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The Obstacles, Paths and Mechanisms of the Sustainable Development of Farmers' Cooperatives in Hebei Province

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Abstract Based on the description of the major role played by farmers' cooperatives in developing rural economy and in increasing the income of farmers, the obstacles of the sustainable development of farmers' cooperatives in Hebei Province are introduced. Firstly, the cooperative mechanism is imperfect; secondly, the development is substandard; thirdly, the coverage of preferential policy is limited; fourthly, the capitals and financing problem are difficult; fifthly, the operation is single; sixthly, the construction of marketing channels is the weak; seventhly, the professional talents are scarce. The sustainable development paths of farmers' cooperatives in Hebei Province are analyzed. Firstly, conducting value-added processing and taking the way of materialized development, industrialized operation and enterprise-style management; secondly, implementing agricultural quality and brand strategy and moving into the high level market; thirdly, constructing modern agricultural marketing and taking the road of supermarket agriculture; fourthly, enforcing the management of information and getting efficiency from information; fifthly, developing recycling agriculture and taking the way of improving resource efficiency. There are five ways for establishing the operational mechanism of sustainable development of farmers' cooperatives in Hebei Province. The government should innovate the cooperation mechanism; innovating training and education mechanism; innovating production mechanism; innovating financial mechanism; innovating marketing mechanism.

Key words Farmers' cooperatives, Obstacle analysis, Path choice, Mechanism innovation, China

As a new market subject, farmers' cooperatives are an effective way of promoting the integration of resources, enhancing the operational level of agricultural industrialization and speeding up the construction of new village. In the January 1st of 2010, when investigating the cooperatives of planting black mushrooms in Liqizhuang, Liqizhuang County, Langfang, Hebei Province, the General Secretary of the CPC Central Committee HU Jin-tao emphasized that farmers' professional associations played an extremely important role in the development of rural economy. He encouraged the farmers to seize the favorable chance and exploit their advantages in geography to perfect the farmers' cooperatives. He pointed out that the farmers' cooperatives should further enlarge the production scale, improve the quality of agricultural products and contribute much more to the development of rural economy and improvement of farmers' income^[1]. Under the strong support of the party and state leaders, there are 210 000 farmers' cooperatives in all throughout the nation, among which 11 163 are distributed in Hebei Province. The number of the total households in Hebei Province ranks sixth in China and increases rapidly^[2]. However, comparing with the developed countries and some developed provinces in China, the development of farmers' cooperatives in Hebei Province is still in the primary and immature stage. Therefore, it is necessary to analyze and discuss the factors,

which hinder the development of cooperatives from the all-directional and multiangle perspectives at the strategic level. Besides, it is worthwhile breaking the barriers which restricting the development of rural cooperatives, expanding the income sources and pushing the institutional innovation so as to form an effective operational mechanism and positively promote the sustainable development of farmers' cooperatives.

1 The obstacles

1.1 Imperfect cooperation mechanism Although farmers' cooperatives have achieved scale operation to some degree after the cooperation of peasant households in the initial stage, the scale operation does not have great influences, for the lack of the cooperation and unification among cooperatives in the second stage. Most of the farmers' cooperatives in Hebei Province are limited in the area of counties, and they only attract local peasant households rather than cooperate with other cooperatives of the same type. The limitation of farmers' cooperatives is prevalent in Hebei Province. Hence, the paths for developing farmers' cooperatives by breaking regional barriers, mutual assistance and mutual development are rare in Hebei Province.

1.2 Substandard development 2 884 cooperatives are normally managed, identified by agricultural department, which account for 25.8% of the total amount. In terms of management mechanism, the relationship between cooperatives and farmers is just like the relation between buyers and sellers. The connection of interests between farmers and cooperatives is not close enough, so farmers can not increase their income signifi-

Received: March 27, 2010 Accepted: May 24, 2010

Supported by the 2009 Soft Science Research Project of Hebei Science and Technology Department.

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cantly through attending farmers' cooperatives. In the specific process of purchases and sales, 3 027 farmers' cooperatives purchase production goods according to the demands of farmers' cooperatives law; 4 028 farmers' cooperatives, accounting for 36% of the total number of the cooperatives, sell their agricultural products uniformly; 3 237 farmers' cooperatives, accounting for 29% of the total number of the cooperatives, take provident fund and public welfare fund in accordance with rules. The data show that the development of farmers' cooperatives is irregular and the awareness and capabilities of avoiding risks need strengthening. In 2009, the distributable surplus is 8 227.70 million yuan, among which 3 035 farmers' cooperatives, accounting for 26% of the aggregated number of farmers' cooperatives, have got the incomes returned according to the volume of business, which indicates that most farmers' cooperatives do not return the incomes according to the law and the capability of getting profits are poor. As a result of the poor capabilities of getting profits, the attractions of farmers' cooperatives will decrease, which has a grave impact on the sustainable development of farmers' cooperatives.

1.3 Narrow coverage of support policy In 2009, there were 672 farmers' cooperatives got the governmental support funds in Hebei Province, accounting for 6% of the total 11 163 farmers' cooperatives at the end of 2009. Most farmers' cooperatives can not obtain the support funds. The amount of various kinds of support funds is 107.356 million yuan in the aggregate and the average amount of the supported cooperatives is 9 212 yuan. At the same time, the support funds are mainly used in production stage of cooperatives, while few funds are invested in incentive policies and assistant measures at the marketing stage. Therefore, the support in terms of loan and facilities from the government need improving through comparing the obtained governmental support with farmers' expected support. As the main subject of projects, farmers' cooperatives participate in the national construction of agricultural infrastructure. However, they still have long way to go to become the new subject and new carrier for the research and promotion of new agricultural technology, the standardization of agriculture, the logistics and transportation of agricultural products, the comprehensive use of the intensification of agricultural machines.

1.4 Difficulties in funds and financing During the process of constructing infrastructure and expanding market, farmers' cooperatives can not work without enough funds. But at present, the cooperatives start late and the accumulation of funds is poor, so farmers are reluctant to take the risk of investment. According to the survey, 91.67% of the cooperatives in Hebei Province have the problem of inadequate funds. As a result of the high threshold of mortgage and pledge loan of banks or other financial institutions, the high interests of some small rural loan companies as well as the absence of financial support from the related financial department, most farmers' cooperatives do not have much registered capitals, few possessions can be used to mortgage and it is difficult for them to get loan timely. There are many restrictions of the rural financial institutions on the credit services of farmers' cooperatives, for example the

serious problems of unsystematic, unbalance and inadequate financial services^[3]. However the internal mutual assistances of farmers' cooperatives are characterized by small-scale and obvious seasonal features, so their functions are not so evident. By the end of 2009, 314 farmers' cooperatives in Hebei Province have taken part in the mutual assistant groups of collecting funds, accounting for 2% the total amount of the cooperatives. However, due to the subjects are all local residents and the population is small, the cooperatives can only absorb small amount of funds and lend small amount of money as well. In addition, caused by the seasonal features of agricultural products, the seasonal features of deposit and loan are evident as well. Sometimes the adequate funds meet with inadequate loan demands or inadequate funds come across brisk demands of loan. The difficulties in operating the money of cooperatives lead to the unhealthy information platform, insufficient operation equipment, slow promotion of advance technology and the like, becoming the stumbling block for the sustainable development of farmers' cooperatives.

1.5 Single operation In the existing farmers' cooperatives, 4 580 of them undertake plant industry, 3 895 undertake livestock breeding industry and the cooperatives of the two industries account for 76% of the total number of cooperatives; 492 cooperatives undertake service industry, accounting for 4.4%; 3 056 cooperatives undertake the processing entities, accounting for 8.7%. The above mentioned data indicate that the farmers' cooperatives in Hebei Province mainly ran the traditional agriculture and most products are primary products. Without specialized facilities leads to the low technological content of products, narrow chance of entering market and difficulty in earning added value of agricultural products. Inadequate understanding on the modern agriculture, which is characterized by rich agriculture resources, large agriculture and big market, the farmers' cooperatives limit their own development. The degree of combining the farmers' cooperatives with the tourism, sightseeing, photography industry, as well as the industries of sales, processing, storage, transportation and the like is not high.

1.6 Poor construction of marketing channels The repeat brand construction of agricultural products in farmers' cooperatives in Hebei Province is small and complex, which can not gain recognition and popularity in markets. The cooperative mechanism in the construction of marketing is absent and the competence in marketing is poor. From the perspective of market channels of products produced by farmers' cooperatives, the main modes of sale are wholesale and self-consumption of the members in the cooperatives. Thus most profits flow into the middleman. The market channel limits the sales of agricultural products and the expansion of farmers' cooperatives^[4]. For example, vegetable production in Hebei Province stably ranks second all over the nation, besides, per unit yield and per capita rank first in China. However, among the 17 vegetable brands of the 196 Chinese famous brand agricultural products chosen through public appraisal by the agricultural ministry in 2006 and 2007, none of them is from Hebei Province, which is in incon-

formity with the position of big vegetable production of Hebei Province. At present, there are many brands of vegetables in Hebei Province and the registered vegetable brands have come to 199 all over the province. Among these brands, more than 90% are produced by loosely organized farmers' cooperatives, so the universal power is weak, the infrastructure is poor and the scale of the products is small. Therefore, the competence of constructing brands is inadequate; the advantages of products are hard to form; the intensive and scale-based development is hard to realize^[5].

1.7 Insufficient specialized personnel According to the Farmers' Cooperatives Law: "Farmers must take more than 80% of the total amount of the members in farmers' cooperatives". However, most of the farmers in the cooperatives in Hebei Province are aged people, so their educational backgrounds are poor and their senses of cooperation, market and risk are weak. Most of them only want to enjoy the profits rather than share the risks, let alone producing in accordance with the international or national quality standards and joining in the competition in the international market by applying the WTO rule. Thus the existing management level of cooperatives is rather lower and relies on training alone can not meet the demands of development. The shortage of professional personnel has limited the development of cooperatives, so in order to ensure the further developments of cooperatives, the all-round talents, who are experienced in managing, marketing, are badly needed.

2 The path choices

2.1 The cooperatives should conduct processing to add value and take the road of sustainable development, industrial operation and entrepreneurial management

In response to increasingly severe market competition and challenges, farmers' cooperatives can get funds from the government and other sources, and enter the virtuous circle, only by tamping their foundation and expanding their scale. Therefore, the government should encourage members in the cooperatives, which have sound foundations and relatively large scale, to purchase the stocks of the cooperatives; construct the economic entities of processing and selling with great influences and large profits; establish the model of "enterprise-cooperative-peasant household" and develop the entity-type cooperatives with the functions of producing and selling; let the cooperatives and farmers enjoy the maximum profits arising from the process of processing and selling^[6].

As for those small-scale and late coming farmers' cooperatives, the model of "enterprise-cooperative-peasant household" should be adopted as well, out of the demands of agricultural market competition. Adopting the model is beneficial to accelerating the combination and integration between small cooperatives and the pillar enterprises. The small-scale and late coming farmers' cooperatives should be operated according to the requirements of pillar enterprises. That is to say, the small-scale and late coming farmers' cooperatives should organize the farmers to produce according to standards; expand the

scale of production and operation and take the road of integration production, processing and selling. According to the pattern of industrial operation, the small-scale and late coming farmers' cooperatives should build the industrial system of special agricultural products; enhance the consistence of quality and boost the large-scale production.

The cooperatives should mirror the management models of company limited, stock and stock cooperative enterprises, actively training and introducing management personnel, carrying out scientific management and guiding the interest connection mechanism between cooperatives and farmers in the last. The cooperatives should set up the mutual interest entity, featuring "sharing interests and risks", and ultimately achieving the growth of farmers' cooperatives and the increase of farmers' income.

2.2 The cooperatives should carry out the strategy of quality and brand to enter the high level market

Currently, the market-oriented economy has entered a brand competition period and the brand strategy is one of the important indicators of enterprises' operation. An American scholar once said that: "Occupying the market is more important than possessing a factory and the sole way of occupying the market is to possess the leading brand in the market". Most of the products sold by the farmers' cooperatives are agricultural products for everyday consumption and those kinds of products are characterized by continuity, so it is of great importance for creating the brand. At the same time, China has entered the new stage of constructing the all-around well-off society, people's consumption has transited from pursuing adequate food and clothing to pursuing nutritious and healthy foods, so the quality and brand of agricultural products are paid much attention to. Therefore, the market expansion and income increase of the cooperatives must be based on the agricultural scale, supported by technology, guaranteed by high quality and ensured by famous brands. The cooperatives should improve the popularity of agricultural products by promoting their brands, and ensuring the stable sales volume and smooth sales channels. So the farmers' cooperatives need to perfect the management criteria; rely on technological superiority; standardize high quality products; produce green and pollution-free products; control each process of producing by strict management and ensuring the features and quality of agricultural products. In addition, the cooperatives should carry out authentication of pollution-free base; pollution-free products and green foods based on the application on the brand with special local characters, and further enforce the unified logo, classification and package of cooperatives' agricultural brands. The agricultural brands can be developed and popularized by promoting them, and then improve the recognition and reputation of the brand image by media commercials, exposition, investment fairs, internet marketing, special reports, trade fairs, and a variety of promotions and public relations.

2.3 The cooperatives should construct the modern agricultural marketing and take the road of supermarket agriculture Comparing with the two links of "production" and "marketing", "marketing" is the weak part. The farmers' co-

operatives need further converse the traditional ideal of marketing and take the high efficiency of selling agricultural products as the top priority. The main way of realizing the high efficiency is connecting the agriculture with the supermarkets, and selling the high quality products to chains of supermarkets directly. The models have the ensuing advantages. They can greatly curtail the process of circulation and add the increase of farmers; connect with the pillar enterprises and distribution centers of logistics of large-scale agricultural products, and provide stable sales channels for agricultural products; establish chains and outlets of agricultural products produced by large-scale cooperatives and united cooperatives in cities and communities. The chains and outlets not only provide convenience to the consumers but also ensures the safety and economy of the whole process from production to marketing, besides, they can also push the improvement of food marketing model of various kinds of processed foods of the whole agricultural products.

2.4 The cooperatives should enforce the information management and take the road of high informational efficiency Facing the changes of natural disasters and market demands, the management of agricultural information must be greatly improved through the support and guide of policies. For one thing, the government should guide and assist the farmers' cooperatives to equip with computers and connect with the Internet in order to widen the information channels of farmers. For another thing, the government should further perfect the information platforms, such as the Hebei agricultural information network, the farmers' channel of Hebei Television and so on, to continuously increase the value of information. The related departments in Hebei Province should further strengthen the statistical and publication of information so as to help farmers to forecast the market. For example, by referencing the numbers and prices of the porkets in the past seasons and the latest statistics of porkets, farmers can forecast the market. Likewise, through timely statistical of the numbers of the seeds of Chinese cabbages, farmers can make a primary forecast on supply and demand, in order to help the cooperatives to avoid various kinds of risks and to increase the economic efficiency.

2.5 The cooperatives should develop the recycling agriculture and take the road of high efficiency of resources

The cooperatives should develop the recycling agriculture and enforce the sustainability of resources. For example, the cooperatives process the odds and ends of organic vegetable to feed cows, and discover the way of "planting vegetable-processing-cows-organic fertilizer-planting vegetable"; through deep processing and intensive utilization, the cooperatives change the waste straw into pellet feed, fine arts and raw materials for making marsh gas and organic fertilizer; some cooperatives make full use of local resources of straw by organizing women to make ornamental handmade crafts such as fans and the like to export. Besides, some farmers combine the livestock industry to the model and set up the "marsh gas cooperatives", and then the virtuous cycle model of "husbandry-marsh gas-feed (fruits and vegetables)-husbandry" is formed. The above methods have greatly reduced the costs of the raw

materials; explored the income sources of cooperatives; significantly increased the economic efficiency of cooperatives and guaranteed the sustainable development of resources.

3 The construction of the operational mechanism for the sustainable development of famers' cooperatives in Hebei Province

To expand the channels of the development of cooperatives and the channels of increasing farmers' income, the government must eliminate the systematic obstacles, promote the innovation of system and form an operational mechanism for the sustainable development of farmers' cooperatives, and lay the foundation of system for the development of farmers' cooperatives.

3.1 Innovating the cooperative mechanism The governments should enforce the cooperation among farmers' cooperatives, and the cooperation among the mutual help of farmers' cooperatives and other industries based on the existing cooperation of farmers' households.

3.1.1 The government should lead the farmers' cooperatives to realize unification from the vertical and horizontal directions.

From the vertical direction, each specialized cooperative in the industrial chains can be united to establish an integrated business organization. In the horizontal directions, the administrative regional limitation must be broken through and the development of regional farmers' united cooperatives ranging from towns, counties and cities should be greatly improved, in order to realize the unification of the farmers' cooperatives of the same type, and then enlarge the scale to realize the aim of scale merit. The united cooperatives spread the influences of their brands and improve their capabilities of sustainable development through uniform standard and integrated resources. For example, in 2010, the Hebei Province plans to launch a united cooperative by combining with the same type cooperatives in the same region, in order to enforce the discourse power and bargaining ability in markets and improve their competition in the national market.

3.1.2 The government should encourage the farmers' cooperatives to develop by integrating with other industries. For example, encouraging the farmers to make full use of the leisure and sightseeing platform of agritainment, or establishing agritainment cooperatives directly. Through the cooperation among different kinds of industries, farmers' cooperatives integrate the catering services, agricultural planting and breeding, tourism, harvesting, and other industries. Moreover, farmers' cooperatives open new developmental space to realize the mutual benefits of various kinds of industries.

3.2 Innovating the training and educational mechanism Training and information service are vital principles determined by the International Cooperative Alliance. Like defense education, health education, moral education, environment education, the cooperation education has been identified as the EFA (education for all) project in many countries. Cooperative is a

social university, people can get economic benefits from it, more importantly, it is helpful for the members to obtain satisfaction in terms of democratic management and social justice. Currently, in view of the shortage of talents of the cooperatives, education and training in cooperatives must be strengthened. From the long-term point of view, the cooperation education should be listed in the EFA project gradually on the basis of the experimental unit. To be specific, the common textbooks and special research results should be ushered into classes of different levels, and the cultivation of cooperative spirit should be included in all the developmental plan of social organizations. The history and the reality have proven that the promotion of cooperative spirit is helpful for the rise of great powers. In the new era, the innovation of cooperation education should be put into practice by the following two aspects.

3.2.1 Determining varying training and education according to different objects. The education on members of cooperatives should be based on the basic knowledge of cooperatives. The related departments should promote, educate and train farmers, who are seeking for safeguard eagerly in the massive agricultural market. The related departments should attach much attention to the nature, purpose, functions, rights and obligations of members and the members' interests of farmer's cooperatives. In addition, the physical education and technology education of members should be provided, so as to mobilize them to participate in farmers' cooperatives and enhance the competitiveness in the market and quality of life. As for the leaders in cooperatives, the education on the basic knowledge of farmers' cooperatives, other professional knowledge and the history, status and the developmental strategies of farmers' cooperatives should be enforced so as to effectively enhance the management capacity and technical level of them. As well as lay systematic theory system for their plans of expanding the cooperatives. Besides, it is helpful for the leaders to clarify the future developmental directions, enhance their all-around qualities, and transits from the farmer experts in planting and feeding to farmer enterprises. The education on the staff of farmers' cooperatives, including financial and marketing personnel, mainly focuses on the basic theory and operational skills. The education on other farmers mainly focuses on model education, in order to attract their attention on farmers' cooperatives, and then achieve the goal of increasing the overall strength of farmers' cooperatives. The education on the civil services related to farmers' cooperatives mainly focuses on the basic knowledge and enables them to adopt appropriate methods, work in accordance with the special rules of farmers' cooperatives, and handle the relations between government and farmers appropriately.

3.2.2 Educating and training by using different methods. To begin with, teachers for lecturing the farmers' cooperatives economy should be selected from various regions, and then gathering them in the management stations or professional teaching institutions of farmers' cooperatives to train them before the lectures. The government should select and send some talents, who are well equipped with solid foundation of e-

conomic theories and rich practical management, to teach, research and manager in higher agricultural colleges or universities, or the cooperatives systems. In particular, the government should formulate the relevant incentive policies and stimulate the university graduates to start business or to manager in the farmers' cooperatives. Besides, the government should open the major of cooperative economy to cultivate the specialized senior personnel for researching the cooperative economic theories and policies. Furthermore, media and international way of cooperation must be fully made use of to carry out the education and training of farmers' cooperatives.

3.3 Innovating the production mechanism Unified measures should be adopted to standardize the production mechanism of farmers' cooperatives gradually, in order to enable it to be effective carrier for the development of modern agriculture^[7].

3.3.1 Formulating the uniformed entrance procedure of farmers' cooperatives. The management systems of staff and finance; the system of purchasing, storing and safe using the pesticide, fertilizer, and other agricultural materials; the system of pesticide residue; the product ranking system and the product quality system should be listed clearly as the form of regulations, so as to conduct scientific and standardized management.

3.3.2 Unifying the supply of pesticide. The centralized purchasing and supply of pesticides should be well arranged according to the demands of production. The cooperatives should employ a plant protector to guild the members to select use pesticides scientifically.

3.3.3 Unifying the standardized production. The cooperatives should carry out standardized production in each link of the whole procedure, such as the environment and the variety selection, scientific fertilization and watering, pest prevention and control and the like, in order to lay solid foundation for product quality.

3.3.4 Unifying production plan. The farmers' cooperatives should work out the annual production plan scientifically according to the market conditions; optimize the structures of varieties and planting; select the agricultural varieties with good market and high efficiency, and avoid blind and disorder production of members so as to reduce the market risks and ensure the maximum income of the members.

In the light of the financial difficulties, the governmental department should strengthen the research and explore the approach and platform of mutual funds of cooperatives at a higher level. In the long run, only the number of members and the differences of products are large enough, then the enough scale of financial supply and credits of cooperatives with mutual funds can be ensured. The approaches for collecting funds can be seen as follows.

(1) The government should try holding the mutual help groups between different farmers' cooperatives and forming the horizontal financial mutual help of cooperatives on the basis of strengthening the construction of risk control system.

(2) The government should construct the second-level mutual fund network leading by the commercial bank and encourage the interference of commercial banks in the mutual

funds of farmers' cooperatives. Through interference of commercial banks, fund sources of farmers' cooperatives will be enlarged.

(3) The government should conclude the experience of various regions and accelerate the development of various kinds of rural financial models.

(4) The cooperatives can usher the pawn industry in rural areas by introducing social capital. The pawn shops can solve the farmers' problems of circulation funds. It is worth noting that during the process of developing rural finance, the finance form, objects of loan, operational mechanism and supervision should be studied profoundly, so as to standardize its behaviors and fully display its function as the "second bank".

3.4 Innovating the marketing mechanism The Hebei government should further launch the policies to unify the standard, push and construct the marketing platform of products produced by farmers' cooperatives in Hebei Province.

3.4.1 Establishing the expanded platform for connecting agriculture with supermarkets. By the support of the government, the cooperatives should try to establish the platform for connecting agricultural products produced by farmers' cooperatives with supermarkets and logistics chains institutions, and directly facilitate the entrance of high quality and safe agricultural products to supermarkets so as to carry out the spirit of "supporting farmers' cooperatives is supporting farmers" proposed by the Chinese government. Besides, the government should formulate and implement the policies of derating or eliminating the rent resulting from the entrance.

3.4.2 Relying on the new industrial state of modern logistics. The cooperatives should widely apply the way of modern distribution system, electronic commerce and the like, launch show and negotiation on the net, enforce the information communication, organize the meeting of production and demand well, and continually improve the brand value and enlarge the brand popularity by effective operation on brands.

3.4.3 Actively supporting the establishment of farmers' consumption cooperatives. Through mirroring the successful experiences in developed countries and in Beijing, the capital of the China, the government in Hebei should encourage and support the urban residents and laid-off workers to establish consumption cooperatives for selling agricultural products in the communities of the central city in Hebei Province. The consumption cooperatives will select the agricultural products produced by the rural cooperatives and they will solve the difficulties in selling the products, as well as provide convenience to the urban residents. Moreover, the consumption cooperatives will realize the connection between farmers' cooperatives and urban consumption cooperatives. In the strategy of operation, the con-

sumption mainly sells agricultural products and other daily necessities should be in supplementary stage, in order to avoid direct competition with supermarkets.

3.4.4 Promoting the outlets of special agricultural products of farmers' cooperatives gradually. The government should formulate the *Standard of Outlets for Selling Special Agricultural Product of Farmers' Cooperatives in Hebei Province* to stipulate the uniform standards of selling special agricultural products, for example, site size, site location, decoration style, service standards, advertising and so on, to encourage the establishment of outlets for the agricultural products produced by Hebei farmers' cooperatives throughout the nation. In addition, the government should further expand the influences, marketing channels and marketing scale of cooperatives and taking the outlets of special agricultural products as the efficient complementary of the main marketing form of "connecting the agriculture with supermarket".

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