Russian Agricultural Producers’ Views of Top-Down Organized Cooperatives

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Abstract

In Russia many agricultural supply and marketing cooperatives have been established by governmental authorities, and agricultural producers may join them freely. Although this practice is contrary to cooperative experiences historically and internationally it may have a rationale; the development of cooperatives, which are highly needed in Russian agriculture, might be faster. This reasoning presupposes, however, that the members find their membership valuable so that they later get positive views of cooperatives. This study investigates whether this process takes place. The study compares data from two surveys among members of cooperatives within the Kurgan region. The surveys were conducted in early 2008 when the cooperatives were just established and in late 2008 when some of the cooperatives were about to be dissolved. The findings show that the respondents in the latter survey rank lower in terms of attitudes, willingness to trade, willingness to govern, willingness to invest, and trust.

Key words
Russia, transition agriculture, cooperatives, socio-psychology

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Introduction

During the last years, especially since 2005, the Russian government has considered agriculture as a prioritized branch of the economy. Favorable climatic conditions and extensive land resources provide good prospects for successful development of agriculture. Russian agricultural producers face, however, large problems in terms of poorly functioning markets, both when they buy farm inputs and when they sell their products (Ioffe and Nefedova, 2001). The federal and regional administrations have during the project “Development of Agro-Industrial Complexes” tried to solve those problems by initiating a process of establishing supply and marketing cooperatives in the agricultural sector. The project lasted two years (2006–2007), but from 2008 the project has continued, transformed into the “State Program of Agricultural Development in 2008–2012”. As a result of these initiatives new supply and marketing cooperatives have been established in all regions of Russia.

Hence, a number of new agricultural cooperatives have been organized also in the Kurgan region, which is in focus of this study. This is a region with large agricultural production. It is located just east of the Ural Mountains and borders Kazakhstan. Its population is about one million inhabitants, of which roughly half live in the rural areas.

It is common in Russia that the political leadership decides that cooperatives should be established and that such cooperatives are organized by governmental bodies. Hence, these firms are financially supported by government, and the management is recommended by the public administration. The agricultural producers are then invited to become members of the top-down organized cooperatives without having to invest any money or accepting any other obligations. Russian agricultural administration has much experience in the implementation of similar projects (Franks and Davydova, 2005). Such campaigns often break down after initial reports about the considerable achievements that should be made.

This study is devoted to an investigation about how these top-down organized cooperatives are encountered by the members. Such a study is interesting from a theoretical perspective as this type of organization is at odds with the general concept of cooperatives and there does not seem to be any previous research about them. The issue is important also from a practical point of view, as the need for both supply and marketing cooperatives in the Russian agriculture must be considered urgent (Gardner and Lerman, 2006; Golovina and Nilsson, 2009).

The study explores whether Russian agricultural producers may become more cooperatively oriented during their membership in top-down organized marketing and supply cooperatives. If the members appreciate the cooperatives they may gain
so much knowledge and skills that these cooperatives at a later point of time may turn into cooperatives of the same type that are common in most of the world.

If, on the other hand, the members do not appreciate their membership in the top-down organized cooperatives, it is likely that they do not want to conduct business with them, will not take any governance responsibilities, and will not invest money in them. In such a case, these cooperatives will probably have a bleak future, if any at all. Therefore the agricultural producers will remain weak on the marketplaces.

This paper is structured as follows. Background information about the establishment of top-down organized cooperatives is presented next. An account of the theoretical framework follows, ending with the identification of variables for the empirical study, as well as a hypothesis. The following section presents methodological issues about data collection procedure and statistical method. Finally, the results of the empirical study are presented, followed by sections that present conclusions and suggestions for further research.

The process of cooperative establishment

The procedure of establishing cooperatives by agricultural government is rooted in Soviet traditions. The heads of the regional agricultural administration make agreements with the federal administration about the creation of cooperatives in the rural areas. The number of planned cooperatives is often quite high for many regions.

Thus, 48 agricultural cooperatives were planned to be established in the Kurgan region but only 21 were actually created. The cooperatives investigated in this study are the 21 active supply and marketing cooperatives in the Kurgan region, and the members are agricultural producers, mostly producers of dairy and meat. Except for the 21 top-down organized cooperatives there are no other marketing or supply cooperatives operating in the Kurgan region.

The regional administration established contacts with the districts’ rural administration offices in the same way. However, some heads of administration offices in the rural districts of the Kurgan region did not share the opinion about the timeliness and soundness of the governmental decisions. They asserted that the cooperative campaign would soon fail and the members would become disappointed and lose even more faith in cooperatives.

The information presented in this section originates mainly from the Department of Agriculture and Processing Industry of the Kurgan region.
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blamed the district level for inactivity, and as a result, cooperatives have been created in almost each district.

Apart from the fact that formalism has been inherent in the cooperative campaign, the rural administration has made serious attempts to disseminate information about the advantages of agricultural cooperatives and the principles of cooperation. Furthermore, the administration offices made efforts to help newly established cooperatives to solve financial and organizational problems. Hence, 130 district seminars and more than 200 rural meetings about cooperation were organized in the Kurgan region during 2006. A problem was that the specialists within the regional administration have limited knowledge about modern cooperatives, e.g. different organizational arrangements. They advocated only one model, namely the traditional cooperative model, which is characterized by unallocated equity, collective decision-making, equal treatment, and other cooperative principles. A traditional cooperative is, however, not necessarily the best one under the existing socio-economic conditions.

Russian agricultural producers are often in a difficult situation. On the one hand, socio-psychological factors cause difficulties for agricultural cooperative development (Golovina and Nilsson, 2009). On the other hand, existing monopolistic structures in the sphere of agricultural product processing impede profitable functioning of the agricultural producers (Franks and Davydova, 2006). Processing enterprises do not want to work with products from small individual farmers because of poor quality so they prefer imported raw products. Furthermore, their price policy is unfavorable for the agricultural producers.

Under such conditions it would have been valuable for the agricultural producers to have well-functioning cooperative firms. The 21 newly established agricultural cooperatives in the Kurgan region are, however, extremely small. Until May 2008, only 158 producers, most of them household growers, decided to be members of the cooperatives. The figure has later risen to 162. Small cooperatives can, however, not realize the main advantage of the traditional cooperative model, namely economies of scale. They are therefore weak in relation to the strong corporate processors.

In an overview of cooperatives in the agricultural sectors of the former communist countries Gardner and Lerman (2006, p. 15) say that marketing and supply cooperatives are …

“… important in farmers’ estimation when they see themselves as being exploited by monopoly or monophony power among businesses that sell products to them or buy from them and it is important in fact when perceptions of exploitation are accurate. It seems highly likely that such market failures exist in the economic environment of the transition economies, where former State monopolies have been transferred to private
hands, and in this respect farmer-owned cooperatives can be useful in fostering competition, or in some cases hastening the creation of selling and buying channels which have not yet arisen in the transition.”

The governmental campaign of agricultural cooperative creation was completed by mid 2008. The regional administrations reported the number of new cooperatives to the federal executives. They did, however, not conduct any analyses, which could indicate what the future might be for the newly established cooperatives and for agricultural cooperation in general.

In Russia, there are three types of agricultural producers (Epstein 2003; Bezlepkina et al., 2004; Rylko and Jolly, 2005; Sazonov and Sazonova, 2005; Uzun, 2005). Table 1 presents these types together with statistics from the Kurgan region. Many of the former Soviet kolkhozes and sovkhozes were transformed into production cooperatives, while others have become investor-owned agricultural enterprises. Both production cooperatives and investor-owned enterprises may be members of marketing and supply cooperatives. The probability of household growers becoming cooperative members is low due to their limited production. It should be noted that the concept of “farmer” applies only to the second and third category, which means that the general concept of “agricultural producer” is used in this study.

As a rule, the organizational arrangement for Russian agricultural cooperatives is very simple. As concerns their organizational model they are all traditional cooperatives. The Russian legislation has very strict demands on cooperatives. They must adhere to the traditional cooperative principles in terms of patronage, control, and management. An eventual introduction of new organizational attributes would be problematic not only due to the legal restrictions but also because there is very limited knowledge about alternative cooperative organizational modes.

All cooperatives use democratic principles in the decision making, i.e. one member – one vote. Due to the small memberships it is easy to collect the members for making decisions about current tasks and for solving upcoming problems. The members are, however, generally quite passive so they tend to accept the proposals put forward by the chairmen. The chairmen are owners of agricultural enterprises or large farmers who participate in the cooperative in order to receive favorable credits from the administration or to use the cooperative for personal purposes.
Table 1. Types of agricultural producers in the Kurgan region and some attributes as of January 2008.

<table>
<thead>
<tr>
<th>Type of farm</th>
<th>Characteristics</th>
<th>Number</th>
<th>Average acreage, hectares</th>
<th>Share of gross agr. output, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agricultural enterprises</td>
<td>Former kolkhozes and sovkhozes, now transformed into production cooperatives and corporations.</td>
<td>375</td>
<td>6,464</td>
<td>32.2</td>
</tr>
<tr>
<td>Family farms</td>
<td>Often family farms producing mainly for markets.</td>
<td>1,973</td>
<td>93</td>
<td>7.3</td>
</tr>
<tr>
<td>Household growers</td>
<td>Small private farms, organized by rural dwellers (irrespective of occupation) who produce products partly for their own consumption and partly for sale.</td>
<td>190,000</td>
<td>1.1</td>
<td>60.5</td>
</tr>
</tbody>
</table>

Source: Department of Agriculture and Processing Industry of the Kurgan region

Theoretical framework

*Preconditions for successful top-down organized cooperatives*

Cooperatives exist because their members want to reap benefits when they make use of the cooperatives’ services – buying from the cooperative, selling to it, borrowing from it, etc. If the members are to get such benefits, the cooperatives must be governed by the members, and therefore the members must have ownership of the cooperatives. These three member roles must coincide in all cooperatives – user/beneficiary, controller, and financier (Barton 1989). This means that cooperatives are by necessity grass root organizations.

Hence, top-down organized cooperatives are contrary to the common theoretical understanding of cooperatives. They are also in conflict with historical and international experiences in the cooperative sphere. Moreover, there are no established management practices for this type of organization, i.e. there is no knowledge about how to run such firms and how to eventually convert them into businesses controlled and owned by members.
Nevertheless, the Russian politicians and the public administration might have a good rationale for establishing top-down organized cooperatives. Without governmental initiatives the development of agricultural cooperatives might be even slower than it is today. Perhaps the social and socio-psychological attributes of the agricultural producers are such that they would not organize any cooperative on their own initiative, and a top-down organized cooperative may be better for them than no cooperative at all.

If the members get good experiences from the top-down organized cooperatives and thereby learn about cooperative business, they might want to invest in them, involve themselves in governing them, and – most important – conduct transactions with them. Thereby the top-down organized cooperatives might after some time become cooperatives in the sense that is widely accepted, i.e. working in the interests of the members, governed by members, and financed by members. Hence, it cannot beforehand be excluded that top-down organized cooperatives might create some prospects for agriculture in transition economies.

A few conditions must, however, be fulfilled if the members of top-down organized cooperatives are to be willing to take over these firms. The most important one is that the members must consider themselves to benefit from their membership in the top-down organized cooperatives.

Provided that the members find that they benefit from their exchanges with the top-down organized cooperatives, they may later on want to conduct transactions with the cooperative, take part in the governance, and invest in the cooperative societies. Perhaps the agricultural producers may learn how to become true cooperative members.

The opposite chain of reasoning may be claimed as well. The fact that governmental bodies establish cooperatives may have the effect that the agricultural producers get weaker incentives to establish cooperatives by themselves. Further, given the international and historical experience from cooperative establishments, it may be that the top-down organized cooperatives will not be successful, and if so, the agricultural producers will get even weaker incentives to establish cooperatives in the future.

Hence, there are good reasons to study various aspects of the top-down organized cooperatives in Russia. The focus of this study is on whether the agricultural producers during their membership of these cooperatives are becoming more oriented towards cooperative business such that these firms may develop into cooperatives as these organizations are generally understood.

Members’ degree of cooperative orientation
It is desirable that a study of members’ orientation towards top-down organized cooperatives comprises the same variables, which appear in prior studies of
cooperative members’ attitudes, opinions, trust, choice, solidarity, involvement and many other socio-psychological and behavioral constructs (Fulton and Adamowicz, 1993; Misra, Carley and Fletcher, 1993; Zusman, 1993; Gray and Duffley, 1996; Gray and Kraenzle, 1998; Richards, Klein and Walburger, 1998). Thereby the present study will better contribute to the growth of knowledge.

The following six variables are chosen. It should be noted that there are uncertainties when these are linked to previous studies as these most often relate two or more variables to each other.

(1) *The members’ attitudes towards cooperatives.* This is the most basic variable in the sense that it represents the raison-d’être of cooperatives. It expresses whether the members find that cooperatives give them benefits. It has appeared in various forms in prior research. Misra, Carley and Fletcher (1993) identified factors related to members’ view on cooperatives. Hakelius (1999) investigated members’ values. Nilsson, Kihlén and Norell (2009) focused on members’ satisfaction.

(2) *Members’ willingness to conduct transactions with cooperatives.* This and the following two variables relate to the three roles that cooperative members have, i.e. as users, controllers, and owners. Especially the issue about farmers’ choice between a cooperative and an investor-owned business partner has caught the interest of many researchers (Bravo-Ureta and Lee, 1988; Jensen, 1990; Wadsworth, 1991; Klein, Richards and Walburger, 1997; Zeuli and Betancor, 2005; Lind and Åkesson, 2005; Bhuyan, 2007.

(3) *Members’ willingness to participate in the governance of cooperatives.* Although member control is essential for a cooperative to work in the interests of the members, relatively few studies have been devoted to this issue. In an empirical study of members of the largest Danish agricultural cooperatives Laursen (2005) found that the farmers consider themselves to have strong influence on the decision-making in the cooperatives. Österberg and Nilsson (2009) found members’ willingness to participate in cooperative governance to be the single most important explanation for member satisfaction.

(4) *Members’ willingness to invest in cooperatives.* Members’ attitudes towards cooperative finance is a field with limited research. Robinson and Lifton (1993) demonstrated that farmers hesitate to invest in newly established cooperatives. Fahlbeck (2007) found that Swedish farmers have a strong preference for unallocated equity rather than allocated equity capital, i.e. they are positive to the cooperatives distributing part of the net income as general reserves.

(5) *The members’ trust in colleagues and partners.* Numerous prior studies of members’ relationship to their cooperatives include trust (Borgen, 2001; Hansen, Morrow and Batista, 2002; James and Sykuta, 2005; James and Sykuta, 2006). To the extent that trust is low, the result will be that members hesitate to invest in the cooperative, and they refrain from participating in the governance. There is no
room for solidarity and social cohesion, so the members will not do much business with the cooperative. Hence this variable is crucial in a cooperative context.

(6) The members’ knowledge about cooperation. Members’ knowledge of cooperative firms, cooperative principles, and cooperative work is not investigated in any prior study. As these studies have been conducted in North America and in Western Europe, such a variable has probably not been considered important as farmers in these regions have experience from cooperatives, while this is not the case in Russia.

Hypothesis
On the basis of the discussions above the following hypothesis is stated:

H₀ The members of the top-down organized cooperatives get better views of cooperatives as they get experience from their membership.

The concept “view” should be interpreted as multifaceted, comprising all the six variables, which are essential for cooperative success according to the account above: “Attitude towards cooperatives”, “Willingness to conduct transactions”, “Willingness to participate in the governance”, “Willingness to invest”, “Trust in colleagues and partners” and “Knowledge about cooperation”.

Methodological issues

Sample and respondents
The problem under study requires a comparison between a group of cooperative members at two occasions: when they have just become members and when they have been members for some time. Hence, two surveys were conducted among members of all the 21 operating supply and marketing cooperatives in the Kurgan region, all of them top-down organized. The first took place in February, March and April 2008 and the second in September and October 2008.

The respondents at both surveys were the same group of members. It consists of agricultural enterprises (6%), family farms (20%) and household growers (74%). Among the 158 agricultural producers who were members of the 21 top-down organized cooperatives in early 2008, 141 were interviewed, which corresponds to a response rate of 89%. In the second survey all persons interviewed in the first survey were interviewed once more. The number of members had by then increased to 162, but there is no reason to interview the four new members as there would not be any possibilities to conduct comparisons. Hence, the response rate remained 89%.
It may be claimed that the time span between the first and the second survey is so short that the members may not have had great opportunities to gain experience from their cooperatives. Observations of other Russian governmental projects indicate however that it would be hazardous to postpone the second survey. If data were to be collected half a year or one year later, it may be that many cooperatives had already been dissolved.

Data and data collection
To get best possible comparability the same questions were put to the same respondents. Therefore the questionnaire during both surveys contained exactly the same questions and was identical in all other respects except that two more questions were included in the second survey (see below). Data were collected by one of the authors and 21 of her students through personal interviews, by phone and through mail. The interviewers were especially trained for the task so that best possible conformity should be attained.

At both surveys the questionnaire comprised six questions, which are related to the six socio-psychological constructs presented in the preceding section. Hence each variable was represented by one question. These variables are graded according to a Likert scale, ranging from 1 to 6, where 1 is “strongly disagree”, 2 is “disagree”, 3 is “weakly disagree”, 4 is “weakly agree”, 5 is “agree”, and 6 is “strongly agree”. The questions were:

$X_1$ Attitudes towards cooperatives: “I think that cooperatives are important for effective functioning of farmers (producers) nowadays and in the future”;  
$X_2$ Willingness to conduct transactions with cooperatives: “All members have to be involved in transaction with cooperatives as much as possible”;  
$X_3$ Willingness to participate in the governance of cooperatives: “Participation in democratic management is very important for effective functioning of cooperatives and I am ready for this participation”;  
$X_4$ Willingness to invest in cooperatives: “I wish and I am ready to invest money in cooperative activity”;  
$X_5$ Trust in colleagues and partners: “I trust my partners and think that they are reliable for collective activities and cooperation”;  
$X_6$ Knowledge about cooperatives: “I have full information about the functioning of cooperatives, the main cooperative principles and about the role of members in cooperative organizations”.

In addition to these six questions, the questionnaire in the second survey included two other questions. One concerned the respondents’ degree of satisfaction with their cooperatives. This question was to be answered on a six-graded scale from “very dissatisfied” to “very satisfied”. The other question concerned the
respondents’ “diagnosis” about why agricultural cooperatives have such a poor development in the Kurgan region. The respondents were asked to choose among nine predefined options.

Data analysis
Tests of the hypothesis, related to the six socio-psychological variables ($X_1$–$X_6$), were accomplished by means of a t-test for dependent pair-wise values. This test allows a comparison between the differences in answers of cooperative members at the stage when the cooperatives were established and after about six months. The analyses reveal changes in members’ views (positive or negative) and define the statistical significance of these differences.

The use of a t-test may be criticized as the samples constitute a very large share (89%) of the population. It is, however, defendable if the population is considered to belong to a superpopulation. Such a one is considered to consist of – in this case – all imaginable cooperative members, also those who ceased to be members, have not yet become members and could have been members (Hartley and Sielken, 1975; Graubard and Korn, 2002).

The last two questions in the questionnaire do not lend themselves to any statistical analyses.

Results

The results from the t-test for dependent pair-wise values are shown in Table 2. It can be seen that in the second survey the members rank lower in five of the six variables compared to in the first survey. Only “knowledge about cooperatives” increased during the membership period but not enough to be statistically significant. As the survey from early 2008 was conducted closely after the cooperatives were established members had little knowledge but they might have been rather hopeful. The fact that they joined a cooperative probably means that they hoped to improve their living conditions. When the second survey was conducted the members had got some experiences, though evidently not positive ones.

During the half year that had elapsed since the first survey, the members have become more negative. All differences except for knowledge about cooperatives ($X_6$) are strongly statistically significant. The p-level for $X_6$ (0.29) shows that the difference in knowledge about cooperatives changed slightly during the agricultural producers’ participation in the cooperatives.

The fact that most views have changed even though the time period is short indicates that the changes are the result of personal experiences, perhaps combined
with discussions with other members. There has been a cognitive learning process in the minds of the agricultural producers.

Table 2. T-test for dependent pair-wise values

<table>
<thead>
<tr>
<th>Variable</th>
<th>Groups</th>
<th>Mean</th>
<th>Standard deviation</th>
<th>Differences between means</th>
<th>t</th>
<th>df</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td>$X_1$ Attitude towards cooperatives</td>
<td>Late 2008</td>
<td>2.6</td>
<td>0.7</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Early 2008</td>
<td>5.2</td>
<td>0.8</td>
<td>-2.6*</td>
<td>-51.7</td>
<td>140</td>
<td>0.00</td>
</tr>
<tr>
<td>$X_2$ Willingness to conduct transactions</td>
<td>Late 2008</td>
<td>2.3</td>
<td>0.8</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Early 2008</td>
<td>5.3</td>
<td>0.7</td>
<td>-2.9*</td>
<td>-31.2</td>
<td>140</td>
<td>0.00</td>
</tr>
<tr>
<td>$X_3$ Participation in governance</td>
<td>Late 2008</td>
<td>2.0</td>
<td>1.1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Early 2008</td>
<td>5.0</td>
<td>0.7</td>
<td>-3.1*</td>
<td>-28.0</td>
<td>140</td>
<td>0.00</td>
</tr>
<tr>
<td>$X_4$ Willingness to invest</td>
<td>Late 2008</td>
<td>2.5</td>
<td>1.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Early 2008</td>
<td>4.2</td>
<td>0.9</td>
<td>-1.6*</td>
<td>-13.5</td>
<td>140</td>
<td>0.00</td>
</tr>
<tr>
<td>$X_5$ Trust in colleagues and partners</td>
<td>Late 2008</td>
<td>1.5</td>
<td>0.7</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Early 2008</td>
<td>4.4</td>
<td>0.8</td>
<td>-2.8*</td>
<td>-66.3</td>
<td>140</td>
<td>0.00</td>
</tr>
<tr>
<td>$X_6$ Knowledge about cooperatives</td>
<td>Late 2008</td>
<td>4.6</td>
<td>1.1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Early 2008</td>
<td>4.4</td>
<td>1.0</td>
<td>+0.1</td>
<td>-1.1</td>
<td>140</td>
<td>0.29</td>
</tr>
</tbody>
</table>

* Measured on a Likert scale, ranging from 1 (“strongly disagree”) to 6 (“strongly agree”).
* Differences are statistically significant at p<0.01.

One possible explanation for the fact that most figures are lower is that the responses from the first survey might have been influenced by propaganda by the regional agricultural administration. In early 2008 the producers had hardly any of their own knowledge on which their statements could be based. This might explain particularly the decline in the respondents’ general attitude ($X_1$).

The reduction in willingness to conduct transactions with the cooperative ($X_2$) is alarming as it may mean that the cooperatives will not be able to be a good business partner in the future. Vicious circles are operating, i.e. if the cooperatives’ business volume is small, they may (due to lacking economies of scale) not be able to give good offers to the producers and thereby the volume will fall even more.

While earlier studies about cooperative members indicate that influence is considered to be important, the Kurgan producers do not view participation in the
governance ($X_3$) to be attractive. First, economic democracy as a concept is more or less unknown to them; second, the top-down organizational mode implies that they could not have much influence.

The equity capital of the cooperatives is very small and originates partly from the support from government, but if cooperatives are to be viable in a longer time perspective the members should be the providers of capital. As the findings indicate that the members have become less willing to invest money ($X_4$) the cooperatives will have difficulties developing.

The members’ trust in each other and in their trading partners ($X_5$) has declined drastically. One would expect that people, when they become acquainted and socialize, get sympathies for each other, which may develop into trust. However, this was not found, possibly because the agricultural producers never got close to each other. The fact that the membership is heterogeneous, consisting of three widely different types of producers, supports this interpretation.

Although the finding is not statistically significant, it is interesting that the members say that they have got better knowledge about cooperatives ($X_6$) during their membership period. Clearly they have observed some details of running a cooperative business. Considering the negative responses in the other five variables, one may suppose that the members do not assess their new insights positively. A tendency of generalization is likely. As “learning by doing” is a slow and cumbersome process, progress is likely to be limited. A reason for the limited knowledge of cooperative principles might be low involvement in cooperative activity (e.g. government, investing) even after having joined a cooperative.

The second survey comprised a question about the members’ satisfaction with cooperatives. More than half (57%) of the members declared themselves to be “very dissatisfied”, 26% were “dissatisfied”, 8% were “dissatisfied to some extent”, 7% were “satisfied to some extent”, whereas “satisfied” or “very satisfied” was mentioned by 1% each. With such a widespread dissatisfaction it is not likely that the members want to take over any cooperative.

When the members in the second survey were asked to identify the reasons for the poor development of cooperatives in the Kurgan region, they suggested the following diagnoses:

- Insufficient level of knowledge about cooperation, deficiency of self-government skills, psychological unavailability to self-supporting cooperation and partnership (95%);
- Absence of cooperative education and shortage of professional people to manage agricultural cooperatives (87%);
- Financial problems (86%);
- Disparity between agricultural and industrial product prices (82%);
• Weak protection of the domestic market from imported raw products (68%);
• Imperfections in the legislation and the normative basis for cooperatives (66%).

These answers support the pattern that evolves from the t-test of the six socio-psychological variables. The members do not find that cooperatives could help them. Their attitudes towards cooperatives are bad. Their trust in others is also weak.

Conclusions

The aim of the study was to explore whether Russian agricultural producers may become more cooperatively oriented during their membership in top-down organized marketing and supply cooperatives. The findings strongly indicate that the members’ experiences from the top-down organized cooperatives have made them less positive towards cooperatives. Most members expressed disappointment with this form of collective action. These findings are arguments for the rejection of hypothesis $H_0$: “The members of the top-down organized cooperatives get better views of cooperatives as they get experience from their membership”.

It may be that most Kurgan cooperatives will have to cease their operations as the equity capital is about to be used up. During the cooperatives’ existence the members benefitted to some extent from this equity, but after the cooperatives have no more capital the members will probably leave. More seriously, however, it is doubtful whether the agricultural producers within the long-term future will establish any other agricultural cooperatives on their own initiative as their experiences from cooperatives are so bad.

Many informal institutions are instrumental for successful cooperatives. Such institutions are trust, readiness to be involved in collective action, and attitudes towards solidarity, equity, and democracy. This study confirms that cooperatives can hardly function effectively if these socio-psychological attributes are not present in the minds of the members.

The findings of this study indicate the difficulties of top-down organized cooperatives. Such cooperatives can hardly work under the current socio-economic conditions in transition countries. They do not help the cooperative development in rural Russia and probably not elsewhere. They not only fail to develop the agricultural sector but they also mean that large amounts of public resources are wasted. It is also possible that the federal and regional governments might have selected incorrect instruments for implementing their ideas. Hence, an interesting topic for further research would be an investigation about the way the authorities
work when they plan the establishment of new agricultural cooperatives – what knowledge they have about the rural population, which motives they have, how the decisions are made, etc.

If a cooperative movement is to be developed in Russia, the agricultural producers must themselves take action to establish cooperative firms. The cooperatives that are thus established may differ considerably from the cooperative model that is advocated by the governmental authorities, i.e. the traditional cooperative model. If Russian legislation were to permit other cooperative organizational models, for example with closed membership or hybrid forms, implying external financiers as co-owners, the prospects for cooperatives might be brighter. A third suggestion for further research would hence be an analysis of the preconditions for alternative cooperative structures in the Russian agriculture.

Reference


