

# The Organizational Nature of Agricultural Cooperatives: A Perspective from the Farm Problem Theory<sup>\*</sup>

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## Abstract

This article uses the farm problem theory as the framework for a comparative analysis of cooperative, market and hierarchical organization in the agrifood system. In order to carry out this analysis, the article proposes the organizational economics approach to the farm problem which supplements the traditional approaches explaining it in terms of low opportunity costs and high mobility costs of factors employed in agriculture. According to the proposed organizational economics approach, the farm problem is the outcome of inappropriateness of hierarchical and market organization for effective coordination of agricultural activities. The central argument of the article is that agricultural cooperatives are important because they partially perform the coordination functions not effectively delivered in agriculture by the conventional hierarchical and market types of economic organization.

**Key-words:** cooperative, market, hierarchy, farm problem, structural change.

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