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Development and Economic Effect of Farmers' Specialized Cooperatives

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Abstract The paper introduces the present development of farmers' specialized cooperatives in China, points out that although the cooperatives in China develop rapidly, they are generally small and their advantages cannot be given into full play, and then analyzes the development achievements of the cooperatives, for example, they have realized scale benefits, their management system tends to more mature, the economic value of their brands is improved and they have created great economic benefits. The paper also points out the stable development path for the cooperatives, that is, the cooperatives should cooperate with local villages, and take a path of combined village and cooperative development so that the cooperative members can get a stable income; the cooperatives can also cooperate with local leading enterprises, which can help the cooperatives to manage, sell and form their products brands, thus the cooperatives can get loans easily to solve the capital bottleneck of cooperative development and improve the members' incomes.

Key words Farmers' specialized cooperatives, Development, Economic benefits, Measures

Based on rural household contractual management, the farmers' specialized cooperative is an economic organization participated by the producers of similar agro-products or the providers and users of similar agro-production services based on the principles of voluntary and mutual benefits. The nature of the cooperatives to organize the scattered farmers together to carry out large-scale production, thus the cooperative is of great importance to solving the issues towards farmers, rural areas and agriculture^[1-2]. In this paper, based on the investigation of tropical industry cooperatives, the author studied the development and economic benefits of the farmers' specialized cooperatives, and then proposed related suggestions for their stable development.

1 Development of farmers' specialized cooperatives

1.1 The farmers' specialized cooperatives develop rapidly

In recent years, the farmers' specialized cooperatives, when promoting rural modernization and industrialization, also play important roles in improving rural management system. According to statistics, there were already 520 000 cooperatives registered in the Department of Industry and Commerce in China by the end of 2011 with about 41 000 000 members, accounting for 16.4% of total farmers in China. The farmers' specialized cooperative has become the fourth largest market player in rural areas and one of the highlights of rural reform and development in latest two years. The detailed information about the cooperatives in some provinces in 2011 can be seen in Table 1.

Table 1 Development of farmers' specialized cooperatives

Province	Number of cooperatives	Number of promoted farmers//10 ⁴
Fujian	11 900	74
Gansu	7 559	
Xinjiang	5 006	25.3
Jilin	21 331	
Shaanxi	13 479	75.6
Jiangxi	14 950	15.9

In addition, 9 951 farmers' specialized cooperatives were newly registered in Jiangsu Province only in the year of 2011 with about 2 541 000 newly registered members, increasing the total number of members to 5 617 000 and the percentage to 37.9%, and the average number of members was about 125.5 in each cooperative. By the end of January in 2012, the number of farmers' specialized cooperatives in Hubei Province had exceeded 20 245. In Hainan Province, the number of cooperatives was only about 250 in 2007, but increased to 5 517 by the end of 2011 with an average of more than two cooperatives in each village.

1.2 The farmers' specialized cooperatives are generally small and can't make the most of their advantages Given the present household contract system and the decentralized management, the farmlands contracted by every farmer are very few, and thus the scale of farmers' specialized cooperatives is generally small, which is not beneficial to the development of the cooperatives themselves. With small scale and weak economic strength, the cooperatives cannot carry out many activities, or make full use of their advantages, or avoid market risks, or reduce transaction costs; Moreover, given the small scale of cooperatives oriented at planting, the agricultural machineries cannot achieve their maximum efficiency, and the new irrigation technique cannot be adopted to effectively cut down diverse costs.

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2 Economic achievements of the large-scale development of farmers' specialized cooperatives

2.1 Great economic benefits The large-scale farmer's specialized cooperatives can join the farmers together to form a large interest group, which can fight against the large-scale production and market, as well as relieve the impact of rapidly developed market on individual small farmers. The land expansion of cooperatives makes the originally scaled but uneconomical use of technology and agricultural machineries profitable. Characterized by special features and large production, the cultivated crops of cooperatives are quite competitive on both the products and factors market, which, thus, increases the profits and stimulates the needs for innovation. Moreover, the property nature of land use rights makes the bank loans possible for mortgage, which is more conducive to the large scale operation and a virtuous cycle of agricultural operation.

The large-scale development of farmers' specialized cooperatives prevents the profit of production and sales from being deprived by the middlemen and wholesalers, and ensures the efficient use of agricultural machinery; it can also provide the farmers with preferential wholesales price of seeds and fertilizer, promote the sales of products, and improve the anti-risks ability of cooperatives. According to the survey of farmers' specialized cooperatives in Hainan conducted by the author, the large-scale development of cooperatives reduces the cost of fertilizer input by about an average of 8% - 10%. For example, the Three Sidun Mango Farmers' Cooperative, with 158 members and 1 200 hm² of mango, has formed standardized management system and achieved scale effect. It cuts down 10% of costs only in agricultural materials, and saves 10 000 to 30 000 yuan in purchasing the agricultural materials per capita per year.

2.2 Continuous improvement of management system With the development of China's market economy, the household contract management presents significant characteristic of peasant economy and restricts the further development of agricultural production and the farmers' income increase^[3]. The economic development of agricultural cooperatives is closely related to the development and implementation of large-scale agricultural modernization. The powerful and competitive development of farmers' cooperatives can well adapt to the agricultural development direction in the new era. And the large-scale development of farmers' cooperatives will inevitably require the improvement of operating system so as to promote the development and growth of cooperative economic. Sanya Xiangshun melon farmers' cooperative which was established in July 2007, had only 204 members at primary stage, and has achieved great development by improving a series of systems, including the shareholder system, management system, bonus system, and production system. In early 2011, the cooperative has already had 1 093 members, 13.68 million yuan of fixed assets, 5.12 million yuan of annual income, and over one million of annual profit.

2.3 Increased value of brands The brand plays an important role in agricultural product marketing, especially in the organized sales of cooperatives, which is fundamentally different from the farmers' small and scattered sales^[4]. Focusing on the large-scale production, the planting of new varieties, and the application of

new technology, the agricultural cooperatives enhance the quality of agricultural products, help form the product brands, and increase economic benefits. For instance, Sanya Xiangshun cantaloupe farmers' professional cooperative with totally 800 hm² field pay special attention to the creation of brands, the uplift of its competitiveness, and the development of brand and special products. The price of its brand products, such as "Nanshan longevity vegetable" and "Nanshan longevity fruit", is 10% higher than that of similar products, and the price of high-grade fruits exquisitely wrapped is two to eight times higher than that of similar fruit products, so that the income of cooperative members will be increased by over 2 000 yuan per capita per year.

3 Paths to the steady development of farmers' cooperatives

3.1 The development of farmer cooperatives is combined with village development so as to stabilize members' income

To cooperate with administrative villages, the cooperatives can adopt the cooperative and village combined development model, appoint the secretary of administrative village as the chairman of farmers' cooperatives, rely on local organizations and skilled person to lead the cooperatives, and fully embody the principles of "run by local people, ruled by local people and benefit for local people". Relying on the talents, technology, area, information and facilities provided by the villages, the farmers' cooperatives have good development environment, perfect system, excellent working conditions, good information channels and close relationship with the local government, which offer the cooperatives an easier chance to get bigger and stronger. Through the leading industries and local advantages, farmers' cooperatives can organize the scattered farmer together and provide services during the whole process before, during and after sales, so as to promote the sustainable economic development of the cooperatives and the prosperity of rural economy. For example, According to the survey of farmers' specialized cooperatives in Changjiang county, Hainan Province conducted by the author, the chairman of Hainan Changjiang Gaoshitang rubber specialized cooperatives is elected as the party secretary of that village, in this way the cooperatives and village work are closely integrated to promote the development of rubber industry and ensure the stable income of the members. More than 90% of local villagers join the rubber specialized cooperatives and their annual income and bonus are increased by over 1 000 yuan.

3.2 Special support is provided to the farmers' specialized cooperatives to solve the development bottleneck Farmers' specialized cooperative is an important carrier of government support to agriculture. Most of the farmers' specialized cooperatives lack money and are weak, thus they need more concern, guidance and support from the government. First, special financial support. Special assistance should be given to the large-scale farmers' cooperatives model agency and well-managed and effective farmers' cooperatives on the promotion of new varieties, the production of brand products and the technical training for farmers, so that the cooperatives can be bigger and stronger. Second, special support on credit. In order to solve the lack of production funds and meet the needs of farmers' cooperatives economic development, the gov-

ernment should provide special low-interest loan to the cooperatives. For example, the Three Sidun Mango Farmers' Cooperative provides more than 10 million yuan guaranteed loans for the cooperative members every year to solve the problems of cooperative economic development; the members, in accordance to the requirements of cooperatives, produce brand products. In this way the cooperative is becoming stronger and the members' income increases steadily. In recent years, the amount of mango sold outside the island accounts for 10% of the total. Besides, owing to the honesty of the cooperatives, the guaranteed production capital and the high quality of products, the unit price of mango produced by this cooperative is 0.6–2 yuan/kg higher, which greatly improves the economic benefits of the cooperative members.

3.3 Farmers' cooperatives can cooperate with the leading enterprises to improve the members' economic income With the aid of the funds, brand, management system, technical conditions and promotion channel of leading enterprises, the farmers' cooperatives can realize their development according to the market needs, regional distribution, specialized production, standard and intensive management, and brand promotion, which will build a good relationship between thousands of small-scale production and ever-changing market and improve the members' income. For instance, Xiaoling farmers' specialized cooperative work together with Dongfang Tianrun Agricultural Development Co., Ltd. in

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strengthen self-construction, self-development, efficient service, and standardized management, to become the main body of innovation of organizational model of tobacco production.

In the base unit, the cooperatives providing comprehensive services are established, dominated by the tobacco companies, with tobacco farmers as the main body, to truly achieve unified and decentralized management system, so as to improve standardization management level, ultimately improve quality of tobacco, and increase tobacco farmers' income.

4 Conclusions

With the continuous development of China's society and economy, China's tobacco production is facing some problems, such as decentralized operation, low tobacco growing income and uneven quality of tobacco. Therefore, we must vigorously promote the construction of modern tobacco agriculture, to achieve the sustainable development of China's tobacco, and provide continuous, stable and high-quality source of raw materials for cigarette industry. Based on the actual situation of the producing areas, we should take actions that suit local circumstances, stick to the principle of taking tobacco farmers as the main body, vigorously strengthen policy support, and innovate upon the organizational forms of production, to coordinate the interests among the country, industry, and tobacco farmers, lay the foundation for the sustainable development of tobacco in China.

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Dongfang, Hainan Province, the cooperative now has 232 members, and 100 hm² planting area. Taking a pattern of "cooperative + company + farmers" management, the cooperative has greatly improved the income of its members. In 2008, the cooperative realized an output value of 8.058 million yuan with a profit of 3.728 million yuan; the per capita income of its members was 30,300 yuan; In 2009, the output value was 13.5 million yuan with a profit of 4.213 million yuan, the per capita profit of its members was 34 000 yuan, equivalent to 10.6 times of the per capita income of Xiaoling villagers who didn't joined the cooperative (3 209 yuan) in the same year.

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