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# Rural Cooperative Economic Organized United Association: A Case Study of Baoding City of Hebei Province

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**Abstract** Taking its development in Baoding City as an example, we introduced service fields of rural cooperative economic organized united association. It mainly includes setting up service platform and providing scientific and technological services; organizing economic and trade negotiation and exchange, and promoting farmer-supermarket partnership; providing financial services and solving fund-raising problems. In line with these fields, we analyzed existing problems: (i) regional development is unbalanced and organization lacks internal connection; (ii) the development in some counties (cities) is to be improved, and the promotion effect is not significant; (iii) there is shortage of talent and the innovation strength is not enough; and (iv) it lacks system and management lacks restriction mechanism. Finally, we put forward countermeasures and recommendations: strengthen propaganda and cultivate farmers' cooperative awareness; incorporate rural cooperative economic organized united association into formal system arrangement, and absorb professional talents; innovate upon organization system of rural cooperative economic organized united association and improve service methods; improve internal operating mechanism and innovate upon working contents of rural cooperative economic organized united association at new development background.

**Key words** Rural cooperative economic organized united association, Farmers' cooperative economic organization, Service fields, Baoding City of Hebei Province

The rural cooperative economic organized united association (hereafter referred to as the association of rural cooperatives), evolved from farmers' professional cooperatives, takes various rural cooperative economic organizations as its members. The the association of rural cooperatives is mainly responsible for providing consultant service, organizing training, holding production introduction and promotion, and production and marketing partnership, coordinating various relations in the course of industrial development, safeguarding lawful rights and interests of its members, strengthening independent management of the trades, bringing into play the bridge and link function between government and cooperative economic organizations, improving farmers' organizational level, and pushing forward agricultural structural adjustment, rural economic development and increase in farmers' income. The establishment of the association of rural cooperatives can achieve economy of scale and economy of scope through horizontal integration; minimize transaction cost of cooperatives; improve bargaining power and service for association members; solve problems that can not be solved independently by cooperatives; promote longitudinal integration; extend to deep processing field of agricultural products; expand business scope of cooperatives; consolidate and strengthen market position of cooperatives<sup>[1]</sup>.

International experience has shown that alliance (coopera-

tion) is the basic principle of cooperatives. In the movement of international cooperatives, association of cooperatives is common in developed countries. For example, American Farm Bureau Federation is a network organization covering American Federation, states and counties. Among 390 counties, more than 280 counties have farm bureaus. The farm bureau network has covered 4.7 million families and more than 3.4 million farms. Thus, it plays a great role in expressing interests of farm owners, or even determining American macro-agricultural policies<sup>[2]</sup>. Japanese Agricultural Cooperative is a huge organization network system serving farmers.

Association of cooperatives appears late in China, but plays a greater role in promoting development of cooperatives, receiving high attention from government. In 2005, the *Opinions on Pushing forward Reform and Development of Supply and Marketing Cooperatives* issued by Hebei Provincial Party Committee and the Provincial People's Government clearly determined that supply and marketing cooperatives at all levels take charge of developing service and drive functions of farmers' cooperative economic organizations through establishing association of farmers' cooperatives. In September 2006, All China Federation of Supply and Marketing Cooperatives issued *Opinions on Speeding up Association of Rural Cooperative Economic Organizations*, which promoted development of association of rural cooperatives. In October of the same year, Baoding City of Hebei Province formed the Association of Rural Cooperative Economic Organizations. Here, by taking association of rural cooperatives in Baoding City as an example, we discussed functions of the association and existing problems in the course of development.

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# 1 Service fields of Baoding City's association of rural cooperatives

In Baoding City, 84% population is agricultural population, so the establishment of association of rural cooperatives is of great significance to development of rural cooperative economic organizations. In recent years, at the call of Hebei provincial association of rural cooperatives, Baoding City energetically promotes construction of township associations, and puts forward the idea of "coverage of township associations of rural cooperatives". Through sorting out work of Baoding's association of rural cooperatives and interview with 32 members of cooperatives, we obtained main service fields and functions of the association of rural cooperatives.

**1.1 Setting up service platform and providing scientific and technological services** Firstly, the associations of rural cooperatives in all districts of Baoding City propagate advanced scientific and technological knowledge through giving lectures and issuing materials. Secondly, they strengthen support for bringing science and technology to the countryside, organizing volunteers to go to rural areas to solve practical problems for farmers, providing on-the-spot guidance for cooperative members, and providing technical support for development of agricultural production in Baoding City. This service makes up for the objective reality that farmers' cultural quality is low, so it is favorable to improve Baoding citizens' scientific and technological knowledge, increase scientific and technological content in agricultural production, increase added value of agricultural products, and finally increase farmers' income. Associations of rural cooperatives in Lixian County, Anxin County, Rongcheng County and Quyang County gradually established "expert tank" for service of agricultural technology and consultation about management of farmers' professional cooperatives through promoting new maize planting technology, to provide timely and authoritative technological and management guidance for farmers' professional cooperatives. By December 12, Baoding City' association of rural cooperatives had established 38 web-sites. At the same time, with cooperation of China United Network Communications Group Co., Ltd (China Unicom), the association of rural cooperatives realized the integration of three

networks, *i. e.* Baoding Cooperative Network, Baoding City Multiple-service Portal, and Baoding Hotline, to bring into full play propagation function of network media and expand channels for issuing information of professional cooperatives. At present, the website visits had exceeded 500 person times daily. In addition, by 2011, Baoding City's association of rural cooperatives had organized 34 853 person times, founded 294 periods of proceedings, provided 1 216 times of scientific and technological services, and issued 11 905 pieces of message, the financial support up to 1.344 million yuan in total.

## 1.2 Organizing economic and trade negotiation and exchange, and promoting farmer-supermarket partnership

As an intermediary, the association of rural cooperatives paves the way for selling agricultural products of professional cooperatives. At present, the association of rural cooperatives at Baoding City (County) level has launched 116 times economic interactions, cultivated 54 agricultural product brands, promoted various agricultural and sideline products for 654.09 million yuan, realized increase in farmers' income for 108.21 million yuan.

With the aid of connection with business organizations, the association of rural cooperatives introduces production and marketing chain for professional cooperatives, and conducts production in the way of placing orders, to ensure sales of agricultural products and exploit marketing channels for cooperative members. Through farmer-supermarket partnership between Baoding City's association of rural cooperatives and Huiyou Supermarket Group, vegetable, strawberry, free range eggs, live pig, meat chicken, bean noodles, coarse grain, and sideline products from Zhuozhou, Dingzhou, Rongcheng, Anguo, Boye, Qingyuan, Laishui, Wangcheng, and Mancheng are put into supermarket. At the same time of strengthening security of agricultural products, it also increases farmers' income. In 2011, Baoding City realized a total of 81.16 million yuan for farmer-supermarket partnership, involving 172 relevant professional cooperatives (associations), driving 302 300 farmer households, and constantly promoting integration of agricultural production and marketing, which ensures marketing channel of agricultural products and removes worry of farmers. Table 1 lists achievements of farmer-supermarket partnership in major counties (cities) of Baoding.

**Table 1 Achievements of farmer-supermarket partnership in major counties (cities) of Baoding**

Cities (Counties)	Amount of farmer-supermarket partnership // 10 <sup>4</sup> yuan	Q'ty of professional cooperatives (associations) driven	Q'ty of farmer households driven
Gaoyang County	1 785	6	5 400
Gaobeidian City	1 323	10	21 000
Laishui County	1 050	40	10 000
Boye County	735	15	5000
Dingxing County	630	13	5000
Quyang County	191.1	21	35 000
Zhuozhou City	147	7	8 000
Mancheng County	105	3	60 000
Rongcheng County	75.6	3	130 000
Anxin County	63	2	2 000

**1.3 Providing financial services and solving fund-raising problems** At present, fund shortage is an important factor restricting development of professional cooperatives. In this situation, Baoding City's association of rural cooperatives actively explores new fun-raising model, and guides farmers to set up funding mutual-aid and cooperative organizations, to help members solve the problem of fund shortage. Zhuozhou City conducted pilot project of three financial models, which provides simple fund-raising way and greatly promotes development of professional cooperatives. (i) Five-household joint guarantee model. With coordination of the association of rural cooperatives, five households voluntarily form a group and apply for loan through joint guarantee. In case of one household in default, the other four households should bear joint liability. (ii) Chief of the cooperative makes advance payment. The chief of cooperative provides interest-free loan for those members that have financial difficulty; the cooperative supplies means of agricultural production at price lower than market price, provides free technical services, and conducts unified purchase of products at price higher than market price. (iii) Cooperative members deposit their idle fund in the professional cooperatives, and borrow money free of interest from cooperatives in case of shortage of fund. The above three financial models provide simple fund-raising way and greatly promote development of professional cooperatives. The total financing amount in Zhuozhou, Laishui and Boye has reached 30 million yuan. The poverty-relief type financing conducted by Zhuozhou Shayangguan Mutton Sheep Cooperative, Share Management Center set up by Laishui Poverty Relief Vegetable Cooperative, and so on pave new road for solving fund shortage problem of farmers.

## 2 Existing problems in development of Baoding City's association of rural cooperatives

**2.1 Regional development is unbalanced and organization lacks internal connection** By 2011, Baoding City's association of rural cooperatives had attracted 15 442 members in total, 585 professional cooperatives, and recruited 209 part-time workers. However, due to influence of geology, environment and policies, the overall development of Baoding City' association of rural cooperatives is not balanced, and there is obvious regional difference. In Zhuozhou City, 84 cooperatives have joined in the association, while in Anxin County, only 5 cooperatives joined in the association, showing a considerable difference in quantity of members. The unbalance in overall regional development becomes one of factors restricting development of Baoding City's association of rural cooperatives.

**2.2 The development of association of rural cooperatives in some counties (cities) is to be improved, and the promotion effect is not significant** The association of rural cooperatives is still at starting stage in Gaobeidian City, Boye County, Anxin County and Zhuozhou City, so there are obvious drawbacks and it is to be further improved. From the data in Table 2, it can be known that these four counties (cities) do not have agricultural insurance oriented towards rural credit guarantee; Boye and Anxin counties have drawbacks in propaganda of agricultural information; Zhuozhou City's association of rural cooperatives develops rapidly, but it lacks exchange with outside and seldom organizes exchange, which influences full play of functions of association of rural cooperatives to some extent.

**Table 2 Comparison of service items provided by typical association of rural cooperatives in Baoding City**

Cities (Counties)	Association journals published Q'ty of issues	Economic exchange times	Agricultural and sideline products promoted 10 <sup>4</sup> Yuan	Linkup between farmers and supermarkets 10 <sup>4</sup> Yuan	Brands cultivated Pcs	Cooperatives driven Pcs	Agricultural insurance with rural credit guarantee
Gaobeidian City	17	7	7750	630	2	45	No
Boye County	0	40	10280	350	3	20	No
Anxin County	0	6	6050	30	2	7	No
Zhuozhou City	35	10	600	70	8	125	No

**2.3 There is shortage of talent and the innovation strength is not enough** Some leaders of the association of rural cooperatives and grass-roots government have no experience in how to manage the association, which restricts innovation and development of the association to a certain extent. By 2011, only 209 full-time and part-time workers work in association of rural cooperatives of Baoding City's counties and cities. There is serious problem of shortage of professional personnel. For example, there are only 5 people working in full time or part time for Zhuozhou City's association of rural cooperatives, and Anxin County has the same problem. Lack of professional personnel seriously restricts further development of association of rural cooperatives. What's worse, mechanical management and lack of understanding of government lead to low innovation

strength in construction of association of rural cooperatives. Up till now, the financial support of government for construction of association of rural cooperatives is weak, posing difficulty for development and innovation of association of rural cooperatives.

### 2.4 It lacks system and management lacks mechanism

At present, the association of rural cooperatives is not standardized in some cities and counties. It is mainly shown in uncertain of nature of association of rural cooperatives, lack of operating system and management system; simple method used by association of rural cooperatives in attracting members and conducting services; insignificant actual effect to be urgently improved; key points of work not clear, not representative, and to be improved.

### 3 Countermeasures and recommendations

**3.1 Strengthening propaganda and cultivating farmers' cooperative awareness** As a large agricultural city of Hebei Province, Baoding City must strengthen important function of construction association of rural cooperatives in serving agriculture, farmers and countryside and promoting construction of new socialist countryside. It is proposed to let farmers experience or witness personally advantages of cooperatives, stimulate their enthusiasm, sum up and popularize successful experience, gradually develop other cooperatives, and bring into play radiation effect of typical pilot, so as to strengthen the team of farmers' professional cooperatives.

**3.2 Incorporating association of rural cooperatives into formal system arrangement, and absorbing professional talents** Government should support and approve functions of association of rural cooperatives in promoting development of farmers' professional cooperatives, and speeding up incorporating association of rural cooperatives into formal institutional arrangement. Besides, lack of talents is a serious problem faced by development of association of rural cooperatives. Since rural environment is bad and the wage is low, professional personnel are unwilling to work in rural areas. As a result, the development of association of rural cooperatives lacks guidance of professional talents. In recent years, Baoding City constantly perfects incentive mechanism for workers of the association of rural cooperatives, and attracts excellent talents to work in rural areas, which have brought certain effect. Thus, it is preferred to strengthen support for team of association of rural cooperatives.

**3.3 Innovating upon organization system of association of rural cooperatives and improving service methods** The integrating capability of association of rural cooperatives for social resources comes from operating ability and innovation degree. It is required to promote development of association of rural cooperatives through innovation upon organization system. In addition, it is required to set up service platform, collect and issue agricultural information, and provide timely information service for farmers. Through setting up website, issuing journals, and establishing information and e-commerce, it is likely to form swift and complete information service network. Besides, it is proposed to invite experts to conduct survey and research, to strengthen the voice of farmers' professional cooperatives. Specifically, it should incorporate farmers' professional cooperatives into the platform of agricultural support protection system. Government at all levels should incorporate fund for construction of association of rural cooperatives into financial budget, and focus on informationization construction, brand construction, market development, and personnel training.

**3.4 Improving internal operating mechanism of association of rural cooperatives** It should perfect rules and regulations on management, and issue demonstration rules, including registration, organization system, operating principle, rights and obligations of cooperative members, organization and management system, *etc.* Besides, it is required to strengthen management in compliance with laws, and democratic management, to form democratic decision-making mechanism. Fur-

thermore, service function should be enhanced to provide various services for cooperative members in production, supply and marketing, and improve service quality. It is also required to reinforce cooperation, promote exchange and cooperation between cooperatives and enterprises, and establish cooperative relationship with relevant departments, to realize complementation of resource and advantages, and constantly enhance its own strength.

**3.5 Innovating upon working contents of association of rural cooperatives at new development background** Adjustment of functions and service fields of association of rural cooperatives should be combined with integrated urban and rural development, small township construction, rural land circulation, and development of characteristic industry. At the background of integrating urban and rural areas, it is proposed to actively guide and establish land circulation cooperatives and credit cooperatives, to remove factors restricting agricultural construction and rural development. In the development of characteristic agricultural industry, it is required to seize the opportunity and enhance support for the circulation link. In September 2010, Dingxing County and Zhouzhou City were listed by provincial government as key counties (cities) of vegetable development. The provincial government asked those counties (cities) to establish vegetable cooperatives. This is a great opportunity for development of farmers' professional cooperatives in Baoding City. In this situation, the association of rural cooperatives should take these cooperatives as pilot projects, to widen thought, expand service fields, and establish and cultivate model cooperatives.

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