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## Agricultural Service Cooperatives in Ukraine: Institutional Development Drivers

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**Abstract.** The development of agricultural cooperation in Ukraine is one of the main vectors for rapid recovery of agricultural production after the Russian-Ukrainian war, increasing its competitiveness, ensuring sustainable development of rural areas, increasing employment and welfare of rural population. However, agricultural service cooperatives are not developed in Ukraine. The purpose of this study was to find the main drivers of agricultural service cooperatives' development in Ukraine, to outline on this basis promising directions for development of agricultural policy in terms of stimulating their development as a counterweight to the dominance of agricultural holdings. It is proven that the main restraining factor in the development of agricultural service cooperatives in Ukraine is institutional memory of a peasant, which was formed during collectivization in Soviet times and which in modern conditions is associated with the concept of "cooperative". This creates opposition from agricultural producers towards the national policy on the development of agricultural cooperatives, which meet international cooperative principles, and which have proven their advantages in increasing competitiveness of farmers on the example of developed countries of the world. It is emphasized that before changing formal institutions through legislation, it is necessary to form proper informal institutions that will strengthen, and not oppose, the introduction of formal ones. This paper is of practical importance for scientists and representatives of public administration in the field of forming strategic state and regional programs for agricultural development. Compliance of national policy measures according to the identified drivers of agricultural service cooperation' development, requires further research

**Keywords:** national socio-cultural code, agricultural policy, institutionalism, informal institutions



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## INTRODUCTION

Russia's full-scale invasion of Ukraine in 2022 resulted in the damage and mining of an agricultural land, destruction or damage of agricultural machinery, blockade of Ukrainian ports, and the impossibility of exporting food to countries that desperately need it. Ukraine ranked second in grain exports in 2021 and is a powerful guarantor of food security in many countries around the world. Therefore, recovery and further development of agriculture in Ukraine and support of the least protected farming is a vital global issue. Experience of the USA, EU countries, Canada, etc., shows that this can be achieved by the development of an agricultural service cooperation. Such international organizations as FAO, IFAD and WFP note that "Agricultural cooperatives pave the way to food security and rural development. They facilitate the access of small producers to natural resources (land, water), information, communications and knowledge, as well as to markets, food and productive assets, provide an opportunity to make their own decisions and participate in the formation of policies" (Agricultural cooperatives..., 2012). If A. Batziou *et al.* (2021) consider only economic benefits for agricultural producers from activities through agricultural service cooperatives (hereinafter – ASC) and improvement of product quality standards, then J. Parrilla-González and D. Ortega-Alonso (2021) entrust the ASC with the mission to implement social innovations, create jobs, and develop rural areas sustainably.

For more than 150 years, developed countries have been showing powerful potential of agricultural cooperation in terms of entry of small farmers into world markets. ASC turn them into large, competitive, and sustainable agribusiness entities. A third of the largest cooperatives in the world by turnover are agricultural and agro-food cooperatives (Exploring the cooperative economy, 2021). The turnover of ASC in Europe is the largest among all types of cooperatives and amounts to more than 39%, or 347 billion euros (The power of cooperation, 2016). They account for 40-60% of all agricultural trade. In Scandinavia, 80% of agricultural products are sold through ASC, more than 90% in China and Japan, and 82% of processed milk in the USA (Ajates, 2020). 70% of olive oil in Spain is produced by ASC (Parrilla-González & Ortega-Alonso, 2021). ASC has prospered in the EU, the USA, Canada, Korea, and China.

While in the fruit and vegetable sector in EU countries, national cooperatives are successfully operating within the framework of transnational cooperation, increasing competitiveness of farmers and their cooperatives (e.g., European Fruit Cooperation), Ukrainian farmers in 2021, due to a large harvest of apples, destroyed their products because of extremely low purchase prices and lack of own processing plants and storage facilities (Bezus *et al.*, 2019). If in Europe there are almost 180,000 cooperatives with an annual trade turnover of

almost 1 trillion US dollars, where more than 4.5 million workers work, then in Ukraine cooperatives create less than 1% of the country's agricultural GDP (FAO, 2020).

Despite the development of cooperatives in most developed countries and their presence on international markets, scientists continue to use complex mathematical calculations to prove the benefits of membership in a cooperative for small agricultural producers. In particular, K. Olagunju *et al.* (2021) see these advantages in higher technical efficiency; T. Wossen *et al.* (2017) – in the implementation and access to new technologies, unhindered access to loans, high-quality consulting and joint services, increasing the level of well-being; R. Ajates (2020) – in savings from wholesale, collective purchase of raw materials and payment for expensive infrastructure, in access to training and obtaining greater market power in the "farmer-consumer" supply chain; J. Bijman & A. Saris (2012) consider ASC as a tool to consolidate market position. And if the scientists investigating the cooperative movement in agricultural sector of developing countries' economies and countries of the post-Soviet system are sure that its development is the only way to build a competitive small and medium-sized business, as well as a sustainable development in rural areas, then scientists studying the behaviour and results of the activities of ASC in developed countries of the world, where they are producing the most part in the turnover of agricultural sector, – have doubts about preservation of cooperative principles and values in the conditions of fierce competition with large corporations. They argue that to survive in the "dominant capitalist system" and to be successful while still being true to their values and principles, agricultural cooperatives try to be "deviant" and at the same time continue to portray the "prefigurative policy" that the broad public would like to see from them (Ajates, 2020).

Having studied the latest publications of Ukrainian scientists on the strategy of agricultural sector development, it can be said that most of them do not consider important mission of ASC in development of farming, and their proposals lack measures to stimulate development of those (Pronina *et al.*, 2021; Haidai *et al.*, 2019). At the same time, while highlighting the problems and risks that only medium and small producers of agricultural sector have (but not agricultural holdings), scientists propose general measures that should be applied to all subjects of agricultural sector (Pronina *et al.*, 2021). Given the strong influence and lobbying interests of agricultural holdings, with such an approach to the mechanism of agricultural sector development, it can only lead to the development of agricultural holdings and complete destruction of small and medium-sized enterprises in agriculture. I. Ostapchuk *et al.* have no doubt that agricultural holdings will acquire

farms. Their publications examine which farms will be acquired first: unprofitable or profitable (Ostapchuk *et al.*, 2020).

Since ASC in Ukraine have not become powerful competitors to developed and powerful agricultural holdings, the negative consequences of whose activities are sufficiently covered in the scientific space, we consider it necessary to deepen the study of factors that inhibit ASC development.

*The purpose of this study* was to find the main drivers of ASC development in Ukraine, to outline on this basis the promising vectors for development of agricultural policy in terms of stimulating ASC development as a counterweight to agricultural holdings' dominance.

## MATERIALS AND METHODS

In this study, not all types of agricultural cooperation that exist in rural areas were studied, only the ASC, which are a continuation of the food chain in agricultural production (processing, storage, sale of products, etc.), and also deal with the purchase of means of production and provision of technical and information services to its members. Agricultural production cooperation is not the subject of the current study as such, effectiveness of which is not confirmed either by the world or by rich Ukrainian experience of the Soviet economic period.

When choosing the research methodology, the authors rejected the methodology popular among economists, which is based on arbitrary mathematical assumptions, based on which economic models are created (Olah, 2018). Because the limited reliability of the inputs of such models, reinforced by the errors of systematic multiplication of fragmentary assumptions, irrelevant conclusions and results will be obtained, regardless of the quality of economic and mathematical tools used.

When the optimal legal form of conducting agribusiness – ASC, that maximize profit of their members, does not develop, atypical behaviour of agribusiness subjects occurs from the standpoint of mainstream economics and its inability to explain the extremely low level of inclination of small agricultural producers to cooperate in Ukraine. Comparative analysis of the differences in effectiveness of identical government stimulation tools of ASC development in different countries with variable institutional environments indicates the dominance of institutional factors in their development. That is why institutional approach was chosen as the methodological framework of this study. The research was concluded in the following stages:

1. Study of the current state of ASC in Ukraine and justification of reducing of their cooperative nature. Statistical and graphic research methods were used to analyse development of ASC in Ukraine. The data of the State Statistics Service of Ukraine served as the information base for this. The legislative framework of the Verkhovna Rada of Ukraine and the international

cooperative principles of the International Cooperative Alliance, which have already proven their viability and effectiveness, were used for a comparative study of the regulatory and legal support for development of ASC in Ukraine and economically developed countries of the world. Using content analysis of the types and results of individual ASC activities in Ukraine, according to the open database "Opendatabot" (n.d.), numerous violations of the current legislation on cooperation were found;

2. Using analysis and synthesis, the main factors inhibiting development of ASC in Ukraine were determined, individual drivers of their development were selected and ranked, and their influence on the cooperative movement in historical perspective was traced. In the study of informal institutions that were formed under the influence of historical development of Ukraine as part of the Soviet Union and whose role was determined to be decisive, the study acquired an interdisciplinary character, and to highlight the sociocultural aspect of the problem, the results of sociological studies by G. Hofstede (Hofstede, 2011) on the peculiarities of national business cultures in different countries were used;

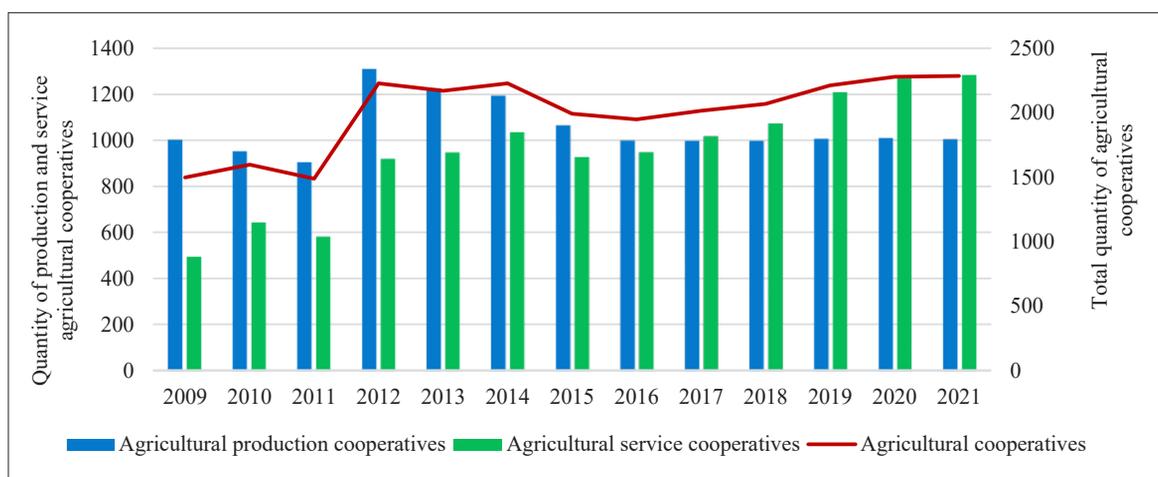
3. Systematization of institutional drivers of ASC development and their visualization in a schematic form. The systematization is based on institutions of their coordination. At the same time, normative approach was used, that focuses not on current disposition of the subjects of coordination, but rather on the position that will ensure the meeting of set goals of ASC development and, as a result, an increase in competitiveness of agriculture in the country as a whole;

4. Outline of the main directions of agricultural policy for the formation of informal institutions, which should contribute to ASC development in Ukraine. Considering the information nature of modern society, informational methods of forming informal institutions were chosen, primarily advocacy.

The authors of this paper chose the period of 2009-2021 for the study, since the awareness of unrealized potential of ASC and purposeful stimulation of their development by the Ukrainian government began with the adoption in 2009 of the first state targeted economic program for their support.

## RESULTS AND DISCUSSION

Despite the government reports and research findings of some Ukrainian scientists who insist on the increase in the number of ASC over the past 10 years (Bezus *et al.*, 2019; Petrova *et al.*, 2020; State Statistics Service of Ukraine, n.d.), Figure 1 shows only a slight growth, the decrease in the number of production cooperatives and the growth of service providers. And one may get the impression that ASC are really developing in Ukraine. But if one analyses the quality of these processes, conclusions will be opposite.



**Figure 1.** Dynamics of cooperatives' development in Ukraine

**Source:** compiled according to the data of the State Statistics Service of Ukraine (n.d.)

Almost half of the registered ASC in Ukraine are not active. For example, in 2019, only 60% of the registered cooperatives were active (State Statistics Service of Ukraine, n.d.). At the same time, most of the active agricultural structures, which are registered as ASC, in reality are not service cooperatives. In 2020, when the Law of Ukraine "On Agricultural Cooperation" (1997) was still in force and it defined ASC as non-profit organizations and those that cannot be engaged in the production of agricultural products, but only in providing services to producers (sales, processing, preservation of products, etc.), the cooperative association ASC "FAYNI GAZDY" still earned 16,300 UAH in net profit, ASC "Yagidny Lan Shumshchyny" – 96,600 UAH (Open-databot, n.d.), and ASC "Ratai", which unites 250 farmers and personal peasant households, has been engaged in production activities, which it should not have, – in particular, growing grain crops since 1997 (YouControl, n.d.). And such violations are not unique throughout Ukraine. Authors agree with V. Zinovchuk that in Ukraine "one part functions with significant violations of cooperative principles (pseudo-cooperatives), and the other part only formally belongs to cooperatives (quasi-cooperatives)" (Zinovchuk, 2007).

An essential indicator of success and competitiveness of ASC is turnover and the number of members. The more members there are in a cooperative, the larger the share of sales market it will have, or the larger the wholesale batch of means of production it will be able to buy at the wholesale price. Unfortunately, such statistics are not kept in Ukraine at all, but analysis of the income of cooperatives showed that these are small cooperatives that are incapable of benefitting from the scale and showing the farmers who do not work as ASC its advantages, and such cooperatives cannot compete with powerful agricultural holdings. That is why the proposals of Ukrainian scientists to create agricultural cooperatives of the second and third levels in Ukraine (Bezus et al, 2020), when they are still far from creating

an extensive and sustainable network of agricultural cooperatives of the primary level, seem inappropriate.

As practices of economically developed countries of the world have shown, the only way for farming to resist the dominance of agricultural holdings is their activity through ASC. Since ASC are not developing in Ukraine, the development of farming has also stopped – the main guarantor of the country's internal food security, especially in the conditions of Russia's armed aggression, providing the population with a variety of healthy food, preserving ecosystem, creating jobs, and effectively restoring and ensuring sustainable development of rural areas. During the period of 2012-2019, the number of farms in Ukraine increased by 5%. They cultivate about 24% of agricultural land and produce less than 12% of all agricultural products, and these indicators practically stay constant (growth during the studied period by 3-4% cannot be interpreted as development), which shows the lack of development of farming in Ukraine (State Statistics Service of Ukraine, n.d.). For comparison, in the USA, family farms make up 96% of all farms, which cultivate 87% of agricultural land and their specific weight in the value of all agricultural products sold is 82% (US Department of Agriculture, 2017).

In authors' opinion, despite many scientific publications about the advantages of non-profit ASC, agricultural cooperation in Ukraine has not been properly developing for more than 20 years, as Yu. Lupenko *et al.* (2021) believe, but it has no signs of development whatsoever, despite the existence of legislation that, until 2020, corresponded to the best European models and the recommendations of neoliberal Western experts. The question arises: why in Ukraine, where the relevant legislation was created and the state with various foreign projects financially and informationally supported creation of ASC, these measures did not stimulate their rapid development, as in the EU countries and the USA?

According to the traditional economics, the main driver of any business is profit maximization, because

a business entity will not be able to withstand competition if it does not use all possible ways to reduce the cost of production and increase price. That is why competition among farmers in developed countries has become a powerful driver for ASC development.

A powerful driver in the developed countries of the world has been the national financial support for ASC. Even many foreign grant programs for the development of ASC in Ukraine were unsuccessful. To receive financial support, peasants registered ASC, which were not actually functioning. Therefore, the authors of this paper cannot agree with those researchers who believe that insufficient national financial support for agricultural producers slows down the development of ASC, that “development of ASC in Ukraine can take place at a rapid pace due to combination of state support with the implementation of grant projects of international technical assistance” (Prylipko, 2006). This approach will only increase the number of registered cooperatives, i.e., increase their number “on paper” to receive financial support, but the number of active, and even more so – effectively active, cooperatives may not change at all.

Another powerful driver in developed countries of the world is high-quality regulatory and legal support for the effective functioning of ASC. Authors agree with the statement that the Law of Ukraine “On Agricultural Cooperation” of 1997 is imperfect (Petrova et al, 2020; Lupenko et al, 2021), although compared to the legislation of other countries of the post-Soviet space, it is the closest to the cooperative principles declared by the International Cooperative Alliance (ICA), the viability and effectiveness of which have been verified by cooperative movement in various countries of the world. At the same time, this Law was not coordinated with other legislative acts of Ukraine. For example, inconsistency with the Tax Code of Ukraine resulted in the collection of taxes from these entities, as tax service officials did not understand the category of “non-profitability” regarding to the cooperative. As a result, farmers had to pay taxes twice, which nullified positive effects of ASC operation and formed a negative attitude of agricultural producers towards it.

However, instead of eliminating these legal conflicts and creating favourable regulatory support for ASC development, despite strong opposition from stakeholders (Association of Farmers and Private Landowners of Ukraine, Union of Agricultural Cooperatives of Ukraine, National Association of Agricultural Advisory Services of Ukraine, etc.), as well as leading Ukrainian scientists from the Institute of Agrarian Economics and the Institute of Economics and Forecasting of the National Academy of Sciences of Ukraine, long-term lobbying by Ukrainian agricultural holdings ended with the adoption of the new corporatized Law of Ukraine “On Agricultural Cooperation” (2020) (Lupenko et al., 2021), which was optimistically called by European Bank for Reconstruction and Development and the Food and Agriculture Organization a promising law that will “pave

the way for modern agricultural cooperation in the country.” They believe that “the law harmonizes the national legal framework on agricultural cooperation with international principles of economic cooperation” (FAO, 2020).

The Law of Ukraine “On Agricultural Cooperation” of 2020 is ambiguously perceived by Ukrainian scientists. If N. Rudik (2020) believes that with its help “at the legislative level, the principles of the creation and operation of agricultural cooperatives, which correspond to the generally recognized principles of cooperation of the International Cooperative Alliance, will be consolidated”, then Yu. Lupenko et al. (2021), whose opinion we share, believe that its provisions largely do not correspond to generally accepted cooperative principles and values, create legal conflicts, in particular with the Law of Ukraine “On Cooperation” and bring agricultural cooperative closer to a limited liability company, organizational structure of the corporate type (Hryhorieva, 2020). For example, in clause 13 of Art. 16 of the new Law it is stated that: “The charter of an agricultural cooperative may provide that its members, when making decisions at the general meeting of such a cooperative on entire or a part of the issues referred to their competence..., have an additional number of votes proportional to their participation in the economic activities of such a cooperative” (Law of Ukraine, 2020). This contradicts the second cooperative principle of the International Cooperative Alliance on democratic member control: in primary cooperatives, members have equal voting rights “one member – one vote” (Bylaws, 2013). After the adoption of the Law of Ukraine “On Agricultural Cooperation” (2020), some leading scientists of the National Academy of Agrarian Sciences of Ukraine, who study the problems of development of rural areas, no longer rely on ASC as subjects of social infrastructure’s development in rural areas. For instance, if in the publication of 2016 V. Ryabokon & N.L. Novikova (2016), attributes a vital role to agricultural cooperation in this direction, then in 2021 this driver of rural development is not mentioned (Riabokon, 2021).

The authors of this paper, as well as the majority of leading Ukrainian scientists investigating the cooperative movement in Ukraine (Lupenko et al., 2021), believe that such a change in legislation will lead to the liberalization of almost every cooperative principle, which will nullify its special status compared to any other organization (enterprise), which operates in a market economy, and non-cooperative structures with some features of a cooperative or, in general, a limited liability company called a “cooperative” (to obtain various privileges from the state and foreign grants), will develop, i.e. “pseudo- and quasi-cooperatives”, using the categories of V. Zinovchuk (2012). Moreover, we believe that the new Law will destroy the sprouts of ASC in Ukraine.

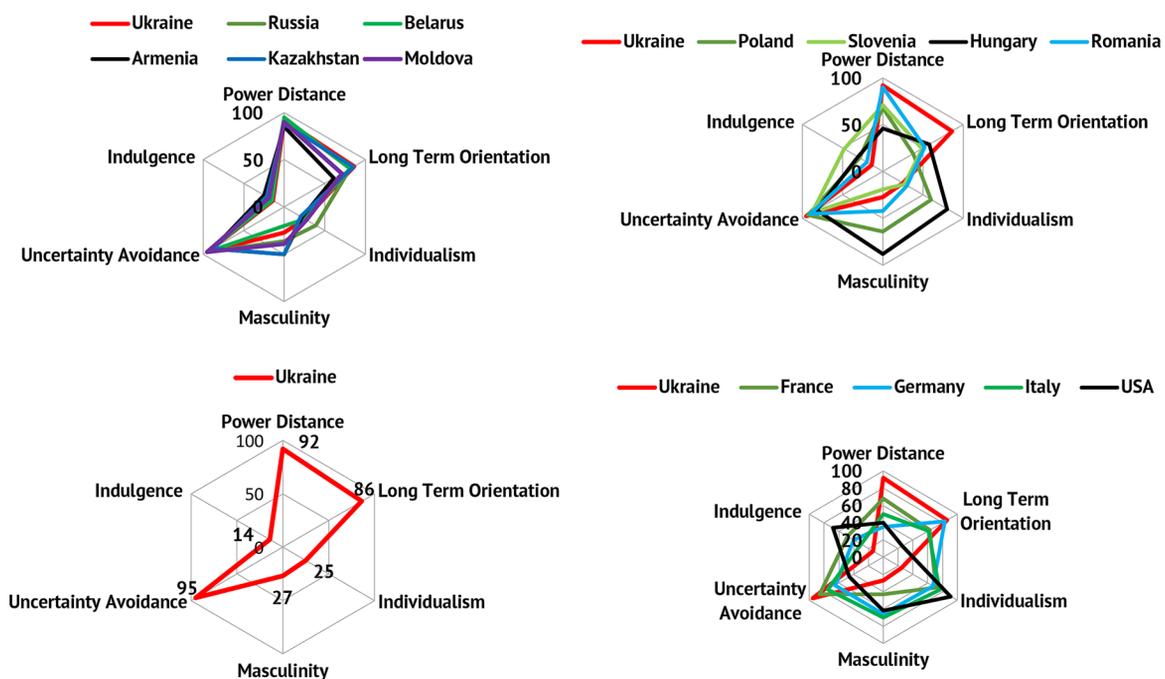
But, in authors’ opinion, the above drivers are not the main ones in ASC development in Ukraine. Improvement of the legal framework and targeted financial

aid, which the government of Ukraine has used over the past decade, has yielded no results. The main reason for inhibition of the cooperative movement can be found in the history of the country's agricultural development. Historically, Ukraine had experience in the development of agricultural cooperation, when peasants themselves understood the advantages of cooperation and initiated creation of such structures, but under the Soviet government this idea was distorted by the collectivization. In contrast to the voluntary cooperation, which harmoniously combined individual interests of private property owners and collective interests of cooperative members, forced collectivization carried out by the Soviet authorities involved unification of peasant farms into large collective farms, elimination of private ownership of land and means of production. Peasants who refused to join collective farms were sent to Siberia, their land and property nationalized.

Thus, as stated on the FAO (2020) website, there is a negative attitude towards cooperatives in Ukraine,

which are identified with collectivization and collective farms, but this fact has its roots not in imperfection of the Law of Ukraine "On Agricultural Cooperation" of 1997, but in institutional memory of peasants about collective farms and the lack of knowledge about the essence and advantages of real cooperation, and ASC in particular.

After the collapse of the Soviet Union, the governance of Ukraine was dominated by the psychology of unconscious copying and imitation of the Western way of formation and development of ASC. And until now, the mentality and institutional memory of the post-Soviet peasantry is not considered in the formation of legislation and strategic programs for ASC development, which plays a decisive role in the effectiveness of these measures. The long-lasting, almost age-old, joint economic system of the Soviet period formed national business cultures with similar characteristics, which are fundamentally different from the countries of the EU and the USA and even from post-socialist countries (Fig. 2).



**Figure 2.** Comparative characteristics of cross-cultural characteristics of national business cultures of Ukraine, some countries of the post-Soviet space, post-socialist countries and developed countries of the world  
**Source:** compiled by the authors based on (Hofstede Insights, n.d.)

Implementation of cooperative idea, which had such an immense potential in developed countries of the world, could not yield the same results in Ukraine due to the absence of new informal institutions that could stimulate development of real ASC, as well as because of specifics of national business' cross-cultural features in the country that were unaccounted for. As for the EU countries, this figure shows the low cultural gap in Western European countries, which contributes to the further development of ASC in these countries,

their entry into new international markets, creation of international cooperative associations and international cooperation between ASC (Bijman & Saris, 2012).

Authors see a problem in the fact that politicians overestimate the role of formal institutions and underestimate informal ones in Ukraine (Pylypenko *et al.*, 2019), which can play a decisive role in the economic behaviour of business entities, and, accordingly, in the effectiveness of politics. Since formal institutions created by the authorities can contradict with informal ones,

that were formed historically, its traditions, habits, institutional memory, which causes public opposition to the formal institutions created by the state. And thus, the measures of the state, which were aimed at increasing well-being, are doomed to failure.

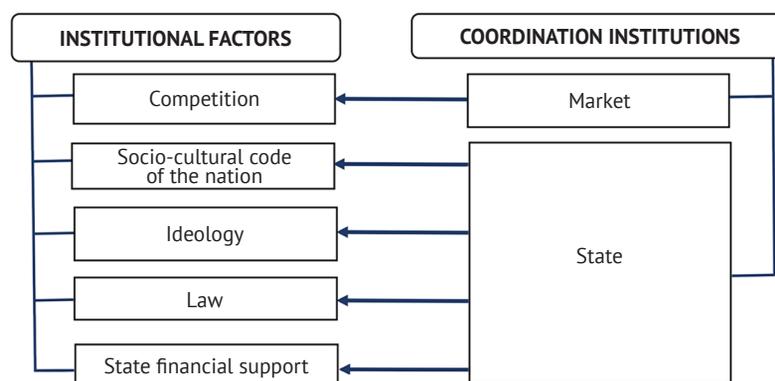
Authors agree with Yu. Pylypenko *et al.* (2019), who believe that "... any institutional changes can be effective only when new formal rules are adapted to existing informal norms within the limits of permissible possibilities determined by social and cultural factors". Formation of formal institutions should be based on the existing informal institutions in a country, which will strengthen, and not counteract, the formal ones. Adaptation of formal rules to existing informal norms is necessary but insufficient condition for the formation of an effective institutional environment. If any institutional changes contradict the existing informal institutions, they should begin with formation of new ideology, value orientations, culture, mentality, etc. The study of factors stimulating entrepreneurial activity by M-T. Méndez-Picazo *et al.* (2021) has proved that the socio-cultural factor, rather than the economic one, has a greater stimulating effect.

Thus, an important driver of ASC development in Ukraine is the socio-cultural code, which consists of a set of socio-cultural programs holding value and worldview orientations, stereotypes of behaviour, communication methods, etc., formed under the influence of generations' experience. At the same time, the impact of changes taking place in Ukrainian society during its resistance to Russian armed aggression on socio-cultural code should not be underestimated. The latter became a factor in effective destruction of rudimentary informal institutions of the Soviet model due to conscious need

of Ukrainians to dissociate from the soviet ideals, which are cultivated in Russian Federation. Authors have already observed the tendency to evolutionary distancing of Ukrainian society from other post-soviet societies due to adulating of new generation not coloured by soviet stereotypes. The black swan of the war becomes the catalyst of approaching to bifurcation point of change of set of informal social institutes. It is the line with the model of path dependency and critical junctures, developed by Arthur (1994), Dunning (2017), Zurn (2018) and others.

There is a need for state to consider the institutional change to approach regulatory framework to the current or even future (acting proactively) set of informal institutions. It was a mistake of the Ukrainian parliament, which, instead of creating informal institutions of agricultural cooperation, changed the Law of Ukraine "On Agricultural Cooperation", thereby legitimizing pseudo- and quasi-cooperatives, nullifying the last hope for development of both agricultural cooperation and farming, and therefore sustainable development of rural areas of the country.

Institutional drivers of ASC development, which are the basis for formation of formal and informal institutions of agricultural cooperation, can be structured as shown in Figure 3. At the same time, for Ukraine, competition and national financial support are not the main drivers of ASC development, as they are in most of developed countries of the world. The first step in this direction is to form proper informal institutions for ASC support. And although there is no proper institutional coordination of the relevant informal institutions by the government, this is the right vector to stimulate ASC development in Ukraine today.



**Figure 1.** Institutional drivers of ASC development

**Source:** compiled by the authors

Many Ukrainian researchers consider the imperfection of legislation (Trutenko, 2020), problems with registration of non-profit organizations, insufficient state support and problems of access to information and consulting services (Petrova, 2020) to be the barriers holding back ASC development in Ukraine. The following

main barriers to ASC development in Ukraine can be highlighted:

- persistent post-Soviet stereotypes (Zinovchuk, 2019) – the Soviet legacy of collective farming (Wolz, 2020), that deforms consciousness of an agricultural producer and preserves the gene of negative experience

in collective farming, through which the concept of “ASC” is perceived. This causes not just a passive attitude, but a strong opposition of farmers to participation in the ASC (Wolz, 2020). Effectiveness of ASC activity, first of all, depends on the desire of its members to work in the cooperative, understanding its advantages, conscious adherence to cooperative principles (Zinovchuk, 2007), which cannot be achieved only with the help of state financial incentives;

- economic and political power of agricultural holdings, which lobby for legislation that inhibits ASC development and with whom it is difficult for newly created cooperatives to compete. At the same time, it is the cause for concern that some scientists (Lukianova & Hurska, 2018) and the newspaper of the Cabinet of Ministers of Ukraine form a positive attitude of society, and farmers, towards agricultural holdings, which help create and develop ASC (Shot, 2018). At the same time, ASC are not considered as a potential powerful competitor of agricultural holdings, in the development of which agricultural holdings are not interested;

- lack of political will, real interest of the authorities in development of real cooperation in agriculture, which is manifested in a) lack of an appropriate regulatory and legal framework that can contribute to ASC development; b) lack of statistical, especially reliable, data on turnover, financial results, which would allow scientists to identify real processes taking place in the created ASC (Zinovchuk, 2007), and this, in turn, distorts the results of their research, which the authorities then rely on when formulating the policy for ASC development; c) the absence of a controlling executive authority, that would detect non-compliance of activities of ASC with cooperative principles and monitor ASC development at the national level (Zinovchuk, 2007); d) lack of large-scale advocacy of ASC among peasants;

- lack of understanding of the true classic nature of cooperatives, their non-profit status and mission both by scientists and (and this is very important!) by representatives of the legislative and executive authorities, as a result of which structures are developed that de jure are named as “ASC”, and de-facto have nothing to do with the cooperative structure.

The authors believe that the formation of ardent supporters of cooperative movement in rural areas among the youth to be a crucial factor in ASC development. Currently, according to sociological survey conducted by R. Korints & Ya. Rybak (2014), only 53.2% of surveyed youth in Ukraine evaluate their knowledge of cooperative awareness as “good”, and a fifth of respondents, including youth and students, “does not know the real state and real problems of agricultural cooperation or does not see the need to be interested in this field of activity”. And this is natural, because currently in Ukrainian higher education institutions, the disciplines that explain the essence and advantages of agricultural cooperation are selective.

When forming agricultural policy and the strategy for rural areas development, a significant role in formation

of a positive attitude of a farmer towards ASC could be played by the use of positive narratives about these structures, which should become “viral” among Ukrainian farmers. It takes at least 40 years to change the mentality of a certain community, but the Russian-Ukrainian war radically changes Ukrainian nation and forms a new socio-cultural code, which is based on the desire for cohesion and trust of each member of society in each other. Damaged or destroyed material and technical base of agricultural production, mined agricultural lands and the great desire of Ukrainian peasants for the rapid recovery of agriculture after the war creates a powerful impetus for a broad cooperation between agricultural producers and ASC development.

## CONCLUSIONS

There was an attempt to develop a formal institution of agricultural cooperation according to international cooperative principles and values in Ukraine, but it was made without consideration of the existing informal institutions, historically formed institutional memory of the negative consequences of collectivization during the Soviet era, which was identified among agricultural producers with the concept of “cooperative”. As a result of the contradiction between formal and informal institutions of agricultural cooperation, Ukrainian agriculture fell into an institutional trap that blocked ASC development and created favourable conditions for the rapid development of agricultural holdings.

It is necessary to create new informal institutions first that would stimulate implementation of cooperative legislation, to form an effective regulatory and legal field for ASC development. The Russian-Ukrainian war united the Ukrainian nation, increased the level of trust in society, and revolutionized the socio-cultural code of Ukrainians, reducing cultural gap with Western European countries and increasing the distance with the countries of post-Soviet bloc. This gives confidence, that in the conditions of post-war recovery of agriculture in Ukraine, there will be a need not only for the government, but first, for agricultural producers to cooperate, which creates a powerful impetus for ASC development.

The study showed that there are many deviations from cooperative values and principles in the activities of integrated structures that position themselves ASC in Ukraine, which distorts the essence of a cooperative idea and adversely affects the image and mission of a cooperative movement. Therefore, we see the need for further research in identifying the heterogeneity of actors, their true aspirations and intentions regarding creation of pseudo- and quasi-cooperatives, the causes and consequences of these processes. In this context, the consequences of competition between agricultural holdings and farmers, which has recently started to reveal itself in Ukraine, requires further research. In addition, further in-depth research of the national policy vectors outlined in this paper regarding ASC development according to the identified drivers is needed.

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## Сільськогосподарська обслуговуюча кооперація в Україні: інституційні драйвери розвитку

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**Анотація.** Розвиток сільськогосподарської кооперації в Україні є одним з головних напрямів швидкого відновлення фермерського виробництва після російсько-української війни, підвищення його конкурентоспроможності, забезпечення сталого розвитку сільських територій, зростання зайнятості і добробуту сільського населення. Проте в Україні сільськогосподарські обслуговуючі кооперативи не отримали свого розвитку. Метою статті є визначення основних драйверів розвитку сільськогосподарських обслуговуючих кооперативів в Україні, окреслення на цій основі перспективних напрямів розвитку аграрної політики в частині стимулювання їх розвитку як протидії домінуванню агрохолдингів. Доведено, що головним стримуючим чинником розвитку сільськогосподарських обслуговуючих кооперативів в Україні є інституційна пам'ять селянина, що сформувалася під час колективізації за радянських часів, і, яка в сучасних умовах асоціюється з поняттям «кооператив». Це створює супротив сільськогосподарських виробників політиці держави щодо розвитку сільськогосподарських кооперативів, які відповідають міжнародним кооперативним принципам і, які довели на прикладі розвинених країн світу свої переваги у підвищенні конкурентоспроможності фермерів. Наголошено на тому, що перед зміною формальних інститутів через законотворення, необхідно сформувати відповідні неформальні інститути, які будуть посилювати, а не протидіяти, впровадженню формальних. Стаття має практичне значення для науковців та представників публічного управління у сфері формування стратегічних державних та регіональних програм розвитку як сільського господарства в цілому. Подальших досліджень потребує деталізація заходів державної політики відповідно до визначених драйверів розвитку сільськогосподарської обслуговуючої кооперації

**Ключові слова:** соціокультурний код нації, аграрна політика, інституціоналізм, неформальні інститути

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