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**COOPERATION OF AGRIBUSINESS COMPANIES OF UKRAINE AND  
THE USA IN THE CONTEXT OF PROCESS MANAGEMENT**

*The national agricultural potential is driven by its current state and agricultural structure development. To date, Ukraine is a leader among the major suppliers of agri-food products to the European Union. However, domestic agriculture sector is still facing a critical need for effective reforms, including its organizational structure, where the key element is the creation of transparent procurement and distribution infrastructure through implementation of the cooperatives paradigm and their further integration with trade as well as processing and food industry enterprises. So far globally, the idea of cooperation has long been translated in a clear economic and legal framework which effectively operates as association of small and medium-sized producers through the creation of individual affluent agricultural business entities – the cooperatives. The United States of America demonstrates best practices in their successful creation and functioning. Given the particularly strong large scale international partnership relations between Ukraine and the US in a number of economic and social areas, including assistance in boosting cooperative movement, an emphasis is put towards the need to provide insights and suggest a rationale for further development of cooperatives in Ukraine along with enhancing the process management effectiveness based on successful good practice and advancements in the US agribusiness that underpinned the research agenda of this article. The research findings have revealed that the cooperation of the Ukrainian agriculture enterprises leaves much room for improvement. The number of newly created cooperatives demonstrates slow dynamics; the legislative framework lacks consistency and is inadequate to address the burning issues. The study has identified the key barriers that hamper further development of domestic agricultural cooperation along with discussing the benefits, best practices of implementation, types and specific features of the cooperative form of doing business in the USA. Major challenges in the domestic agricultural cooperation development at macro- and microlevels have been observed and evaluated together with suggesting actions to tackle them. In particular, pathways to enhance the performance of agricultural cooperatives through the transition to more effective process management are proposed.*

**Keywords:** *cooperation; cooperative; agricultural cooperative; agricultural service cooperative; process management.*

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**КООПЕРАЦІЯ СІЛЬСЬКОГОСПОДАРСЬКИХ ПІДПРИЄМСТВ УКРАЇНИ  
ТА США В КОНТЕКСТІ ПРОЦЕСНОГО УПРАВЛІННЯ**

*Аграрний потенціал країни визначається станом та розвитком її сільськогосподарської структури. Україна наразі посідає чільне місце серед основних постачальників агропродовольчої продукції до Європейського Союзу. Втім, вітчизняне сільське господарство дотепер потребує якісних реформ, в тому числі і його організаційної структури, де ключовим елементом є створення прозорої заготівельно-збутової*

інфраструктури, яка базується на ефективному функціонуванні аграрних кооперативів та їх подальшої інтеграції з торгівлею, підприємствами переробної та харчової промисловості. Ідея кооперації за кордоном вже давно набула чіткого економіко-правового визначення та ефективно втілена в практичне життя через об'єднання дрібних та середніх товаровиробників завдяки створенню окремих впливових суб'єктів аграрних відносин – кооперативів. Яскравим прикладом успішного їх утворення та функціонування є досвід Сполучених Штатів Америки. Враховуючи особливо поглиблену міжнародну співпрацю України та США з багатьох економічних та соціальних напрямів, в тому числі, й допомогу щодо розвитку кооперативних об'єднань, вважаємо за доцільне вивчення та обґрунтування шляхів упровадження ідеї ефективної кооперації вітчизняних сільськогосподарських підприємств та процесного управління ними на прикладі успішного розвитку та досягнень кооперативного руху агропідприємств США, що й стало метою написання статті. За результатами проведеного дослідження авторами виявлено, що кооперація сільськогосподарських підприємств України знаходиться не в найкращому стані. Кількість існуючих кооперативів зростає повільно, законодавча база для діяльності останніх є недосконалою та незадовільною. Проаналізовано основні проблеми, що заважають розвитку вітчизняної сільськогосподарської кооперації. Вивчено позитивний досвід упровадження, типи та особливості кооперативної форми господарювання на прикладі аграрних підприємств США. Авторами визначено ключові проблеми розвитку вітчизняної сільськогосподарської кооперації на макро- й мікрорівнях, а також запропоновано заходи щодо їх вирішення, в тому числі представлено шляхи покращення діяльності сільськогосподарських кооперативів через перехід до ефективного процесного управління ними.

**Ключові слова:** кооперація; кооператив; сільськогосподарський кооператив; сільськогосподарський обслуговуючий кооператив; процесне управління.

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### **КООПЕРАЦИЯ СЕЛЬСКОХОЗЯЙСТВЕННЫХ ПРЕДПРИЯТИЙ УКРАИНЫ И США В КОНТЕКСТЕ ПРОЦЕССНОГО УПРАВЛЕНИЯ**

Аграрный потенциал страны определяется состоянием и развитием её сельскохозяйственной структуры. В настоящее время Украина занимает ведущее место среди основных поставщиков агропродовольственной продукции в Европейский Союз. Однако отечественное сельское хозяйство до сих пор нуждается в качественных реформах, в том числе и его организационной структуры, где ключевым элементом является создание прозрачной заготовительно-сбытовой инфраструктуры, основанной на эффективном функционировании аграрных кооперативов и их дальнейшей интеграции с торговлей, предприятиями перерабатывающей и пищевой промышленности. Идея кооперации за рубежом уже давно приобрела чёткое экономико-правовое определение и эффективно воплощена в практическую жизнь через объединение мелких и средних товаропроизводителей благодаря созданию отдельных влиятельных субъектов аграрных отношений – кооперативов. Ярким примером успешного их образования и функционирования является опыт Соединённых Штатов Америки. Учитывая особенности углублённого международного сотрудничества Украины и США по многим экономическим и социальным направлениям, в том числе, и помощь в развитии кооперативных объединений, считаем

целесообразным изучение и обоснование путей внедрения идеи эффективной кооперации отечественных сельскохозяйственных предприятий и процессного управления ними на примере успешного развития и достижений кооперативного движения агропредприятий США, что и стало целью написания статьи. В результате проведённого исследования авторами выявлено, что кооперация сельскохозяйственных предприятий Украины находится не в лучшем состоянии. Количество существующих кооперативов растёт медленно, законодательная база для деятельности последних является несовершенной и неудовлетворительной. Проанализированы основные проблемы, мешающие развитию отечественной сельскохозяйственной кооперации. Изучено положительный опыт внедрения, типы и особенности кооперативной формы хозяйствования на примере аграрных предприятий США. Авторами определены ключевые проблемы развития отечественной сельскохозяйственной кооперации на макро- и микроуровнях, а также предложены меры для их решения, в том числе представлены пути улучшения деятельности сельскохозяйственных кооперативов через переход к эффективному процессному управлению ними.

**Ключевые слова:** кооперация; кооператив; сельскохозяйственный кооператив; сельскохозяйственный обслуживающий кооператив процессное управление.

**Introduction.** According to the Ministry of Agrarian Policy and Food of Ukraine (hereinafter referred to as the Ministry of Agrarian Policy), export of agricultural products in 2018 amounted about USD 19 billion, or 39 percent of total exports [1]. Also, the press service of the Ministry of Agrarian Policy reported that Ukraine became one of the 20 largest producers of conventional sugar in the same year [2]; as on the official report of the European Commission, according to the consulting agency UkrAgroConsult [3], among the main suppliers of agro-food products to the European Union our country was ranked third. Therefore, the agrarian potential of Ukraine is quite considerable and requires for its properly application in the area of competitive advantages by using the effective development of agrarian production.

The agricultural sector in the most European countries, the USA, Canada, and Japan is based on the small and medium-sized individual producers and owners, not as the single households, but by working together to achieve the set goals. That is why, for a long time, the idea of cooperation has stable definite features abroad and is effectively applied through the creation of separate influential actors of agrarian relations – *cooperatives*.

Nowadays position of Ukrainian agricultural producers in the domestic and foreign markets is not stable resulting from many reasons, among which are the following: low rates of technical and technological renewal of agricultural production in the production cost structure; the uncompleted process of adaptation to the requirements of the food quality and safety of the European Community; slow positive shifts towards the transition from raw material exports to the finished goods exports; limited access to financial resources of small and medium-sized agricultural producers, etc.

Thus, domestic agriculture sector still seeks for qualitative reforms, including its organizational structure, where a key element is creation of transparent procurement and distribution infrastructure through the practical implementation of the idea of "cooperatives" and their integration with trade, processing and food industry enterprises.

The USA is one of the countries with the developed and successful operating cooperatives. Considering the similarity of the bright expressed "individualism" of doing business for both Ukrainians and Americans, especially the recent close cooperation between Ukraine and the USA in the many areas of economy, including support in the development of cooperative associations, we

consider it is appropriate to study the effective experience of such cooperative organizations functioning in the light of modern process management.

**Review of recent researches and publications.** Issues of determining the nature and role of cooperatives in the agricultural sector were addressed by such foreign scientists as: K. Blokland, J. Schuurman [4], V. Kumar, K.G. Wankhede, H.C. Gena [5], L. Melece [6], P. Dannenberg [7], J.S. Hanson [8], S. Murray [9]. Among the domestic scientists, the issues of the agricultural cooperatives creation and functioning, as well as the introduction of the very idea of cooperation as a basis for the development of agrarian potential of Ukraine, were studied by the following: T.V. Ivanova [10], V.V. Zinovchuk [11, 12], V.V. Borschevsky [13], L.V. Moldavan [14, 28], L.V. Tarasovich [15] and others. However, in Ukraine the cooperatives development is rather slow comparing with the other developed countries and requires more detailed study of domestic cooperation, including agricultural cooperation in the modern conditions; research of the reasons that impeded its progress, as well as the analysis of cooperative households in the foreign countries where the cooperative movement has already flourished (for example, our partner – the USA). Also, a little attention was paid to the management of cooperatives through a process approach.

**The aim of the research.** The purpose of the research is to study and justify ways of implementation of the effective cooperation and process management idea at domestic agricultural enterprises on the example of successful development and achievements of the USA agricultural enterprises cooperative movement.

Objective of the research is achieved through the implementation of the following tasks:

- to examine the current cooperation among the Ukrainian agricultural enterprises;
- to study successful experience of agricultural cooperative households at the USA;
- to justify improvement of Ukrainian agricultural cooperatives functioning through the implementation of the effective management approach to their business processes.

**Results.** Development of the agrarian sector of Ukrainian economy is impossible without a transparent well-established production and marketing component, based on the predominantly privately owned certain production structures. Nowadays the organizational structure of the domestic agricultural market is characterized not only by the presence of large enterprises (agricultural holdings, limited liability companies, joint stock companies), but also by the significant number of individual production, namely, farms and individual households. The recent ones requires special attention as they contribute the lion's share of agricultural production, the foundation of rural communities development, improving the standard of living and life quality in rural areas, while being the least protected in terms of competitiveness, economic potential increasing and opportunities to enter civilized markets.

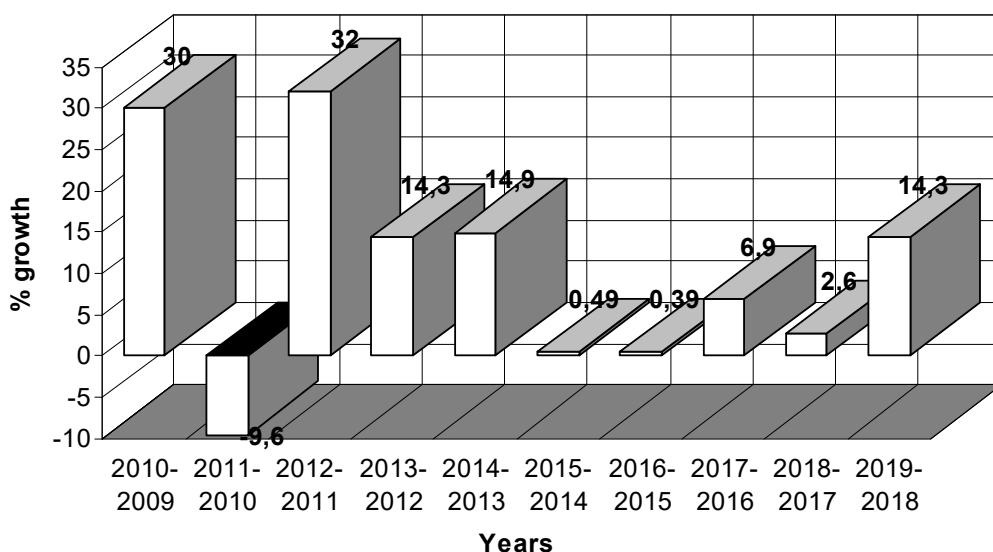
One of the most effective ways and mechanisms to increase the efficiency of small and medium-sized agricultural suppliers worldwide is to integrate them into various forms of organizations working together to meet individual interests. The most widespread and economically viable is a cooperation of producers through the operation of agricultural cooperatives.

Agricultural cooperative in nature is an open voluntary association of democratic individual agricultural producers for the common organization of the production, harvesting, processing and distribution with or without a purpose of profit receiving, to meet the economic, social and other needs using a self-management approach [16].

Agricultural cooperation facilitates development of free business activity and protects agricultural producers from monopoly leading structures [17, p. 1]. Implementation of cooperation idea gives a real opportunity to ensure the access of small households to an organized and effective market for their products distribution, jointly overcome production, social and domestic problems, solve the social protection issues of rural residents (primarily members of a cooperative), develop rural infrastructure and communities [18, p. 4–5], etc.

Nowadays, cooperatives development in Ukraine is slow and generally unsatisfactory, although there are some positive trends. Thus, the number and share of agricultural cooperatives in the total sales of agricultural products remains negligible (share of producer cooperatives in the total agricultural production is less than 1%, number of members that provides servicing of cooperatives is less than 0.2% of the rural population) [19].

As of the beginning of 2019, according to the Ministry of Agrarian Policy, the number of registered agricultural service cooperatives (ASC) in Ukraine was equal to 1,286 households [1]. ASC dynamics for the last ten years is provided in Figure 1.



Source: prepared by author on the bases of source [1].

Figure 1. Dynamics of agricultural service cooperatives growth during 2010–2019

Comparing with the year 2011 the largest growth of ASC was observed in 2012 and amounted in 32%. The largest decline of cooperatives growth was observed in the years 2010–2011 (-9.6%), as well as in 2014–2016 (growth was almost zero, less than a half of percent). This situation is explained not only by problems in the sphere of cooperation, but primary by difficult political and economic situation in the country (military conflict in the Donbas, devaluation of hryvnia, sharp change of political power, etc.). Nevertheless, there is a positive trend of ASC quantity increasing, since 2010 it has totally increased in 2.5 times (or 159.27%).

The legal framework of cooperatives functioning in Ukraine is defined by the following basic legal acts: the Land Code of Ukraine [20], the Commercial Code of Ukraine [21], the Civil Code of Ukraine [22], the Tax Code of Ukraine [23], Law of Ukraine "On Cooperation" [16], Law of Ukraine "On Agricultural Cooperatives" [24], Resolution of the Cabinet of Ministers of Ukraine on March 09, 2011 No. 272 "On Approving the Procedure of Funds Using Envisaged in the State Budget to Support Agricultural Service Cooperatives" [25], and others.

Currently, in order to improve the current legislation on agricultural cooperation in 2019, a new draft law of Ukraine "On agricultural cooperation" (hereinafter – Law № 6527-d) was adopted at first reading by the Verkhovna Rada of Ukraine [26], that is likely to be further adopted, that will provide significant legal changes of cooperatives existence.

Main changes of the new law (in case of final adoption of the Law № 6527-d) comparing with the previous one [24], as well as its impact on the further cooperatives development are shown by the author in Table 1.

Table 1

**Analysis of the draft Law № 6527-d and its influence on the agricultural cooperation in case of its final adoption**

Key changes proposed by a Draft Law №6527-d compared with the current Law "On Agricultural Cooperation"	Influence on further agricultural cooperatives development	
	Positive aspects in case of its implementation	Negative aspects in case of its implementation
<ul style="list-style-type: none"> <li>- are defined legal, organizational, economic and social <i>bases</i>, when before were determined only <i>peculiarities</i> of functioning of agricultural cooperation; the correlation with the law "On Cooperation" is lost;</li> <li>- abandoned strict division of agricultural cooperatives into producer and service; created a single legal and organizational form – agricultural cooperative;</li> <li>- provided opportunity to choose their own form of activity – profit or not-profit;</li> <li>- provided ability of profitable agricultural cooperatives to conduct transactions with persons that are not members of such cooperatives under certain conditions;</li> <li>- consolidation at the legislative level the basic principles of the cooperatives formation and operation;</li> <li>- possibility to adopt cooperative decisions considering the additional votes of members, etc.</li> </ul>	<ul style="list-style-type: none"> <li>- definition of formation and operation principles of agricultural cooperatives allows clearly understand the nature of a cooperative and its essence for future participants at the legislative level, is the basis for cooperative;</li> <li>- provisions on the state support of the cooperation are maintained, is possible establishment of the Agency of Facilitation of Agricultural Cooperation Development, which will provide informational, advisory and methodological support.</li> </ul>	<ul style="list-style-type: none"> <li>- contravenes the Framework Law "On Cooperation", thus creating legal conflicts;</li> <li>- the principle of "one member – one vote" is partially leveled, adoption of decision of the additional number of votes considering is possible;</li> <li>- non-profit cooperatives lose their land shares and mutual funds;</li> <li>- salary essentially becomes a cooperative payment, which leads to the non-payment of the applicable taxes, and consequently people are left without insurance period;</li> <li>- in case of the cooperative reorganization, its rights and obligations are transferred to the assignee, that not obligatory has to be a cooperative. This is how the "butterfly cooperatives" will be born.</li> </ul>
<b>Economic and legal consequences in case of the Law adoption and experts assessment</b>		
<ul style="list-style-type: none"> <li>- leveling the true essence and nature of the cooperative as a form of joint efforts of its members to reduce costs and / or increase income of the cooperative members, as a result, a cooperative is transformed into commercial partnerships and leverage of dividends earning;</li> <li>- non-profit cooperatives without the land shares will not be able to produce agricultural products in fact;</li> <li>- abuse of management through CEO that is not obligated to be a cooperative member;</li> <li>- reduction of the tax base by the amount of corporative payments, loss of insurance period by the cooperative members and other consequences.</li> </ul>		
<b>Who supports this draft Law</b>	<b>Who does not support this draft Law</b>	
Deputies of Ukraine that adopted the Law (as of September 2019, still in first reading), UN Food and Agriculture Organization (FAO)	Ministry of Agrarian Policy of Ukraine, Institute of Economics and Forecasting of NAS of Ukraine, Main Scientific and Expert Department of the Verkhovna Rada of Ukraine Apparatus, National Science Center "Institute of Agrarian Economy", Zhytomyr National Agro-Ecological University, Union of Agricultural Servicing Cooperatives of Ukraine, scientists-specialists Y. Lupenko, L. Moldavan, Z. Svereda and others.	

Source: prepared by the author on the bases of sources [11, 12, 16, 19, 24, 26–28].

Thus, on the results of the analysis of the draft Law 6527-d, comparing it with the current law on agricultural cooperation (№ 469 / 97-ВР of 07.17.1997, including the latest amendments thereto), taking into account the official conclusions of the Ministry of Agrarian Policy of Ukraine [1], Chief Scientific Expert Department of the Verkhovna Rada of Ukraine [27], expert evaluation of the State institution "Institute for Economics and forecasting of NAS of Ukraine" [28], we conclude that in whole this Law № 6527-d brings more legal inconsistencies and confusion than help to fix ones. In addition, this draft Law "disguises" a conventional commercial company as a cooperative, since the very nature of the cooperative as an organization is lost: not to receive dividends by the owners of the firm, but to provide / reduce costs of services that are provided to the members of such household, that essentially impedes the development of the cooperation and a cooperation idea in Ukraine.

Instead, in order to eliminate problems that impede the development of agricultural cooperatives, a number of other measures have to be implemented, among them are the following: complete the institutionalization of non-profit agricultural service cooperatives in the Tax Code to eliminate problems with tax authorities, provide a more coherent interpretation of the terms "cooperative payments", "cooperative association", in order to specify and strengthen state support of agrarian cooperation considering foreign experience [14, p. 20–21]; develop a contractual and subcontracted system between enterprises of different agro industrial complex branches, including cooperatives [17, p. 4]; decentralize the power, develop the rural territorial communities and local self-government in the countryside in order to increase the investment potential of the rural economy [13, p. 346]; provide the cooperatives with professional legal and accounting support; develop a cooperative education and training of skilled cooperative specialists at the institutional level, and other activities.

Among the successful Ukrainian agricultural cooperatives are the following: "First National Agrarian Cooperative", "Faina Polyana", "Jahidnyi kray", ASC "Wilshansky Kolosok", ASC "Step", "Molocharske" Agricultural Enterprise of Dnipropetrovsk Oblast Association, ASC "Hospodar", "Start", APC "ROSIA", and others.

Over the years abroad most small-scale agrarian producers have been united into cooperatives and operate successfully, creating the same "middle-income" households. For example, the United States of America is one of the prime examples of the successful operation of cooperatives overseas. The experience of the cooperative movement of the USA agricultural producers demonstrates that an individual small producer can be not less successful than a large agricultural holding.

Thus, from the American point of view, a cooperative is a business owned and controlled on a democratic basis by the people who use its services and whose benefits are then fairly formed and distributed among its members on the basis of such services use [29].

The first cooperative company that still exists in the USA was founded in 1752 by the Benjamin Franklin on mutual fire insurance. For the first time American dairy-cheese cooperatives were organized in a year 1810, after them were organized cooperatives for the other agricultural producers. It should be noted that these first efforts of agricultural producers associations were local in nature, did not depend on the large firms and were created with a short term purpose [30, p. 2].

The success and operation of the USA agricultural cooperatives is based on the consistent and continuous adherence to the cooperative principles, optimal choice of the required cooperative type, compliance with the legal field of their operation (legislative framework), and an adequate model of formation, financing and management (Table 2).

Thus, as a rule in the USA there are 3 types of agricultural cooperatives: supply, marketing and service. Recently, so-called "value-added" cooperatives have been gaining ground, that differs

from the traditional ones as they convert agrarian raw materials, such as wheat, into the specific goods, such as bread for example [33].

Table 2

**Background of the successful operation of the USA agricultural cooperatives**

Type of agricultural cooperative	Key features of cooperatives	Cooperative principles	Cooperative financing
a) supply b) marketing c) service d) "value-added" ("new generation" cooperatives)	- the members are the shareholders, not outside investors, are owned by farmer-members; - the use-control principle: democratically controlled by the farmers who own and use the business; - economic benefits are provided and distributed to its users on the basis of the member's use of the cooperative; - cooperatives are designed to provide benefits to producer-members as users, not as investors.	1) voluntary and open membership; 2) democratic member control; 3) member economic participation; 4) autonomy and independence; 5) education, training and information; 6) cooperation among cooperatives; 7) concern for community.	sources of financing: - direct investment, - patronage income, - nonpatronage income.
<b>Legislation:</b> the Capper Volstead Act (1922), the Internal Revenue Code (Subchapter T), The Cooperative Marketing Act (1926), The Agricultural Market Agreement Act (1937), Agricultural Fair Practices Act (1967), state securities laws ("blue sky" laws) and others laws.			
<b>Examples of successful agricultural cooperatives:</b> CHS Inc., Dairy Farmers of America, Land O'Lakes Inc., GROWMARK Inc., Ag Processing Inc., California Dairies Inc., Ocean Spray Cranberries Inc., Blue Diamond Growers and others.			

Source: developed on a bases of the sources [29, 32–38].

Today, the success and demand for the various cooperatives in the USA, including agricultural cooperatives, is evidenced by some figures and facts, among them are the following:

- 29,000 cooperatives operate in each sector of the USA economy. Among them, more than 3,000 cooperatives are agricultural with 2.8 million cooperative members and a net business volume of over than USD 96 billion [32, 35];
- dairy cooperatives cover more than 80% of the USA dairy production;
- agricultural cooperatives have more than 190 thousand employees [39].

Cooperative management of the USA includes: ordinary members of the cooperative (members-owners), the Board of Directors (elected and formed by the members of the cooperative), manager (executive director, hired from outside), other management staff (specialists hired and supervised by the manager which are paid separately) [40].

Cooperative members are its basis, as they are the only who own and operate the cooperative through the formed Board of Directors, therefore, the "bottom-up" principle is applied. They have the following rights and responsibilities: to adopt and change the statute of a cooperative, to form and exclude members of the cooperative council, to dissolve a cooperative or to collaborate it with another cooperative, to provide the necessary share capital of the cooperative, to participate regularly in general meetings, to be informed on the situation and the activity of the cooperative, be responsible for the correctness of amendments to the legal documents of the cooperative, to



distribute risks among the cooperative members in the cooperative doing business, etc. [40, p. 2–3; 11, p. 119].

Summarizing the experience of the cooperatives management in the USA, it should be noted that there a successful cooperative management is ensured by the active interaction of cooperative members with the Board of Directors and a manager that provides the hired staff management on a professional basis [40, p. 2]. The problems are solved considering the benefit of everyone; in particular, the participants are sure that they will be heard. The system itself is built from the "bottom-up", when each lower level of control is fully control the higher and the higher level is accountable to the lower one. This is the practical embodiment of democracy in American cooperatives (including agricultural ones).

Author considers that a successful experience of the USA cooperatives operating and management can be adapted in Ukrainian cooperative organizations. However, before introducing the positive aspects of the USA cooperatives management in Ukraine, we need to address a number of issues not only with a general macroeconomic nature (legislative changes, state policies and support in the cooperative sphere), but also to form adequate cooperative management at the cooperative level itself (micro level).

The main reasons that impede the agricultural cooperation development in Ukraine are the following:

- imperfection of the current legislation: ambiguous interpretation of the non-profit ASC status from the tax inspection point of view due to the differences in the rules of the Tax Code of Ukraine and norms of law "On agricultural cooperation", double taxation of the agricultural producer due to the misinterpretation by tax inspectors: transferring of the cooperative products for the redeployment is perceived as selling and nothing else; scattered and inconsistent regulatory acts;
- inadequate state support: lack of strong systematic programs for cooperative development with adequate financial support. The allocated funds are too scanty comparing with the desired positive effect for the cooperatives. For example, payments to cooperatives per registered cow is only UAH 1,800 (UAH 900 2 per year) [1], that is insufficient;
- inability of producer cooperatives to involve legal entities as members, which significantly narrows the possibilities for further development;
- prohibited by the law ability of ASC to gain ownership of the goods with its further sale on behalf of the cooperative, the need to conduct business operations only with the cooperative members ultimately reduces its competitiveness;
- aggressive latifundation and rapid development of agricultural holdings;
- insufficient or absent informational, organizational and technical support of the rural population regarding the cooperative idea implementation and its popularization;
- predominantly functional approach to the cooperatives management; misunderstanding and therefore lack of clearly spelled out business processes in a cooperative;
- lack of specialists in cooperative direction, low level of educational support and training of such specialists;
- limited access of cooperatives to financial resources, lack of a well-established system and even of the profile cooperative banks themselves, as the commercial banks are naturally not interested in the cooperative financing;
- other reasons.

According to the authors, one of the key micro level problems that impedes the normal development of domestic cooperatives is the lack of awareness of the cooperatives founders that the cooperative is a kind of business project, and before its establishing it is necessary to define clearly its mission, operation principles, work plans, main business processes of the cooperative, and other aspects. After all, a cooperative, as any other type of enterprise, has to be managed effectively

inside, otherwise the effect of joining forces, synergy and competitiveness increasing of the small producers will be zero.

The basis of the cooperative management have to be grounded on a process management, which includes the management of business processes (all systematic activities interrelated with other ones, which algorithmically describe the enterprise inside, have clearly identified owners, and relate to the transformation of input resources into the final goods, a documented output goods that has consumer value for internal or external customers). All business processes of the cooperative have to be outlined and all direct or indirect members will be informed on them. Then there is a chance that the "one-day cooperatives" will disappear.

The peculiarity the cooperative business processes management comparing with management of the other organizational and legal forms of entities is that all business processes are prescribed and adjusted by the direct members of the cooperative with the ability to involve the experienced specialists on the process management implementation, since here the principle of "bottom-up" management is applied. Cooperative members join together to realize common interests, so they need to understand what and how will happen inside the cooperative.

Another peculiarity during business processes organization in ASCs is the fact that ASC is a non-profit organization, profit receiving is not a purpose of their functioning; the main social effect is reflected in increasing income of the cooperative members by costs reducing or by increasing of value added of their goods, but not of the cooperative itself.

Advantages of the process management of a cooperative are the following:

- simplification of the organizational hierarchical structure, which allows to simplify the exchange of information between different divisions and clearly identify the person responsible for each business process;
- avoidance of functions duplication, improvement of management quality and costs reduction;
- the key characteristic is the orientation towards the satisfaction of the end consumer, he is the arbiter on the value and quality of the "output" business process;
- an opportunity to see the whole process from the beginning to the end; thus, to plan resources for its provision, as well as to identify weaknesses and eliminate them.

Establishment of a cooperative and process management allow to remove outdated collective farm thinking (when all members join forces and work voluntarily not for the individual welfare, but to satisfy the state needs on a compulsory basis), increase labor productivity, be able to attract additional financial resources, form their own well-being of rural inhabitants. Ultimately, it is the driving force for the further development of the Ukrainian agro-industrial complex.

### **Conclusions.**

1. Implementation of the cooperative idea and form of doing business in the agrarian sector of the economy is in its initial phase and is characterized by: imperfect legislative base, which is currently tried to be reformed by some circle of people through the adoption of the law (draft law № 6527-d), that contradicts the key principles of cooperation; scanty state financial support of cooperatives; absence of a civilized land market and a number of other problems that need to be solved as soon as possible.

2. Most small and medium-sized individual agricultural producers abroad operate on a cooperative basis, which contributes to their real ability to compete with larger producers and to uphold their own interests with the continued growth of well-being, facilitating the development of agricultural production and rural communities. One of the most successful countries where cooperatives are a base of the agricultural households is the USA. The success and operation of the USA agricultural cooperatives is based on the consistent and continuous adherence to the cooperative principles, optimal choice of the required cooperative type, compliance with the legal

field of their operation (legislative framework), and an adequate model of formation, financing and management.

3. One of the important aspects in the domestic agrarian cooperatives formation and their further successful development is implementation of the process management approach through the separation by the cooperative members the key business processes and their effective management.

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