The role of cooperatives in the development of the organic agriculture value chain in Russia and Armenia

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Research problem

Organic

- High certification costs
- Lack of technologies and training
- Low physical and economic accessibility
- Too long food supply chain with price disparity
- Young institutional framework
- Demand constraints

Cooperatives

- 20 mln. SME’s in rural areas with weak market power
- Bad historical reputation
- Legal limitations of form
- Deficit of sound business models
- Grant not result orientations
Cooperative tool for organic farmers

- Combination of individual efficiency and cooperative economy of scale
- Complementary not competing sector to dominant agriholdings
- Reduced costs and price within shorter supply chain

Policy measures for the accelerated and sustainable development of organic farmers’ cooperatives
Decollectivization, capital concentration, inequality. 1990 – 500 shareholders in average; 2016 – 1,5% of enterprises with more than 100 founders, 2-5 founders are in 30% of enterprises.
Agricoop’s bottleneck?

- Coping with democratic governance
- For grants or for farmers?
- Advantages or tax and regulation burden?
- Pro and contra of subsidies
- Compliance with all cooperative procedures
- Deficit of specialists and management models
Case study: induction

Firm level: marketing cooperative

Industry level: other Russian and foreign cases

Country level: policy recommendations

Eurasia level: Armenia and other countries
Case study: marketing cooperative

- Market not grant orientation, demand and sales focus, 7 years
- Urban, long-life organic products, 40 active suppliers monthly, 24 employees
- Wholesale, retail, offline, online, 165 buyers per day
- Multifunctional: sales, marketing, investments
- Learning and training by doing, rural-urban cooperation, Solawi and CSA
- Small business incubator
Case study: marketing cooperative
<table>
<thead>
<tr>
<th>Stakeholders</th>
<th>Description</th>
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<tbody>
<tr>
<td>Consumers</td>
<td>lower prices for organic quality, sharing risks and finance</td>
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<tr>
<td>Rural MSME’s</td>
<td>competing with giants via community models</td>
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<td>Supply chain participants</td>
<td>more supply and growing fashion</td>
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<tr>
<td>Government and NGO’s</td>
<td>grants optimization, defense from large competitors and regulation</td>
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<tr>
<td>Agriholdings</td>
<td>contract production, integration, different segments, raiding</td>
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Policy options

- Legislative simplification
- Tax preferences
- Network of advisory services and training
- Trade infrastructure
- Demonstrative network
- Internships
- From support to stimulating
Policy recommendations: managing cooperatives is easy and profitable

✓ **Institutions**: limit the subsidiary liability; simplify registration, managing and reporting; eliminate double taxation; protection from excess regulation; legal form for solawi; not mix organic and eco.

✓ **Economy**: tax deduction for organic farmers selling their produce through cooperatives; retail infrastructure; social tax free for employee-members; state institutions purchases.

✓ **Education**: refresh training on the basis of the Russian University of Cooperation; best world practices; internships in advanced organic farms; demonstration network.
Thank you for attention!

Eurasian Center for food security