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# Developing Status of Specialized Farmers Cooperatives

—Based on the Investigation Data of 162 Villages in Sichuan Province, China

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**Abstract** Concepts of Specialized Farmers Cooperative (cooperative) and Peasants' Specialized Cooperative Economic Organization (Specialized Cooperative Organization) are introduced. Specialized Cooperative Organization having no independent status of legal person is taken as the reference object when studying on the village level cooperative. Taking a total of 162 villages in 12 cities as data sources, data investigation is carried out in the form of questionnaire and interview. Development status of Specialized Farmers Cooperatives in sample sites is introduced. On the whole, more than 20% of the sample sites have set up cooperatives, with an average of 0.23 new cooperative in each village, indicating that the coverage rate of cooperative is low. According to the leaders, development modes of cooperative and Specialized Cooperative Organization are divided into 7 types. Among them, "village committee + Specialized Cooperative Organization + peasant household", "base + Specialized Cooperative Organization + peasant household", and "Specialized Cooperative Organization + peasant household" are 3 major modes in sample sites. And "company + cooperative + peasant household" is the main operation mode of the newly established cooperative. Investigation data shows that new cooperative is significant superior to Specialized Cooperative Organization in offering relevant services. Most of the village cadres keep a positive attitude about the function of Specialized Cooperative Organization; and almost no village cadre thinks that the function of cooperative or Specialized Cooperative Organization is very poor. A total of 43.83% of people interviewed believe that the lack of government support is the primary difficulty in the development of cooperative. Based on this, relevant suggestions are put forward to promote the development of cooperative. Firstly, actively promote the implementation of the *Law of Cooperatives*. Secondly, strengthen the supervision of cooperatives. Thirdly, positive effect of rural basic party organizations and village committees should be closely combined with local economic development and cooperative construction.

**Key words** Specialized Farmers Cooperative; Development status; Peasants' Specialized Cooperative Economic Organization; China

## 1 Problems put forward

The *Law of the People's Republic of China on Specialized Farmers Cooperatives* (short for *Law of Cooperatives*) has been implemented since July 1, 2007, regulating that Specialized Farmers Cooperative (cooperative) is a mutual economic association voluntarily associated and democratically managed by the production managers of similar agricultural products, or the providers and users of similar agricultural production and management service, based on household contract management. Peasants' Specialized Cooperative Economic Organization (Specialized Cooperative Organization) refers to the economic and technology organization of certain profession or product with peasants as the main members based on household contract management. It is organized by the principle of voluntary, self-reliance and mutual aid, with mutual cooperation in technology, capital, purchase, sale, processing, storage, transportation and other links<sup>[1]</sup>. After one year's implementation of the *Law of Cooperatives*, cooperative legal person comes into emergency under the support of central and local party committees and governments. Various specialized cooperative organizations began to change into cooperatives having the independent status of legal person. In the areas without peasants' cooperative economic organization, a group of Specialized Farmers Cooperatives are established according to the *Law of Cooperatives*.

In the period from the reform and opening up to the year 2006, scholars conducted many researches on Specialized Co-

operative Organization represented by the Specialized Farmers Cooperative; and a number of achievements were made. After the implementation of the *Law of Cooperatives* in the year 2007, scholars have paid more attention to the cooperatives; and the research depth is increasing. At present, scholars conduct further study on governance mechanisms, performance and other issues of cooperatives by using analysis tools from various aspects such as institutional economics. For instance, Huang Shengzhong, Lin Jian and Xu Xuchu estimate the performance of Specialized Farmers Cooperative by the Ordered Probability Model taking profit ability, member satisfaction and growth ability as the variables<sup>[2]</sup>. According to the problems in the practice of Specialized Farmers Cooperatives in China, Ren Dapeng and Guo Haixia analyze the contradictions and relationships between idealism and realism of cooperative system from the perspective of collective action theory<sup>[3]</sup>. Luo Dongmei, Zhen Jiangang and Zhang Dongyan analyze the Specialized Cooperative Organization in rural areas by transaction cost theory and institutional change theory, taking the Licai vegetable cooperative in Qing County, Hebei Province, China as an example<sup>[4]</sup>. Although there are many researches on cooperatives, many of them are focused on the cooperative itself. And there are relatively few researches pay attention to government, farmer, cooperative manager and cooperative member<sup>[5]</sup>.

## 2 Selection of sample

Sichuan is one of the earliest provinces developing Rural Cooperative Economic Organization. In recent years, development of Rural Cooperative Economic Organization is particularly rapid. Statistics of Sichuan Province Agricultural Department

show that at the end of 2007, Rural Cooperative Economic Organizations in Sichuan Province grow to a total number of 15 761, with an average of 0.31 organization in each administrative village and a total member of 2 980 thousand households, accounting for 15.1% of the total peasant households in Sichuan Province. Participating peasant households are 9 060 thousand in all, accounting for 45.8%.

Members of Specialized Cooperative Organizations are mainly from villages and towns. Some of the legal persons of Specialized Farmers Cooperative are developed from the original Rural Cooperative Economic Organization. Therefore, we take Specialized Cooperative Organization having no independent status of legal person as the reference object when studying on the cooperative at village level.

According to the different development degrees of rural economy, a total of 162 villages in 12 cities (Ya'an, Leshan, Luzhou, Yibin, Zigong, Neijiang, Deyang, Suining, Nan-chong, Dazhou, Guangyuan and Bazhong) are selected as da-

ta sources. Economic development of Chengdu City is far better than that of other cities; and Ganzi and Aba are extreme backward in economy. Therefore, these three cities are not selected into the data source. Investigation on cadres of 162 villages is conducted from July to August, 2008 in the form of questionnaire and interview. Data in this paper are all from this investigation without specification.

### 3 Development status of Specialized Farmers Cooperative in sample sites

**3.1 Overview of development** According to the investigation, development status of Specialized Farmers Cooperative in sample sites is good, but its coverage rate is low. Before July 1, 2007, number of villages having Specialized Farmers Cooperative is 81, and that having no Specialized Farmers Cooperative is the same (Table 1).

**Table 1 Development status of Specialized Farmers Cooperative in sample sites**

Type	Number of villages	Number of Specialized Cooperative Organization	Number of villages newly establishing cooperative	Number of newly established cooperatives
Villages having Specialized Farmers Cooperative	81	112	26	27
Villages having no Specialized Farmers Cooperative	81	0	10	11
Total	162	112	36	38

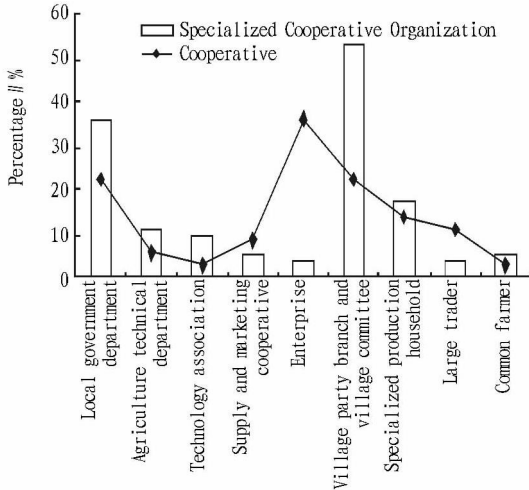
From July 2007 to July 2008, there are in all 36 villages that have established Specialized Farmers Cooperative according to the *Law of Cooperatives*, accounting for 22.22% of the total sample villages. Among the villages having Specialized Farmers Cooperative, 32.10% (26) villages have set up the cooperative. Cooperative number newly established (27) in these villages accounts for 71.05% of the total cooperatives newly established. Among the villages having no Specialized Farmers Cooperative, only 12.35% (10) villages have established a total number of 11 cooperatives, accounting for 28.95% of all the newly established cooperatives. On the whole, more than 20% of the sample sites have set up cooperatives, with an average of 0.23 new cooperative in each village. After more than a decade's development, there is 0.31 Specialized Cooperative Organization on average in each village; 0.23 cooperative in each village in sample sites. And most of the sample sites have not yet established cooperative, indicating that the coverage rate of cooperative is still low.

**3.2 Sponsor and mode selection** According to the leaders, development modes of cooperative and Specialized Cooperative Organization are "base + Specialized Cooperative Organization + peasant household", "agriculture technical department + Specialized Cooperative Organization + peasant household", "technology association + Specialized Cooperative Organization (association) + peasant household", "supply and marketing cooperative + cooperative + peasant household", "company + cooperative + peasant household", "company + Specialized Cooperative Organization + peasant household", "village party branch and village committee +

Specialized Cooperative Organization + peasant household" ("branch + association + peasant household"), and "Specialized Cooperative Organization + peasant household". Sponsors of the cooperative and the Specialized Cooperative Organization are usually more than one type. Generally speaking, leaders of the Specialized Cooperative Organization are usually also the sponsors. Therefore, research on the sponsors of the new cooperative and the Specialized Cooperative Organization can help to find out their operation modes.

Research object and reference object of this paper are cooperative and Specialized Cooperative Organization at village level, respectively. Investigation shows that the sponsor of village-level cooperative has changed compared with Specialized Cooperative Organization, with the significant characteristics of enterprise actively participating in the initiation of cooperatives. Fig. 1 shows that before the implementation of the *Law of Cooperatives*, village party branch and village committee (53.09%), local government (35.80%) and specialized household (17.28%) were the major sponsors of Specialized Cooperative Organization at village level. Agriculture technical department (11.11%) and technology association (9.88%) also played a certain role in the initiation of Specialized Cooperative Organization. However, supply and marketing cooperative (4.94%), enterprise (3.70%), large trader (3.70%) and common farmer (4.94%) were not enthusiastic about the initiation work and rarely participated in it. Thus, the major operation modes of village-level Specialized Cooperative Organization in sample sites are "village party branch and village committee + Specialized Cooperative Organization + peasant house-

hold", "base + Specialized Cooperative Organization + peasant household", and "Specialized Cooperative Organization + peasant household". The mode of "agriculture technical department/ technology association + Specialized Cooperative Organization + peasant household" has also been confirmed.



Note: The percentage is 81 in column of Specialized Cooperative Organization (village number of Specialized Cooperative Organization); the percentage is 36 in column of cooperative, the same as follows.

Fig. 1 Types of sponsors of the cooperative and the Specialized Cooperative Organization

After the implementation of the *Law of Cooperatives*, enterprises have become the main sponsor of the Specialized Farmers Cooperative, participating in the initiation of 36.11% cooperatives in rural areas. Village party branch and village committee (22.22%) and local government (22.22%) are still the main driving force. Participation degrees of specialized household (13.89%), large trader (11.11%) and supply and marketing cooperative (8.33%) have improved, while those of agriculture technical department (5.56%), technology association (2.78%) and common farmer (2.78%) have reduced. Thus, in the newly established cooperatives, "company + cooperative + peasant household" is the main operation mode. And the two modes of "village party branch and village committee + cooperative + peasant household" and "base + cooperative + peasant household" are well recognized. In addition, "supply and marketing cooperative + cooperative + peasant household" and "cooperative + peasant household" dominated by the supply and marketing cooperative, specialized household and large trader has made new headway.

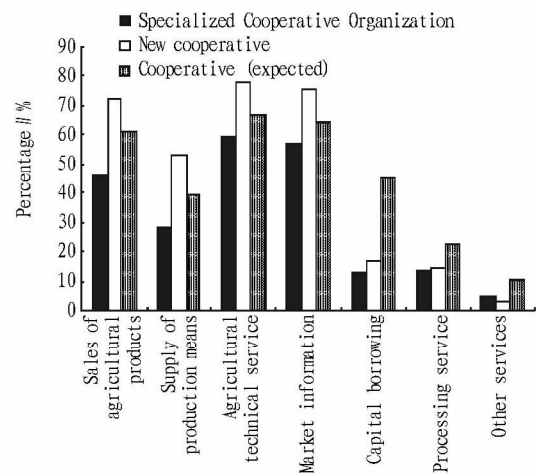
Sponsor subject of cooperative has changed. Companies have actively participated in the initiation of cooperatives, and have become the main sponsor of Specialized Farmers Cooperative. Representative enterprises of "company + cooperative + peasant household" are Sichuan Gaojin Food Co., Ltd., Longsheng (Group) INC. and so on. Reasons for these enterprises to participate in the construction of legal person of cooperative are various, which are building a reliable support base of raw materials, reducing transaction costs with farmers and

saving transaction expense, enjoying preferential taxation, national policy and so on, and bringing direct economic benefits for the enterprise.

**3.3 Service type** Specialized Cooperative Organization usually offers various services including market information, sale of agricultural products, sales of agricultural products and supply of the means of production<sup>[6]</sup>. According to the investigation result, these are main tasks for both the cooperative and the Specialized Cooperative Organization. Theoretically, cooperative can provide a better service for members due to its legal personality<sup>[6]</sup>.

According to the investigation data, services offered by newly established cooperative are far better than those by Specialized Cooperative Organization, such as agricultural technology, market information, agricultural marketing, and supply of production means. This fully indicates that service of cooperative is superior than that of Specialized Cooperative Organization.

Fig. 2 illustrates that in the aspects of sales of agricultural products, supply of production means, agricultural technical service and market information service, expectation of people interviewed is lower than the service provided by cooperative, indicating that the newly established cooperatives can meet the needs of rural residents. However, in the aspects of capital borrowing, processing service and other services, expectation of people interviewed is higher than the service level of cooperative and Specialized Cooperative Organization. Thus, it is necessary to strengthen the funds and credit function of Specialized Farmers Cooperative, as well as to establish a special rural cooperative financial organization.



Note: The percentage is 162 in column of cooperative (expected); cooperative (expected) refers to the service type that people interviewed would like to receive.

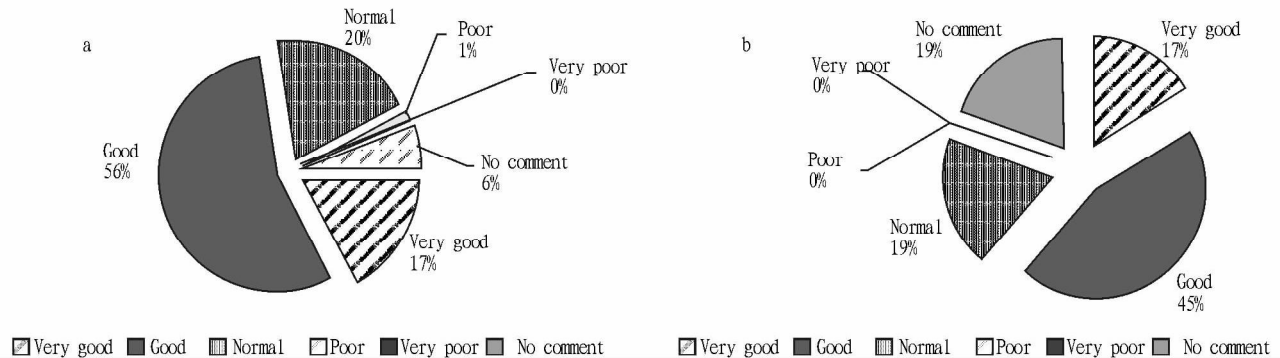
Fig. 2 Statistics of service type of cooperatives

**3.4 Evaluation on the function of cooperative** According to the development practice, Specialized Cooperative Organization has played a certain role in promoting agricultural industrial management and peasants' income, which makes a positive contribution to local rural economy and farmers' income<sup>[7]</sup>.

Fig. 3 indicates that 73% of rural cadres in villages having Specialized Cooperative Organization keep a positive attitude

about the function of local Specialized Cooperative Organization; 63% of rural cadres in villages with newly established cooperative keep a positive attitude about the function of cooperative; and 20% of the cadres think that cooperative and Specialized Cooperative Organization just play a normal role in the development of village. Because some village cadres lack a deep understanding of the cooperative, village cadres having no

comment on cooperative accounts a higher proportion (19%) than those having no comment on Specialized Cooperative Organization (6%). It is worth while to note that almost no village cadre thinks that the function of cooperative or Specialized Cooperative Organization is very poor, indicating that the two are popular among village cadres and the function of cooperative is fully affirmed.



Note: a and b mean Specialized Cooperative Organization and cooperative, respectively.

**Fig.3 Effects of cadres investigated on the cooperative and Specialized Cooperative Organization**

**3.5 Difficulties in the development of cooperative** Party committees and governments at central and local levels have attached great importance to cooperative, which is an important organization to promote the agricultural industrialization and peasants' income. But the coverage rate of cooperative is still low, which might be caused by the low cognition degree of village cadres and rural residents and the development restriction of cooperative due to local industry. A total of 75.31% of people interviewed think that cooperative should be established in order to promote the development of local economy; 17.28% of people don't think they need cooperative; and 7.41% have no comment. In villages having Specialized Cooperative Organization, 77.78% of people interviewed think that cooperative should be established, which is higher than the villages having no Specialized Cooperative Organization (72.84%).

ernment has established polices to support the development cooperative; 37 cadres say there is no relevant polices; and 50 people don't know much about it. This indicates that during participating in cooperative, farmers don't thoroughly understand the meaning of cooperative regulated by the *Law of Cooperatives*, so that they are doubt about cooperative. Nearly 20% – 30% of people interviewed argue that no good leader or promising industry is also the problem in the development of cooperative. In the villages having no Specialized Cooperative Organization, 41.98% of people believe that difficulty in the development of cooperative is mainly the lack of promising industry, which is higher than that in the villages having Specialized Cooperative Organization (24.69%), indicating that development of cooperative is restricted by the development of local agricultural industry. No good leader means lack of management personnel or talent with the spirit of devotion. Therefore, how to make management personnel actively participate in the construction of cooperative is another problem during the development of cooperative at present.

Table 2 reports that a total of 43.83% of people interviewed believe that the lack of government support is the primary difficulty in development of cooperative. Moreover, among the village cadres interviewed, 75 cadres think that local gov-

**Table 2 Difficulties in the development of cooperative**

Type	Hard to pulling together	No good leader	No promising industry	Lack of government support	Little profits	Peasants don't know how to organize and develop	No comment
Villages having Specialized Farmers Cooperative	41.98	14.81	24.69	44.44	18.52	25.93	12.35
Villages having no Specialized Farmers Cooperative	43.21	19.75	41.98	43.21	12.35	35.80	6.17
Total	42.59	17.28	33.33	43.83	15.43	30.86	9.26

It can be concluded that in villages having Specialized Cooperative Organization, cadres and the masses have certain knowledge about the Specialized Cooperative Organization. Meanwhile, agricultural industry takes its first step forward and has the basic conditions for the establishment of cooperative le-

gal person.

**4 Countermeasures**

In a word, since the one year's implementation of the *Law of Cooperatives*, cooperative in different villages has developed

rapidly and has won great acclaim from village cadres. Company has become an important initiator of cooperative; and the mode of "company + cooperative + peasant household" is adopted by many cooperatives. However, the coverage rate of cooperative is low at present; and cooperative has encountered some difficulties and new problems during its development. Therefore, suggestions are put forward in order to promote the development of cooperative.

(1) Local party committees and governments at different levels should all actively promote the implementation of the *Law of Cooperatives*. Different areas should continue to promote the propaganda work of the *Law of Cooperatives*, implement measures from the *Law of Cooperatives* in order to support the development of cooperatives, and raise farmer's awareness level of cooperative.

(2) Supervision department of cooperative should strengthen the supervision of cooperatives, improve the internal governance mechanisms of cooperative, and safeguard the interests of most members of cooperatives. Especially in the mode of "company + cooperative + peasant household", dominant position of farmers should be made clear in the management of cooperative<sup>[6]</sup>.

(3) During the development of cooperative, positive effect of rural basic party organizations and village committees should be closely combined with local economic development and cooperative construction, in order to promote the development of cooperative and the development of local economy.

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## 农民专业合作社的发展现状研究——基于四川省 162 个村的调查数据

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**摘要** 理清了农民专业合作社(合作社)和农民专业合作经济组织(专合组织)的概念。选择不具有独立法人地位的专合组织作为研究村级合作社的参照对象,以中国四川省 12 个市的 162 个村作为数据来源区域,采用问卷与访谈形式开展数据调查。介绍了样本地农民专业合作社的发展状况。从整体看,样本地有 20% 以上的村新建了合作社,平均每村新建农民合作社 0.23 个,这说明合作社目前的普及程度不高。根据主导者的不同,将专合组织与合作社的发展模式归纳为 7 类。其中,“基地+专合组织+农户”、“村两委+专合组织+农户”、“专合组织+农户”3 种模式是样本地村级专合组织的主要模式;“企业+合作社+农户”是新建合作社的主要运作模式。调查数据显示:新建合作社在提供相关服务方面明显优于专合组织;大部分村干部对于专合组织与合作社所起的作用给予了充分肯定,认为专合组织或合作社没起作用的几乎没有;43.83% 的受访者认为“政府支持力度不大”是合作社发展的首要困难。基于此,提出了促进合作社发展的相关对策建议。一是积极推进《合作社法》的实施工作;二是加强合作社的监管工作,促进合作社内部治理机制的完善;三是借助农村基层党组织和村民委员会的积极作用,将合作社建设与地方经济建设结合起来。

**关键词** 农民专业合作社;发展现状;农民专业合作经济组织