

Special Issue: Pathways to Rural Economic Development in Transition Countries: The Role of Agricultural Cooperatives

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EDITORIAL

This special issue of **Journal of Rural Cooperation** contains selected articles presented at the ICARE / ICA International Research Seminar on "Pathways to Rural Economic Development in Transition Countries: The Role of Agricultural Cooperatives" (Yerevan, Armenia, 5-6 September, 2008). The seminar was designed around the role of agricultural cooperatives in rural economic development of transition countries, to bring together agricultural economists and coop researchers to discuss the development of cooperatives and get practical ideas for possible implementations.

The selected articles in this special issue present to readers, interested in rural economic development of transition countries, examples and empirical evidences of how agricultural cooperatives contributed to poverty reduction and economic growth stimulation. Some of the selected articles highlight the role of agricultural credit cooperatives in the development of the rural finance sector of transition countries, as well as the advantages of cooperatives in vertical integration.

The paper by **Axel Wolz, Michael Kopsidis, and Klaus Reinsberg** explores the major factors of the transformation of agricultural production cooperatives in East Germany, and provides an assessment of future prospects. In their contribution, the authors first discuss the development of the organization of agricultural production in East Germany. Then they show that even more than 15 years after transition, transformed agricultural production cooperatives and other legal farming entities dominate agricultural production. Based on literature review, statistics and empirical survey, the authors analyze the major reasons for their popularity, finding that there are not only economic, but also social reasons. In the medium to long-term, the authors predict that more agricultural production cooperatives will be transformed into business companies like LLCs, especially due to the ageing of the members. This kind of trend is called a "second wave of transformation" by the authors.

In their contribution, **Jon Hanf and Tímea Török** aimed at investigating whether co-ops are the appropriate means for integrating small farmers into modern supply systems. The authors conclude that co-operatives have to modernize their governance structures and business models. Differentiating between traditional and modern co-ops, they discuss for each type of co-op its future roles in a verticalized agri-food business. The authors indicated necessary changes co-operatives have to conduct in order to stay in the market, or better to say, to be integrated into modern supply organizations. With the example of Morakert co-operative in Hungary, the authors suggested that co-operatives are becoming modern marketing-oriented "user-owned and user-controlled businesses," that are able to successfully link their members to modern supply chain organizations. This important issue was continued by **Gábor G. Szabó and Péter Popovic**. Their paper shows theoretical and practical

possibilities for establishing private (market) coordinating organisations in the Hungarian dairy sector. The authors summarised the different coordination structures using a SWOT analysis, for which they assumed two theoretical situations in which coordination is initiated either by the processor or by farmers. The case of the Hungarian Alföldi Tej Kft. presented by the authors was a good example of vertical integration in the dairy chain, based on the horizontal coordination of farmers as initiators.

Svetlana Golovina and Jerker Nilsson studied the difficulties faced by agricultural cooperatives from the Kurgan region in Russia. Their paper empirically explored the extent to which socio-psychological factors explain the difficulties for agricultural cooperative development within the Kurgan region of the Russian Federation. Their findings support the view that there is a strong relationship between trust and the potential for cooperatives. In the authors' model, trust was the stronger predictor of farmers' propensity to participate in cooperative activities. They concluded that a low level of trust in agricultural communities will impede the cooperative movement in Russia.

The contribution by **Klaus Glenk, Johanna Pavliashvili and Adriano Profeta** deals with farmers' preferences for Georgian rural credit systems. The authors explored the possibilities of implementing credit unions in the central-eastern region of Shida Kartli. Their survey included a choice experiment to investigate farmer's preferences for characteristics of particular credit schemes. According to the findings, segments of the farm population differ in their preferences for loan attributes. Farmers expressed a very high demand for small credit schemes with individual liability. These findings provide useful information for potential future credit cooperatives. The authors suggest to implement image and information campaigns, and to make use of the experience with Georgian cooperatives before the Soviet revolutions in 1917 and 1921, as key ingredients for a successful establishment of credit cooperatives.

This special issue includes two papers reporting experiences from Armenia. The first one is by **Artur Grigoryan, Tigran Hakhnazaryan, and Nana Afranaa Kwapong**. This paper analyzes the cooperatives in the Armenian fruit, vegetable and dairy sectors, reveals the existing problems hindering the speed of organization of new cooperatives, and finds some factors that prevent farmers from taking advantage of the potential benefits. The second paper is by **Hamish Gow, Aleksan Shanoyan and Jack Cocks**. Their contribution reflected on how the USDA Marketing Assistance Project provides an instrumental case study for analyzing a case in which an ODA-induced public solution, rather than a FDI-induced private solution, has been used to link farmers to markets and solve the related contracting, investment, and enforcement problems. The authors analyzed the impact of third-party facilitated marketing channels on economic and social outcomes of small, financially distressed farmers, and examined the factors affecting farmers' choices among alternative marketing channels.

The contribution by **Ayal Kimhi** investigates the evolvement of heterogeneity and specialization in Israeli Moshav Cooperatives. The author documented aggregate trends of decreasing number of active farms, increasing farm size, increased farm specialization, and increased reliance on off-farm income, which in turn led to increased heterogeneity and polarization within and between Moshav cooperatives, raising concerns about the viability of the Moshav as a social entity.

Altogether, these articles bring us one step forward towards better understanding agricultural cooperatives as pathways to rural economic, democratic and social development in transition countries.