



TOGETHER
for a sustainable future

OCCASION

This publication has been made available to the public on the occasion of the 50th anniversary of the United Nations Industrial Development Organisation.



TOGETHER
for a sustainable future

DISCLAIMER

This document has been produced without formal United Nations editing. The designations employed and the presentation of the material in this document do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations Industrial Development Organization (UNIDO) concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries, or its economic system or degree of development. Designations such as “developed”, “industrialized” and “developing” are intended for statistical convenience and do not necessarily express a judgment about the stage reached by a particular country or area in the development process. Mention of firm names or commercial products does not constitute an endorsement by UNIDO.

FAIR USE POLICY

Any part of this publication may be quoted and referenced for educational and research purposes without additional permission from UNIDO. However, those who make use of quoting and referencing this publication are requested to follow the Fair Use Policy of giving due credit to UNIDO.

CONTACT

Please contact publications@unido.org for further information concerning UNIDO publications.

For more information about UNIDO, please visit us at www.unido.org



18331

Distr.
LIMITED

ID/WG.498/22(SPEC.)
18 May 1990

United Nations Industrial Development Organization

ORIGINAL: ENGLISH

Interregional Symposium on the Role
of the Industrial Co-operative Movement in
Economic and Industrial Development

Moscow, USSR, 11-15 June 1990

WAYS OF SELLING OUTPUT OF PRODUCTION COOPERATIVES:
POSSIBLE CHOICE*

Prepared by

L. Artemyeva

*The views expressed in this document are those of the author and do not necessarily reflect the views of the Secretariat of UNIDO. This document has not been edited.

The Law On Cooperatives In the USSR has opened up wide opportunities to sell output of cooperatives. This output may be sold by cooperatives either independently on a free consumer market or through trading cooperatives; the output may also be sold through the State Trade network; cooperatives whose output is competitive have been entitled to come out to foreign markets either independently, or through foreign trade organizations; and finally, cooperatives have been entitled to cooperate directly with state-owned production enterprises. A few possible ways of selling the output of cooperatives allows cooperatives to choose a most economically desirable one.

So how wide are the opportunities to sell their output for the production cooperatives and which of them are most attractive?

At first sight most attractive, as compared to other ways of selling the output of production cooperatives might be a free consumer market. This way of selling seems to have a number of advantages.

Firstly, that is where the right to a free price formation can be enjoyed by cooperatives. It was supposed in the Law on cooperation in the USSR that the prices and rates would be formed on the market in the process of commercial relations cooperative-sellers and consumer-buyers, and influence the economic interests of cooperatives, stimulate a higher quality of output, improve the production process and organi-

zation, and reduce the losses. It was supposed that competition would contribute to all that.

Secondly, only having come out to a free commodity market a production cooperative might respond more flexibly to demand, directly influence demand with due consideration for the required quality.

Thirdly, it is on the market that the cooperative might become popular as the manufacturer of certain products, might have its trade mark commonly recognized.

The above positive moments alone would allow to suppose that a free market would become the main way to sell the cooperative output. However this opportunity has a number of drawbacks both from the viewpoint of the cooperative members, and from the viewpoint of the interests of society.

A necessary requirement of reaching the potential advantages of this way of selling the cooperative output is a well-developed commodity market. Quality begins to influence demand only when the market is flooded with the given type of goods. Under the conditions of overall shortages of goods on the market, high quality of output becomes economically unprofitable for the manufacturer. And low quality would be rather anonymous than claim the authorship.

Free market trade supposes the availability of a wholesale market of raw and other materials, which today is not available. Production cooperatives are forced to buy the required raw and other materials and means of production at retail prices or at wholesale prices with a raised coefficient, i.e. sometimes 5 times more expensive than State-owned enterprises.

To top it all the USSR Supreme Soviet has made a decision enabling local Soviets to restrict the prices for the output of cooperatives.

It has not been always convenient for production cooperatives to sell their output themselves, and this function has been transferred to trading cooperatives. Introduction of the new taxation of cooperatives, when the taxes on trading activities are much higher than on the production activities, has made this way of selling the output considerably less profitable.

Under such conditions a more convenient way to sell output has become the State retail trade network. Especially when the USSR Council of Ministers has decided to sell raw and other materials to cooperatives that sell their output through the State trade network and at the State prices, at wholesale prices. Apart from this in cases when State-owned enterprises do the same, there is a possibility to sell at contract prices (the cooperative paying to the State Budget an amount of the income equal to the amount of the turnover tax).

This way of selling is disadvantageous in that the cooperative becomes separated from the customer and its products become unnoticed in the bulk of the State trade goods. Besides the general price growth has been connected in public opinion with the products produced by cooperatives, and people who traditionally buy from the State trade network very often boycott cooperative products laid out on the counters of the State-owned shops.

The combination of the above reasons makes the cooperatives to seek for new ways of selling their output. The governmental decisions (e.g., banning some types of cooperative activities) have stimulated the connection of production cooperatives with State-owned enterprises especially from the point of view of selling their output.

As a result the level of the products and services supplied to customers has become considerable lower within the total structure of cooperatives during the last year. For example, the total volume of goods and services supplied to people by the cooperatives within the system of fisheries has reduced from 36% in 1988 to 22.8% in 1989.

The process is encouraged by the favourable conditions of crediting the cooperatives selling at the State-established prices, and by an opportunity of a guaranteed supply of raw and other materials without any raising coefficient irrespective of the fact that the output is sold to State-owned enterprises or to people.

Thus a conclusion can be drawn that a number of sub-legislative acts issued to follow the Law on Cooperatives in the USSR, have greatly reduced the choices of the ways to sell the output of production cooperatives, failed to contribute to the formation of free market relations on the consumer market, thus restraining the development of production cooperatives.