

## COOPERATIVE RELATIONSHIPS AND BUSINESS

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Before considering cooperative relationships and business performance, it will be helpful to examine briefly some of the more common factors that are associated with the discontinuance of farmers' cooperative associations. A wide variety of reasons is advanced as contributing to cooperative discontinuance. These reasons suggest that adequate classification of discontinuances is difficult. What is more, wide variation frequently exists between the reasons advanced and basic underlying causes. To illustrate, the item, "insufficient volume of business," is one of the reasons most often mentioned as contributing to cooperative discontinuance.

Insufficient volume of business may mean that the production necessary for effective operation does not exist in a community, or it may be only the most visible result of any number of contributing causes. To mention a few, it may indicate:

- 1) ineffective sales policies, resulting in unsatisfactory prices and the loss of business;
- 2) inadequate arrangements for handling products in processing, storage, and transit, all of which may account for low returns, with a consequent decline in the volume of products handled;
- 3) poor service to patrons;
- 4) strong, if not unfair competition from other market agencies;
- 5) inability or disinclination to adjust business operations to changing economic conditions (truck transportation, direct buying, and shifts in production).

Depending upon the relationships of individuals reporting cooperative discontinuance to the association involved, any one of the preceding items, or other items, may be accounted for in the term, insufficient volume of business.

Similarly, to attribute cooperative discontinuance to such reasons as lack of interest, lack of cooperation, and membership dissatisfaction may be just another way of saying that management is incompetent - that difficulties confronting management were not recognized or, if recognized, not correctly analyzed, and that consequently no effective remedial action was considered or taken. Likewise, such reported reasons for discontinuance as lack of patronage, membership dissatisfaction, and high overhead expense, upon careful examination, might among other causes be traced to such factors as poor business management, incompetent directors, and uninformed members.

The many reasons offered in explaining cooperative discontinuance could be classified under three general headings. These include:

- 1) shortcomings of individuals in policy-determining and policy executing positions (directors, executive committees, and in some instances members determine policies-managers and employees execute policies);

- 2) limitations of other individuals associated with or influencing cooperative associations (inactive members, uninterested patrons, and active competitors);

- 3) uncontrollable factors that are beyond direct or immediate influence (war, weather, unfavorable legislation, and general business conditions). In addition to these commonly recognized explanations of discontinuance, there are well-established relationships that have a profound, though less frequently recognized, influence on the business performance of farmers' cooperative associations.

While the importance of the commonly accepted reasons advanced as contributing to cooperative discontinuance should not be depreciated, in many instances, discontinuance and business performance of cooperative associations are closely associated with relationships that have not received adequate consideration in cooperative thinking. These relationships concern general farm organizations, other cooperatives, and public institutions.

The relationship of cooperative associations to general farm organizations, as they have developed in actual practice, often tends

to dissociate membership, patronage, management, and ownership of cooperative associations. It seems likely that as a general rule cooperatives would make slower but more permanent growth if their claims to existence were based on service and performance rather than on association ship with general farm organizations. General farm organizations can be helpful, however, by continuing their role as a watch-dog for cooperative associations by giving particular attention to such items as general agricultural policy, educational work, and favourable agricultural legislation.

Relationships between cooperatives have shown an increasing tendency to develop and, in fact, to supplement those existing between cooperative associations and general farm organizations. Such relationships, when based on the economic and mutual welfare of the associations concerned, have the effect of integrating cooperative development and serve to strengthen cooperative endeavour. These relationships also suggest that such fundamental factors as price philosophy, views toward labour, and social and political reform tend to keep consumer and agricultural cooperation apart.

