



# **Cooperatives at a crossroads**

## **– Trajectories of agricultural cooperatives in Ukraine**

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# Cooperatives at a crossroads – Trajectories of agricultural cooperatives in Ukraine

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## Abstract

This exploratory comparative case study seeks to understand challenges and strategies for farmer collective action in post-Soviet settings. It does so by examining member relations, trust and commitment in two successful dairy cooperatives in western Ukraine: one NGO-initiated cooperative with a bottom-up organization, and one cooperative developed in liaison with a local large-scale agricultural enterprise (LSE). Through qualitative field study data from 28 interviews, the study shows how the rural institutional context affects cooperative initiatives.

The results indicate that initial and to some extent lingering issues of trust among villagers – seemingly linked to failed or fraudulent projects and investments of the transition period – can be an obstacle for cooperatives linked to NGOs. Meanwhile, such trust issues could easily be circumvented by the second cooperative through its strong links to the local LSE, which could bestow the cooperative with trustworthiness.

The study also shows how the two cases, due to their origins and support, differ a lot in their member relations, including how they handle collective action problems and how members identify within the cooperatives. While the NGO-backed cooperative opts for a strategy that advocates equity, participation and a strong care for community, the LSE cooperative opts for a more vertical, business-like organization, at the expense of some of the cooperative principles.

Pointing to the institutional factors which enable LSE cooperatives, a continued development of LSE cooperatives is expected and discussed. Lawmakers may need to distinguish between traditional cooperatives and LSE cooperatives in order to secure the needs of both types of arrangements.

*Keywords:* agricultural, cooperative, Ukraine, post-soviet, trust, collective action

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# 1. Introduction

At first glance, one would expect Ukraine to be a perfect breeding ground for agricultural cooperatives. Ukraine's many smallholders own some of the world's most fertile and widest reaches of agricultural land following a rather egalitarian land reform after gaining independence in 1991. Although productive, Ukrainian smallholders struggle in making their livelihoods profitable. Further development of agricultural cooperatives can play a vital role in increasing farmers' incomes and making small-scale agriculture more viable. As in most post-Soviet countries, the current level of cooperative participation in Ukraine is exceptionally low by European standards. Only 0,4 % of Ukrainian farms are members of cooperatives (Sedik & Lerman 2015), compared to the level of cooperative engagement in western countries, oftentimes surpassing 50 % (for a review, see Gijssels & Bussels 2014).

Although cooperatives have been studied long and wide, post-Soviet states have been largely overlooked, and the area thus requires more attention. Earlier studies aiming to explain why Ukraine, eastern Europe and the post-socialist states have lower numbers of cooperatives link it to issues of lower trust, or social capital, within the region. Scholars suggest different theories as to why it is the case. For example, Lissowska (2013) points to the communist experience of the planned economy and the influence of totalitarian regimes on civil society as detrimental to the willingness for voluntary cooperation and self-organization (Swain 2000). Contemporary institutional and legal factors common to the post-Soviet sphere have also been suggested as conditions that hamper cooperative organization (Sedik & Lerman 2015).

Such earlier studies have provided macro-level perspectives of institutional frameworks and path dependent social structures as causes for the weak development of cooperatives in the former communist bloc. However, although there are difficulties regarding bottom-up social organization in post-soviet states in general, cooperatives do form in the region, and some perform well. There are ongoing local and international efforts to create and maintain bottom-up structures (Bamman & Braganza 2012). In addition, recent research has given attention to non-conventional 'top-down', oftentimes state-backed cooperatives being formed within

countries with a socialist history (Kurakin & Visser 2017). This thesis will explore issues of trust and commitment within two differing models of cooperative institution building, building on interview data collected during field visits to two research sites in Western Ukraine. One research site represents a traditional 'bottom-up' cooperative, aided by a western development cooperation agency. The other cooperative is initiated, financed, and supported by a local large-scale farming enterprise.

By investigating two cooperatives that are viable but with contrasting organizational characteristics, the micro-level analysis of this study looks into issues of trust and commitment within post-Soviet cooperatives. In employing this set-up, this study aims to provide better understanding of how cooperatives gain the trust of locals in order to recruit farmers, and how they work to strengthen farmers' commitment to collective action. By mainly focusing on the perspective of cooperative members and leaders through interviews, this study seeks to delve deeper into member relations than what is merely contractual.

Among cooperative organizations and scholars, there is an ideal regarding how cooperatives should be implemented and function (International Cooperative Alliance 2018). This ideal has been traditional Western cooperatives (Efendiev & Sorokin 2013; Kurakin & Visser 2017). By examining social relations in cooperatives in a non-Western context, this study can show how cooperative initiatives are shaped both by actors' ambitions as well as the local, historical, and social institutions in which they operate – an interplay which leads to varying outcomes for both members and the economic viability of a cooperative.

The study contributes theoretically to cooperative studies by furthering discussion on how cooperatives develop in relation to their institutional environment. Calls for such research have been voiced by Bijman *et al* (2016: 285). The results of the thesis will be used as a basis for a discussion on the future of collective action institutions such as cooperatives in Ukraine and the implications of the involvement of large-scale agricultural enterprises and international development cooperation in their development. Other than contributing to the research field, the results of the study could be of use for rural developers and cooperative leaders in Ukraine who are interested in bolstering the development of smallholder cooperatives. Such development is prioritized by the Ukrainian government (Sedik and Lerman, 2015) and the regional office of the United Nations Food and Agricultural Organization (FAO 2016), indicating the importance placed on cooperatives by key stakeholders.

The study can also give valuable insights on the challenges of rural development in Ukraine today and the future. Since the revolution of dignity of 2014, Ukraine has been aligning their rural and agrarian policies with the European model, which is

heavily built on the voluntary cooperation of rural dwellers (European Commission, 2014).

## 1.1. Research questions

The purpose of this study is to contribute with insights into the institutional dynamics of agricultural cooperatives in post-soviet contexts. The study explores issues of trust, member motivations and relations within cooperatives in post-Soviet settings by exploring the trajectories of two different models of cooperative establishment and development within the cooperative movement in Ukraine. By so doing, the study examines and discusses cooperative development in contexts characterized by low trust such as the post-Soviet areas, where cooperative development can be regarded as a form of institution-building. The overarching explorative question of this thesis is to understand:

*What are the institutional challenges and strategies of agricultural cooperatives in a post-soviet setting?*

To answer this question, three sub-questions are posed:

- I) *How do the cooperatives gain the necessary trust to recruit members?*
- II) *What are cooperative members motivations in joining and staying in cooperatives?*
- III) *How do cooperative members and leaders define their roles and relationships within the cooperatives?*

## 1.2. Thesis outline

Following this introduction, a literature review is presented, covering the general theoretical field of agricultural cooperatives. This is followed by chapter three which presents some empirical background relevant to the Ukrainian setting. Chapter four presents the guiding theoretical concepts used for the analysis. The fifth chapter presents the study's methodology regarding case selection, data collection and analysis. The sixth chapter covers the empirical findings of the study. Lastly, chapter seven provides a concluding discussion of the findings, connecting them to a wider discussion on the future of cooperative development in post-Soviet settings.

## 2. Literature Review

This chapter introduces previous research on the nature, function and organizational dilemmas of agricultural cooperatives. It begins by situating the re-emerging academic and policy interest in this form of organization in the increasing requirements on producers in the globalized food system. It moves on to discuss the issue of collective action, and identifies mechanisms suggested by previous research as incentivizing to cooperative commitment. Lastly, the chapter details some challenges and gaps in existing research.

### 2.1. The cooperative as an institutional model

In the current globalized food system, producers rely ever more on distant markets, and power has been concentrated around the intermediate positions in the supply chain (Clapp 2016; Pesche & Losch 2016). For smallholder farmers, it is increasingly important to attract buyers that provide pathways to these markets. In academia and policy circles, recent years has seen a revitalized interest in cooperatives' and producer organizations' role in increasing the bargaining power of smallholders and giving them important market access (Bijman 2016). Bigger producers and cooperatives can more easily ensure the large volumes and certain standards that powerful intermediaries require (Pesche & Losch 2016).

Agricultural cooperatives have been widely studied and are recognized as organizations that can bring benefits to both their members and indirectly to the communities in which they operate. A central argument for strengthening the formation of cooperatives in Ukraine and other countries with smallholder poverty relates to the increased income they can bring to smallholders. Cooperatives have earlier been shown to lower transaction costs<sup>1</sup> by enhancing market access and providing better price information (Bamman & Braganza 2012; Bijman 2016).

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<sup>1</sup> Transaction costs are understood as the general costs the arise in order to participate in the market and necessary for a transaction to go through – such as finding a buyer/seller (Dixit 2009).

Furthermore, economies of scale can be obtained through joint marketing, packaging, and transportation of goods (Hanisch 2016). Likewise, transaction costs are also prevalent when the farmer is on the buying side of a transaction. Thus, cooperatives can also work to lower the costs of market participation by buying inputs, supplies and extension services in bulk and sell to members without profit margins. In addition to the direct economic benefits that cooperatives can bring to members, studies have also noted wider effects in the communities in which cooperatives reside, such as higher prices even for non-members (Cotterill 1987; Bijman et al. 2012; Hanisch et al. 2013) and strengthened social capital (Blokland & Schuurman 2016). It should however be noted that cooperatives' role in poverty reduction is difficult to fathom, and it's resurgence on the development agenda seem to not be backed by evidence which is inconclusive (Hanisch 2016). More research is needed to determine under what situations cooperatives can be successful in this regard, paying special attention to local circumstances.

Besides embodying the economic-utilitarian imperative of reducing costs, there is also a social and, if you will, a moral dimension to cooperatives, as they promote egalitarianism, fairness, and concern for community. Scholars often refer to a duality or hybridity of cooperatives as being businesses and social organizations at the same time (Albert & Whetten 1985).

The social dimension of cooperatives relates to the origins of this organizational form. The cooperative movement started in the urbanizing and industrial western economies during the late 19th century, where the Netherlands and Denmark are possibly the primary examples of early and strong cooperative development. The social aspect of cooperatives is probably best illustrated in the International Cooperative Alliance's (ICA) widely recognized seven cooperative principles (International Cooperative Alliance 2018), which arguably represent common perceptions of the baseline functioning of cooperatives:

1. That membership should be open and voluntary for all who applies, without discrimination.
2. That members should participate in, and have democratic control of, the cooperative's decisions. Elected representatives are responsive to the members.
3. That the members should participate in the economic decisions and the capital of the cooperative should mainly be reinvested in the cooperative.
4. The cooperative should strive for autonomy and independence from other actors. Agreements made with other actors should never side-line the members' democratic control.

5. Cooperatives should give their members education, training, and information so that they can contribute better to the cooperative.
6. Cooperatives should strengthen the cooperative movement through cooperation among cooperatives.
7. Cooperatives should support their communities towards sustainable development with policies that approved by their members.

The duality of cooperatives – being both businesses and social organizations – lies in the fact that they rely on the members' coordinated actions to achieve common goals that are unattainable for each individual by themselves (Meinzen-Dick et al. 2004; Hellin et al. 2009). Thus, cooperative activities are often regarded as exercises of collective action and hence, issues of trust and 'social capital' (Bourdieu 1986; Coleman 1988; Putnam et al. 1994) are generally deemed essential factors in the wellbeing of cooperatives. In fact, it has been shown that social capital can be used to explain the economic performance of cooperatives (Groot Kormelinck et al. 2016).

Indeed, some of the largest threats to cooperative longevity are side-selling and free-riding behaviour among cooperative members (Ortmann & King 2007; Cechin et al. 2013). Such behaviour lowers the trust among members, but it also encourages more side-selling and free-riding. More resources then need to be allocated by the management to counter and control these issues – resources that would otherwise be translated to investments or profits to more honest members.

## 2.2. What causes commitment in cooperatives?

Trust and social capital are thus essential factors enabling collective action and promoting *commitment* to a cooperative. Commitment in cooperatives can be defined as "the preference of cooperative members to patronize a cooperative even when the cooperative's price or service is not as good as that provided by an investor-owned firm" (Fulton 1999:423). This definition implies that committed cooperative members generally would strive to follow the rules set by a cooperative, for instance regarding quality standards. Commitment in this sense implies a strong loyalty to the organization beyond immediate benefits for the individual, or a "continued loyalty" as put by Cechin *et al.* (2013). Cechin *et al.* (2013) continue by suggesting that incentives to cooperative participation can be deconstructed into four fundamental mechanisms – market, hierarchy, community, and democratic participation.

One of the most obvious reason for farmers to form, join and continue to participate in cooperatives ought to be the economic incentive (*market*). A large body of



theoretical research on cooperatives has been conducted from a transaction cost economic perspective (Williamson 1979; North 1992; Menard et al. 2007). Cooperatives mend the effects of market failure, lack of price information and monopsony. Transaction costs, understood as the costs that are related to participating in the market, are expected to increase as the distance from seller to buyer increases (Dixit 2009).

Several empirical studies have shown that cooperative participation ameliorates the issue of transaction costs while also increasing market access (Wollni & Zeller 2007), market participation (Holloway et al. 2000) and higher income (Fischer & Qaim 2012). Previous research thus suggests that there could be clear economic incentives for cooperative members in order to secure their continued participation. However, such economic rationality, including the perception of risk and reward is locally and culturally situated, and it needs to be understood from a member's perspective.

Another issue highlighted by Cechin *et al.* (2013) is *hierarchy*. Cooperatives aim to provide easier access to markets, but it does not come for free. As buyers increasingly set the terms for trade, agricultural producers need to produce in accordance with stronger requirements on both quality and quantity. Standards and certification schemes have become increasingly common due both to policy-makers efforts to increase food safety and to rising consumer preferences for certified foodstuffs within some countries (Bijman 2016; Clapp 2016; Pesche & Losch 2016). Cooperatives that seek to attract relevant buyers, may need to implement quality control schemes to adhere to new requirements. This is assumed to affect the formal governance and the rules of production within the cooperative, as the cooperative leadership too needs to implement such quality control schemes and increase requirements (*ibid.*).

Quality control schemes can affect member relations within cooperatives in at least two ways. First, the potential increase in market access resulting from higher quality standards can incentivize motivation for collective action, as members may regard it as relevant for economic benefits. Formalization does not only restrict members but may also strengthen commitment as members get their rights protected. Members may also get a sense of what to expect from the cooperative, and perhaps most importantly, rules coupled with effective enforcement may reassure members that everyone are contributing to the collective goals (Ahlborg & Boräng 2018).

On the other hand, increased regulation within cooperatives can also negatively affect members' motivations. Members may prefer a higher level of autonomy in their farm operations and therefore be critical towards a cooperative that imposes higher degrees of regulation (Hogeland 2006). This can lead to a deterioration of trust, solidarity, social cohesion, and identity within the cooperative (Österberg & Nilsson 2009; Nilsson et al. 2012). Quality standards have been criticized for being locally

insensitive (Freidberg 2008; Moberg 2014). Moberg (2014) critically examines of a community producing Fairtrade bananas, where tougher regulation disincentivized recruitment and retention in the scheme. These requirements are seldom take into consideration the local biophysical conditions, labour capacities or cultural circumstances related to agriculture. Most of all, Moberg (2014) posits that such certification schemes suffer greatly if they are poorly communicated. Farmers who are subject to the rules may not understand the logic behind such restrictions.

It is vital for cooperative members to have a shared sense of *community* – the third issue emphasized by Cechin *et al.* (2013). A sense of community is built around a shared notion of identity that relates to the cooperative, as well as shared values, norms and knowledge. A sense of community cements trust. Through this process, a shared sense of community aligns the opinions and interests among individuals with one another (Kogut & Zander 1996). Scholars who have analysed community within cooperatives employ the concept of social capital (e.g. Kopytko 2018), which refers to this cognitive notion of community but also to connections and networks that one can employ within cooperatives. Strong communities also enforce social norms by monitoring their members, and sanction or punish behaviours that are deemed unacceptable (Murray 2008). To some extent, this concept overlaps with often-discussed concepts of social capital and its usage within cooperative studies.

Lastly, Cechin *et al.* (2013) emphasize the level of *democratic participation* as an issue deemed relevant to members' commitment. In organizations in general, people who feel that they are heard tend to be more committed to the organization (Fenwick 2005). For example, a study conducted by Österberg and Nilsson (2009) show that members who are more active in the governance in the cooperative also appreciate and are more committed to the cooperative. Members who participate in the decisions of the cooperative also tend to have a greater support for the decisions taken. With many committed members, cooperatives tend to develop broader consensus, which causes decisions to be taken more smoothly and more efficiently (Reynolds 1997).

These four factors – market, hierarchy, community, and participation – are factors that have been identified as relevant when understanding member commitment in cooperatives. The factors can provide insight as to why and how cooperatives can stir commitment among their members. Nevertheless, while these factors shed light on the economic context in which the cooperative operates as well as the internal characteristics of the organization, the study of institutional context appears to be lacking. As Bijman *et al.* (2016) concludes – more research is needed to understand why and how cooperatives can work in one institutional context, but not another.

Cooperative studies in general seem to have been mainly studied from an economist point of view and with positivist perspective, with quantitative methods and seeking to draw generalizable conclusions (Cechin et al. 2013:20016; Groot Kormelinck et al. 2016). In such a research climate, institutional contextuality may perhaps have been somewhat overlooked (Bijman et al. 2016).

### 2.3. Alternative pathways of the cooperative cause

In the western European conception, cooperatives are ideally akin to social movements with a bottom-up organization governed by democratic and socially oriented cooperative principles (Morales Gutiérrez et al. 2005) – similar to how the first cooperatives were established during the industrialization. The cooperatives have played a defining role within the agro-economic history of some Western countries like Great Britain, Denmark, and Sweden. Researchers argue that cooperatives working along principles of self-organization become heavily reliant on social capital (Groot Kormelinck et al. 2016).

However, Kurakin and Visser (2017) point out that the western story of how cooperatives should be initialized and organized is not easily mimicked everywhere but is bound to a historical social and economic context. They argue that the general cooperative discourse, both by practitioners and academia, favours the bottom-up cooperatives akin to the 19<sup>th</sup> century European experience. Today, some countries might need to find their own path of developing cooperatives and not follow the Western footsteps.

For countries with low general trust, a cooperative model centred around farmer self-organization activity may be hard. Looking to China, for example, cooperatives were legalized during the 1980's with more market-positive reforms. The government has since been very active in the formation of cooperatives, partly due to the low level of active, voluntary self-organization of farmers (Hu et al. 2007; Liang & Hendrikse 2013; Jia et al. 2016). Following more reforms, cooperatives in the country were tripled between 2007 and 2010 (Deng et al. 2010). A similar development has been shown in Vietnam and today, government backed cooperatives make the backbone of the cooperative engagement. Kurakin and Visser (2017) have also shown that government backed cooperatives have been successful in the Russian province of Belgorod. Looking to post-socialist and reform-socialist countries, some of the cooperative principles have been sacrificed for cooperatives to 'take off'.

## 2.4. Going forward

This chapter has summarized the broader perceptions of and approaches to commitment in agricultural cooperatives. While bringing forward important insight and pertinent perspectives, this field of research has some limitations. First and foremost, the field has had a predominantly positivist perspective giving preference to quantitative methods of inquiry (e.g. Österberg & Nilsson 2009; Bijman *et al.* 2012; Cechin *et al.* 2013). There appears to be very few qualitative accounts of member trust and commitment in the existing literature<sup>2</sup>. While they exhibit important merits, quantitative designs do not allow members to elaborate on their participation, commitment, and perception of their cooperatives. Understanding members' relations within cooperatives with a focus on motivation and commitment can arguably be done more illustratively using qualitative methods.

This also raises another important issue. With the ambition to generalize, economist researchers tend to overlook the differing environments in which cooperatives are situated. Patterns observed among century-old Western European cooperatives (some of which have become multinational in size) have been used to formulate hypotheses and draw causal conclusions about cooperatives in general (cf. Cechin *et al.* 2013; Bijman 2016; Hanisch 2016). Such cooperatives have little similarities with smallholder cooperatives in developing countries, and comparisons even between cooperatives in the very heterogenic category of developing countries are difficult to justify. Since cooperatives are formed in distinct institutional environments and have individual organizational particularities, more studies acknowledging such differences are needed.

Likewise, more attention is needed to acknowledge the implications of cooperatives' function and its interests. Cooperatives can exhibit a wide range of organizational characteristics, and it is important to look more in-depth into the implications of the traits of a specific cooperative on members relations, commitment, and trust. An interesting typology for an analysis of this nature is provided by Bijman *et al.* (2016) who point to distinctions in whether cooperatives are supplying their members with input and credit, or if they are marketing their produce; whether they are driven mainly by social, political, or economic aims; and whether the scope of operations are on local, regional or national scale.

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<sup>2</sup> An ethnography of the motivations among Palestinian women to participate in a Fairtrade cooperative provide an interesting example (Bonnán-White *et al.* (2013).

### 3. After the collective farm – cooperatives in a post-Soviet setting

This chapter will contextualize cooperative development in Ukraine and other republics formerly in the USSR from a historical point of view. The agricultural and rural structure are briefly introduced, as are explanations for the 'cooperative deficiency' in these states.

#### 3.1. Agrarian change in Soviet and Post-Soviet times

Ukraine is characterized as a country of huge agricultural potential, possessing as much as 25 percent of the world's highly fertile *chernozem* (black soil) (Mamonova, 2015). Like western Europe, Ukraine and Tsarist Russia had a strong cooperative movement in the late 19th century (Golovina 2012). However, such voluntary collective action was disrupted by the forced Soviet collectivisation starting in the late 1920s. The family farms were clumped together, developing large units of collective or state ownership (*kolhosp* and *sovhosp*, respectively<sup>3</sup>). These were designed to supply the rest of the Union with food and the state with credit, mainly relying on economics of scale to increase productivity. Beside these megafarms, rural inhabitants retained smaller plots of land, which continued to be of great importance for subsistence needs under the Soviet regime. However, the two agricultural sectors were not secluded, but integrated in a symbiotic social and economic relationship – divergent yet integrated (Small 2007). These agricultural units also offered official services for farm workers such as libraries, nurses, and cantinas (Visser 2010).

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<sup>3</sup> Soviet large farms were based on two types of entities – the collective farm (Russian *Kolkhoz*, or Ukrainian *Kolhosp*) and the state farm (Russian *Sovkhoz* or Ukrainian *Radhosp*). Though there were some differences in regard to how wages were paid, the difference was mostly nominal. *Kolkhoz* / *kolhosp* remains the denominator, not only for both these types of entities in everyday speech, but for the modern private enterprises that exist today. As it is used interchangeably, it will be clarified throughout this thesis what is suggested.

Beside these obligations, the collective farm also had other services they provided to peasant workers on an informal basis. The Soviet planned economy had deficiencies and imbalances that gave way for an extensive informal economy to balance out the inherent flaws (Swain 2000). In Soviet agriculture, the collective farms provided lacklustre cash payments to their workers, yet they provided vital support for the household agriculture – the peasant workers could use collective machinery for tilling their household plots and then sell the produce from the plots through the collectives' channels. They could also acquire livestock and let them graze on collective pastures (Visser 2010:289). As such, the collective farms were functioning as hubs for resources to stream to and from the household sector. It must be noted, that the official stance of soviet apparatus was to not look keenly on these transactions, as they were conducted outside the reach of the planned economy (Visser 2010; Altman & Morrison 2015).

The development of the informal economy put managers and directors in a critical position. In the end, it was they who actively and personally had to accommodate and sanction the exchanges, thus giving them a gatekeeping role. They became important figures in the social and economic life of the collective farms and the villages of which they were composed. For farm members, it was important to be on good terms with the directors and managers if they were to expect to get any help (Humphrey 1999; Visser 2010).

With the collapse of the Soviet Union and the following Ukrainian independence, the agricultural sector was reformed, and collective farmland redistributed. Seven million former collective farm workers, or 16 % of the Ukrainian population, were given the right to own a fragment of their former kolhosps in a somewhat egalitarian way, with hopes of establishing a western model of family farms (Lerman et al. 2007). Each landowner received a land share giving right to a certain size. In addition to this, rural inhabitants have retained the still-in-use household plots of about 0,5 hectares (Mamonova 2015). Following the redistribution, the Ukrainian parliament forbid the sales of land in order to hinder land grabbing, which is still in effect. Reforms to slowly lift the moratorium are expected to be in effect in July 2021. (KyivPost 2020).

Though farmland could be divided among the former workers, farm structures could not. Few landowners have since harnessed their newly won farmland, rather they rent it cheaply, often *in natura*, to private companies who operate through former kolhosp facilities (Sedik & Lerman 2015). Through this process, the country has retained a land use model similar to the earlier Soviet agriculture from the former century. Kuns (2017b) argues that the structure of intensive, large-scale agriculture interlinked with small-scale household production has managed to outlast the years of Soviet rule and has seamlessly re-emerged in a capitalist shape, even following rigorous land redistribution. Meanwhile, fewer villagers are getting their wages from

the large farm enterprises today. Beside the 'backyard farming' of smallholders and the large-scale agricultural enterprises, there is a small minority of family farms in the country.

The dismantling of the collective farms meant that the household agriculture also lost the access to technology, know-how and the market channels necessary for its development (Mamonova 2015; Visser et al. 2015; Kuns 2017b). However, the '*social responsibility*' that the collective farms and their directors had, has since passed over to the state, but in effect private large-farm enterprises continue to provide a modicum of services on an informal basis. To smallholders, they can offer cheaper inputs such as agrochemicals that they buy in bulk for their own use or sell straw and fodder that are by-products of their main operations. Though the social responsibility of the modern LSEs is a continuation of an institutionalized way of handling things from the past, it is also under ongoing negotiation.

For example, during Soviet times, full employment and thus over-employment made the threat of being laid off less significant. After transition, some LSE directors have been able to use the '*social responsibility*' of the kolhosp as a tool in lowering costs of wages and renting land from smallholders, for example (Visser 2010). On the other hand, the influx of foreign capital in Ukrainian agricultures, where foreign companies and their management have difficulties understanding and accepting expectations on delivering these informal services to peasants (Kuns 2017a).

However, the general consensus among scholars is that the large-scale enterprises (LSEs) and their relations of exchange with the small scale sectors, however lopsided, has been essential for small scale agriculture to prevail past transition in Ukraine and Russia (Lerman et al. 2007:79; Visser et al. 2015).

Another article, focusing on production cooperatives<sup>4</sup> in Russia argues that many such cooperatives are surprisingly competitive, due to the power that cooperative managers are able to keep costs down. The authors theorize that such cooperatives were able to make lesser reinvestments into the cooperative and pay relatively low wages. Members accepted such policies in order to maintain the social fabric that the cooperatives and villages constituted. (Nilsson et al. 2016)

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<sup>4</sup> Production cooperatives are cooperatives that build on the idea that the members join their productive assets (like land) in order to work together. In many ways, they are the legal descendants of the Kolhosps, and function similarly in many ways. The production cooperatives never managed to ascertain their position in Ukraine, but in Russia they have stayed strong (Nilsson et al. 2016).

The importance of managers in such production cooperatives have been noted in academia earlier, with discussions on the remnants of collective farms, not only in its facilities but in its organization. It has been suggested that the power traces back to the Soviet collective farms, where the managers were important in administering the informal economy of services and trade between individual smallholders/kolhosp workers and the kolhosp (for a review of this academic debate, see Nilsson *et al.* 2016).

### 3.1.1. Conceptual and legal definitions

Ukrainian legal definitions for agri-cooperatives follow the western cooperative paradigm at large, dividing cooperatives into production and service cooperatives (Parliament of Ukraine 2004). Agricultural production cooperatives are based on the idea that members unite their labour and tenure into bigger units of production. Essentially being the post-communist legal (and perhaps, spiritual) successor of the *kolhosps*, they have to a large extent disappeared from the Ukrainian countryside (Sedik & Lerman 2015). By contrast, such units managed to contribute to 17 % of the agricultural production in neighbouring Russia during 2008 (Nilsson et al. 2016).

Service cooperatives on the other hand, correspond better with the western conception of what a cooperative is: an organization of independent actors that create services such as marketing, processing, or supplying to their members (Sedik & Lerman 2015). In Ukraine, these constitute the lion's share of the number of cooperatives, although the number that are functioning cooperatives can be disputed (Borodina 2013; Sedik & Lerman 2015). However, cooperatives are expected to only stand for 1 % of agricultural GDP (FAO 2020).

### 3.1.2. Cooperatives and collective action in Ukraine and eastern Europe

Studies on cooperatives within transition economies of the former USSR are not common. In an analysis of European Values Survey data, Lissowska (2013) concluded that the low level of civic engagement and cooperative organization in eastern Europe is linked to the heritage of forced collectivism imposed by the communist regimes. The Soviet governance model promoted vertical relational lines of paternalism and clientelism instead of the horizontal model favoured in the liberal-democratic conception of cooperation. The deep involvement of state authority within all social organizations promoted "cooperation based on calculation rather than trust" (Lissowska 2013:10).



This analysis is in line with several earlier studies pointing to how path dependency from Soviet rule limits the potential positive impact of social capital on cooperation. Among others, Swain (2000) argues that the planned economy undermined trust, while Paldam & Svendsen (2000) argue that political repression and totalitarianism caused what they refer to as the 'missing' social capital. This term refers to the informal social networks (discussed earlier) that emerged in the repressive environment, necessary to counteract and balance the issues of distribution of resources and services within the planned economy, but after transition prevails in forms more akin to corruption.

Other scholars (Borodina 2013; Sedik & Lerman 2015) avoid these path-dependent reasonings and instead explain Ukraine's cooperative deficit with emphasis on the lack, or failure, of political measures taken to encourage the establishment of cooperatives. Policy support for cooperative formation has mainly consisted of subsidies on inputs, which has encouraged a rise of 'phantom cooperatives' which are only formed to access the subsidies without adhering to the fundamental cooperative principles.

### 3.1.3. Previous Case studies of Ukrainian cooperatives

Two case studies have been identified that specifically study cooperatives at micro level in Ukraine. Kopytko's (2018) case study focuses on cooperatives' role as 'trust inhibitors'. The study finds that initially, the strong internal ties within villages hindered peasants to join cooperatives as these networks perpetuated negative attitudes on cooperation also found in other studies. However, as the cooperative slowly grew, the economic benefit became more evident to the sceptics, and eventually persuaded others into joining. This in turn formed positive feedback loops of quickly growing trust within the cooperative. Similar patterns have also been noted in a study of Ethiopian coffee cooperatives (Groot Kormelinck et al. 2016), where trust among individuals increased when the effort put into collective action resulted in economic benefits.

In the Ukraine case study, Kopytko (2018) further notes the relevance of an enthusiastic and persistent cooperative leader as essential to the success of the cooperative. These findings are also supported by Turner *et al.* (2013) whose case study report of a development initiative in the horticultural sector in southern Ukraine, also attributes the success to individual leaders as well as to palpable financial incentives.

## 4. Theory and guiding concepts

Informed by the earlier contextual and theoretical background chapters, this chapter will present the theories and concepts that guide this thesis. The thesis aims to explore the challenges and strategies of cooperatives in gaining the trust of their members and building commitment among them.

For this thesis, the establishment of cooperatives are perceived as a process of building institutions for collective action. While an institutional focus can imply a focus on formal institutions, such as rules, this thesis will focus on the softer, social institutions that are often called informal. It will perceive institutions mainly as being “historical accretions of past practices and understandings that set conditions on action” by how they “gradually acquire the moral and ontological status of taken-for-granted facts which, in turn, shape future interactions and negotiations” (Barley and Tolbert, 1997: 99).

As such, and as shown by [Kurakin and Visser's \(2017\)](#) argument regarding top-down cooperatives in countries with a socialist past – such institution building can vary contextually. Local realities may well influence the outcome of the institution building strategy, regardless of whether such a strategy was deliberate or not.

Although an institutional focus often implies a focus on structures, understanding institution building in a low-trust context cannot ignore the role of actors, as the lower the community’s trust, the stronger the explanatory value of individual-level factors (Zobena et al. 2005:47; Hurrelman et al. 2006). For this reason, this study will also have an actor focus beside the strictly institutional.

The founders of cooperatives in the studied environment must be regarded as pioneers. They introduce new forms of organization, and in so doing, they try to gain peoples’ trust. They navigate their new organizations in social contexts with pre-existing norms, rules, and accepted ways of doing things. It is important to understand how they go about this trust-building process.

For cooperatives to successfully institutionalize collective action, two core issues are apparent in areas of lower trust - first, how do they gain the trustworthiness required by villagers to join? And secondly, how can they handle issues of free-riding within the cooperative?

### *Gaining trust*

Although social capital is often employed concept in cooperative studies, it tends to either be used to understand how individuals utilize networks as a resource (Bourdieu 1986) or as a positivist concept on a macro level (Putnam et al. 1994). For this thesis, trust will be the focus instead. Social capital commodifies trust, implying trust and social connections as a resource to be exchanged. Luhmann (1968/2005) defines trust as a reduction of uncertainty in relations. As such, he defines it more as a process rather than an asset to be utilized. Trust replaces calculation of risk in social interactions and allows them to become routine.

For a cooperative, it is necessary that members trust both the management and the other members. The management of a cooperative must be deemed competent and have the cooperative's best interest in their mind, rather than personal self-interest in order to be trustworthy. But as the cooperative also builds on other members' willingness for collective action, members will need to develop trust between themselves too.

Related to the relevance of individuals and strong leaders as well as local circumstances is that of the much theorized '*patrimonialism*' (Weber 1922) and '*neo-patrimonialism*' that have been discussed regarding post-Soviet societies (c.f. Getty 2013; Szelényi & Mihályi 2019). Although often used to understand political governance, patrimonial relations can also be relevant to understand more local social relations on a community level. The term itself was first described by Max Weber (1922) and it relates to how power is centred around one leader and how reciprocal exchanges and dependency relations are structured around this individual. Such reciprocal exchange is often "*personal, densely interwoven, often lopsided, and based on intangible and symbolic dynamics of status, loyalty, and deference as much as on material exchange*" (Pitcher et al. 2009).

The previous chapter discussed the central position of large-scale agricultural enterprises in structuring rural social and economic life – both past and present. Attention has also been drawn to the importance and power of managers and directors whose '*social responsibility*' was necessary to circumvent the restrictions of the socialist planned economy or, as today, access markets or gain sought-after inputs. This relationship displays aspects of *patrimonialism*, where managers and directors have attained a patrimonial authority and will be relevant for greater

understanding of rural social networks in this context. These factors will be of importance in the forthcoming analysis.

#### *Collective action problems and the concept of commitment*

For collective action to successfully manifest, there are two core problems. One is that the organization need to ensure that rules are upheld, usually through an actor with the authority and efficiency in enforcing the rules. This is the problem of *credible enforcement*. The debate regarding the importance of *credible commitment* and *credible enforcement* - e.g. whether collective action institutions should focus on securing democratic mechanisms to handle free-riding problems first is not new (D'Arcy & Nistotskaya 2017). Credible commitment is understood as ensuring that the institution and its leadership does not use it for personal needs, and that they look to the needs of its members. The natural way to ensure this is through *democracy*, which is one core component in Cechin *et al.*'s (2013) deconstruction of commitment. Do members feel listened to, and do they believe they can influence the decisions made in the cooperative? Are decisions otherwise transparent?

The other way for collective action to happen is through *credible enforcement*. This refers to whether they have ensured that the collective good is safeguarded by policies and efficiency in handling free-rider problems. This can also be regarded as the level of *hierarchy* within the cooperative. This includes the extent to which the cooperative has common requirements for production, and the extent to which fraud can be dealt with effectively. Furthermore, it includes the setting up of boundaries to the cooperative. Sometimes *democracy* and *hierarchy* can in a contradictory relationship, as members may not want to make restrictions on their autonomy, which *hierarchy* often presupposes.

#### *Organizational identity*

Lastly, Cechin *et al.* (2013) also notices that cooperative members need to have a shared sense of *community*. A sense of community is built around a shared notion of identity that relates to the cooperative, as well as shared values, norms, and knowledge. A sense of community cements trust. Through this process, a shared sense of community aligns the opinions and interests among individuals with one another (Kogut & Zander 1996). Strong communities also enforce social norms by monitoring their members, and sanction or punish behaviours that are deemed unacceptable (Murray 2008).

Another way of further understanding the concept of *community* is through the idea of *organizational identity* (Albert & Whetten 1984). In their seminal work, Albert and Whetten (1985) applies the idea of identity to organizations, arguing that they just as

individuals can have multiple and even conflicting identities. As rural cooperatives are conceived as simultaneously being both businesses and social organizations, rural cooperatives can be regarded as fulfilling two roles at once. Linked to these two roles and that these roles are accompanied by two opposing value systems, or identities (Foreman and Whetten, 2002). Organizational identities, offering an explanation to the question 'Who are we?' can show how members and management within cooperatives understand and make meaning of their own roles, responsibilities, and relationships. Furthermore, organizational identity can be used to understand how the cooperative as well as the goals of the organization and how it contextualizes itself within a wider society.

This theoretical discussion based in general collective action dilemmas and cooperative development as well as more locally relevant theories regarding post-soviet institutions served the basis for the research and functioned as a backdrop for the next chapter, covering research design.

## 5. Methods and research design

### 5.1. Epistemological and ontological position

Cooperatives can be understood as organizations that exist ‘independently’ of their members. We can regard them as following common definitions of what a cooperative is, and focus on capturing the formal, statutory rules that restrict their members for example. Contractual matters such as rules, roles, regulation et cetera, are of interest.

By comparison, a constructivist or interpretivist perspective, would regard cooperatives as being perpetually performed and accomplished by their members through social interaction, negotiation, and agreement. Hence, in this view cooperatives true essence is not real but socially constructed.

This thesis will however focus on member relations, and thus on how the members in the cooperatives relate to each other, the management as well as rules and governance within cooperatives. Based on the recurring themes that have been laid out, and as mentioned in the literature review, we can say that cooperatives vary. This makes it difficult to reach any objective understanding of cooperatives.

The epistemological positioning of this thesis will be so called critical realist. In this lies the assertion that our knowledge and understanding of the world is layered. There *is* in fact a real world; but empirical study cannot always fully and objectively reach knowledge about it. Our senses are limited and many times subjective. However, by studying the subjective we can glimpse at the real.

### 5.2. Research strategy

The study has been conducted with a qualitative methodology. This decision was made from both epistemological and practical concern. Earlier studies have assessed the commitment of smallholders in cooperatives through a quantitative approach (cf.

Cechin *et al.* 2013) and thus at times lack detail and depth in describing the social processes and reasoning of the population at study. In the theoretical chapter, the argument was made about the value of putting the focus on individuals' perspectives on their trust and how they understand their roles (and others) within the cooperatives. This study will aim to bring the participants first-hand experience and reasoning of cooperative successes and failures to the fore and elucidate how cooperative members use and value their formal and informal relationships and networks (Dudwick *et al.* 2006). This reasoning cannot be easily unearthed through quantitative, survey-based enquiry.

Beyond the theoretical relevance of employing a qualitative approach, quantitative research tools could not be employed in the research environment for this study, notwithstanding the potential value of such methods to strengthen reliability and generalizability of empirical claims. This is due to the rarity of cooperatives in Ukraine, the little research has been done on the subject as well as the fact that reliable datasets could not be found. The practical feasibility of quantitative data collection made such an approach fall outside of the scope of this thesis. This necessitated a more explorative approach and further strengthened the rationale behind opting for a purely qualitative approach.

### 5.3. Case selection

This thesis examines two cooperatives. A fundamental choice was made early on in deciding to study "successful" or viable cooperatives. Due to the previously reported phenomenon "phantom cooperatives" and the discussion on the difficulties in establishing cooperatives in Ukraine (Borodina 2013), it was deemed important to study cooperatives that had produced at least a minimum of economically meaningful services for their members. Trust and commitment can only be meaningfully studied in a setting where these sentiments and attitudes can genuinely arise, and extremely poor economic performance or even lack of tangible and real activities for members would predicably be associated with low trust and lacking commitment.

This was also the reason why it was important to avoid areas where the ongoing war in eastern Ukraine could have disrupted cooperative development. Lviv Oblast in western Ukraine had seen less economic downfall since the war than many other places (The Economist 2016).

Once one relevant cooperative had been identified, a contrasting case was included with a view to enable a test of tentative theories and hypotheses to and draw better conclusions (Yin 2009; Bryman 2016). A desirable set-up would have been to study

cooperatives that differ with regards to geography and sector – one dairy and one horticultural for example. However, this would mainly imply a difference between cases in the market and economic incentive for cooperative engagement, rather than potential differences in the institutional characteristics of interest to this study. Instead, since the main focus of this thesis is member relations, the second cooperative was identified with concern for contrasts in organizational type and history.

The first selected case was a dairy cooperative built by villagers in a ‘bottom-up’ and horizontal organization, backed by a with foreign development organization offering expertise, education, and investments – a “western-style” cooperative. The contrasting case was built in a more vertical manner, tightly linked to a large-scale agricultural enterprise (LSE), with close personal ties to the enterprise director and local strongman – a “joint venture cooperative”, as some Ukrainian professionals called it. Table 1 below summarizes the main traits of the two cooperatives under study.

*Table 1. Comparison of traits of the two studied cooperatives. All data compiled form field note diary.*

	<i>‘Brody’</i>	<i>‘Buchach’</i>
<i>Number of members</i>	356	1195
<i>Year established</i>	2011	2015
<i>Cooperative type</i>	Conventional	‘Joint venture’
<i>Primary product</i>	Milk	Milk
<i>Services provided</i>	Gathering, marketing, milk fat bonus, insemination, veterinary services, somatic analysis, credit, pasture management, forage	Gathering, marketing, insemination, milk fat bonus
<i>Catalyst and financier</i>	Foreign NGO	Local Large-scale agricultural enterprise
<i>Oblast centre</i>	L’viv (100 km away)	Ternopil / Ivano-Frankivsk (~68km away)
<i>Market</i>	Several buyers	Primarily monopsonist relationship with large-scale agricultural enterprise
<i>Membership heterogeneity</i> <sup>5</sup>	Higher – 20 out of 356 entrepreneurial family farms with several cows.	Lower – 1/1195 family farms.
<i>Base price for milk</i>	4:50 for smallholders, 5:50 for family farmers. 50 kopeks for co-op development.	5:50 for all farmers, 1:30 hryvnia to the cooperative.

<sup>5</sup> The main aspect of heterogeneity or conflict of interest among members was considered to be the size of the farm, as bigger farms are likely to have other economic interests than smaller ones.



## 5.4. Data collection

To investigate the research questions at hand, data was collected during a field study in Ukraine from the 4th of April to the 10th of June 2019. Field research was conducted at the two cooperatives but in different villages. Colleagues at The Institute of Agrarian transformation and reform at the National Academy of Sciences Ukraine helped me initiate the study by aiding me in developing the academic discussion and by introducing me to material, field contacts and expert knowledge on the issue at hand.

### 5.4.1. Interviews

The bulk of empirical data for this study was gathered through interviews. The interviews followed a semi-structured format, as this allows for a free and natural flow of conversation that can generate more vivid answers which can be more relevant from the interviewee's perspective (Brinkmann & Kvale 2015). It also made it easy to be flexible and pick up on themes, events or other parts of answers that are deemed relevant to the research questions.

The semi-structured interviews with members focused on following themes: I) household farming situation, II) attitude toward and knowledge about cooperatives before and after joining, III) attitude toward the rules within the cooperatives, perception of the commitment of other members, and trust in leadership IV) participation and learning, and lastly V) democracy and perception of conflicts of interest within the cooperative<sup>6</sup>. The length of interviews ranged between 30 minutes and 1 hour and 30 minutes.

In total, 28 interviews were conducted. Of these, 3 were key person interviews, with expert insights in both cooperatives. 14 interviews were conducted at cooperative 1 'Brody', while 9 were conducted at site 2, 'Buchach'. Due to lack of understanding of the local language, most interviews were aided by interpreters. Most interviews (20) were aided by interpreters with senior experience and was thus transcribed by the researcher, with no secondary translation of the recording. However, four interviews later had to be re-translated and transcribed with the help of students to regain information lost in the translation. Three interviews could be conducted in English.

The sampling for interview participation was done by both using a 'snowball' technique with multiple entry points. Thus, some interviewees were recommended

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<sup>6</sup> For a full review of the interview guide, consult Appendix I.

by the cooperative leadership, while others were recommended by cooperative members or approached by simply knocking on doors. Following Brinkmann and Kvale's (2015) advice, attention was given to ensuring that several positions in the cooperatives were covered, such as extension services, cooperative management, members of different villages and farm sizes.

#### 5.4.2. Ethnographic observations

To support material gained from interviews, unstructured ethnographic observations in order to pay further attention to intrapersonal relations between farmers, which can elucidate further aspects of collective action and cooperativity among farmers (Silverman 2015). Unstructured ethnography mainly functioned to support the quality of interviews, as they provided valuable contextual information that aided me to pose suitable questions. Examples of such ethnography include living on a family farm for one week, visiting two different local large-scale agricultural enterprises, and many visits to various milk collection points. Such ethnography was written in a field note diary.

#### 5.4.3. Empirical issues and actions taken

As language and cultural differences were prevalent, interview material was continuously verified with interviewees during and after the interview, as to ensure reliable interpretations. Such verification was mainly made *in situ* with clarifying questions, as logistics and language hindered analytical conclusions to be cross-checked retrospectively. Similarly, after interviews, remarkable or interesting statements were discretely discussed with the interpreter, colleagues, and others to minimize misunderstanding.

Another issue with both interviews and ethnography is the relation with the participants of the study. To minimize the risk where participants would give incomplete or misleading answers for whatever reason, precautions were taken to present myself and the study as trustworthy (Silverman 2015). This was done mainly by staying in the field for extended periods, as well as cautiously backing up my credentials to prove my independence from both authorities as well as the cooperative management.

### 5.5. Ethical considerations

Qualitative, interview-based research brings several ethical issues to the fore. First and foremost, the purpose of the study needs to be made clear to the participants

followed by asking for their consent of participation (Brinkmann & Kvale 2015). This was done by both presenting the study while also offering a form to all interviewees, detailing how the information is handled as well as the contact details of the researcher (Appendix III). Most importantly, interviewees were informed that they could withdraw their participation at any time.

The choice to engage in ethnographic observations implied some difficulties regarding consent forms, as observations may be spontaneous and sporadic. There were situations where the observations and note-taking were unbeknownst to those being observed. For interviews and ethnographic observations, all the participants of this study and their villages will be kept anonymous, with only the remote locations of the studied cooperatives given.

Furthermore, the themes of this study can also be sensitive. The examination of social trust and relations within a community need to proceed with sensitivity as conflicts may be hidden. Example questions or themes can be deemed embarrassing or offensive and was therefore be reviewed by contact persons beforehand.

## 6. Findings

In this section, the empirical findings and theorizing based on these findings will be presented. The section begins with a general presentation of the environment where the dairy cooperatives operate. Further ahead, the two cases will be presented along three themes, regarding the foundation of the cooperative, their strategies to earn the trust of villagers and how they work to build commitment among the members and institutionalize collective action.

### 6.1. The formal and informal dairy market

The origins of the name 'Ukraine' have been discussed long - one popular theory is that its initial meaning is '*borderland*', referring to the political limits of historical domains. In Western Ukraine, a sharp border can be easily spotted – however, not necessarily political, but geographical. This is where the rugged Carpathian Mountains stubbornly remind with their presence on the southwestern horizon, where they meet the ocean of grassland that races eastward towards Mongolia. As the mountains flatten and fade out into fields, they create small islands; hills that give a chance for other endeavours than tilling the steppe. Woodland and pastures, well-fed by the rain forced down by the overlooking mountains, plot the landscape. (Excerpt from field note diary, present author)

When visiting the city markets in regional centres such as L'viv and Ternopil during spring, one can see many peasants, mainly older women, selling a variety of produce. The years' first harvests give sweet strawberries, frizzly herbs, brittle carrots, and green onions as well as abundant potatoes. These crops are grown from the small strips of land in the immediate vicinity of their houses. There are also foraged products such as mushrooms, sorrel and bouquets of lilies-of-the-valley gathered from the dew-swept hills, and forests that plot the fields. (Excerpt from field note diary, present author)

And then of course, milk. Sold in washed out and re-filled plastic bottles, "*milk of the people*" sells for 15 hryvnia (0,5\$), and even twice that amount during the winter. In

addition, the people of the market also sell homemade *smetana* and *sir* (sour cream and fresh cheese). (Field note diary, present author)

To many city dwellers, the produce of peasants is regarded as genuine, unaltered, and eco-friendly. Therefore, they are willing to pay a higher price than the dairy companies' low-pasteurized milk which often cost about 10 hryvnia per litre (Field note diary, present author). The lack of trust for the big dairy companies is evident, as many people (perhaps rightfully so) believe that the dairy plants are adding vegetable oil and emulsifiers in the milk (Interview 2; Interview 3; Interview 5; Interview 24).

In these street markets, trust is also important to earn customers. This view is shared by both peasants and customers (Interview 7). One Ukrainian man I met in a hostel told me that he sometimes buys milk from the city markets, but that you must know which seller to talk to – some sellers simply buy ultra-pasteurized milk at the supermarket and refill their bottles with, in order to earn double or triple the money (Field note diary, present author).

However, although the buyers of raw milk in the city markets value the genuine 'naturalness' of informal milk, they are not necessarily troubled by its hygienic standard. The informal milk is mostly transported and sold without proper pasteurization or cooling. At best, it is brought to a quick boil to give it some longevity, and then boiled again when it reaches the kitchens of the customers (Field note diary, present author). The manual milking and often lacklustre hygienic procedures create a friendly environment for bacteria, as the lab assistants in a milk lab warned me.

Visits to the informal markets show that they can indeed offer opportunities for peasants to get good prices for their milk, as well as for other products. However, peasants need to have the right circumstances for this to work out. Excess labour in the household might play one part, as then time can be spared to travel to markets (Interview 15). But most importantly, it is crucial that those who intend to sell in the cities are lucky enough to have transport opportunities available or vicinity to these markets to make the trip worthwhile, both in time and cost (Interview 9; Interview 16; Field note diary, present author).

Beside the informal markets in the wealthier city centres, which are unavailable to many peasants, there is also the more widely available opportunities to sell through the formal market, centred around the dairy plants that are scattered across the oblasts. They have milk trucks that visit villages and buy the excess milk from peasants at a fixed price (Interview 1),

The development of the cooperatives in both study sites have originated mainly to as a response to the market situation and the practices of the dairy plants in the regions. In both the cooperatives, farmers were highly discontent with the situation in which dairy plants control the local markets. Many of the informants tell of these issues, and a key informant called the whole situation '*the wild west*' (Interview 1).

A central concern for the villagers is the generally low prices that dairy plants pay, as they often are the sole buyer within a village or even large parts of a district (*raion*). At site 2, farmers reported the earlier price of the local plant to be 2,8 hryvnia (\$ 0,1) per litre (Interview 28), a quite low amount compare to the 10-15 hryvnia at the city markets. Besides offering a low price, the local buyers and dairy plants also pay farmers on an irregular basis. This causes financial stress for smallholders who often survive on a day-by-day basis with produce from their cows making up a substantial share of their livelihood.

Another issue regarding the milk market is the shifting needs of the dairy plants, and the changes in how they value quality and quantity of the milk. The Ukrainian milk market grades milk on a five-grade scale (Interview 1). Volume is valued highly, hence if two producers of the same quality of milk sell to the same buyer, it is not uncommon that the bigger producer will get the highest price (Field note dairy, present author). On occasions, the dairy plants pay premium prices (10 – 11 hryvnia) to bigger producers who can supply a large, steady, and quality-consistent supply of milk.

On the other hand, they can also gather milk of poor quality, even sour milk (Field note dairy, present author; Interview 1, Interview 5), which they can use for cheese production by adding fat, such as palm oil and an emulsifier (Field note dairy, present author; Interview 5, Interview 24). Many times, the milk plants do not measure quality for smallholder milk; and if they do, they might do it on the spot but share the results at later notice, or even lie about the results. These irregularities in the specific needs of the buyers can cause a volatile marketing environment which gives little incentive for individual farmers to strive for quality improvements of their product. In one way, this is a rational outcome since the milk trucks that roam the countryside are still going to mix the milk from different farmers in one batch. Hence, in cooperative number one, a recurring motto for teaching their members was to: '*one drop of tar will spoil the barrel of honey*' (Interview 16). Hence, the farmers that would hand in low quality milk would set the standard for the batch since they can contaminate the rest of the milk with bacteria or residues of veterinary medicine.

Clearly, the smallholders are at a disadvantage, due to the strong position of the dairy plants who favour quality and consistency but primarily quantity first. Thus, peasants receive a price at the farm gate that is generally around 30 % that of large farm enterprises (Interview 1, Interview 25). Moreover, this situation does not seem to

develop stable relations between buyers and sellers, but rather, it promotes opportunistic behaviour among farmers. This is natural: at the same time as farmers rarely get any rewards for providing quality milk, they often get the chance to sell poor milk. The dynamic created between smallholders and the milk plants is well illustrated by the director of a union of dairy cooperatives, stating:

One of the main problems or factors which determine and influence on price, is the *volume* of milk, but there is not much pressure regarding the *quality* of milk. Not in every case. [...] High-quality milk goes to craft cheese or other craft product from small processors. [One cooperative] is selling to a big cheese-producing dairy plant, which can process 80-100 tonnes per day. [That milk production plant] say that '*We just need milk.*'. Regarding quality milk... I don't know. They say they need quality; in some cases they don't need it. Because '*during milk processing, we add what we need to add for cheese, and in the end, we will have a good product*', they say. (Interview 1, April 2019).

### 6.1.1. Market opportunities for cooperatives

The observations made from various interviews at both localities, show that there are, from a strict market perspective, opportunities for cooperatives. From the interviewed members, there seem to be a wide spread of unfair practices among the dairy plants that otherwise control the markets. However, there are some aspects of how the milk market is functioning that suggests otherwise.

As there are few systems in place for incentivizing a striving for quality among small holder milk producers, they do not get the tools to increase their income. Instead, the main path for a smallholder to increase their income is by being very selective on market opportunity. They need to find the right buyer at the right time, and when the chance is given, many will try get away with selling sub-par produce.

This short introduction to the dairy markets of Ukraine served to set the stage for the rest of the empirical chapter. As an individual farmer in western Ukraine, two segments of markets are available: One is to sell to dairy plants, whose trucks ambulate to collect milk at oftentimes low prices, without having effective measures or incentives for individual farmers to develop quality. For some peasants living in proximity to larger towns or city markets, farmers' markets can be alternatives, but this is dependent on the individual's other jobs and household labour situation. The general impression of the formal and informal dairy market is that it is in many aspects characterized by low trust, which is both caused by, and reinforcing unfair practices.

## 6.2. Founding the cooperatives

This chapter will display the initial foundations of the cooperatives and the motivations their founders had.

### 6.2.1. Brody

The development of the cooperative at Site 1 was largely due to the efforts of one active woman with the support of development cooperation provided by a foreign development cooperation agency. The woman had been working for 27 years at the local *kolhosp*, through the last decade of the Soviet regime 1980 up until 2007. During the last few years of its existence, the then privatized enterprise had failed to pay out wages for many years, and thus she explains that she went to the market in nearby L'viv to sell milk. *'The kolhosp<sup>7</sup> was dismantled in 2007, and everybody was left to their own devices, tending to their own best interest. [...] We could survive thanks to the cows.'*, she states (Interview 16). Soon, she started to notice that the informal market was quite lucrative:

'Four cows weren't enough. When I didn't have enough from my four cows, I bought milk from my neighbours and still went to the market. I got people who shared my views, and we wrote a complaint to the ministry of agriculture. We called somebody from the trade union because the salaries were not getting paid. And then [a political party] won the election here, we sought support from that party, [...], but no changes occurred because everything was corrupt and didn't give any effect. I understood that I could change nothing. I decided to stop doing the [work at the *kolhosp*], as I had more cows and that was how I was getting by. When the dairy plant paid villagers 90 kopeks [0.9 hryvnia] per litre, I was paying my own people 2.5 hryvnia. It wasn't all official... I just bought it from them, I just processed it and sold it. When I came back from the market, people were waiting for me [by the train station] because they knew I would bring back some money. That's how it worked. [...]

Cooperative director (Interview 17)

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<sup>7</sup> Throughout my interviews, *kolhosp* is regularly used to refer to large-scale agricultural enterprises regardless of if they were in fact the historical collective farm the contemporary private enterprise.



Now being the director of the cooperative, she links the foundation of the cooperative to the decline of the local large-scale farm, which had been privatized but kept its role as the major local employer. She explains the causes for the cooperative to root from the demise of the large-farm enterprise as well as a disbelief in the state ability to come to term with the issues she observed. Her ambitions to change matters stem partly from a distrust in the capacities of local institutions to create change. This ambition materialized in the shape of a cooperative when the foreign development NGO had an information campaign at the market and invited her and others for a meeting on starting cooperatives. She was interested and decided to join, and things started rolling.

The development of the cooperative seems to go hand in hand with a sense of empowerment, or self-realization - the villagers could in fact create change themselves. She continues:

‘Everybody at home understood that it was very difficult, that it was a lot of pressure from the different rivals around, the milk dairy plants. The director of a local dairy plant was humiliated, saying ‘What happened? How can *villagers* control their own milk!?. So, in the first four years it was very difficult... But we survived, and by hook or by crook we have managed to get this price.

Director, Brody (Interview 17)

It’s evident that she is very proud over mobilizing the farmers, however, the road to this success has however been fraught with challenges. The director elaborates:

Sometimes, it’s tough. You need to go and visit all these directors, oligarchs, dairy plants, you try to tell them and try to get across with the problems of the villages so that they understand. If they don’t give a good price, their business will go down the drain. Five years ago, I had a talk with the director of [one dairy plant]. I tried to persuade him to pay four hryvnias rather than three, which was paid at the time. I said: *The* time will come when you’re willing to pay four hryvnias, but nobody will be selling it at that price, and you will have nothing. And my words, in some respect, were prophetic, because this plant shut down because of lack of raw material. It’s for sale now. [...] We understood that we cannot survive with oligarchs unless we had our own thing. Because currently, all dairy business is divided among five oligarchs over Ukraine.

Director of the Brody cooperative (Interview 17)

It is evident that the director’s story is not only one of simply setting up a cooperative, but also of something akin to a social movement or a resistance. Her perspective is that of the ‘underdog’ fighting hard to organize the farmers. It is also clear that she

has opponents in her struggle: the dairy plants and the oligarchs. Most of the people in the board seem to share this view of the cooperative. When they talk about the cooperative, they tend regard it more as being a social movement or a community than a business. The members of the board also regularly refer to the importance of the cooperative principles (Field note diary, present author), themselves a testament to the social imperatives of cooperative organization.

This is indicating the importance that board members see in the social dimension of cooperatives as a uniting and political force, that runs parallel to the strictly economic logic of increasing price for members.

### 6.2.2. Buchach

Like the Brody cooperative, the Buchach cooperative had its beginnings with farmers who were unhappy with their marketing possibilities in the dairy business. The local a dairy plant, was the sole buyer of milk in many of the surrounding villages. The plant offered a low price, irregular payment and at a set rate at 2,8 % fat.

Unlike in Brody, the local large farm was still operating, and as many villagers also worked there, they were able to have their milk tested on the LSE's milk labs. The results showed 4,2 %, and they concluded that they had been cheated on their payment. However, just like the Brody cooperative, they lacked the necessary knowledge of cooperatives at the start. The current director of the cooperative explained the next step:

“[...] People asked [the LSE director], but he said that he couldn't take milk from them as they wanted to, he said 'no, it's impossible'. But he had travelled around the world a lot and saw that people united in cooperatives. He was interested in milk, as he had 8000 cows, whose milk was [partly] used to feed [his own] calves. [He figured] he could buy milk [for this purpose] from the people instead, but he wanted to know who he was dealing with - not just one woman here, and another one there, but he wanted to have business with an organization, an entity. He also wanted a certain volume. So, he put forward the idea of the cooperative.”

Director of the Buchach cooperative (Interview 17)

Instead of getting advice and financial support from an NGO, this cooperative was backed by the local LSE director and employer of many of the villagers around. For him, this was not only an opportunity to support the communities around, but also ensuring that he could sustain a more profitable supply of milk. Interestingly, a recurrent leading motivation for the cooperative was to ensure that people can stay in the countryside (Interview 17; Interview 24; Interview 25). An advisor from L'viv agreed with this assessment, taking note of his impression from having advised the

cooperative that it was economically important for the large-scale agricultural enterprise to strengthen peoples' livelihoods so that they did not move abroad for work, which in turn could affect the labour supply of the large-scale agricultural enterprise (Interview 25).

## 6.3. Winning trust

In order for a cooperative to succeed, indeed, any kind of collective arrangement, they need to recruit people who believe in the cause. For this purpose, the arrangement or its proponents need to gain the trust of locals for them to join. This chapter will showcase the respective strategies that the cooperatives used in order to gain that trust.

### 6.3.1. Brody

Since its conception in 2011, the Brody cooperative has managed to gather around 300 members. The current director and the main initiator of the cooperative began with recruiting people in her village, enrolling 92 members in the first year. She started by asking people with whom she had close ties. In addition to her family and friends, having the support of the village mayor also helped to win over new members. (Interview 17)

In the cooperative, the normal way of recruitment was through family ties – if there was a relative vouching for the cooperative, it seems to have made recruitment easier. Therefore, individuals in the first village could quite easily be recruited, however, there seemed to have been a small delay thereafter. In some of the villages in the vicinity, there was not the same connection to the founders of the cooperative and therefore, they needed more convincing (Interview 17). This indicates the importance of personal social trust for recruitment.

Although having managed to gather around 300 members as of now, it was no simple feat – people needed very tough persuasion to be convinced to join, especially when the Director tried to convince neighbouring villages. During interviews, members often recount stories along these lines when asked about their initial thoughts regarding the cooperative. A woman who used to oversee the milk collection recalls her initial disbelief regarding the benefits promised from joining the cooperative:

First, I didn't believe that everything would be provided for free! That I could do this [stable] reconstruction for free<sup>8</sup>. I've tried to prove to people that everything is for free, but they don't believe it. They say that every time I sell milk, the cooperative takes some money away to pay for all these free things.

(Interview 5)

**In a similar vein, another interviewee recalls her vigilance and feelings of uncertainty, primarily oriented towards the involvement of the foreign development cooperation organization.**

*What were your first thoughts when you heard about the cooperative?*

We were all afraid, we didn't know what would happen and what would be in store for us. We didn't know anything – people said: 'those Canadians will come here, and they will rob us.'

(Interview 7)

**Interestingly, this farmers' initial suspicions show that the foreign NGO support has not solely been a blessing, but also caused some vigilance among many potential members. Many interviewees recall that they shared this vigilant attitude to the outsiders before joining. Asking the same question to another participant gave me this answer:**

First, we said 'no, why would we need this?'. But then we asked him to drive us to one of the villages. We saw everything with our own eyes, we saw that it meant easier working conditions, [...] we could have a milking machine. [...] We followed some information about this online, about this new thing 'agricultural cooperative'. But we were scared - my son said 'Look, look, everywhere it reads 'according to the law of Ukraine'. [Chuckles] We were afraid that we would be imprisoned or something! [...].

*Why did you think it could lead to prison?*

Because we talked about the sums of money involved and it was about half a million hryvnias [...]. We just couldn't believe that anything could be given for free in this country.

(Interview 9)

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<sup>8</sup> The NGO project offered advice, materials, financing and loans for stable reconstructions in order to increase production and productivity.

Although she now can laugh at her initial fears, it is evident that this farmer had little trust for strangers, hearsay, or abstract promises – it was important for her to really see concrete results, thereby gaining confidence, before signing up for an agreement. Being able to first see the results of the cooperative in order to become convinced is a recurrent theme in many other farmers' reasoning.

These women initial vigilance towards the foreign NGO, one of them being instinctively fearful reaction to the legal terminology are illustrative of a low trust towards institutions. A family farmer in a nearby village puts this in a historical perspective, referring to the restructuring of the economy during the transition era:

People here, they got a very bitter experience. There were different shares spread by different milk companies and there were problems with their dividends. And those milk plants - they're now bankrupt and there are no dividends, nothing...'

(Interview 11)

The daughter of the cooperative director also recounts her reaction to her mothers' new-found wish to start a cooperative:

[My mother said:] 'Some people are coming here; they want to teach us how to work'. I just told her 'Don't pledge our house because I don't want to live on the street!'. I saw it was very difficult, my mother had a hard time... but she was fighting for her idea.

(Interview 6)

The farmers relate their low trust to the chaotic and harsh period succeeding the breakdown of the Soviet Union. In the early transition period, farmers and others had to learn the hard way through facing practices of some actors which at best could be miscalculated, vain or hopeless, and at worst, predatory. This is in line with the reasoning of Sik and Wellman (1999) who argue that the privatization opened opportunities of '*grabbing the post-communist cake*'. The actions of previous actors thus linger, and still seem to negatively affect the trust towards new actors in the field. For the "setting up" phase, the support of the foreign cooperation agency seems to have caused more caution than confidence in relation to the cooperative among local farmers.

However, as time has passed, the cooperative has grown to become a force to be reckoned with. With the growing reputation and eight years of existence, the director explains that people now initiate contact with her to join the cooperative (Interview 16). The number of villages interested is steadily increasing. Nevertheless, it should also be noted that many people with fewer cows have chosen to leave the dairy

business altogether, which is why growth in member numbers is beginning to stagnate (Interview 16; Interview 25).

### 6.3.2. Buchach

Interestingly, the cooperative in Buchach does not display any major difficulties in the recruitment phase as was the case with the Brody cooperative. When asked about why they trusted the cooperative, none of the interviewees seemed to indicate that they were cautious before joining. However, it was difficult to pin down direct answers as to why this is the case.

From a strictly economic perspective, the support of the cooperative could be regarded as a reaction to the previous monopsony of the local dairy plant. Farmers could not rely on their market knowledge and their ability to bargain to get the best price. Had this been the case, they would likely have been hesitant towards the membership contract and its binding obligations. Because of the lack of options, people may have felt that their business could not get much worse and therefore may have perceived the membership contract as an opportunity rather than a risk.

However, trust is also personal and relational. Although the market was slightly different in the Buchach area compared to that of Brody's, another explanation can be highlighted as to why recruitment went quick and smooth in the Buchach area. In every village visited, there seemed to be no trace of distrust among farmers before joining; in fact, some were puzzled by questions regarding potential distrust (Interview 18; Interview 19). Instead, it seems like people's trust for the cooperative comes from a form of extended trust that they have for the local large-scale agricultural enterprise and the director of that large-scale agricultural enterprise.

In most of the villages visited, many inhabitants (and therefore, cooperative members) also worked at the large-scale agricultural enterprise – as tractor drivers, laboratory assistants, security staff, and farmhands. The LSE director had a good reputation among the interviewees and is generally referred to as a man who really cares for the community. He has been facilitating the resolution of conflicts regarding tenure and land use in the villages, such as pasture management and division of people's land plots (Interview 22). His reputation is well illustrated in a conversation with a cooperative member:

*Have you met this LSE director?*

Yes. He often talks with people; he has meetings with people. Cooperative members would meet him a lot.

*As cooperative members – do you mean that the cooperative meets with the LSE director?*

Sometimes he meets ordinary people, sometimes he meets us laboratory assistants [milk collectors]. There was an argument about the pasture, there was some conflict, and he came. Someone wanted to retain their *pai* for private use, but it happened to be part of the pasture – so the director solved the issue by letting that person take another piece of land, so that the pasture could be intact for the use of the villagers.<sup>9</sup>

*So he takes some responsibility when it comes to village affairs?*

He helps, he helps. There was a storm for example, it damaged the church and he helped to restore it. He helps all the churches where his lands are, financially. If somebody asks him for help regarding the church, he never refused. Maybe people have some personal problem with him, but most people are satisfied with him.

*Does he have any influence in the cooperative?*

I don't know - the [cooperative] director is Mr NN, but I think [the LSE director] helps. He helps. He wanted to organize this project called Raspberry [another branch of the cooperative]. [They both] met with people and explained what it was about.

(Interview 22)

By its strong links to the large-scale agricultural enterprise and its director, it seems like the trust of the villagers for their employer has “spilled over” to the cooperative. His involvement in local affairs and major financial support to rural churches made villagers trust him (Field note diary, present author; Interview 22). He had also donated funds to restoring a historical local holy site and monastery.

From meetings with villagers, it could be noted that cooperative members had difficulties differentiating between the cooperative and the large-scale agricultural enterprise (Field note diary, present author). One villager claimed she was collecting milk under the large-scale agricultural enterprise and didn't know much about any cooperative, but when I asked the cooperative about this, they said that she was working for them. Partly, this mix up could be semantic. Contemporary large-scale agricultural enterprises are generally referred to as *kolhosps* among villagers<sup>10</sup> (Field note diary, present author).

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<sup>9</sup> The *pai* is the land plot which was divided among former workers of *kolhosps*.

<sup>10</sup> The survival and re-application of the *kolhosp*-term has also been witnessed by others (Kuns 2017a; Kopytko 2018).

The difficulties the milkwoman had in distinguishing was quite understandable. A reading of the field diary concludes that it was difficult to determine exactly where the lines between the cooperative and the large-scale agricultural enterprise were drawn. For example, the milk trucks which picked up the milk at the stations carried the logo of the large-scale agricultural enterprise, and the cooperative headquarters were housed in one of the enterprises' facilities.

In a way, one can argue that the Buchach cooperative has no trust issues, due to its strong links to the LSE. However, this "shortcut", to use established institutions and actors to quickly gain the trust of villagers, can also be seen in another way. One can argue that there in fact is little trust for the cooperative, but completely dependent on its links to the LSE. Hence, the cooperatives dependencies are twofold, relying on the LSE for both investments and trust.

## 6.4. Building commitment and legitimizing cooperative authority

Though trust is needed for recruiting members, a cooperative also needs to ensure that their members are committed to the cause, and that they do not undermine the cooperatives functions.

### 6.4.1. Brody

As shown earlier, the director was mainly driven by a strong commitment to her village when she was setting up the cooperative. This 'social imperative' has continued and is seen both in how board members reflect about the cooperative as well as in the pathways the cooperative has chosen.

When speaking to the board and management in the cooperative, many describe the cooperative in terms that suggest that they have a strong sense of community among the members. The daughter of the Director says: *"I think the most important role is to unite people. [...] The community takes pride in this."* (Interview 6).

Another influential woman in the cooperative described how a couple of years ago the board had voted to reinvest funds from the cooperative into the wider community. This meant the end of a 'feedback mechanism' that had previously worked to return a bonus at the end of the year to farmers who had made significant contributions in terms of quantity provided. This mechanism had been put in place to incentivize bigger contributions to the cooperative and thereby reach higher volumes.



Interestingly, this family-farmer had pushed for this change towards investments in the wider community even though her own farm, housing twelve cows, would be in position for the biggest profit feedback. Along with others on the board, she argued for the money to be reinvested in the community. Among other things, they have since managed to pay for a reparation of broken water boilers for the local school's dining room, and they have helped local churches with funds.

The decision to favour a 'community'-oriented policy of reinvesting in collective needs, instead of the more 'business'-incentivizing policy, reaffirms the management style in the cooperative as being socially rather than business-oriented – not only in words, but also in action. The more 'business'-oriented aspects that do exist in the cooperative may be influenced by the foreign NGOs project plan which aims to increase the number of family farms specializing in dairy in Ukraine (Government of Canada 2015) 20 households in the cooperative have been willing to take the step and commit to full-time dairy production (Field note diary, present author). In cooperatives, such initiatives can become a source of conflict as the interests between big farms and smaller ones may differ (Bijman 2016). I asked the director:

Int: I reckon that the development of family farms is important in this cooperative, do you still see interest of people to become family farmers?

Resp: We are working to get more family farmers, but we have no right whatsoever to evict people who have only one or two cows. The idea of the cooperative is to provide support for everybody, because sometimes people who have only one or two cows, the money they get from milk is the main money they have, the bulk of their income. I understand that the advisory board has set the goal to have as many family farms as possible, but [it is] not ours. But as long as I am leader, I will never let them forget about the simple small farmer with one cow. But I try to support small farmers and family farmers the same way, no matter what [the Canadians] say. Maybe it is wrong from a business point of view, but if you look at a family farm, they have a stable regular income. For people with 2-3 cows, this is their only income, and my job is to help them and protect them.

Director of the Brody cooperative (Interview 17)

Here, it is evident that the director regards herself as responsible for defending the interests of the small farmers and is even willing to go against the more business-oriented recommendations of the donor organization.

#### 6.4.2. Responsiveness and side-selling

At the time of the interviews, the cooperative and the co-op union of which it is part sought to develop a dairy plant of its own. The goal was to be able to further refine

the milk to ensure better payment for the members. In this aspiration, the foreign sponsor has been willing to co-fund the dairy plant with the requirement of 20 % of financing stemming from the cooperative's members, as well as requiring member to sell through the cooperative to ensure that the dairy plant reaches a profitable volume of production. Interestingly, the foreign NGO project and the cooperative union leadership are having difficulties implementing these requirements:

'Everybody talks about this [dairy plant], but few would want to invest money'.

*What kind of penalties have you discussed for breaking this contract?*

'Let's begin from one important point. [...]. The farmer who can have 100 cows and a have very big volume of milk can write an obligation for [delivering] 100 litres. This is almost like a joke, but it's reality. Farmers [just care about] the risks, and try to understand these, and just sign for 100 litres... Some farmers sign for a bigger volume. We don't talk very loud about penalties. If we start talking about penalties and obligations, the fear might take over and farmers might say that *'oh with penalties and all, I'm not sure I need this plant.'* Now we see that some farmers really believe in the idea of the plant. Some volunteers invest in it. We can clearly see that this cooperative dairy plant is a new and strange idea for many farmers. [...]

Director of the Cooperative Union (Interview 1)

It is evident that part of the trust issues seen in the initial stages of cooperative creation still affect the cooperative; namely members' risk-awareness and fear of binding contracts. This hampers the ability of the cooperative to invest in a future collective goal. The inability to convince members to commit to this goal is also related to the cooperative's choice not to enforce contracts that *de jure* binds members to sell their milk through the cooperative. This effectively means that they are not enforcing the rules to hinder side-selling, one of the biggest internal threats to cooperatives (Bijman 2016).

On a related note, the cooperative's responsiveness to the needs of villagers is evident in how open it is to outsiders using its services. To use some of the cooperative services, one does not have to pay the initial membership fee, such as to use the co-op milk refrigerator and testing devices, or even sell through the cooperative (Interview 10). However, other services such as access to credit and forage are limited to members only. This openness is a policy to make farmers familiarize themselves with the cooperative and earn their trust (Interview 17). Attracting non-members is of interest since it allows the cooperative to reach higher quantities and thereby higher prices.

In this cooperative, members can side-sell outside of the cooperative without repercussions while non-members can sell through the cooperative without fulfilling the obligations of membership. As the cooperative attempts to compensate for a decrease in quantity due to side-selling, the involvement of non-members in joint cooperative sales could potentially also risk exacerbating the very commitment issues that incentivized members' side-selling in the first place. By not drawing clear boundaries regarding membership, the cooperative can risk undermining its ability to build organizational identity and a sense of community that causes members to commit to their cause. By not making the membership exclusive, the cooperative may risk be seen as "just another buyer" of their milk.

### 6.4.3. The side-sellers

There is some tension among certain members of the Brody cooperative. Three key family farms (with 10 -12 cows) have decided not to sell through the cooperative anymore (Interview 12, Interview 13, Interview 14), and another one with eight cows said that she would sell on the side if she had the opportunity (Interview 7). This is remarkable, as the cooperative and the foreign sponsor through their investments and advice is what made many family farms possible in the first place. One interviewed smallholder said she was side-selling (Interview 15).

When asked about their reasons for side-selling, all but one seemed to have abandoned the cooperative as they were unhappy with certain aspects of the management. The first issue is related to what these perceived as a lack of transparency regarding the economic decisions taken by the management. The other issue lies in what some members experience as power concentration in the cooperative. Two of the farmers had opposing ideas of how the cooperative should be run, but thought their complaints were hastily shut down (Interview 14, Interview 25).

One family farmer was very sceptical to the accounting procedures and transparency in the cooperative:

[...] There was an amendment in the rules in February saying that I need to pay 20 kopeks more per litre to the cooperative. I was opposing it, and the other family farmers were opposing it, but since the majority of the cooperative owners are small scale, they voted and supported the amendment. I don't mind paying, but I want to know exactly what I'm covering with my money. Where does the money go, how is it spent?

*How come you don't know that?*

We're not shown all the documents. The director would bring the report to me, just like she would to you, but you know that the numbers are such that you can enter any numbers in the reports.

*Any numbers... like using [Microsoft] Excel for accounting?*

They have [an accounting software], but that's only for the contacts with the advisory services. If you were to give me the chart of accounts, I would be able to figure it out [...]. But nobody is giving the true numbers to us.

*And you've asked for it?*

Of course. There's no interest in transparency. We do not see the officially signed contracts as far as what the plant pays. [...]

*Do you think they are hiding something?*

If they were not hiding something, they would make the documents open to everyone. Don't you agree?

*Yeah, probably. Don't you have any backing from anyone regarding this, that they should disclose the information?*

Almost no backing, because in the board, nobody knows how to do bookkeeping. They are financially illiterate, and that's what I said, I am the only one who knows it and that's it. [...]

(Interview 14)

Although valuing the reliability of at times rumour-like claims regarding whether the director is using the cooperatives' resources with fairness or competence is out of scope of this thesis, one can point out that the lack of transparency is hurting the trust towards the cooperative for some members, and therefore, their commitment to continue subscribing to its services.

One farmer, with a degree in business economics brought forward an informed critique of transparency and accounting procedures – the view of an accounting professional requesting more insight. His concerns about lack of transparency are however shared with other members who do not possess the same technical competence. A member who previously served on the board and believes she lacks the necessary understanding regarding the economics of the cooperative tells of her experience:

*Do you think it requires a lot of competence to be part of the board?*

I think so. You have to be competent. I cannot even express myself. Some people joined the board earlier, they know more as they have been on the board for longer. It looks like in the communist times - everyone votes unanimously.

[...]

*Because you said that people vote unanimously, are there some disagreements that are not shown when people vote?*

I think so. I've been there for two years. They've been there for longer, maybe they know more. But the problem is to make sure that the... They would agree for everything if the price for milk was higher. I don't know the realistic picture of the cooperative; I don't know about the statistics or anything. I don't know anything.

(Interview 9)

However, there appears to be some dissatisfaction with aspects of the cooperative governance among several members regardless of professional competence. While expressing doubts about her competence to serve on the board, Steff also seemed to have felt resignation toward aspects of the governance, exemplifying with unanimous voting. This brings us to the second critique raised towards the cooperative. Some members describe a concentration of power in the cooperative with the leadership centred around the director since she started the cooperative and is now acting as the executive director (Interview 13, 14, 25 and 7).

A person at the advisory council had a similar impression. He points to the fact that the director, by being stubborn and having created great success for the cooperative, has managed to create a cooperative that in many ways circle around her motivations. In his words: *as executive director, she not only affects herself and other members, she also has influence on the board members. So, members of the cooperative perceive her not only as an executive director, but as the head of the cooperative* (Interview 25). The advisor is referring to the internal structure that a cooperative should have – that the board should be represented by members, and that the board members should be able to hold the executive director accountable. In his interpretation, the executive director holds power and influence over the board members, which is problematic.

According to the disgruntled members, their influence is limited by people who, rather than being critical, follow the leader. This claim is somewhat supported by the advisory services (Interview 25). They are both under the impression that the rest of the board members are not acting critically towards their director, but loyal to what they regard as their leader.

Because there are some people who have their own ambitions, they want to be involved in the decision-making process too, and their proposal is different from the proposals of the director who has another understanding of the situation. And her experience and authority exert pressure on others.

(Interview 25)

The backside of having an organization built so strongly by one individual with strong conviction is that it may have some influence on the cooperative. Interestingly, what first managed to make the cooperative possible – building trust through ambition and conviction of one woman – seems to also have caused the current discontent. While her leadership surely must have been necessary to develop the cooperative, the network that she has built around her seems to have been cemented in the cooperative in a way that may hinder other ambitious persons with other ideas.

#### 6.4.4. Developing milk quality

One area that the cooperative has been successful in enforcing rules for the collective good is within ensuring milk quality. By having small testing devices for analysis, cooperative members have been able to get credible and direct information of the quality of their milk. As shown in the previous chapter, the practices of the local dairy plants were delivering results that were cheated with rather than exact, seldom conducted instead of daily, distant instead of direct, and collective rather than individual. Understandably, this would not give farmers any incentive to increase their quality, and if they tried it would be impossible for them to judge their own performance in doing so.

With the device, the cooperative offers an individual price that scales with the milk quality. Paired with training, many farmers argue that they have been able to learn new practices for quality improvement while also seeing somewhat direct results of changes in practice.

#### 6.4.5. Buchach

Brody had a dual organizational identity, where business was one part, but with especial emphasis on the social and egalitarian value. However, in Buchach, it leaned more towards a business identity. Many of the members interviewed described the cooperative in straight-forward, ‘matter of fact’ ways, highlighting especially or exclusively the economic aspects of the organization:

*What would you say is the most important role of the cooperative?*

The job is to ensure that they get high quality milk, and they sell it to whomever buys it. [...]

*Do you see any other positive aspects, besides increasing income?*

I don't think so.

(Interview 18)

People never likened the cooperative to a family, and as we can see in the quote above, referred to the cooperative as 'they' and not something they were part of, or members in. Hence, the 'community values' did not shine through among the interviewees when they were discussing the cooperative, as with the Brody cooperative.

### *Side selling in Buchach*

However, this cooperative, with its less democratic structure and more business-like goals, also had a more authoritative manner through which it ran its operations. I had this discussion with the director of the cooperative:

At the beginning, when we came to different villages, there were different situations. They would come with 5 litres of milk, 15 litres of water and bring two buckets. I'd say "Cool! It's important with bodily exercise, carrying buckets for kilometres – but you will get no money". They would all [leave their milk], record it on paper, then everything is entered here in the computer. This column demonstrates the number of litres, fat – and water- if they brought water. If a woman brings 10 % of water, the whole village then would be counted as having brought 10 % of water. It's about collective responsibility.

*It is collective punishment?*

Yes. When I said '*Vira brought milk damaged with water*', the next day everybody who brought milk waited by the collection point with guns loaded [he jokingly demonstrates how they would take aim]. If it would show 10 % again, they would all fire at the same time. In this way, we managed to eradicate these irresponsible people. Different things happen. When [our manager] drove the milk analysis equipment to a village to test, he told them '*There will be no device here for three days*'. But he's a sly son-of-a-gun; he brought it back the next day. There would always be two or three guys bringing water. It's the sad reality of today's world.

In this passage, the director explains the tough strategies it uses to ensure the goal of collecting quality milk. To attain the goal of collective action and reduce free-riding, it has taken quite strong means of enforcement, namely by using the collective punishment and by actively misleading villagers regarding the times that they will have their milk tested.

This begs the question; has the cooperative members agreed to this? One can assume that they did not. For example, an advisor said that they had issues with the

governance and representation in the cooperative until recently, where they had lacklustre villager representation, but instead representation from the large-scale agricultural enterprise in the board of the cooperative (Interview 25). At their recommendation, the cooperative had changed its structure to ensure better villager representation.

This indicates that the management in this aspect are not as fearful of going against members preferences as the Brody cooperative were – instead, they have overridden them in order to handle collective action problems related to side-selling. By using the strategy of collective punishment, the cooperative has actively magnified the collective action problems caused by individual members' dilution. In this way, they forced its members to be more active in policing the free-riding. This points to a arguably stronger level of hierarchy compared to that of Brody's.



## 7. Concluding Discussion

The purpose of this thesis has been to shine a light on institutional challenges and opportunities, specifically regarding issues of trust and commitment, in post-Soviet agricultural service cooperatives. From an academic point of view, cooperatives in the former USSR have been largely overlooked, mainly because of the lack of them. Cooperatives can offer smallholders in Ukraine higher incomes. As the results of this study suggests, it seems that they can also work to serve the needs of large-scale enterprises (LSEs) as well. The study has shown this by empirically examining two types of cooperatives in Ukraine – a conventional western style cooperative and a more unconventional ‘joint venture’ cooperative linked to a local LSE.

I set out to study the members’ trust and commitment partly informed by Cechin et al's (2013) deconstruction of the concept into the aspects of hierarchy, democracy and community. The intention of the study’s design was to focus less on the importance of market and economic incentive, but instead more on the organizational issues of the three latter aspects. The answers collected through interviews suggest that site 1 had a more *democratic* cooperative, which revolved around participation and equity, and a lower level of hierarchy, although criticism was raised of the governance being centred around the manager. The second cooperative had a much higher level of *hierarchy*, but an almost non-existent development of participation and democracy. However, before we move on to discuss the differences between the cooperatives, let us note the important similarities of the two.

Though this study has focused on the differences between the cooperatives in relation to trust and commitment, there are some similar patterns between the two. Murray (2008) has stated that in low trust areas, it often boils down to individual efforts. This was certainly the case for both cooperatives, where the grassroots director in one cooperative and the ‘vanguard’ LSE director were both essential for their development. The individuals who started the cooperatives were also linked to an NGO and an LSE respectively – organizations that were both necessary as catalysts and financiers of the respective cooperatives. Through them, the cooperatives could make necessary investments.

Of special importance were the investments in milk labs at every drop off point. This seems to have greatly affected the viability of the cooperatives. In both cooperatives, members often mentioned the ability to analyse one's milk to control its fat as an important factor in both initial and continued trust towards the cooperatives, while also giving them an opportunity to improve their production. Before the cooperatives, such technology was not used by the farmers themselves, and in the few cases where buyers employed a milk fat bonus, the farmers could not monitor the process of milk control.

#### *Member relations and organizational identity*

Beside these common factors, the cooperatives have also displayed important differences. In the theory section, it was argued that cooperatives are a form of institutionalized collective action. The field data paints a complex picture of how the studied cooperatives have used different strategies to handle issues of trust and commitment in order to set up the collective action arrangements.

One major difference was seen in the *organizational identity* between the cooperatives, pertaining to how members and leaders discussed and valued the role of the cooperative, its goals and purpose. The interviewees at the Brody cooperative regularly mentioned the uniting features of the cooperative. Many regarded the cooperative as a collective effort to improve their situation; an arena through which they could work together to reach common goals. Some members even seemed to regard the cooperative's testament to their ability to work together *in itself* as the prime achievement, rather than the instrumental value of increasing household income the cooperative membership had secured.

The leadership and members at this site emphasized ideas of social mobilization and a strong care for community. Its leadership often stressed the ideas of the cooperative principles, which in many ways epitomize this social ethic. They tried to develop a broad organization, with members who participate actively in the many trainings and meetings held. These ideas and values are likely not entirely 'spontaneous' but should be expected to have been promoted through the close support and expertise of the foreign NGO.

However, as other authors have noticed, organizing social movements in rural post-Soviet contexts is difficult (Visser et al. 2015). The memories of failed or fraudulent initiatives from the 1990's transition period seem to linger and has left a distrust that is difficult to overcome. In their desire to win over villagers to trust their cause, the Brody cooperative have tried to be very responsive to villagers' needs and wishes by not enforcing rules and boundaries particularly hard. However, though being

responsive, they still have issues of distrust among some members, who believe the organization corrupt and serves only the interests of its director.

Members at the contrasting cooperative in Buchach seemed to have a different understanding of their cooperative. In general, there was a more technical and “matter-of-factual” approach in how members and management spoke about the cooperative. Members seemed to regard their responsibilities as limited simply to not selling milk of poor quality. This contrasts with the other cooperative where members saw active participation at meetings and trainings as their responsibilities. The members at Buchach only pointed to the increased milk price as the achievement of the cooperative. Social and community-oriented themes were not explicitly noted among neither members nor leadership in the ways of speaking about the cooperative’s achievements.

In my interpretation, this differing kind of *organizational identity* relates to how the Buchach cooperative possibly mimics the ‘work-like’ and vertical patterns of organization of the large farm enterprise. The cooperative had a professionalized management where both the cooperative manager and director were non-members with professional experience from the dairy industry and finance respectively. This may influence the general values and member relations of the cooperative.

The data suggests that this cooperative functions as an extension of the local LSE. In that role, the cooperative works according to a business-like logic, where economic ambitions, closely knit with the LSE’s, allow for a tougher and more hierarchic rather than democratic governance model. The cooperative is structured with more vertical lines of organization, stricter membership boundaries as well as tougher sanctions on members who break the rules of the cooperative – including collective punishment.

Furthermore, few members were informed of the decisions taken within the cooperative, and members did not consider themselves as having any power within it. Some interviewees also had difficulties distinguishing between the LSE and the cooperative. Members also seemed to have little understanding of the economy of the cooperative, and how much of the milk price that went to the cooperative’s administration. Interestingly, no interviewed member at this cooperative seemed to harbour any distrust towards the management. Although the LSE director seemed to have ambitions of supporting his community, it differs a lot from the self-empowering themes seen in the Brody cooperative.

#### *Why do the organizational forms differ?*

There is reason to believe that the Buchach cooperative’s more hierarchical organizational characteristics are no coincidence, but historically informed. In the

background section, it was argued that LSEs (both current and in historically as *kolhosps*) are important institutions that structure rural economic and social life and relationships in Ukraine and other countries formerly in the USSR.

Based on the findings at the Buchach cooperative, this seems to be an example of such a relationship between the cooperative, its members vis-à-vis the LSE and its director, where the latter actors seem to influence many aspects of village life. Aside from being a major employer working many thousands of hectares, the director also actively handled land relations between villagers as well as reconstruction and maintenance of religious buildings. In the theory section, this kind of relationship was labelled *patrimonial* in how it revolves around one individual, in this case the LSE director, who expands reciprocal economic relations outside of the regular limits of the LSE. His patrimonial status seems to bestow the Buchach cooperative with a kind of legitimacy that allowed it to side-step the tedious trust-building and recruitment phase that the Brody cooperative had to go through.

Interestingly, the data indicate that the LSE supported cooperative not only had a “head start” with trust in the start of the cooperative, but members also continued to uphold its management as trustworthy and its members committed – or at least not cheating or side-selling. This is interesting, as they have chosen a management strategy less based on participation and democracy, and more on hierarchy and enforcement. Generally, collective action theory tends to contend that democratic procedures increase the trust of the management (Österberg & Nilsson 2009; D’Arcy & Nistotskaya 2017).

It is however difficult to delve deeper into the differences in trust for the two cooperatives. One reason could be that the more hierarchical organization may deter members from cheating and side-selling, and that members value this policy a lot. They may be ensured that cheating and free-riding is not tolerated – even though harsh measures such as collective punishment may affect true members. In contrast, efforts to create and sustain trust in the Brody cooperative – responsiveness and less strict enforcement of rules – could have actually worked to undermine trust.

The strong links to the development cooperation NGO seem to have led the Brody cooperative to place emphasis on the cooperative values and principles. This study heard from more critical members in the Brody cooperative, but this may relate to how stronger democratic practice and ideals may have taught members to be more outspoken and critical, as well as making them comfortable in freely voicing their concerns.

Another reason may be related to a discrepancy between the highly held cooperative principles and the practice within the Brody cooperative. The democratic ideals

promoted in contrast with the perceived control of the director seem to have caused scepticism among the members. Likewise, the promotion of transparency as an important principle and the ability to deliver such transparency seem to fail to match when members notice issues with the numbers. The reason for these issues may well be related to competence rather than intention, it is difficult to conclude. Thus, upholding a cooperative management strategy and identity linked so strongly to the cooperative ideals may place higher demands on such cooperatives to avoid making mistakes. Further studies, preferably with a broader use of methods such as trust games, survey data and/or wider use of ethnography, could likely delve deeper into these questions regarding trust and commitment within organizations with cooperative strategies like those in Brody and Buchach.

#### *Implications of joint-venture cooperatives in Ukraine and other post-soviet countries*

The two studied cooperatives typify an ongoing discussion of the role of cooperatives today, in which traditional equity and socially-oriented cooperatives are giving way for new, more hierarchical, business-oriented cooperatives with a stronger emphasis on market integration, including higher quality control schemes to appease the needs of multinational food companies (cf. Bijman et al. 2016). Though the more traditional type of cooperative in this study clearly also brings meaningful effects to their members – both economically and socially, perhaps even politically – it is of theoretical importance to focus on the LSE-backed cooperative specifically. Let us extrapolate potential tendencies from here.

Given that cooperatives have been seemingly difficult to establish in Ukraine – which the early struggles of the Brody cooperative also show – the effortlessness in which the Buchach cooperative has been able to recruit and grow to around 1200 members in just a couple of years is remarkable. It is not difficult to imagine that other LSEs, through patrimonial networks also have the capacity to set up cooperatives and use them to formally integrate peasants' household farm activity in their value chains.

With this said, not all LSE directors are necessarily seen as legitimate authorities. During my field visits, other directors of neighboring LSEs came up during interviews. Villagers often discussed whether they were 'good' or 'bad' – referring to whether they treated their workers well, how they handled their animals, whether they had agricultural competence and experience and to what level they were helping the community. Furthermore, other studies suggest that the role of LSEs taking a 'social responsibility' in proximate communities is on the back foot, not least due to foreign investments and management taking root in the Ukrainian agricultural sector. These actors are not familiar with local expectations of social responsibility (Kuns 2017a).

Nevertheless, a process in which LSEs vertically integrate peasant household activity in their value chains could both offer opportunity and pose a risk for peasants in Ukraine. Finding socially and economically inclusive approaches to increase smallholder incomes that are appealing to the investment of private actors should be seen as an opportunity that could complement models dependent on NGO or state funds.. It is also likely that LSE support and business-like management seen in Buchach has a good chance to offer peasants entry to international markets. At Buchach, there were plans to develop a horticultural cooperative that could capitalize on the LSEs channels to a global market.

The LSE involvement in Buchach does however seem to have come at the expense of social and community-oriented ideals. It can therefore be questioned whether such joint-venture cooperatives are able bring the often-cited benefits of cooperative engagement – linked to civic engagement, self-reliance and community services and public goods (c.f. Blokland & Schuurman 2016). At worst, joint venture cooperatives could be seen as yet another way of entangling farmers in stronger patrimonial dependence to large-scale agricultural enterprises, where cooperatives could be used to give LSE leverage over peasants. Scholars of agrarian change should study these new formalised relations and how they affect small holder empowerment.

If LSE cooperatives continue to develop, lawmakers in Ukraine may need to distinguish between different types of cooperatives, to develop regulations and support that is appropriate for their respective needs and goals. Though cooperatives may be regarded as ‘just another’ economic arrangement, it is safe to say that they do carry the heritage of ideals regarding self-determination, independence and democracy. It could be wise for such ideals to be central in cooperative development, in Ukraine and elsewhere.

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# Appendix I

## Interview guides

*This interview guide was developed before, and revised during, the field study. The interviews were semi-structured focusing on themes, but example questions that were discussed with my interpreter so that they were recited clearly to minimize misunderstanding.*

### Interview guide for cooperative members

#### *Opening question*

Can you begin with telling me about your household situation and your farming operations?

#### *General questions*

Can you tell me about your first thoughts when heard about this cooperative?

Why did you join?

Why do you think so others are joining the cooperative?

Why are others choosing not to?

How would you describe the cooperative?

What is the most important role of the cooperative? [probing, clarifying]

What do you think is the best part of being a member?

What do you think is the worst/hardest part of being a member?

Do you think these villages and communities have changed in any way with the start of the cooperative?

In what way is it different to be part of, and sell milk to a cooperative, than to a milk plant?

#### *Learning and participation*

Can you describe in as much detail as possible a situation where you have learned something within the cooperative?

After joining the cooperative, have you changed your farm operations in some way?

Why did you change that?

Do you think it is important to learn things within the cooperative?

What have you learned during your time in the cooperative?

*Questions on formalization:*

Has your milk ever been rejected when you wanted to sell it in the cooperative?

[Exemplify, describe]

Do you encounter situations where you would prefer something other than the cooperative prescribes?

How do you feel about this/is this important to you?

*Questions on representation and governance:*

Do you have any influence over important decisions in the cooperative?

Who/what groups have the most influence over the decisions in the cooperative?

Why do they have this power?

Who have the least amount of influence in the cooperative, and why?

Can you remember any specific disagreements/disputes within the cooperative?

How are such disputes resolved?

*Closing questions*

What do you think the future holds for the cooperative?

What are the challenges and opportunities?

Is there anything else you would like to add?



## Interview Guide for cooperative directors/managers

### *Opening*

What did you do before you started working for/with the cooperative?

How did the cooperative start?

How did you become director/manager?

What is the best part of being a director/manager?

What is the most difficult part of being director/manager?

How would you describe the atmosphere within the cooperative?

Do you learn a lot from being a cooperative leader?

What things do you learn?

### *Commitment and trust*

How do you earn peoples' trust?

What are the biggest reasons people are distrustful do you think?

Do you feel that the commitment in the villages are differing? Why is that so?

### *Representation*

How do you teach people about the cooperative principles?

How do you get new people to join the board?

As your cooperative has gotten larger and older, what has become more difficult?

And what has become easier?

### *Governance*

How has the relationship with the members developed?

Has their expectations changed?

Who have the least amount of influence in the cooperative, and why?

Can you remember any specific disagreements within the cooperative?

Can you give an example/describe?

How are such disputes resolved?

How do you handle people who cheat/side sell?

### *Ending*

What are the greatest challenges and opportunities?

Is there anything else you would like to add to what we've been talking about?

## Appendix II

*Table 2. List of interviews conducted.*

<i>No.</i>	<i>Location</i>	<i>Date</i>	<i>Participant description</i>
1	A	2019-04-12	Director of the Cooperative Union
2	B	2019-04-16	Manager of the Brody cooperative
3	B	2019-04-16	Smallholder
4	B	2019-04-18	Villager who chose not to join
5	B	2019-05-03	Former milk collector, keeping 2 cows
6	C	2019-05-03	Milk collector and daughter to the director
7	C	2019-05-03	<i>Fermer</i> keeping 8 cows.
8	D	2019-05-03	<i>Fermer</i> keeping 10 cows.
9	E	2019-05-13	<i>Fermer</i> keeping 12 cows.
10	E	2019-05-13	Smallholder, non-member, keeping 2 cows
11	F	2019-05-20	<i>Fermer</i> keeping 10 cows
12	F	2019-05-20	<i>Fermer</i> keeping 12 cows. Town resident.
13	G	2019-05-20	<i>Fermer</i> keeping 8 cows.
14	H	2019-05-20	<i>Fermer</i> , economist.
15	B	2019-05-31	Smallholder, keeping 3 cows. Side selling.
16	B	2019-05-31	Director of Brody cooperative
17	I	2019-06-03	Director of Buchach cooperative
18	J	2019-06-03	Milk collector and smallholder, 2 cows
19	K	2019-06-04	Milk collector and smallholder
20	L	2019-06-04	Milk collector and smallholder
21	M	2019-06-05	Milk collector and smallholder
22	N	2019-06-05	Milk collector and smallholder
23	O	2019-06-06	Mayor of 3 villages and board member
24	P	2019-06-07	Manager
25	A	2019-05-13	Advisory Services
26	A	2019-04-22	Advisory Services
27	B	2019-04-18	Smallholder
28	Q	2019-06-03	Milk Collector

## Appendix III

### Information about participation in a research project on agricultural cooperatives

Thank you for agreeing to meet with me for participation in a research project on agricultural cooperatives. This form describes the purpose of the study, the consequences of agreeing to participate, and your rights as a participant.

The research project focuses on the challenges and successes of the emerging agricultural cooperatives in Ukraine. The study will examine different cooperatives across Ukraine in order to better understand how to strengthen cooperative participation and development.

The study is carried out as a part of a thesis course given at the Department of Rural and Urban Development at the Swedish University for Agricultural Science. The discussions during interviews will be used in a thesis submitted for the Degree of Master of Science in Agriculture. The study is financed by a scholarship provided by the Swedish International Development Cooperation Agency (Sida).

Participating in the study is voluntary. Taking part in this study involves being interviewed and, if you agree, audio-recorded. The recording will only be heard by me and an independent translator for the purpose of this study. Your answers during the interview are important for the findings of the thesis.

Together with answers from other participants, your answers will be much valuable for drawing conclusions in the thesis. Direct quotes from you may be used in the thesis, but no information that could identify you will be revealed. I will not collect any personal information about you as a participant. At this interview, I will only take note of today's date, what type of cooperative you are affiliated with, and details about your agricultural operations.

The recording from the interview will be translated and transcribed into text. The recording and text documents will be stored safely. You are encouraged to ask

questions or raise concerns at any time during or after the interview about the nature of the study or the methods I am using. Please contact me at any time using the contact details listed below.

You have the right to withdraw your participation in the study at any time until publication, during or after the interview. You also have the right to refuse answering specific questions during the interview. In the event you choose to withdraw from the study, all information you provide will be deleted and omitted from the thesis. No questions will be asked about the reasons for withdrawing participation. By giving consent, you certify that you have received and understood this information, and that you have had the opportunity to ask questions.