



The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

No endorsement of AgEcon Search or its fundraising activities by the author(s) of the following work or their employer(s) is intended or implied.

Investigation of the Development of Farming Professional Cooperatives of Cashmere-goat and Wool-sheep in China

Jing SHI^{1, 2}, Haifeng XIAO^{1*}

1. College of Economics and Management, China Agricultural University, Beijing 100083, China; 2. College of Economics and Management, Tarim University, Alar 843300, China

Abstract Based on the data from the survey of cashmere-goat and wool-sheep in 12 demonstration counties of China's main producing areas in 2012, the development of farming professional cooperatives of cashmere-goat and wool-sheep was analyzed from aspects of status quo, problems and causes, and some suggestions about cooperation cognition and mode, service capacity, personnel training, system improvement and preferential policies were put forward to promote the development of the farming professional cooperatives.

Key words Cashmere-goat and wool-sheep, Cooperative, Problems, Countermeasures

Cashmere-goat and wool-sheep, like fine-wool sheep, semi-fine-wool sheep and goats producing cashmere are featured livestock eating grass in China, and local farmers' main income depends on their main products. Cashmere or wool products are important foreign exchange products in China. However, cashmere-goat and wool-sheep are bred by some decentralized farmers in China, with a low yield and poor ability to resist market risk, so it is urgent to establish an effective organization to connect farmers and the market and increase farmers' market competitiveness. On the principles of voluntary character, self-reliance and mutual aid, farming professional cooperatives can provide a series of services for farmers to increase farmers' market competitiveness and decrease operational risk^[1]. In China, some farming professional cooperatives have been built in some areas producing cashmere-goat or wool-sheep at present, but the development of farming professional cooperatives of cashmere-goat and wool-sheep is still in its infancy, and there are some distinct problems during the development. From July to August in 2012, to study the wool and cashmere business, the National Wool and Cashmere Research & Development Center in China conducted a survey of cashmere-goat and wool-sheep in 12 demonstration counties, including five counties farming goats producing cashmere, four counties farming fine-wool sheep, and three counties farming semi-fine-wool sheep. Through the survey, 396 questionnaires about farmers (including 80 questionnaires about the proportion of farmers joining the cooperatives) and conversation record about farming professional cooperatives of cashmere-goat or wool-sheep were obtained. Based on the questionnaires and conversation record, the development situation of farming professional cooperatives of cashmere-goat and wool-sheep was summarized as follows.

1 Development situation of farming professional cooperatives of cashmere-goat and wool-sheep

1.1 Foundation time After the implementation of *Farmer Professional Cooperative Law of the People's Republic of China* in 2007, farming professional cooperatives of cashmere-goat and wool-sheep have been founded gradually, so most cooperatives were built not long ago. Among the cooperatives surveyed, 14.3% of the cooperatives were set up in 2007, and 57.1% of them were founded in 2008, while other cooperatives were set up after 2010. Moreover, most farmers breeding cashmere-goat or wool-sheep have taken part in the cooperatives for a short time, that is, farmers breeding goats producing cashmere, fine-wool sheep and semi-fine-wool sheep have participated in the cooperatives for 3.9, 3.1 and 2.6 years respectively, and farmers joining the cooperatives for less than two years accounted for 36.4%, 45.4% and 46.7% respectively.

1.2 Foundation modes According to the foundation form, farming professional cooperatives of cashmere-goat or wool-sheep can be grouped into three types. The first cooperatives were founded by farmers breeding a large number of sheep, and the cooperatives can organize farmers rapidly and have strong ability to adapt to the market. As shown in Table 1, 46.15% and 27.27% of farmers breeding goats producing cashmere and fine-wool sheep have participated in the first cooperatives. The second cooperatives were set up by the government, and 41.03% and 72.73% of farmers breeding goats producing cashmere and fine-wool sheep have taken part in the second cooperatives (Table 1). The third cooperatives were organized by enterprises breeding cashmere-goat or wool-sheep based on their technology, funds and other advantages, so that farmers' production risk has been decreased. 10.26% of farmers breeding goats producing cashmere have joined the third cooperatives, while all farmers breeding semi-fine-wool sheep have participated in the same cooperative that was founded by the local farms (enterprises) for semi-fine-wool sheep, and farmers with certain farming experience and a meadow could take part in the

Received: May 16, 2013 Accepted: July 1, 2013

Supported by the Project of the Ministry of Agriculture and the Ministry of Finance (CARS-40-20).

* Corresponding author. E-mail: xiaohaifeng@cau.edu.cn

cooperative.

2.3 Farmers' income According to Table1, cashmere and wool sales volume and breeding income of farmers have been increased after farmers joined the cooperatives, and their breeding

technology, scale and species have been improved gradually. Thus, farmers' participation in the cooperatives has enhanced farmers' organization level, promoted cashmere and wool sales, increased farmers' market strength and income to a certain degree.

Table 1 Proportions of farmers taking part in farming professional cooperatives of cashmere-goat or wool-sheep

%

Cooperative types	Farmers breeding cashmere-goat	Farmers breeding fine-wool sheep	Farmers breeding semi-fine-wool sheep
Cooperatives led by big breeding households	46.15	27.27	—
Cooperatives organized by the government	41.03	72.73	—
Cooperatives setup by enterprises	10.26	—	100.00
Other cooperatives	2.56	—	—

Note: Among the 80 questionnaires about the proportion of farmers joining farming professional cooperatives of cashmere-goat or wool-sheep, 39, 11 and 30 questionnaires are about cashmere-goat, fine-wool sheep and semi-fine-wool sheep.

Table 2 Proportions of the operating activity change after farmers took part in farming professional cooperatives of cashmere-goat or wool-sheep

%

Changes in the operating activities	Farmers breeding cashmere-goat	Farmers breeding fine-wool sheep	Farmers breeding semi-fine-wool sheep
Increase of cashmere and wool sales volume	41.03	63.64	60.00
Improvement of sheep variety	23.08	45.45	26.67
Enhancement of breeding technology	42.59	45.45	46.67
Expansion of breeding scale	25.64	45.45	56.67
Increase of farmers' income	43.46	54.55	80.00
No change in farmers' income	0	9.09	0
Decrease of farmers' income	0	0	0
Other changes	18.46	9.09	0

Note: Among the 80 questionnaires about the proportion of farmers joining farming professional cooperatives of cashmere-goat or wool-sheep, 39, 11 and 30 questionnaires are about goats producing cashmere, fine-wool sheep and semi-fine-wool sheep. In the questionnaires, the question "changes in economic activities after farmers took part in farming professional cooperatives of cashmere-goat or wool-sheep" is a multiple choice question.

2 Problems existing in the development of farming professional cooperatives of cashmere-goat and wool-sheep

2.1 Few farmers participating in the few cooperatives There were few farming professional cooperatives of cashmere-goat or wool-sheep. Among the four demonstration counties farming fine-wool sheep or three demonstration counties farming semi-fine-wool sheep, only one county had the professional cooperatives. Each demonstration county farming goats producing cashmere had the professional cooperatives. Among the 396 farmers surveyed, only 80 farmers took part in farming professional cooperatives of cashmere-goat or wool-sheep, accounting for 20.2%. As shown in Table 3, there

was no farming professional cooperative of cashmere-goat or wool-sheep founded in the counties, so 71.55%, 88.46% and 80.33% of farmers breeding goats producing cashmere, fine-wool sheep and semi-fine-wool sheep were unable to join the cooperatives. It is because that cashmere-goat and wool-sheep are mainly produced in pasturing areas or semi-pasturing areas in the northwest, northeast and southwest, where many farmers breeding goats or sheep for cashmere or wool were impercipient to the professional cooperatives, and some government departments did not recognize the importance of farming professional cooperatives of cashmere-goat and wool-sheep.

Table 3 Proportions of the main reasons why farmers did not participate in farming professional cooperatives of cashmere-goat or wool-sheep

%

Reasons	Farmers breeding cashmere-goat goat	Farmers breeding fine-wool sheep	Farmers breeding semi-fine-wool sheep
There were no cooperatives	71.55	88.46	80.33
The cooperatives were incomplete	4.31	6.15	19.67
Farmers needed to pay a high fee to participate in the cooperatives	0	0	0
It was no use to farmers to join the cooperatives	9.48	0.77	0
Other reasons	14.66	4.62	0

Note: Among the 316 questionnaires about the proportion of farmers not joining farming professional cooperatives of cashmere-goat or wool-sheep, 116, 140 and 61 questionnaires are about goats producing cashmere, fine-wool sheep and semi-fine-wool sheep. In the questionnaires, the question "the main reason why farmers did not participate in farming professional cooperatives of cashmere-goat or wool-sheep" is a multiple choice question.

2.2 Small scale and weak economic strength Among the professional cooperatives of cashmere-goat or wool-sheep, 14.3% of the professional cooperatives were composed by more than 100 peasant households, while the smallest cooperative had only 40

peasant households. The professional cooperatives with a registered capital of above one million yuan accounted for 28.6%, and most professional cooperatives had a registered capital of about 0.5 million yuan.

2.3 Monotonous and low-level services The cooperatives had a low professional level and few services, and they mainly provided selling services for their members. However, the selling services provided by some cooperatives were incomplete, and they had no full-time salesmen. Moreover, buyers and breeding farmers could conclude a transaction through free consultation, and the cooperatives had become a sales platform. In addition, the services provided by the cooperatives before and during cashmere or wool production were monotonous. For instance, before cashmere or wool production, only 14.3% of the cooperatives provided a service of free use of stock rams, and 28.6% of the cooperatives offered a service of purchasing forage to farmers. During cashmere or wool production, 28.6% of the cooperatives provided a service of collecting cashmere or cutting wool, while 57.1% of the cooperatives provided services of epidemic prevention and technical training. Epidemic prevention skill means offer some free vaccines, drugs or medicated bath to members, but there were few comprehensive services provided to prevent epidemic diseases. Meanwhile, there were no cooperatives providing credit guarantee for farmers, so their members raised funds by themselves.

2.4 Lower cultural qualities of the members and lack of professional management personnel At present, members of the cooperatives were older and had a low educational level. That is, the average ages of the farmers breeding cashmere-goat, fine-wool sheep and semi-fine-wool sheep were 46.23, 46.73 and 43.77 respectively, and the proportions of these farmers with junior high school education or below were 71.80%, 63.63% and 90.00%. The phenomena were not conducive to the increase in the efficiency of the cooperatives. At present, though most managers of professional cooperatives of cashmere-goat or wool-sheep show great skill at breeding cashmere-goat or wool-sheep, they had a low cultural level and were short of modern management knowledge, so that the management level of the cooperatives were lower on the whole, and thereby inevitably limiting their further development.

2.5 Incomplete inner management On the surface, most professional cooperatives of cashmere-goat or wool-sheep had institutional norms in respect of internal operation, but there were some problems in democratic management and profit distribution in fact. For instance, few people had decision-making power instead of common members in some cooperatives; some cooperatives had an imperfect financial accounting system, and members' account records were not timely and incomplete. The cooperatives surveyed could not provide detailed financial situation in recent years. Effective incentive mechanism could arouse members' enthusiasm for the management of the cooperatives to improve the efficiency of internal operation. Moreover, the members of most cooperatives could obtain little profit according to volume of trade instead of shares, and they even had no secondary distribution.

2.6 Serious shortage of funds Farmers breeding cashmere-goat or wool-sheep had a low income, so they should pay no fee or little fee when joining the cooperatives. Meanwhile, the coopera-

tives had few fixed assets, and financial institutions did not approve sheep, meadows and other physical assets, so it was difficult to raise finance for the cooperatives. Moreover, there were no effective measures in tax revenue, credit, land, water and power use^[2]. Cashmere-goat or wool-sheep was mainly produced in economically backward northwest, southwest and northeast regions, where the government's fiscal expenditure was limited by lagging economy, so that the government invested limited funds in the cooperatives. Shortage of funds had restricted the further development of some cooperatives with a high level of management, and it had made some common cooperatives close down when their profit decreased.

3 Measures to promote the development of professional cooperatives of cashmere-goat and wool-sheep

3.1 Highly publicizing the cooperatives to increase farmers' knowledge about the cooperatives The development of professional cooperatives of cashmere-goat and wool-sheep was still in its infancy, and most farmers had little knowledge of the cooperatives, so it is necessary to highly publicize them to increase farmers' knowledge about them. First, knowledge about the cooperatives' properties and functions as well as the Farmer Professional Cooperative Law of the People's Republic of China could be printed in brochures that could be given to farmers^[3]. Second, some related departments in areas mainly cashmere-goat and wool-sheep could select and evaluate some typical and representative cooperatives and publicize them through radio, television, newspapers and internet, so as to make farmers feel the increase of production and income by the cooperatives and thereby promote standardized development of the cooperatives.

3.2 Encouraging various subjects to found the cooperatives to enlarge their scope and scale We should actively guide the development of all kinds of the cooperatives to enlarge their scale and strength. Firstly, the consciousness and initiative of cadres at the basic level in areas producing cashmere-goat and wool-sheep should be improved, and a village committee ought to lead farmers to set up their cooperative. Secondly, some large farms could lead farmers to set up a cooperative led by enterprises, and make full use of their farming technology and funds to encourage surrounding farmers to breed cashmere-goat or wool-sheep. Meanwhile, the local government ought to publicize advantages of the cooperatives in improving cashmere or wool in quantity and quality towards enterprises and adopt preferential policies to attract these enterprises to set up a cooperative mode composed of an enterprise, cooperative and farmers, so as to enlarge sheep industry. Finally, the local government should encourage big breeding households to set up the cooperatives.

3.3 Actively expanding services of the cooperatives and improving their service capacity There were few services in most professional cooperatives of cashmere-goat or wool-sheep, which had restricted the improvement of the cooperatives in efficiency. Facing fierce market competition and increasingly diverse service

demand of farmers, the cooperatives should set up a sense of service and provide high-quality services to enhance members' cohesion and market competitiveness. For example, the cooperatives should provide a service of free use of stock rams to improve the ability to breed cashmere-goat or wool-sheep. Afterwards, they ought to guide farmers to breed sheep and provide feed for sheep and conduct epidemic prevention during sheep breeding. Finally, full-time salesmen should help farmers sell cashmere, wool and stock rams. In addition, the cooperatives should set up sheep production and sales records for their members. Besides, it is necessary to strengthen brand building of products produced by the cooperatives as well as quality certification of animal products, and the brand and quality certification of cashmere, wool and stock rams should be set up to improve their value, which is beneficial for the standardized production of breeding farmers and improvement of the cooperatives' competitiveness.

3.4 Strengthening human resources training of the cooperatives to improve cooperation qualities High-quality leaders can promote the development of professional cooperatives of cashmere-goat or wool-sheep. Facing increasingly fierce market competition, the managers of the cooperatives should have certain concept and knowledge of modern management besides production skills. The local government should set up special funds for the training and education of the cooperatives and establish training system to train their members according to their duty^[4]. For instance, the director of a cooperative shows great skill at breeding but had weak ability to manage the cooperative, so the director should be trained from the aspects of management and specialized production to promote the development of the cooperative. The accountant of a cooperative should be trained according to national financial accounting system to standardize the financial management system of the cooperative. Farmers ought to be trained from the knowledge and spirit of cooperation as well as specialized farming techniques.

3.5 Improving the democratic management system and benefit distribution mechanism of the cooperatives According to *Farmer Professional Cooperative Law of the People's Republic of China*, the suitable rules, regulations, management approach and distribution mechanism for the local cooperatives should be formulated to promote healthy development of the cooperatives. First, it is necessary to improve the democratic management system and standardize internal operation, and the members can take part in the internal affairs of the cooperatives through raising objections, voting and withdrawing from the cooperatives. Second, the supervision system should be improved, such as setting up a board of supervisors and implementing financial disclosure. Third, it is necessary to make reasonable income, expenditure and distribution

system for business services, coordinate profit distribution relationship, and make the profit distribution fair.

3.6 Strengthening the support of government for the cooperatives The local government should support the cooperatives in finance, banking and taxation to create good external environment for the cooperatives. Firstly, the financial support should be strengthened. The special support funds for the cooperatives should be set up to construct infrastructure, improve production technology, introduce improved variety of sheep, and publicize cooperation knowledge^[5]. Moreover, the funds for the development of cashmere-goat and wool-sheep as well as incentive funds should be set up to reward the cooperatives with standard internal operation, high economic benefit, strong leading capacity and good development trend, so as to further improve their operation level and lead other cooperatives. Secondly, the banking support should be enhanced. According to the national credit preferential policies, state-owned financial institutions ought to provide a certain amount of concessional loan with low interest for farming professional cooperatives and peasant members. Local livestock sector should set up the guarantee center for livestock loan. Moreover, the financial institutions can give certain line of credit to the cooperatives with good credit. Thirdly, it is necessary to make preferential policies and implement taxation reducing policy. Each sector should cooperate in harmony to promote the construction of breeding bases of the cooperatives. Water, power and roads of the production bases should be improved to promote the rapid development of the cooperatives.

References

- [1] ZHANG K. The situation, problems and policy proposals about farmer cooperative in China[J]. Academic Exchanges, 2011(11): 107–112. (in Chinese).
- [2] WANG LH. Problems in farmers' specialized cooperative in China and the construction measures[J]. Modern Agricultural Sciences and Technology, 2012(3): 351. (in Chinese).
- [3] HU J. Thoughts on the development of farmers' specialized cooperative[J]. Rural Economy, 2005(8): 123–125. (in Chinese).
- [4] SHANG QF, GUO WT, GUI Y, *et al.* Investigation on livestock breeding specialized cooperatives in Shijiazhuang[J]. Today Animal Husbandry and Veterinary Medicine, 2011(3): 8–9. (in Chinese).
- [5] ZHAO J. Analysis of the problems and countermeasures in farmers specialized cooperative—Based on the background of cooperatives' rapid development[J]. Chinese Agricultural Science Bulletin, 2011, 27(29): 187–192. (in Chinese).
- [6] HAN GM, ZHANG X. Research on competitiveness of the developmental pattern of "enterprise, cooperative" [J]. Asian Agricultural Research, 2011, 3(1): 80–84.
- [7] LIU J, ZHANG YX. Study on three questions on the establishment system of Chinese farmers specialized cooperative[J]. Journal of Anhui Agricultural Sciences, 2011, 39(34): 21459–21460, 21481. (in Chinese).