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Status and development prospects of agricultural cooperatives in the context of European integration processes

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► **Abstract.** The intensification of agricultural cooperatives is of particular significance in the system of increasing the competitiveness and adaptability of the agricultural sector of the economy, stabilising food security in the context of integration with the European community. The purpose of this study was to substantiate the economic, theoretical, methodological, and social provisions of the functioning of agricultural cooperatives in the context of European integration processes. The study employed general scientific methods of cognition in generalising the trends in the development of cooperation in the pre-war and wartime periods, and the specifics of the regulatory framework; the structural and functional method in determining the indicators that hinder the functioning of agricultural cooperatives; analysis and synthesis in assessing the trends in the development of cooperatives; and analysis in assessing and characterising individual cooperative structures. The study considered the current state, place, and role of agricultural cooperatives in the context of European integration processes in Ukraine's accession to the European community. A systematic analysis

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of the problems and trends in the functioning of agricultural cooperatives in Ukraine during wartime was performed. The theoretical and methodological aspects of the functioning of cooperative entities were considered. The reasons that impede the activation of the cooperative movement in the agrarian sector of the economy at the present stage of development were identified. The study considered the trends in the development of agricultural cooperatives in the European Union and the world. The dynamics of development of agricultural cooperation in Ukraine was assessed and the study identified the negative aspects that should be considered in the organisation and functioning of agricultural cooperatives, depending on the type and activities of the cooperative. The role of international technical assistance and state support in stimulating and strategising the development of agricultural cooperation in Ukraine was determined. The study identified the opportunities and prospects for the development of the cooperative movement and problems of sustainable development of cooperatives through the involvement of private farms in integration processes. The role of cooperatives in the development of social capital and sustainable development of rural areas in the post-war reconstruction of the Ukrainian economy was covered. The information material can be used in the development of programmes for the development of business entities in the agricultural business of the regions

► **Keywords:** cooperation; entrepreneurship; cooperative; business entity; integration associations; social capital; rural areas

► Introduction

In the context of European integration and military challenges, agricultural cooperatives are undergoing profound transformational changes caused by the need to adapt to these processes. Practice has shown that small producers, farms, and private households have adapted to the new crisis conditions faster. By uniting in cooperative structures, these business entities receive a synergistic effect from joint activities, considering the increased requirements for the quality characteristics of agricultural products stemming from trade with the EU. Transformation processes are ongoing and require a rethinking of the existing processes related to the further development of agricultural cooperation, caused by martial law and the need to prepare for accession to the European cooperation. Upon investigating the state of implementation of digital marketing tools in agricultural cooperatives, R. Bezus & L. Kriuchko (2022) identified the need to amend regulations, which will help improve the quality of the marketing system for agricultural products of cooperatives. V. Lavruk *et al.* (2022) substantiated the feasibility of establishing service dairy cooperatives to improve milk quality, follow the rules of machine milking, increase the purchase price of milk, and make best use of cows based on self-organisation. H. Kaletnik *et al.* (2022) focused on the need to create energy cooperatives in rural areas, which are an element of achieving sustainable development in rural areas. The researchers concurred that by increasing the added value of products, the profitability of doing business in agriculture increases.

D. Onopriichuk & I. Cherven (2023) focused on the specific features of the development of dairy cooperatives Friesland Campina (Netherlands), Yili and Mengniu (China), Nestle Dairy (Switzerland), Amul (India), Arla Foods (Denmark and Sweden), Saputo (Canada and the USA), specifically, on the establishment of milking, collection, processing, transportation, processing, and sale of dairy products. The researchers explained why milk from private households is not used for industrial production. O. Tomilin & T. Bahalika (2023) covered the principles of cooperation and integration processes, identified the reasons that hinder the development of cooperation, and developed areas for the development of cooperation processes during the post-war economic reconstruction of the country. A. Panteleimonenko & V. Honcharenko (2023)

substantiated that the presence of factors of 'unreadiness' to establish a cooperative may lead business entities to decide that it is inexpedient to establish a service cooperative in agriculture. The researcher fully covered the specific features of the negative components of socio-psychological readiness to establish a cooperative (inertia of agricultural producers; misunderstanding of the benefits of economic mutual assistance; unwillingness to pay for the services of a cooperative; distrust of colleagues in production; resistance to 'collectivist values'; imperfection of tax policy; deformation of the essence of the cooperative idea; unwillingness to take responsibility; lone wolf syndrome; lack of faith in state support, etc.)

O. Hafurova (2024) characterised agricultural cooperatives (operating without the purpose of making a profit) and agricultural cooperatives (operating with the purpose of making a profit). O. Demchenko (2024) focused on the specific features of the impact of cooperation in agriculture on the development of human capital in rural areas; the complexity of legal regulation of cooperatives; and the improvement of information support. Y. Danko & D. Zhyvytskyy (2024) covered the problems of developing dairy clusters as a tool for diversifying the production of business entities. The researchers focused on the need to attract financial resources; stimulate cooperation; build infrastructure; innovative development; state support for clustering; drivers of competitiveness; and diversification of production.

It was found that most of the results of scientific research are aimed at clarifying certain issues of organisation and operation of agricultural cooperatives in general without linking them to modern challenges, which necessitates further investigation into the system of enhancing the formation of cooperative structures and their prospects for the future. The purpose of this study was to assess the current state of development of agricultural cooperatives and the problematic issues in intensifying their functioning strategy in the context of military and European integration challenges.

► Materials and methods

The information base of the study included the Law of Ukraine "On Approval of the Model Charter of Agricultural Service Cooperative. Order of the Ministry of Agrarian

Policy and Food of Ukraine” No. 315 (2013). The study also reviewed the Order of the Ministry of Agrarian Policy and Food of Ukraine No. 643 (2013). The analysis covered the Law of Ukraine No. 1087-IV (2003), as well as the Laws of Ukraine No. 1377-IV (2003) and No. 819-IX (2021). Publications of national and international news agencies, including the State Statistics Service of Ukraine, were examined (Official website of the..., n.d.). The study also built on the findings of Ukrainian researchers, as well as researchers from Malaysia, Indonesia, and the Baltic States who investigated the development of agricultural cooperatives in the context of European integration processes (Abu Hasan *et al.*, 2022; Kutsyk *et al.*, 2023). The study also considered the research of O. Hafurova (2024) and other authors. Furthermore, the previous findings of the authors of the present study were considered.

The key theoretical and methodological platform of the study included the provisions of institutional economic theory and structural-functional analysis. Monographic (in synthesising the existing provisions on the organisation and operation of agricultural cooperatives), abstract and logical (in analysing the dynamics and state of organisational and economic support for the development and functioning of integrated structures), statistical (in assessing the performance indicators of agricultural cooperatives) and graphical (in assessing the number of operating cooperatives, those working in cooperatives and the directions of their development) methods, as well as approaches to generalising the findings in characterising the development of some individual agricultural cooperatives and formulating conclusions. Information on the key indicators of agricultural cooperatives’ development as of 01 January 2024 is not yet available, and therefore the data for 2018–2023 were analysed.

Particular attention was paid to identifying the prospects for the development of cooperatives in the post-war period, including an analysis of international technical aid programmes. The study also considered the impact of external and internal factors on the development of agricultural cooperatives, such as government policy,

military operations, socio-economic changes, and European integration processes. A comparative analysis of the development of cooperatives in different regions of Ukraine and abroad is complemented by an assessment of the effectiveness of international support programmes such as USAID, EU/UNDP, and Canadian government projects. To predict the prospects for the development of cooperatives, dynamics models were used, including a logarithmic function to assess changes in the number of employees, as well as elements of SWOT analysis to identify the strengths and weaknesses of the cooperative movement in Ukraine.

► Results

Development of agricultural service cooperatives. The study found that the country has considerable potential and natural resources to increase the sustainability and productivity of agricultural production, the competitiveness of quality products, and the development of social capital. Almost a third of people live and work in rural areas, and this share has increased during wartime. The state of agricultural business development is characterised by positive dynamics. Foreign exchange earnings from exports account for about 40%. The agricultural sector accounts for about 13% of gross value added. In the context of military and European integration processes, the problem of organisational and economic support for the development and functioning of integrated structures overall and agricultural cooperation specifically is becoming increasingly important for achieving the Sustainable Development Goals for the period up to 2030 (Malik *et al.*, 2022; Kravchenko *et al.*, 2023).

Through labour, citizens consolidate their efforts to conduct business together. Therefore, labour is the foundation of cooperation, which reflects the essence of the ideology of production organisation, from the implementation of which society receives certain results (Malik, 2019). The development of agricultural cooperatives has a minimal effect on the functioning of the agricultural sector of the economy. The number of agricultural cooperatives is changing (Fig. 1).

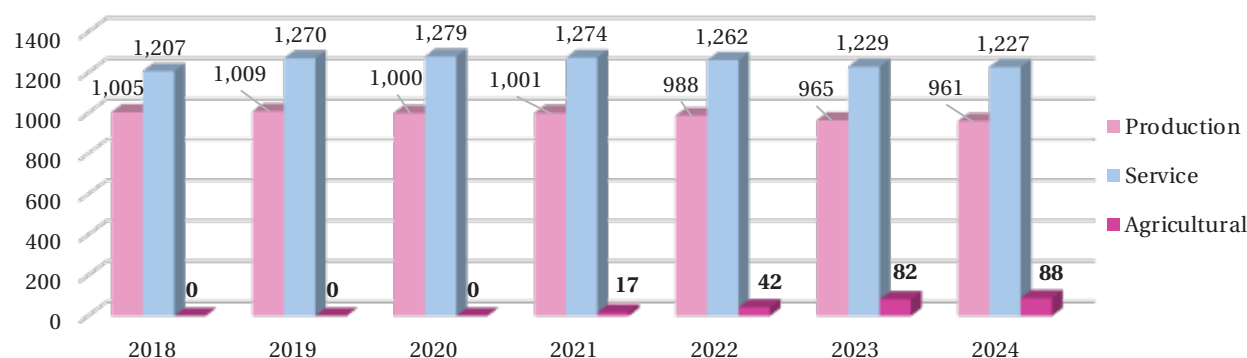


Figure 1. Number of agricultural cooperatives as of 1 January of each year

Source: Official website of the State Statistics Service of Ukraine (n.d.)

Services provided by agricultural cooperatives as business entities do not exceed 1%. It was found that the number of members of agricultural service cooperatives is about 28 thsd people, which is 0.25% of the country's farmers. As of 01 January 2024, agricultural cooperatives

accounted for only 8.40% of the total number of cooperatives in the country. There are 1,227 registered agricultural cooperatives. However, only 735 business entities with a 1% share of the agricultural market are active. The existing agricultural cooperatives are structured by

specialisation: grain, land cultivation, meat, dairy, harvesting, fruit and vegetable, etc. The largest number of cooperatives are dairy, land cultivation, and harvesting. The distribution of cooperatives across the country is uneven. The regions of the western part of Ukraine with strong private ownership traditions have the greatest

number of them. As of 01 January 2023, the distribution of the number of operating agricultural service cooperatives by region is evidence of the integration of producers by region and specialisation (Fig. 2). However, in wartime, a decrease in the number of members and employees of agricultural service cooperatives was recorded.

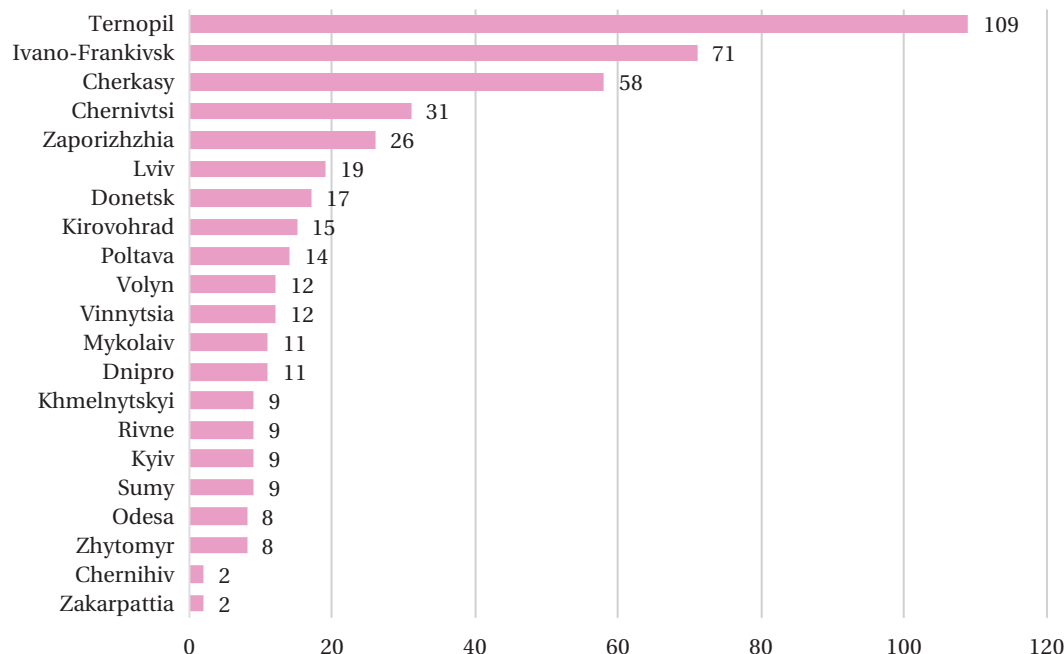


Figure 2. Number of operating agricultural service cooperatives by region as of 01 January 2023

Note: this information was not yet available as of 01 January 2024

Source: Report on scientific research and development for the period from January 1, 2021, to December 31, 2023, on the implementation of tasks under the scientific and technical program (2024)

Among the existing agricultural service cooperatives, the most widespread were cooperatives in the following areas: other – 95 (20.6%); dairy – 87 (18.87%); land cultivation and harvesting – 83 (18.00%); fruit and berry – 66 (14.31%); beekeeping – 42 (9.11%); meat – 33 (7.15%); vegetable – 29 (6.29%); grain – 26 (5.64%) (Fig. 3) (Report on scientific research..., 2024). One example of the effective functioning of agricultural service cooperatives is the development of the Pokrova and Stryiskyi Yas cooperatives in Lviv Oblast. In times of armed conflict and warfare, it is important to encourage citizens to increase their

cooperative capacity (Should agricultural cooperatives..., 2022). The agricultural service cooperative Ivankovetskyi Svitnok in the Znamianskyi district of Yukhymivka village, Kirovohrad region, was registered and has been operating since 03 May 2006. The cooperative has a milk processing capacity of 3 tonnes per shift. It distributes its products under the brand name Family Farm. The cooperative serves 3 settlements. The cooperative has about 50 members. Another example. In 2010, 8 cooperatives were established in the Dnipro region. The members of these cooperatives include 1,100 families in the Synelnikivskyi district.

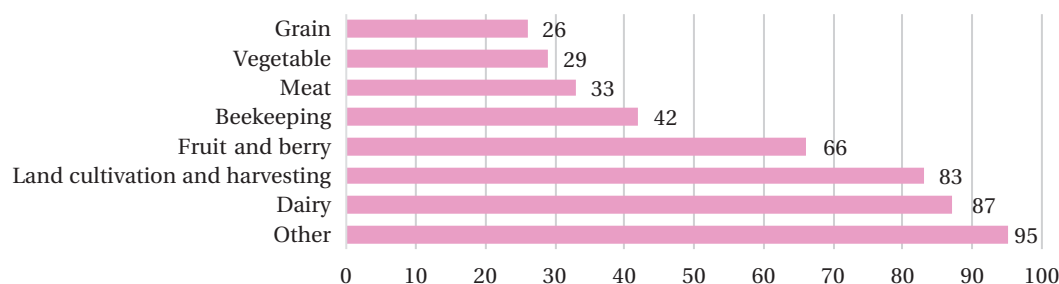


Figure 3. Areas of development of existing agricultural service cooperatives as of 01 January 2023, units

Note: this information was not yet available as of 01 January 2024

Source: Report on scientific research and development for the period from January 1, 2021, to December 31, 2023, on the implementation of tasks under the scientific and technical program (2024)

A cooperative dairy farm was also established. For this purpose, UAH 17 million was raised. The sponsors were Danone Ukraine, the International Charitable Fund Community Wellbeing and the Canadian International Development Agency. These cooperatives were used to create the association of agricultural service cooperatives 'Hospodar' (registered on 16 May 2011). The purpose of its functioning is to develop the activities of ports of quality raw materials. It also provides training for members of cooperatives, institutional support for the production of quality products to prepare for EU accession in compliance with regulations, lending to family farms, and promoting rural development (Malik, 2019). The development of cooperatives is particularly relevant in the context of military operations. The agricultural sector has suffered and continues to suffer tremendous losses, estimated at hundreds of billions of dollars. Agricultural infrastructure has been destroyed: farms, elevators, processing plants, and agricultural machinery. Furthermore, thousands of hectares of land have been mined. Restoration of the destroyed assets requires funds and human resources. The war with Russia has adversely affected the activities of certain cooperatives and their associations.

For instance, while in 2021 the Hospodar agricultural service cooperative (n.d.) received net income from

the sale of products and services in the amount of UAH 103,489 thsd, in 2023 it was UAH 10,307 thsd, and the profit was UAH 1,828 thsd and UAH 630 thsd, respectively. Revenues in the Kazarnyansky Dobrobut agricultural cooperative (Kazarnyansky Dobrobut agricultural..., n.d.) also decreased from UAH 432 thsd in 2021 to UAH 377 thsd in 2023. In ASC Ivankovetsky Svitanok (Ivankovetsky Svitanok agricultural..., n.d.) – from UAH 477 thsd in 2021 to UAH 168 thsd in 2022. Agricultural cooperation can help to meet the needs of small and medium-sized enterprises and private farms and make a valuable contribution to the development of territorial communities in the free territories and in preparation for accession to the European Economic Community. Information on the key indicators of agricultural cooperatives' development as of 01 January 2024 was not yet available. There was also no body that would monitor the development of agricultural cooperatives, the number of members and employees. General statistics were limited to 2018. The available information base on the development of agricultural cooperatives provided only quantitative characteristics of cooperatives. The share of employed workers was insignificant and had no impact on rural employment. On average, there were 1.3 people per cooperative, and the number of cooperative members was 23, with 38 people in dairy cooperatives (Fig. 4).

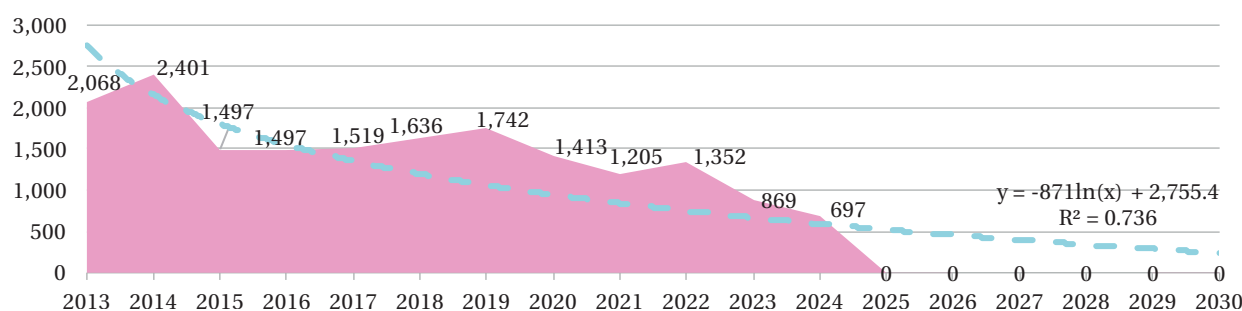


Figure 4. Number of employees in agricultural service cooperatives, persons

Note: $y = -871 \ln(x) + 2,755.4$ is a logarithmic function for forecasting changes in the number of employees in agricultural service cooperatives in 2030; the correlation coefficient is 0.736

Source: Report on scientific research and development for the period from January 1, 2021, to December 31, 2023, on the implementation of tasks under the scientific and technical program (2024)

It was found that 1,298 cooperatives were registered at the beginning of 2023. However, only about 3/4 were active. The most active were agricultural cooperatives in the Lviv, Cherkasy, and Lviv regions. It was found that

the number of members of cooperatives, as well as the number of people working in them, has changed slightly, ranging from 23-29 thsd people and 1,200-1,600 people, respectively (Fig. 5, Table 1).

Table 1. Performance indicators of agricultural service cooperatives

Year	Number of cooperatives	Number of cooperative members, thsd people	Number of employees, people	Financial support received from the local budget for the year, UAH thsd	Amount of taxes and duties paid, UAH thsd	Mutual fund size, UAH thsd	Availability of property, plant, and equipment, UAH thsd	Proceeds from sales of products, UAH thsd	Funds received per cooperative, UAH thsd	Funds received per cooperative member, UAH thsd
2016	949	26.515	1,497	1,274.5	16,174.5	36,008.6	77,198.8	87,113.6	91.8	3.3
2017	1,017	23.520	1,519	995.2	5,952.6	87,627.9	74,939.5	81,694.1	80.3	3.5
2018	1,073	24.818	1,636	3,438.7	13,981.5	26,263.3	91,449.2	109,624.2	102.1	4.4
2019	1,207	25.736	1,742	–	14,635.5	28,936.5	91,896.3	122,896.1	101.8	4.8
2020	1,269	26.700	1,413	5,380.8	10,606.7	34,816.4	148,937.5	143,703.9	113.2	5.4
2021	1,282	26.400	1,205	1,177.4	9,454.8	41,766.5	135,024.5	528,808.7	412.5	20.0
2022	1,096	26.200	1,352	2,040.7	13,139.2	42,431.4	103,407.6	178,973.4	150.3	6.4

Table 1, Continued

Year	Number of cooperatives	Number of cooperative members, thsd people	Number of employees, people	Financial support received from the local budget for the year, UAH thsd	Amount of taxes and duties paid, UAH thsd	Mutual fund size, UAH thsd	Availability of property, plant, and equipment, UAH thsd	Proceeds from sales of products, UAH thsd	Funds received per cooperative, UAH thsd	Funds received per cooperative member, UAH thsd
average for 2016-2022	1,127.6	25.698	1,480.6	2,384.5	11,992.1	42,550.1	103,264.8	178,973.4	150.3	6.8
per 1 cooperative per year	–	0.023	1.313	2.115	10.635	37.735	91.579	158.721	–	–

Note: information for 2023 was not yet available

Source: Official website of the State Statistics Service of Ukraine (n.d.); M. Malik *et al.* (2022)

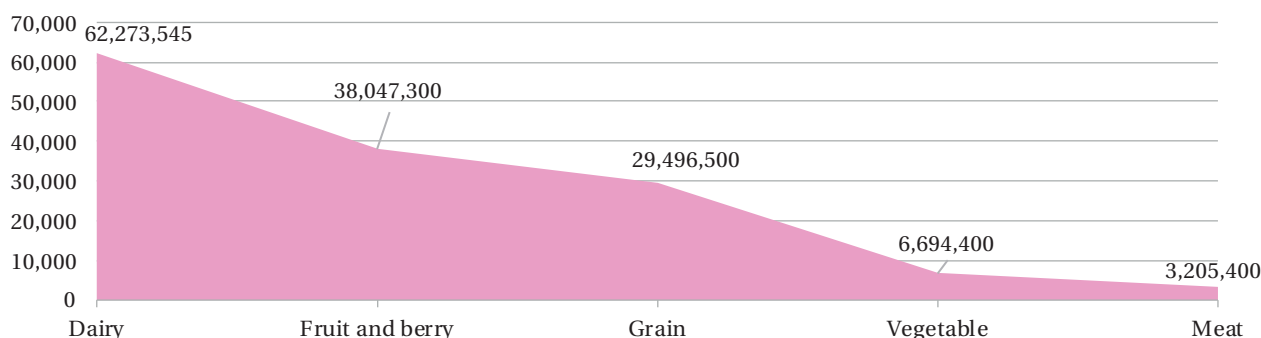


Figure 5. Funds received from the sale of certain types of products by agricultural service cooperatives as of 01 January 2023, UAH thsd

Source: Report on scientific research and development for the period from January 1. 2021. to December 31. 2023. on the implementation of tasks under the scientific and technical program (2024)

The development of agricultural cooperation in Ukraine is negatively affected by large farms with land banks of 50 hectares or more and centred in urban areas. The existence of business entities of varied sizes, such as private households (up to 2 ha of land), farms (130 ha), and medium-sized farms (500 ha or more), does not contribute to the development of cooperatives. This will not be corrected by the provision in the Law of Ukraine No. 819-IX (2021) on voting depending on the amount of capital invested, which is generally accepted by cooperative entities. In such conditions, cooperation can successfully develop when business entities that are equal in terms of both production volumes and organisational forms are united. For instance, private farms and family farms. This is because a cooperative successfully combines the interests of owners, producers, and consumers. In addition, despite the lack of a coherent state policy to support agricultural cooperatives, caused by the military actions of the Russian Federation, the pace of development of cooperative structures has changed slightly over the past 10 years. Between 2017 and 2023, the number of agricultural cooperatives increased by 1,017 in 2017 to 1,229 in 2023, or about 5% per year. However, the number of cooperatives is slowing down due to the hostilities. In 2022, 7 cooperatives were organised, while in 2023 – 17.

The efficiency of the economic activities of some cooperatives decreased in 2022-2023. Thus, while the Dobrobut Andriivky cooperative (Sinelnivskiy district, Dnipro region) was profitable in the pre-war years, it

suffered losses during the hostilities. Revenue decreased from UAH 2,765 thsd in 2021 to UAH 1,354 thsd in 2023. Despite the crisis caused by the hostilities, there are positive results. In August 2022, the village of Troyandove, Odesa region, received UAH 100 thsd from the Embassy of the Kingdom of the Netherlands to implement the “Rose Kingdom” project. However, the total cost of the project is UAH 399 thsd (of which UAH 50 thsd are funds of the territorial community). In October of that year, a 3-hectare rose garden was laid and an agricultural cooperative was established (In the Odesa region..., 2022). In addition, in 2022, an agricultural service cooperative ‘Victory Gardens’ (Vita-Poshtova village, Kyiv region) was established to unite market participants to jointly purchase the necessary inputs for production, sell surplus products, train cooperative members, and grow various types of products (A cooperative ‘Victory Gardens’ 2022). The main services of the Victory Gardens cooperative include training in modern technologies; development of technologies for growing the necessary crops; conducting excursions to households; payment for consulting and advisory services, etc. A member of Victory Gardens can receive discounts for the cooperative; access to business plans and technologies (greenhouse, poultry, rabbit, sheep farm); access to events or training programmes; and the opportunity to take part in joint sales of products.

The first cooperative elevator was established in 2022 to help agricultural service cooperatives export their products (“Zernovyi”, “Hospodar” in Dnipro region,

“Zerno-Bunk” in Kirovohrad region) (Agro-Business. n.d.). The purpose of the “Zernovyi” cooperative (n.d.) in Dnipro region, which unites 101 grain farms with a land bank of 35,000 ha, is to store and process grain and oilseeds. Net income from sales of products and services in 2023 amounted to UAH 23,999 thsd, compared to UAH 15,999 thsd in 2021. Profit increased 4.6 times and amounted to UAH 1,664 thsd in 2023. The purpose of the “Zerno-Bunk” cooperative (Agricultural Cooperative “Zerno-Bunk”. n.d.) in Bobrynets, Kirovohrad region, which unites 35 farms with a land bank of 17 thsd ha, is to form commercial volumes of grain both on the internal and external markets. Revenues increased by 23% in 2022 compared to 2020. Net income increased by 53%. An analysis of the activities of cooperative structures suggests that the crisis caused by the military actions of the Russian Federation negatively affected the development of cooperation. The pace of creation of new cooperatives has slowed down and the revenue component of their activities is decreasing. However, there are also positive results, and this gives hope for the prospects of cooperation development despite the military challenges.

Implementation of international technical aid programmes. The implementation of international technical aid programmes is of great value for the development of cooperation and is aimed at increasing the mobilisation of business income, which will improve living standards, create new jobs, and help to support the post-war recovery and reconstruction of the agricultural sector of the economy as effectively as possible. The most effective projects to support agricultural cooperation in Ukraine are as follows: a) Dairy Business Development in Ukraine project (2014-2021; financial partners: the Government of Canada, the Ministry of Foreign Affairs, Danone Ecosystems Foundation (France), Danone in Ukraine, ICF ‘Community Welfare’, Dnipro and Lviv regional state administrations; CAD 27.7 million raised; uniting 5000 small and medium-sized dairy producers into a network of associations in Lviv, Dnipro, Ivano-Frankivsk, and Kherson regions); b) the EU/UNDP Community Based Approach to Local Development Project (support for the establishment of agricultural service cooperatives); c) the USAID Agricultural and Rural Development Support Project (funding for service cooperatives or producers to receive advisory and information support, purchase of agricultural equipment) (Malik, 2019; Kutsyk *et al.*, 2023). International technical aid programmes have played a key role in the development of agricultural cooperation in Ukraine, contributing to increasing incomes, creating jobs, and supporting the post-war economic recovery.

Development of agricultural production cooperatives. The fundamental principles of agricultural production cooperatives include the following: voluntary membership; distribution of income according to labour participation; personal labour participation of members (therefore, only an individual can be a member of a production cooperative); economic independence; and democratic governance. The development of agricultural production cooperatives plays a major role in the country's food security system. In the interpretation of the Law of Ukraine “On Agricultural Cooperation” (On the approval of the Model Rules..., 2013), an agricultural production

cooperative is an association of individuals for the purpose of joint management by combining resources to create jobs (employment of cooperative members) and make a profit. However, the Law of Ukraine No. 819-IX (2021) of 27 July 2020 does not stipulate production cooperatives as such.

Examples of successful development of production cooperatives include Batkivshchyna (Batkivschyna agricultural cooperative., n.d.) in Poltava region, Urozhai (Urozhai agricultural production cooperative, n.d.) in Volyn region, V. Stefanyk (Collective Agricultural Cooperative..., n.d.) in Lviv region, and Rodyna (SVK “Rodyna”, n.d.) in Odesa region. The Batkivshchyna ASC in Kotelva village, Poltava region, is a voluntary statutory association of citizens who own land and property shares for joint economic activity. In 2023, the land bank of Batkivshchyna ASC totalled 6,886 ha. The cooperative is a diversified dairy, grain, and beet-root farm. It has 2,200 heads of cattle, including 905 cows. The milk yield per cow is over 7,000 kilograms per year. In 2022, the cooperative had an income of UAH 131,042 thsd. The cooperative has a breeding farm of Ukrainian Red and White cows. It produces reproductive seeds of winter and spring crops, maize, and sunflower hybrids. The success of the cooperative is based on sound management, proper organisational skills of managers and specialists, compliance with labour and technological discipline, constant care for people, strong material and moral interest, encouraging initiative and increasing the responsibility of each member of the cooperative (Zaliiavska-Shyshak & Fesun, 2021). The V. Stefanyk Production Cooperative in Yaseniv village, Lviv region, is a diversified farm that grows oilseeds, pulses, grains, potatoes, and vegetables. In 2022, revenue grew by +2.43%, but net profit decreased by 33% compared to 2021.

Agricultural production cooperatives (998 in 2023) have developed social capital. The success of production activities is influenced by the rational resolution of social issues, employment, and care for members-owners of farms. The transformation processes in the development of production cooperatives will continue in the future due to the biased perception of them as the prototype of collective farms. In the post-war period, the development of new forms of cooperative relations – simple partnerships, joint land cultivation partnerships, and contractual sales of products – intensified.

► Discussion

Overall, the authors of the present study agree with the researchers of agricultural cooperation on the state and preconditions for their development. Therewith, these proposals do not always factor in the economic situation, the state of war, legislative changes, and the vision of cooperation development during the period of Ukraine's accession to the EU. N. Denisova & R. Born (2021) focused on the trends in the functioning of cooperatives and farming entities to stimulate the use of information systems and innovative technologies. N. Abu Hasan *et al.* (2022) emphasised the need to develop digital technologies in the management decision-making system and agricultural business to increase competitiveness and productivity in agriculture. D. Shelenko *et al.* (2022) fully covered the specific features of the future development of rural cooperatives under martial law. The authors of the present

study support the position of researchers that the capacity of the market niche will grow due to the implementation of innovative, digital technologies in business and the integration of cooperative structures.

The findings of A. Semysal (2022) on the development of cooperative relations in wartime are noteworthy. It was found that in dairy farming, the development of cooperation will help to establish control over the quality of dairy products; optimised use of resources; reduction of transaction costs, etc. The authors of the present study agree that without substantial state support, the development of dairy cooperatives and the creation of network-type structures is challenging. O. Litvak & S. Litvak (2023) emphasised the significance for agricultural entrepreneurs to cooperate with scientific and research institutions to introduce innovative systems and technologies, improve professional skills, and optimise production. Furthermore, I. Tomashuk *et al.* (2023) focused on the significance of developing the socio-environmental policy of business entities, which is also relevant to the development of agricultural cooperatives in a market environment.

S. Jerčinović (2023) substantiated the specific features of the development of the organisational culture of entrepreneurs and the sustainability of their marketing strategies to increase productivity in agriculture. P. Kutsyk *et al.* (2023) covered the state and priorities for the development of agricultural cooperation in extreme operating conditions. The authors of the present study agree that social, human, and organisational capital; care for members and communities; and a prominent level of unity are substantial advantages of cooperation. P. Kutsyk *et al.* (2023) praised the Law of Ukraine No. 819-IX (2021), attributing only to this Law the provisions that were in the framework Law of Ukraine No. 1377-IV (2003). The researchers highlighted as an achievement the granting of the right to receive dividends and patronage dividends to members of cooperatives instead of share payments (Kutsyk *et al.*, 2023). The statement that cooperative members are given the opportunity to choose the types and directions of activity – production or service – is also not true. These are distinct types of activities. There are considerable differences when establishing a production cooperative. For a production cooperative, the labour participation of members is mandatory, and therefore only individuals can be members of such cooperatives.

Thus, the Law of Ukraine No. 819-IX (2021) legislatively approximated the institutional status of an agricultural cooperative to the model of a business entity. The abandonment of the division of cooperatives by type of activity into production and service ones and the change to the status of 'profitable-unprofitable' do not factor in the essence of cooperatives as the structures that formed them. Harmonising provisions that put the functioning of production cooperatives, of which there are about a thousand, outside the scope of the Law, have been removed. By using the text of the framework Law of Ukraine No. 1087-IV (2003), the logical construction of cooperative legislation, which means the specifics of the formation and organisation of cooperative structures – on agricultural, consumer, construction, and credit cooperation – was violated. Vasyl Ivchenko, a member of the Committee on Agrarian and Land Policy of the Verkhovna Rada of

Ukraine, noted that the generic feature of a cooperative, the mutual fund, has disappeared from the text of the Law. Now, instead of equity shares, there is a share in the authorised capital, and instead of a mutual fund, there is an authorised capital (Report on scientific research..., 2024). This begs the question of how a cooperative will now differ from any business company. A negative consequence of this Law may be that fictitious labour relations are covered by cooperative relations, the rights of employees to wages are violated, and conditions are created for inefficient use of budget funds. Currently, there is no common approach to the development of agricultural cooperatives in the country. The replacement of cooperative payments with patronage payments in the Law of Ukraine will not substantially affect the development of cooperation. Legislation on agricultural cooperation needs to be improved, but with due regard to national traditions, the opinion of NGOs and researchers, and European practices, and to eliminate the shortcomings that still exist.

O. Kovbasa & V. Maznyi (2024) covered topical issues of the development of integration processes in modern agricultural business from the standpoint of horizontal, vertical, and intersectoral cooperation of producers in the market environment. It was found that Ukraine has potential opportunities for considerable development of agricultural cooperation, the presence of a significant number of private households, small and microenterprises, farms, considering the requirements of association with the EU following the requirements of the European Community. However, research revealed that there are quite problematic issues that hinder the development of agricultural cooperation. So far, Ukraine has not created a proper database of statistical data on the development of agricultural cooperatives and their contribution to the national economy. The cooperatives face problems related to the lack of qualified personnel, low level of implementation of innovative technologies, which are affected by insufficient financial support, low production volumes, inadequate quality of marketing, and lack of advisory services. In terms of organisational and economic development, further development of small businesses and cooperatives should be ensured. The state should continuously focus on developing the inclusiveness of family farming and cooperation as a basis for sustainable rural development.

Agricultural cooperation has great prospects, but not all agricultural producers, especially small ones, are ready to take advantage of the opportunities offered by the EU-Ukraine Association Agreement. Some are afraid of changes in the absence of funds, while others are afraid of competition and new requirements for product quality in line with EU standards. Ukraine is committed to implementing reforms in wartime, although the practice is challenging. The EU-Ukraine Association Agreement opens a way for small businesses to become part of the European community through cooperation and become part of the internal production. A common form in the agricultural sector is integrative associations based on cooperative principles, which will provide conditions for the competitiveness of small agricultural producers. Such cooperative formations are created by integrating all parts of production. The idea of agricultural cooperation is based on the following principles: objective advantages of large-scale

production over small-scale production; limited capabilities of each individual (small) commodity producer in the development of specialisation processes; the need to develop processes of concentration of business entities in the production of a concrete type of product in the theory of differential incentives, where each process has its optimised modes and size.

► Conclusions

The purpose of this study was to assess the state of development of agricultural cooperation for 2018-2023, considering the effects of the crises caused by the military actions of the Russian Federation, and to identify strategic issues of its further functioning. The task was largely completed. The prospects for the development of cooperation are based on its function – meeting the economic, social, and other concerns of its members. In extreme operating conditions, if small and micro businesses do not unite, their further development will be challenging and problematic. The key obstacles to their activities include financial, price-related, and export problems. It is only through the association of producers that it is possible to operate efficiently, which is confirmed by the activities of selected cooperatives and their economic performance. It was found that as of 1 January 2024, there were 1,227 agricultural service cooperatives and 961 production cooperatives. 28 thsd farmers in the country are members of agricultural service cooperatives. All cooperatives are structured by specialisation, but most of them are dairy cooperatives, land cultivation, and harvesting cooperatives. It was found that in 2016-2022, agricultural service cooperatives received UAH 178,973.4 thsd from the sale of products and paid taxes in the amount of UAH 11,992.1 thsd. To create

conditions for the successful development of agricultural cooperation, it is necessary to determine and forecast agricultural policy (long-term, predictable, and understandable); improve cooperative institutions (streamline cooperative legislation); create a framework for the development of cooperatives (development of family farms and small businesses); support at the beginning (financial support for paying a manager, accountant, purchase of equipment, information support); borrowing the practices of other countries (EU – identification of the legislative framework); cooperative diplomacy (contacts with other foreign organisations); cooperative education (cooperative law, cooperative education system); donor assistance (coordination of various programmes, information and advisory support, general knowledge base); training of officials and pseudo-cooperatives (control over the registration of cooperatives, development of programmes, development strategies for cooperatives).

The practical significance of this study lies in the assessment of the state of development of the cooperation process and the activities of individual entities. The necessity of improving the legislative and regulatory framework was confirmed. Further research should clarify the principles of conceptualising the prospects for the organisational and economic development of entrepreneurship, cooperation, and agro-industrial integration under martial law and post-war transformations.

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► Conflict of interest

The authors of this study declare no conflict of interest.

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Стан та перспективи розвитку сільськогосподарських кооперативів в контексті євроінтеграційних процесів

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► **Анотація.** Активізація діяльності сільськогосподарських кооперативів має особливе значення в системі нарощування конкурентостійкості та адаптивності аграрного сектору економіки, стабілізації продовольчої безпеки в умовах інтеграції із європейською спільнотою. Метою статті було обґрунтувати економічні, теоретико-методологічні, соціальні положення функціонування сільськогосподарських кооперативів в контексті євроінтеграційних процесів. В процесі дослідження використовувалися загальнонаукові методи пізнання при узагальненні тенденцій розвитку кооперації в передвоєнні та воєнні часи, особливостей нормативно-правових засад; структурно-функціональний метод при визначенні показників, що гальмують процеси функціонування сільськогосподарських кооперативів; аналізу і синтезу при оцінці тенденцій розвитку кооперативів; аналізу при оцінці і характеристиці окремих кооперативних структур. Розглянуто сучасний стан, місце і роль сільськогосподарських кооперативів в контексті євроінтеграційних процесів при вступі України до європейської спільноти. Проведено системний аналіз проблем і тенденцій функціонування сільськогосподарських кооперативів в Україні в період воєнного часу. Розглянуто теоретико-методологічні аспекти функціонування кооперативних утворень. Виявлено причини, що гальмують активізацію кооперативного руху в аграрній сфері економіки на сучасному етапі розвитку. Розглянуто тенденції розвитку сільськогосподарських кооперативів в Європейському Союзі та світі. Оцінено динаміку розвитку сільськогосподарської кооперації в Україні та виявлено негативні аспекти, які необхідно враховувати при організації та функціонуванні сільськогосподарських кооперативів в залежності від виду та діяльності кооперативу. З'ясовано роль міжнародної технічної допомоги та державної підтримки в стимулюванні та стратегії розвитку сільськогосподарської кооперації в Україні. Виявлені можливості та перспективи розвитку кооперативного руху та проблеми стабільного розвитку кооперативів шляхом залучення особистих селянських господарств до інтеграційних процесів. Розкрита роль кооперативів у формуванні соціального капіталу та сталому розвитку сільських територій в післявоєнній відбудові економіки України. Інформаційний матеріал можливо використовувати при розробленні програм розвитку суб'єктів підприємництва в аграрному бізнесі регіонів

► **Ключові слова:** кооперація; підприємництво; кооператив; суб'єкт підприємництва; інтеграційні об'єднання; соціальний капітал; сільські території