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Forms of Farmers' Economic Organisations in China -Experimentation with Agricultural Cooperative Associations

prepared by

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CHINA has 1.2 billion people, of which 0.9 billion are farmers, equal to 80% of the total population. China is a developing country with unbalanced regional developing levels. Firstly, in some areas, the problem of farmers' survival has not been well-resolved, resulting into development of professionalisation and marketisation of agriculture has been high restricted; secondly, some abled and wealthy farmers in developed areas have been aware that only the surrounding farmers' commonly acquire wealth can the whole performance of economic development be ensured. So the farmers who acquire wealth in advance organised professional cooperative organisations to practice self-service, self-management, self-development has been practiced.

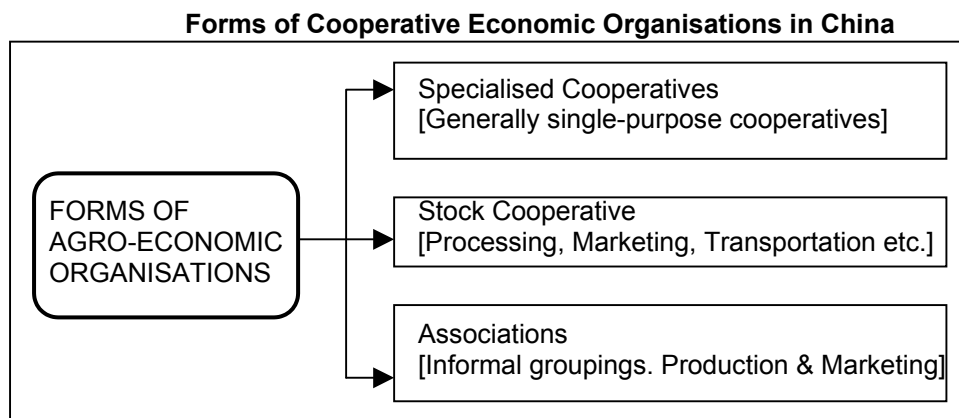
The present day concept of agricultural cooperatives in China is the outcome of a long-drawn process of development. In order to give boost and to ensure food security for the people the government had experimented with the commune system, which, after some experimentation, was converted to a collective system where farmer-members were expected to produce food for the state. Continuing further with the experimentation and to meet the demands of the people for freedom of action and decision-making the collectives were modernised into agricultural cooperatives. In the wake of the entry of China in the WTO and to participate in world free market, there are still discussions going on whether to promote cooperatives only or to have a mix of cooperative and private enterprises and to encourage joint venture and collaborative strategies. The government is now considering actively bringing in a Cooperative Law under which the cooperatives including the agricultural cooperatives would be covered.

Following on developments after opening of market and reformation of institutional framework for farmers, the Chinese government has embarked on a new and improved version of cooperative development. Over the past 20 years of China's reform great changes have taken place in the rural economy and farmers' specialised economic cooperative organisations. This has been a continuous process. Farmers have voluntarily set up such organisations for the purpose of developing economy in accordance with the principle of 'from the farmer, by the farmer and for the farmer'. Such organisations are based on the rural household contracted operations.

Currently there are about 140,000 such organisations which are relatively large-scale, well-managed and in regulated operation across the country. Provinces like Shandong, Anhui,

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Shaanxi, Liaoning, Jiangsu as well as Beijing are noted for the fast development of such organisations. Cooperation among farmers in specific fields has been gradually widening, expanding from sole production in the last to all links including production, processing and distribution. At present the farmers' specialised economic cooperative organisations fall into the following three major types:



[1] Specialised cooperatives - characterised by self-servicing, democratic management and cooperative business operations. Farmers undertake specialised production and hold shares equally;

[2] Stock cooperatives - Cooperatives adopt stock system on the basis of cooperative principles. These are mostly dealing with processing, marketing, transportation and warehousing of products;

[3] Associations – It is a form of a rather loose cooperation. It refers to the social economic cooperative organisations established on the basis of voluntary participation and mutual respect by farmers who are engaged in the production, marketing and processing of a particular farm product and who are linked to each other by-product and technology.

The impact of such new organisations can be viewed in the context of the following factors:

- They are conducive to a better-organised production of farmers, restructuring of agricultural production and effective competitive tools for the farmers in the market;
- They are conducive to protecting farmers' interest and increasing farmers' income;
- They are conducive to speeding up the extension of achievements of agricultural sciences and technology and improving farmers' quality;
- They are conducive to promoting the development of industrialised farming operations.

Measures to Support Development of Specialised Farmers' Economic Cooperative Organisations

Assistance to such organisations, adhering to the following principles, has been provided by the government:

- Respecting the farmers' wishes;
- Adhering to the principle 'From the Farmer, by the farmers and for the farmer';
- Insistence on the principle of development first, standardisation second.

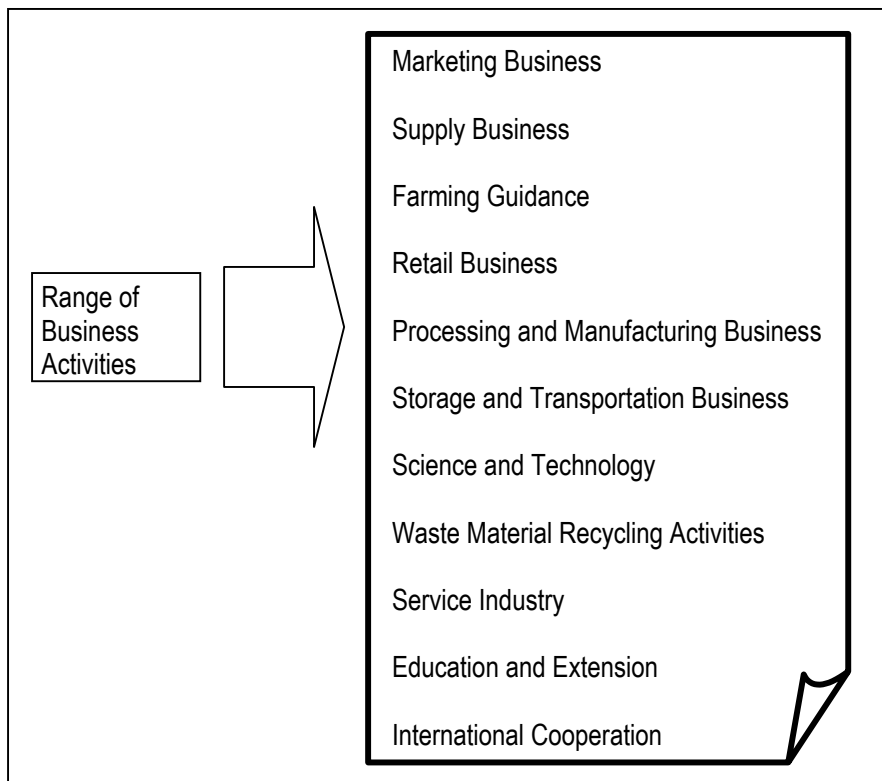
Since these are the new organisations, there is a need for watching their initial experiments and results and develop their rules, regulations and procedures on a step-by-step basis. An interaction with other countries in the region would also be useful.

Forms of Farmers' Economic Organisations

Farmers' Organisation of Professional Economic Cooperation

The present-day concept of agricultural cooperatives in China is the outcome of a long-drawn process of political and economic development. In order to give boost and to ensure food security for the people the government had experimented with the commune system, which, after some experimentation, was converted to a collective system where farmer-members were expected to produce food for the state. Continuing further with the

Range of Business Activities of Multipurpose Cooperative Economic Organisations in China



experimentation and to meet the demands of the people for freedom of action and decision-making the collectives were modernised into agricultural cooperatives. In the wake of the entry of China in the WTO and to participate in world free market, there are still discussions going on whether to promote cooperatives only or to have a mix of cooperative and private enterprises and to encourage joint venture and collaborative strategies. The government is now considering actively bringing in a Cooperative Law under which the cooperatives including the agricultural cooperatives would be covered.

In keeping with the current emphasis on revitalising the role of cooperatives and farmers' organisations in the production of quality food, and generation of income and employment, a study of the following Associations and facilities was carried out:

- 01 ShunYi 'Three-Highs' Agricultural Pilot Farm;
- 02 Black-Bone Chai Poultry Breeding Association; and
- 03 Beijing Xintexin Grape Production & Marketing Association.

At present there are: 269 cooperatives [91 of them are the participating/contributing cooperatives; 57 are contracted cooperatives; and the remaining 121 as regular members]. Total assets of these cooperatives were 812.77 million, profit 186.39 million. Their total membership was 45,871 which is 35.1% of the district population. The membership has grown steadily, and also increased was registered in the number of organisations, capacity to resist the risks of marketing, protection of profits of the farmers, and an overall increase in the income of the farmer-members.

The ShunYi district has eight types of cooperatives. These are: Peasants' Units – in this form the farmer-members work on their own and they procure supplies, process the produce and market them at some profit; Cooperatives doing collaborative business with medium type business enterprises which offers contract-farming to the cooperatives and their members; Cooperatives with affiliations with companies where they enter into agreements and undertake the production in collaboration with the farmer-members; Enterprise-Cooperatives where enterprises provide input services, extension to farmers and the farmers deliver the entire product to the enterprise; Stock Cooperatives where the collective companies and farmer-members purchase shares and contribute to the cooperative; Cooperative making use of technology provided by an outside agency or enterprise, and the products are sold using the bargaining power of the cooperative and with the assured market; Specialised cooperatives which purchases the inputs and provide them to the farmer-members through their organisations; and, Broad based cooperatives which undertake joint purchasing and extends business, consultancy and audit support to the cooperatives at the lower level.

01 ShunYi "Three-Highs" Agricultural Pilot Farm: The "Three-Highs" agricultural pilot farm was established with the approval of the Beijing government. The main aim of the pilot farm is to demonstrate the use of technology to improve the economic situation of farmers and their organisations. The Three-Highs stand for: High Starting Point; High Technology; and High Efficiency. The concept promotes not only extension and demonstration of high technology but also sight-seeing or green-tourism. The farm is spread over an area of 5,000 ha and has been well-recognised by various government agencies e.g., Modern Agriculture Comprehensive Utilisation Pilot Base; State level Sustained High Efficiency Agriculture Pilot Base; Mechanised High Efficiency Pilot Base; High Efficiency Pilot Base; Pilot Base for Introduction and Extension of Modern Agricultural Intellectual Achievements; and Beijing Adolescent Popular Science Education Base.

The main building covers 1,250 sq mt and focuses on developing genetic engineering by producing protein for medical care and health protection through utilising sheep breast bio-reactor. At the same time, the centre also produces mutton with excellent quality on an industrialised scale by using the key technology of China Academy of Agricultural Sciences.

Beijing ShunYi Biotechnology Centre: It has a plant cell tissue-cultivating centre mainly cultivating more than 20 types of flowers such as butterfly orchid. It also has a large greenhouse covering 8,000 sq mt.

Beijing Shunxin Evergreen Vegetable Limited Company: The company introduced from HYDRNOV Company in Canada intellectualised greenhouse equipment and deep pond and floating board technology. It produces fresh vegetables on industrialised scale without any environmental pollution. The greenhouse covers 14,000 sq mt. It takes 53 days to complete the process of sowing seeds, raising seedlings, harvesting and packing. The production is 10,000 tons per day.

'Gardens in the Air' Plants Growing and Selling Centre: The centre has built 10 greenhouses, mainly for cultivating potted grass, and other material. Its main business is renting out of flowers and some retailing of flowers.

Beijing Goat Livestock Development Company Embryo Transfer Centre: The centre covers 1,100 sq mt and breeds pedigree Woollen goats and promotes the lines of the commodity by adopting biotechnology such as freezing semen, artificial insemination and embryo transfer. This is the largest centre in North China and can transfer more than 100 embryos at one time.

Chinese Farming Tools Exhibition Hall: It covers 200 sq mt for exhibition. It represents the development of agriculture in different stages in ancient and modern China.

Fruits and Vegetable Picking Garden: In this garden visitors are welcome to pick up any fruit or vegetables. Some of the main fruits and vegetables are: pear, peach, plum, grapes, apple, cherry etc. Vegetables include: cucumber, radish, puppet and eggplant. There are 20 sunlight greenhouses for the vegetable section.

02 Black-Bone Chai Poultry Breeding Association, NanCai Town: The colourful phoenix-like Black-Bone Poultry Breeding Association [CPBA] was initiated by the NanCai Animal Husbandry Corporation in March 2000 as a professional organisation of which the farmers of the area are the members. The main aim of the Association is to protect the interests of the members, increase their income, enhance interaction and cooperation among the members, and try to capture a profitable chunk of the market of Beijing, which is situated nearby. The Association is operated by the members on the principles of democratic control, freedom in decision-making, cooperation among the members, and freedom to join or quit the Association.

The Association has its facilities spread over an area of 133,200 sq mt. The project aims at constructing 200 henhouses over 36,000 sq mt. 800 farmers are the members of the Association with an investment of 4,500,000 RMB. The present facility houses 50,000 breeding poultry with a production of 5,000 eggs per day with a daily profit of 5,000 RMB.

The Association provides free use of the land and henhouses in the first year, including poultry feed, water, henhouse ventilation equipment and power, passage road etc. Some of the salient features of the programme are: Import of quality breeding poultry for members; Provision of technical information and training programmes through specialists and experts; Conduct disease inspection and institute procedures for speedy control of disease; Provision of chicks, materials and chick feed; Ensure guarantee price of 1.0 Yuan per fresh egg.

It was pointed out that if a farmer can deal with a breeding unit of 220 birds including 20 roosters, the average yield of eggs per hen per year is 150 pieces. A farmer can get a net profit of 10,000 RMB in one year after payment of operational expenses. The poultry farmer-members of the Association were happy with this business proposition which has been doing well already.

03 The Beijing Xintexin Grape Production & Marketing Cooperative Association: With a view to generate income for themselves, the farmers of a large Sungezhuang town, in the vicinity of Beijing, establish a large-size vineyard in 1999. The area covered was 10,000 mu. 700 farmers were able to develop the land and plant high quality grapes over 7,000 mu. It had meant a lot of effort for the farmers to raise the crop by applying high-tech and improved methods of cultivation. The first produce of the facility was sold in the Beijing market in January 2000.

The Association is operated by the farmers on the principles of democratic control, autonomy, freedom in decision-making, and intensive collaboration and cooperation among themselves. The activities of the Association are carried out on strict business lines, of course, with the ultimate aim of making some profit for the members and their association.

The facilities provided by the Association include: plant hospital which ensures high quality plant strains; technology units which provides information, methods and techniques of cultivation and plant protection; farm inputs and farm chemicals; farm equipment workshop; cold storage facility, packaging and transportation to the market place. The 397 active members have contributed 1060,000 Yuan to the capital of the Association. More contributions to the capital of the Association are expected based on the business results of the current harvest. The cultivation area is still under development, and the Association has been able to establish a market goodwill for its high quality products.

Professional Cooperative Economic Organisation Development -A Step to Consolidate the Economy of Rural China

The following excerpts from a paper prepared by Mr Li Huian on '*Issues Related to Professional Cooperative Economic Organisation Development in Rural China*' go to explain that not only the agricultural cooperative but also other forms of farmers' economic organisations have been coming up to provide economic stability to the large segment of Chinese farmers. During the transition period from traditionally planned economic system into socialist marketing economic system, the emergence and development of professional cooperative economic organisations was naturally necessary. With the dismantling of commune system and introduction of offering contracts to the farmers, there was a tremendous boost to incomes of the farmers. With the reformation of marketing and procurement of agricultural products, marketing mechanism has been introduced enabling the farmers to deal with the market directly. This mechanism expected the farmers to: adopt quickly new technologies; provision of pre and post harvest services to secure stable and security against risks; restructuring of production systems to exploit all available resources to increase income.

Since 1994, new form of cooperative organisation has been introduced which are called rural professional cooperative economic organisations. The emergence of new forms of cooperatives can be categorised as follows:

Mid-1980s to early-1990s: During this period the farm organisations were controlled by rich farmers, small farms were consolidated into larger ones, and the legal form of the organisation was loose. These organisations were, however, able to improve the production through introduction of new technology.

From early-1990s to late-1990s: The methods of production and forms of produce were diversified; there was a greater collaboration and understanding among the small farmers; the rich farmers still controlled the organisations; the rights and duties of members were further elaborated; and the business operations had expanded.

The process of development has now resulted into establishment of more professional economic organisations of farmers to earn higher profits by application of higher technology and with the collaboration and cooperation of cooperatives and private enterprises.

The characteristics of new forms of professional organisations are as follows:

- The cooperative organisation does not change the autonomous rights of the farmers. Farmers are free to take part in various professional associations according to their own will;
- The cooperative organisations have become high professionalised;
- Cooperatives provide more of services needed by the farmer-members;
- Organisational structure and management is autonomous, democratic and free;
- These are flexible and independent in decision-making;
- Profits are shared among the members, thus with the flow of income, the standards of living are increased.

There are at present 1.4 million various types of professional cooperative economic organisations in the country. And such organisations are spread over all the provinces.

The government support and encourage the formation and development of these organisations in the following way:

- Policy guidance and government general support;
- Ensuring that these organisations are farmers' own organisations;
- Enabling them to become economic entities with good capital formation;
- Establishing demonstrations and experiments for replication and research;
- Higher level of training and professional exposures.

The role played by professional economic organisations can be summarised as follows:

- Facilitating the entry of Chinese farmers into markets;
- Important constituents in socialised servicing system for agriculture;
- Encouraging industrialisation process in rural sectors;
- Raising the income level of farmers;
- Enhancing the cultural and scientific capabilities of farmers.

Some of the problems encountered in the process of development of these professional economic organisations have been:

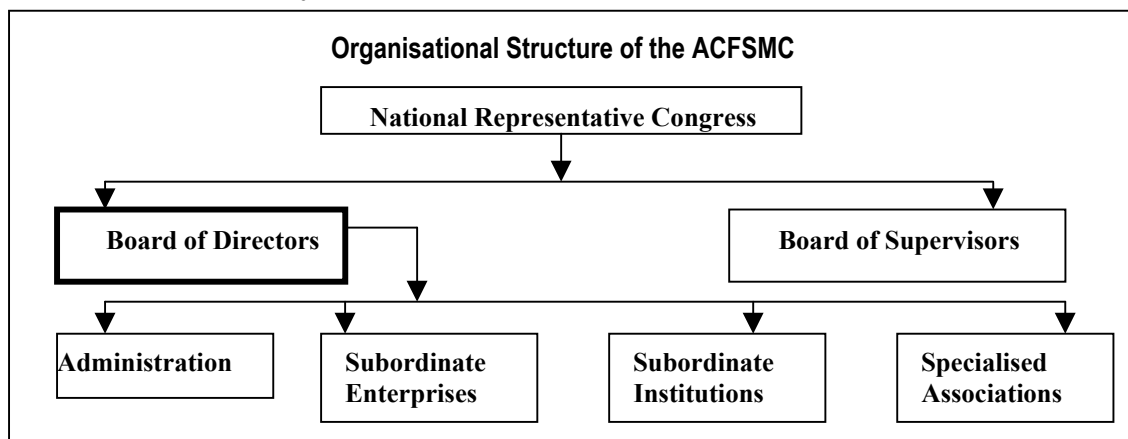
- Lack of financial support to operational activities;
- Insufficient financial standing of members;
- Joint ventures and collaborative activities difficult to mobilise;
- Marketing problems;
- Lack of information and technical competence of managers;
- Lack of cooperative legislation and policy pronouncements.

In order to further consolidate the activities of such organisations and to promote an appropriate Cooperative Movement and to promote capacity building, it is suggested that the following steps are taken:

- Greater efforts be made to introduce a proper cooperative legislation;
- Appropriate cooperative policies be announced;
- Greater business collaboration with outside China be developed;
- Greater MIS facilities be provided to ensure higher returns to the farmers;
- Interaction with other Cooperative Movement to learn from their experiences; and
- Promotion of exchange of experiences and expertise.

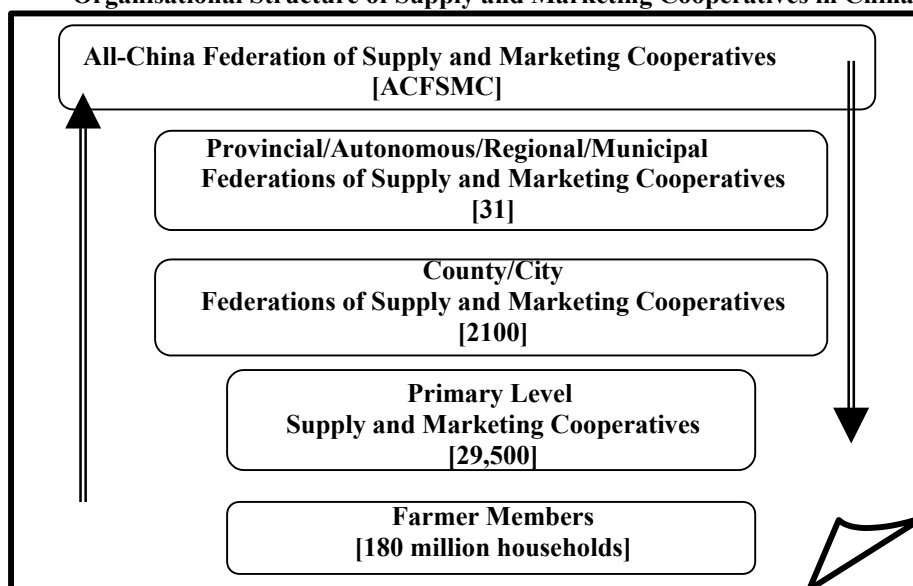
Supply and Marketing Cooperatives in China

A brief description of the Supply and Marketing Sector and the economic institutions associated with the sector, discussed herein below, will suggest that cooperatives, though not yet covered by the cooperative law, have been providing economic services to the members of the community.



The Beijing Supply and Marketing Federation [BSMF], a member of the All-China Federation of Supply and Marketing Cooperatives, carries out business activities in the Beijing area through its affiliates which consists of consumer cooperatives and private trading companies. The BSMF operates the Beijing City Consumer Cooperatives [BCCC] which operates a large size super market. A supermarket which was established in 1993 was operated by the government but in 1998 it was converted into a cooperatives and designated the BSMF to own and operate it. The consumer cooperative was the first-ever to be established in China. The consumer cooperative was established as a commercial venture.

Organisational Structure of Supply and Marketing Cooperatives in China



Although there is no cooperative law in the country, the All-China Federation has developed a set of guidelines, rules, regulations, and byelaws for the organisations to be operated as cooperatives. The cooperative, at the time of establishment, had only 638n members and the share capital of RMB 63,000 with a total turnover of RMB 480,000. Initially the value of a share was fixed at Yuan 100, and each member has to pick up at least 10 shares. Based on the experiences of operating the cooperative company, the following have been the results:

- Every year the members get a 3% rebate on the purchased made at the super market;
- The value of share continues to improve year by year. Members are rewarded for any increase in the value of the shares through various incentive scheme introduced by the supermarket;
- The prices at the supermarket are lower than in the general market and the quality of goods sold is better;
- The supermarket provides transportation services to the members. Members are picked up from different parts of the Beijing City and their goods are delivered at their houses, free of cost;
- Any new arrivals or activities are communicated to the members through general advertisements and through in-house publicity channels;
- Members are invited to gather together twice a year with a view to seek their views and opinions in order to improve the services;
- Every year, especially at the time of festival season, the supermarket conducts intensive member contact programmes and to the poor members the cooperative sends food items as gifts. Such gifts are: rice 200 kg, powder wheat 10/20 kg; oil, fish/meat about 2/3 kg and some other items.

At the end of 2001, the situation of the cooperative was as follows:

Number of Branches	...	...	...	07
Membership	...	...	...	41,000
Share capital	...	...	...	5m Yuan
Members' purchases	...	...	...	90m Yuan
Payments made to members as rebate:	...	...	...	9m Yuan

The BCCC has several other outlets in different parts of Beijing. Members feel quite closely associated with the cooperatives. Supermarkets operated by the consumer cooperative are quite popular with the citizens.

Beijing Supply and Marketing Cooperative Federation has also in its membership a number of primary level producers' cooperatives. These are fruits and vegetable cooperatives. One of them was the Zhang Lang Primary cooperative [also known as Persimmon Fruit Specialised Cooperatives], an affiliate of the Fangshan Cooperative, about 200km away from Beijing in the countryside known for its quality persimmon fruit throughout China. The Cooperative was established in 1952, covering 15 villages which have a history of Persimmon growing. The area was said to have been planted under the patronage of erstwhile rulers. The fruit was popular throughout the country. It had a share capital of 4.5m Yuan. The Cooperative has a 6000m² place in the wholesale market. In 1998, 24 major producers of persimmon got together and established a specialised single-purpose

cooperative with a view to streamline and expand their production, processing and marketing activities.

The group established a service department mainly to provide services to the member e.g., fertiliser, technology, crop handling and crop protection. 7 service stations have been established in 7 villages out of 15 villages. The main tasks of the service stations are as, among others, to advise the farmers on how to apply fertilisers in accordance with the requirements of the international market, how to undertake packaging for exports and for domestic markets, and transportation. The services provided by the stations are to be paid for, either on the spot or on 'pay-later' basis.

Methods of Marketing of Produce: The cooperative generally adopt the following three methods of marketing their fruit:

- [i] Induct members to marketing persimmon – The leader visits wholesale markets and gather information for the members. The members then sell the products themselves, as per their own decision;
- [ii] Marketing by the primary cooperative – cooperative marketing: The special cooperative connects with major producers and supply fruits to the wholesale market – big city wholesale fruit market which is also the cooperative marketing [Chang Chung wholesale market-cooperative market];
- [iii] Direct Sale method – The buyers come here and buy the fruit. Cash payments. The primary cooperative introduces them to the special cooperative. Transactions are fast and on the spot. The commission is 2% to the special cooperative.

All the three methods operate concurrently and each system has its own merits. No., 2 is more acceptable especially for the major producers. No 2 is trusted more and more members opt for this method.

Processing of the fruit. It is a local cooperative. The technology is simple. Packaging is to be done in such a way the original colour and texture of the fruit remains and its freshness is retained until its reaches destinations which might be far away from the producing areas. Grading and packaging is done by the farmers and the cooperative.

WTO implications. Farm products have to be high quality and how to packaging. The packaging is different for all – city, town and individuals. Even Japanese come here to study the packaging methods. Taste has to be maintained. In the beginning it is better but gradually becomes sweet. Cold storage helps maintain the taste. How to keep it fresh. It is a major problem. The fruit gets spots very fast.

This area is the home of persimmon fruit. The Ming dynasty had planted these trees in this area about 630 years ago. Also the Japanese had planted during the 2nd wear. The climate and soil are ideal for these trees. The cooperative has 1300 trees and now has more than 100,000 trees covering about 1000 ha.

Why were the farmers organised into specialised cooperatives?

- If they plant trees and sell to the markets as individuals the price is low. They have no technology – to produce, package and warehousing, economic returns are low. The fruits are rotting in the field due to low market. Hence formed a cooperative. The cooperative knows the

problem. With the government support it is better. Improving income and sell the products faster in a better way.

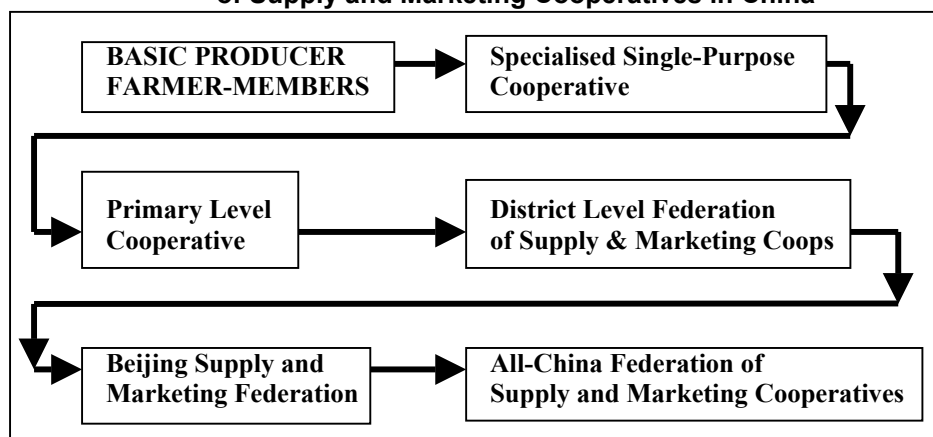
- The cooperative provides infrastructure;
- Members can buy the shares and organise a full time management office. Before, persimmon growers were traditional farmers. 70% of their income comes from persimmon, 30% from maize, wheat and livestock. The average price is 1US\$ for 5-6 kg basket during harvest season, the price is higher during the off-season;
- The tax to the government from the cooperative was 1% lower than others;
- Capital from government at concessional rates for fertiliser and other inputs;
- Adequate recognition to organisation;
- Higher level of income for the farmers;
- Greater participation in cooperative activity by farmers;
- Awards are given by government and ACFSMC and others
- Good relationship with the BSMC.

Some of the production results of the cooperative were as follows:

1998 – 24 members
 2002 – 600 members
 1998 production [by 24 members] – 400,000 kg
 2001 production [by 600 members] – 3.5 million kg
 2001 production [by 24 members] – 700,000 kg

The cooperative handles nearly 70% of the total produce of the area. The cooperative is independent and financially self-sufficient and strong.

Relationship of the basic Producers with the Central Organisation of Supply and Marketing Cooperatives in China



The specialised cooperative has active and straight-line relationship with the upper levels of supply and marketing federations. Due to this chain the produce of the basic farmers flow into the supermarkets and wholesale markets operated by the system.

The persimmon specialised cooperative has become a model for the rest of the country and has been repeatedly awarded by the government and cooperative organisations for its effective marketing systems. There are 279 specialised cooperatives in the district dealing in honey, walnuts, coal and specialised fruits and vegetables.

The specialised cooperative follows a democratic management system, as has been designed by the ACFSMC. It has a representative meeting which meets once in three years. It elects a 8-member Board of Directors for a period of two years. The Board reports to the annual representative general meeting. The cooperative also has a Board of Auditors, elected for a 3 years term. The cooperative has 5 full-time workers and some part-time employees. The number of employees increases at the time of harvest.

The cooperative has been discussing with several countries to establish a joint venture to undertake processing of the fruits. The Japanese farmers have shown some interest in such ventures.

Capacity Building of Farmers' Organisation Including those of Agricultural Cooperatives

Farmers need stability and such an environment can be created if all factors contribute to develop and sustain the capacity and capability of their organisations. The following two principal approaches can be adopted to enhance capacities of any organisation:

- Economic and Infrastructural development approach;
- HRD and Professionalisation approach.

Under the economic and infrastructural development approach money, machines, markets and management come into play. Under the HRD and Professionalisation approach it is key players of the organisation which need to be qualified and improved in skills, methods and techniques to perform the business operations efficiently and with advantage to the owners and users of the organisation.

The organisational structure of the agricultural cooperatives is well spread throughout the Asia-Pacific Region. There has been a strong pressure on the agricultural cooperatives sector to align its activities with the needs and requirements of the open market systems, WTO agricultural agreements, structural adjustments etc. If these institutions have to exist and continue to sustain there is a strong need for improving managerial efficiency and business performance.

The following have been identified as the main problems faced by agricultural cooperatives:

- Lack of professional and qualified managers
- Lack of communication and interaction between managers and committees
- Lack of communication with the basic members
- Lack of interaction with and support of national sectoral federation
- Inconsistent/restrictive government policies and rigid regulations
- Lack of training infrastructure including trainers and training material
- Very low level of flow of market information and MIS
- Low level of appreciation for value-addition through agro-processing.

The following are the main areas in which capacities and capabilities need to be enhanced:

- Enhancing the managerial efficiency by incorporating better management methods and techniques through a process of continuous training and development;
- Enhancing management leadership capacities through a process of intensive training and extension work at the level of committee members, leadership functionaries and key members;
- Enhancing physical capacities of agricultural cooperatives to produce and market safe and fresh farm products with a view to generate earning capacities of the local farmers by making use of the local products;
- Enhancing the level of participation of sectoral business federations in promoting the production capacities of their affiliates and supporting them in marketing of their products.
- Review and reformation of existing government policies and procedures which are regarded as restrictive.

Methodology to enhance capacities of an agricultural cooperative could be summarised as follows:

- Organising training programmes for senior level managers with a view to improve their management capacities through lecture inputs, experience sharing and involving in the techniques of project formulations and appraisal. Such programmes be organised at international level so as to create a cadre of trainers, and then at the national level and local levels by the respective federations and institutions;
- Development of some few model training institutions, cooperative or otherwise, with a view to enhance their capacities to offer efficient training programmes with the support of trained trainers, and well-produced and field-tested material.

The training programmes or Human Resources Development activities for managers and elected leaders should be based on: Felt needs; Field case studies; Well-structured curriculum; Qualified and experienced faculty; and Appropriate teaching aids and manuals. Such programmes be conducted in association with: international and domestic organisations, specialised training institutions of higher learning; successful cooperative ventures, and well-known business houses.

Market Trends – The New International Systems

The discussions centred around the following points: Globalisation, Liberalisation of trade, WTO implications on developing economies of Asia, Capacity building measures in agricultural cooperatives, and the Role of governments and Cooperative Movements in the development of agricultural cooperatives. It was felt that diversification of agriculture is a necessity in the context of globalisation and liberalisation of trade and the implications of WTO agriculture agreements. Diversification of agriculture would mean:

- Enhances of farm income through extensive use of new technology;
- Minimises the risks to the farmers and farm products through open market system;
- Prevents degradation of natural resources;
- Ensures food and nutritional security;
- Subsistence farming to economically viable farming;
- Prospects of group/cooperative/contract/commercial farming;
- Encourages value-addition through agro-processing.

Marketing of agriculture produce was acknowledged to be a difficult exercise. The first value-addition, in fact, takes place with better marketing of the produce. Value-addition can be achieved through the following methods: Development of food processing activity through creation of facilities, providing credit facilities and exemption of tax for initial periods, reformation of laws, technology upgradation, establishment of agro-clinics and agri-business centres, expansion of warehouses and cold stores, training and development and research, institution of MIS and other business network, product certification and establishing Corporate Identity.

Impact of WTO on developing countries could be in the following ways: Market access may lead to surge in imports and adverse impact on the farmers; Legal systems for Intellectual Property Rights/Patents are not in place; Sanitary/Phyto-sanitary Measures used by developed countries as non-tariff barriers; and Misuse of various provisions by developed countries.

Agricultural cooperatives are relevant and important for the developing countries of Asia-Pacific and they need to be strengthened and enabled to face the challenges of open market system. It was, therefore, essential that the role of agricultural cooperatives be defined through: National agricultural and cooperative policies; Reformation of existing cooperative laws and regulations to make them more democratic and member/cooperative-friendly; and Reformation of institutional support by improving their delivery capacities.

Capacity building in agricultural cooperatives has two main approaches: first, capital intensive approach where men, materials, machines, management and market can become operational through the sheer use of money and other resources; the second approach is mainly through professionalisation of management by enhancing the skills and competence of managers and elected management leaders. The following obstacles to capacity building were identified:

- Lack of professional managers having appropriate knowledge of values and ethos;
- Lack of good training institutions of cooperative management;
- Lack of appropriate curricula for training of cooperative managers;
- Serious dearth of good teachers and trainers and relevant training material;
- Inadequate opportunities for career development;
- Lack of performance-based reward system;
- Poor working conditions;
- Small size of business operations;
- Excessive governmental control and restrictive cooperative laws;
- Weak financial basis and serious lack of capital formation initiatives;
- Lack of information management/market information systems;
- Lack of scientific manpower planning;
- Lack of initiatives on technology transfer/development.

To enhance capacity building in agricultural cooperatives to meet market and human resources development requirements the following steps need to be taken:

- Mobilisation of capital through voluntary and compulsory deposits etc;
- Introduce the concept of Business Development Planning at all levels;
- Enhance delivery of institutional support;
- Provision of cooperative development services;
- Amplification of the role of federal cooperatives;
- Networking of agricultural cooperatives to have a better bargaining power;
- Strengthen partnerships, joint ventures, and strategic alliances;
- Upgradation of technical competence;

- Manpower development, training, and research;
- Extensive member education programmes at all levels.

It was found that in several countries farmers have begun to lose interest in the farming operations because of the dumping of imported farm products which are cheaper than those of local products. Several social and political problems have emerged. Also the governments have begun to withdraw completely the subsidies due to the pressures from some of the international organisations. There are, therefore, a whole lot of uncertainties for the farmers and even for the governments because relevant policies have not been formulated and announced.

In order to formulate appropriate policies for capacity building and improvements in the capabilities of the management of agricultural cooperatives it was considered necessary to immediately embark on the following activities:

- 01 Carry out policy surveys in the region to identify the problem areas in the wake of free market systems, globalisation and WTO impacts and suggest methods and means to overcome such problems at government and Cooperative Movement level and with the support and collaboration of international organisations e.g., FAO and other institutions;
- 02 Undertake extensive training and development activities by instituting regional, national and local level training programmes for managers and elected management leaders and key members with the collaboration of international e.g., FAO and other institutions at the international and local levels.

Based on the observations made in some of the agricultural Cooperative Movements in the Region and discussions with prominent leaders and managers, the following main conclusions can be drawn:

In respect of Agricultural Cooperatives:

- 01 Agricultural cooperatives are present in all countries of the Region and except for China they are covered by cooperative legislations;
- 02 Agricultural cooperatives have observed the Principles of Cooperation and have carried out business operations in accordance with the cooperative values and ethics;
- 03 They have provided farm inputs, credit, marketing and guidance services to their members;
- 04 Most of the cooperatives are in acute shortage and need of infrastructure e.g., grading, warehousing and transportation;
- 05 There is a near total absence of Marketing Information System, support and collaboration of their sectoral federations in terms of business and advice;
- 06 Member participation is low because of traditional business operations and lack of economic returns;
- 07 Most of the agricultural cooperatives have expressed fears and reservations on the concept of joint venture, raising funds from outside sources, and joint action efforts;
- 08 Managers and board/committee members have not received management and professional training and often lack experience in managing business and relationship with members;

- 09 Several successful and vibrant agricultural cooperatives have been found in milk, sugar, fertiliser and food processing sectors. Their success is attributed to professional management, cordial relationship between the manager and the elected leaders, and between the members and the cooperative;
- 10 Several agricultural cooperatives have willingly sponsored their managers and leaders for training to specialised and professional institutions within the country and abroad. Many of the cooperatives have felt that the training opportunities and facilities were grossly inadequate;
- 11 Very few agricultural cooperatives have undertaken capital formation exercises because of lack of initiative and due to low level of goodwill among members;
- 12 Agricultural cooperative often find faced with lack of capital and almost non-availability of financial support from the government. They consider that having a cooperative bank of their own would solve the financial problems.
- 13 Agricultural cooperatives insist on improving the managerial skills and performance of their managers through training, and experience sharing. Cooperatives are willing to share and cover such expenses and consider such expenses as investments.

In respect of the Governments

- 01 Almost all the countries in the Asia-Pacific Region have cooperative legislations and National Cooperative Policies, except for China. The discussions on the enactment of a cooperative law in China are currently actively taking place. In view of the experimentation with new forms of professional economic cooperative organisations, the Chinese Government should expedite the enactment of its cooperative law and announce its cooperative development policy;
- 02 Although many governments have reviewed, revised and reformed their cooperative laws, would still wish and be willing to make the cooperative laws more cooperative friendly and member-friendly;
- 03 In view of the globalisation and liberalisation of trade, and the implications of the WTO agreement and the policies of other regional groups, almost all the countries have been conducting public relations activities through seminars, conferences and workshops to keep the general public including agricultural cooperative informed of the results and discussions. Since the WTO implications are of a broad spectrum, a lot more needs to be done by governments in collaboration with cooperatives and farmers' organisations to clear doubts and help sort out the problems;
- 04 Governments have either withdrawn completely or drastically reduced subsidies in the agricultural sector. This has increased the cost of production and brought some financial worries on the farmers. Local farm products in many cases have become more expensive than the ones which are imported. Such decisions were taken by governments due to the consequences of international pressures, financial problems, and political compulsions.
- 05 In order to formulate appropriate and realistic policies e.g., on the implications of WTO agricultural agreements or trade or structural adjustment or poverty alleviation, there is a need for the governments and cooperatives to establish a proper database.
- 06 There is a need for training and skills in data collection, analysis of data and application of the gathered information in formulating policies.
- 07 Governments have encouraged cooperatives to engage themselves in a variety of business operations and enter into agreements with others, including cooperatives, as joint ventures for production and marketing of agricultural products especially in agro-processing sector;

- 08 Governments and cooperatives have to work together to improve the existing cooperative training and development facilities and prepare them as 'specialised window training institutions' for building a strong professional management cadre in the region.
- 09 In order to provide greater and easy access to financial institutions, governments and Movements have to work together to establish cooperative banks and explore 'joint action' in capital formation through negotiations and collaboration.

The role of national and international GOs, NGOs, CSOs which have special interest in the development of cooperatives need to be enhanced by soliciting their collaboration and cooperation in carrying out field studies, training programme, discussions and other activities. Some of the areas in which such collaboration can be enlisted are: environmental concerns, energy resources conservation, water for irrigation and drinking, women and youth development programmes, education and health care etc.

Conclusions and Recommendations

Agricultural cooperatives in the Region exist in almost all the countries and enjoy legal recognition. The level of their development differs from country to country depending upon various historical, social, political and economic factors. The work methods, business operations and farming techniques are still traditional. There has been a very little technological improvement mainly due to lack of capital, initiative, work environment and technical competence. Responding to the changing needs, agricultural cooperatives have also changed their methods and techniques and the governments have also reviewed, revised and reformulated their cooperative laws and policies. The process of change is continuing more so keeping in view the impacts of trade liberalisation, process of globalisation, structural adjustments, reduction or removal of subsidies and WTO implications.

Agricultural cooperatives have come under heavy pressures because of trade liberalisation, and, as a result, several of them have been suffering from low business performance. It is becoming increasingly difficult for them to stay in business. There are, however, not many cases where cooperatives have folded because of these adverse business environments. Cooperatives have several advantages to themselves e.g., they are owned by members, most of the members belong to farming communities and are economically not so comfortable, they need services which they themselves, through their own cooperatives, can muster for themselves, and they have a better bargaining power and freedom of action because they are self-help groups and non-governmental organisations.

The region has very successful and not very successful agricultural cooperatives. The successful ones are those which had a greater member participation, member loyalty, professional management, qualified managers, enlightened membership, better linkages with producers and consumers and which are self-supporting, self-reliant and are able to provide a full range of services to their members. Most of such cooperatives are in the dairy, sugar, fertiliser, agro-processing and marketing sectors. They are successful also because they do not have much of interference of government by way of departmental controls, political patronage and government nominees on their management boards. Such cooperatives are few.

The weaker agricultural cooperatives are those which are not democratic in character, controlled by external elements – official, political or social, low level of member participation in the organisational and business structures, inadequate capital base, not adhering to the

Principles of Cooperation, lower level or absence of professional and qualified managers, inefficient business operations, and non-performance of basic services to the members. Such cooperatives are many. They, however, serve an important purpose even if they are not economically viable. They still serve as a focal point in the village for the people to rally around for satisfaction of their credit and other general services needs.

The main challenge before the agricultural cooperatives in the region is to enable themselves to improve their capacities and capabilities to meet the present-day needs of the members through legal, economic and management inputs. There is a strong need now to create a conducive and favourable environment for the cooperatives to develop and remain present in the market to perform well in the service of their members. Entrepreneurial development programmes, legislative reforms, policy research and formulation, capital mobilisation, management skills development, and general capacity building activities are the essential elements for the development of agricultural cooperatives in the region.

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