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# FORMATION AND DEVELOPMENT OF AGRARIAN COOPERATION IN THE RUSSIAN ECONOMY

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### *Abstract*

The article presents the results of a study on the formation and functioning of cooperation, primarily in the form of agricultural production cooperatives, in the agricultural sector of the Russian economy. The relevance and novelty of the work are due to the need to clarify the historical aspects of the formation and functioning of agricultural production cooperatives in the agricultural sector of the economy of the Republic of Bashkortostan and Russia as a whole in order to increase stabilization of agricultural production based on the implementation of the cooperative movement. The latter is a strategically important socio-economic task in the development of the country's economy. The fundamental principles of cooperation in the agricultural sector are examined in several aspects, including the perspective of meeting the objectives of developing the cooperative as an effective business structure in a dynamic environment. The main stages in the formation of agricultural cooperation are distinguished, which have specific forms of expression inherent only to a particular stage, and are based on the implementation of a retrospective assessment of the dynamics of the formation and transformation of cooperative movement forms. A retrospective assessment of the sequence and multidirectional dynamics of the formation and transformation of cooperative movement forms in our country has made it possible to distinguish seven main stages in the formation of agricultural cooperation, which have specific forms of expression that are inherent only to a particular stage and can be traced both horizontally and vertically.

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**Keywords:** Agrarian sector, cooperation, economy, Russia.



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## **1. Introduction**

Despite the influence of serious negative external and internal factors, the Russian economy has been developing quite steadily and dynamically in recent years. It results in a gradual transformation of market relations, affecting all market entities, among which the system of agricultural cooperation occupies a significant place.

## **2. Problem Statement**

In the agricultural sector of the economy, cooperation, as a specific form of socio-economic activity, is an important component of economic transformation. It contributes to the establishment of market equilibrium and determines not only the form of farming, but also the method of economic protection of agricultural producers. Cooperation, as the international experience shows, is able to coordinate the activities of various sectors of the agro-industrial complex into a unified economic system, streamline production ties and financial arrangements, raise the priorities of agricultural producers and level the distribution of profits in the industry.

## **3. Research Questions**

The progress in the development of economic theory and practice, both globally and in Russia as a whole, are determined by the skills and abilities of implementing the positive experience accumulated by previous generations. Modern world practice, as well as Russian experience, demonstrate the inextricable link between the stable development of the agricultural sector economy and the ability to actively introduce the benefits of cooperation. In order to study the possibility of increasing and stabilizing the economic efficiency of agricultural production through the implementation of the cooperative movement, which is a strategically important socio-economic task in the development of the country's economy, the study sets the task of clarifying the historical aspects of the genesis of cooperative relations in the agricultural sector of the Russian economy.

## **4. Purpose of the Study**

It is planned to identify the sequence and direction of the dynamics in the formation and transformation of cooperative movement forms in our country, to identify the main stages in the formation of agricultural cooperation with specific forms of expression, to track their development horizontally and vertically. It is also envisaged to identify the factors affecting the development of cooperative relations at all stages of historical and socio-economic development and to study the issues of formation and functioning of agricultural production cooperatives in the agrarian sector of the Russian economy.

## **5. Research Methods**

Empirical, theoretical, quantitative and qualitative research methods using historical-logical and monographic approaches and other research methods were employed in the research.

In the coming decades, the skills and possibilities of implementing positive experience accumulated by previous generations will largely determine the progress in the development of economic theory and practice, both globally and in Russia.

Modern world practice, as well as Russian experience, demonstrate the inextricable link between the stable development of the economy of the agricultural sector and the ability to actively introduce the benefits of cooperation.

The UNO reports, that almost half of the world's population, or about 3 billion people supports themselves through the activities of cooperative enterprises. The International Cooperative Alliance, the world leader in the cooperative movement, currently includes cooperative organizations from nearly 100 countries. Since June 1903, the Central Union of the Russian Federation has been a member of the ICA.

The UN General Assembly proclaimed 2012 the International Year of Cooperatives in Resolution 64/136 of December 18, 2009. The General Assembly actually confirmed the leading importance of cooperatives in collectivization, job creation, increasing the importance of each member of the cooperative in creating social, spiritual and material independence. Earlier, in 2002, the Resolution “Cooperatives in the process of social development” and the ILO recommendations “On promoting the development of cooperatives” were adopted.

The following examples demonstrate the potential and effectiveness of cooperatives: 49,000 credit unions of the World Council of Credit Unions serve 177 million members in 96 countries, agricultural cooperatives produce 80 to 99 percent of milk in Norway, New Zealand and the United States, 71 percent of fish products in the Republic of Korea and 40 percent of agricultural products in Brazil.

In the European Union there are at least 300,000 cooperatives that provide more than 2.3 million jobs, more than 50% of various types of agricultural products and food are to the market by agricultural cooperatives in the countries of the European Union, USA, Canada, Almost 100% of agricultural producers merge into agricultural cooperatives in the Netherlands, Finland, Ireland, and 80% - in France and Germany.

The concept of cooperation translated from Latin (*cooperatio*) means: *co* (*cum*) - together, at the same time; *opus* (*operis*) - labor, work, that is, jointly performed work. In the Explanatory Economic and Financial Dictionary, a cooperative is defined as an association of persons leading a joint venture, led by themselves at their own peril and risk, on the basis of equal rights and obligations (Bernar & Kolli, 1994). The founder of the cooperative theory in Russia Chayanov (2019) gave the following definition to a cooperative: “A cooperative is a part of the economic activity of a particular group of people organized on a collective basis, designed to serve the interests of this group and only it” (p. 8).

Studies show that the very concept of “cooperation” in the economic literature is used to characterize three different types of economic relations. Firstly, it is the cooperation of production on the scale of the entire national economy, as determining interdependence between elements of the economic structure. It covers sectoral and intersectoral dependencies at all levels (horizontally and vertically); interconnections of all regions and territories of business entities, as well as the movement of these subjects in the process of economic activity. Secondly, it is the cooperation of activities directly in the process of labor and production (Akhmetov, Kuzyashev, Nasretidinova, & Akhmedina, 2019). In this case, the forms of cooperation are mobile and shortterm, determined by the technical level of development of production, its

industry specifics, the complex of socio-economic conditions, primarily the nature and forms of labor organization. Thirdly, the term “cooperation” refers to relations based on a cooperative form of ownership, on the economic interest of participants using resources and results of activity at their discretion. In this case, cooperation is created and developed as a business entity.

A distinctive feature of cooperation as a social movement is the presence of a specific social goal. Art. 3 of the Charter of the International Cooperative Alliance (ICA), created in 1895, states that Mezhdunarodnyi kooperativnyi alians (2019) seeks to replace the profit-based regime with a cooperative system organized in the interests of the whole society and based on mutual assistance.

It is advisable to give the following definition of agricultural cooperation: agricultural cooperation is a socially oriented form of management that voluntarily connects agricultural producers on the basis of uniting with the condition of personal labor participation, functioning on a democratic basis and designed to satisfy the diverse interests of its members. This is a unique form of joint activity that allows an individual producer to maximize the use of his resources and have the additional benefit of jointly carried out operations at different stages of the production process while maintaining his independence (Rakhmatullin, Akhmedina, Kuzyashev, & Nasretdinova, 2020).

The activities of agricultural cooperative enterprises are based on some basic principles that are the same for all cooperative organizations in Russia. The principles of agricultural cooperation are presented in table 01.

**Table 01.** Principles of agricultural cooperation

Russian cultural principles and values	Basic principles of agricultural cooperation	Principles of agricultural cooperation according to the authors
Spirituality	Meeting the needs of cooperative members	Permanence - increasing the organization's implementation of its social and economic functions
Equality	Democracy in management	Democracy - one member of a cooperative - one vote
Equity	Distribution of economic benefits in proportion to participation in economic activities	Self-financing - successful implementation of social and economic functions on the basis of self-financing
Responsibility	Responsibility of the cooperative members for the results of the economic activity	Self-sufficiency is to ensure the economic growth of all types of activity (not lower than that of competitors) due to profit growth and a mutual fund
Russian cultural principles and values	Basic principles of agricultural cooperation	Principles of agricultural cooperation according to the authors.
Self-financing	Break-even work	Break-even - the optimal combination of break-even work and performance
Mutual assistance	Mandatory informing the members of the cooperative about the results of the economic activity	Self-administration - exercise by the members of the cooperative of their right to decide all issues of the agricultural cooperative

Agricultural cooperatives, depending on the principles of classification, socio-economic functions and other criteria, should be classified as follows: by forms - production and consumer ones, in direction - horizontal and vertical ones, etc. Horizontal cooperation means intrasectoral economic, organizational and technological integration of two or more enterprises of the same industry, vertical - intersectional union of enterprises and industries of various sectors of the agro-industrial complex.

The historical genesis of the formation of agricultural cooperation for more than 150 years of development is associated with fluctuations from extensive to intensive forms of economic growth in 1980s. Studies show that the concept of cooperation in its theoretical aspect was formed and justified only at the beginning of the nineteenth century (Gayazov, 2017).

The study of foreign sources also revealed the uneven dynamics of the formation of cooperation in the agro-industrial complex, which underwent development from traditional forms of cooperation to the further integration of agricultural production with other sectors of the economy. Strategies for the development of cooperation between countries at all stages of historical and socio-economic development depended on both climatic conditions, national mentality, political and economic situation, both in the country and in the world (Nasretdinova & Nasretdinova, 2016).

A retrospective assessment of the sequence and multidirectional dynamics of the formation and transformation of cooperative movement forms in our country allows us to distinguish seven main stages in the formation of agricultural cooperation: the first period is the period of long formation (1865-1905), the second is the Stolypin period of growth and prosperity (1906-1916), then - a sharp decline during the years of "war communism" (1918-1921), later - NEP - the stage of revival (1922-1929), the fifth period - "state control" of cooperation in the period of "directive economy" and the sixth (1930-1984.) - the initial stage of a new revival, reorganization of collective and state farms (1984-1995), the seventh period - Modern (1996 - present time) (Gizatullin, Garipov, & Garipova, 2018).

In each of the selected periods, agricultural cooperation possessed specific forms of expression inherent only to this stage and traced both horizontally and vertically. So, in the initial period, cooperation was formed for the most part in the field of exchange and commodity circulation of agricultural products, in the form of consumer, credit, supply and marketing cooperatives.

During the period of Stolypin reforms, a peasant's homestead, understood as a family-labor association, began to form actively. Peasants activity developed in the direction of unification and was seen not as the production by every individual member, but as the activity of a unity, for example, of a family, the basis of which was family aggregate labor, defined as a cooperative-family form of labor organization. The period of 1906-1916: the development of agricultural cooperation is characterized by the merging of small producers into a specific syndicate, based on the combination of small capital of agricultural producers who had surplus goods. Siberian butter farmers, for instance, organized themselves into various types of butter-making cooperatives, headed by the Siberian Union of Butter Artels, and flax farmers of the European part of Russia united into the Central Flax Growers Association, a single complex of flax growing cooperatives, linking hundreds of thousands of peasant farms from 11 provinces - Pskov, Tverskaya, Smolensk, Novgorod, Yaroslavl, etc.

Further, the process of formation of cooperation is characterized by its transformation from the sphere of exchange into the sphere of production and processing of agricultural products. For the first time

in Russia, a single organizing and regulating cooperative center is being created - the Council of All-Russian Cooperative Congresses. The intensive development of the agricultural cooperative movement contributed to the provision of food not only in the country, but also abroad – bringing forward the development of the products export.

In this period the cooperative movement is becoming the most popular and mass-phenomenon, since most agricultural workers have recognized the effectiveness and economic benefits of cooperation. For comparison, in 1897-1904 the number of partnerships reached 77 per year, in 1905-1908 - 539 partnerships per year, from 1909-1912 - 1321 cooperatives per year, and in 1913-1915 - more than one thousand cooperatives annually.

We believe that many people remember the brilliant achievement of Russian cooperation - the butter and cheese production, convincingly demonstrating the enormous reserves of the cooperative movement of Russia and securing the country's second place in world butter exports after Denmark in 1906. In 1914 a quarter of the world's butter was sold by Russia. Twice as much money came from the export of butter to the state treasury than from gold.

**Table 02.** Dynamics of the development of cooperation in Russia<sup>1</sup>

Types of cooperatives	1901-1902	1917
Credit cooperatives	837	16055
Consumer societies	600	20000
Agricultural societies	137	6032
Rural partnership	—	2100
Butter cooperatives	51	3000
Artisanal cooperatives	n/a	600
In total	1625	47787

By the beginning of 1917, a predisposition for the formation of an integrated cooperative system had formed in Russia, as demonstrated by the statistics of those years. Volumes of Russian cooperation production for 1900-1917 increased 35 times and from 1910 to 1917 - almost 4.5 times.

However, the triumph of the October Revolution of 1917, the policy of war communism during the civil war (1913-1921) ultimately ceased all forms of cooperative management. The agricultural market was completely destabilized; the products were taken from the peasants by food detachments almost for nothing. Peasants began to reduce crops, gross production reduced as well. Even replacing the surplus-appraisal with a tax-deductible tax, the average percentage of goods sold on the market to those produced by peasants did not exceed 11% against 26-29% - until 1917. Cooperation in its original historical understanding was destroyed in all its forms (Table 02).

A significant contribution to the powerful revival of cooperation was made by the NEP period, which was a kind of logical continuation of the development of the Stolypin transformations period. It is marked by the global growth rate of the number of cooperatives and their unions in vertical and horizontal directions. Spheres of their influence on all areas of agricultural production are increasing, despite the fact that the capital gain in peasant farms in 1923 relative to the level of 1915 was only 40%. In 1929, over 80% of all peasant homesteads were involved in various types of cooperation. For the years 1921-1928 the

number of agricultural cooperatives increased by more than five times, the data of the association of the peasant population in cooperatives increased by 20 times (Gataullin & Sagatgareev, 2019).

This period in the formation of a unique single trading market throughout the country is characterized by the development of the cooperative movement, which undoubtedly had a positive impact on almost all key sectors of agricultural industry, such as: Flax Center, “Bakery Center”, “Potato Center”, “Plodvincenter”, “Poultry Union”, “Soyuzsahar”, etc., uniting more than twenty independent independent cooperative unions of cooperatives united in the “Union of Unions of Agricultural Cooperation of the RSFSR”.

At the same time, the intensive development of the cooperative movement in agriculture revealed some helplessness of the then existing national structures in the ability to guarantee stable work in the production sector, as well as in the sphere of market circulation, and the service sector. The guarantee of steady work in the agricultural sector of the economy has declined.

Processing and sales and supply co-operation was revived, providing initial processing of agricultural commodity products in the activities of the butter and potato-processing enterprises, fruit and vegetable drying and other cooperatives

The sales, supply and credit types of cooperation played dominant role in the production activities of the peasants at that time. Sales and supply cooperatives not only marketed agricultural products of peasants, but also supplied seeds and other means of production, which intensified agricultural production and increased the level of marketability of products. The share of sales and supply cooperation in the procurement of consumer goods in the 1920s increased from 10 to 46.2%.

From the very beginning of the NEP, virtually all commodity circulation had returned to private hands, which entailed not only the establishment of new rules and strategies for commercial turnover, but also to a considerable degree influenced the entire strategy of social production, exchange, distribution and consumption of material goods in rural areas.

At the same time, the sphere of cooperation in processing, marketing, and supply has been reactivated. It provided initial processing for the activities of cooperatives for the production of butter, potato cooperatives, fruit-drying cooperatives and others (Nasretdinova & Nasretdinova, 2016).

The dominant role in production activities was provided at that stage by sales, supply and credit types of cooperation. The cooperatives associated with the sales and supply were engaged in the sale of agricultural products to the peasants, and supplied grain, milk, meat and other means of production, which intensified the volume of agricultural production and increased the value of goods turnover (Gizatullin et al., 2018). In the procurement of products, the share of sales and supply cooperation increased in the 1920s by more than a third - from 10 to 46.2 %

The unity in the desire to increase sales and supply benefits prompted agricultural producers to their dynamic development and the opening of other types of cooperatives. Based on the reforms of the NEP stage, associated with to commodity-money exchange were structured, and therefore at the end of 1925 the in-kind food tax was changed to a single tax. Subsidies and various measures of state support for industrial cooperation from 1927 to 1930 amounted to more than 719 million rubles.

Under the influence of scientific and technological progress, the organization of cooperatives integrated by the vertical type led to radical transformations of productive means and mechanisms,

technological and labor processes, as well as transformations in the nature of their activities. Their development was seen in further centralized planning and management of economic activity, in organizing a coherent policy of technical development, reducing production costs, in developing the potential for introducing the latest methods and modern technological methods of production, which contributed to the integration with self-proclaimed research and development departments.

On the basis of cooperation between collective farms, feeding stations had been established, as well as organizations for the provision, storage and processing of plant materials, meat and dairy and other agricultural and non-agricultural products, stations for artificial insemination of animals, poultry farms, etc. It was natural as isolated peasant farms experienced evident lack of means and opportunities. In addition, the transformation of cooperation continued even with the formation of a wide infrastructure: building educational and medical institutions, camps for children, recreation and tourist centers, developing leisure centers for youth and senior citizens. In republics, collective and inter-farm cooperative movement was widespread in various sectors of agriculture, most often in livestock, in its main areas - cattle and pigs feeding.

The economic effect of collective labor was manifested not only in the high efficiency of labor, but also in the fact that the shareholder enterprises were stimulated by an increase in the results of work on the basis of their involvement in sharing their profit (Gataullin et al., 2014).

The unique economic stability of the various cooperative movements was vividly demonstrated in times of war and revolutionary shocks. It was to a large extent through cooperation, that society had been able to withstand hopeless economic chaos and disintegration. Acting as a significant economic and social force, cooperation came to the center of interest of the Bolshevik power and in the years of Soviet history felt and was subjected to significant transformations and experiments.

The resulting vector of its development in the competition absence and private capital and a market economy is becoming more and more stringent subordination to government bodies, bureaucratization, loss of features and principles of organizational structure inherent in cooperation. It is no coincidence that the reforms of the Soviet economy and political system, that began in the second half of the 1980s were performed through cooperation and small enterprise development. Through cooperation, significant aspects of the development of the economy in pre-revolutionary Russia and during the NEP of the 20th anniversary were noted (Kunakova, Belyaeva, Nikitina, & Movsumzade, 2016). The cooperation felt the oppressive blow of the Stalinist collectivization and the transformations of the 1950s with practical nationalization, which were carried out under the banner of the "advantages of socialist socialization." But cooperation is not only history, but also a solution to the problems caused by market reforms in Russia in the 1980s and 1990s, which will be more successful the more fully historical experience will be taken into account.

The period of 1970-80s is determined by the emergence of inter-farm cooperation in a number of regions and republics of the former USSR of a total. It took place mainly in the field of agricultural construction, partly in the field of processing and other sectors of the agro-industrial complex. Inter-farm cooperatives were organized, such as Mezhholkhozstroy, in which the rural construction industry started on the units of collective farms and state farms in township districts. Under certain conditions, collective and state farms, on the basis of units, enlarged their production capabilities. They were located near a certain

processing organization, for example, near a sugar factory. Industrial or scientific-production association was organized by a similar type. Inter-farm unions, supposed and positioning themselves as organizations of a cooperative form, in fact did not realize themselves as such in the circumstances of the command-administrative economic system. The principles of organization of the economy and the economic mechanism of their functioning, working during this period, quickly transformed the economic basis of inter-farm cooperation, changing the inter-farm union into an ordinary state structural unit with all its qualitative characteristics: centralized planning, lack of true economic freedom, equal distribution of shareholders' profit without its final correlation with final results of production management and disregarding equity interest in strengthening cooperative ownership. In inter-farm cooperatives, state views on the organization of production prevailed. All members of agricultural cooperatives, including inter-collective farm organizations, while maintaining the status of an independent legal entity, were no longer entitled to fully control the cooperative work of the inter-farm association.

Thus, the period of 1934-1984 was not only not a natural expansion and deepening of effective trends of fruitful developing cooperative activity in agricultural production, but also became a period of its liquidation as a qualitative integral structure.

During this period, Russian agriculture has been globally driven away from Western countries, in which rural cooperation has rooted and has become a stable foundation for protecting the economic interests of agricultural producers, united in industry unions and having diverse state support.

The period of the modern formation of agricultural cooperation, when the reason for creating conditions conducive to its restoration has ripened, deserves close attention. It is determined, firstly, by the development of a multistructured agrarian economy as a base for agricultural production, the revival of peasant farms, agricultural production cooperatives and other modern agrarian organizational forms of entrepreneurship, as well as sanctions and requirements relating to the field of agricultural production and trade (Nasretdinova, 2012).

The current period of the formation of agricultural cooperation combines the revival and emergence of diverse cooperative forms of management: agro-industrial complexes such as Kuban in the Krasnodar Territory (in which the principles of cooperation are restored), cooperative unions like Agricultural Association Novomoskovskoye in the Tula region with an exclusively expressed cooperative mechanism for organizing economic production; agricultural production cooperatives, unions of cooperatives, the so-called coopfarms like Krutishinsky, joint farmsteads and the absolutely newest formations of the agrarian orientation of the entrepreneurial type, with the transformation of the collective and state farms into joint stock companies and limited partnerships, collective organizations (Faritov, Shiriyazdanova, Nasretdinov, & Nasretdinova, 2016).

All these organizational forms of management are characterized by a cooperative nature as the basis of farm-management. In all these forms of management, cooperative relations development is based on cooperative principles (voluntariness, economic independence of structural units, mutual economic interest in joint labor results, commercial calculation, contractual principles, etc.). These principles stem from the very economic essence of cooperation as a form of organization of labor and production and as a social form of collective associations (enterprises and various agro-structures). The production structure of these agricultural entities is also based on the principles of cooperation. As already noted, in the Agricultural

Association Novomoskovskoye cooperative all production agroservice, including processing, sale of agricultural products, production and maintenance, supply and marketing, design and construction work, is carried out through industry cooperatives: crop, meat and dairy, design and construction, industrial and technical and sales and supply.

The absolute superiority of cooperation in comparison with other organizational and legal forms in agriculture is explained by the following key principles of the organization of cooperatives - there is a potential to consolidate actions, to pool labor, material and financial resources for their optimal implementation in cooperatives with a particularly noble motivation for work;

- cooperation allows you to better adapt to the market and flexibly respond to changing demand, improve the entrepreneurial abilities of rural producers;

- cooperation contributes to a more equitable distribution of profit, economic and social guarantees for rural workers (Kuzyashev & Topunova, 2017).

Despite positive economic effect, a decrease in the quantitative composition of agricultural cooperatives gives rise to cooperation as a result of a rapid decrease in the number of farms, which threatens to reduce both the volume of production of cooperatives and the social base of cooperation. In a number of countries, these trends resulted in weakening of a certain type of prohibitions in the development of labor relations in cooperatives where producers of goods do not have membership in the cooperative (Fattakhov, Nizamutdinov, & Oreshnikov, 2018). Another result is the refinement and development of new rules and principles for relations with these producers.

At the same time, the objective process of joining efforts to achieve the best indicators of the development of agribusiness, as well as other sectors of the national economy, is associated with the implementation of the principles of integration. In so doing, the process of concentration is gaining strength, developing in two directions: there is a concentration of single-industry cooperatives, that is, horizontal integration; and their merger is carried out with the loss of their independence from processing enterprises, that is, the process of vertical integration (Kuzyashev, Nasretdinova, Akhmedina, & Rakhmatullin, 2019).

There are multiple approaches to the definition of the term “agro-industrial integration”. We have chosen the following one: agro-industrial integration is the process of organizational integration of agricultural enterprises with enterprises of other sectors of the agro-industrial complex, which has economic motives and can take place in various organizational and legal forms, as well as the subsequent strengthening and development of their interaction.

## **6. Findings**

The historical-logical approach gives a fairly holistic view of the formation and development of the theory of cooperation and integration. Having studied the essence and logic of past and modern Russian concepts of integration, the conditions of their occurrence, the relationship of theoretical constructions with economic policies and the practice of integration construction, we came to the conclusion that cooperative integrated relations in the context of economic policies aimed at the nationalization of cooperation tend to maintain their integration functions and to a greater or lesser degree co-operative nature, modifying and

adapting in this part its essential content in such a way that, they are ready to be restored in their original form in the market conditions.

## 7. Conclusion

Cooperation is an important tool that increases production capabilities, improves the efficiency of use of production capacities and helps to reduce costs.

Improvement of the cooperation activities requires their diversification in those types of activity in which they are most successful. Differences between cooperatives allows us to determine their strategic guidelines and create an effective mechanism for the implementation of the strategy and its subsequent monitoring. However, the nature of cooperation is such that, acting as a socially oriented system, it sees its main task in ensuring the material and social interests of workers and the poor.

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