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Study on Rural Stock Cooperatives Based on Tangyue Village Model

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Abstract At present, the issues concerning agriculture, farmers and rural areas are increasingly prominent, and the demand of rural economic reform is increasing. In view of current development situation of rural areas, with reference to successful experience of Tangyue Village Model, this paper analyzed functions of rural stock cooperatives to agricultural development, farmers' income increase, and rural prosperity. Finally, it came up with feasible recommendations for rural reform and the issues concerning agriculture, farmers and rural areas.

Key words Tangyue Village Model, Stock cooperatives, Farmers' income

1 Introduction

At present, the household contract responsibility system based on farmer households is not adapted to the specialization and intensification trend of agriculture, and its internal low efficiency and external diseconomy seriously restrict the further development of agricultural economy. In addition, a large number of rural labors abandon farmland and go to cities, but their living conditions are not fundamentally improved. Instead, it has brought a series of social problems such as left-behind children, left-behind women, left behind the elderly. As early as in 1990, Deng Xiaoping pointed out that after realizing the production mode based on the household contract responsibility system, it is necessary to adapt to the needs of agricultural production, develop the collective economy, and carry out large-scale production^[1]. This will become the second leap of the development of China's agriculture. In 2016, the State Council of China explicitly ordered that we should insist on the collective ownership of farmers and prevent the loss of collective assets.

For rural stock cooperatives, which are a new form of rural collective economy that adapts to modern rural production relations, the theoretical and practical research is still not well established. We visited Tangyue Village in Pingba District, Anshun City of Guizhou Province, and carried out an in-depth analysis on the rural stock cooperatives from legal status, property right foundation, organizational performance, governance structure, sustainability of development, and contributions to agricultural development, increase of farmers' income, and rural prosperity.

2 Literature review

Huang Zuhui *et al.*^[2] analyzed the development status of rural cooperatives in Zhejiang Province and considered that the factors influencing rural cooperatives mainly include institutional environ-

ment, production clusters, product characteristics, and organization members, and they discussed the institutional environment for the development of rural cooperatives on the basis of current situations of rural cooperatives in China. Yuan Peng^[3] elaborated the relationship between rural cooperatives and the government under the conditions of a free and competitive market economy through analyzing the three types of rural cooperatives: privately-owned, government-run, and government-private combined cooperatives. Du Yintang and Pan Jin^[4], through taking examples of rural cooperatives, stated that it is a more practical choice to use foreign new cooperative models to regulate domestic farmer cooperatives. Jiang Li and Peng Li are the earliest scholars making in-depth theoretical studies on rural stock cooperatives. Taking Guangdong Province as an example, they analyzed the social and economic background of rural stock cooperatives from a theoretical perspective, and summarized the types of rural stock cooperatives, and they held that rural stock cooperatives have some characteristics of joint-stock and cooperative systems. From the internal and external benefits, Zhang Xiaoshan and Huang Shaoan^[5] stated that rural stock cooperatives are helpful for improving the market order and scale operation, increasing land use efficiency, and increasing farmers' income. Wang Xiaoying *et al.* contended that rural stock cooperatives can make farmers share more value-added benefits through raising the negotiation ability of farmers with the government. Kong Youli and Liu Huazhou, taking rural cooperatives in Jiangsu Province as the research object, analyzed the property rights of rural stock cooperatives from the perspective of ownership, control rights, and residual claim rights^[6]. Ding Guanliang believed that rural stock cooperative is the best model adapting to current development situation of rural areas, but it is required to solve the problems of legal person status, internal governance, leader supervision, and property distribution in practice^[7].

3 Current situation of development of cooperatives in China in recent years

3.1 Rapid increase in number and gradual rise of overall strength Since the formal implementation of *Law of the People's*

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Republic of China on Farmers' Specialized Cooperatives in 2007, the cooperatives have been developing like mushrooms and they have transformed from single development to combined operation. In the whole country, the number of cooperatives registered in accordance with the law increased from 379 100 in 2010 to 1.669 million in 2016, accounting for 42.7% of the total number of rural households, and the total amount of funds reached 193.823 million yuan, increasing by 44.56% compared with the same period of previous year (Fig. 1).

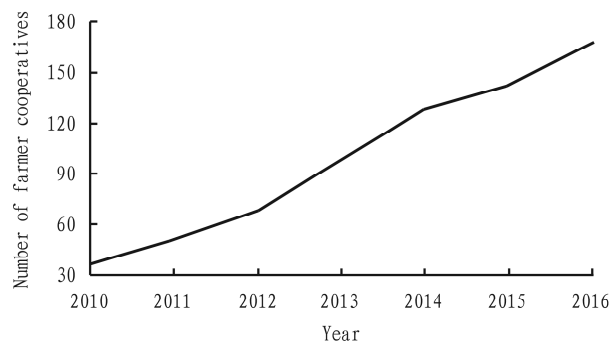


Fig. 1 Number of farmer cooperatives in the whole country in 2010 – 2016

3.2 Wide industrial distribution The development of China's farmer cooperatives has gradually expanded to various industries such as planting, breeding, agricultural machinery, plant protection, and technical information. It is mainly distributed in planting and animal husbandry, cooperatives engaged in planting accounted for 43.3%, and cooperatives engaged in animal husbandry accounting for 29.7%, jointly accounting for 73%. Field research indicated that many local cooperatives focused on the agriculture with local superior characteristics and had the phenomenon of concurrent management.

3.3 Expansion of service fields The fields of farmer cooperative management services in China have expanded from information services in the past to agricultural resources supply, agricultural technology promotion, processing, warehousing, and sales. Some cooperatives have also explored credit cooperation, mutual insurance, etc., and they are gradually developing towards forward or backward integration. In addition, the establishment of cross-regional cross-industry cooperative associations promotes all cooperatives to form an organic whole on the basis of complementary advantages and resource sharing, enhances the level of cooperation, and expands the scope of cooperation.

3.4 Diversification of operating modes At current stage, the cooperatives develop in a diversified trend, and there are mainly four development models. (i) Cooperatives + farmer households. This model is generally set up spontaneously by farmers. Through cooperatives, farmers sell their products to the market. (ii) Cooperatives + bases + farmer households. Such cooperatives usually have a certain scale of production bases, guide the production of farmers through production bases, and purchase or sell the products of their members according to standards. (iii) Leading enterprises + cooperatives + farmer households^[4]. This model is generally launched by leading enterprises of agricultural industrializa-

tion. Enterprises take up the majority stocks of cooperatives, members join in the cooperatives with labor or products, and legal representatives of cooperatives are mainly held by persons in charge of leading enterprises. This shows that the cooperatives set up a bridge between leading enterprises and farmers and become the workshop of enterprises. (iv) Cooperative associations + farmer households. This model is generally composed of different cooperatives engaged in related industries, form an association of integrated operations of production, retail, and sales, driving members and farmers in all sectors.

4 Main content and achievements of stock reform of Tangyue Village Model

4.1 Major content of stock reform The property right confirmation and certificate issue, on the one hand, is the confirmation of property of various types of rural land, and on the other hand, is the confirmation of property right of rural collective assets. The confirmation is mainly to quantify and issue certificate for all assets that can be included in to rural cooperatives, including cash, fixed assets and any claimable assets. The stock reform is based on the confirmation of property right. A professional evaluation team was founded to convert shares according to the land output at 300 – 700 yuan, and the cooperatives signed share agreements with villagers who bought shares, and distributed dividends in proportion of 4:4:2 for cooperatives, villagers, and village collective.

4.2 Structural analysis

4.2.1 Organization form. Tangyue Village Stock Cooperative is a new cooperative form established based on assets and land of farmers. This model adheres to the principle of co-owning by shares. In other words, under the condition of collective ownership of the land, farmers are free to join in or exit from cooperatives with shares or dividends. This is greatly different from the cooperatives in the 1950s and the 1960s^[5], a most prominent feature of cooperatives in the past is that farmers are not free to join in the cooperatives.

4.2.2 Governance structure. Through the establishment of the council, the board of directors, the board of supervisors, and the finance department, the cooperatives can set up mutual check and balance. The council is responsible for a series of decision-making issues; the board of supervisors is responsible for supervising various decisions and executions formulated by the council; the financial department is responsible for the management of collective assets. Village cadres are not allowed to participate in the council, the board of directors, and the board of supervisors.

4.2.3 Legal status. In operation mode, the stock cooperatives are similar to modern joint-stock companies^[6], but since the ownership of the land still belongs to the state, it is determined that the cooperatives cannot go bankrupt, and they cannot obtain the corresponding legal person status and the rights and obligations that accompany them.

4.2.4 Allocation issue. In the issue of allocation of Tangyue Village Cooperatives, there are mainly three stakeholders, the stock cooperatives, village collectives, and villagers. Allocation is divided into initial allocation and operational allocation. As for the

initial allocation, it is the issue of property right confirmation and certificate issue, and this is the basis and foundation of operational allocation. The second is the issue of allocation of operating income of cooperatives. The annual returns of the stock cooperatives are mainly divided into two parts: accumulation and distribution. The accumulation can be divided into two parts. One is the accumulation of stock cooperatives and the other is the accumulation of village collectives. The former is mainly used for the sustainable development of stock cooperatives, while the latter is mainly used to provide public infrastructure for the villagers to accumulate; the distribution part is mainly used as dividend to distribute according to the number of shares held by the villagers.

4.3 Achievements of stock reform of Tangyue Village Model

After the stock reform, the income of the villagers in Tangyue Village mainly consists of four parts. The first is the income from stocks, mainly the guaranteed income + dividends. The second is the property income, which is mainly the income of the villagers' individual property. The third is wage income. After the land is concentrated, farmers can earn wage income by working in the cooperative nearby. The fourth is operating income, which mainly refers to the income of the farmers operating their farmland. According to the statistics, the net income of villagers joining Tangyue Village Cooperative was 3 786 yuan, 7 943 yuan and 10 003 yuan in 2014, 2015, and 2016 respectively, and the poor people dropped from 643 in 2014 to 19 in 2016. In addition, Tangyue Village has purchased a series of insurance for villagers, especially the social insurance, to reduce the threat of natural disasters or market risks to farmers.

5 Recommendations for promoting Tangyue Village Model

The stock cooperatives appear under the joint action of endogenous demand and external environment in the process of market economy development^[7], and it is favorable for agricultural development, increase of farmers' income, and rural prosperity. The success of the Tangyue Village Stock Cooperative is not a coincidence but depends on scientific operating mechanism, management talents with agricultural knowledge, and government preferential policies. In areas with backward economies, insufficient management personnel, and imperfect social security, it is still required to make joint efforts to promote Tangyue Village Model, and create conditions suitable for development of cooperatives.

5.1 Improving the incentive and restraint mechanism and raising the enthusiasm for joining the cooperatives

It is recommended to make clear the rights and obligations of the villagers and all committees in the form of provisions through the economic incentive and punishment system, adhere to the principle of voluntariness, fairness and justice, democratic management, risk sharing, and benefits on a quantitative basis, and provide different degree of cash award for members who actively participate in affairs of cooperatives depending on their size of contribution. It is recommended to improve the management regulations of cooperative managers, clarify the target responsibilities and obligations, and combine managers' compensation with the profits of coopera-

tives^[8] so that they can contribute greater to cooperatives.

5.2 Fair allocation The allocation system involves the vital interests of the members of the cooperative. It is the starting point of all actions and the key to the stable development of the cooperative. It is recommended to implement the allocation principle of *Law of the People's Republic of China on Farmers' Specialized Cooperatives*, the profit of cooperatives should be returned according to transaction volume of members with cooperative, and the total amount of return should not be lower than 60% of distributable profit. Besides, a certain proportion of profit should be withdrawn as cash award to contributors, while the fund support of government and the society will be equally allocated to farmers as investment amount.

5.3 Improving the external support mechanism Since the relevant collective policies and regulations are not perfect, it is required to strengthen the construction of external mechanisms that are favorable for the development of cooperatives. At present, the *Law of the People's Republic of China on Farmers' Specialized Cooperatives* becomes not adapted to the demands of practice of cooperatives, it is urgently required to improve and revise the law, and regulate the operation entities and content. On the one hand, it is recommended to enrich the content of the cooperative law and incorporate different forms of cooperatives into the legal system. On the other hand, it is recommended to improve the specific legal rules of cooperatives, prevent alienation of cooperatives, and create an external environment favorable for the development of cooperatives.

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