal, innovation and consulting (on agronomic, agrochemical, zootechnical, veterinary and other issues) support for small businesses and consumer cooperatives in the agricultural sector.

17 Respect for the rights of individuals and legal entities

Provision of guarantees of property rights of all individuals and legal entities engaged in the production of agricultural products and food, including small-scale farmers.

18 Voluntary membership in unions and associations

Cancellation of the requirements according to which consumer cooperatives are obliged to belong to industry and audit unions, as well as self-regulatory organizations, making deductions for their maintenance.

19 Equity of financial claims for consumer cooperatives

1. Improvement of consumer cooperatives debts collecting mechanism so that it more fully takes into account the measure of responsibility of those guilty for their occurrence.

2. Relaxation of requirements for the use of grants for the development of consumer cooperatives in order to eliminate the need to return funds received under them for minor violations.

20 Debugging relations in cooperatives

Improvement of the regulations governing relations within consumer cooperatives, bringing them to the attention of all interested parties, providing, if necessary, appropriate explanations.

21 The work of the authorities in the mode of permanent elimination of obstacles to the development of consumer cooperation in agriculture

1. Elimination of other obstacles that hinder the development of small businesses and consumer cooperation in the industry. These include the prevention of discrimination against them in the formation and sale of large consignments of agricultural products, including export.

2. Taking into account that the development of consumer cooperation is a prerequisite for ensuring healthy competition in the market for agricultural products and food, saving the Russian countryside, ensuring acceptable employment and incomes for the rural population, preserving the mentality and traditions of the nation.

22 Stimulating joint activities of integrated formations and small businesses under contracting agreements

Assistance of the government authorities in the development of production and economic relations between integrated formations in agriculture, on the one hand, and private farms, on the other, on a contract basis. Such model of relations should be considered as one of the forms of cooperation, as it involves the division of labor on a voluntary basis and the receipt of mutual financial benefits from this as a result of the emergence of an additional (synergistic) effect.

Source: the table was compiled by the authors based on the results of their own research, taking into account several publications [5-11]

The materials of the above table allow us to draw several relevant conclusions:

1. The principles listed in the table reflect both the obstacles to the development of consumer cooperation in agriculture and the shortcomings of the system of state management of agriculture.

2. All obstacles hindering the development of consumer cooperation in agriculture are of a managerial nature.

3. Compliance with the principles indicated in the table will eliminate the named disturbances.

4. Taking into account the principles noted in the table presupposes the improvement of public administration in agriculture in many areas, including ensuring the protection of property rights, giving comprehensive support to small farms, ensuring the activities of government authorities in the mode of permanent elimination of obstacles to the development of consumer cooperation in agriculture.
4. Conclusions
As can be seen from this table, most of the principles set out in it are aimed at improving the conditions for the operation of small-scale farmers in the agricultural sector and the development of consumer cooperatives created by them. Taking these principles into account is quite realistic even in the current crisis. Their observance will lead to an improvement in the situation in agriculture, a decrease in the risks of ensuring food security, and the solution of many other problems that have accumulated in recent years in the Russian countryside.

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