

# *An Analysis on the Farmer Specialized Cooperatives in Mountainous Countryside*

—Based on a Field Research in S Village

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**Abstract**—Farmer specialized cooperative in mountainous rural area is a bridge between farmers and market. In view of its current status, the paper uses methods of analysis, interview survey and comparative analysis. Based on actual data, the paper puts forward the establishing procedures, features and operation mechanism of two typical types of cooperatives: the village committee oriented cooperatives and the elite-dominant cooperatives to explore the influencing factors on the cooperative operation. The results show that the cooperative are strongly influenced by education level, local customs as well as government policies, local elite farmers and capitals. The cooperatives also play an important role in the restructuring of local cultures and customs, besides its great contribution to rural economic development.

**Keywords**—farmer specialized cooperative; the elite farmers; village committee; rural development; rural culture restructure

## I. THE INTRODUCTION OF S VILLAGE

S village is a typical mountainous village in Zhen'an County. It is located in the eastern Miliang Town, neighboring to Hubei Province. It is about 5 kilometers from the Town Government, 61 kilometers from the County Government. S village enjoys very good regional geographic location and rich tourism resources. Currently S village has 65 households with a Population of 2734, which is the second largest village in Miliang Town. It also has a complex structure of surnames in the village which is up to 19 in total [1].

At the beginning of 1980s, some handicraft workshops started to arise in S village, providing products such as paper-making (which resemble bank notes and was burned as offerings to the dead), firecrackers, and candles and so on. In the late 1990s, these handicraft workshops gradually collapsed due to the impacts from external market. Instead, tourism began to grow and gradually became the pillar industry and a main source of the village's revenue. At that time, the annual economic income of the whole village was no more than half a million, with an annual per capital income less than a thousand yuan. Although it was not a considerable amount of money, villagers struggled openly and secretly to be the committee leaders for benefits, since the village committee took charge of local tourist attractions. Thus, it led to tension between the village committee and villagers. As a result, there were even as many as five re-elections of main village cadres from 2003 to 2006.

In 2006, another election was held in S village because of the economic dispute occurred in the construction of HLD Scenic Resort, and Mr. Liu was elected mayor of the village. Under Liu's leadership, S village set up its first farmer specialized cooperative, the HLD Scenic Resort Cooperative, and started to develop cooperative economy. Since the "Farmer Specialized Cooperative Law of the People's Republic of China" was implemented in 2007, the village committee called on the villagers to set up planting FSCs like tobacco, vegetable, and schisandra chinensis. Besides the village committee oriented FSCs, some villagers also set up many FSCs by various means, among which the most significant one was the Jindi Chicken Cooperative. Thus there are the village committee oriented FSCs and the elite-dominant FSCs. These two types are also the typical FSCs in mountainous area, which accelerated the scale management of cooperative economy in agricultural production by reclaiming or circulating villagers' land. In 2010, S village's revenue was more than 5 million yuan, and the number at the end of 2014 was up to 28 million, with an annual per capital income of 5574 yuan [2]. Now many public facilities have been built in S village, including village recreation center, clinic, broadcasting station and so on.

## II. THE BACKGROUND OF THE FSC'S ESTABLISHMENT

With the improvement of traffic condition, the pattern of agricultural production has undergone major changes and the traditional way of living in mountainous countryside gradually disintegrated. The rural development not only faced competition from the market in urban area, it also experienced problems like population outflow and hollowing industries calling for an urgent restore in villages' economic vitality[3]. The issue of the "Farmer Specialized Cooperative Law of the People's Republic of China" and other relevant policy incentives offered by governments at all levels provided the mountainous villages with a favorable social and legal environment to explore a new development model[4]. The new model should be able to accelerate the transition of production mode, emancipate and develop productive forces and promote the rural development.

Since S village locates in a long and narrow valley, there are also quite a few disadvantages especially in land farming. For example, it can hardly centralize quality land resources, which is essential for modern agriculture to promote scale management, due to the scattered farming as a result of the

household contract responsibility system. Also, because of the ever increasing and worsening conflicts in pursuing benefits among village committee, villagers, families and other parties inside and outside the village, many quality local resources are also difficult to explore.

Moreover, due to the limited education, quite reserved character and the shortsightedness cultivated in long history, most people in the mountainous villages are rigid when trying something new to improve their economic condition[5]. They get used to the traditional way of living and they are afraid of unfamiliar changes. All of these factors make it rather difficult for the future development in rural area. Therefore, it is more of a social-economic issue on how to make these changes happen and improve the living conditions in the rural area. Cooperation in this case is one of the most possible options which are likely to exert positive effects on the agricultural production and promote rural development.

### III. THE ESTABLISHMENT PROCEDURES OF THE FSCS

In establishing process, the village committee oriented FSCs and the elite-dominant FSCs showed tremendous differences which will be illustrated with the help of two specific cases: the HLD FSC (the village committee oriented) and the Jindi FSC (elite-dominant)<sup>1</sup>.

The establishing process of the HLD Scenic Resort Cooperative is as following. First stage was preparation. In the preliminary meeting convened by the S village committee in November, 2006, issues as to whether to set up economic cooperative organization (ECO), the nature of the future ECO, and the business scope of the ECO were fully discussed among members of the village committee, they reached consensus and drafted a proposal on the establishment of HLD FSC, which put forward concrete plans on issues like ways of cooperation, FSC management, distribution of profits, decision-making mechanism, the working staff selection and et al. All the members of the village committee were initiators of the FSC.

The second stage was to inform and mobilize the masses in S village to join the FSC actively. The committee had those materials including the proposal of launching HLD FSC and the introduction to raise capitals published in form of handbooks which were distributed house-to-house. Every household was required to sign on the Notification Sheet to affirm that they had received those materials to make sure that no conflicts would arise at the excuse of that they were not fully informed. The purpose of the material distribution was to achieve the utmost consensus among villagers.

The third stage was the proposal perfection. Villagers may put forward any questions, suggestions, sometimes disagreements, doubts and complaints when they first came to learn about the FSC. In this process, the village committee tried to address the villagers' concern. The committee kept on working on the details regarding the questions and concerns of the masses, to revise and perfect the proposal. The committee

<sup>1</sup> The data in this paper were collected from an investigation on S Village conducted by the author in August 2015. The investigation was conducted mainly by personal interview, phone interview and free chat with local residents, and author's observation.

members explained their revision and listened to the feedback, then revised the proposal and did their working circle again. By the prescribed deadline, 387 villagers signed up for capital subscriptions of the HLD FSC.

The fourth stage is the establishment of HLD FSC. In December 3, 2006, a general assembly of S village was held. The village committee organized them to learn the "Farmer Specialized Cooperative Law of the People's Republic of China" and introduced the purpose, operation management and the business scope of the HLD FSC. Then they voted and agreed to establish the FSC, promulgated the charter of the cooperatives. According to the principle of majority, the assembly clarified that the capital to be raised was 1000 yuan per share, each household can subscribe no more than 100 thousand yuan, and the potential shareholders were required to sign on the sheet to confirm the amount of subscription. The money they subscribed should be deposited in the bank account within the future one month. On December 10, a final meeting was held to vote by a show of hands to affirm issues including the shareholders of the FSC, ways of combination of investors, and the method for selecting the managing board of the FSC. Then Mr. Liu was elected chairman in the first board meeting of the HLD FSC, and the FSC was officially set up.

The establishing procedures of the elite-led FSCs are comparatively less complicated than that of the village committee-led FSCs. A typical example of the elite-dominant FSCs is the Jindi FSC in S village. Its initiator, Feng Dejie, originally intended to establish a chicken breeding company in collaboration with other villagers by means of money, land, manpower. Thus there were great differences in its establishing procedures compared with the village committee-led FSCs.

The first stage of the Jindi FSC's establishment was the planning and partner-seeking stage. In March, 2011, Feng suggested establishing a chicken breeding company in cooperation with Mr. Mao. After discussion they finally reached an agreement as following: Mr. Feng invested an amount of 1.8 million yuan, while Mr. Mao provided his own chicken farm, along with the land which was necessary for the construction of the new chicken farm.

In May, 2011, they signed the contract on cooperation mainly according to Mr. Feng's proposal. They registered with government using identification cards borrowed from their relatives in order to fulfill the requirement in the number of its membership. The FSC was decided to exercise market-oriented operation. Those resources they invested in the FSC such as money, land and labor were converted into shares by a certain proportion. Dividends were allocated according to shares; both partners were co-sponsor of the cooperative. The contract also confirmed the duties and responsibilities of both sides. Through consultation, Feng served as the independent legal person of the cooperative, who had the final say on development planning of the chicken farm, while Mao was in charge of daily operation management.

The third stage, also the most import transition of the FSC, was the mergers of other chicken farms and perfection of its cooperative charter, which represent the Jindi's essential change into a real FSC. In its development, the Jindi FSC gradually expanded by purchasing or taking over of other

chicken farms. The members of the FSC also increased due to the need of land and other resources in the expansion. The member increase also demands a revision of the relevant regulations of the cooperative charter. Finally, Jindi made itself a stock FSC by Feng's holding.

#### IV. FEATURES OF FSCS IN MOUNTAINOUS REGION

Compared with the elite-dominant FSCs, it is easier to find the collective ownership nature in the village committee oriented FSCs, as well as the nature of public service; while the elite-led FSCs reflect more of economic attributes and relatively less in public service.

First, the elite-dominant FSCs and the village committee oriented FSCs differ in their final purpose of pursuing economic benefits. For the village committee oriented FSCs, the harmonious development of village and the improvement of villagers' living standard is prior to generating direct economic benefits. The Charter of HLD FSC stated that "the HLD FSC commits itself to strengthening the competitiveness of the scenic spot and adheres to the principle of moderate development, preserving the natural environment, optimizing villagers' living environment; encouraging harmonious development of both natural and humanities landscapes; promoting coordinate development between scenic spot and village, village and villagers; and ushering quality living of villagers fundamentally." In the meanwhile, the cooperative aimed at solving the local issues of common concern, it successively set up real estate department, garbage collection department, broadcasting station, medical clinic to usher the development of village's collective industry and common well-being.

Secondly, the operations of the village committee oriented FSCs showed greater attributes of pursuing political interests. A major characteristic showed in the establishing process of the HLD Cooperative is the influence of members of the Communist Party of China (CPC). According to the final result of capital-raising, the party members accounted for 68% of all the 387 investors, with a proportion of 80% of the total capital amount. Six people from the village committee such as village head, village secretary, and accountant and so on were in the top 10 payment amount, and the rest of the top 20 were either economic strongmen or elites, while an ordinary villager's subscription amount is no more than 5,000 yuan on average. Many people in the interview showed great tendency of influencing the village committee by pouring money into the HLD FSC, hoping they could have greater possibility to run for the position in the village committee in the future.

Thirdly, these two types of FSCs are different in their ownership and distribution. The village committee oriented FSCs deeply feature themselves with collective economy. Taking the HLD FSC for example, it practices collective ownership of S villagers, every household automatically obtained a share of 0.5% no matter whether they subscribed to the capital or not. It showed that the HLD FSC is the collective property of the S village. In terms of income distribution, the village committee oriented FSCs would preserve 30% of the annual net profits as the village's development fund, which was set up for the purpose of perfection and construction of public

facilities. While in the the elite-led FSCs, village elites or initiators usually play a decisive role in FSC's operation. For instance, although the Jindi FSC is jointly owned by its shareholders, Feng is actually in the dominant position and he has the final say on issues of the FSC development due to his huge contribution in both talents and finance. The distribution proportion of net profit in the Jindi FSC is more than 90 percent and there are no reserved funds for any kind of public interests.

Finally, there is a striking gap between the two types of FSCs in operation management. The village committee oriented FSCs follow a set of relatively standard procedures and regulations from establishment to daily operation. Proper and strict procedures guaranteed the basic justice and equity in segments of FSC's foundation, operation, supervision etc. It is also the best interpretation of the basic connotation of FSCs, which advocate mutual help and equal cooperation; while more flexibility and non-standardization featured the elite-dominant FSCs. In the case of the Jindi FSC, Feng played an obvious dominant role in the whole process of the Jindi's establishment in spite of some consultations with his partner. What's more, there were no standard cooperative charter and procedures to follow at its initial stage. In other words, in the early stage of the Jindi FSC, it was basically a private enterprise operated by personal will, showing strong characteristic of market-orientation and profit seeking.

#### V. THE FSC'S INFLUENCES ON MOUNTAINOUS VILLAGES

The FSC's influences on mountainous villages' development are complicated and multifaceted[6]. The influences are not confined to economic aspect but a broader scope such as reconstruction of rural traditional culture and the interactive mode between local government and the masses.

Firstly, the village committee oriented FSCs have double-edge sword effects on the public power of local government in the mountainous areas. In the past, the affairs in the mountainous villages were naturally administrated by the local customs and folkways which could be termed as self-governance. However, the villagers' pursuits diversified quickly with the economic development. These pursuits include cultural and spiritual benefits as well as economic interests. This diversified interest emphasizes more on personal satisfaction and neglect public interests, which may worsen the situation in the countryside. The establishment of the FSCs offered them one more option to realize their common interests. But the new practice also poses great challenges to the local authorities. Take the power of village committee for example, in mountainous village; the realization of the committee's power is largely susceptible to local customs and personal moral prestige. When the economic interests get involved in, the village committee's power is also influenced by other forces such as owners of capital, power hankers and elites. If the cooperatives run successfully, it will not only benefit the common villagers, but also increase the likelihood of leader's re-election. Otherwise, it will make villagers boil with resentment, and probably weaken the authority of the village committee, or may even cause re-election. If that happens, it could further endanger the stability of the FSCs' operation.

Secondly, the FSC practices accelerated the restructure process of the traditional culture in mountainous area. Besides the great contributions brought by the "Household Responsibility System" reform, it shouldn't be ignored that the gap between the rich and the poor was greatly widened because the production mode based on families as labor units encouraged some people to get well-off first. Those ideas such as venality, making fortune overnight, and instant benefits were overspread in the countryside. The excellent traditions like mutual assistance gradually faded. People became snobbish and indifferent to each other. The FSCs, especially the village committee-led FSCs however, played a positive role in reminding people of protecting their living Environment, taking part in the public affairs and maintaining a harmonious relationship with each other. It also encouraged people to achieve common prosperity by cooperation instead of confrontation. These norms and practices of the FSCs accelerated the restoration and reconstruction process of the traditional culture in the rural countryside.

At last, the development of the FSCs further promoted rural population flowing to small cities and towns around, which in fact boosted the swelling of city population and accelerated urbanization process in mountainous regions. The key functions of the FSCs include: to transform the traditional extensive production mode through higher level of cooperation and the employment of machinery; to launch projects which are tailored to the local situations and make full use of local edges; to bridge the gap between the agricultural products in the rural countryside and the consumer market in the urban area. On one hand, the cooperatives can play a positive role in increasing farmers' income and improving their living conditions; on the other hand, the production mode transformation, from the scattered management in the past to scale management due to the cooperation of farmers, has and will further liberate surplus labor forces in the countryside. This segment of population will gradually flow to new communities, market towns and small cities, thus promoting regional urbanization level.

## VI. CONCLUSION

After a close observation on the two types of FSCs in S village, it turned out that there are still great uncertainties regarding the FSC development in mountainous region, no matter it is village committee oriented or the elite -dominant FSCs.

Firstly, of the two types of FSCs, the villages committee-led FSCs have enjoyed and will continue enjoy higher popularity in the rural mountainous countryside within a certain period. The competitive advantage of this type of FSCs derives from its focus on collective ownership and common interests. On one hand, public power holders, or the authorities expect to have more control over villagers. Cooperatives provide such option for them to tie villagers together in the name of public interests and common well-being. On the other hand, it remains unchanged for most of the villagers to seek safety first before starting their own business. Villagers show greater willingness to enjoy the dividend by taking part in the FSCs, with the belief that risks could be reduced, and even leveled off by the strong leadership of the village committee.

But this kind of cooperatives still confronts risks derived from the poor stability of the committee leadership under the games of economic and political benefits, which endangers the sustainable development of the FSCs.

Secondly, although the elite-dominant FSCs have distinct advantages in market competition, employment promotion and bringing its members cash incomes; they are also liable to be dominated by the peasant awareness due to their limited education and personal experiences. So problems are likely to arise owing to the arbitrariness and the lack of necessary operational systems and norms. Moreover, there still remains a wide gap in the competitiveness between the elite-dominant FSCs and real enterprises in the marketplace. It is suspicious that this type of FSCs will survive the fierce competition in the long run. Meanwhile, villagers' reaction should be considered in assessing the FSCs' development. Since farmers tend to make decisions merely based on self-interests, everything will be okay if the FSCs can bring them real benefits, otherwise, some emotional and negative reactions from villagers would make it harder to operate. The capacity of making profits by the FSCs contributes great part to the issue of stability for the FSC's future development.

Lastly, the economic conflicts between the FSCs and other parties like village committee, and villagers are inevitable. It is no denying the fact that there are some leaders who run for village committee with the intention of obtaining more economic interests for them, they even had invested a lot of money during the campaign. Once the economic income became the sole criteria in the election, it deserves suspicion that whether the committee oriented FSCs could really serve people without abuse of public rights. Meanwhile, the village committee oriented FSCs have unique advantages in bidding and funding projects owing to their dominant position in the village and the power they have. Competitions lacking fairness would hinder the development of other types of FSCs as well.

The practices of the FSCs offer a new option for rural development. Peasants cooperate with the purpose of developing competitive industries with local characteristics to improve the economic conditions and natural environment. It is fundamental to improve the living standard and promote development of mountainous countryside. But in the real practice of cooperatives in mountainous region, it calls for in-depth studies on talent cultivation and selection, operation management standardization, administration and supervision of FSCs and government policy support. These will be the essential part to realize the coordinated and healthy development of FSCs and rural countryside.

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