

Research on Benefit Distribution Mechanism of Farmers' Specialized Cooperative Economic Organization

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Abstract On the basis of conducting survey in Jiaonan City, the thesis analyzes benefit distribution mechanism of farmers' specialized cooperative economic organizations: firstly, the benefit correlation is mainly the contract correlation; secondly, the profit distribution is mainly the dividend; thirdly, patronage refund has many connotations; fourthly, the public accumulation has not yet been quantified to individual; fifthly, the government support capital is ill-defined. Based on these, the measures are put forward in order to improve benefit distribution pattern of farmers' specialized cooperative economic organizations: firstly, reform structure of property rights and realize farmers' ownership; secondly, change mode of decision-making, and realize farmers' control; thirdly, increase turnover rebate and realize farmers' benefiting; fourthly, quantify public accumulation and government support fund.

Key words Farmers' specialized cooperative economic organizations, Benefit distribution mechanism, Government support, China

Farmers' specialized cooperative economic organization is good carrier of coordinating urban-rural economic and social development, and best protector of the interests of farmers under the condition of market economy. However, in light of current development practice, the role of farmers' specialized cooperative economic organization in coordinating urban-rural economic and social development is not outstanding. On the basis of conducting lots of surveys in Jiaonan City, the thesis analyzes benefit distribution mechanism of farmers' specialized cooperative economic organizations. The corresponding measures are put forward in order to improve benefit distribution pattern of farmers' specialized cooperative economic organizations. The thesis conducts profound analysis of improvement measures, in order to provide theoretical reference for relevant research.

1 Data source and basic information of sample

Qingdao City is a pilot city of farmers' specialized cooperative economic organization, and Qingdao Longma Cooperative of Agricultural Products in Jiaonan City is the first farmers' cooperative which is established in Qingdao areas. The quantity of farmers' cooperative in 2010 in whole city reached 483, which absorbed 56 thousand members and led 68 thousand

farmers.

The following data we used are from survey on part of farmers' specialized cooperative economic organizations in Jiaonan City. In this survey, we get 57 effective questionnaires on farmers' specialized cooperative economic organizations, with 22 farmers' cooperatives and 35 farmers' specialized associations. As a supplement, this thesis also refers to rural household questionnaire data in the previous period, and there are 393 effective farmers' questionnaires in the aggregate.

2 Analysis of benefit distribution mechanism of agricultural specialized cooperative economic organizations

2.1 The benefit correlation is mainly the contract correlation At present, in China's farmers' specialized cooperative economic organizations, there are mainly three modes of benefit correlation: service correlation, contract correlation, and property rights correlation. Here is the information of benefit correlation of 57 farmers' specialized cooperative economic organizations in Jiaonan City, which can be seen in Table 1. And after conducting statistical collation on 22 farmers' cooperatives in Jiaonan City, it was found that in terms of benefit correlation, farmers' cooperatives and farmers' associations are different from each other, which can be seen in Table 2.

From the above statistics in Table 1 and 2, we can find that the benefit correlation mode of farmers' cooperative economic organizations is mainly service correlation, accounting for 60.3% of the total samples. Contract correlation accounts for 36.2% of the total samples, while property rights correlation only accounts for 3.5% of the total samples. However, in light

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of statistical data of farmers' cooperatives, the benefit correlation mode of farmers' cooperatives is mainly contract correlation, accounting for 68.2% of the total samples, while the proportion of property rights correlation and service correlation is only 22.7% and 9.1% respectively. This shows that in the current period, in terms of benefit correlation mode of farmers' specialized cooperative economic organizations in China, farmers' specialized association is still in the preliminary form focusing on service correlation, while farmers' cooperatives focus on contract correlation.

Table 1 Information of benefit correlation of 57 farmers' specialized cooperative economic organizations in Jiaonan City

Type	Service correlation	Contract correlation	Property rights correlation	Total
Quantity	33	21	3	57
Proportion//%	57.9	36.8	5.3	100

Table 2 Information of benefit correlation of 22 farmers' specialized associations in Jiaonan City

Type	Service correlation	Contract correlation	Property rights correlation	Total
Quantity	4	15	3	22
Proportion//%	18.2	68.2	13.6	100

2.2 The profit distribution is mainly the dividend The distribution models of farmers' specialized cooperative economic organizations in China at present have the following kinds: offer preferential service and surrender part of the profits, dividend and patronage refund. This a relatively normalized distribution mode of farmers' specialized cooperative economic organizations, in line with the international principle of distribution cooperatives.

In the survey of 57 farmers' specialized cooperative economic organizations in Jiaonan City, we find that currently, the distribution of China's rural cooperative economic organizations is mainly the dividend, and distribution is also based, farmers' associations and farmers' cooperatives have different levels, which can be seen in Table 3 and 4.

Table 3 Information of distribution of 57 farmers' specialized cooperative economic organizations in Jiaonan City

Type	Offer preferential service and surrender part of the profits	Dividend	Patronage refund	Total
Quantity	28	26	3	22
Proportion//%	49.1	45.6	5.3	100

We can see from the Table 3 and 4 that the benefit distribution of farmers' specialized cooperative economic organizations in Jiaonan is mainly stock dividend, and 26 farmers' specialized cooperative economic organizations with dividend account for 45.6% of the total samples, while 15 farmers' cooperatives account for with stock dividend account for 68.2% of the total samples.

Table 4 Information of distribution of 22 farmers' specialized cooperatives in Jiaonan City

Type	Offer preferential service and surrender part of the profits	Dividend	Patronage refund	Total
Quantity	4	15	3	22
Proportion//%	18.2	68.2	13.6	100

2.3 Patronage refund has many connotations Returning profits according to the amount of patronage fund is the international classic principle of distribution of cooperatives, and is the distribution principle reflecting essential characteristics of the cooperatives, so returning profits according to the amount of patronage fund, obviously has many connotations. In the light of the survey of 57 farmers' specialized cooperative economic organizations in Jiaonan City, we find that there are few farmers' specialized cooperative economic organizations which implement returning profits according to the amount of patronage fund at present. According to requirements, basically what are returned are the primary products to farmers' specialized cooperative economic organizations. After these primary products are processed and sold, the cooperative organizations return part of the value added profit as rebate to farmers. Meanwhile, providing free technology and information and even marketing and transportation services, and offering preferential price when purchasing agricultural means of production, is also a form of returning profit. We can also obtained obvious proof from case. Case: Longma Cooperatives of Agricultural Products in Qingdao City.

Longma Cooperatives of Agricultural Products in Qingdao City is the first farmers' cooperative since the formulation and implementation of *Farmers' Cooperatives Law of People's Republic of China* in Qingdao City whose predecessor is Dacun Fruit and Vegetable Association which was established in 2002. In terms of distribution mode, based on members' capital contribution, the cooperative realizes secondary distributions for members profit realization. First of all, it purchases agricultural products at the price higher than that of the market, so the members can get difference benefit higher than the market price; secondly, it returns 20% of profit of cooperative to members when year-end closing, so the members get benefit again, which will greatly stir their enthusiasm.

2.4 The public accumulation has not yet been quantified to individual The public accumulation of farmers' specialized cooperative economic organizations mainly includes three parts: public accumulation funds, public welfare fund and venture capital. In the survey of 57 farmers' specialized cooperative economic organizations in Jiaonan City, we find that the cooperatives universally withdraw public accumulation, which can be seen in Table 5.

As can be seen from information in Table 5, in the surveyed 22 farmers' cooperatives, there were 21 farmers' cooperatives which have extracted public accumulation funds, accounting for 95.5% of the total samples; there were 16 farmers' cooperatives which have extracted public welfare fund, ac-

counting for 72.7% of total samples; there were 10 farmers' cooperatives which have extracted venture capital, accounting for 45.5% of total samples. It indicates that the farmers' cooperatives more or less have the public accumulation.

Table 5 Information of public accumulation of 22 farmers' cooperatives in Jiaonan City

Type	Public accumulation funds	Public welfare fund	Venture capital
Quantity	21	16	10
Proportion//%	95.5	72.7	45.5

In terms of treatment in the public accumulation, in 22 farmers' cooperatives, only 2 farmers' cooperatives choose the method of quantification, but they have no specific quantification measures. It indicates that the currently, the public accumulation has not yet been quantified to individual by farmers' cooperatives, and the problems of fuzzy treatment still exist in the public accumulation.

In the survey of members' quitting from cooperatives, which can be seen in Table 6, we can find that although there are relevant stipulations in farmers' cooperatives regarding members' quitting from cooperatives, it does not involve the problem of public accumulation.

Table 6 Stipulation of members' quitting in 57 farmers' specialized cooperative economic organizations in Jiaonan City

Type	Do not return membership fees or equity	Return equity	Return equity and assume sole responsibility for profits or losses in the year	Transfer it inside	Total
Quantity	4	17	28	8	57
Proportion//%	7.0	29.8	49.1	14.1	100

The reason is as follows: on one hand, currently, the farmers' cooperatives is in a period of rapid development, and the public accumulation of cooperatives is still relatively scanty; on the other hand, the establishment time of farmers' cooperatives is not long, and the cooperatives are in their infancy, with rare phenomenon of members' quitting from cooperatives, while investment-oriented shareholders who attach great importance to the problem of stock actually, never quit from cooperatives, so the problems of public accumulation have not drawn much attention from members universally.

2.5 The government support capital is ill-defined Farmers' specialized cooperative economic organization is good carrier of coordinating urban-rural economic and social development, and best protector of the interests of farmers under the condition of market economy. Government capital support is an important measure of promoting the development of specialized cooperative economic organizations of farmers.

As can be seen from Table 7, 68.4% of the specialized cooperative economic organizations of farmers have received government funding support, but only 40.4% of the specialized cooperative economic organizations of farmers have defined it. According to our interview, the definition of the specialized cooperative economic organizations of farmers on government

support fund is just the stipulation of its function. It is generally stipulated that it should be used for the training of members of cooperative organizations, base construction of cooperative organizations and providing services of technology information, but basically it has not yet conducted clear definition of its property rights.

Table 7 Information of government support fund in 57 farmers' specialized cooperative economic organizations in Jiaonan City

Type	Get government support fund	Not get government support fund	Define it	Not define it
Quantity	39	18	23	34
Proportion//%	68.4	31.6	40.4	59.6

3 Explanation and improvement of benefit distribution pattern of agricultural specialized cooperative economic organizations

Distribution of benefits is the key problem of benefit mechanism of specialized cooperative economic organizations of farmers. "Returning profits according to the amount of patronage fund" and "return of capital is limited" are the classic principles of benefit distribution of specialized cooperative economic organizations of farmers. However, currently, in specialized cooperative economic organizations of farmers in Jiaonan City and even whole of China, it shows a clear tendency of share, returning profits according to the amount of patronage fund is still not the main distribution mode of specialized cooperative economic organizations of farmers, indicating that the development of specialized cooperative economic organizations of farmers is not so good, and especially the benefit distribution needs to be further improved in order to promote the development of specialized cooperative economic organizations of farmers.

3.1 Reform structure of property rights and realize farmers' ownership

The benefit distribution pattern of farmers' specialized cooperative economic organizations fundamentally hinges on property rights system of cooperative economic organizations, but due to shortage of big producer, shortage of capital, scarcity of management talents, it results in the existing structure of property rights, and multitudinous small-and-medium rural households make concession on part of benefits in order to get these scarce resources^[1]. So if we want to change this situation, it is necessary for us to change the existing pattern of property rights. First we should change the phenomenon of cooperative economy distinguishing between core members and non-core members; require the members to invest in specialized cooperative economic organizations of farmers to obtain the identity of shareholder; restrict the non-cooperative-members' control over specialized cooperative economic organizations of farmers, in order that the specialized cooperative economic organizations of farmers are owned by farmers actually^[2].

3.2 Change mode of decision-making, and realize farmers' control It can be seen from the above analysis that at present,

although the specialized cooperative economic organizations of farmers in China basically implement "one person, one vote", this mode of democratic decision-making is basically for shareholders, and most of the ordinary members have no rights to participate in decision-making. It is still inclined to voting according to share in nature. Under this decision-making, the shareholders are bound to protect their own interests, and tilt to themselves on distribution^[3]. This requires us to give full play to the role of members meeting, and in particular the role of members congress in practice, so that ordinary farmers can actually participate in decision-making of specialized cooperative economic organizations of farmers. Only by doing this can we radically change the current distribution mode of inclination to investment-oriented members.

3.3 Increase turnover rebate and realize farmers' benefiting

At present, the benefit distribution of cooperative economic organization of the farmers is mainly stock dividends, and the benefit distribution mode of core members is different from that of non-core members. The cause which is responsible for this phenomenon is needless to say in terms of getting dividend according to equity. It lies in ordinary farmer's yield on capital. As for returning profit according to turnover, generally the members of cooperative economic organization of the farmers purchase seeds, seedlings, fertilizers, pesticides, film and other input protects via cooperatives, and then the members of cooperative economic organization of the farmers sell the products to cooperatives, and finally the cooperatives conduct unified business of grading, packing, storage, transportation, and sales. The members are as customers of cooperatives, and the accurate amount of patronage fund should be the total of these small items. It is not difficult to find that if we conduct recording and summarization of these small items, this would be a very complicated matter, while if we conduct distribution in the light of stock, it would be feasible and easy to accept. In addition, at present, the agricultural products in China are universally surplus with low level, and the difficulty in selling agricultural products is very prominent. The cooperative economic organizations of the farmers solve the difficulty in selling agricultural products, in other words, it addresses the paramount concern of farmers, and farmers get considerable profit, so the farmers with no idea of participating in secondary distribution after selling agricultural products by dint of the cooperative economic organizations of the farmers^[4-5].

Therefore, we should gradually improve the status quo of current distribution, and return benefit to farmers in terms of distribution, according to proportion of turnover of members and cooperative, and *Farmers' Specialized Cooperatives Law*, total return no less than sixty percent of surplus which can be distributed. In a word, we should really return the profit of departments of circulation and value-added processing to ordinary members of the specialized cooperative economic organizations of the farmers^[6].

3.4 Quantify public accumulation and government support fund The public accumulation of farmers' specialized cooperative economic organizations mainly includes three parts:

public accumulation funds, public welfare fund and venture capital. Currently, most of specialized cooperative economic organizations in China of farmers extract public accumulation, but few of them really quantify the public accumulation to individual. The reason is as follows: on one hand, currently, the farmers' cooperatives is in a period of rapid development, and the public accumulation of cooperatives is still relatively scanty; on the other hand, the establishment time of farmers' cooperatives is not long, and the cooperatives are in their infancy, with rare phenomenon of members' quitting from cooperatives, while investment-oriented shareholders who attach great importance to the problem of stock actually, never quit from cooperatives, so the problems of public accumulation have not drawn much attention from members universally.

There are similar problems of government support capital. Government capital support is an important measure of promoting the development of specialized cooperative economic organizations of farmers. The definition of the specialized cooperative economic organizations of farmers on government support fund is just the stipulation of its function. It is generally stipulated that it should be used for the training of members of cooperative organizations, base construction of cooperative organizations and providing services of technology information, but basically it has not yet conducted clear definition of its property rights. The specialized cooperative economic organizations of farmers should quantify the public accumulation including public accumulation funds, public welfare fund and venture capital, and government support capital; establish individual account of capital of members of the specialized cooperative economic organizations of farmers in order to record the information of quantifying public accumulation including public accumulation funds, public welfare fund, and government support capital and record the information of returning benefit according to turnover on the part of members of the specialized cooperative economic organizations.

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