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# Current Development Situations and Countermeasures for Tobacco Farmers' Specialized Cooperatives in Hunan Province

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**Abstract** This paper firstly introduces development history of China's farmers' specialized cooperatives and connotation and mechanism of tobacco farmers' specialized cooperatives. Then, it analyzes current development situations of tobacco farmers' specialized cooperatives in Hunan Province. On the basis of analysis, it puts forward development countermeasures, including realizing circulation of tobacco land, strengthening propaganda of laws on tobacco farmers' specialized cooperatives, increasing operation effect of tobacco farmers' specialized cooperatives, enhancing guidance and supervision of tobacco farmers' specialized cooperatives, as well as improving specialized service level.

**Key words** Tobacco farmers' specialized cooperatives, Current development situations, Countermeasures, Hunan Province

## 1 Development history of farmers' specialized cooperatives in China

Farmers' specialized cooperative is an active exploration and great innovation of vast farmers. Developing farmers' specialized cooperatives is an inevitable road to strengthen agricultural industrial competitive power. In foreign countries, specialized cooperative has a history of more than 160 years, while it only started in the 1980s in China. Since it has bigger advantage in solving connection between separate small production and changeable large market, the specialized cooperative develops violently. In the middle of the 1990s, a lot of cooperatives emerged in sectors of agriculture. Especially after the implementation of the *Law of the People's Republic of China on Farmers' Specialized Cooperatives* (hereafter referred to as the *Cooperative Law*) on July 1, 2007, with promotion of a series supporting policies and attention of governments at all levels, cooperatives develop vigorously. In 2008, the Third Plenary Session of the Seventeenth Central Committee of the Chinese Communist Party stated that it should "support develop of farmers' specialized cooperatives according to requirements of serving farmers, free participation or withdrawal, equal right and democratic management, to make it become modern agricultural operating organization participating in domestic and foreign market competition". This further strengthens and standardizes development of cooperatives. Besides, it brings into play its functions of promoting stable development of agriculture and promoting continuous increase of farmers' income. With constant advance of China's industrialization, marketization, informationization and internationalization, cooperatives also face many problems, including fast overall development, lack of funds, small scale, not standard internal operation and management. All of these restrict development and innovation of cooperatives. On June 11, 2010, the Ministry of Agriculture printed and distributed the *Trial Standards on Establishment of Demonstration Farmers' Specialized Cooperatives* to promote standardized and high level development of farmers' spe-

cialized cooperatives. It sets down requirements of "proper democratic management, large operation scale, high service ability, high product quality, and good social response" for farmers' specialized cooperatives. This will greatly develop farmers' specialized cooperatives, and further standardize their development, to bring them to regular and standardized development road.

## 2 Connotation and mechanism of tobacco farmers' specialized cooperatives

Tobacco production features high technical, complicated process, high requirement, high risk and high requirement for workers. However, the educational level of Chinese farmers is generally low. This determines that tobacco production must take the road of intensive management and specialized service. Tobacco farmers' specialized cooperatives are cooperative economic organizations formed on separate management on the basis of household contract management by tobacco producers and production service providers on the principle of voluntary combination and democratic management<sup>[1]</sup>. Cooperatives realize large-scale management of tobacco production through land circulation, buying shares or trusteeship; realize specialized labor division and intensive management through establishing specialized service teams; gradually promote information construction through introducing state-of-the-art technologies and strengthening production management. Since tobacco farmers' specialized cooperatives are formed among tobacco farmers, they can not only keep the enthusiasm of farmers' independent management, but also have the advantage of cooperative system. Thus, they play a significant role in transforming traditional tobacco agriculture to modern tobacco agriculture, improving the entire level of tobacco production, and promoting scientific and sustainable development of tobacco industry.

Developing tobacco farmers' specialized cooperatives conforms to requirement of the central government for actively promoting development of farmers' specialized cooperatives, and meets the realistic requirement of making efforts to realize objectives of modernized tobacco production at the current stage. At the 2012

national tobacco working conference, general manager of the State Tobacco Monopoly Administration clearly expressed that promoting development of tobacco farmers' specialized cooperatives is the requirement of improving organization level of tobacco farmers, the need of strengthening management and supervision of tobacco farmland infrastructure, and also the necessity for innovative development of tobacco production and organization form in the new situation. Therefore, we must make efforts to constantly innovate and have the courage to keep forging ahead in combination with actual industrial situations, and take the acceleration of construction of tobacco farmers' cooperatives as one of the top priorities in the current tobacco works.

### **3 Current development situations of tobacco farmers' specialized cooperatives in Hunan Province**

With a long history of tobacco production, Hunan Province has long enjoyed a good reputation of high tobacco quality, and both of its tobacco planting area and total output rank the first in the whole country. Its tobacco products are sold both at home and abroad and are raw materials of many cigarette brands. In recent years, with the close attention from the State Tobacco Monopoly Administration and provincial government, and great support of relevant department, tobacco farmers' specialized cooperatives in Hunan Province develop rapidly and have made significant achievements.

**3.1 Close attention of government and great support of the State Tobacco Monopoly Administration** With several years of construction of modern tobacco agriculture, tobacco infrastructure is increasingly improved and tobacco farmers' specialized cooperatives emerge rapidly in large numbers and develop vigorously in tobacco producing areas, Hunan Tobacco Monopoly Bureau has established "government guiding, tobacco bureau supporting, department cooperating and tobacco farmers participating" construction mechanism of tobacco farmers' cooperatives. It should make greater effort in propagation before construction, guidance during construction and acceptance evaluation after construction. In 2011, Hunan Province held 56 times of scheduling meetings for construction of tobacco farmers' specialized cooperatives, held 479 times (about 45 700 people) of cooperatives knowledge training, organized 68 times of construction supervision, and issued 29 supervision circulars. Companies in tobacco producing areas increased support for cooperatives, with starting fund input into tobacco farmers' specialized cooperatives up to 2.647 million yuan and specialization service subsidy as high as 30.58 million yuan. In 2012, the whole province is planned to invest 1.6 billion yuan to promote construction of a series of key projects, such as water source works and land consolidation.

**3.2 Increasingly perfect tobacco farmers' specialized cooperative organization model and rapid development of cooperatives** Hunan Tobacco Monopoly Bureau energetically supports the development of comprehensive service cooperatives in accordance with requirement of "combined centralization and decentralization, two tier management and specialized cooperation". This

forms the basic construction model of characteristic "one cooperative, two sites, three subjects, six centralizations, two decentralizations and one center" tobacco farmers' specialized cooperatives. Specifically, it relies on nursery garden and baking factory; establishes a comprehensive specialized service cooperative; sets up tobacco planting specialized household, family farm, and tobacco cooperative; integrates seedling growing, mechanical plowing, plant protection, baking, classification, and transport. Tobacco farmers implement large field cultivation and management, tobacco sales. Within the cooperative, it should set up a tobacco farmer service center to take over responsibilities of employing tobacco farmer counselors, technical guidance and supply of means of agricultural production which are assumed by the tobacco station in the past. Specialized cooperation effectively improves organizational level of farmers and realizes reduction of labor and cost, and increase of quality and efficiency. By 2011, Hunan Province has 173 registered tobacco farmers' specialized cooperatives (including 73 production cooperatives and 100 comprehensive service cooperatives), 84 more than the same period of the last year, having an increase of 94.4%; cooperative members reach 23 252, including 22 434 tobacco farmers, accounting for 26.17% of the tobacco farmers of the whole province. Comprehensive service tobacco farmers' cooperatives increased to 100 in 2011 from 22 in 2010 (24.7% rising to 57.8%). In Changde City, tobacco farmers' specialized cooperatives also grow out of nothing. Eight such cooperatives were established in major producing areas. Taoyuan County actively explored the reform pilot of cooperative construction, set up cooperative associations, and realized "association of households" changing to "union of cooperatives".

**3.3 System improved and coverage of specialized services effectively promoted** The establishment of cooperatives should firstly have regulations to abide by. In the exploration and pilot works of tobacco farmers' specialized cooperatives, Hunan Tobacco Monopoly Bureau established "1 – 12 – 6" management system, *i.e.* one general regulation, 12 basic systems and 6 specialized service implementation management methods, to strictly standardize internal management and specialized service. Chenzhou Hongyun Tobacco Specialized Cooperative has made substantial achievements in the actual exploration, and was considered "advanced" by the State Tobacco Monopoly Administration. At the same time, it established 7 step process and 8 fixed cost control specialized service system, which greatly improved specialization level and service quality of specialized cooperatives. In 2011, the seedling growing area carried out through tobacco cooperatives accounted for 44.5% of tobacco planting area in the whole province; plowing accounted for 38%; soil preparation and ridging took up 33.1%; plant protection accounted for 26.9%; baking took up 30.5%; grading took up 26.3%.

**3.4 Self-development ability strengthened due to emphasis on innovation** To strengthen "blood – making" function of cooperatives, Hunan Province constantly explores comprehensive utilization method and efficiency of operational assets, which en-

hances revenue-producing power and profitability of specialized cooperatives. Hunan Tobacco Monopoly Bureau set up two research seminars for comprehensive utilization of facilities, carried out variety introduction and key technology researches, and has grasped cultivation technologies of 13 types of fruits and vegetables and edible fungus (including Kylin melon, greenhouse cucumber, Enoki mushroom, *etc.*), and has prepared production technical regulations. Adopting "company + base" operation mode, according to requirement of order production, 25 tobacco cooperatives in the whole province conducted comprehensive utilization of facilities in 2011. It realized output of 8.573 million yuan with profit of 2.026 million yuan. It used nursery garden 214 700 m<sup>2</sup> and realized income of 2.787 million yuan with profit of 762 800 yuan; it used 35 200 m<sup>2</sup> concentrated baking room and realized income of 1.232 million yuan, with profit of 388 500 yuan; 4 173 hm<sup>2</sup> tobacco land used machinery (except tobacco machinery operation) and realized income of 4.553 million yuan, with profit of 874 900 yuan. Especially, Jianghua Fengfa and Guiyang Hongyun have higher market level and most significant benefit. Changde City's Taoyuan Zhujiagang and Linli Baofeng tobacco farmers' specialized cooperatives made firm step in market-oriented and specialized operation, and obtained substantial benefit.

**3.5 Higher profit of tobacco cooperatives due to promoting intensive and diverse operation** Hunan Province develops comprehensive service cooperatives, takes the tobacco as major part, improves service ability of cooperatives, constantly expands service functions of cooperatives, and makes efforts in whole-process service and full coverage. In 2011, 173 cooperatives in the whole province planted 3 833 hm<sup>2</sup> tobacco, accounting for 44.48% of the planting area in the whole province, 30 percentage points higher than the last year; the tobacco planting scale of cooperative members reached 1.7 hm<sup>2</sup>/household, and organizational and intensive level of tobacco production got improved.

It integrated hardware and software construction of cooperatives, and raised industrialized level of tobacco production and diverse management, which improves profit of tobacco cooperatives. In 2011, 25 accepted cooperatives in the whole province realized the total income of 67.605 million yuan with profit of 5.187 million yuan. Five cooperatives (Guiyang Hongyun, Liuyang Jinsha, Jianghua Fengfa, Jiahe Yixiang and Guiyang Yingnong) realized annual profit higher than 400 000 yuan. Income of cooperative members increase significantly, the tobacco income each household is up to 59 000 yuan, higher than the average level of the whole province (14 400 yuan); evaluation income 48 255 yuan/hm<sup>2</sup>, 5 475 higher than the local average level; net income 23 055 yuan/hm<sup>2</sup>, 10 995 yuan/hm<sup>2</sup> higher than the local average level. In Changde City, only Zhujiagang and Baofeng cooperatives realized profit.

Hunan Province's tobacco cooperative construction takes the lead in the whole country and has gained approval of the Tobacco Monopoly Administration and Hunan Tobacco Monopoly Bureau. General manager of the State Tobacco Monopoly Administration,

Jiang Chengkang stated that it is worth extending the practice and experience of Hongyun Cooperative, especially the institutional construction, mechanism operation, and routine management.

## 4 Existing problems and development countermeasures

The construction of tobacco farmers' specialized cooperatives is still at early stage, and there is a big gap to the construction of modern tobacco agricultural base unit. Therefore, tobacco producing areas must fully realize significance and function of construction of tobacco farmers' specialized cooperatives, accurately grasp functional orientation of these cooperatives, give prominence to service function of these cooperatives, and make effort to build these cooperatives into a subject of production organization, carrier of serving tobacco farmers, and home of farmers getting rich.

**4.1 Multi-party coordination to realize land circulation** To realize large scale operation of tobacco production, it must solve the problem of land circulation and obtain relatively concentrated land. At present, the circulation of land contractual management right is still not smooth, because it involves many households and relates to interest of many parties. If tobacco farmers coordinate the land rental method by themselves, there will the problem of difficult coordination and small scale; if tobacco companies and government coordinate the circulation of land contractual management right, there will the problem of high land rent<sup>[3]</sup>. Thus, it is extremely important to establish proper land circulation system, and issue appropriate incentive policy, to make land contractual right and price conform to requirement of large-scale development.

**4.2 Extensive and in-depth learning, propaganda and mobilization** According to the overall plan of developing 20 000 kg tobacco and building about 80 production bases in the whole province during the Twelfth Five-Year Plan period, Hunan Province should build 100 high standard comprehensive service type tobacco cooperatives, and realize full coverage of bases and key tobacco producing counties. However, there are only 12 high standard comprehensive service type tobacco cooperatives, so it has a large gap to the construction objective. Therefore, agricultural administrative department and tobacco department at all levels should actively propagate the law of farmers' specialized cooperatives with the aid of newspaper, radio, television and network, to make farmers and cooperative members fully know and grasp main content and basic spirit of this law, raise the understanding of cooperative policies and theories, so as to lay solid foundation for effectively regulating operation of farmers' specialized cooperatives and realize fast and healthy development of tobacco farmers' specialized cooperatives in Hunan Province.

**4.3 Firmly controlling the quality to improve actual effect of operation of tobacco cooperatives** With near two years of rapid development, Hunan Province has built more and more tobacco cooperatives, but the quality is varied, actual effect is also different, and it is urgent to transform the development model. In future, it is recommended to base on existing construction achieve-

ments, energetically transform development model, lay special stress on construction quality and actual effect of operation, rather than pursuing only development quantity and scale.

**4.4 Strengthening guidance and supervision to constantly improve management** The development course of Chinese tobacco farmers' specialized cooperatives is very short, so its organization structure is not proper, internal management not scientific and institutional construction not perfect. In this situation, government should constantly strengthen and improve guidance and supervision; tobacco and agricultural economic departments should actively provide timely and effective service of information, technology and protection of rights and interests, to guide tobacco farmers' specialized cooperatives to standardize regulations, improve system and enhance management. Besides, separate and extensive production models are not suitable for tobacco farmers' specialized cooperatives, and impede development and expansion of farm-oriented production<sup>[4-5]</sup>. Therefore, it should introduce modern corporate management system, establish "equal, fair and open" scientific performance assessment system, and implement standardized production.

**4.5 Stressing position of service subjects and improving level of specialized service** In agricultural production, tobacco production has many sections and the process is very complex. To relieve tobacco farmers from so difficult technology and high labor intensity, we must take the road of specialized cooperation. Therefore, it should stress position of tobacco farmers' cooperatives and expand their service functions. It is recommended to build tobacco

farmers' specialized cooperative into an organization that provides specialized service, comprehensive utilization and supervision of facilities, tobacco production, supply of agricultural means, and technical guidance, and market subject of contracting agricultural engineering projects, so as to improve their self-management ability. In addition, it should strengthen technical training of service teams for tobacco farmers' specialized cooperatives, and improve professional quality of service teams. Members of agricultural machinery operation, plant protection, baking and classification service teams should not go to post without corresponding license.

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fertilizer) are prohibited to be added in the organic fertilizer, and individual enterprises should be prevented to blend other inorganic raw materials.

## 3 Quality standard assessment of organic fertilizer in Jiaxing City

Based on the newly formulated local standard of organic fertilizer in Jiaxing City, the organic fertilizer with the quality reaching the first level standard in the period 2009 – 2011 accounted for 66.66%, the organic fertilizer with the quality reaching the second level standard accounted for 83.33%, and even the organic fertilizer with poor quality accounted for 16.66%. In accordance with the testing results of organic matter using NY525 – 2002 standard, we estimate the organic matter content using NY – 2012 standard: The proportion of organic matter reaching the standards of third level (45%), second level (50%) and first level (55%) can be up to 100%, 95%, 90%, respectively.

## 4 Pending issues left over

Two issues are yet to be solved in the newly formulated Jiaxing local standard. The first is the issue of too high heavy metal in some samples of organic fertilizer. After testing the content of heavy metal in 20 samples of organic fertilizer, in accordance with NY525 – 2002 standard, the heavy metal content meets the standard requirements; but in accordance with the new NY525 – 2012 standard, mercury is 10% over the set standard and arsenic is 35% over the standard. Moreover, lead in the organic fertilizer  $\leq 50$  mg/kg and chromium  $\leq 150$  mg/kg, both less than 250 – 350 mg/kg of lead and 250 – 350 mg/kg of chromium in the second level standard of soil. Therefore, the local areas should actively and strictly control the source of organic fertilizer-feed additive, to prevent the high content of heavy metal in organic fertilizer. The second is that the actual basis and application effect of oxidation correction coefficient of testing value of organic matter based on NY525 – 2012 are debatable. It is recommended that when revising the national standard of organic fertilizer industry, the related experts should take account of the two issues.