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# How Does the Farmer Cooperatives Operate in Yanbian Area?

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**Abstract** After six years of development, the number of farmer cooperatives in Yanbian area was increased from 72 in 2007 to 2600 in 2012. It has become an important part of local modern agricultural operation. Through the survey and research of current status of farmer cooperatives in Yanbian area, we analyze the deficiencies in capital, technology and human resources during the operating to thoroughly understand its operating status. On this basis, we put forth some recommendations for the development of farmer cooperatives in Yanbian area; implementing industrialization operation; developing long-term development strategy; seeking the support of research institutions and colleges; increasing the types of services; enhancing the value-added.

**Key words** Farmer cooperatives, Industrialization, Operation, Yanbian area

Yanbian is a Korean Autonomous Prefecture in southeastern Jilin Province, People's Republic of China, just north of the border with North Korea. Yanbian is bordered to the north by Heilongjiang, on the west by Baishan City and Jilin City, on the south by North Hamgyong Province of North Korea, and on the east by Primorsky Krai of Russia. Yanbian is designated as an autonomous prefecture due to the large number of ethnic Koreans living in the region. The prefectural capital is Yanji, and the total area is 42 700 square kilometers. Farmer cooperative, such organizational form of Chinese modern agriculture, is developed in Yanbian area with Farmer Cooperatives Law of People's Republic of China promulgated in 2007 as an opportunity. It can help to solve many problems in the current agricultural development, such as decentralized management of agriculture, small scale of agricultural production and weak competitiveness of farmers market, so within a short span of six years, it was increased from 72 in 2007 to 2 624 in 2012, and became an important organizational form of modern agricultural production in Yanbian area. It has accounted for more than 90% of agricultural cooperative organizations.

## 1 Survey of operating status of farmer cooperatives in Yanbian area

In order to understand and master the situation of production and operation of farmer cooperatives in Yanbian area, its status and role in agricultural development in Yanbian area and the problems in the operation, our group organized a comprehensive survey of operation of agricultural cooperatives in Yanbian area. The survey period was from September 2012 to April 2013; the survey object was the person in charge of farmer cooperatives in Yanbian area (president, directors, etc.), and the specific business areas involved in the farmer cooperatives surveyed included farming, ani-

mal husbandry, forestry and service industry, which were the major business areas that the Yanbian farmer cooperatives were currently engaged in; the scope of survey was the eight counties in Yanbian area, and Yanji City, Longjing City, Hunchun City, Wangqing County, Dunhua City and Antu County, where the development of farmer cooperative organizations was rapid.

The survey content was the nature and institution of cooperatives, membership composition of cooperatives, business composition of cooperatives, financial management and profitability of cooperatives, and the support to the development of cooperatives; there were 263 valid samples, accounting for 10% of total samples. The statistical tables of specific survey information are as follows:

## 2 Analysis of operating status of farmer cooperatives in Yanbian area

**2.1 The nature and institution of cooperatives** Through the statistical analysis of the 263 valid questionnaires, we carry out comprehensive detailed description of the following five aspects concerning the nature and institution of farmer cooperatives in Yanbian area: the establishment of cooperatives, the property of cooperatives, the members of cooperatives, the institution of members, and the finance of cooperatives (Table 2).

**2.1.1** The establishment of cooperatives. The promoters are focused on ordinary farmers (accounting for 58.56%), followed by the farmer leaders (36.50%). The two account for 95.05% in total. Cooperatives basically pass the business departments' registration (94.3%), and others are identified by the civil affairs departments or agricultural departments. The persons in charge of cooperatives as legal person account for 96.58%. The vast majority of persons responsible for cooperatives are the local skilled farmers who are engaged in agricultural production, or the influential farmers in local areas.

**2.1.2** The property of cooperatives. The full equity cooperatives account for 76.43%, the cooperatives whose shares are mainly held by the promoters account for 18.63%, and the cooperatives

Received: August 30, 2013 Accepted: October 20, 2013  
Supported by Soft Science Research Project of Jilin Provincial Department of Science and Technology (20130420030FG); Project of Yanbian University (201216).

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whose property is mostly from the funding of members account for 94.68%. Some cooperatives are funded by the direct national financial subsidies and individual donations, but it is not obtained

continuously. In the management process, the members who do not pay membership fees account for 95.44%, and for the rest of the amount, the payment is not large, in 500 – 2000 yuan/year.

**Table 1** Distribution of valid samples

Counties or cities	Yanji	Longjing	Antu	Hunchun	Wangqing	Tumen	Dunhua	Total
Number of samples	35	26	35	37	50	45	35	263
Proportion//%	13.30	9.89	13.00	14.07	19.01	17.11	13.31	100

Data source: The field survey in Yanbian area.

**Table 2** The nature and institution of farmer cooperatives

Content	Key findings	Option number	Share in the total sample//%	
The establishment of cooperatives	Sponsor	Individual farmers	154	58.56
	Registered institutions	Business department	248	94.30
	Whether having been qualified as a legal person	Yes	254	96.58
Property of the cooperatives	Whether having fixed residence	Yes	259	98.48
	Funding sources	Full equity	201	76.43
	Source of the property	Members' contribution	249	94.68
Members of cooperatives	Whether to pay membership fees	No	251	95.44
	Number of the member households	5 – 20	242	92.02
	Social group members	No	235	89.35
Institution of the cooperatives	Members' range	One's own village	209	79.47
	Whether to implement "one person, one vote"	Yes	240	91.25
	Whether the major shareholders have additional votes	No	245	93.16
	Whether to convene a general meeting	According to needs	98	37.26
	Organizations established	Chairman	112	42.59
	Whether the managers are elected from among its members	Yes	248	94.30
Finance of cooperatives	Whether having open system of cooperative affairs	Yes	246	93.54
	Whether the accounting is in accordance with the accounting system	Yes	243	92.40
	Whether to separate the deal of members of cooperatives from that of other members of cooperatives	Yes	221	84.03
	Whether to establish a member account	Yes	150	57.03
	The major record of members' account	Capital contribution of members	135	51.33
	Whether to draw or retain the accumulation funds	No	184	69.96
	Whether there is surplus to be distributed	No	109	41.44
How to allocate the surplus	Capital stock	101	38.40	
	Whether members are able to get access to accounts	Yes	253	96.20

Data source: The field survey in Yanbian area.

**2.1.3** The members of cooperatives. In the surveyed object, the cooperatives with 5 – 20 members account for 92.02%, and they occupy a smaller share in comparison with those with larger size. The cooperatives with members who are not engaged in actual farming production account for 10.65%. They are local economic man, or technical guidance staff. The cooperatives with the members completely in the village account for 79.47%, and for some cooperatives with the members from other villages, the proportion of members in the village to the total number of members is more than 80%.

**2.1.4** The institution of members. Cooperatives basically implementing "one person, one vote" account for 91.25%. The cooperatives generally take the land or the agricultural output as the main basis for joining cooperatives, and in the case of fewer members, "one person, one vote" system is basically taken. When the large shareholders have additional votes, the additional votes account for less than 20% of the total votes. In the daily management process, various forms are adopted for management. For the daily management of cooperatives, there is no fixed time. The co-

operatives holding general meeting according to need account for 37.26%, and the cooperatives frequently convening general meeting account for 33.46%. The cooperatives with open financial system account for 93.54%, and the financial system of cooperatives funded by individuals is not open.

**2.1.5** The finance of cooperatives. 84.3% of farmer cooperatives carry out accounting in accordance with the financial accounting system, and the transactions between cooperatives and members and the transactions between cooperatives and non-members are separately checked. The cooperatives with members' capital contribution mainly recorded in the member's account occupy 51.33%. 96.2% of the cooperative members can look up the finance of cooperatives, business and other accounts in general meeting. In the case of surplus, 69.96% of cooperatives do not draw or retain the accumulation funds, indicating that more members of cooperatives pay less attention to the long-term development of cooperatives.

**2.2 The specific business and model in the operation of cooperatives** In addition to the survey of internal situation of the

cooperatives, the business and model of cooperatives are also surveyed, including the principal business, operating business and

agricultural marketing of cooperatives (Table 3).

**Table 3 The business and model of farmer cooperatives**

Content	Key findings	Number of samples	Share in the total sample//%
Types of cooperatives	Production cooperation	208	79.09
Whether having unified operation business	Yes	218	82.89
Whether having their own brand	No	175	66.54
Main business	Product sales	171	65.02
Whether there are fixed management personnel	Yes	101	38.40
Education level of chairman	Senior middle school	126	47.91
Whether to carry out unified purchase means of agricultural production	Yes	244	92.78
Whether the cooperatives carry out unified marketing of agricultural products	Yes	215	81.75
Benefit form of cooperative members	Transaction with the cooperatives	125	47.53
Whether there is service charge for the members	No charge	247	93.92
Whether the members are satisfied	Very satisfied	224	85.17

Data source: The field survey in Yanbian area.

In Yanbian area, the farmer cooperatives of the type of production cooperation account for 79.09%; the farmer cooperatives of the type of comprehensive cooperation account for 17.11%; there are only 10 farmer cooperatives of the type of trade cooperation in the 263 valid objects, accounting for 3.8% of all types. The major service provided by the cooperatives for the members is technical guidance (32%), followed by information services (19%), agricultural products sales services (18%), agricultural products processing services (11%), unified purchase of production services (10%), agricultural products transportation services (5%), credit services (3%), and agricultural storage services (2%). The cooperatives carrying out combination around the production activities account for 82.89%; the cooperatives with product sales as the main business account for 65.02%; the cooperatives basically having no their own brand account for 66.54%, many of them take the trademark that they have applied for as their own brand, and they have no their market business model, mainly based on the corporate orders. The person in charge of cooperatives in Yanbian area has relatively high education level. The cooperatives with the responsible members having the education level of more than junior high school account for 64.26%; the cooperatives with the responsible members having the education level of senior high school account for 47.91%. The cooperatives based on the unified purchase of production materials and product sales, account for 92.78% and 81.75%, respectively. There are 47.53% of cooperatives whose members obtain benefit mainly from the transaction between the members and cooperatives, and there are 35.36% of cooperatives whose members obtain the dividends mainly from overall business activities. There are 85.17% of cooperatives providing free services for the members, and the members' satisfaction with the cooperatives is relatively high.

**2.3 The major problems facing the operation of cooperatives** Farmers have been lagging behind the urban residents in terms of the economic and educational level. After the establishment of cooperatives, although they are more competitive than independent farmers, they are in a weak position in the production and business activities, so the support of the government and other social forces is very necessary. Overall, the government in Yanbi-

an area provides a lot of support to local farmer cooperatives, and 76.81% of cooperatives get the support of government. And enterprises, research institutes and other non-governmental organizations also provide support to cooperatives. The surveyed persons in charge of cooperatives are unanimous in wanting the government and the social forces to support the development of cooperatives (Table 5).

**Table 4 The way in which the farmer cooperatives provide services for their members**

The way in which the farmer cooperatives provide services for their members	Frequency	Proportion//%
Technical guidance	228	32
Information services	134	19
Agricultural marketing services	127	18
Agro-processing services	80	11
Unified purchase of production services	72	10
Agricultural transport services	39	5
Credit services	20	3
Agricultural storage services	17	2
Total	717	100

Data source: The field survey in Yanbian area.

**Table 5 The main problems facing cooperatives**

Survey items	The main problems facing cooperatives		
	Lack of funds	Lack of technique	Lack of talents
Proportion//%	43.04	19.13	16.42

Data source: The field survey in Yanbian area.

The cooperatives in need of financial support account for 34.35%; the cooperatives in need of technical support account for 28.78%; the cooperatives in need of personnel support account for 13.95%. The problems in the development of cooperatives are mainly concentrated in the lack of funds (46.04%), the lack of technology (19.13%), the lack of talent (16.42%), sales difficulties (11.64%), and poor management (9.77%). In the cooperatives, the technology (project) is needed most, roughly the same as the capital, and the demand for talent is in the third place. From the above situation, the essence of cooperatives'

needs for technology and talent is ultimately the process of talent cultivation in the long term, so the government should intensify efforts to strengthen the relevant business training and cultivation for the persons in charge of cooperatives.

### 3 Recommendations for the development of farmer cooperatives in Yanbian area

**3.1 Innovating upon the organization system and taking the road of industrialization** The farmer cooperatives in Yanbian area are almost established through the registration in the Commercial and Industrial Department since 2007, by those influential farmers engaged in agriculture in local areas. Most members do not pay membership fees, and even if they do, it is less than 1 000 yuan, which can only maintain the basic daily fees. In most of cooperatives, there are few members, and the cooperation pattern is too simple. It is mainly the simple combination of persons who produce the same types of agricultural products in the village, and the number of persons in many cooperatives is the minimum number provided by the state, basically concentrated in the process of pre-production. It is necessary to further play the role of cooperatives in driving the local agricultural development, pay attention to the development of modern agricultural industry, take the road of industrialization, introduce the modern industrial organization system, scientifically organize the whole process of agricultural production, carry out systematic professional division of labor, gradually change the agricultural production and management pattern from traditional agriculture into modern agriculture, and ultimately take the road of the modern large-scale agriculture industry development.

**3.2 Focusing on long-term development and formulating the development strategy planning** The farmer cooperatives in Yanbian area are mainly based on primary production cooperation, lacking fixed management personnel. The cooperatives provide free services for the members, and the cooperation is for the purpose of centralized purchase and marketing. Usually it is the cooperation on the purchase of means of production, production technical guidance and marketing of agricultural products. The cooperation pattern is simple, and the relationship is relatively loose. For some cooperatives running well, transactions between members and the cooperatives are the deal by referring to the market prices or slightly higher. The members' ability to operate independently is enhanced, but it still lags behind the overall level of productivity. The cooperatives basically have no their own brand, and some of cooperatives only apply the trademark for their products, but the share of products in the local market is small. Therefore, the development of cooperatives must establish a long-term development goal, namely based on the development goal of modern large organizations and industries and the actual situation of the cooperatives, developing the long-term development strategy, and breaking it down into the medium-term development plan and yearly development plan; based on this, driving more farmers to actively participate in the cause of the development of cooperatives, so as

to faster stimulating the rural and agricultural economy.

**3.3 Actively cooperating with local research institutes and universities, and seeking technical and talent support** For the cooperatives, they need most for the support of technique and talent (Table 5), which is a practical problem facing a lot of cooperatives. The government, research institutes and companies in Yanbian area all support the local farmer cooperatives, but the biggest problem is such support is not continuous and systematic. Due to the small size of cooperatives, various kinds of support can not be connected with the actual production, so the persons in charge of cooperatives always feel that a lot of training is not tailored to their actual needs. Fundamentally, the cooperatives are voluntary associations of farmers. The external support and assistance is important, but it is more necessary to be based on the actual needs of cooperatives' own development, to judge what technology or what talent is needed urgently at the current stage of development, actively keep in contact with the relevant research institutes and universities, and seek technical and training support. Therefore, the cooperatives can not wait but actively seek the support of think tanks in accordance with their own needs.

**3.4 Increasing the service types and improving the value-added** The cooperatives need most for capital. It is necessary to actively seek the support from government at all levels, but fundamentally, in the context of the market economy, any capital is flowing under the profit – driven nature. In order to attract more capital support, the most important thing is to increase rate of return of business that they are engaged in. Therefore, the development of cooperatives must be based on membership needs and the social needs for agriculture and agricultural products, and it is necessary to continuously innovate upon the types of services needed by the members and society, improve service quality, and improve the value-added of the business. Only by doing this can we attract more funds and better play the role of cooperatives in promoting the development of rural areas and agriculture. In short, for the development of farmer cooperatives in Yanbian area, it is necessary to make full use of geographical advantages based on the needs of modern large market for agricultural industry and members' needs, formulate long-term development plan, constantly improve the types of services, improve service quality, and take the road of big industry and big organization needed by the development of modern agriculture, in order to develop cooperatives faster and better, and ultimately lay a solid foundation for the agricultural modernization in the Yanbian area.

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