NEW TENDENCIES IN AGRICULTURAL COOPERATIVES IN KAZAKHSTAN

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Annotation
This article considers current situation with cooperatives in agriculture in the Republic of Kazakhstan and new state policy measures to promote the number of cooperatives and expend their operation. Government supports resources as financing and loans, subsidies to agricultural producers particularly for dairy and meet livestock that are key sectors in agriculture to develop cooperation through house holdings.

Key words: agricultural cooperatives, agricultural cooperation, state agricultural support

Introduction
The aim of this article is to analyze the updated state policy related to agricultural cooperatives and identify directions for its improvement. Cooperatives play an important role in the development of agriculture in many countries as suppliers of farm produce, marketers of agricultural commodities, and providers of services such as storage and transport [1].

Members' transaction costs decrease because of cooperative principles and cooperative values. The members' cooperative values reduce their uncertainty in relation to each other and in their relationship to the business environment. Thus, there are two categories of values: social values and sovereignty values. The cooperative principles are characteristics of the cooperative organization that aim to reduce transaction costs in the members' relationships with the cooperative. Thus, we find two types of principles: business principles and society principles. Business principles state how relationships between the cooperative enterprise and the members should be designed. Society principles reduce transaction costs for members in their interactions [2].

Materials and Methods
We used official publications and reports of government bodies of Kazakhstan and articles from Thomson Reuter’s database connected to development the agricultural cooperatives and state agricultural policy in other countries.

Discussion and conclusion

On January 1, 2016, the new Act on agricultural cooperatives in the country was chartered. According it agricultural cooperative is a legal entity in the legal form of the production cooperative, created on the basis of membership by a voluntary association of individuals and (or) legal entities for joint production and (or) other economic activities in order to meet their social and economic needs in production, processing, marketing, storage of agricultural products, aquaculture production (fish farming), the supply of the means of production, material and technical resources, lending, water supply or other service members of the cooperative, as well as associated members of the cooperative [3]. There are two kinds of members: members and associated members. Differences that the last ones do not provide the cooperative with commodities or services related to cooperative’s specialization but with investments.

On April 2016 in Kazakhstan 2046 rural consumer coops, 420 rural consumer water users’ coops and 1683 producer coops operated.

With New Act of agricultural cooperatives 150 more coops is expected to establish by local executives over Kazakhstan.

Since launching New Act previous types of coops must have to re-register into new agricultural cooperative, which in fact is production cooperative. The main feature of new Act is that all coops in agriculture except production coop was noncommercial or social oriented. The new Act changed all types of cooperatives in one – commercial, production cooperative. According to the National Chamber of entrepreneurs in 12 regions of the country, 283 cooperatives was re-registered, which united 6335 private farms and about 700 peasants. The highest concentration of coops observed in East Kazakhstan region (31%), West Kazakhstan (14%), Aktobe (14%), and North Kazakhstan (10%) [4].

Despite of several reforms in agriculture development that aimed to increase the number of agricultural coops there are some problems that constrain it. Let us name them:

- unavailability of agricultural enterprises, and the rural population in cooperation, lack of understanding by members the benefits of co-operation, their rights and duties, as well as the activities of the mechanism, the distrust of the population to the newly created structures;
- the establishment of cooperatives in the interests of large-scale farming, which is the initiator, and in fact provides a guarantee of the owner of the cooperative;
- United untimely execution of commitments to implement the project;
- lack of own production facilities, suitable for the installation of the equipment;
- insufficient or illiquid collateral;
- lack of raw materials for downloading the purchased equipment and facilities;
- poor training of managerial staff and the lack of technology experts;
- inability to act in the market with larger batches production due to fragmentation of cooperatives;
- limited access of cooperatives to the realization of products to the retail market;
- inconsistency of interests of participants of cooperation. Processing and service companies are reluctant to loss of a monopoly position in relation to the agricultural producers in the case of the association;
- small allocation of public funds for the development of agricultural cooperatives;
- inadequate legal and regulatory framework of development of agricultural cooperatives.

One of tool to promote agricultural coop in rural areas is to refer to local authorities and use their leadership skills. According new Act Local executive bodies (akimates) of regions, cities of republican significance, the capital, districts (cities of regional importance) act to encourage the creation of agricultural cooperatives in the framework of the implementation of the state policy of development of agriculture and rural areas:

1) develop proposals and carry out measures for state support of agricultural cooperatives in accordance with the legislation of the Republic of Kazakhstan;
2) organize regional exhibitions, fairs with the provision of trading places agricultural cooperatives and their members on the range of products;
3) provide concessional market places at municipal markets to trade products of agricultural cooperatives;
4) develop and implement measures on the dissemination and implementation of the experience of the creation and operation of agricultural cooperatives;
5) develop measures to attract investments and loans of financial institutions for the development of agricultural cooperatives, as well as the creation of conditions for the formation and development of competitive industries, modernization and transition to international quality management system;
6) create the conditions for the operation and development of information and marketing system of agricultural cooperation;
7) they carried out in the interests of local government other powers
delegated to local executive bodies by the legislation of the Republic of Kazakhstan.

The authorized body in the field of development of agriculture (Ministry of agriculture) in order to stimulate the creation of agricultural cooperatives in the framework of the implementation of the state policy of development of agriculture and rural areas:
1) provides information, advice and methodological assistance in the design and implementation of measures for the dissemination and implementation of the experience of creation and activity of the agricultural cooperatives, including through the Internet resources;
2) develop proposals for: creation of a favorable fiscal, financial, credit, investment policy with respect to the activities of agricultural cooperatives; state support of agricultural cooperatives in accordance with the legislation of the Republic of Kazakhstan;
3) promote training, retraining and advanced training of personnel for agricultural cooperation and research on agricultural cooperation;
4) exercise other powers stipulated in this Law, other laws of the Republic of Kazakhstan, acts of the President of the Republic of Kazakhstan and the Government of the Republic of Kazakhstan.

**Coops in dairy.** According to FAOSTAT, cow's milk production in Kazakhstan is about 5 million tons per year. Per capita milk consumption in Kazakhstan is 265 liters at a consuming rate of 290 liters, one of the highest level in Central Asia. In Kyrgyzstan, the figure of 200 liters, in Turkmenistan and Uzbekistan is 140 liter, and in Tajikistan even less - only 55 liter [5].

In Kazakhstan 80% of raw milk is produced by private farms (householdings). One out of three of this amount goes to industrial processing. There are 189 milk-processing companies with capacity of 1,914 mln. tons across nation with 50% raw milk workload. Among the possible reasons is the lack of working capital for the expansion of the network of collection points, unorganized smallholders in terms of collection and delivery of milk plants, transport and logistics complexity and simply shortage of raw materials in the countryside.

One of the latest state initiatives to fulfill milk-processing companies’ needs is to organize household into dairy cooperatives with giving them loan privileges and subsidies. As part of state measures designed by Fund of Financial Support for agriculture is lending on favorable terms for the creation of milk collection centers and milk tankers purchases. Borrower can be themselves milk processing enterprises and individual entrepreneurs with private farming, and agricultural cooperative [6, 7].

The maximum loan amount for the equipment of milk collection stations capacity of 2000 liters - four million tenge and for the purchase of milk tanker - seven million tenge. The interest rate on the loan - 6% per annum, the loan term - up to 54
months. Collateral can act as purchased equipment and other movable and immovable property. The main requirement in the issuance of credit - an agreement on guaranteed sales of raw milk with processing plant. Recently Found of Financial Support for agriculture started to offer loans for agricultural coops with up to 50 mln. tenge for the purchase of equipment and technology for service-procuring organizations in the meat, dairy, fruits and vegetables. The interest rate on the loan is 6% per annum; the loan term is up to 84 months.

Requirements for borrowers are very strict and include:

1) solvency and financial sustainability;
2) the absence of arrears in taxes and other mandatory payments to the budget as of the date of filing or considering the application for funding;
3) absence of overdue debt to banks and other financial institutions as of the last reporting date (current application month);
4) credit history, admissible to financing (in the presence of credit history);
5) availability of veterinary and sanitary well-being in the rural district;
6) the availability of the necessary premises, buildings for keeping animals, allowing to maintain the livestock;
7) provision of fodder at the expense of borrowed or own funds with confirmation of the availability of feed, or money to purchase fodder during the analysis of the project;
8) in case of acquisition by the borrower of the brood stock of cattle from 21 to 100 animals, the following requirements are met:
   - the presence of own breeding stock in the ratio of 1 head of cattle in the property to 5 heads of cattle purchased at the expense of borrowed funds;
   - security of fodder base (availability of pastures, hayfields, arable land, including under agreements on joint activities / agreements on joint use of property);
9) if the borrower purchases a breeding stock of cattle from 50 to 100 heads, the following requirements are met:
   - the existence of the necessary infrastructure for the maintenance of livestock (cattle-breeding (s)) and / or construction (s) with electricity and water supply located on the land plot outside the boundaries and the territory of residential buildings of the settlement).

One of the progressive and privileged tool for promotion the establishment the agricultural coops is state subsidies for dairy and meat livestock production by Kazagromarketing National JSC (Table 1,2).

In a case when the most milk production concentrated in private house holdings, these subsidies are not available for them without uniting their stock in one cooperative stock. There are three levels of subsidies in dairy each of them has different requirements.
Despite of this subsidies for ensure food safety in the country producers are not so happy with them considering the amount of subsidies too small and insufficient to produce milk. In order to get the state support as subsidies for produced agricultural products agricultural cooperative must have at least twenty members. This requirement issued by state to build more sustainable union in terms of size and dimension of cooperatives’ operation. Most cooperatives are traditionally organized [8]. However, in order to be competitive, cooperatives have been growing in size. This increase in size also leads to obvious challenges. One of them has already been highlighted and it is that it produces greater information asymmetry. In the future when cooperative will develop sustain it can face other problems in relation to size and members number according world experience of cooperation.

Table 1 - Subsidies for dairy

<table>
<thead>
<tr>
<th>1st level</th>
<th>2nd level</th>
<th>3rd level</th>
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</thead>
<tbody>
<tr>
<td>25 kzt per litr</td>
<td>15 kzt per litr</td>
<td>10 kzt per litr</td>
</tr>
<tr>
<td>Own breeding stock of cows and heifers older than 2 year no less than 400 heads</td>
<td>Own breeding stock of cows and heifers older than 2 year no less than 400 heads</td>
<td>-</td>
</tr>
<tr>
<td>average annual population of dairy cows and heifers no less than 350 heads</td>
<td>average annual population of dairy cows and heifers no less than 240 heads</td>
<td>average annual population of dairy cows and heifers no less than 50 heads</td>
</tr>
<tr>
<td>The average yield for the flock 4500 kg</td>
<td>The average yield for the flock 3500 kg</td>
<td>The average yield for the flock 2500 kg</td>
</tr>
<tr>
<td>Availability of modern dairy complex infrastructure (mechanized milking, manure removal, automatically water drinking, feed preparation unit)</td>
<td>mechanized milking</td>
<td>mechanized milking, including transferable milking facilities</td>
</tr>
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The members perceive the cooperative to be so large and complex that they have difficulties understanding the operations. Hence, they become dissatisfied and uninvolved, and they mistrust the leadership. Moreover, they do not believe that the cooperative can be remodeled to strengthen member control [9].

Table 2 - Subsidies for meet cattle breeding

| Breeding subsidies (age for young cows no older than 18 months, bulls and heifers and 26 monts) | Kzt per head |
| Breeding stock of cows | 20 000  |
| Breeding bulls of milk and combined breeds in rural residents stock (common with others heads in village) | 104 000  |
| Purchasing of breeding stock (no more than 50% of purchasing cost) | 154 000  |
| From Local breed | 154 000  |
| from US, Canada, Australia | 235 000  |
| From Europe | 154 000  |
| From Russia, Belorussia, Ukraine | 118 000  |
| Depreciation costs for procurement and purchase of crude, rich concentrated feed and feed additives | Subsidies sum is defining by oblast administration with agriculture Ministry consulting |
| Depreciation costs for the organization of artificial insemination for cattle in house holdings |  |
| Cheapening the cost of the purchase of breeding centers and distributors of special technological equipment used for |

There is much work to do to develop agricultural coops in a proper way. Good infrastructure with cooperative education, financial literacy for coops members, and government support for coops particularly needed to organize. On our opinion in order to ensure food safety in milk, meat, vegetables through stimulating agricultural cooperatives mutual cofounding of government and private farms and house holdings would be as another mechanism to implement.

References

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Түйін

Қазақстандағы мемлекеттік ауыл шаруашылығы саясаты сураныска не бәsekеге кабілетті аграрлық азык-тулік өнімдерін өндіруді колдақды. Бұны орындау үшін, бірінші міндет - үй шаруашылықтарының ауыл шаруашылығының ыңымдамағы тарту. Осы бастамаларды ілгерілету үшін, кооперативтер дәлелді тұратын несісілар мен колдау ала алады. Осылашша, 2016 жылдан бері ауыл шаруашылығының қаржыландыру қолдау қоры берген несісілер арқылы, ауыл шаруашылығы кооперативтеріне ұсақ фермерлерді біріктіру үшін шаруашылық шаруашылықтарының ынақтықтастыққа тарту. Осы бастамаларды ілгерілету үшін, кооперативтер дәлелді тұратын несісілар арқылы, ауыл шаруашылығы кооперативтеріне ұсақ фермерлерді біріктіру үшін шаруашылық шаруашылықтарының ынақтықтастыққа тарту.

Ауыл шаруашылығының ыңымдамағы тарту үшін, өндіріс түрінде мемлекеттік қолдау қоры берген және сату қызмет қамтамасыз етеді. Тауарлық-жемдеу, жеміс-жидек және көкөніс пікірді адамдарга ауыл шаруашылығы кооперативтерге қарсы қаржыланғандықтан, бұл өңір алынуға жеткен болмады.

Ауыл шаруашылығының ыңымдамағы тарту үшін, өндіріс түрінде мемлекеттік қолдау қоры берген және сату қызмет қамтамасыз етеді. Тауарлық-жемдеу, жеміс-жидек және көкөніс пікірді адамдарға ауыл шаруашылығы кооперативтерге қарсы қаржыланғандығын зорлаұға болмады. Бұл өңір алынуға жеткен болмады.

Біздің ойымызда, мемлекеттік және жеке шаруашылықтар мен үй шаруашылықтарын қарастырғанда ауыл шаруашылығы кооперативтерге қарсы қаржыланғандығын зорлауға болмады. Бұл өңір алынуға жеткен болмады.
Summary

State agricultural policy in Kazakhstan has been supporting to ensure production of competitive agrifood that is in demand. For that, the first objective is to involve house holdings into agricultural cooperation. In order to promote these initiatives cooperatives can get privileged loans and support. Loans provided by Fund for financial support of agriculture starting it from 2016 thus joined to work of uniting small-scale farms in agricultural cooperatives.

With the aim of developing agricultural cooperation, new loan products have been developed and introduced: "Yntymak" - to finance service-procurement centers in the form of meat, dairy, fruit and vegetable cooperatives; "Igilik" - on financing of purchase and reproduction of agricultural animals and poultry; "Bereke" - to develop a network of family feedlots; "Birlik" - on the development of a network of milk receiving points.

For meet breeding state support to purchase breeds and get paid for selling cattle for meat. There are three levels of subsidies in dairy each of them has different requirements. In order to get the state support as subsidies for produced agricultural products agricultural cooperative must have at least twenty members. This requirement issued by state to build more sustainable union in terms of size and dimension of cooperatives’ operation. Despite of this subsidies for ensure food safety in the country producers are not so happy with them considering the amount of subsidies too small and insufficient to produce milk.

In our opinion in order to ensure food safety in milk, meat, vegetables through stimulating agricultural cooperatives providing mutual cofounding of government and private farms and house holdings would be as another mechanism to implement. Other way to consider can be regional sustainable development programs part of which is to stimulating agriculture production through cooperatives by giving them grants setting requirements connected to not only produce products but also develop marketing and distribution network for agrifood.

Резюме

Государственная аграрная политика в Казахстане поддерживает производство конкурентоспособной агропродовольственной продукции, пользующейся спросом. Для этого первая задача - вовлечение домашних хозяйств в сельскохозяйственное сотрудничество. Для продвижения этих инициатив кооперативы могут получить льготные кредиты и поддержку. Кредиты, предоставляемые Фондом финансовой поддержки сельского хозяйства начиная с 2016 года, направлены на объединение мелких фермерских хозяйств в сельскохозяйственные кооперативы.
В целях развития сельскохозяйственных кооперативов были разработаны и внедрены новые кредитные продукты: «Ынтымак» - для финансирования сервисно-закупочных центров в форме мясных, молочных, плодоовощных кооперативов; «Игилик» - по финансированию покупки и воспроизводства сельскохозяйственных животных и птицы; «Береке» - на развитие сети семейных откормочных площадок; «Бирлик» - на развитии сети пунктов приема молока.

Для приобретения племенных пород скота и за реализацию скота на мясо государство выделяет субсидии. Для молочных хозяйств существуют три уровня субсидий, каждый из которых имеет разные требования. Для получения государственной поддержки в виде субсидий на сельскохозяйственную продукцию в сельскохозяйственном кооперативе должно быть не менее двадцати членов. Это требование государства для создания более устойчивого кооператива как формирования с точки зрения размера и масштабов деятельности. Несмотря на эти субсидии для обеспечения продовольственной безопасности в стране производители удовлетворены ими, учитывая, что объем субсидий слишком мал и недостаточен для поддержки значительного объема молока.

По нашему мнению, для обеспечения продовольственной безопасности молока, мяса и овощей путем стимулирования сельскохозяйственных кооперативов, предусматривающих взаимное финансирование и государственных и частных фермерских хозяйств, и домохозяйств, а также необходимо осуществлять конкретные шаги которые вызывают взаимное доверие. Это будет еще один механизм реализации. Другим способом могут быть региональные программы устойчивого развития, частью которых является стимулирование производства сельскохозяйственной продукции через кооперативы путем предоставления им грантов, устанавливающих им требования, связанные не только с производством продукции, но также с разработкой логистической сети для агропродовольственного сектора.