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The Function, Future and Support Elements of Farmer Cooperative Economy Organization

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Abstract The nature of farmer cooperative economy organization (known as FCEO) determines the fact that the economic effects of farmer cooperative economy organization are as important as its social effects. Many experts, however, now would only focus on its economic function, and either neglect or weaken its social influence. Therefore, this paper introduces the theoretical foundation of the farmer cooperative economy organization, and studies the nature of cooperative economics. Based on those typical cases, the future of cooperative organization and four supporting elements were put forward in this paper.

Key words Farmer Cooperative Economy Organization, Function, Supporting elements, Typical cases

1 Problems

The No. 1 document of central government in 2014 again stressed the importance of constructing a new agricultural system, and encouraged various kinds of farmer cooperative economy organization to guide the normal operation and to strengthen the capacity construction. This, once again, pushes farmer cooperative economy organization to a new historical height since the implementation of Law on Farmer cooperative economy organization. The strong political support and friendly development environment push forward the vigorous boom of rural cooperative.

Since the first four months of 2013, the number of farmer cooperative economy organization in China has passed 0.730 6 million, covering 91.2% of administrative villages. More than 53 million families joined the farmer cooperative economy organization, which was over 20% of the general number of farmers^[1]. Frankly, farmer cooperative economy organization exerts a significant role in improving agricultural organization, safeguarding the basic rights of farmers, and pushing forward agricultural modernization. However, one third of the cooperative organization cannot function normally as they are restricted by limited fund, abnormal management system and weak supply capacity^[2]. Therefore, it is necessary to transform the cooperative organization from traditional uniform function to dimensional function, from horizontal function to vertical function, from economic function to social function, and from cohesive function to external gaining. Therefore, this paper expounded on the development of cooperative organization and the supporting elements based on typical cases of national social and scientific fund.

2 Summary of studies

2.1 The theoretical logic and future of cooperative organization In the aspect of sociology, Arrow thought that the cooperation among human beings is to extend personal rationality^[3]. Rogers and Bdge thought that rural organization is a collected action to enhance farmers' interest^[4]. Luo Biliang pointed out that the formation of farmer cooperative economy organization is because the external force breaks down family plan^[5]. In terms of economics, new policy economist J. Bain (1959) thought that the effective organization form is an extremely important social resources in the social and economic development. Emelianoff, Enke, Helmberger &Hoos, and Sexton believe that cooperative organization is a form of company that can realize the maximization of agricultural production^[6]. To develop cooperation organization in China represents the orientation of basic experience policy of agriculture in China^[7], which solves the contradiction among farmers and markets, and thus becomes a new choice of agricultural modernization in China^[8]. Judging from trade fee theory, farmers would form a kind of cooperative organization voluntarily when the trade fee in the external market is too high for farmers to afford^[9]. As an effective arrangement to reduce trade fee, the development of farmer cooperative organization is a kind of innovation resulted from the high transaction cost between farmers and markets^[10]. Based on public choice theory, the "malfunction of market" of agricultural produce and the "malfunction of government"^[11] of rural public service make it essential for cooperative organizations to compensate marketization of agriculture.

2.2 Extended space of the organizing function of cooperative organization The function of cooperative organization is determined by its nature. Cooperative organization is a self-helping economic organization to satisfy the common necessity of its members who united together voluntarily. Its essence is that people gather together voluntarily, and cooperate with each other to overcome the economic difficulty that they face and to improve their living condition and life quality^[12].

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Abrahamsenren held that cooperative organization develops with the agricultural industrialization, and gradually becomes the comprehensive acting agency of many farmland owners^[13]. However, contrary to the view, Helmberger drew the conclusion that farmer cooperative economic organization played a decreasing important role in agricultural production with the progress of agricultural industrialization^[14]. Fulton thought that the changes in technology and social value make it harder for the development of cooperative organization^[15]. Guo Hongdong pointed out that the united association in future is an effective way to resolve problems existing in cooperative organization^[16]. He Xuefeng considered that cooperation could unite farmers together to resolve the personal or public business in the village since there was competition in rural society^[17]. However, most scholars now would emphasize the business and company function of cooperative organization. However, the nature of cooperative organization is on the premise of cooperation among people, and on the basis of members of cooperative organizations instead of investors. In the aspect of sociology, cooperative organization is a special organization that was formed because farmers want to change their vulnerable situation. It focuses on the combination of people instead of capital. Therefore, its business purpose is to pursue both economic interest and its social function.

3 Typical case analysis of the extended function of farmers cooperative organization

This paper selected several typical cases to analyze based on field investigation and study necessity.

3.1 Studies on the extended function of Chongqing Hongfa oranges and tangerines cooperative organization

Zhongxian County has long been the original place for the plantation of oranges and tangerines. Its long-standing plantation history has resulted in intense oranges and tangerines culture. Because the contradiction between sells and production of oranges and tangerines is getting increasingly outstanding, farmers in Yangliucun started the cooperative economy organization voluntarily and founded the Hongfa orange cooperative company on May 15, 2009.

At the end of 2013, there were 2 654 members in the cooperative organization, covering almost all members in the eight groups in the Yangliu Village in Zhongxian. There is 2 560 mu for orange plantation base. With the support from government, the cooperative organization established the industrial chain mode of "farmers + cooperative organization + bases + leading company". In 2012, the fixed asset in the cooperative organization was 0.051 25 million yuan and the income by selling oranges and tangerines reached 2. 592 million yuan. However, the constantly changing market requires the Hongfa cooperative organization to be prepared for danger in times of safety.

3.1.1 Strengthening the scientific and technological system to create modern green complex agriculture based on oranges and tangerines. Science is the foundation of modern agriculture development, and the basis for farmers to increase income. Since the

foundation of Hongfa orange cooperative organization, high attention has been paid on the application of agricultural science and technology to develop a scientific and modernized agriculture. In 2010, the cooperative organization invested tens of millions yuan in oranges and tangerines base. In order to figure out the source of organic fertilizer, cooperative organization started to develop husbandry in 2012. There were 20000 chickens being distributed to members in the cooperative organization. Based on the thousands mu of orange garden, cooperative organization started the Fengwang apiculture professional cooperative organizations to produce honey from orange flowers. In November 2011, the brand of "Golden Willow" was registered which exerted its economic effect later one through media.

3.1.2 To form countryside tourism based on oranges. As a new industry that combines both the first industry and the third industry, countryside tourism, a result of the special countryside culture, is based on agriculture and aims at tourism^[18]. The location of Hongfa cooperative organization, orange industry and modern service concept are the essential conditions for countryside tourism. Zhongxian, where Hongfa cooperative organization lies, is the only state city that is named with the word "integrity". The historical events render Yangliucun village rich cultural deposits. Therefore, tourists all around the world come to the Yangliucun village to experience local living style. In 2009, Hongfa cooperative organization held the Chinese orange culture festival to entertain nearly 10 000 people. In 2012, the cooperative organization built a fishing terrace in the ecotourism scenic spot. Rivers and roads in Zhongxian have been expanded. Members' income has improved through countryside tourism.

3.1.3 To build more beautiful countryside. It is universally acknowledged that cooperative organization can make special contribution to the community development, such as Mondragón Corporación Cooperativa. Hongfa orange cooperation not only helps farmers to get higher income, but also focus on serving community. Infrastructure in the village is sound, as concrete roads have been paved to each family. Household garbage has been disposed together to build a favorable living environment. More importantly, various kinds of entertainments are carried out by the cooperative organization to invigorate the vitality of community since members like oranges. For example, members of the cooperative community organized poetry reading competition in 2012. Photo exhibition was held in 2013. The colorful community activities enriched farmers' life.

3.1.4 Devoting into innovation and entrepreneur and exploring "community + market" development mode. Cooperative organization creates work opportunity and exerts a growing important effect on helping farmers to start a business. Through technology innovation, cooperative organization develops various kinds of functions, and realizes the whole production chain from "a grain of seed to a cup of orange juice". With the help of technology, orange and tangerine project is moving to industrialization, modernization and internationalization. However, if the project is entirely depended

on cooperative organization, farmers would encounter huge financial pressure and technological bottleneck. Hongfa cooperative organization is exploring a developing mode combining "market and community". The introduction of market operation mechanism not only enhances the business effect, but also improves its market share, which is the future of cooperative organization^[19]. It can be said that the development mode of "community + market" will trigger the endless potential for the development of rural resources.

4 The direction and principle of the development of farmer cooperation economic organization

4.1 Improving the supply chain of agricultural produce based on financial function Cooperative organization equips both company and social function. They are companies with social functions. The social functions of cooperative organizations are realized through economic activity of companies. The influence of cooperative organization on economic growth and social development is irreplaceable. Therefore, cooperative organization should always put economic interests in the first place. In face of drastic market competition pattern, the competition among market bodies has risen to supply chains. Only powerful economic basis can get the support of cooperative organization. The economic benefit is the original intention of cooperation, and the keynote for the development of cooperative economic organization.

4.2 Exerting innovation spirit and proving risk prevention

The key to the development of rural cooperative organization lies in its innovation spirit. Historical and international experience told us that the more innovative the organization is, the more dependent members would be, and the easier to realize the advantage and intention of rural cooperative economic organization. It is extremely essential to be aware of the risks in running farmer economic co-operation organization and in building perfect risk evaluation and prevention mechanism. In response to the above-mentioned problems, it is necessary to strengthen internal observation and build interest mechanism, to build market-oriented cooperative economic organization, to make relevant laws to guide the rural cooperative economic organization.

4.3 Focusing on people's livelihood and social function construction The historical experience of each country in the world suggested that a balanced society needs not only public section and private section, but also needs social section^[20]. While exerting its economic function, cooperative society plays an essential role in improving the infrastructure in the countryside, carrying out public service, ameliorating the rural environment, and enhancing farmers quality, etc. Although the cooperative economy in China has developed for several decades, the cooperative economic organization happened just in the last few years as a result of economic system revolution. Firstly, cooperative organization enhances farmers' market awareness and normalizes countryside market economy. Secondly, the modern entertainment activity satisfies people with cultural diversity. Thirdly, the traditional culture of respecting the old suggests that cooperative organization should

take care of the old and kids as well as people who is deprived of working capacity.

4.4 Intensifying the modernization and main body of cooperative economic organization

4.4.1 Showing the main body of cooperative economic organization. Professional rural cooperative organization is an essential carrier to show the subjectivity of farmers. Whether farmers play their roles in constructing cooperative economic organization is the key to the success of cooperative economic organization. A open and effective economic organization is market-oriented. There are three requirements for farmers to play their roles. First, farmers' subject consciousness needs to be enhanced and respected. Second, farmers' skills of being the main body need improving. Third, farmers should be unionized in order to protect their interests. Cooperative economic organization can help to achieve all those requirements.

4.4.2 Developing modern cooperative economic organization based on market. Agricultural cooperative economic organization has a long history, but its modernization progress is just beginning. Since market is the most flexible guiding tool, the cooperative economy mode based on market is an essential indicator to judge its modernization degree. Similarly, turning from plan-oriented to market-oriented is a major step for small-scale peasant economy towards modernization. This requires cooperative economic organization to follow the market in such aspects as product development, product production, processing, storage, logistics and retail, etc. and to realize modern operation process and management method.

5 Supporting elements for the extended functions of rural cooperative economic organization

5.1 Innovating marketing methods and improving the market space for the extended functions of cooperative organizations Guiding and supporting rural professional cooperative organization to participate in negotiating meeting regarding agricultural products commerce and exhibition meeting, and gradually improving the market share of rural professional cooperative organizations. Encouraging farmers to cooperate with supermarkets by selling their products to the supermarkets in cities. Chain stores and direct distribution stores are built in cities. As key provinces and cities, there are more than 300 cooperative organizations in Chongqing selling products to supermarkets and schools, reducing circular cost and realizing win-win between producers and consumers.

5.2 Building self-growing mechanism and guaranteeing the organization carrier for the extended functions of cooperative organization Firstly, a highly centralized organization management mechanism should be set up to improve the internal environment of rural economic organization. Secondly, internal management activity should be strengthened as internal management directly relates to the money-using efficiency and effect. Thirdly, information technology is developed to promote smooth communica-

cation channel and to push forward modern logistic technology and to use Internet technology. Finally, the role of internal supervision system should be emphasized, as there are not any internal audit departments within many rural cooperative economy organizations. It is imperative to set up internal auditing departments.

5.3 Focusing on innovation and research, guaranteeing technological support of extended functions of cooperative organizations Encouraging rural professional cooperative organization to set up production demonstration base, and promoting agricultural science and technology. In 2010, Chongqing has invested 70 million yuan in two stages, and 75 refined seed markets were built. Now the third group of seed construction has been initiated to guarantee the fact that every pillar industry.

5.4 Exploring new developing mode and guaranteeing the successful implement of cooperative organization Traditional agricultural production does not agree with the demand of modern agricultural development. Intensive agricultural production mode is the future. Hence, based on centralized rural land and labor forces, the exploration of new developing mode and promoting new agricultural economic cooperation mode are key factors to guarantee the development of cooperative organizations.

On the one hand, rural economic cooperation organization mobilizes all positive factors in its members and strengthens its own economic strength, such as motivating members to invest and exerting the effects of share ownership on decision-making. On the other hand, members of cooperative association are not so well educated. It is very hard for members in the organization to manage the team directly, so professional manager policy can be introduced.

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